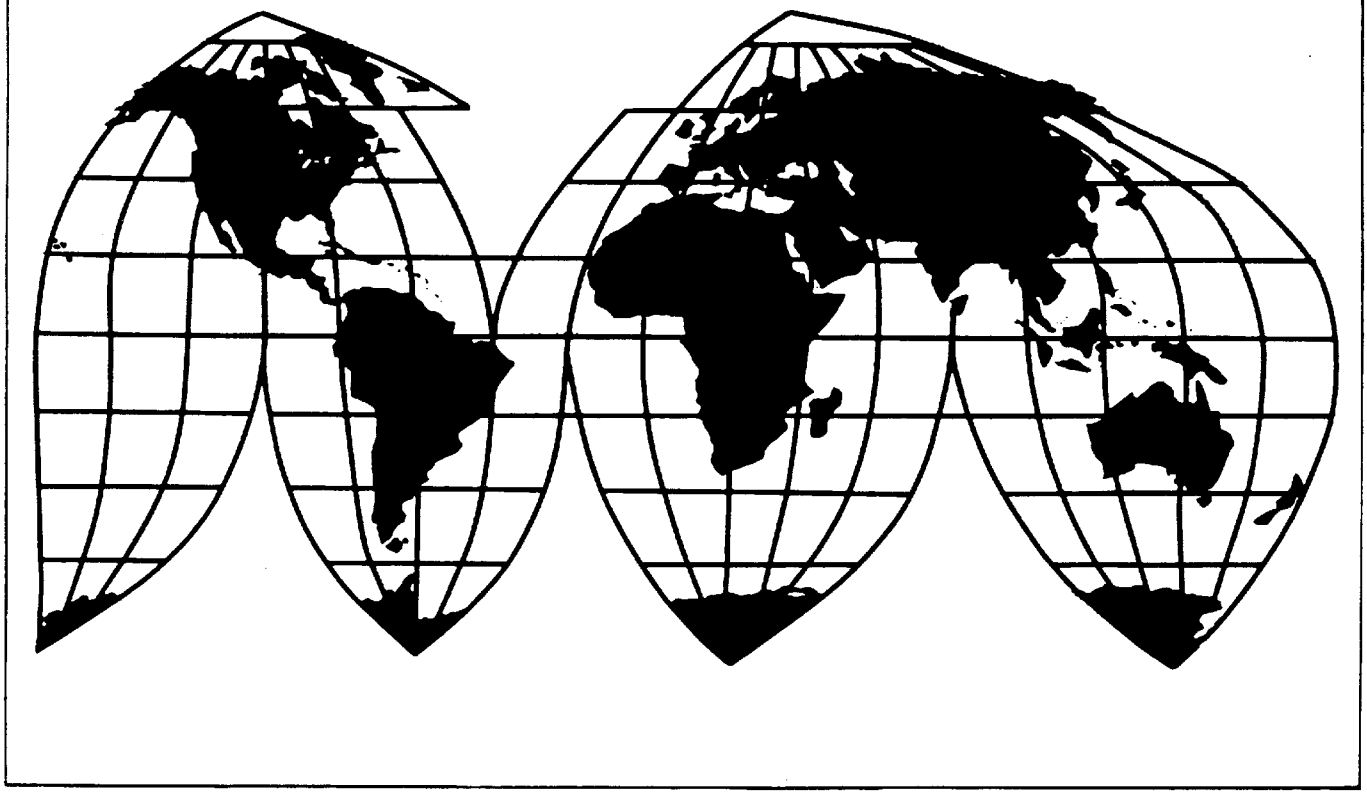
Steel: Evaluation of the Effectiveness of Import Relief

Investigation No. TA-204-12

Publication 3797 **September 2005**

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

COMMISSIONERS

Stephen Koplan, Chairman
Deanna Tanner Okun, Vice Chairman
Jennifer A. Hillman
Charlotte R. Lane
Daniel R. Pearson
Shara L. Aranoff*

Robert A. Rogowsky
Director of Operations

Robert G. Carpenter
Director of Investigations

* Commissioner Shara L. Aranoff was sworn in on September 6, 2005 and did not participate in this investigation.

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436
www.usitc.gov

Steel: Evaluation of the Effectiveness of Import Relief

Investigation No. TA-204-12

Publication 3797

September 2005

Steel: Evaluation of the Effectiveness of Import Relief

(Investigation No. TA-204-12)

Staff assigned:

Office of Investigations

Douglas Corkran, *Supervisory Investigator*

Investigators

Dana Lofgren and Russell Duncan

Economist

Nancy Bryan

Financial Analysts

John Ascienzo, Justin Jee, Chand Mehta, and Mary Pedersen

Industry Analysts

Gerald Houck and Karl Tsuji

Attorney

William Gearhart

With additional contributions from:

Mara Alexander (Statistician); Colin Baker (Intern);
Joyce Bookman (Lead, Visual Design Specialist);
Barbara Bryan (Statistician); Lita David-Harris (Statistician);
Vincent DeSapio (Industry Analyst); Gabriel Ellenberger (Intern);
Elizabeth Haines (Investigator); Paulette Henderson (Visual Design Specialist);
Carolyn Holmes (Statistical Assistant); Steven Hudgens (Senior Statistician);
Ken Kozel (Statistical Assistant); Harry Lenchitz (Industry Analyst);
John Robertson (Supervisor, Print Shop); Andrew Rylyk (Chief, Statistical Services Division);
Lemuel Shields (Statistical Information Specialist); Darlene Smith (Statistical Assistant);
Karen Taylor (Industry Analyst); Alan Treat (Industry Analyst);
and Norman VanToai (Industry Analyst)

CONTENTS

CONTENTS–*Continued*

CONTENTS–*Continued*

Page

CHAPTER 4: CARBON AND ALLOY TUBULAR STEEL

Page

CHAPTER 5: STAINLESS STEEL

Page

APPENDICES

EXECUTIVE SUMMARY

BACKGROUND

On March 5, 2002, following affirmative determinations of serious injury or threat of serious injury by the Commission under section 202 of the Trade Act of 1974 (the Act), the President announced the safeguard measures that he planned to implement to facilitate efforts by various domestic steel industries and their workers to make a positive adjustment to import competition with respect to certain steel products. The safeguard measures encompassed 10 different product categories: certain carbon and alloy flat-rolled steel, tin mill products, hot-rolled bar and light shapes, cold-finished bar, rebar, certain welded pipe and tube, fittings and flanges, stainless steel bar, stainless steel rod, and stainless steel wire.

Presidential Proclamation 7529 implemented the safeguard measures, principally in the form of tariffs and a tariff-rate quota, effective March 20, 2002, for a period of 3 years and 1 day. The measures applicable to the various product categories are described in detail in the individual product discussions below. The safeguard measures applied to imports of subject steel products from all countries except Canada, Israel, Jordan, and Mexico, which have entered into free trade agreements with the United States, and most developing countries that are members of the World Trade Organization. The President's initial proclamation also excluded numerous specific products from the measures. Pursuant to authority in Proclamation 7529, as supplemented by Proclamation 7576 (of July 3, 2002), the U.S. Trade Representative subsequently announced three additional lists of product exclusions on July 12, 2002, August 30, 2002, and March 31, 2003. The first phased reduction of the relief action (generally, a lowering of tariffs) took effect on March 20, 2003.

The President also instructed the Secretary of the Treasury and the Secretary of Commerce to establish a system of import licensing to facilitate the monitoring of imports of certain steel products. The Department of Commerce published regulations establishing such a system on December 31, 2002.

As required by statute, the Commission, effective March 5, 2003, instituted an investigation under section 204(a) of the Act for the purpose of preparing a mid-point report to the President and the Congress on the results of its monitoring of developments with respect to the domestic steel industries since the imposition of import relief. The Commission's report included information concerning the progress and specific efforts made by workers and firms in the 10 domestic industries to make a positive adjustment to import competition. The Commission issued its report to the President on September 19, 2003.

On December 4, 2003, the President issued Proclamation 7741 that terminated the tariff-rate quota and the increased import duties on certain steel products, but directed the Secretary of Commerce to continue the monitoring system until the earlier of March 21, 2005, or such time as the Secretary establishes a replacement program. On March 11, 2005, the Department of Commerce published an interim final rule to implement a replacement program for the period beyond March 21, 2005, with modifications to be implemented on June 9, 2005.

On March 21, 2005, the Commission instituted this investigation for the purpose of preparing the report to the President and the Congress required by section 204(d) of the Act on its evaluation of the effectiveness of the safeguard action in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President in his report to the Congress under section 203(b). The Commission sent questionnaires to approximately 200 U.S. companies believed to produce the subject steel products during January 2001-March 2005. Although the Commission initially received 12 requests to appear at a public hearing, all such requests were subsequently withdrawn and no one appeared to give testimony at the hearing. Finally, the Commission reviewed an extensive body of public information as well as submissions, including prehearing and posthearing briefs, from parties and nonparties.

OVERVIEW OF U.S. AND GLOBAL STEEL DEVELOPMENTS

The United States economy was in recession from March 2001 to November 2001 and subsequently entered into a period of expansion. During the period for which data were collected for this evaluation, U.S. demand for steel products recovered and has been especially strong since the first quarter of 2004. A slight majority of responding producers reported that demand for steel remained relatively flat from March 2002 to December 2003. Most responding producers reported that demand for steel increased from January 2004 to March 2005, generally citing growing demand in China, the improving U.S. economy, and the attractiveness of U.S. exports to the rest of the world due to the weak dollar. While U.S. prices for steel products increased for all of the products for which the Commission collected pricing data from 2002 to 2005, most producers reported rising input costs as well.

Despite operating in a fluctuating demand environment, U.S. raw steel production increased between calendar years 2001 and 2004, rising by 9.3 million short tons (9.4 percent). Although U.S. steel production capacity declined in 2002 due to numerous plant closings, much of the capacity has been restored to active status.

The number of U.S. workers producing steel declined by 30,000 between 2001 and 2004. U.S. productivity, however, increased during this period as a result of increasing production and declining employment.

World crude steel production also increased from calendar years 2001 to 2004, increasing in each year by 6-7 percent. Two-thirds of the increase in world production took place in China. During this period, the United States remained a leading producer of raw steel, although its share of world production had fallen from 10.7 percent in 2001 to 9.5 percent by 2004. Worldwide, steel production capacity continues to exceed steel production needs.

Global trade in steel has continued to grow in recent years, increasing by 12 percent between 2001 and 2003, the most recent year for which complete data are available. During this period, the United States, the European Union, and a half dozen other countries applied safeguard measures to imports of certain steel products, although most of the import restraints had been lifted by early 2004.

The concentration of the steel industry worldwide increased from 2001 to 2004, particularly among the very largest global producers. Contributing to this trend is the continued integration of steel production operations across national borders as well as the acquisition of upstream operations to ensure a secure supply of raw materials in the face of tightening availability and rising costs. These latter concerns have contributed to substantially higher steel prices in markets worldwide in 2004 and 2005.

There have been considerable changes in the number and composition of U.S. steel producers both before and since imposition of the safeguard measures. Since January 1999, 33 steel companies producing products subject to the safeguard measures have filed for bankruptcy protection. Nine of these companies have sought bankruptcy court protection since imposition of the safeguard measures. Although most of these companies continued to operate while they developed and implemented reorganization plans, several have liquidated.

Since imposition of the safeguard measures, the industries producing steel products have undergone major restructuring and consolidation. The assets of several bankrupt steel producers have been acquired by other firms. For example, International Steel Group (ISG) acquired the steelmaking assets of LTV Steel (LTV), Acme Metals, Bethlehem Steel, Georgetown Steel, and Weirton Steel. U.S. Steel Corp. (U.S. Steel) acquired the assets of National Steel. Nucor Corp. (Nucor) acquired the assets of Trico Steel, Birmingham Steel, and Tuscaloosa Steel. In a significant merger, Ameristeel, Co-Steel, Gerdau Courtice Steel, and Gerdau MRM Steel merged to form Gerdau Ameristeel.

Steel producers and the United Steelworkers of America (USWA), the principal union representing steelworkers in the United States, have negotiated groundbreaking collective bargaining agreements since imposition of the safeguard measures. In September 2002, the USWA adopted a new set of bargaining principles that it has used in subsequent labor negotiations. These principles were designed to reduce fixed costs, improve productivity, and protect retiree welfare. They served as the

basis for agreements the USWA made in 2003 with ISG, U.S. Steel, and Wheeling-Pittsburgh Steel and are expected to serve as the basis for future agreements.

Many steel producers that sought bankruptcy protection have terminated or restructured employee pension and benefit programs that they had not fully funded. The USWA-ISG collective bargaining agreement discussed above contains provisions pertaining to some of the pension and benefit costs of the bankrupt producers whose assets ISG acquired. Since March 2002, the Pension Benefit Guaranty Corporation (PBGC), a U.S. government agency, has taken over pension plans of 14 U.S. producers of steel subject to the safeguard measures. The estimated unfunded pension liabilities that the PBGC assumed from these producers exceeds $9 billion. Problems among U.S. steel producers pertaining to unfunded employee benefit liabilities are not, however, limited to bankrupt firms. In 2004, publicly-held steel producers whose reports the Commission examined stated that their total unfunded pension liabilities exceeded $3 billion and their unfunded liabilities of other post-employment benefits were almost $7 billion. Both of these amounts were significantly lower than in 2002 and 2003.

State and local governments (most notably those of Ohio and West Virginia) have implemented a limited number of new programs to benefit steel producers since imposition of the safeguard measures, but the Federal government has implemented no new measures. The United States has been an active participant in multilateral discussions seeking to address overcapacity and steel subsidies coordinated by the Organisation for Economic Co-Operation and Development. As of September 2005 elements of an agreement for reducing or eliminating subsidies had been roughly defined, although further work remains to conclude the agreement and further discussion had been postponed.

CARBON AND ALLOY FLAT STEEL

The flat steel product categories subject to safeguard measures are certain carbon and alloy flat-rolled steel and tin mill products (tin). Developments in import trends, industry conditions, and pricing are summarized separately for these two product categories. Because several U.S. producers produce steel in both product categories, their adjustment efforts are discussed collectively.

Certain Carbon and Alloy Flat-Rolled Steel

There are several forms of certain carbon and alloy flat-rolled steel that vary by the nature of their processing. The semifinished form is slab. Further processed forms include plate, hot-rolled steel, cold-rolled steel, and coated steel. The Presidential Proclamation imposed the following safeguard measures on different forms of certain carbon and alloy flat-rolled steel:

- For slab, a tariff rate quota (TRQ) of 4.90 million metric tons (5.40 million short tons) in the first year of the measure, 5.35 million metric tons (5.90 million short tons) in the second year, and 5.81 million metric tons (6.40 million short tons) in the third year, with no increase in duties for imports below the within-quota level and an increase in duties of 30 percent *ad valorem* for imports above the within-quota level in the first year of the measure, 24 percent in the second year, and 18 percent in the third year.

- For the remaining forms of certain carbon and alloy flat-rolled steel, an increase in duties of 30 percent *ad valorem* in the first year of the measure, reduced to 24 percent in the second year, and to 18 percent in the third year.

The TRQ and the increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports of certain carbon and alloy flat-rolled steel, as well as imports from covered and especially noncovered sources, increased. In contrast, in 2003 such imports from all sources decreased. Between 2001 and 2003 the quantity of total imports declined from 14.9 million short tons to 10.8 million short tons, and their market share fell from 8.6 percent to 6.2 percent. Imports from countries covered by the safeguard measure decreased from 9.9 million short tons to 4.8 million short tons, and their market share declined from 5.8 percent to 2.8 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 4.9 million short tons to 6.0 million short tons, and their market share rose from 2.8 percent to 3.4 percent.

In 2004, following the termination of increased duties and the TRQ, total imports of certain carbon and alloy flat-rolled steel increased by 74.4 percent to 18.8 million short tons (9.6 percent of the U.S. market). Imports from covered sources increased by 126.7 percent to 10.9 million short tons (5.6 percent of the market), while imports from noncovered sources increased by 32.1 percent to 7.9 million short tons (4.0 percent of the market). Total imports of certain carbon and alloy flat-rolled steel, imports from covered sources, and imports from noncovered sources were higher in the first quarter of 2005 than in the first quarter of 2004. Imports from covered sources accounted for 4.9 percent of the U.S. flat-rolled market in January-March 2005 while U.S. imports from noncovered sources accounted for 4.7 percent.

Semifinished forms of certain carbon and alloy flat-rolled steel are used to make further processed forms of the product. Further processed forms are used in such end-use applications as transportation equipment (such as automobiles, rail cars, and ships and barges), construction, appliances, heavy machinery, and machine parts. The value of U.S. manufacturers' shipments of transportation equipment increased by 7.6 percent from the first quarter of 2002 to the first quarter of 2005. Most recently, the value of U.S. manufacturers' shipments of transportation equipment have dropped by 5.8 percent from first quarter 2004 to first quarter 2005. The value of U.S. nonresidential construction put in place remained virtually unchanged from the first quarter of 2002 to the first quarter of 2005. A slight majority of the responding U.S. producers reported that U.S. demand for certain carbon and alloy flat-rolled steel remained the same from March 2002 to December 2003. Most producers reported that U.S. demand increased from January 2004 to March 2005, generally citing the improving U.S. economy, particularly in the manufacturing sector; the attractiveness of U.S. exports to the rest of the world due to the weak dollar; and growing demand in China.

In 2002, the first year import relief was in effect, the domestic industry decreased its share of the U.S. market from 91.4 percent to 90.0 percent. In 2003, the domestic industry held 93.8 percent of the U.S. market. Consistent with trends in apparent U.S. consumption, production increased in 2002, then declined in 2003. Capacity utilization increased from 76.7 percent in 2001 to 83.7 percent in 2002, then declined to 79.4 percent in 2003. The capacity of the U.S. flat-rolled industry declined in 2002 and increased in 2003, while employment decreased each year and productivity increased. The average unit value (AUV) that the flat-rolled industry received for commercial sales increased from $385 per short ton in 2001 to $409 in 2002, then increased to $412 in 2003. Cost of goods sold (COGS) declined on a unit basis, notwithstanding an increase in unit raw material costs, reflecting lower direct labor and overhead costs. The domestic industry's operating margin moved from negative 12.4 percent to negative 3.3 percent between 2001 and 2002, and reached negative 4.1 percent in 2003.

The domestic industry held 90.4 percent of the U.S. flat-rolled market in 2004 and 90.4 percent in the first quarter of 2005 (down from 93.4 percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 but were lower in January-March 2005 than in January-March 2004. Capacity utilization reached 82.6 percent in 2004 but was 77.9 percent in the first quarter of 2005. During this period, capacity increased and employment continued to decline, while productivity continued to increase. The AUV that the flat-rolled industry received for commercial sales increased sharply in 2004 to $604 per short ton (from $412 in 2003) and to $702 in the first quarter of 2005. COGS also increased on a unit basis, reflecting an increase in unit raw material

costs. The domestic industry's operating margin increased from negative 4.1 percent in 2003 to positive 13.2 percent in 2004 and was 16.3 percent in the first quarter of 2005, up strikingly from 6.1 percent in the first quarter of 2004.

The Commission collected quarterly pricing data for five different domestically produced products in the certain carbon and alloy flat-rolled steel category. Prices decreased for all but one of these products from the first quarter of 2001 to the first quarter of 2002, ranging from a decrease of *** percent for the slab pricing item to a negligible increase for the plate pricing item. Prices for all of these products increased from the first quarter of 2002 to the first quarter of 2003, ranging from an increase of *** percent for the plate pricing item to an increase of 37.4 percent for the cold-rolled pricing item. Quarterly prices increased again for all of the products from the first quarter of 2003 to the first quarter of 2004, ranging from a negligible increase in the cold-rolled pricing item to an increase of *** percent for the slab pricing item. Prices then increased significantly from the first quarter of 2004 to the first quarter of 2005, ranging from an increase of 36.1 percent for the coated pricing item to an increase of *** percent for the plate pricing item.

Tin

The Presidential Proclamation included an increase in duties on tin of 30 percent *ad valorem* in the first year of the measure, reduced to 24 percent in the second year, and to 18 percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports of tin, as well as imports from covered sources, declined sharply, while imports from sources not covered by the safeguard measure increased modestly. Likewise, in 2003, total imports and imports from covered sources declined, while imports from noncovered sources increased. Between 2001 and 2003 the quantity of total imports declined from 540,254 short tons to 392,946 short tons, and their market share fell from 16.0 percent to 13.5 percent. Imports from countries covered by the safeguard measure decreased from 386,093 short tons to 218,133 short tons, and their market share declined from 11.5 percent to 7.5 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 154,161 short tons to 174,813 short tons, and their market share rose from 4.6 percent to 6.0 percent.

In 2004, following the termination of increased duties, total imports of tin increased by 20.2 percent to 472,216 short tons (13.5 percent of the U.S. market). Imports from covered sources increased by 43.3 percent to 312,565 short tons (9.0 percent of the market), while imports from noncovered sources decreased by 8.7 percent to 159,650 short tons (4.6 percent of the market). Total imports of tin, imports from covered sources, and imports from noncovered sources were higher in the first quarter of 2005 than in the first quarter of 2004. Imports from covered sources accounted for 11.6 percent of the U.S. tin market in January-March 2005, while U.S. imports from noncovered sources accounted for 5.6 percent.

Tin is used primarily in the manufacture of welded can containers for food, beverages, aerosols, and paint. The quantity of U.S. manufacturers' shipments of steel cans for food increased by 9.7 percent from the first quarter of 2002 to the first quarter of 2005. Half of the responding tin mill producers reported that U.S. demand for tin remained the same from March 2002 to December 2003 and most responding producers reported that demand increased from January 2004 to March 2005, citing increased demand in China.

In 2002, the first year import relief was in effect, the domestic industry increased its share of the U.S. market from 84.0 percent to 88.5 percent. In 2003, the domestic industry held 86.5 percent of the U.S. market. Consistent with trends in apparent U.S. consumption, output-related indicators such as production and shipments increased in 2002, then declined in 2003. Capacity utilization increased from 77.5 percent in 2001 to 87.4 percent in 2002, then declined to 74.8 percent in 2003. The capacity of the U.S. tin industry declined in 2002 and in 2003, as did employment, while productivity increased. The

AUV that the tin industry received for commercial sales increased from $593 per short ton in 2001 to $598 in 2002, then declined to $527 in 2003. COGS declined on a unit basis, notwithstanding an increase in unit raw material costs, reflecting lower direct labor and overhead costs. The domestic industry's operating margin improved from negative 6.7 percent to negative 3.6 percent between 2001 and 2002, and reached positive 4.3 percent in 2003.

The domestic industry held 86.5 percent of the U.S. tin market in 2004 and 82.8 percent in the first quarter of 2005 (down from 90.5 percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 but were lower in January-March 2005 than in January-March 2004. Capacity utilization reached 88.4 percent in 2004 but was 84.5 percent in the first quarter of 2005. During this period, capacity remained stable and employment continued to decline, while productivity continued to increase. The AUV that the tin industry received for commercial sales increased to $630 per short ton in 2004 and to $708 in the first quarter of 2005. COGS also increased on a unit basis, reflecting an increase in unit raw material costs. The domestic industry's operating margin increased to positive 4.8 percent in 2004 and was 6.0 percent in the first quarter of 2005, up slightly from 5.9 percent in the first quarter of 2004.

Quarterly prices for the domestically produced tin product for which the Commission collected pricing data were virtually unchanged from the first quarter of 2001 to the first quarter of 2002, rose by *** percent from the first quarter of 2002 to the first quarter of 2003 and then decreased by *** percent from the first quarter of 2003 to the first quarter of 2004. Prices increased significantly, by 28.0 percent, from the first quarter of 2004 to the first quarter of 2005.

Adjustment Efforts of the Industries Producing Flat Steel Products

Pursuant to section 204(d)(1) of the Act, the Commission collected information concerning the progress and specific efforts made by workers and firms to effect a positive adjustment to import competition. During the section 201 investigation, the individual producers of certain carbon and alloy flat-rolled steel and tin submitted adjustment plans that included: (1) restoring financial stability; (2) investing in more efficient facilities and equipment; (3) developing new products and markets; and (4) pursuing market-based consolidation and rationalization.

The legislative history of section 204 of the Act directs that adjustment efforts should be evaluated in light of existing economic conditions. As described above, demand for the products at issue was weak at the outset of the period of import relief, but then recovered, as demonstrated by rising consumption in the United States and abroad. The recovery in demand was accompanied by rising raw material costs. Over time, domestic prices rose as well, most noticeably during the period subsequent to termination of the increased duties.

Since the safeguard measures went into effect, there has been extensive restructuring of the domestic industries producing certain carbon and alloy flat-rolled steel and tin. There are fewer domestic producers. Four of the largest U.S. producers of certain carbon and alloy flat-rolled steel and tin – Bethlehem, National, LTV, and U.S. Steel – have been consolidated into two companies, which are now owned by Mittal Steel ISG and U.S. Steel. Mittal Steel ISG, U.S. Steel, and Nucor have invested billions of dollars to restructure and consolidate the industries by purchasing the assets of other companies. ISG was formed in March 2002 and purchased assets of producers LTV, Acme, Bethlehem, Weirton Steel, and Georgetown Steel. In April 2005, ISG merged with Mittal Steel Company, forming the largest steel company in the world. Nucor expanded by purchasing the assets of idled producer Trico Steel Company and Birmingham Steel. In 2004, Nucor acquired a cold-rolling mill from Worthington Industries and substantially all of the assets of Corus Tuscaloosa. U.S. Steel acquired National Steel in May 2003.

As part of the restructuring process, the USWA has reached innovative new collective bargaining agreements with several producers, including ISG, North Star, Oregon Steel, U.S. Steel, WCI Steel, and Wheeling-Pittsburgh. Negotiations for a new agreement are ongoing between the USWA and Ispat

Inland. The new agreement is reportedly expected to be similar to the agreements ratified between ISG and the USWA in 2003. These agreements are designed to achieve goals such as reducing fixed costs, improving productivity, and protecting retiree welfare. To reach these goals the agreements incorporate workforce restructuring, variable and competitive cost structures, reduced healthcare costs, and fewer job classifications. Additionally, Weirton Steel Corp. and the Independent Steelworkers Union entered into a collective bargaining agreement in 2003 that provides for pay cuts and a pension plan freeze.

Several domestic producers have made or authorized capital investments to upgrade existing facilities and invest in new technologies to reduce costs and improve product quality. For example, U.S. Steel has invested $200 million to rebuild a major blast furnace. IPSCO Steel opened the newest flat-rolled minimill in the U.S. in 2001 and recently made a significant investment in a new 170,000 ton-per-year heat treat line. SDI invested in a galvanized sheet mill, paint coating line, a sections and rail facility, and a bar minimill. ISG invested $53 million to start up and begin modernizing its purchased LTV and Acme facilities; and committed to invest $272 million in its Burns Harbor facility. AK Steel, Gallatin, Ispat Inland, Mittal Steel ISG, and Nucor have also committed significant funds to capital investments.

In commenting on the import relief and adjustment efforts of the carbon and alloy flat-rolled steel and tin industries, domestic producers generally viewed the safeguard measures as effective, although impaired by what some producers viewed as early termination. Domestic producers pointed to investment in new capacity, value added products, the maintenance and upgrading of existing facilities, the pursuit of market-driven consolidation opportunities, and the negotiation of new labor agreements which resulted in reduced costs and increased productivity. Some producers, however, expressed concern that the effectiveness of import relief had not been observed over an entire business cycle, and worried that the industry might remain vulnerable during an economic downturn. Their concern was heightened by the view that conditions outside the United States have not changed substantially, particularly with respect to capacity and subsidies.

Foreign producers and consumers focused on the steel industry broadly defined. Some commenters viewed the import relief and adjustment efforts as largely beneficial (despite some misgivings about their actual necessity), but sounded cautionary notes with respect to re-opened capacity and to the legacy costs that remained unaddressed. Other commenters questioned whether the remedy had, in fact, been necessary; whether it had inflicted greater social and economic costs than benefits; and whether industry consolidation, pension issues, and labor issues reflected the safeguard measures or longer term market and industry trends. Represented consumers groups, in particular, stressed the impact of the import relief on steel consumers in terms of direct costs and in terms of supply concerns, leading in some cases to bankruptcy or relocation outside the United States.

CARBON AND ALLOY LONG STEEL

The long steel product categories subject to safeguard measures are hot-rolled bar and light shapes (hot bar), cold-finished bar (cold bar), and rebar. Developments in import trends, industry conditions, and pricing are summarized separately for the three product categories. Because several U.S. producers produce more than one of these product categories, their adjustment efforts are discussed collectively.

Hot Bar

The Presidential Proclamation included an increase in duties on hot bar of 30 percent *ad valorem* in the first year of the measure, reduced to 24 percent in the second year, and to 18 percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports of hot bar remained relatively stable, as imports from covered sources declined, while imports from sources not covered by the safeguard measure increased. In 2003, total imports as well as imports from covered sources decreased, while imports from noncovered sources again increased. Between 2001 and 2003 the quantity of total imports increased from 1,950,917 short tons to 1,996,476 short tons, and their market share rose from 18.2 percent to 18.6 percent. Imports from countries covered by the safeguard measure decreased from 703,816 short tons to 555,230 short tons, and their market share declined from 6.5 percent to 5.2 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 1,247,100 short tons to 1,441,246 short tons, and their market share rose from 11.6 percent to 13.4 percent.

In 2004, following the termination of increased duties, total imports of hot bar increased by 12.7 percent to 2,250,220 short tons (18.8 percent of the U.S. market). Imports from covered sources increased by 28.2 percent to 711,627 short tons (6.0 percent of the market), while imports from noncovered sources increased to 1,538,593 short tons (12.9 percent of the market). Imports of hot bar from covered sources were higher in the first quarter of 2005 than in the first quarter of 2004, while imports from noncovered sources were lower and total imports were virtually unchanged. U.S. imports from covered sources accounted for 6.4 percent of the U.S. hot bar market in the first quarter of 2005, while U.S. imports from noncovered sources accounted for 12.8 percent.

Major U.S. markets for hot bar are in automotive and construction applications. Hot bars are used in the production of parts of bridges, buildings, ships, agricultural implements, motor vehicles, road building equipment, and machinery. The value of U.S. manufacturers' shipments of transportation equipment increased by 7.6 percent from the first quarter of 2002 to the first quarter of 2005. Most recently, the value of U.S. manufacturers' shipments of transportation equipment has dropped by 5.8 percent from first quarter 2004 to first quarter 2005. The value of U.S. nonresidential construction put in place remained virtually unchanged from the first quarter of 2002 to the first quarter of 2005. Most responding U.S. producers reported that demand for hot bar increased from March 2002 to December 2003, citing worldwide economic growth. Most responding producers reported that demand increased from January 2004 to March 2005, citing particularly strong demand in China, the improvement of the U.S. industrial sector, and a weak dollar that made U.S. exports more attractive to the rest of the world.

In 2002, the first year import relief was in effect, the domestic industry's share of the U.S. market declined from 81.8 percent to 81.5 percent, and in 2003, the domestic industry held 81.4 percent of the U.S. market. Consistent with trends in apparent U.S. consumption, output-related indicators such as production and shipments were generally stable in 2002 and in 2003. Capacity utilization increased from 70.2 percent in 2001 to 74.9 percent in 2002, then to 77.8 percent in 2003. The capacity of the U.S. hot bar industry declined in 2002 and in 2003, as did employment, while productivity increased. The AUV that the hot bar industry received for commercial sales decreased from $383 per short ton in 2001 to $377 in 2002, then increased to $404 in 2003. COGS increased modestly on a unit basis, reflecting an increase in unit raw material costs. The domestic industry's operating margin increased from 0.7 percent to 1.5 percent between 2001 and 2002, and reached 2.9 percent in 2003.

The domestic industry held 81.2 percent of the U.S. hot bar market in 2004 and 80.8 percent in the first quarter of 2005 (down from 82.0 percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 but were lower in January-March 2005 than in January-March 2004. Capacity utilization reached 88.2 percent in 2004 but was 82.2 percent in the first quarter of 2005. During this period, capacity increased and employment recovered. Productivity continued to increase in 2004 but was lower in the first quarter of 2005 than in the first quarter of 2004. The AUV that the hot bar industry received for commercial sales increased to $578 per short ton in 2004 and to $709 in the first quarter of 2005. COGS also increased on a unit basis, reflecting an increase in unit raw material costs. The domestic industry's operating margin increased to 10.2 percent in 2004 and was 14.8 percent in the first quarter of 2005, up from 7.3 percent in the first quarter of 2004.

Quarterly prices for the domestically produced hot bar product for which the Commission collected pricing data decreased by 5.0 percent from the first quarter of 2001 to the first quarter of 2002, then rose by 8.3 percent from the first quarter of 2002 to the first quarter of 2003. Prices then increased significantly by 26.2 percent from the first quarter of 2003 to the first quarter of 2004 and continued to increase by 27.2 percent from the first quarter of 2004 to the first quarter of 2005.

Cold Bar

The Presidential Proclamation included an increase in duties on cold bar of 30 percent *ad valorem* in the first year of the measure, reduced to 24 percent in the second year, and to 18 percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports of cold bar declined, while imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. Likewise, in 2003, total imports and imports from covered sources declined, while imports from noncovered sources increased. Between 2001 and 2003, the quantity of total imports declined from 265,037 short tons to 214,000 short tons, and their market share decreased from 21.6 percent to 18.0 percent. Imports from countries covered by the safeguard measure fell from 185,953 short tons to 102,067 short tons, and their market share declined from 15.2 percent to 8.6 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 79,084 short tons to 111,932 short tons, and their market share increased from 6.5 percent to 9.4 percent.

In 2004, following the termination of increased duties, total imports of cold bar increased by 25.4 percent to 268,437 short tons (18.6 percent of the U.S. market). Imports from covered sources increased by 52.6 percent to 155,765 short tons (10.8 percent of the market), while imports from noncovered sources increased by 0.7 percent to 112,673 short tons (7.8 percent of the market). Total imports of cold bar and imports from covered sources were higher in the first quarter of 2005 than in the first quarter of 2004, while imports from noncovered sources were lower. U.S. imports from covered sources accounted for 13.3 percent of the cold bar market in January-March 2005, while U.S. imports from noncovered sources accounted for 7.4 percent.

Automotive and construction applications provide major U.S. markets for cold bar. The value of U.S. manufacturers' shipments of transportation equipment increased by 7.6 percent from the first quarter of 2002 to the first quarter of 2005. Most recently, the value of U.S. manufacturers' shipments of transportation equipment has dropped by 5.8 percent from first quarter 2004 to first quarter 2005. The value of U.S. nonresidential construction put in place remained virtually unchanged from the first quarter of 2002 to the first quarter of 2005. All responding producers reported that demand for cold bar increased from March 2002 to December 2003, citing worldwide economic growth. Nearly all responding producers reported that demand increased from January 2004 to March 2005, citing increased demand in China in particular.

In 2002, the first year import relief was in effect, the domestic industry increased its share of the U.S. market from 78.4 percent to 81.5 percent, and in 2003, the domestic industry held 82.0 percent of the U.S. market. Consistent with trends in apparent U.S. consumption, output-related indicators such as production and shipments were relatively stable in 2002 and in 2003. Capacity utilization increased from 66.4 percent in 2001 to 69.0 percent in 2002, then declined to 68.4 percent in 2003. The capacity of the U.S. cold bar industry declined slightly in 2002 and increased slightly in 2003, while employment declined in both years and productivity increased in both years. The AUV that the cold bar industry received for commercial sales decreased from $647 per short ton in 2001 to $642 in 2002, then recovered to $645 in 2003. COGS declined modestly on a unit basis, notwithstanding an increase in unit raw material costs, reflecting lower direct labor and overhead costs. The domestic industry's operating margin increased from 4.8 percent in 2001 to 5.7 percent in 2002 and to 6.1 percent in 2003.

The domestic industry's share of the U.S. cold bar market slipped to 81.4 percent in 2004 and to 79.3 percent in the first quarter of 2005 (down from 85.4 percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 and were stable or higher in January-March 2005 than in January-March 2004. Capacity utilization reached 79.8 percent in 2004 and was 70.9 percent in the first quarter of 2005. During this period, capacity was stable or increasing and employment rose, while productivity was stable or increasing. The AUV that the cold bar industry received for commercial sales increased to $864 per short ton in 2004 and to $945 in the first quarter of 2005. COGS also increased on a unit basis, reflecting an increase in unit raw material costs. The domestic industry's operating margin increased to 12.2 percent in 2004 and was 10.9 percent in the first quarter of 2005, up from 6.4 percent in the first quarter of 2004.

Quarterly prices for the domestically produced cold bar product for which the Commission collected pricing data decreased by *** percent from the first quarter of 2001 to the first quarter of 2002, then increased by *** percent from the first quarter of 2002 to the first quarter of 2003 and rose further, by *** percent, from the first quarter of 2003 to the first quarter of 2004. Prices then increased significantly by *** percent from the first quarter of 2004 to the first quarter of 2005.

Rebar

The Presidential Proclamation included an increase in duties on rebar of 15 percent *ad valorem* in the first year of the measure, reduced to 12 percent in the second year, and to 9 percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports of rebar declined, imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. U.S. imports of rebar exhibited a similar trend in 2003. Between 2001 and 2003 the quantity of total imports declined from 1,758,208 short tons to 1,019,007 short tons, and their market share fell from 21.0 percent to 11.7 percent. Imports from countries covered by the safeguard measure decreased from 1,246,359 short tons to 226,248 short tons, and their market share declined from 14.9 percent to 2.6 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 511,850 short tons to 792,760 short tons, and their market share rose from 6.1 percent to 9.1 percent.

In 2004, following the termination of increased duties, total imports of rebar increased by 88.1 percent to 1,916,854 short tons (21.4 percent of the U.S. market). Imports from covered sources increased by 388.8 percent to 1,105,947 short tons (12.3 percent of the market), while imports from noncovered sources increased by 2.3 percent to 810,907 short tons (9.0 percent of the market). Total imports and imports from noncovered sources were lower in the first quarter of 2005 than in the first quarter of 2004, while imports from covered sources were higher. U.S. imports from covered sources accounted for 6.8 percent of the U.S. rebar market in January-March 2005, while U.S. imports from noncovered sources accounted for 7.5 percent.

Rebar is used for structural reinforcement within cast concrete structures. Consequently, changes in demand for rebar are derived from and reflect changes in construction activity. The value of U.S. nonresidential construction put in place remained virtually unchanged from the first quarter of 2002 to the first quarter of 2005. Most responding producers reported that demand for rebar was flat from March 2002 to December 2003. Most responding producers reported that demand increased from January 2004 to March 2005, generally citing strong demand in China.

In 2002, the first year import relief was in effect, the domestic industry increased its share of the U.S. market from 79.0 percent to 83.8 percent. In 2003, the domestic industry held 88.3 percent of the U.S. market. Consistent with trends in apparent U.S. consumption, output-related indicators such as production and shipments decreased in 2002 (although to a lesser extent than apparent U.S.

consumption), and then increased notably in 2003. Capacity utilization increased from 74.9 percent in 2001 to 75.4 percent in 2002, then to 89.6 percent in 2003. The capacity of the U.S. rebar industry declined slightly in 2002 and in 2003. Employment increased in 2002 and decreased in 2003 whereas productivity first decreased then increased. The AUV that the rebar industry received for commercial sales decreased from $265 per short ton in 2001 to $257 in 2002, then rose to $282 in 2003. COGS first declined and then increased on a per unit basis. The domestic industry's operating margin hovered around zero between 2001 and 2002, then increased in 2003 to 3.8 percent.

The domestic industry held 78.6 percent of the U.S. rebar market in 2004 and 85.7 percent in the first quarter of 2005 (down from 86.7 percent in the first quarter of 2004). In contrast with trends in apparent U.S. consumption, production and shipments decreased in 2004 and were lower in January-March 2005 than in January-March 2004. Capacity utilization was 84.9 percent in 2004 and 80.6 percent in the first quarter of 2005. During this period, capacity remained stable, while employment increased, and overall industry productivity declined. The AUV that the rebar industry received for commercial sales increased to $436 per short ton in 2004 and to $470 in the first quarter of 2005. COGS also increased, but to a lesser extent, on a per unit basis, reflecting an increase in unit raw material costs. Therefore, the domestic industry's operating margin increased to 16.8 percent in 2004 and was 14.7 percent in the first quarter of 2005, up from 11.8 percent in the first quarter of 2004.

Quarterly prices for the domestically produced rebar product for which the Commission collected pricing data decreased by *** percent from the first quarter of 2001 to the first quarter of 2002, then increased by *** percent from the first quarter of 2002 to the first quarter of 2003. Prices then increased significantly by 41.7 percent from the first quarter of 2003 to the first quarter of 2004 and continued to increase by 24.9 percent from the first quarter of 2004 to the first quarter of 2005.

Adjustment Efforts of the Industries Producing Long Steel Products

Pursuant to section 204(d)(1) of the Act, the Commission collected information concerning the progress and specific efforts made by workers and firms to effect a positive adjustment to import competition. During the section 201 investigation, the individual producers of hot bar, cold bar, and rebar submitted adjustment plans that included: (1) making capital expenses to enhance efficiency and reduce costs; (2) resuming a more normal scope and pace of operations by increasing productive shifts, rehiring laid off workers, or paying down debt; and (3) installing equipment designed to permit producers to offer new product lines.

The legislative history of section 204 of the Act directs that adjustment efforts should be evaluated in light of existing economic conditions. As described above, demand for the products at issue was weak at the outset of the period of import relief, but then recovered, as demonstrated by rising consumption in the United States and abroad. The recovery in demand was accompanied by rising raw material costs. Over time, domestic prices rose as well, most noticeably during the period subsequent to termination of the increased duties.

Since the safeguard measures have gone into effect, the U.S. hot bar, cold bar, and rebar industries have restructured. Most notably, there have been several mergers and acquisitions among the producers of these products. In particular, Nucor Corp., the largest U.S. producer of steel using the electric arc furnace, or "minimill," method, has acquired all or part of the assets of four separate producers of hot bar, cold bar, and rebar (Birmingham Steel, North Star Steel, Slater Steel, and Fort Howard Steel). The North American operations of Gerdau acquired assets from Republic Technology, combined with Co-Steel to form Gerdau AmeriSteel, and acquired assets of North Star Steel. Gerdau AmeriSteel is now the second-largest North American minimill producer. In contrast, North Star Steel ended long product production and Republic Engineered Products restructured and emerged from bankruptcy substantially smaller, having reduced its hot bar capacity and closed permanently several cold bar facilities. Republic also entered into a new competitive labor agreement with its steelworkers that includes significant changes to work rules and incentive plans. Finally, several companies - including

Nucor, Gerdau-Ameristeel, SDI, and Republic Engineered Products - have invested substantial sums in new technologies and made capital improvements.

In commenting on the import relief and adjustment efforts of the hot bar, cold bar, and rebar industries, domestic producers generally viewed the safeguard measures as effective, although impaired by what some producers viewed as early termination. Domestic producers pointed to rationalization of products and consolidation of operations, new investment, increasing productivity, and cost reduction. Some producers, however, expressed concern that the effectiveness of import relief had not been observed over an entire business cycle, and worried that the industry might remain vulnerable during an economic downturn. Their concern was heightened by the view that conditions outside the United States have not changed substantially, particularly with respect to capacity and subsidies.

Foreign producers and consumers focused on the steel industry broadly defined. Some commenters viewed the import relief and adjustment efforts as largely beneficial (despite some misgivings about their actual necessity), but sounded cautionary notes with respect to re-opened capacity and to the legacy costs that remained unaddressed. Other commenters questioned whether the remedy had, in fact, been necessary; whether it had inflicted greater social and economic costs than benefits; and whether industry consolidation, pension issues, and labor issues reflected the safeguard measures or longer term market and industry trends. Represented consumers groups, in particular, stressed the impact of the import relief on steel consumers in terms of direct costs and in terms of supply concerns, leading in some cases to bankruptcy or relocation outside the United States.

CARBON AND ALLOY TUBULAR STEEL

The tubular steel product categories subject to safeguard measures are welded pipe and tube and fittings and flanges (fittings). Developments in import trends, industry conditions, and pricing are summarized separately for the two product categories. The adjustment efforts of the U.S. welded pipe and tube and fittings industries are discussed collectively.

Welded Pipe and Tube

The Presidential Proclamation included an increase in duties on welded pipe and tube of 15 percent *ad valorem* in the first year of the measure, reduced to 12 percent in the second year, and to 9 percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports of welded pipe and tube declined, imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. In 2003, total imports decreased, as imports from noncovered sources declined modestly and imports from covered sources declined sharply. Between 2001 and 2003, the quantity of total imports declined from 2,829,403 short tons to 2,127,143 short tons, and their market share fell from 38.4 percent to 33.7 percent. Imports from countries covered by the safeguard measure decreased from 1,488,531 short tons to 623,188 short tons, and their market share declined from 20.2 percent to 9.9 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 1,340,871 short tons to 1,503,955 short tons, and their market share rose from 18.2 percent to 23.8 percent.

In 2004, following the termination of the increased duties, total imports of welded pipe and tube increased by 22.5 percent to 2,604,972 short tons (37.5 percent of the U.S. market). Imports from covered sources increased by 37.1 percent to 854,348 short tons (12.3 percent of the market), while imports from noncovered sources increased by 16.4 percent to 1,750,624 short tons (25.2 percent of the market). Total imports of welded pipe and tube and imports from covered sources were higher in the first quarter of 2005 than in the first quarter of 2004, while imports from noncovered sources were lower.

U.S. imports from covered sources accounted for 15.9 percent of the welded pipe and tube market in January-March 2005, while U.S. imports from noncovered sources accounted for 25.1 percent.

Welded pipe and tube is used in industrial, construction, automotive, and power generation applications, as well as in the oil market. The value of U.S. construction of utilities, pipelines, and railroads put in place decreased by 20.4 percent from the first quarter of 2002 to the first quarter of 2005. The value of U.S. nonresidential construction put in place remained virtually unchanged from the first quarter of 2002 to the first quarter of 2005. Nearly half of responding producers reported that demand for welded pipe and tube was flat from March 2002 to December 2003. Most responding producers reported that demand increased from January 2004 to March 2005, generally citing worldwide economic growth, strong demand in Asia, and an increase in domestic pipeline construction.

In 2002, the first year import relief was in effect, the domestic industry increased its share of the U.S. market from 61.6 percent to 62.4 percent. In 2003, the domestic industry held 66.3 percent of the U.S. market. Consistent with trends in apparent U.S. consumption, output-related indicators such as production and shipments decreased in 2002, then declined further in 2003. Capacity utilization increased from 60.4 percent in 2001 to 62.2 percent in 2002, then declined to 56.8 percent in 2003. The capacity of the U.S. welded pipe industry declined in 2002 and increased in 2003, as employment declined each year, while productivity decreased. The AUV that the welded pipe industry received for commercial sales increased from $570 per short ton in 2001 to $605 in 2002, and was $604 in 2003. COGS increased on a unit basis in 2002-03, reflecting an increase in unit raw material and overhead costs, despite lower direct labor costs. The domestic industry's operating margin moved from 5.6 percent to 6.8 percent between 2001 and 2002, and was 2.5 percent in 2003.

The domestic industry held 62.5 percent of the U.S. welded pipe market in 2004 and 59.0 percent in the first quarter of 2005 (down from 68.8 percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 but were lower in January-March 2005 than in January-March 2004. Capacity utilization was 59.0 percent in 2004 but was 53.0 percent in the first quarter of 2005. During this period, capacity remained stable and employment declined overall, while productivity fluctuated. The AUV that the welded pipe industry received for commercial sales increased sharply to $887 per short ton in 2004, (versus $604 in 2003) and to $1,087 in the first quarter of 2005. COGS also increased on a unit basis, reflecting higher raw material, direct labor, and overhead costs. The domestic industry's operating margin increased to 13.7 percent in 2004 and was 9.1 percent in the first quarter of 2005, down from 14.6 percent in the first quarter of 2004.

Quarterly prices for the domestically produced welded pipe and tube product for which the Commission collected pricing data decreased by 8.1 percent from the first quarter of 2001 to the first quarter of 2002, then increased by 40.6 percent from the first quarter of 2002 to the first quarter of 2003. Prices continued to increase by 10.7 percent from the first quarter of 2003 to the first quarter of 2004 and then rose significantly by 54.6 percent from the first quarter of 2004 to the first quarter of 2005.

Fittings

The product category fittings encompasses fittings and flanges. The Presidential Proclamation included an increase in duties on fittings of 13 percent *ad valorem* in the first year of the measure, reduced to 10 percent in the second year, and to 7 percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, though it has subsequently been modified to exclude fittings.

In 2002, the first year import relief was in effect, the quantity of total imports of fittings, imports from sources subject to the safeguard measure, and imports from sources not subject to the safeguard measure all declined. Likewise, in 2003, the quantity of total imports and imports from covered and noncovered sources declined. Between 2001 and 2003 the quantity of total imports fell from 169,605 short tons to 127,459 short tons, and their market share decreased from 64.9 percent to 58.2 percent.

Imports from countries covered by the safeguard measure declined from 132,078 short tons to 99,661 short tons, and their market share decreased from 50.5 percent to 45.5 percent. The quantity of U.S. imports from countries not covered by the safeguard measure declined from 37,527 short tons to 27,798 short tons, and their market share deceased from 14.4 percent to 12.7 percent.

In 2004, following the termination of increased duties, total imports of fittings increased by 19.1 percent to 151,769 short tons (59.4 percent of the U.S. market). Imports from covered sources increased by 19.0 percent to 118,604 short tons (46.4 percent of the market), while imports from noncovered sources increased by 19.3 percent to 33,165 short tons (13.0 percent of the market). Total imports of fittings, imports from covered sources, and imports from noncovered sources were all higher in the first quarter of 2005 than in the first quarter of 2004. Imports of fittings from covered sources accounted for 49.8 percent of the U.S. market in January-March 2005, while imports from noncovered sources accounted for 13.1 percent.

Demand for fittings is driven principally by demand in the utilities and construction sectors. The value of U.S. construction of utilities, pipelines, and railroads put in place decreased by 20.4 percent from the first quarter of 2002 to the first quarter of 2005. The value of U.S. nonresidential construction put in place remained virtually unchanged from the first quarter of 2002 to the first quarter of 2005. A small majority of responding producers reported that demand for fittings was flat from March 2002 to December 2003. Most responding producers reported that demand increased from January 2004 to March 2005, citing strong demand in China.

In 2002, the first year import relief was in effect, the domestic industry increased its share of the U.S. market from 35.1 percent to 39.5 percent. In 2003, the domestic industry held 41.8 percent of the U.S. market. Consistent with trends in apparent U.S. consumption, production declined overall between 2001 and 2003, as did U.S. shipments. Capacity utilization decreased from 62.4 percent in 2001 to 56.5 percent in 2002, then declined to 52.7 percent in 2003. The capacity of the U.S. fittings industry increased in 2002 and in 2003, as did productivity, while employment decreased overall. The AUV that the fittings industry received for commercial sales decreased from $2,214 per short ton in 2001 to $2,160 in 2002, and was $2,175 in 2003. COGS declined on a unit basis in 2002, and increased in 2003, notwithstanding a decrease in unit raw material costs and direct labor, but reflecting higher overhead costs. The domestic industry's operating margin moved from 3.1 percent to 3.0 percent between 2001 and 2002, and fell to 0.3 percent in 2003.

The domestic industry held 40.6 percent of the U.S. fittings market in 2004 and 37.2 percent in the first quarter of 2005 (down from 44.5 percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 and were higher in January-March 2005 than in January-March 2004. Capacity utilization reached 65.7 percent in 2004 and was 76.6 percent in the first quarter of 2005. During this period, capacity remained relatively stable and employment fluctuated, while productivity continued to increase. The AUV that the fittings industry received for commercial sales increased to $2,534 per short ton in 2004 and to $2,964 in the first quarter of 2005. COGS also increased on a unit basis, reflecting an increase in unit raw material costs. The domestic industry's operating margin increased to 9.4 percent in 2004, (versus 0.3 percent in 2003) and was 12.7 percent in the first quarter of 2005, almost double the 6.4 percent in the first quarter of 2004.

Quarterly prices for the domestically produced fittings product for which the Commission collected pricing data rose by *** percent from the first quarter of 2001 to the first quarter of 2002, then decreased by *** percent from the first quarter of 2002 to the first quarter of 2003. Prices then rose by 4.1 percent from the first quarter of 2003 to the first quarter of 2004 and increased significantly by 25.6 percent from the first quarter of 2004 to the first quarter of 2005.

Adjustment Efforts of the Industries Producing Tubular Steel Products

Pursuant to section 204(d)(1) of the Act, the Commission collected information concerning the progress and specific efforts made by workers and firms to effect a positive adjustment to import competition. During the section 201 investigation, the individual producers of welded pipe and tube and fittings submitted adjustment plans that contemplated additional investments. Sixteen producers of welded pipe and tube indicated that they intended to invest approximately $159 million over a four-year period to upgrade some facilities, relocate or close others, install new equipment, and invest in employee training and information systems. Four producers of fittings proposed investments over a four-year period of approximately $14 million to upgrade facilities and invest in worker training and retirement plans.

The legislative history of section 204 of the Act directs that adjustment efforts should be evaluated in light of existing economic conditions. As described above, demand for the products at issue was weak at the outset of the period of import relief, but then recovered, as demonstrated by rising consumption in the United States and abroad. The recovery in demand was accompanied by rising raw material costs. Over time, domestic prices rose as well, most noticeably during the period subsequent to termination of the increased duties.

During the period of import relief, several tubular firms closed one or more production facilities, including welded pipe and tube producers Olympic Steel Tube, Maverick Tube, and Copperweld, as well as fittings producer Trinity Mills. The remaining firms have made significant capital investments to adjust to import competition. These improvements include investments in new equipment that permits improved product quality and expanded product range. In addition, corporate restructuring has changed the structure of the domestic welded pipe and tube industry, as Wheatland Tube acquired Sawhill Tubular from AK Steel, Maverick Tube acquired LTV Tubular, and ISG (now Mittal Steel) sold its interests in its Steelton large diameter line pipe mill and in its joint venture, Bethnova Tube. Finally, both Maverick Tube (following its acquisition of LTV Tubular) and Bethnova Tube have reached collective bargaining agreements with members of their labor force containing elements similar to those described in the section entitled “Flat Steel Products.”

Domestic pipe and fitting producers did not submit additional comments on import relief and adjustment efforts by the respective industries.

Similarly, foreign producers and consumers did not directly address these industries, but rather focused on the steel industry broadly defined. Some commenters viewed the import relief and adjustment efforts as largely beneficial (despite some misgivings about their actual necessity), but sounded cautionary notes with respect to re-opened capacity and to the legacy costs that remained unaddressed. Other commenters questioned whether the remedy had, in fact, been necessary; whether it had inflicted greater social and economic costs than benefits; and whether industry consolidation, pension issues, and labor issues reflected the safeguard measures or longer term market and industry trends. Represented consumers groups, in particular, stressed the impact of the import relief on steel consumers in terms of direct costs and in terms of supply concerns, leading in some cases to bankruptcy or relocation outside the United States.

STAINLESS STEEL

The stainless steel product categories subject to safeguard measures are stainless steel bar (stainless bar), stainless steel rod (stainless rod), and stainless steel wire (stainless wire). Developments in import trends, industry conditions, and pricing are summarized separately for the three product categories. Because several U.S. producers produce more than one of these product categories, their adjustment efforts are discussed collectively.

Stainless Bar

The Presidential Proclamation included an increase in duties on stainless bar of 15 percent *ad valorem* in the first year of the measure, reduced to 12 percent in the second year, and to 9 percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports of stainless bar, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. In 2003 total imports declined, as imports from covered sources decreased sharply and imports from noncovered sources decreased modestly. Between 2001 and 2003 the quantity of total imports declined from 115,392 short tons to 83,555 short tons, and their market share declined from 44.6 percent to 36.6 percent. Imports from countries covered by the safeguard measure decreased from 88,890 short tons to 50,975 short tons, and their market share fell from 34.4 percent to 22.3 percent. The quantity of U.S. imports from countries not covered by the safeguard measure rose from 26,501 short tons to 32,580 short tons, and their market share increased from 10.2 percent to 14.3 percent.

In 2004, following the termination of increased duties, total imports of stainless bar increased by 27.8 percent to 106,790 short tons (38.4 percent of the U.S. market). Imports from covered sources increased by 55.6 percent to 79,327 short tons (28.5 percent of the U.S. market), while imports from noncovered sources decreased by 15.7 percent to 27,463 short tons (9.9 percent of the market). Total imports of stainless bar, imports from covered sources, and imports from noncovered sources were higher in the first quarter of 2005 than in the first quarter of 2004. Imports from covered sources accounted for 31.0 percent of the U.S. stainless bar market in January-March 2005, while imports from noncovered sources accounted for 8.7 percent.

Major U.S. markets for stainless bar are in the aerospace, automotive, chemical processing, dairy, food processing, and pharmaceutical equipment industries. The value of U.S. manufacturers' shipments of transportation equipment increased by 7.6 percent from the first quarter of 2002 to the first quarter of 2005. Most recently, the value of U.S. manufacturers' shipments of transportation equipment dropped by 5.8 percent from first quarter 2004 to first quarter 2005. The value of U.S. manufacturers' shipments of stainless steel forgings increased by 25.5 percent from the first quarter of 2002 to the first quarter of 2005. Responses from producers were mixed regarding demand for stainless bar from March 2002 to December 2003. Most responding producers reported that demand increased from January 2004 to March 2005, citing worldwide economic recovery, particularly in the aerospace industry, and strong demand in China.

In 2002, the first year import relief was in effect, the domestic industry increased its share of the U.S. market from 55.4 percent to 57.6 percent. In 2003, the domestic industry held 63.4 percent of the U.S. market. Despite decreases in apparent U.S. consumption, output-related indicators such as production and shipments were generally stable in 2002 and 2003. Capacity utilization, however, decreased from 62.0 percent in 2001 to 60.0 percent in 2002, then declined further to 56.9 percent in 2003. The capacity of the U.S. stainless bar industry increased in 2002 and in 2003, although employment declined, while productivity increased. The AUV that the stainless bar industry received for commercial sales decreased from $3,431 per short ton in 2001 to $3,105 in 2002, then declined further to $2,929 in 2003. COGS declined on a unit basis as well, notwithstanding an increase in unit raw material costs, reflecting lower direct labor and overhead costs. The domestic industry's operating margin moved from negative 1.4 percent to negative 8.1 percent between 2001 and 2002, and was negative 6.3 percent in 2003.

The domestic industry's share of the U.S. stainless bar market decreased to 61.6 percent in 2004 and 60.3 percent in the first quarter of 2005 (down from 62.3 percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 and were higher in January-March 2005 than in January-March 2004. Capacity utilization reached 77.0

percent in 2004 and was 79.7 percent in the first quarter of 2005. Capacity decreased in 2004 but was higher in the first quarter of 2005, as was employment. Productivity continued to increase. The AUV that the stainless bar industry received for commercial sales increased to $3,267 per short ton in 2004 and to $3,821 in the first quarter of 2005. COGS also increased on a unit basis, reflecting an increase in unit raw material costs. The domestic industry's operating margin increased to 4.8 percent in 2004 and was 11.6 percent in the first quarter of 2005, up from 6.6 percent in the first quarter of 2004.

Quarterly pricing for the domestically produced stainless bar product for which the Commission collected pricing data decreased by 9.4 percent from the first quarter of 2001 to the first quarter of 2002, then remained virtually flat from the first quarter of 2002 to the first quarter of 2003. Prices then increased by *** percent from the first quarter of 2003 to the first quarter of 2004 and continued to increase by *** percent from the first quarter of 2004 to the first quarter of 2005.

Stainless Rod

The Presidential Proclamation included an increase in duties on stainless rod of 15 percent *ad valorem* in the first year of the measure, reduced to 12 percent in the second year, and to 9 percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports of stainless rod, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. In 2003, imports from all sources declined. Between 2001 and 2003 the quantity of total imports fell from 61,599 short tons to 33,519 short tons, and their market share decreased from *** percent to *** percent. Imports from countries covered by the safeguard measure declined from 58,045 short tons to 31,389 short tons, and their market share decreased from *** percent to *** percent. The quantity of U.S. imports from countries not covered by the safeguard measure decreased from 3,554 short tons to 2,129 short tons, and their market share decreased from *** percent to *** percent.

In 2004, following the termination of increased duties, total imports of stainless rod increased by 31.0 percent to 43,913 short tons (*** percent of the U.S. market). Imports from covered sources increased by 35.8 percent to 42,629 short tons (*** percent of the market). Imports from noncovered sources decreased by 39.7 percent to 1,284 short tons (*** percent of the market). Total imports of stainless rod and imports from covered sources were higher in the first quarter of 2005 than in the first quarter of 2004, while imports from noncovered sources were lower. U.S. imports from covered sources accounted for *** percent of the U.S. stainless rod market in January-March 2005, while U.S. imports from noncovered sources accounted for *** percent.

Most stainless rod is further processed into stainless wire. Stainless rod is also used in downstream products such as industrial fasteners, springs, medical and dental instruments, automotive parts, and welding electrodes. The value of U.S. manufacturers' shipments of metalworking machinery increased by 49.9 percent from the first quarter of 2002 to the first quarter of 2005. Half of the responding producers reported that demand for stainless rod increased from March 2002 to December 2003 as well as from January 2004 to March 2005, citing worldwide economic growth. Responses from the remaining producers were mixed.

In 2002, the first year import relief was in effect, the domestic industry increased its share of the U.S. market from *** percent to *** percent. In 2003, the domestic industry held *** percent of the U.S. market. Despite an overall decline in apparent U.S. consumption, output-related indicators such as production and shipments increased noticeably in 2002, then declined only modestly in 2003. Capacity utilization increased from *** percent in 2001 to *** percent in 2002, then declined to *** percent in 2003. The capacity of the U.S. stainless rod industry increased moderately in 2002 and in 2003, although employment declined, while productivity increased sharply. The AUV that the stainless rod industry received for commercial sales decreased from *** per short ton in 2001 to *** in 2002, then declined

further to *** in 2003. COGS also declined on a unit basis, reflecting a decrease in unit raw material costs as well as lower direct labor and overhead costs. The domestic industry's operating margin moved from negative *** percent to negative *** percent between 2001 and 2002, and was negative *** percent in 2003.

The domestic industry held *** percent of the U.S. stainless rod market in 2004 and *** percent in the first quarter of 2005 (down from *** percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 but were lower in January-March 2005 than in January-March 2004 despite stable apparent U.S. consumption. Capacity utilization reached *** percent in 2004 but was *** percent in the first quarter of 2005. During this period, capacity increased but employment continued to decline, while productivity increased in 2004 but was lower in the first quarter of 2005. The AUV that the stainless rod industry received for commercial sales increased to *** per short ton in 2004 and to *** in the first quarter of 2005. COGS also increased on a unit basis, reflecting an increase in unit raw material costs. The domestic industry's operating margin increased to *** percent in 2004 and was *** percent in the first quarter of 2005, down from *** percent in the first quarter of 2004.

Quarterly prices for the domestically produced stainless rod product for which the Commission collected pricing data fell by *** percent from the first quarter of 2001 to the first quarter of 2002, then decreased by *** percent from the first quarter of 2002 to the first quarter of 2003. Prices then increased by *** percent from the first quarter of 2003 to the first quarter of 2004 and continued to increase by *** percent from the first quarter of 2004 to the first quarter of 2005.

Stainless Wire

The Presidential Proclamation included an increase in duties on stainless wire of eight percent *ad valorem* in the first year of the measure, reduced to seven percent in the second year, and to six percent in the third year. The increased duties were reduced on March 20, 2003 (as scheduled), and subsequently terminated on December 4, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

In 2002, the first year import relief was in effect, total imports increased in quantity, as imports from covered sources decreased modestly but imports from noncovered sources increased. Likewise, in 2003, total imports increased as imports from covered sources decreased but imports from noncovered sources increased. Between 2001 and 2003 the quantity of total imports increased from 31,101 short tons to 34,306 short tons, and their market share increased from 52.5 percent to 53.8 percent. Imports from countries covered by the safeguard measure decreased from 26,439 short tons to 22,806 short tons, and their market share fell from 44.6 percent to 35.7 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 4,662 short tons to 11,500 short tons, and their market share rose from 7.9 percent to 18.0 percent.

In 2004, following the termination of increased duties, total imports of stainless wire increased by 22.4 percent to 41,982 short tons (55.4 percent of the U.S. market). Imports from covered sources increased by 16.7 percent to 26,623 short tons (35.1 percent of the market). Imports from noncovered sources increased by 33.6 percent to 15,359 short tons (20.3 percent of the market). Total imports and imports from covered sources were higher in the first quarter of 2005 than in the first quarter of 2004, while imports from noncovered sources were lower. Imports from covered sources accounted for 44.3 percent of the U.S. stainless wire market in January-March 2005, while imports from noncovered sources accounted for 17.4 percent.

Major U.S. markets for stainless wire are in the chemical, petroleum, medical instrument, paper, and food processing industries. Stainless wire is also used in the production of household appliances, nails, and staples. The value of U.S. manufacturers' shipments of metalworking machinery increased by 49.9 percent from the first quarter of 2002 to the first quarter of 2005. Most responding producers reported that demand for stainless wire was unchanged from March 2002 to December 2003. Most

responding producers reported that demand increased from January 2004 to March 2005, citing worldwide economic growth and improvement in the aerospace industry.

In 2002, the first year import relief was in effect, the domestic industry maintained its share of the U.S. market at approximately 47 percent. In 2003, the domestic industry's share of the U.S. market declined from 47.3 percent to 46.2 percent. Consistent with trends in apparent U.S. consumption, output-related indicators such as production and shipments increased in 2002, whereas in 2003, output-related indicators for U.S. producers declined at the same time that apparent U.S. consumption rose. Capacity utilization increased from 50.2 percent in 2001 to 53.7 percent in 2002, then declined slightly to 53.3 percent in 2003. The capacity of the U.S. stainless wire industry increased in 2002 and declined in 2003, while employment decreased and productivity increased. The AUV that the stainless wire industry received for commercial sales decreased from $4,742 per short ton in 2001, to $4,331 in 2002, and to $4,308 in 2003. COGS declined on a per unit basis, notwithstanding an increase in unit raw material costs in 2003. The domestic industry's operating margin moved from negative 1.9 percent to negative 6.8 percent between 2001 and 2002, and then reversed to a positive 0.4 percent in 2003.

The domestic industry held 44.6 percent of the U.S. stainless wire market in 2004 and 38.3 percent in the first quarter of 2005 (down from 46.1 percent in the first quarter of 2004). Consistent with trends in apparent U.S. consumption, production and shipments increased in 2004 but were lower in January-March 2005 than in January-March 2004. Capacity utilization reached 62.5 percent in 2004 but was 58.4 percent in the first quarter of 2005. During this period, capacity remained relatively stable until 2005 and employment first rose in 2004 and then was lower in January-March 2005 than in January-March 2004. Productivity followed the same pattern as employment. The AUV that the stainless wire industry received for commercial sales increased to $4,583 per short ton in 2004 and to $5,418 in the first quarter of 2005. COGS also increased on a unit basis, reflecting an increase in unit raw material costs. The domestic industry's operating margin decreased to breakeven in 2004 and was negative 3.1 percent in the first quarter of 2005, down considerably from the positive 5.2 percent in the first quarter of 2004.

Quarterly prices for the domestically produced stainless wire product for which the Commission collected pricing data decreased by *** percent from the first quarter of 2001 to the first quarter of 2002, then increased by *** percent from the first quarter of 2002 to the first quarter of 2003. Prices decreased by *** percent from the first quarter of 2003 to the first quarter of 2004 and then rebounded with an increase of *** percent from the first quarter of 2004 to the first quarter of 2005.

Adjustment Efforts of the Industries Producing Stainless Steel Products

Pursuant to section 204(d)(1) of the Act, the Commission collected information concerning the progress and specific efforts made by workers and firms to effect a positive adjustment to import competition. During the section 201 investigation, the individual producers of stainless bar, stainless rod, and stainless wire submitted adjustment plans that included substantial investments in productive facilities to improve efficiency, product quality, and cost competitiveness. They also indicated that they intended to develop new product lines to increase demand for their products.

The legislative history of section 204 of the Act directs that adjustment efforts should be evaluated in light of existing economic conditions. As described above, demand for the products at issue was weak at the outset of the period of import relief, but then recovered, as demonstrated by rising consumption in the United States and abroad. The recovery in demand was accompanied by rising raw material costs. Over time, domestic prices rose as well, most noticeably during the period subsequent to termination of the increased duties.

During the period of import relief, one producer, Slater Steel, acquired one production facility and rationalized others in an effort to enhance integration of its production process and increase efficiency. Slater additionally entered into a new collective bargaining agreement allowing for increased flexibility in scheduling and performance-based pay initiatives. Although Slater's facilities subsequently were idled when the company's parent entered bankruptcy, they have been acquired by Nucor and

Valbruna Corp. Several other stainless steel producers have made capital investments in their facilities to increase product offerings and reduce lead times.

In commenting on the adjustment efforts of the stainless bar, stainless rod, and stainless wire industries, U.S. producers focused on improved productivity, labor and other production cost reductions, R&D, and investment. Nonetheless, producers noted the lower level of import relief relative to carbon steel producers, and expressed concern about the expense of the investigative process, as well as product exclusions, country exemptions, and the timing of the ending of increased import duties.

Foreign producers and consumers focused on the steel industry broadly defined. Some commenters viewed the import relief and adjustment efforts as largely beneficial (despite some misgivings about their actual necessity), but sounded cautionary notes with respect to re-opened capacity and to the legacy costs that remained unaddressed. Other commenters questioned whether the remedy had, in fact, been necessary; whether it had inflicted greater social and economic costs than benefits; and whether industry consolidation, pension issues, and labor issues reflected the safeguard measures or longer term market and industry trends. Represented consumers groups, in particular, stressed the impact of the import relief on steel consumers in terms of direct costs and in terms of supply concerns, leading in some cases to bankruptcy or relocation outside the United States.

CHAPTER 1

INTRODUCTION AND GENERAL OVERVIEW

PART I: INTRODUCTION

BACKGROUND

The Commission instituted this investigation on March 21, 2005, for the purpose of evaluating the effectiveness of the relief action imposed by the President on imports of certain steel products[1] under section 203 of the Trade Act of 1974 (the Act).[2] Information relating to the background of this investigation is presented in table OVERVIEW I-1.

Table OVERVIEW I-1
Chronology of investigation No. TA-204-12

Date	Action
March 21, 2005	Commission institutes investigation No. TA-204-12
April 4, 2005	Commission publishes its notice of institution in the *Federal Register*
July 21, 2005	Commission's hearing (*see note*)
September 19, 2005	Commission's report transmitted to the President and the Congress

Note.– Although four days of hearings were scheduled in connection with this investigation, the Commission revised its schedule following receipt of only 12 expressions of interest to appear at the hearing filed on behalf of 16 entities, several of which indicated that a hearing was not necessary. Staff notified parties and non-parties seeking to appear at a hearing that "the Commission is planning to hold one day of hearings in this matter on July 21, 2005." All parties and non-parties, however, subsequently withdrew their requests to appear and no one appeared to give testimony at the hearing.

Source: *Federal Register* notices 70 FR 17113, April 4, 2005, and 70 FR 39789, July 11, 2005.

Section 204(d) of the Act requires the Commission, following termination of a relief action, to evaluate the effectiveness of the action in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President in the report submitted to the Congress under section 203(b) of the Act.[3] The Commission is required to submit a report on the evaluation to the President and the Congress no later than 180 days after the day on which the relief action was terminated.[4]

The President announced the relief action on March 5, 2002. In a proclamation of that date,[5] the President announced that he would impose safeguard measures on imports of certain steel products in the form of either increased import duties or a tariff-rate quota, depending on the product, effective March 20, 2002, for a period of 3 years and 1 day (i.e., until March 21, 2005). In a memorandum of that same date relating to these measures, the President instructed the Secretary of the Treasury and the Secretary of Commerce to establish a system of import licensing to facilitate the monitoring of imports of certain steel

[1] Harmonized Tariff Schedule of the United States (HTS) statistical reporting numbers for the steel products included in these safeguard measures are found in the report as follows: slab (FLAT II-1), plate (FLAT II-2), hot-rolled (FLAT II-3), cold-rolled (FLAT II-4), coated (FLAT II-6), tin (FLAT III-1), hot bar (LONG II-2), cold bar (LONG III-1), rebar (LONG IV-1), welded pipe (TUBULAR II-1), fittings (TUBULAR III-1), stainless bar (STAINLESS II-1), stainless rod (STAINLESS III-1), and stainless wire (STAINLESS IV-1).

[2] 19 U.S.C. § 2253.

[3] 19 U.S.C. § 2254(d)(1).

[4] 19 U.S.C. § 2254(d)(3).

[5] Proclamation 7529, 67 FR 10553 (March 7, 2002).

products.[6] The Department of Commerce published regulations establishing such a system in the *Federal Register* on December 31, 2002.[7]

On December 4, 2003, following receipt of the Commission's mid-point monitoring report in September 2003 (summarized later in this chapter), and after seeking information from the U.S. Secretary of Commerce and U.S. Secretary of Labor, the President determined that the effectiveness of the safeguard action taken had been impaired by changed circumstances. Accordingly, the President issued Proclamation 7741 that terminated the tariff-rate quota and the increased import duties on certain steel products.[8] In addition, however, the President directed the Secretary of Commerce to continue the monitoring system until the earlier of March 21, 2005, or such time as the Secretary establishes a replacement program.[9] Proclamation 7741 also authorized the United States Trade Representative, upon his determination that the Secretary of Commerce has established a replacement program, to terminate the action under section 203(a)(3)(I) of the Trade Act and the licensing system, and to publish notice of this determination and action in the *Federal Register*. On December 9, 2003, the Department of Commerce published a notice stating that the system would continue in effect as described in Proclamation 7741 until March 21, 2005.[10] On March 11, 2005, the Department of Commerce published an interim final rule to implement a replacement program for the period beyond March 21, 2005, with modifications to be implemented on June 9, 2005.[11] Thus, the Commission must submit a report on the evaluation to the President and the Congress no later than 180 days after the day on which the relief action was terminated (the earlier of March 21, 2005, or June 9, 2005), or in this case by September 19, 2005.

Section 204(d) of the Trade Act requires the Commission, after a safeguard action taken under section 203 has terminated, to "evaluate the effectiveness of the actions in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President" in his report to the Congress under section 203(b). While the President's report to the Congress did not specifically identify a set of "reasons," the report referred to certain foreign conditions, including foreign government subsidies that have resulted in excess capacity; the Asian financial crisis and a resulting surge in U.S. imports; bankruptcy filings in the U.S. industry; declining domestic prices; and significant losses at a number of domestic integrated and mini-mill producers in 2001.[12] The report also referred to the need to give the steel industry "breathing space,"[13] and referred to the need for "adjustment and restructuring of the American steel industry, to ensure its long-term competitiveness," and cited programs to help displaced workers with retraining and insurance coverage and to help communities.[14] Finally, the report noted that the Administration's request for the section 201 investigation was part of a three-prong Administration plan announced in June 2001 that also included reduction in global excess steel-making capacity and elimination of subsidies and market-distorting practices globally.

---

[6] 67 FR 10953 (March 7, 2002).

[7] 67 FR 79845 (December 31, 2002).

[8] *See* Proclamation 7741 of December 4, 2003, 68 FR 68483, December 8, 2003. Section 204(b)(1)(A)(ii) of the Trade Act of 1974 (19 U.S.C. 52254(b)(1)(A)(ii)) authorizes the President to reduce, modify, or terminate a safeguard action if he determines that the effectiveness of the action has been impaired by changed economic circumstances.

[9] 68 FR 68483 (December 8, 2003).

[10] 68 FR 68594 (December 9, 2003).

[11] 70 FR 12133 (March 21, 2005).

[12] President's report to the Congress under section 203(b), at 1.

[13] President's report to the Congress under section 203(b), at 2.

[14] President's report to the Congress under section 203(b), at 7.

Section 201(b) of the Trade Act defines "positive adjustment to import competition" as follows –

> (1) For purposes of this part, a positive adjustment to import competition occurs when –
> (A) the domestic industry –
> (i) is able to compete successfully with imports after action taken under section 204 [sic] terminate or
> (ii) the domestic industry experiences an orderly transfer of resources to other productive pursuits; and
> (B) dislocated workers in the industry experience an orderly transition to productive pursuits.
>
> (2) The domestic industry may be considered to have made a positive adjustment to import competition even though the industry is not of the same size and composition as the industry at the time the investigation was initiated under section 202(b).

This report is mainly descriptive, setting out facts relating to, among other things, industry performance, trends in prices and import levels, the market and business environment, and the types of actions undertaken by companies and workers to adjust to competition from imports. Analysis of these trends and actions, and of the progress and specific efforts made by firms and workers in the domestic industry to make a positive adjustment to import competition, is also provided to permit greater understanding of the developments and to place them in context.

In this investigation, the Commission has collected information through a variety of means. First, the Commission drafted questionnaires to be issued to U.S. producers, consistent with previous safeguard evaluations. The Commission then posted the draft questionnaires on its website and provided copies to all parties from the 2003 monitoring investigation (Inv. No. TA-204-09) for comment. The Commission received six comments, most of which focused on burden reduction.[15] The Commission incorporated many party comments into the producer questionnaire.[16] The Commission then sent final questionnaires to approximately 200 U.S. companies believed to produce the subject steel products during January 2001-March 2005.[17] One hundred and twelve firms reported producing the subject steel during this period: 44 firms produced flat steel;[18] 26 firms produced long steel; 41 firms produced tubular steel; and 16 firms produced stainless steel.[19]

Second, the Commission reviewed published data and information regarding domestic and foreign steel markets and industries. This report presents such information when it is available to the public. Many sources, however, are restricted to subscription holders and cannot be reproduced.

---

[15] For example, " answering the section "Part IV-Pricing and Related Information" will be a costly and time-consuming burden," comments of Ispat Inland, p. 3; "the draft questionnaire contains more questions and asks for responses in far greater detail than is necessary or reasonable," comments of Long Products Producers' Coalition and Nucor, p. 1; and by asking "producers to provide data for calendar years 2001 through 2004, as well as data for the first quarter of 2004 and the first quarter of 2005. This request will be extremely burdensome for those domestic producers . . . which have purchased new steel-making assets in recent years," comments of U.S. Steel, p. 3.

[16] Electronic copies of the producer questionnaire were posted on the Commission's web site at http://www.usitc.gov/trade_remedy/731_ad_701_cvd/investigations/2005/204_steel/safeguard.htm.

[17] U.S. producers were identified from the monitoring investigation (Inv. No. TA-204-09) mailing list and research of publicly available information. Firms that had reported in the original safeguard investigation (Inv. No. TA-201-73) that they did not produce the 14 products being examined in the current evaluation were not sent questionnaires. However, all firms reporting production of any of the 14 products being examined in the current evaluation plus firms that did not respond in the monitoring investigation were sent questionnaires.

[18] In addition, five toll processors reported producing flat steel during this period.

[19] Some firms reported producing more than one category of steel products.

In addition, the Commission held a public hearing to give U.S. steel producers, U.S. steel workers, foreign steel producers, and U.S. purchasers of steel products an opportunity to present testimony. Although the Commission initially received 12 requests to appear at the hearing, filed on behalf of 16 entities, all such requests were subsequently withdrawn. Relevant *Federal Register* notices appear in appendix A. Appendix B contains the hearing calendar.

Finally, the Commission reviewed submissions by parties and non-parties. Only one party filed a prehearing brief. Eleven posthearing briefs and submissions were filed on behalf of 14 parties and non-parties.

ORIGINAL SECTION 201 SAFEGUARD INVESTIGATION (INV. NO. TA-201-73)

On June 22, 2001, at the request of the United States Trade Representative (USTR) the Commission instituted investigation No. TA-201-73 under section 202 of the Act[20] to determine whether certain steel products are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.[21] On July 26, 2001, the Commission received a resolution from the Committee on Finance of the United States Senate requesting that the Commission conduct an investigation of the same scope. The Commission exercised its authority under section 603 of the Act and consolidated the investigation requested by the Committee on Finance with the Commission's previously instituted investigation requested by the USTR.

On October 22, 2001, the Commission made its determinations with respect to injury. The Commission's determinations are presented in table OVERVIEW I-2. On December 7, 2001, the Commission announced its recommendations with respect to remedies and subsequently transmitted its report to the President on December 19, 2001.[22]

[20] 19 U.S.C. § 2252.

[21] 66 FR 35267, July 3, 2001.

[22] 66 FR 67304, December 28, 2001.

Table OVERVIEW I-2
Commission's determinations in Investigation No. TA-201-73, by product categories

Commission's determinations	Product categories
Affirmative	carbon and alloy flat-rolled products (slabs, plate, hot-rolled, cold-rolled, and coated), hot bar, cold bar, rebar, welded pipe and tube, fittings, stainless steel bar, and stainless steel rod
Evenly divided	tin, stainless steel wire, stainless fittings and flanges,[1] and tool steel[1]
Negative	grain oriented silicon electrical steel (GOES), carbon and alloy steel ingots, billets, and blooms, carbon and alloy steel rails and railway products, carbon and alloy steel wire, carbon and alloy steel strand, rope, cable, and cordage, carbon and alloy steel nails, staples, and woven cloth, carbon and alloy steel heavy structural shapes and sheet piling, carbon and alloy steel fabricated structural units, carbon and alloy seamless steel pipe, seamless oil country tubular goods (OCTG), welded OCTG, stainless steel ingots, billets, and blooms, stainless steel cut-to-length plate, stainless steel woven cloth, carbon, alloy, and stainless steel rope, and stainless steel seamless and welded pipe

[1] The President took no action with respect to these products.

Source: 66 FR 54285, October 26, 2003.

SECTION 203 SAFEGUARD MEASURES

Following receipt of the Commission's report,[23] the President, pursuant to section 203 of the Act,[24] imposed import relief in the form of tariffs and tariff-rate quotas on imports of certain steel products for a period of 3 years and 1 day effective March 20, 2002. A compilation of *Federal Register* notice citations concerning the section 203 safeguard measures is presented in appendix A. Table OVERVIEW I-3 presents information on the steel products covered by the safeguard measures and corresponding tariff and tariff-rate quota remedies.

[23] *See Steel, Inv. No. TA-201-73,* USITC Publication 3479, December 2001.

[24] 19 U.S.C. § 2253.

Table OVERVIEW I-3
Section 203 safeguard measures imposed on March 20, 2002, by product and form

Item	Type of measure	First year of relief	Second year of relief	Third year of relief
		Percent *ad valorem*, unless otherwise noted		
Certain carbon and alloy flat-rolled steel:				
Slab	Tariff-rate quota (TRQ)	Increase in duties of 30 percent *ad valorem* for imports above 4.90 million metric tons	Increase in duties of 24 percent *ad valorem* for imports above 5.35 million metric tons	Increase in duties of 18 percent *ad valorem* for imports above 5.81 million metric tons
Plate[1]	Increase in duties	30	24	18
Hot-rolled	Increase in duties	30	24	18
Cold-rolled[2]	Increase in duties	30	24	18
Coated	Increase in duties	30	24	18
Tin	Increase in duties	30	24	18
Hot bar	Increase in duties	30	24	18
Cold bar	Increase in duties	30	24	18
Rebar	Increase in duties	15	12	9
Welded pipe and tube[3]	Increase in duties	15	12	9
Fittings	Increase in duties	13	10	7
Stainless bar	Increase in duties	15	12	9
Stainless rod	Increase in duties	15	12	9
Stainless wire	Increase in duties	8	7	6

[1] Cut-to-length (CTL) and clad plate.
[2] Other than grain-oriented electrical steel (GOES).
[3] Other than oil country tubular goods (OCTG).

Source: 67 FR 10553, March 7, 2002.

Exempted Countries

The section 203 safeguard measures were applied to imports of subject steel products from all countries except Canada, Israel, Jordan, and Mexico,[25] and developing countries that are members of the World Trade Organization (WTO) whose share of total imports of a particular product did not exceed 3 percent (provided that imports that are the product of all such countries with less than 3 percent import share collectively accounted for not more than 9 percent of total imports of the product). The President's Proclamation states that if the President determines "that a surge in imports of a product described in paragraph 7 (subject product) of a developing country WTO member undermines the effectiveness of the pertinent safeguard measure, the safeguard measure shall be modified to apply to such product from such country."[26] Information on the status of WTO developing countries with respect to the section 203 safeguard relief is presented in table OVERVIEW I-4.

[25] *See* paragraph 11 of the President's Proclamation of March 5, 2002 (67 FR 10553, March 7, 2002).

[26] *See* paragraph 12 of the President's Proclamation of March 5, 2002 (67 FR 10553, March 7, 2002).

Table OVERVIEW I-4
Status of WTO developing countries with respect to the section 203 safeguard measures

Item	Source
Developing countries completely exempted from the safeguard measures[1]	Albania, Angola, Antigua and Barbuda, Argentina, Bahrain, Bangladesh, Barbados, Belize, Benin, Bolivia, Botswana, Bulgaria, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Kinshasa), Costa Rica, Cote d'Ivoire, Croatia, Czech Republic, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Fiji, Gabon, the Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea Bissau, Guyana, Haiti, Honduras, Hungary, Indonesia, Jamaica, Jordan, Kenya, Kyrgyzstan, Latvia, Lesotho, Lithuania, Macedonia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Namibia, Niger, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Slovakia, Solomon Islands, South Africa, Sri Lanka, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Uruguay, Zambia, and Zimbabwe
Developing countries partially exempted from the safeguard measures (covered products in parenthesis)[2]	Brazil (flat steel, except for tin mill products), India (carbon fittings), Moldova (rebar), Romania (carbon fittings), Thailand (welded pipe), Turkey (rebar), and Venezuela (rebar)

[1] *See* paragraph 12 of the President's Proclamation of March 5, 2002 (67 FR 10553, March 7, 2002). Macedonia was added to this list subsequent to the original proclamation, effective October 15, 2002 (67 FR 69065, November 14, 2002).
[2] *See* 67 FR 10553, March 7, 2002. Thailand (carbon fittings) was added subsequent to the original proclamation (67 FR 12635, March 19, 2002).

Source: Cited *Federal Register* notices.

Countries covered by the section 203 safeguard measures are referred to as "covered sources" while countries not covered by relief (exempted) are referred to as "noncovered sources," except as noted.

Excluded and Within-Quota Products

The President's Proclamation of March 5, 2002 contained a list of products excluded from relief and classified for reporting purposes in 51 temporary HTS subheadings.[27] Subsequently, USTR announced three additional lists of product exclusions[28] covering numerous additional products so that by March 31, 2003, there were 513 temporary HTS subheadings identifying the excluded products.

Excluded imports for 2002 and 2003 for each of the subject products are discussed in the chapters addressing those products. In general, excluded imports other than slab accounted for *** percent of the quantity and *** percent of the value of subject steel imports from covered countries during the first 12-month period covered by the safeguard measure (April 2002 to March 2003). Moreover, virtually all slab

[27] *See* Annex to Presidential Proclamation 7529 (67 FR 10558, March 7, 2002). Additionally, three temporary HTS subheadings identify the tariff quota levels for slab.

[28] Proclamation 7529, as supplemented by Proclamation 7576, delegated to the USTR the authority to consider requests for exclusion of a particular product submitted in accordance with the procedures set forth in 66 FR 54321, 54322–54323 (October 26, 2001) and, upon publication in the *Federal Register* of a notice of USTR's finding that a particular product should be excluded, to modify the HTS provision created by the annex to that proclamation to exclude such particular product from the pertinent safeguard measure.

USTR considered requests by producers, importers, and purchasers of certain steel products for the exclusion of a particular product, defined in terms of its unique physical characteristics, from any increased duty, tariff-rate quota, or quantitative restriction that the President may impose under section 203(a) of the Trade Act. *See also* 67 FR 79956, December 31, 2002.

imports in the period April 2002 to March 2003 were not subject to additional tariffs because the total quantity of slab imports (*** short tons) was well below the overall TRQ threshold applicable to the first relief year (5.4 million short tons) set out in the President's proclamation imposing relief.[29] Thus, during April 2002-March 2003, *** percent of the quantity and *** percent of the value of subject steel imports from covered countries that fell within the subject product description were excluded from the safeguard tariffs due to product exclusions and slab imported below the applicable TRQ threshold.[30]

WTO STEEL SAFEGUARD PROCEEDINGS

Following the announcement of the U.S. safeguard measure, several WTO members that export steel to the U.S. market requested consultations with the United States under the WTO Safeguards Agreement, and following implementation of the measures requested consultations with the United States under the WTO Dispute Settlement Understanding (DSU). Following consultations, Brazil, China, the European Union, Japan, Korea, New Zealand, Norway, and Switzerland requested establishment of panels under the DSU, and a panel was formed in July 2002 to hear the disputes. In July 2003 the panel found that the U.S. measure was inconsistent in certain respects with U.S. obligations under the WTO Agreement on Safeguards.[31] The United States appealed certain findings of the panel, and in November 2003 the WTO Appellate Body ruled that the U.S. measure was inconsistent in certain respects with U.S. obligations under the Safeguards Agreement.[32]

SECTION 204 MONITORING OF DEVELOPMENTS IN THE DOMESTIC INDUSTRY

Section 204(a)(1) of the Trade Act of 1974 (19 U.S.C. § 2254(a)(1)) requires that the Commission, so long as any action under section 203 of the Trade Act remains in effect, monitor developments with respect to the domestic industry, including the progress and specific efforts made by workers and firms in the domestic industry to make a positive adjustment to import competition. Further, section 204(a)(2) requires, whenever the initial period of an action under section 203 of the Trade Act exceeds 3 years, that the Commission submit a report on the results of the monitoring under section 204(a)(1) to the President and the Congress not later than the mid-point of the initial period of the relief.

Effective March 5, 2003, the Commission instituted investigation No. TA-204-9: *Steel: Monitoring Developments in the Domestic Industry* for the purpose of preparing a mid-point report to the President and the Congress regarding developments with respect to the pertinent domestic steel industries (the 10 industries producing products corresponding to those subject to the safeguard measures) since the imposition of import relief.[33] The Commission collected and analyzed data for the period April 2000 through March 2003, drawing on a wide array of public sources as well as questionnaires from 115 domestic producers, approximately 200 U.S. importers, nearly 500 U.S. purchasers, and more than 100 foreign producers. Further, the Commission conducted four days of hearings in which it received testimony from U.S. steel producers, U.S. steel workers, foreign steel producers, U.S. importers of steel

---

[29] A significant number of product exclusions were not announced until July 12, 2002 (67 FR 46221) and August 30, 2002 (67 FR 56182). Additional product exclusions were announced on March 31, 2003 (68 FR 15494).

[30] *STEEL: Monitoring Developments In The Domestic Industry, Inv. No. TA-204-9,* USITC Publication 3632, September 2003, p. OVERVIEW I-8, confidential version.

[31] *See* WTO Panel Reports, *United States–Definitive Safeguard Measures on Imports of Certain Steel Products,* WT/DS248/R/Corr.1, WT/DS249/R/Corr.1, WT/DS251/R/Corr.1, WT/DS252/R/Corr.1, WT/DS253/R/Corr.1, WT/DS254/R/Corr.1, WT/DS258/R/Corr.1, WT/DS259/R/Corr.1, July 11, 2003.

[32] United States – Definitive Safeguard Measures on Imports of Certain Steel Products, AB-2003-3, WT/DS248/AB/R, WT/DS249/AB/R, WT/DS251/AB/R, WT/DS252/AB/R, WT/DS253/AB/R, WT/DS254/AB/R, WT/DS258/AB/R, WT/DS259/AB/R, November 10, 2003.

[33] 68 FR 12380 (March 14, 2003).

products, U.S. purchasers of steel products, and Congressional and state government witnesses.[34] In addition, numerous parties submitted prehearing and posthearing briefs.

On September 19, 2003, the Commission transmitted its report to the President and to the Congress. In its report, the Commission analyzed developments in each of the 10 relevant domestic industries, detailed the adjustments to which the industries had committed, and reported their respective efforts to date to meet those commitments. The Commission also noted, however, that adjustment efforts should be evaluated in light of then-existing economic conditions. Importantly, the U.S. economy was in recession from March 2001 to November 2001. Therefore, in the period since imposition of the steel safeguard measures, U.S. demand for most steel products was weak. While U.S. prices for steel products generally increased, albeit at different rates, many industries reported rising input costs as well.

The Commission highlighted the fact that, since the safeguard measures had entered into effect, many of the U.S. steel industries had restructured, pointing in particular to significant mergers and acquisitions among the producers of these products. The Commission also detailed important collective bargaining agreements negotiated following the imposition of the safeguard measures. In addition, the Commission discussed unfunded pension liabilities among active companies, the termination or restructuring of pension liabilities by companies that had declared bankruptcy, and the role of the Pension Benefit Guaranty Corporation. Finally, the Commission observed that Federal, State, and local government programs to benefit steel producers had been limited since imposition of the safeguard measures, and that the United States was actively seeking an agreement for reducing or eliminating subsidies under the auspices of the Organisation for Economic Co-Operation and Development.

SECTION 332 INVESTIGATIONS

The Commission has conducted numerous investigations on steel products under section 332 of the Tariff Act of 1930. Many of these fact-finding reports focused on analysis of specific steel trade arrangements in effect during the 1990s, the U.S. steel industry's competitiveness, and monitoring of U.S. trade in steel products during the 1980s and 1990s.

On April 4, 2003, at the request of the Committee on Ways and Means of the U.S. House of Representatives, the Commission instituted a fact-finding investigation on the competitive conditions of steel consuming industries with respect to the steel safeguard measures (Investigation No. 332-452).[35] This investigation was conducted concurrently with the Commission's mid-point review of the U.S. safeguard measures (Investigation No. TA-204-9). The Commission's principal findings specifically noted that:

> of the steel-consuming industries examined, the motor vehicle parts and steel fabrication industries reported adverse changes in competitive conditions and firm performance after the implementation of the safeguards more frequently than did other industries. These sectors reported expected negative results from continuation of the safeguard measures and positive results from termination of these measures more frequently than other sectors. Industries such as distributors or steel product producers generally reported that they expected no change or

[34] Section 204(a)(3) of the Trade Act of 1974 requires that the Commission hold a hearing in the course of preparing a monitoring report.

[35] *Steel-Consuming Industries: Competitive Conditions with Respect to Steel Safeguard Measures*, 68 FR 17672-17673 (April 10, 2003).

> positive results from continuation of the safeguards and no change or negative results from termination of the safeguard measures.[36]

Additionally, steel-consuming firms were asked about how the safeguard measures affected their firm's purchasing patterns, prices, sales, employment, wages, availability of steel products, lead times and delivery times, changes in contracts, and the ability to obtain required products or quality specifications. In general, there were numerous reports of contract abrogation; longer lead and delivery times; sales lost to foreign competitors; and shifts of purchases from imported to domestic steel. However, most purchasers reported that their ability to obtain required steel products or quality specifications did not change; that their customers did not shift to sourcing from foreign plants or facilities; or that they or other steel-consuming firms did not relocate or shift production to foreign plants or facilities after the implementation of the safeguards.

In terms of steel prices, the investigation found that:

> Publicly available data and hearing testimony indicated that, for most products subject to the safeguards, prices paid by steel-consuming industries initially increased after the safeguards were implemented. However, prices for some of these products then declined after the initial increase...Some steel-consuming purchasers reported that they did not experience large increases in price after the imposition of the safeguard measures...In particular, most rebar purchasers who testified also reported little change in the price of rebar attributable to the safeguard measure and a larger impact due to other factors, principally higher scrap and energy costs.[37]

Those steel-consuming firms reporting any increase in the price of the steel they purchased also were asked how their firm responded to the price increase. Firms were asked to indicate if they successfully passed on the price increase to their customers; whether they absorbed any increased steel costs without changes in operations; whether they absorbed the increased steel costs but made changes in operations such as layoffs, reduced overhead costs, etc.; and whether they shifted production off shore, or outsourced to foreign sources to limit the amount of higher priced steel purchased.

> On a sectoral basis, steel distributors accounted for a significant number (36 of 71) of the firms reporting that they were able to pass on any increased cost or were sometimes able to pass on price increases. In addition, a significant number of fabricators (20 firms) also noted that they were, at least sometimes, able to pass on any increase in the cost of steel. Most of the specified sectors had more firms reporting that they were unsuccessful in passing on the increased cost of steel to their customers. In particular, a majority of responding firms in industries such as fasteners, motor vehicles, motor vehicles parts, power equipment,

---

[36] *Steel-Consuming Industries: Competitive Conditions With Respect to Steel Safeguard Measures, Inv. No. 332-452,* Volume III, USITC Publication 3632, September 2003, p. vii.

[37] Ibid., p. vii and pp. 2-10.

steel barrels and cans, and furniture reported an inability to pass on steel price increases.[38]

TITLE VII ORDERS ON STEEL

A list of outstanding antidumping and countervailing duty orders on the subject steel products is presented in table OVERVIEW I-5. There are currently 110 outstanding antidumping and countervailing duty orders or suspension agreements covering carbon and alloy flat-rolled steel, tin, rebar, welded pipe, fittings, stainless bar, and stainless rod.

Table OVERVIEW I-5
Subject steel: Outstanding antidumping and countervailing duty orders

Order date	Continued date	Product	Source	ITC investigation number	Commerce investigation number
06/13/1979	12/15/2000	Carbon steel plate	Taiwan	AA-1921-197	A-583-080
05/07/1984	08/22/2000	Small diameter carbon steel pipe[1]	Taiwan	731-TA-132	A-583-008
03/07/1986	08/22/2000	Welded carbon steel pipe[1]	Turkey	701-TA-253	C-489-502
03/11/1986	08/22/2000	Welded carbon steel pipe[1]	Thailand	731-TA-252	A-549-502
05/12/1986	08/22/2000	Welded carbon steel pipe[1]	India	731-TA-271	A-533-502
05/15/1986	08/22/2000	Welded carbon steel pipe[1]	Turkey	731-TA-273	A-489-501
12/17/1986	01/06/2000	Carbon steel butt-weld pipe fittings[1]	Brazil	731-TA-308	A-351-602
12/17/1986	01/06/2000	Carbon steel butt-weld pipe fittings[1]	Taiwan	731-TA-310	A-583-605
02/10/1987	01/06/2000	Carbon steel butt-weld pipe fittings[1]	Japan	731-TA-309	A-588-602
03/27/1989	08/22/2000	Light-walled rectangular pipe[1]	Taiwan	731-TA-410	A-583-803
05/26/1989	08/22/2000	Light-walled rectangular pipe[1]	Argentina	731-TA-409	A-357-802
07/06/1992	01/06/2000	Carbon steel butt-weld pipe fittings[1]	China	731-TA-520	A-570-814
07/06/1992	01/06/2000	Carbon steel butt-weld pipe fittings[1]	Thailand	731-TA-521	A-549-807
11/02/1992	08/22/2000	Circular welded nonalloy steel pipe[1]	Brazil	731-TA-532	A-351-809
11/02/1992	08/22/2000	Circular welded nonalloy steel pipe[1]	Korea	731-TA-533	A-580-809
11/02/1992	08/22/2000	Circular welded nonalloy steel pipe[1]	Taiwan	731-TA-536	A-583-814
11/02/1992	08/22/2000	Circular welded nonalloy steel pipe[1]	Mexico	731-TA-534	A-201-805

Table continued. See footnote at end of table.

[38] Ibid., pp. 2-14.

Table OVERVIEW I-5--*Continued*
Subject steel: Outstanding antidumping and countervailing duty orders

Order date	Continued date	Product	Source	ITC investigation number	Commerce investigation number
08/19/1993	12/15/2000	Carbon steel plate	Brazil	731-TA-574	A-351-817
08/17/1993	12/15/2000	Carbon steel plate	Sweden	701-TA-327	C-401-804
08/17/1993	12/15/2000	Carbon steel plate	Spain	701-TA-326	C-469-804
08/17/1993	12/15/2000	Carbon steel plate	United Kingdom	701-TA-328	C-412-815
08/17/1993	12/15/2000	Carbon steel plate	Mexico	701-TA-325	C-201-810
08/17/1993	12/15/2000	Carbon steel plate	Brazil	701-TA-320	C-351-818
08/17/1993	12/15/2000	Carbon steel plate	Belgium	701-TA-319	C-423-806
08/17/1993	12/15/2000	Corrosion-resistant carbon steel flat products	France	701-TA-348	C-427-810
08/17/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Korea	701-TA-350	C-580-818
08/19/1993	12/15/2000	Carbon steel plate	Romania	731-TA-584	A-485-803
08/19/1993	12/15/2000	Carbon steel plate	Brazil	731-TA-574	A-351-817
08/19/1993	12/15/2000	Carbon steel plate	United Kingdom	731-TA-587	A-412-814
08/19/1993	12/15/2000	Carbon steel plate	Poland	731-TA-583	A-455-802
08/19/1993	12/15/2000	Carbon steel plate	Finland	731-TA-576	A-405-802
08/19/1993	12/15/2000	Carbon steel plate	Mexico	731-TA-582	A-201-809
08/19/1993	12/15/2000	Carbon steel plate	Germany	731-TA-578	A-428-816
08/19/1993	12/15/2000	Carbon steel plate	Belgium	731-TA-573	A-423-805
08/19/1993	12/15/2000	Carbon steel plate	Spain	731-TA-585	A-469-803
08/19/1993	12/15/2000	Carbon steel plate	Sweden	731-TA-586	A-401-805
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Canada	731-TA-614	A-122-822
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Korea	731-TA-618	A-580-816
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Australia	731-TA-612	A-602-803
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Japan	731-TA-617	A-588-826
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	France	731-TA-615	A-427-808
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Germany	731-TA-616	A-428-815
12/01/1993	08/02/2000	Stainless steel wire rod[1]	India	731-TA-638	A-533-808
01/28/1994	08/02/2000	Stainless steel wire rod[1]	France	731-TA-637	A-427-811
01/28/1994	08/02/2000	Stainless steel wire rod[1]	Brazil	731-TA-636	A-351-819
02/21/1995	04/18/2001	Stainless steel bar	Brazil	731-TA-678	A-351-825
02/21/1995	04/18/2001	Stainless steel bar	Japan	731-TA-681	A-588-833
02/21/1995	04/18/2001	Stainless steel bar	India	731-TA-679	A-533-810
03/02/1995	04/18/2001	Stainless steel bar	Spain	731-TA-682	A-469-805
07/02/1996	11/16/2001	Clad steel plate	Japan	731-TA-739	A-588-838
04/17/1997	03/26/2003	Steel concrete reinforcing bar	Turkey	731-TA-745	A-489-807
10/24/1997	09/17/2003	Carbon steel plate[2]	Russia	731-TA-754	A-821-808
10/24/1997	09/17/2003	Carbon steel plate[2]	Ukraine	731-TA-756	A-823-808
10/24/1997	09/17/2003	Carbon steel plate[3]	China	731-TA-753	A-570-849

Table continued. See footnote at end of table.

Table OVERVIEW I-5--*Continued*
Subject steel: Outstanding antidumping and countervailing duty orders

Order date	Continued date	Product	Source	ITC investigation number	Commerce investigation number
09/15/1998	08/13/2004	Stainless steel wire rod	Korea	731-TA-772	A-580-829
09/15/1998	08/13/2004	Stainless steel wire rod	Spain	731-TA-773	A-469-807
09/15/1998	08/13/2004	Stainless steel wire rod	Sweden	731-TA-774	A-401-806
09/15/1998	08/13/2004	Stainless steel wire rod	Taiwan	731-TA-775	A-583-828
09/15/1998	08/13/2004	Stainless steel wire rod	Japan	731-TA-771	A-588-843
09/15/1998	08/13/2004	Stainless steel wire rod	Italy	731-TA-770	A-475-820
06/29/1999	05/12/2005	Hot-rolled carbon steel flat products	Japan	731-TA-807	A-588-846
07/06/1999	05/12/2005	Hot-rolled carbon steel flat products	Brazil	701-TA-384	C-351-829
07/06/1999	05/12/2005	Hot-rolled carbon steel flat products	Brazil	731-TA-806	A-351-828
07/12/1999	05/12/2005	Hot-rolled carbon steel flat products[2]	Russia	731-TA-808	A-821-809
02/10/2000		Carbon steel plate[1]	Korea	701-TA-391	C-580-837
02/10/2000		Carbon steel plate[1]	Indonesia	701-TA-389	C-560-806
02/10/2000		Carbon steel plate[1]	Japan	731-TA-820	A-588-847
02/10/2000		Carbon steel plate[1]	India	731-TA-817	A-533-817
02/10/2000		Carbon steel plate[1]	India	701-TA-388	C-533-818
02/10/2000		Carbon steel plate[1]	Indonesia	731-TA-818	A-560-805
02/10/2000		Carbon steel plate[1]	Korea	731-TA-821	A-580-836
02/10/2000		Carbon steel plate[1]	Italy	701-TA-390	C-475-827
02/10/2000		Carbon steel plate[1]	Italy	731-TA-819	A-475-826
02/10/2000		Carbon steel plate[1]	France	731-TA-816	A-427-816
08/28/2000		Tin mill products[1]	Japan	731-TA-860	A-588-854
05/18/2001		Stainless steel angle	Korea	731-TA-889	A-580-846
05/18/2001		Stainless steel angle	Japan	731-TA-888	A-588-856
05/18/2001		Stainless steel angle	Spain	731-TA-890	A-469-810
09/07/2001		Steel concrete reinforcing bar	Moldova	731-TA-879	A-841-804
09/07/2001		Steel concrete reinforcing bar	Poland	731-TA-880	A-455-803
09/07/2001		Steel concrete reinforcing bar	Ukraine	731-TA-882	A-823-809
09/07/2001		Steel concrete reinforcing bar	Indonesia	731-TA-875	A-560-811
09/07/2001		Steel concrete reinforcing bar	Korea	731-TA-877	A-580-844
09/07/2001		Steel concrete reinforcing bar	Belarus	731-TA-873	A-822-804
09/07/2001		Steel concrete reinforcing bar	China	731-TA-874	A-570-860
09/07/2001		Steel concrete reinforcing bar	Latvia	731-TA-878	A-449-804

Table continued. See footnotes at end of table.

Table OVERVIEW I-5--*Continued*
Subject steel: Outstanding antidumping and countervailing duty orders

Order date	Continued date	Product	Source	ITC investigation number	Commerce investigation number
09/11/2001		Hot-rolled carbon steel flat products	Argentina	701-TA-404	C-357-815
09/19/2001		Hot-rolled carbon steel flat products	South Africa	731-TA-905	A-791-809
09/19/2001		Hot-rolled carbon steel flat products	Argentina	731-TA-898	A-357-814
11/21/2001		Hot-rolled carbon steel flat products	Kazakhstan	731-TA-902	A-834-806
11/29/2001		Hot-rolled carbon steel flat products	Ukraine	731-TA-908	A-823-811
11/29/2001		Hot-rolled carbon steel flat products	Taiwan	731-TA-906	A-583-835
11/29/2001		Hot-rolled carbon steel flat products	Netherlands	731-TA-903	A-421-807
11/29/2001		Hot-rolled carbon steel flat products	China	731-TA-899	A-570-865
11/29/2001		Hot-rolled carbon steel flat products	Thailand	731-TA-907	A-549-817
11/29/2001		Hot-rolled carbon steel flat products	Romania	731-TA-904	A-485-806
12/03/2001		Hot-rolled carbon steel flat products	Indonesia	701-TA-406	C-560-813
12/03/2001		Hot-rolled carbon steel flat products	India	731-TA-900	A-533-820
12/03/2001		Hot-rolled carbon steel flat products	Indonesia	731-TA-901	A-560-812
12/03/2001		Hot-rolled carbon steel flat products	India	701-TA-405	C-533-821
12/03/2001		Hot-rolled carbon steel flat products	South Africa	701-TA-407	C-791-810
12/03/2001		Hot-rolled carbon steel flat products	Thailand	701-TA-408	C-549-818
12/06/2001		Welded large diameter line pipe	Japan	731-TA-919	A-588-857
02/27/2002		Welded large diameter line pipe	Mexico	731-TA-920	A-201-828
03/07/2002		Stainless steel bar	Italy	731-TA-915	A-475-829
03/07/2002		Stainless steel bar	Germany	731-TA-914	A-428-830
03/07/2002		Stainless steel bar	Korea	731-TA-916	A-580-847
03/07/2002		Stainless steel bar	France	731-TA-913	A-427-820
03/07/2002		Stainless steel bar	United Kingdom	731-TA-918	A-412-822
03/08/2002		Stainless steel bar	Italy	701-TA-413	C-475-830

[1] The Commission has instituted five-year reviews of these orders.
[2] Suspended.
[3] Suspension agreement (10/24/1997) continued effective (09/17/2003) then terminated and antidumping duty order imposed effective (11/03/2003).

Source: Commission's web site: http://www.usitc.gov/7ops/ad_cvd_orders.htm.

Since March 20, 2002, the effective date of the section 203 measures, the Commission has completed antidumping and countervailing duty investigations on three forms of steel covered by the measures: circular welded non-alloy steel pipe from China,[39] certain cold-rolled steel products from 20 countries,[40] and light-walled rectangular pipe and tube from Mexico and Turkey.[41] The Commission

[39] *See* 67 FR 45541, July 9, 2002. *See also*, *Circular Welded Non-Alloy Steel Pipe from China, Inv. No. 731-TA-943* (*Final*), USITC Publication 3523, June 2002.

[40] *See* 67 FR 58074, September 13, 2002. *See also, Certain Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand, Invs. Nos. 731-TA-965, 971-972, 979, and 981* (*Final*), USITC Publication 3536, September 2002. *See also* 67 FR 68685, November 12, 2002. *See also*, *Certain Cold-Rolled Steel Products from Argentina, Belgium, Brazil, China, France, Germany, Korea, the Netherlands, New Zealand, Russia, South Africa, Spain, Taiwan, Turkey, and Venezuela, Invs. Nos. 701-TA-423-425 and 731-TA-964, 966-970, 973-978, 980, and 982-983* (*Final*), USITC Publication 3551, October 2002.

[41] *See* 69 FR 62916, October 28, 2004. *See also, Light-Walled Rectangular Pipe and Tube from Mexico and Taiwan, Invs. Nos. 731-TA-1054-1055* (*Final*), USITC Publication 3728, September 2004.

made negative determinations with respect to all three products.[42] As a result of these negative determinations, no new orders on covered steel products have been issued since the application of the section 203 safeguard measures.

Since March 20, 2002, the Commission has conducted five-year reviews of outstanding antidumping and countervailing duty orders and/or suspension agreements covering rebar,[43] cut-to-length plate,[44] stainless steel wire rod,[45] and hot-rolled steel products.[46] As a result of those reviews, the orders and agreements remained in place (with the exception of the suspension agreement on cut-to-length plate from South Africa). The Commission also instituted reviews, which are pending, of carbon steel butt-weld pipe fittings (5 orders) in December 2004; cut-to-length plate (10 orders) in January 2005; and stainless steel wire rod (3 orders), carbon steel standard and light-walled rectangular pipe and tube (11 orders), and tin- and chromium-coated steel sheet (1 order currently subject to litigation) in July 2005.

INVESTIGATION UNDER SECTION 421 OF THE TRADE ACT OF 1974

The Commission currently is conducting an investigation under section 421(b) of the Trade Act of 1974 on circular welded non-alloy steel pipe from China.[47] Following receipt of a petition filed on August 2, 2005, on behalf of seven domestic steel producers and the United Steelworkers of America, AFL-CIO, the Commission instituted this investigation to determine whether circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. The subject product includes certain welded carbon quality steel pipes and tubes, of circular cross-section, with an outside diameter of 0.372 inch (9.45 mm) or more, but not more than 16 inches (406.4 mm) and is generally known as standard pipe and structural pipe.[48] The Commission is scheduled to transmit its determination to the President on October 3, 2005.

ORGANIZATION OF THE REPORT AND GENERAL ISSUES

The presentation of information collected in the current evaluation has been organized into five major parts: (1) introduction and general overview; (2) carbon and alloy flat steel; (3) carbon and alloy long steel; (4) carbon and alloy tubular steel; and (5) stainless steel.

The introduction and general overview includes information on current market factors (overall demand, demand in specific U.S. downstream sectors, input costs, and exchange rates), developments in

---

[42] In each of the foregoing grouped investigations, the Commission considered the existence of section 203 safeguard measures as a condition of competition. *See, e.g., Circular Welded Non-Alloy Steel Pipe from China, Inv. No. 731-TA-943* (*Final*), USITC Publication 3523, June 2002, at 6; *Certain Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand, Invs. Nos. 731-TA-965, 971-972, 979, and 981* (*Final*), USITC Publication 3536, September 2002, at 28; and *Light-Walled Rectangular Pipe and Tube from Mexico and Taiwan, Invs. Nos. 731-TA-1054-1055* (*Final*), USITC Publication 3728, September 2004, at 13.

[43] 68 FR 10032, March 3, 2003. *See also, Steel Concrete Reinforcing Bar from Turkey, Inv. No. 731-TA-745* (*Review*), USITC Publication 3577, February 2003.

[44] 68 FR 52614, September 4, 2003. *See also, Cut-to-Length Carbon Steel Plate from China, Russia, South Africa, and Ukraine, Invs. Nos. 731-TA-753-756* (*Review*), USITC Publication 3626, August 2003.

[45] 69 FR 45077, July 28, 2004. *See also, Stainless Steel Wire Rod from Italy, Japan, Korea, Spain, Sweden, and Taiwan, Invs. Nos. 731-TA-770-775* (*Review*), USITC Publication 3707, July 2004.

[46] 70 FR 23886, May 5, 2005. *See also, Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and Russia, Invs. Nos. 701-TA-384 and 731-TA-806-808* (*Review*), USITC Publication 3767, April 2005.

[47] *Circular Welded Non-Alloy Steel Pipe From China, Inv. No. TA-421-06.*

[48] 70 FR 46543-46544, August 10, 2005.

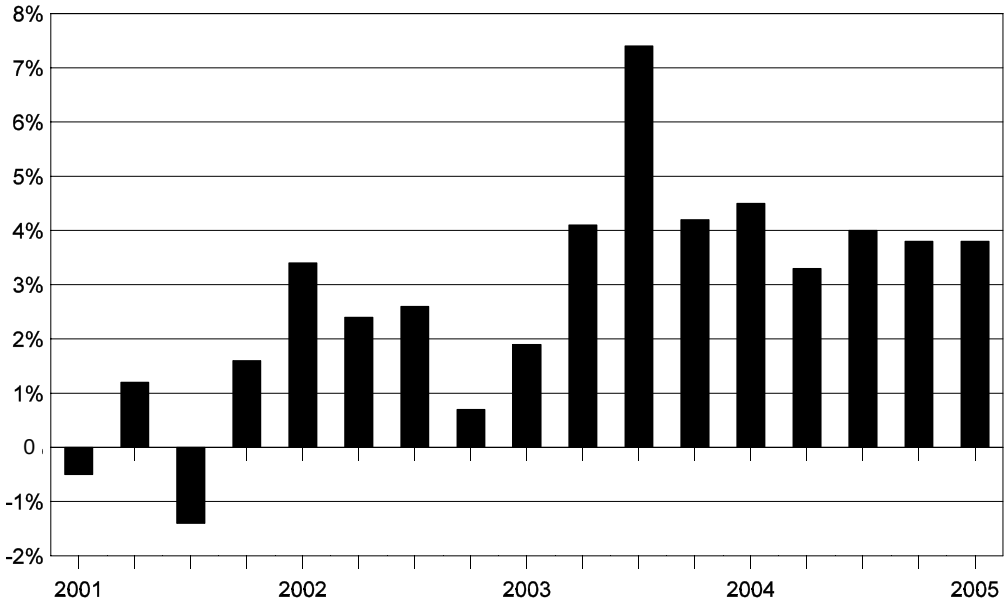
the U.S. steel market, and developments in the global steel market. The subsequent four chapters are divided into sections containing a list of U.S. producers in each of the respective industries, information on recent industry structural developments, industry and market data (trade, financial, and pricing) organized by product, and adjustment efforts undertaken by firms and workers. A summary of data collected, by product, is presented in appendix C. A description of the manufacturing and uses of the relevant products appears in appendix D. Much of the data used in the preparation of this report has been obtained from responses to the Commission's questionnaires, supplemented by secondary sources (*e.g.*, official Commerce statistics for U.S. imports) where appropriate. Information has also been drawn from public sources and from written submissions to the Commission.

PART II: CURRENT MARKET FACTORS

OVERALL DEMAND

All steel products subject to this investigation are used in the production of downstream products. As a result, U.S. demand for the subject products is derived from demand for these downstream products. Changes in U.S. demand for many of the downstream products, in turn mirrors fluctuations in overall U.S. economic activity, which is generally measured by changes in the growth of U.S. real gross domestic product (GDP), shown in figure OVERVIEW II-1.

Figure OVERVIEW II-1
U.S. real GDP: Percent change from the previous period based on billions of chained (2000) dollars at annual rates, by quarters, January 2001-March 2005

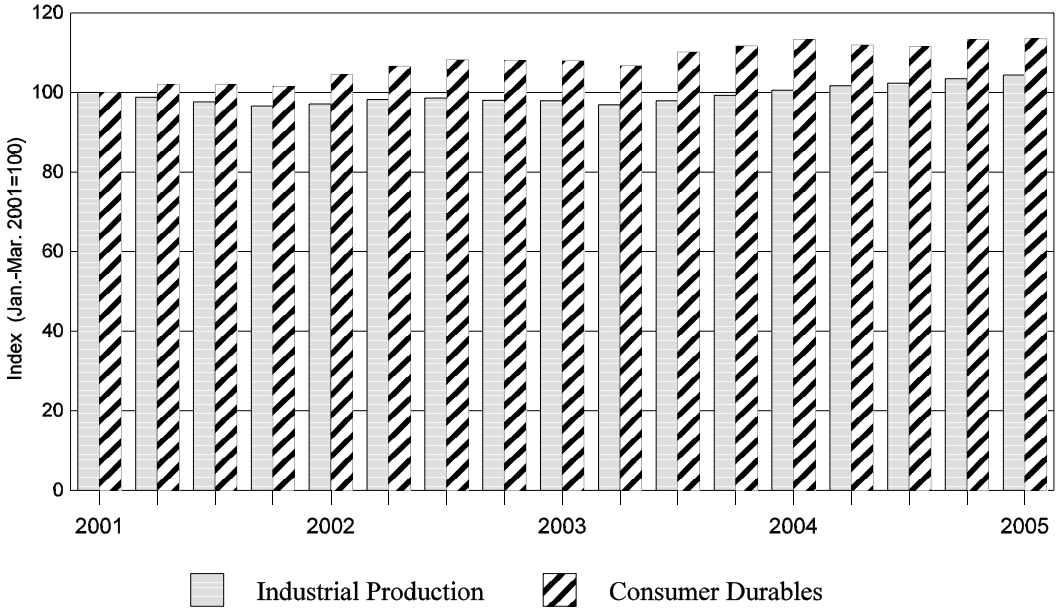


Note: Real GDP figures currently use 2000 as the base-year (nominal expenditures in 2000 are defined to equal real expenditures in that year). Each year's real GDP figures are calculated by using a statistical technique of chaining to calculate quantity indexes for each year by applying price weights of the current year to the previous year's quantity index. The percentage changes in real GDP from period-to-period based on chain indexes are not affected by shifting to a new base-year, but the chained-dollar estimates of the components of real GDP usually are not additive.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, July 2005, Table C.1, p. D-51.

Other measures of economic activity include the Federal Reserve's index of industrial production and index of durable consumer goods production (figure OVERVIEW II-2). Since January 2001, the index of industrial production increased by 4.4 percent. During the same time frame, the index of consumer durable goods production increased by 13.5 percent.

Figure OVERVIEW II-2
Production indexes: Indexes of industrial production and durable goods production, seasonally adjusted, by quarters, January 2001-March 2005



Source: U.S. Federal Reserve.

DEMAND IN SPECIFIC U.S. DOWNSTREAM SECTORS

Table OVERVIEW II-1 shows the specific downstream sectors analyzed, the associated steel product categories, and the changes in shipment or construction value between first quarter 2001 and first quarter 2005, as well as between first quarter 2002 and first quarter 2005.

The downstream sectors analyzed were chosen based on their importance in consumption of the individual section 204 product categories (figures OVERVIEW II-3-OVERVIEW II-9). Because of data limitations, some of these sectors are proxies for those that would be most relevant, and some downstream sectors account for more consumption of the individual section 204 products than other downstream sectors.

Data for the specific downstream sectors are based on manufacturers' shipments or construction put in place on a quarterly basis. The data are in current (nominal) U.S. dollars, except in a single instance (steel cans) where quantities were reported. In addition, the data for the downstream sectors were readily available only on a non-seasonally adjusted basis. As a result, quarter-to-quarter trends are likely influenced at least somewhat by price changes (where value-based data are shown) and by seasonal fluctuations; movements in nominal values mask changes in real-value terms.

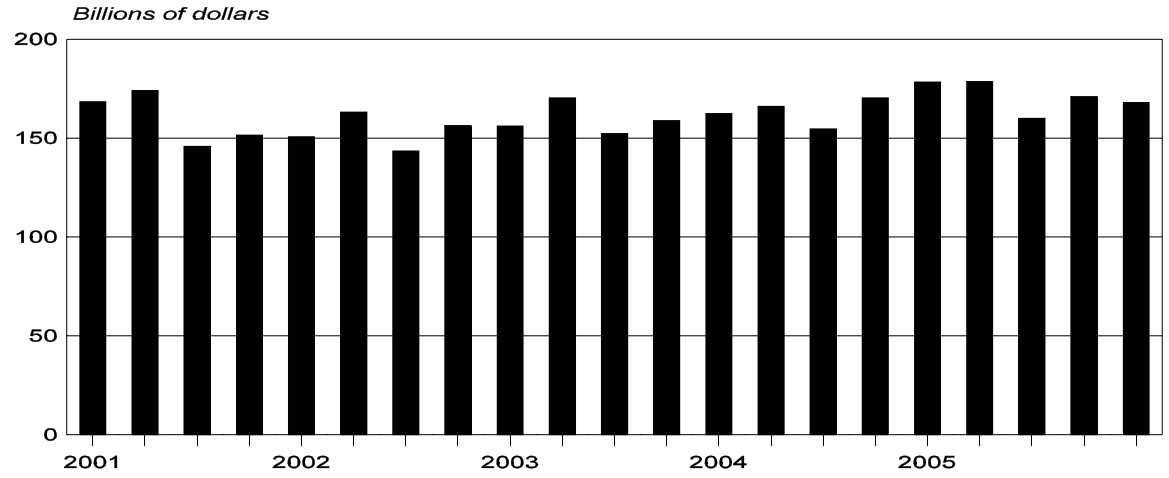
Table OVERVIEW II-1
U.S. downstream sectors: Changes in shipment or construction value between Q1 2001 and Q1 2005 and between Q1 2002 and Q1 2005

Downstream sector	Associated steel product categories	Changes in value between Q1 2001 and Q1 2005	Changes in value between Q1 2002 and Q1 2005
		Percent	***Percent***
Transportation equipment	Certain flat-rolled products, hot-rolled bar, cold-finished bar, and stainless steel bar	11.5	7.6
Steel cans[1]	Tin mill products	7.1	9.7
Carbon steel forgings	Hot-rolled bar and cold-finished bar	36.2	41.2
Stainless steel forgings	Stainless steel bar	28.3	25.5
Nonresidential construction[2]	Certain flat-rolled products, hot-rolled bar, cold-finished bar, rebar, welded tubular products, and fittings	3.9	1.3
Utilities, pipelines, and railroads[2]	Welded tubular products and fittings	35.5	-20.4
Metalworking machinery	Stainless steel rod and stainless steel wire	19.9	49.9

[1] Measured by quantity.
[2] Measured by value of construction put in place.

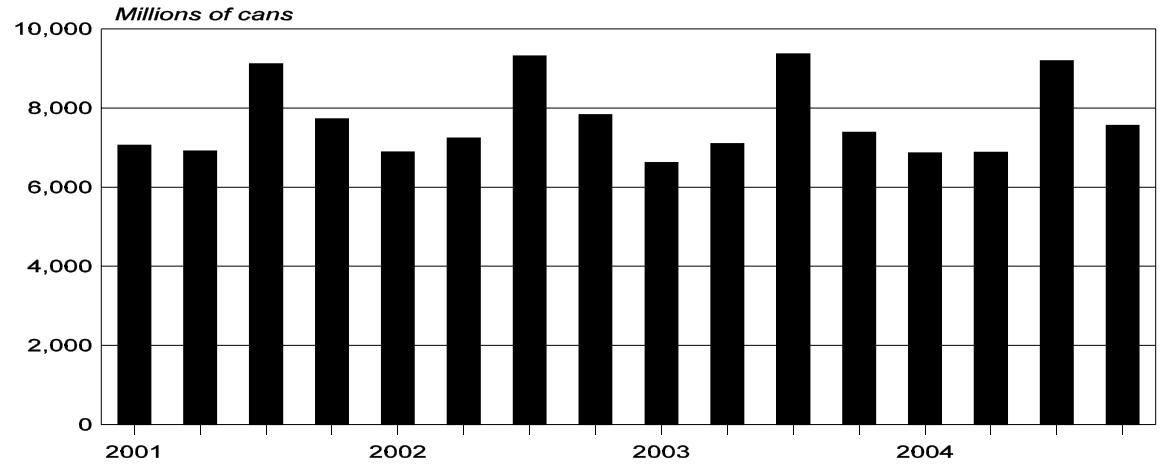
Source: U.S. Census Bureau, Can Manufacturers' Institute, and Forging Industry Association.

Figure OVERVIEW II-3
Transportation equipment: Value of U.S. manufacturers' shipments, by quarters, January 2001-March 2005



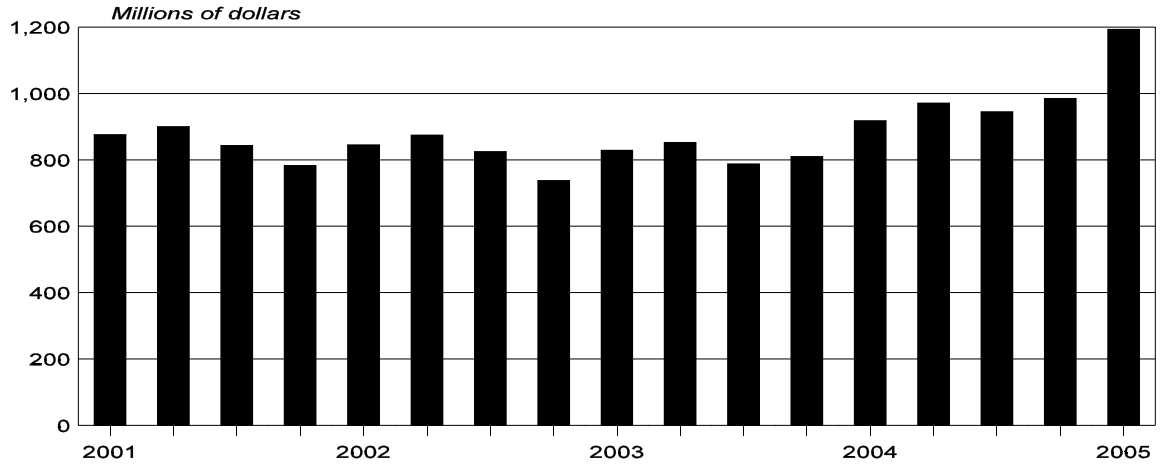
Source: U.S. Census Bureau, *M3 Series-Value of Manufacturers' Shipments*.

Figure OVERVIEW II-4
Steel cans: Quantity of U.S. manufacturers' shipments of steel cans for food, quarterly, January 2001-December 2004



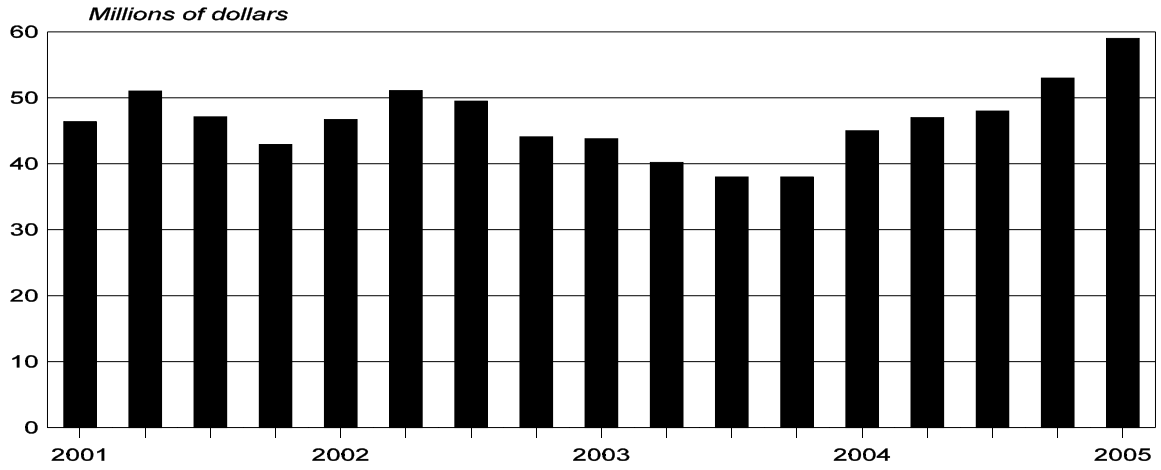
Source: The Can Manufacturers' Institute.

Figure OVERVIEW II-5
Carbon and alloy steel forgings: Value of U.S. manufacturers' shipments, quarterly, January 2001-March 2005



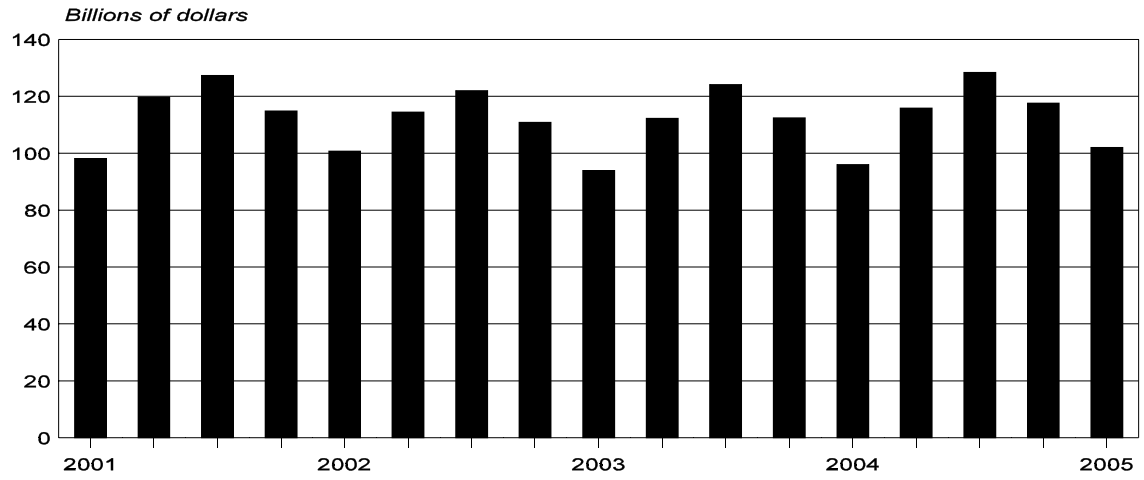
Source: The Forging Industry Association.

Figure OVERVIEW II-6
Stainless steel forgings: Value of U.S. manufacturers' shipments, quarterly, January 2001-March 2005



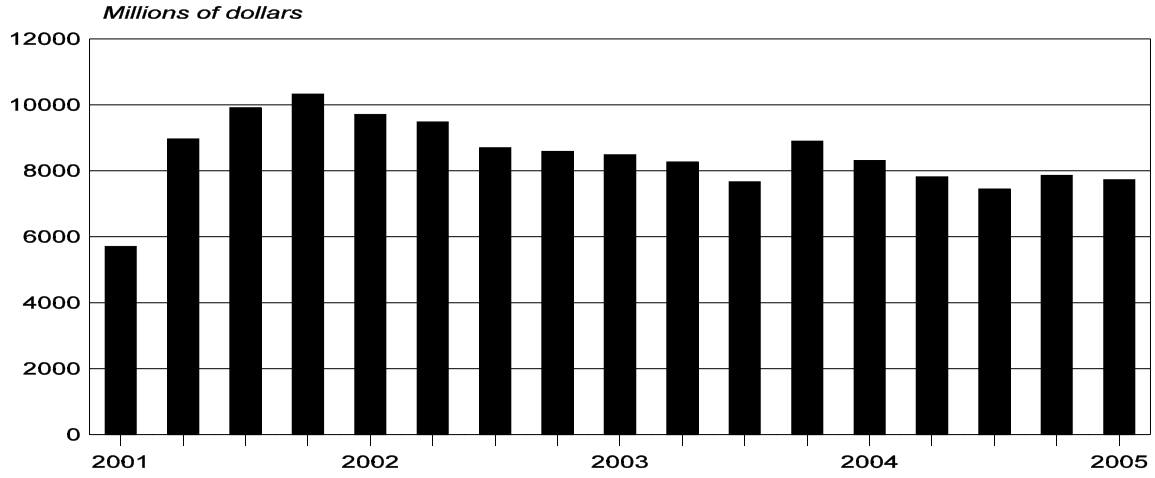
Source: The Forging Industry Association.

Figure OVERVIEW II-7
Nonresidential construction: Value of U.S. nonresidential construction put in place, by quarters, January 2001-March 2005



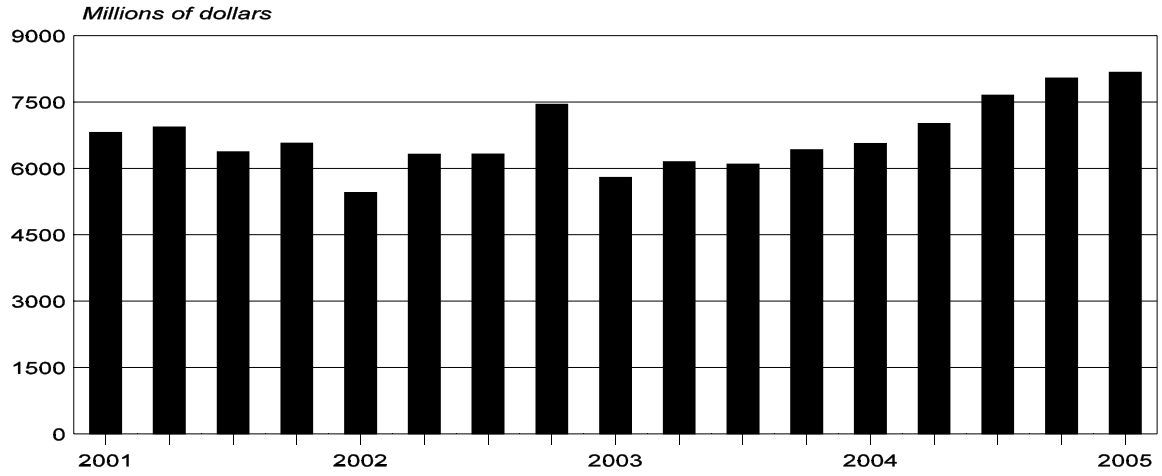
Source: U.S. Census Bureau, *C30 Report–Value of Construction Put in Place*.

Figure OVERVIEW II-8
Utilities, pipelines, and railroads: Value of U.S. construction put in place, by quarters, January 2001-March 2005



Source: U.S. Census Bureau, *C30 Report–Value of Construction Put in Place*.

Figure OVERVIEW II-9
Metalworking machinery: Value of U.S. manufacturers' shipments, by quarters, January 2001-March 2005



Source: U.S. Census Bureau, *M3 Series–Value of Manufacturers' shipments*.

INPUT COSTS

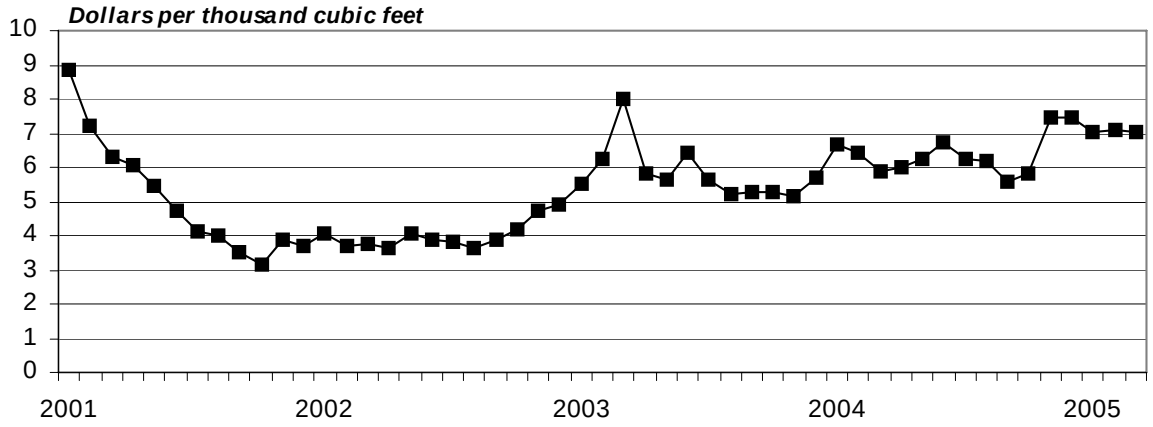
Primary inputs in the production of steel products include energy commodities, such as natural gas and electricity, as well as raw materials, such as steel scrap, nickel,[1] and coke. Price series for these materials are shown in figures OVERVIEW II-10 - OVERVIEW II-14.

Since January 2001, prices for natural gas have decreased by 20.4 percent. Natural gas prices fell by 54.2 percent from January 2001 to January 2002. Since January 2002, natural gas prices have rebounded by 75.1 percent, with most of the increase occurring between fourth quarter 2002 and first quarter 2003. Prices for electricity sold to industrial users fluctuated upward during the period. Since January 2001, electricity prices have increased only slightly, by 3.4 percent.

Prices for raw material inputs have increased since 2001. Since January 2001, prices for steel scrap have increased by 133.2 percent. Similarly, prices for nickel have increased by 131.4 percent and prices for coke have increased by 98.3 percent over the same period.

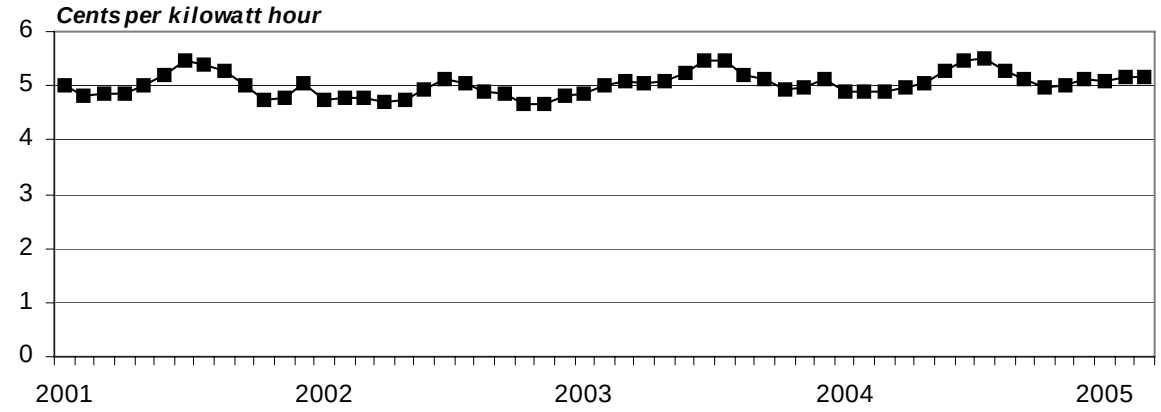
[1] Nickel is a major raw material input for making stainless steel and reportedly is priced globally for all manufacturers.

Figure OVERVIEW II-10
Natural gas: Price of natural gas sold to industrial customers, monthly, January 2001-March 2005



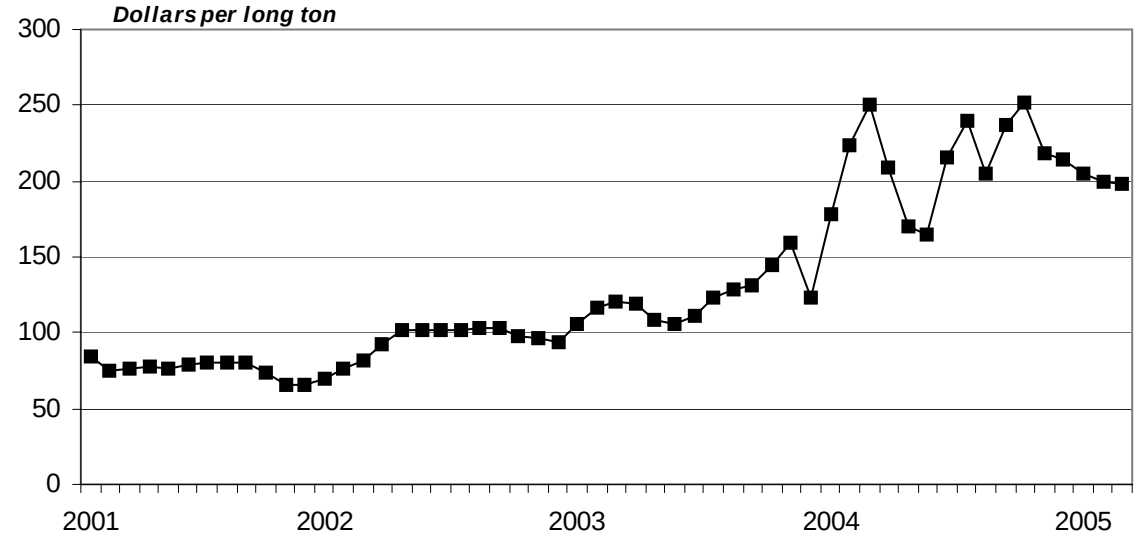
Source: U.S. Department of Energy, Energy Information Administration.

Figure OVERVIEW II-11
Electricity: Price of electricity sold to industrial customers, monthly, January 2001-March 2005



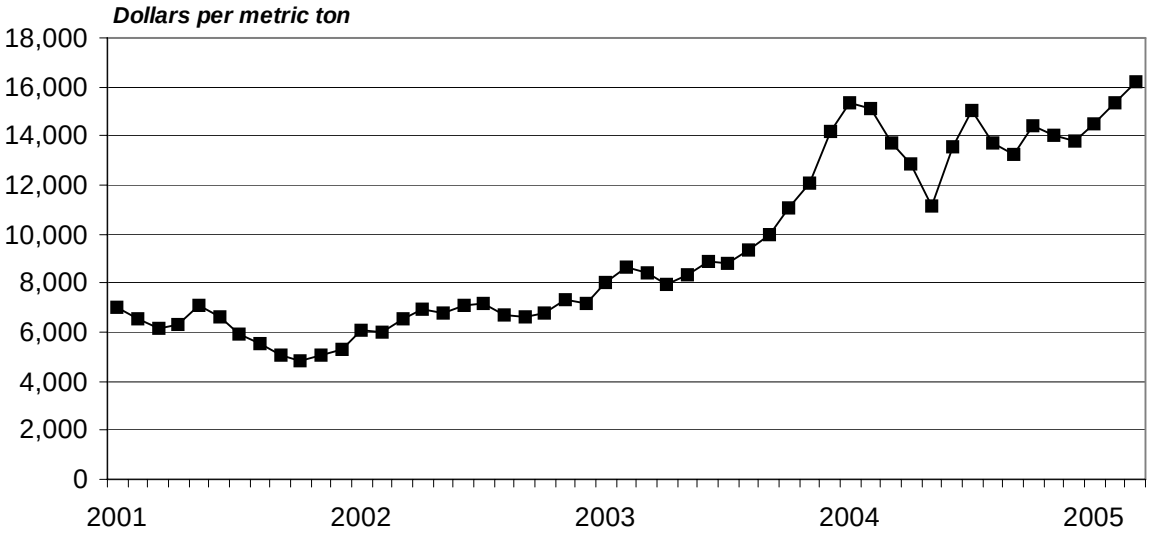
Source: U.S. Department of Energy, Energy Information Administration.

Figure OVERVIEW II-12
Steel scrap: Price, monthly, January 2001-March 2005



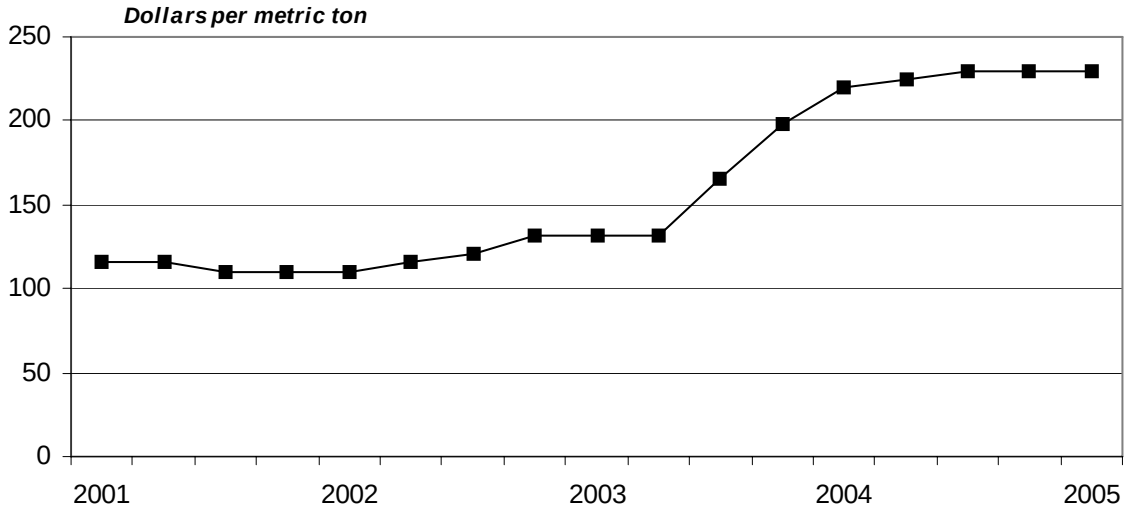
Source: American Metal Market, Composite price of No. 1 heavy melting steel scrap.

Figure OVERVIEW II-13
Nickel: Cash mean price, monthly, January 2001-March 2005



Source: London Metal Exchange.

Figure OVERVIEW II-14
Coke: U.S. spot price, quarterly, January 2001-March 2005



Source: World Steel Dynamics (WSD), *Steel Strategist #30* and WSD, e-mail to USITC staff, May 11, 2005.

EXCHANGE RATES

Exchange rate fluctuations between the U.S. dollar and foreign currencies can have a significant effect on the relative competitiveness of global steelmakers selling products in the U.S. market. As a country's currency depreciates against the U.S. dollar, the foreign producer can lower product prices expressed in U.S. dollars in the U.S. market while still receiving the same price expressed in its home currency. Alternatively, as a country's currency appreciates against the U.S. dollar, a foreign producer that maintains prices expressed in U.S. dollars will obtain lower prices in its home currency. As shown in table OVERVIEW II-2, nominal and real exchange rates for many of the selected countries appreciated against the U.S. dollar during the period for which data were collected, especially since the first quarter of 2002.

Table OVERVIEW II-2
Exchange rates: Overall appreciation and depreciation amounts for currencies of selected countries relative to the U.S. dollar, January-March 2001 through January-March 2005

Country	January-March 2001 through January-March 2005				January-March 2002 through January-March 2005			
	Nominal exchange rate		Real exchange rate		Nominal exchange rate		Real exchange rate	
	Appreciation	Depreciation	Appreciation	Depreciation	Appreciation	Depreciation	Appreciation	Depreciation
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Argentina	–	191.1	–	513.1	–	52.2	–	165.1
Australia[1]	31.7	–	32.9	–	33.3	–	39.0	–
Brazil[1]	–	30.3	–	119.9	–	11.9	–	59.5
Canada	19.6	–	25.6	–	23.0	–	32.6	–
China[2]	–	–	–	–	–	–	–	–
Czech Republic	22.9	–	40.4	–	22.9	–	42.1	–
Egypt	–	53.4		104.5	–	29.3		57.2
E.U.[1]	28.7	–	31.6	–	30.8	–	37.5	–
India[1]	6.2	–	–	1.1	10.1	–	10.7	–
Indonesia	5.2	–	–	11.0	8.7	–	6.9	–
Japan[1]	11.3	–	21.4	–	20.9	–	32.7	–
Korea[1]	19.6	–	20.9	–	22.6	–	27.2	–
Mexico	–	15.3	–	33.9	22.6	–	–	30.7
Romania[1]	–	5.6	–	95.8	12.5	–	–	20.9
Russia[1]	2.5	–	–	53.5	9.5	–	–	30.3
Thailand[1]	10.7	–	3.1	–	11.8	–	11.6	–
Turkey[1,3]	–	66.0	19.8	–	2.6	–	19.8	–
United Kingdom[1]	22.9	–	20.2	–	24.7	–	32.3	–

[1] Covered countries. Certain carbon flat-rolled steel was the only covered product from Brazil. Fittings were the only covered products from India, Romania, and Thailand. Rebar was the only covered product from Turkey.

[2] China's currency (yuan) was pegged to the U.S. dollar during the period for which data were collected, so it neither appreciated or depreciated nominally. On July 21, 2005, China re-evaluated its currency to allow narrow fluctuations based on a basket of foreign currencies, which caused an immediate appreciation of the Chinese yuan of 2 percent against the U.S. dollar.

[3] The producer price index was unavailable for Turkey prior to 2003. Therefore, the appreciation in the real exchange rate of Turkey's currency relative to the U.S. dollar is based on the change from first quarter 2003 to first quarter 2005 for both periods shown.

Source: International Monetary Fund, *International Financial Statistics,* August 2005, http://imfstatistics.org.

PART III: U.S. DEVELOPMENTS

U.S. PRODUCERS

A list of U.S. producers that responded to the Commission's request for information, including the products produced by each firm, is presented in table OVERVIEW III-1.

Table OVERVIEW III-1
Steel: U.S. producers, by products, January 2001-March 2005

"✔" = firm produces this product or form

Firm	Flat						Long			Tubular		Stainless		
	Certain flat-rolled steel[1]													
	Slab	Plate	Hot-rolled	Cold-rolled	Coated	Tin	Hot bar	Cold bar	Rebar	Welded	Fittings	Bar	Rod	Wire
A.B. Steel Mill									✔					
AK Steel	✔		✔	✔	✔					✔				
Allied Tube & Conduit										✔				
Alton Steel	✔						✔							
American Steel Pipe										✔				
Anvil International											✔			
Apollo Metals					✔									
Bayou Steel							✔		✔					
Beck Industries										✔				
Berg Steel Pipe										✔				
Beta			✔											
Blair Strip				✔										
Bonney Forge											✔			
Bull Moose Tube										✔				
California Steel		✔	✔	✔	✔					✔				
California Steel & Tube										✔				
Canfield Metal Coating					✔									
Carpenter Technology												✔	✔	✔
Charter Specialty													✔	
CMC Steel							✔		✔					
Connecticut Steel									✔					
Copperweld										✔				
Corey Steel								✔						
Crucible Specialty Metals												✔		
CSN				✔	✔									
Double G Coatings					✔									
Duferco Farrell			✔	✔										
Electralloy												✔		
Ergste Westig S. Carolina				✔										✔

Table continued. See footnotes at end of table.

Table OVERVIEW III-1--*Continued*
Steel: U.S. producers, by products, January 2001-March 2005

"✔" = firm produces this product or form														
	Flat						Long			Tubular		Stainless		
	Certain flat-rolled steel[1]													
Firm	Slab	Plate	Hot-rolled	Cold-rolled	Coated	Tin	Hot bar	Cold bar	Rebar	Welded	Fittings	Bar	Rod	Wire
Gallatin			✔											
Geneva Steel[2]	✔	✔	✔											
Gerdau Ameristeel							✔	✔	✔					
Gibraltar Industries				✔										
Greer				✔										
Handy and Harman														✔
Hannibal Industries										✔				
IPSCO	✔	✔	✔							✔				
Ispat Inland	✔		✔	✔	✔		✔							
Jersey Shore Steel							✔							
Jindal United Steel		✔								✔				
Jewel Wire														✔
JIT Steel		✔	✔	✔	✔									
Laclede Steel Corp.[3]										✔				
Leavitt Tube										✔				
Leggett & Platt										✔				
LeTourneau		✔												
LMP Steel & Wire								✔						
Lock Joint Tube										✔				
Lone Star			✔							✔				
Loos & Co.														✔
MacSteel							✔	✔						
Maruichi American										✔				
Maverick Tube										✔	✔			
Mills Iron Works[4]											✔			
Mittal Steel USA ISG	✔	✔	✔	✔	✔	✔								
National Galvanizing			✔											
Nelson Steel & Wire								✔						
North American Stainless												✔	✔	
Northwest Pipe										✔				
North Star BHP			✔											
North Star Steel		✔					✔		✔					
Nova Tube										✔				
NS Group										✔				
Nucor	✔	✔	✔	✔	✔		✔	✔	✔					
Ohio Coatings						✔								
Oregon Steel Mills	✔	✔	✔						✔	✔				
Outokumpu Stainless												✔		

Table continued. See footnotes at end of table.

Table OVERVIEW III-1--*Continued*
Steel: U.S. producers, by products, January 2001-March 2005

"✔" = firm produces this product or form														
	Flat						Long			Tubular		Stainless		
	Certain flat-rolled steel[1]													
Firm	Slab	Plate	Hot-rolled	Cold-rolled	Coated	Tin	Hot bar	Cold bar	Rebar	Welded	Fittings	Bar	Rod	Wire
Pennsylvania Machine Works											✔			
Plymouth Steel								✔		✔				
Pre-Coat Metals					✔									
Pro-Tec Coating					✔									
Republic Engineered							✔	✔						
Roanoke Electric Steel							✔							
Rome Strip				✔										
Sandvik Materials														✔
Sharon Tube										✔				
Sheffield							✔		✔					
Searing Industries										✔				
Severstal N.A.	✔		✔	✔	✔									
Spartan Steel Coating					✔									
Steel of W. Virginia							✔							
Steel Dynamics			✔	✔	✔									
Steelscape					✔									
Stupp Corp.										✔				
Sumiden Wire Products														✔
TAMCO									✔					
Taubensee Steel & Wire								✔						
Tex-Tube										✔				
The Techs					✔									
Theis Precision				✔										
Thomas Steel				✔	✔									
Thompson				✔										
Timken							✔	✔						
Trinity Fittings											✔			
Tube Forgings[4]											✔			
TXI Chaparral Steel							✔		✔					
U.S. Steel	✔	✔	✔	✔	✔	✔				✔				
Ulbrich Stainless Steel														✔
Universal Stainless & Alloy							✔	✔				✔	✔	✔
USS-POSCO				✔	✔	✔								
Valbruna Slater Stainless												✔		
Vest										✔				

Table continued. See footnotes at end of table.

Table OVERVIEW III-1--*Continued*
Steel: U.S. producers, by products, January 2001-March 2005

"✔" = firm produces this product or form

Firm	Flat						Long			Tubular		Stainless		
	Certain flat-rolled steel[1]													
	Slab	Plate	Hot-rolled	Cold-rolled	Coated	Tin	Hot bar	Cold bar	Rebar	Welded	Fittings	Bar	Rod	Wire
WCI Steel	✔	✔	✔	✔	✔									
Weldbend											✔			
Wellhead											✔			
Western Forge											✔			
Western Tube										✔				
Wheatland Tube										✔				
Wheeling-Nisshin					✔									
Wheeling-Pittsburgh[5]			✔											
Wilton Precision Steel								✔						
Wire Industries														✔
Total (112)	**11**	**12**	**20**	**21**	**22**	**4**	**16**	**12**	**11**	**32**	**10**	**7**	**4**	**9**

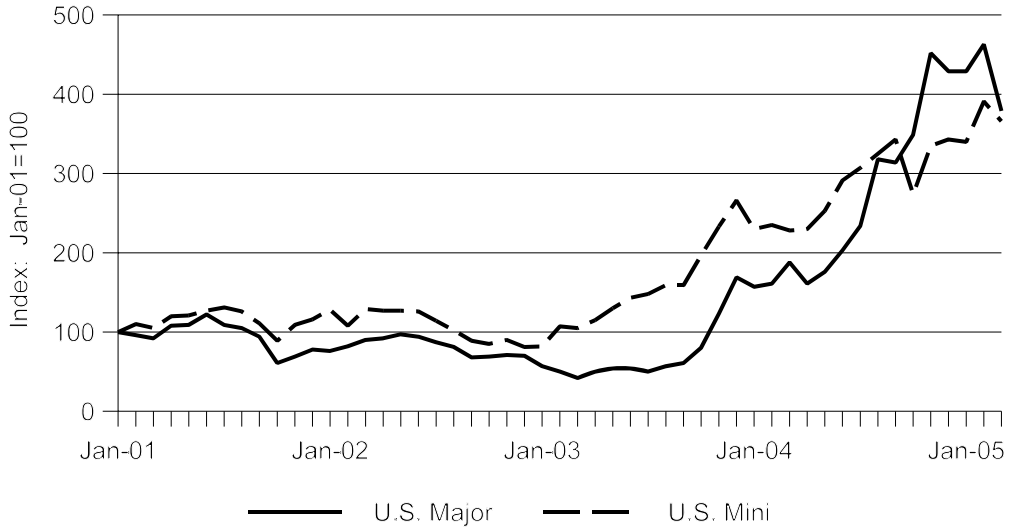
[1] Includes the following toll producers: Double G Coatings, Jindal Steel, JIT Steel, National Galvanizing, Pre-Coat Metals, and Spartan Steel Coating.
[2] ***.
[3] ***.
[4] ***.
[5] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL AND INVESTMENT TRENDS

The production of most steel products included in this investigation is a highly capital-intensive undertaking. Companies require regular infusions of capital both for new equipment and for regular maintenance and upkeep of existing capital stock. The sources of such investment traditionally have been retained earnings, debt, and equity. All of these avenues have been constrained for more than a decade. The market value of the stocks of steel companies in the United States had been in decline since 1999. In 2003, however, the stocks of those steel companies that had survived the string of bankruptcies began to increase sharply in value. Figure OVERVIEW III-1 shows the performance of the World Steel Dynamics (WSD) major mill and minimill stock indices, which it began tracking in 1997. Stock prices of both groups, which are indicators of past or expected future financial performance, have increased approximately three-fold since 2003.

Figure OVERVIEW III-1
World Steel Dynamics' index of steel stock prices, U.S. major mills and U.S. minimills, monthly, January 2001-March 2005



Note--Major mills include AK, Ispat-Inland, U.S. Steel, and WHX. Minimills currently include Bayou, Commercial Metals, Keystone, Nucor, Oregon, Schnitzer, and Steel Dynamics.

Source: World Steel Dynamics.

Table OVERVIEW III-2 shows the history of the ratings of the senior debt of eight representative steel companies since 2001, as rated by Moody's Investment Service. The trend of steadily declining ratings was reversed, starting in 2003, and the unsecured debt of five of the eight companies has been upgraded since then. Nonetheless, the senior debt[1] of only three U.S. steel companies is rated "investment grade."[2] The debt of the rest of the companies is rated lower than investment grade or not rated at all, limiting companies' access to capital markets.

[1] Subordinated debt, such as debentures, historically has been rated lower than senior debt. Senior debt is a class of securities, bonds, notes, or shares that has preference in instances of company liquidation over another class.

[2] The three companies are Carpenter Technology Corp., Commercial Metals Co. (CMC), and Nucor Corp. The senior debt of U.S. Steel Corp. has not been rated investment grade following its spinoff from USX Corporation.

Table OVERVIEW III-2
Moody's ratings[1] of senior unsecured debt of selected U.S. steel producers, 2001-05

Company	2001	2002	2003	2004	2005
AK Steel	⇓Ba3		⇓B1 ⇓B2		⇑B1
Carpenter Technology		⇓Baa3			Baa3
Commercial Metals			⇓Baa3		Baa3
Gerdau Ameristeel				⇑Ba3	Ba3
Mittal Steel Company					⇑Ba1
Nucor					A1
Steel Dynamics			⇑Ba3	⇑Ba2	Ba2
United States Steel	Ba2 ⇓Ba3		⇓B1	⇑Ba2	Ba2

[1] Moody's ratings range from Aaa (highest) to C (lowest). Ratings of Baa and higher are considered "investment grade." The numerical modifiers run from 1 (highest) to 3 (lowest)

Source: Moody's Investor's Service.

Bankruptcies

Since January 1999, 33 steel companies producing products subject to the steel safeguard measures sought the protection of the bankruptcy courts because of their lack of resources. Nine of those bankruptcy filings occurred after the implementation of the safeguard measures.[3] Most of these companies continued to operate while they developed reorganization plans to restructure their debts, but several were forced to liquidate their assets. Many of the companies that have declared bankruptcy are those that invested during the 1990s with the plan of improving their capabilities. Information on U.S. steel producers that have filed for bankruptcy since January 2001 is presented in tables FLAT I-3, LONG I-3, TUBULAR I-3, and STAINLESS I-3 that are presented in Part I of subsequent chapters of this report.

[3] Republic Engineered Products, LLC, and Rouge Industries, Inc. have declared bankruptcy since the Commission issued its previous report to the President, *Steel: Monitoring Developments in the Domestic Industry, Investigation No. TA-204-9,* USITC Publication 3632, September 2003.

Mergers and Acquisitions

Since the implementation of the steel safeguard measures, there have been a number of instances of firms acquiring the assets of bankrupt steel companies and consolidating them into larger steel companies. This has included both large integrated companies as well as large minimill companies. Specifically, International Steel Group acquired the steelmaking assets of LTV Steel, Acme Metals, Bethlehem Steel, Weirton Steel, and Georgetown Steel; U.S. Steel acquired the assets of National Steel; and Nucor acquired the assets of Trico Steel and Birmingham Steel. Nucor also acquired Tuscaloosa Steel from Corus in June 2004. Tuscaloosa was not in bankruptcy.

Some of the acquisitions of U.S. steel companies have been by non-U.S. steel companies. Severstal, a large Russian steel company, acquired the assets of Rouge Steel. In another major merger, not involving bankrupt entities, Ameristeel (the North American operations of Gerdau S.A. of Brazil) merged with Co-Steel Inc. of Canada to form Gerdau Ameristeel, which operates a total of 11 minimills in the United States and Canada. In April 2005, International Steel Group merged with Mittal Steel Company, a Netherlands-based company, forming the largest steel company in the world, with steelmaking operations in 14 countries.[4]

In addition to its acquisition of the domestic steel-producing assets of National Steel, U.S. Steel has acquired steel-producing companies in Eastern Europe. In November 2000, it acquired an integrated steel company in Slovakia, and in November 2003, it acquired an integrated steel company in Serbia. Nucor Corp. has a strategy to grow globally through joint ventures and has established a joint venture with CVRD, the largest Brazilian producer of iron ore, to produce pig iron in Brazil for export to Nucor plants in the United States.[5]

Information on recent steel company mergers and acquisitions is presented in tables FLAT I-4, LONG I-4, TUBULAR I-4, and STAINLESS I-4 that are presented in Part I of subsequent chapters of this report.

Capital Investments

The U.S. steel industry has directed much of its available capital to investments intended both to expand total capacity and to improve product mix by expanding capacity to produce higher value-added products. Information on recent, major capital investments of U.S. steel companies is presented in tables FLAT I-5, LONG I-5, TUBULAR I-5, and STAINLESS I-5 that are presented in Part I of subsequent chapters of this report.

---

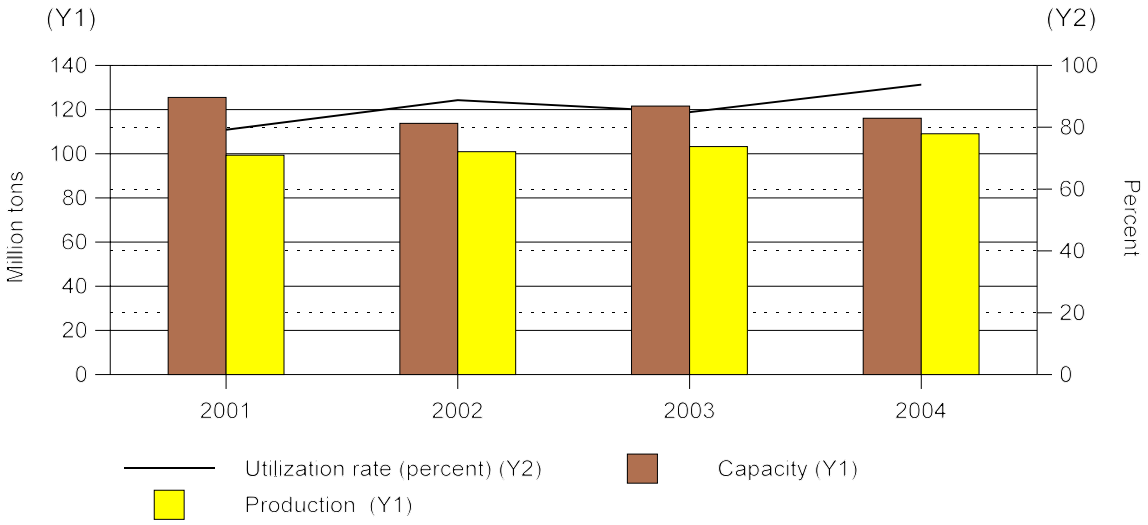
[4] Mittal Steel Co. N.V., "Mittal Steel Company and ISG Announce Completion of Merger," press release, April 15, 2005, found at http://www.mittalsteel.com/News+and+Press/News+Releases/, retrieved June 21, 2005.

[5] Nucor Corp., "Investor Presentation," found at http://media.corporate-ir.net/media_files/irol/10/107115/ppt/Annual_Meeting_2005_Final.ppt, retrieved June 22, 2005.

CAPACITY, PRODUCTION, SHIPMENTS, AND INVENTORIES

The United States was the third-largest steel producer in the world in 2004, producing 109 million tons of raw steel (approximately 10 percent of world total raw steel output), a 6-percent increase from the 2003 level of 103 million tons, and a 10-percent increase from the 2001 level of 99 million tons (figure OVERVIEW III-2). Indiana leads all states in steel production, followed by Ohio.[6]

Figure OVERVIEW III-2
Raw steel: U.S. production, capacity, and utilization rate, 2001-04



Source: American Iron and Steel Institute.

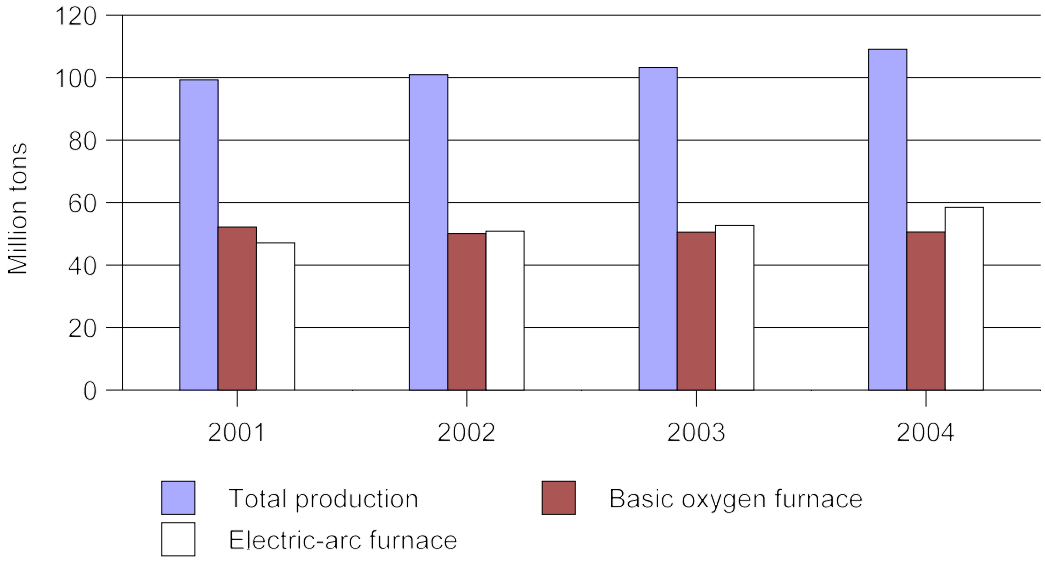
During 2001-04, total domestic raw steel capacity[7] fluctuated, although the overall trend was a decrease from 125 million tons to 116 million tons, a reduction of approximately 7 percent (figure OVERVIEW III-2). In 2003, capacity increased by 7 percent to 121 million tons, while production increased marginally (2 percent), resulting in a lower capacity utilization rate of 84.9 percent compared to 2002. However, overall production increased more than did capacity in 2004, resulting in a higher capacity utilization rate of 93.8 percent.

Production in electric-arc furnaces has mirrored the trend in total raw steel production during 2001-04 (figure OVERVIEW III-3). Electric-arc process production has become the leading source of raw steel production in the United States, as basic oxygen furnace method production as a share of total production has declined from 53 percent in 2001 to 46 percent in 2004.

[6] American Iron and Steel Institute (AISI), *Annual Statistical Report – 2003*.

[7] AISI capability data are commonly referred to as capacity. Raw steel production capability is defined as the tonnage capability to produce raw steel for a sustained full order book. See AISI, *Annual Statistical Report-2003*.

Figure OVERVIEW III-3
Raw steel: U.S. production, by process, 2001-04



Source: American Iron and Steel Institute.

During 2001-04, total net shipments[8] of steel-mill products as reported by AISI increased by 13 percent, or approximately 13 million tons (figure OVERVIEW III-4).[9] U.S. imports of semifinished steel, increased by 37 percent in 2002 to peak at 8.8 million tons before reaching a nadir of 4.8 million tons in 2003. Overall, U.S. imports of semifinished steel increased by 15 percent from 6.4 million tons to 7.4 million tons during the period.[10] Imports of finished steel-mill products increased by 20 percent to 28.4 million tons during 2001-04, despite a 23-percent decline between 2002 and 2003. Between 2001 and 2004, the share of apparent U.S. consumption accounted for by finished steel imports ranged consistently between approximately 20 and 21 percent except in 2003, when finished steel imports' low share of apparent consumption (less than 16 percent) coincided with a significant decrease in finished steel imports. U.S. exports remained low relative to imports of finished steel, increasing from 6.1 million tons in 2001 to 7.9 million tons in 2004. The United States was a net importer of finished steel products during 2001-04. U.S. exports as a percentage of finished steel imports peaked at approximately 45 percent in 2003 before declining to 28 percent in 2004.

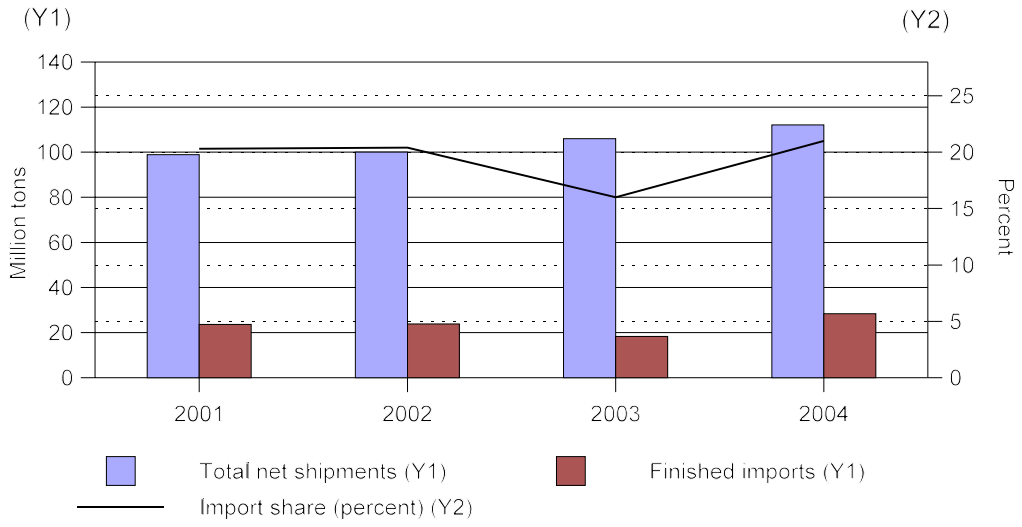
Steel inventories are held by numerous market participants, including producers, end users, importers, and service centers. Public data on inventory holdings are available only for those inventories held in storage at steel mills or at service centers (figure OVERVIEW III-5). Total inventories declined by 22 percent during 2001-04, mainly due to decreasing inventories held by steel mills. Whereas inventories held by service centers decreased slightly during 2001-04, inventories held by steel mills declined approximately 40 percent over the same period, indicating shorter turn-around periods and greater production to order.

[8] The data shown in this figure depict general trends for the overall U.S. steel industry and are presented for illustrative purposes.

[9] U.S. total net shipments increased from 99 million tons in 2001 to 112 million tons in 2004.

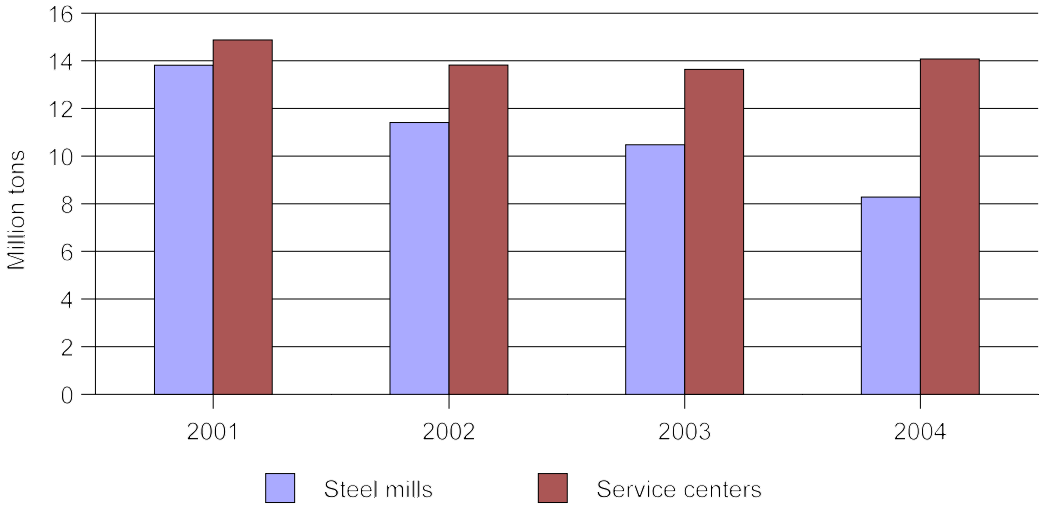
[10] U.S. Department of Commerce, Bureau of the Census, 2001-04, as reported by AISI.

Figure OVERVIEW III-4
Steel: Total net shipments, finished imports, and import share of apparent U.S. consumption, 2001-04



Source: American Iron and Steel Institute.

Figure OVERVIEW III-5
Steel: U.S. inventory levels based on monthly averages, 2001-04



Note.–Metals Service Center Institute data collection and presentation methods have been updated. Data presented have been updated, and differ from previously published data.

Source: Metals Service Center Institute, and U.S. Department of Commerce, *Current Industrial Reports*, various years.

EMPLOYMENT AND PRODUCTIVITY

Employment for durable goods production, iron and steel mills and ferroalloy producers, and manufacturers of steel products from purchased steel all declined during 2001-04 (table OVERVIEW III-3). The value of durable goods production during January 2001 to March 2005, on a monthly basis, peaked in January 2005 and was at its lowest point in December 2002.[11] The United States was in a recession from March 2001 to November 2001.

Table OVERVIEW III-3
Employment: U.S. durable goods manufacturing, iron and steel mills and ferroalloy manufacturing, and steel product manufacturing from purchased steel, 2001-04

North American Industry Classification System (NAICS) code	Industry	Employment				Change 2001-04	
		2001	2002	2003	2004		
		1,000 workers				*Number*	*Percent*
331-339	Durable goods manufacturing	10,335	9,483	8,963	8,923	-1,412	-14
331-100	Iron and steel mills and ferroalloy manufacturing[1]	122	107	102	95	-27	-22
331-200	Steel product manufacturing from purchased steel[2]	68	63	61	61	-7	-10

[1] Includes establishments primarily engaged in one or more of the following: (1) direct reduction of iron ore; (2) manufacturing pig iron in molten or solid form; (3) converting pig iron into steel; (4) manufacturing ferroalloys; (5) making steel; (6) making steel and manufacturing shapes (e.g., bar, plate, rod, sheet, strip, wire); and (7) making steel and forming pipe and tube.

[2] Includes establishments primarily engaged in manufacturing iron and steel tube and pipe, drawing steel wire, and rolling or drawing shapes from purchased iron or steel.

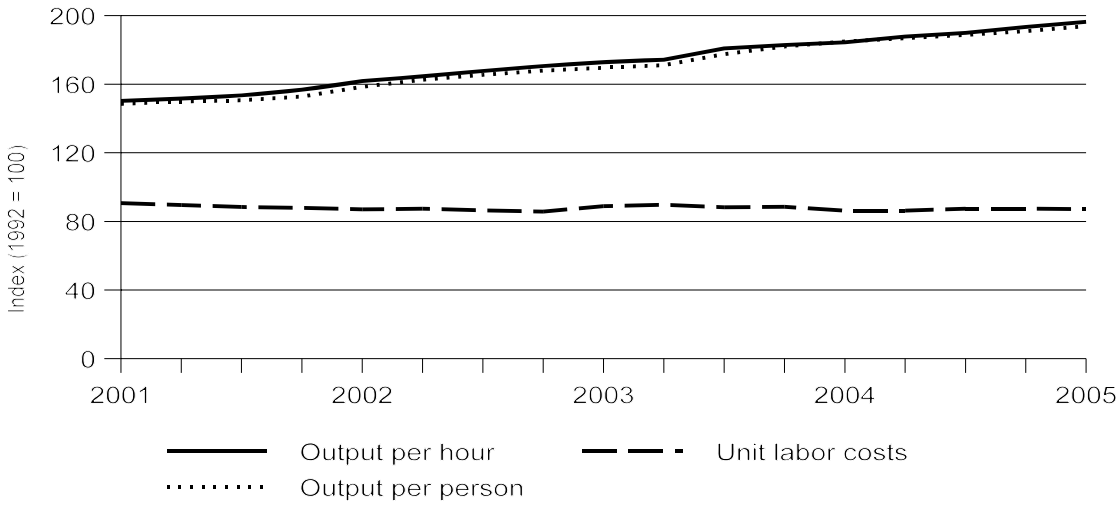
Note.–Calculations are made from unrounded figures.

Source: Bureau of Labor Statistics, *Current Employment Statistics Survey*.

Productivity in the U.S. durable goods manufacturing sector increased substantially during 2001-04 (figure OVERVIEW III-6). The index of output per hour in durable goods manufacturing and output per person have increased by more than 25 percent, while unit labor costs have decreased.

[11] U.S. Bureau of the Census, *Manufacturers' Shipments, Inventories, and Orders Historic Timeseries Documentation (NAICS Based)* found at *http://www.census.gov/indicator/www/m3/hist/naicshist.htm*, retrieved May 23, 2005.

Figure OVERVIEW III-6
U.S. durable goods manufacturing: Selected productivity measures, first quarter 2001-first quarter 2005



Source: U.S. Bureau of Labor Statistics, *Major Sector Productivity and Cost Index*.

The trends in average hours worked, including overtime, for production workers for durable goods manufacturing, iron and steel mills and ferroalloy production, and steel product manufacturing from purchased steel varied by industrial sector during 2001-04 (figure OVERVIEW III-7). The average weekly hours worked by production workers in iron and steel mills and ferroalloy production declined from 43.4 hours in 2001 to 42.6 hours in 2003 before increasing substantially to 44.5 hours in 2004. Workers engaged in the production of steel products made from purchased steel experienced a decrease in average weekly hours worked during 2001-04. However, the decrease was irregular; average weekly hours worked increased from 41.9 to 42.7 during 2001-02, decreased to 41.4 in 2003, then increased slightly to 41.7 in 2004. Average weekly hours worked increased during 2001-04 for the durable goods sector as a whole, rising from 40.6 hours in 2001 to 41.3 hours in 2004. One factor that may be connected to the relatively large increase in weekly hours for employees in the iron and steel mill and ferroalloy industries in 2004 was the substantial increase in steel demand during this period. In 2004, steel mills produced 109 million tons of raw steel at an average capacity utilization rate of 93.8 percent, a 6.4-percent increase from the previous year, when mills produced 103 million tons at an average capacity utilization rate of 84.9 percent.[12]

[12] Raw steel production was 99 million tons in 2001 and 101 million tons in 2002 (American Iron and Steel Institute, AIS-7 report for 2001-04).

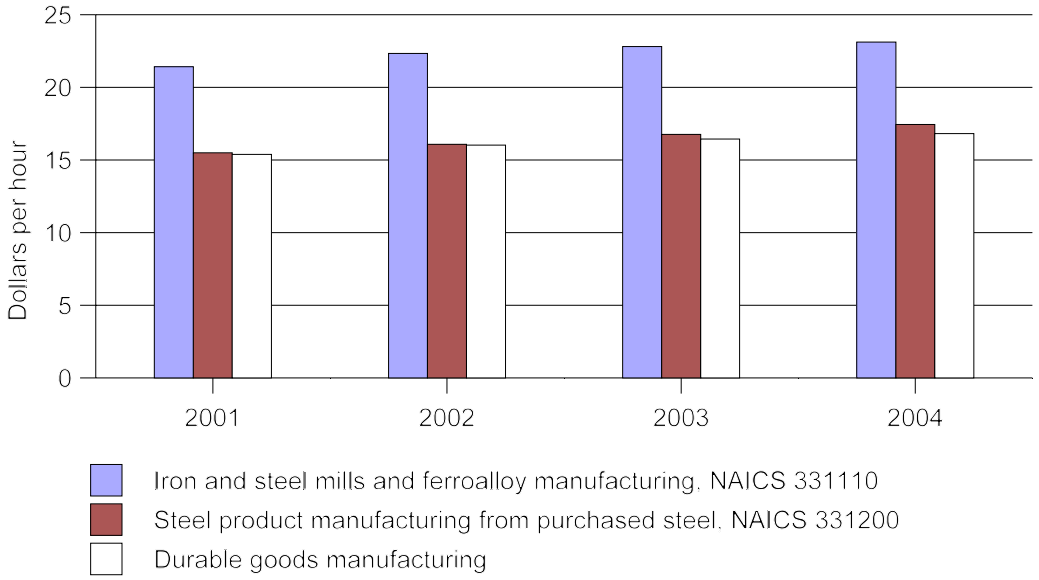
Figure OVERVIEW III-7
Average weekly hours, including overtime hours, of individual production workers: U.S. durable goods manufacturing, iron and steel mills and ferroalloy manufacturing, and steel product manufacturing from purchased steel, 2001-04

Note–Iron and steel mills and ferroalloy production includes establishments primarily engaged in one or more of the following: (1) direct reduction of iron ore; (2) manufacturing pig iron in molten or solid form; (3) converting pig iron into steel; (4) manufacturing ferroalloys; (5) making steel; (6) making steel and manufacturing shapes (e.g., bar, plate, rod, sheet, strip, wire); and (7) making steel and forming pipe and tube. Steel product manufacturing from purchased steel includes establishments primarily engaged in manufacturing iron and steel tube and pipe, drawing steel wire, and rolling or drawing shapes from purchased iron or steel.

Source: U.S. Bureau of Labor Statistics, *Current Employment Statistics Survey.*

Average hourly earnings of production workers in both durable goods manufacturing and the steel industry increased continually during 2001-04 (figure OVERVIEW III-8). Production workers in iron and steel mills and ferroalloy production had the highest hourly earnings, followed by the steel products production from the "purchased steel" industry. The durable goods manufacturing sector had lower average hourly earnings than workers in the steel industry. Average hourly earnings are influenced not only by changes in normal wage rates but also by overtime pay and occupational shifts within an industry sector. Therefore, trends in average hourly earnings may not reflect changes in base pay.

Figure OVERVIEW III-8
Average hourly earnings of production workers: Durable goods manufacturing, iron and steel mills and ferroalloy production, and steel product manufacturing from purchased steel, 2001-04



Note–Iron and steel mills and ferroalloy production includes establishments primarily engaged in one or more of the following: (1) direct reduction of iron ore; (2) manufacturing pig iron in molten or solid form; (3) converting pig iron into steel; (4) manufacturing ferroalloys; (5) making steel; (6) making steel and manufacturing shapes (e.g., bar, plate, rod, sheet, strip, wire); and (7) making steel and forming pipe and tube. Steel product manufacturing from purchased steel includes establishments primarily engaged in manufacturing iron and steel tube and pipe, drawing steel wire, and rolling or drawing shapes from purchased iron or steel.

Source: U.S. Bureau of Labor Statistics, *Current Employment Statistics Survey*.

PENSIONS AND POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retirement benefits (pensions) and other post-employment benefit (OPEB) plans, which are chiefly health, medical care, and life insurance benefits, cover specified groups of company employees and are included in contractual arrangements between a company and its workers. For the domestic steel industry, these arrangements and their associated costs and liabilities generally stem from contract negotiations during the 1970s and 1980s, and they are considered to be among the largest legacy costs of the industry.[13] Many of the companies funded only current expenses, leaving the potential liabilities not fully funded, or funded their pension plans only to the minimum extent they were required to do so by Federal law, and most companies that had gone into bankruptcy proceedings (see discussion on bankruptcies) terminated underfunded pension and OPEB plans.

Pension plans generally take one of two forms – they are either defined benefit plans or defined contribution plans.[14] Under a defined benefit plan an employer agrees to provide a benefit at retirement that is fixed by a formula. Because the benefits are defined, the employer accepts the risk associated with changes in the variables that determine the amounts needed to meet the obligation to plan participants. Most of these plans are based upon final pay (or sometimes average pay over the last few years of service)

[13] *See* Table OVERVIEW III-5, following.

[14] A few companies offer a defined benefit plan supplemented by a defined contribution plan.

and years of service. Additionally, the plans are generally noncontributory, meaning the employer bears the entire funding burden.

Under a defined contribution plan, on the other hand, an employer agrees to make a defined contribution to a pension plan as determined by the provisions of the plan. A good example are retirement plans wherein employers contribute various percentages of eligible employees' wages to a retirement fund. Consequently, at retirement, plan participants will receive whatever benefits the contributions can provide. Employer contributions are often discretionary, and typically vary with the profitability of the company. As noted in the financial statements of many steel producers, employer contributions to such plans have been zero for certain periods. A defined contribution plan is not guaranteed by the U.S. Government, unlike a defined benefit plan.

Under OPEB plans employers agree to provide specified benefits (generally medical care and life insurance) at retirement to specified retirees (and sometimes, their families). As with defined benefit pension plans, employers accept the risk associated with changes in the variables that determine the amounts needed to meet the obligation to plan participants. Also, since the plans are generally noncontributory, employers bear the entire funding burden. There are several important differences between pension plans and OPEBs. Compared with defined benefit pension plans, OPEBs generally (1) are less well funded; (2) include an uncapped benefit with high variability; (3) cover the retiree as well as a range of dependents; (4) have a benefit that is payable as needed and used; and (5) have a lower predictability of benefit utilization, which is less sure and costs of which are more difficult to predict.[15] Moreover, in contrast to pension benefits, OPEBs are not insured by the PBGC, as noted earlier.

Companies that declare bankruptcy may have their defined-benefit pension plans taken over by the Pension Benefit Guarantee Corporation (PBGC), a U.S. Government agency.[16] The pension plans of 11 U.S. producers of steel subject to the steel safeguard measures that the PBGC terminated and took over during 2000-02 were listed in table OVERVIEW III-4 of the report issued in the Commission's monitoring investigation.[17] During late 2002 through 2004, the PBGC has terminated and assumed trusteeship for an additional five plans (table OVERVIEW III-4).[18]

There are prescribed reporting requirements under generally accepted accounting principles (GAAP) that apply to annual pension and OPEB period costs and their associated year-end liabilities. Public companies have to adhere to certain standards of reporting current and noncurrent pension and other benefits expenses and liabilities. The accrual accounting for pensions and OPEBs is complex, but the two key elements are the net periodic cost or benefit (shown on the income statement) and the pension liability (shown on the balance sheet).

---

[15] Patrick R. Delaney et al. (eds), *Wiley GAAP 2002*, chap. 16, pp. 701-731.

[16] The PBGC was established in 1974 by the Employee Retirement Income Security Act (ERISA) to protect employee pension benefits when a defined-benefit pension plan is terminated because of bankruptcy or for another reason. After a plan is terminated, PBGC becomes trustee of the pension plan only and guarantees retirement benefits up to a certain amount (depending upon the age of the retiree and whether survivor benefits are chosen), the amount of which may differ from the original sponsor's plan. The PBGC does not guarantee health and welfare benefits, severance and vacation pay, life insurance, or other non-pension or nonqualified benefits.

[17] *Steel: Monitoring Developments in the Domestic Industry, Inv. No. 332-452*, USITC Publication 3632, September 2003, Vol. 1, p. Overview III-13.

[18] Companies producing steel products other than those covered by the safeguard measures and also processing steel, or engaged in steel related activities, have also had pensions taken over by the PBGC, including LTV Railroads, EvTac (iron ore mining), Edgewater Steel Ltd., and Freedom Forge Corp.

Table OVERVIEW III-4
Subject steel: Steel company pension plans taken over by the PBGC, 2003-05.[1]

Date of PBGC takeover	Date of bankruptcy filing	Company	Persons covered[2] *(number)*	Under-funding level[2] *(million dollars)*	Company status
March 2003	November 2000	WHX Corp. (Wheeling-Pittsburgh Steel and Handy & Harmon)[3]	9,400	143.0	WHX reorganized August 2003, resulting in spin off of Wheeling-Pittsburgh Steel Corp. (WPSC) and withdrawal of PBGC action to terminate WPSC pension plans
October 2003	May 2003	Weirton Steel	9,200	825.0	Certain assets purchased by ISG, purchased in turn by Mittal Group
December 2003	December 2003	Rouge Steel	5,400	124.0	Certain assets purchased by OAO Severstal
May 2004	June 2003	Slater Steel (Fort Wayne Specialty Alloys Div.)	1,100	36.0	Fort Wayne plant bought by Valbruna Corp., renamed Valbruna Slater Stainless
August 2004	September 2003	Ivaco (Atlantic Steel)	2,019	NA	Atlantic Steel closed in 1998. Termination due to chapter 7 (liquidation) filing by Atlantic and Ivaco's bankruptcy filing.

[1] *See http://www.pbgc.gov/plans* for each company; *http://www.pbgc.gov/news/press_releases* for 2002-05; and *http://www.steelnews.com/features/steelbankruptcies.htm*.
[2] The level of underfunding is usually greater than the PBGC's liability for the plan because the amount the agency may pay to retirees is subject to limitations. Also, the number of retirees is usually smaller than the number of plan participants, which includes both retirees and active workers.
[3] The PBGC absorbed a claim of $495 million in 1986 when it took responsibility fo seven other Wheeling-Pittsburgh Steel pension plans. The WHX plan was established in 1997, with the Handy and Harmon pension merged into the plan in 1998.

Source: Pension Benefit Guaranty Corporation; company status from SteelNews.com and accompanying company press releases.

As in the section 201 investigation and the interim review, selected public data for companies generally reporting under standard industrial classification code (SIC) 3312[19] in the Securities and Exchange Commission's EDGAR database are shown in table OVERVIEW III-5. These data include sales revenue, operating income, total assets, total liabilities, annual pension and OPEB costs, and pension and OPEB funding status. As shown in the table, while the majority of the 27 companies surveyed have defined benefit plans,[20] the difference between the two groups narrowed from 2001 to 2004 as the number

[19] SIC 3312 is comprised of companies whose primary functions include Steel Works, Blast Furnaces & Rolling Mills (Coke Ovens). In addition, the data of Timken (a large producer of, among other things, seamless steel tubing) are included.

[20] The companies offering defined benefit plans are: AK Steel, Ameristeel, Bethlehem (through 2003), Carpenter Technology, ISPAT-Inland, Keystone (through 2003), Lone Star, National (through 2002), Oregon, Republic Technologies (through 2002), Roanoke, Rouge (through 2002), Ryerson Tull, Sheffield (through 2001), Timken, USS, WCI (through 2002), Weirton, and WHX. The majority of these companies are integrated steelmakers.

of companies offering these plans dwindled while the number of companies offering defined contribution plans[21] remained relatively steady.

Table OVERVIEW III-5
Selected financial data of selected steelmakers, fiscal years 2001-04

Item	Fiscal years			
	2001	2002	2003	2004
Data on companies offering defined benefit plans:				
Number of companies	19	19	14	12
	Value (*million dollars*)			
Total net commercial sales	31,155	33,857	32,446	47,338
Operating income or (loss)	(2,634)	(1,397)	(3,889)	4,041
Total assets	35,559	35,337	29,341	36,652
Total liabilities	31,146	33,702	30,512	25,534
Post-employment pension benefits:				
Net periodic cost	312	936	863	675
Amount that fund assets are less than benefit obligation	(2,893)	(8,149)	(6,499)	(3,366)
Post-employment benefits other than pensions:				
Net periodic cost	835	1,119	712	601
Amount that fund assets are less than benefit obligation	(10,449)	(12,151)	(8,617)	(6,728)
Data on companies offering defined contribution plans:				
Number of companies	8	8	7	7
	Value (*million dollars*)			
Total net commercial sales	10,293	11,141	12,591	21,808
Operating income	421	688	247	2,966
Assets	9,417	9,904	9,711	12,812
Liabilities	5,229	5,564	5,160	5,512
Periodic cost for pensions	82	106	74	319
Periodic cost for benefits other than pensions	2	10	3	2
Source: Compiled from data reported in forms 10-K filed with the U.S. Securities and Exchange Commission.				

The data also highlight the differences experienced by the two groups of companies over time. With respect to companies that offered defined benefit pension plans, the annual pension and OPEB costs, and the amounts by which the pension and OPEB liabilities were greater than their corresponding assets to fund them, both increased from 2001 to 2002 and then decreased in succeeding periods. Unfortunately, this apparent upturn in the financial health of the pension and OPEB plans was not because companies were catching up on funding the various plans, but instead because companies with weaker plans were going bankrupt and the PBGC was taking over their plans.

[21] The companies offering defined contribution plans are: Birmingham (through 2002), CSI, Commercial Metals (parent of Structural Metals Inc.), NS Group, Nucor, Steel Dynamics, Texas Industries, and Universal Stainless. All of these companies produce steel in an electric arc furnace.

In particular, Bethlehem, whose FY 2002 pension plan liabilities exceeded its pension plan assets by $2.9 billion in 2002, and whose OPEB plan liabilities exceeded its OPEB plan assets by $3.1 billion, National Steel ($1.2 billion and $1.1 billion, respectively), and Weirton ($0.5 billion and $0.4 billion, respectively), were not in operation in 2004. Thus, the bankruptcy of these three companies combined removed $4.6 billion of the $8.1 billion shortfall in defined benefit pension plan assets and $4.6 billion of the $12.2 billion shortfall in OPEB plan assets in 2002. In a similar vein, the decrease in periodic pension expense[22] and OPEB expense from 2002 to 2004 is attributable to the exit of these three companies from the industry.

Despite the removal of three of the most seriously underfunded plans from the industry, defined benefit pension plans and OPEB plans in total remain quite underfunded. Table OVERVIEW III-5 contains the data of the nine companies offering defined benefit contribution plans and OPEB plans that have operated continuously from 2001 to 2004. Despite the recovery that the steel industry generally experienced in 2004, the gap by which pension plan liabilities exceeded pension plan assets expanded for each of the nine companies, and increased in total by $3.4 billion from 2001 to 2004. Likewise, the gap by which OPEB plan liabilities exceeded OPEB plan assets expanded for each of the nine companies, and increased in total by $1.5 billion from 2001 to 2004. Thus, the situation remains bleak.

With regard to companies providing defined contribution pension plans, the expense for such plans fluctuated within a relatively narrow band from 2001 to 2003 before increasing markedly in 2004. Most ($163 million) of the large ($255 million) increase in 2004 is attributable to Nucor, a company whose operating profits increased from $104 million in 2003 to $1.8 billion in 2004. As noted earlier, the contribution amount for many defined contribution pension plans varies with the profitability of the company.

As expected, the costs for defined benefit pension plans and OPEB plans are in excess of those for defined contribution plans. Data in table OVERVIEW III-5 indicate annual costs for defined benefit pension plans and OPEB plans combined ranged from a high of 6.0 percent of the producers' operating costs in 2002 to a low of 2.9 percent in 2004, while annual costs for defined contribution pension plans ranged from a high of 1.7 percent (in 2004) to a low of 0.6 percent (in 2003) of such costs.

RECENT COLLECTIVE BARGAINING AGREEMENTS AND RELATED ACTIVITIES

The principal union representing steelworkers in the United States is the United Steelworkers of America (USWA).[23] The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, and several independent unions, such as the Independent Steelworkers Union, represent fewer workers in the steel industries subject to the safeguard measures. Since March 2000, most labor agreements have been made by USWA.

In September 2002, at its Basic Steel Industry Conference (BSIC), the USWA adopted a new set of principles to secure labor agreements that, according to the USWA, would save jobs in the steel industry and maintain or enhance living standards of its members and retirees while aiding U.S. steel producers to

[22] Pension expense in defined benefit plans is not simply the amount by which the company currently funds its plan obligations but is instead an involved calculation which takes into account many factors, such as the number of employees and their earnings, actuarial assumptions, interest rates, expected return on plan assets, plan amendments, employer contributions, distributions, and gains and losses that result from experience being different from that assumed. On the other hand, the pension expense for defined contribution plans (which often take the form of 401(k) plans) is straightforward: the net current cost under a defined contribution plan is the company's actual payment.

[23] The USWA and the Paper, Allied-Industrial, Chemical and Energy Workers International Union (PACE) merged in April 2005. The new union will be called the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union. *See* USWA press release, "PACE Members Vote to Merge with Steelworkers Union," April 12, 2005, found at http://www.uswa.org, retrieved June 15, 2005.

recover from bankruptcy and become successful.[24] The BSIC bargaining principles included: (1) company pursuit of financial viability; (2) streamlined and simplified operating procedures, with fewer supervisors, protected worker seniority, and safety; (3) preservation of existing levels of wages and benefits; (4) preservation of pension benefits; (5) a greater role by the USWA in company activities; (6) profit sharing; (7) obligations by the companies to make appropriate capital expenditures and restrictions on company owner and executive compensation at the expense of workers; and, (8) medical care for retirees to the extent possible.[25]

Because the USWA pursues a "pattern bargaining" approach,[26] the BSIC principles were the basis of agreements that were concluded in 2003 with ISG,[27] U.S. Steel, and Wheeling-Pittsburgh Steel. In January 2003, an agreement was reached between USWA workers and ISG, which had purchased the assets of LTV and proposed buying other steel companies in bankruptcy. The plan provides for a benefit trust to provide for funding of health-care for retirees of predecessor companies.[28] That agreement allows for a substantial reduction in employee and retiree healthcare expenses through a variable cost sharing mechanism, and provides for early retirement incentives. The contract also provides for profit sharing from substantial productivity gains.

A similar labor contract was ratified in May 2003 between USWA workers, U.S. Steel, and National Steel, covering the combined operations of both companies.[29] In June 2003, the USWA ratified an agreement with ISG for steelworkers at the former Bethlehem Steel facilities. The agreement, which expires in September 2008, includes provisions for pension benefits under a defined benefit plan and a fund to provide health care for retirees of Bethlehem Steel, together with profit-sharing and labor productivity arrangements.[30] In July 2003, the USWA approved a 5-year agreement with Wheeling-Pittsburgh Steel.[31] The agreement satisfied one of several conditions set by the Emergency Loan Guarantee Board for a U.S. government loan guarantee for the company, and was one reason that Wheeling-Pittsburgh Steel successfully emerged from bankruptcy in August 2003. The agreement

---

[24] USWA, press release, "USWA Launches New Bargaining Initiatives Aimed At Saving Steel Jobs and Securing Member and Retiree Living Standards," September 20, 2002, found at http://www.uswa.org/uswa/program/adminlinks/docs//PR_09-20-02_USWA_Launches_New_Bargaining_Initiatives.pdf, retrieved June 15, 2005.

[25] USWA, Basic Steel Industry Conference brochure, found at http://www.uswa.org/uswa/program/adminlinks/docs//BSIC-brochure.pdf, retrieved June 15, 2005.

[26] Pattern bargaining is used by unions to obtain similar labor agreements covering its members within an industry.

[27] In December 2004, Ispat International N.V. (parent company of Ispat Inland) acquired LNM Holdings, creating Mittal Steel Co. In April 2005, Mittal Steel Co. N.V. acquired ISG.

[28] The benefit trust (ISG Voluntary Employees' Beneficiary Association (ISG VEBA)) is funded by ISG for benefits to be determined by ISG and the USWA. *See* USWA press releases, "Steelworkers' Tentative Agreement with ISG Will Fund Health-Care Relief for LTV, Acme Retirees," January 29, 2003, and "Steelworkers Contract with International Steel Group (ISG) Ratified," February 8, 2003, found at http://www.uswa.com, retrieved June 15, 2005.

[29] U.S. Steel Corp., press release, "U.S. Steel and USWA Reach Progressive New Labor Agreement for U.S. Steel and National Steel Represented Facilities," April 9, 2003, found at http://www.ussteel.com, and USWA press release, "USWA: Ratification of USS-National Agreement 'Another Milestone in Industry Consolidation'," May 19, 2003, found at http://www.uswa.com, retrieved June 15, 2005. U.S. Steel acquired the assets of National Steel in May 2003 after National Steel filed for Chapter 11 bankruptcy protection in March 2002.

[30] USWA, press release, "Steelworkers at Former Bethlehem Facilities Overwhelmingly Ratify Agreement with New Owners, International Steel Group (ISG)," June 16, 2003, found at http://www.uswa.com, retrieved June 15, 2005.

[31] USWA, Summary: Proposed Agreement Between Wheeling-Pittsburgh Steel and the United Steelworkers of America, July 2003, found at http://www.uswa.com, retrieved June 15, 2005.

includes provisions for employee profit sharing and to allow workers with 30 years of service to retire with full pensions before age 62.[32]

In January 2004 (after negotiations which began in 2002), the USWA and three facilities of North Star approved agreements which expired in March 2005. For two of the facilities, the agreements maintained health coverage for current retirees and established a voluntary employee benefit association (VEBA) trust to offset the costs of medical benefits for future retirees. At the third location, the company agreed to continue to provide retiree insurance for eligible employees. The three North Star mills were acquired by Gerdau Ameristeel in November 2004. Negotiations are ongoing and workers are still working under the terms of the old contract.[33] An agreement between the USWA and ISG, covering the former Georgetown Steel facility, was ratified in May 2004. This agreement was similar to the earlier agreements between the USWA and ISG.[34]

The USWA ratified an agreement with WCI Steel, Inc., on July 16, 2004. The agreement will become effective when WCI emerges from bankruptcy as a reorganized company and will expire November 1, 2008.[35]

USS-Posco and the USWA approved an agreement in August 2004 in which the USWA negotiated small pay increases but made concessions in the areas of health care benefits and work rules.[36]

On January 7, 2005, the USWA announced that, beginning March 1, 2005, the ISG VEBA will finance a prescription drug plan for retirees who lost health care benefits when LTV, Bethlehem Steel, Acme Metals, and Georgetown Steel went into bankruptcy.[37]

Negotiations for a new agreement (the old agreement expired in July 2004) are ongoing between the USWA and the former Ispat Inland, Inc. (now part of Mittal Steel Co. N.V.). The new agreement is reportedly expected to be similar to the agreements ratified between ISG and the USWA in 2003.[38]

There have been instances of labor strife involving the USWA between 2001 and 2005. In April 2003, an estimated 470 members of the USWA local 1660 struck Wheatland's pipe mill in Wheatland, PA, following the expiration of their contract. Reportedly, the primary points of contention involved health care benefits, pensions, and wages. Between April and September 2003, Wheatland reportedly supplied customers from its other tubular operations, including the recently acquired Sawhill facility in Sharon, PA. The USWA ratified a three-year contract with Wheatland Tube Co. on September 30, 2003, ending its strike. In the new agreement, new workers are provided with a 401(k) retirement plan instead of a defined benefit plan.[39]

---

[32] Ibid.

[33] USWA, press releases, "Steelworkers Ratify North Star Contracts," January 13, 2004, and "Gerdau Ameristeel Killed Trust 'in cold blood,' Steelworkers Charge at Beaumont 'Funeral'," June 3, 2005, found at http://www.uswa.com, retrieved June 21, 2005.

[34] ISG's form 2004 10-K filing with the U.S. Securities and Exchange Commission, found at www.intlsteel.com, retrieved June 15, 2005.

[35] WCI Steel, Inc., press release, "USWA Ratifies Labor Contract with WCI Steel, Inc.," July 16, 2004, found at www.wcisteel.com, retrieved June 21, 2005.

[36] Frank Haflich, "USS-Posco Workers Approve 4-Year Contract," *American Metal Market*, August 20, 2004, found at www.amm.com, retrieved June 21, 2005.

[37] USWA, press release, " New Health Benefit for Union Retirees of Bethlehem, LTV, Acme Metals, Georgetown Steel Begins March 1," January 7, 2005, found at http://www.uswa.com, retrieved June 21, 2005.

[38] Andrea Holleck, "Steel negotiations continue: USW and Mittal USA Indiana Harbor East Still Working on New Labor Agreement," *Northwest Indiana News*, June 8, 2005, found at http://nwitimes.com/articles/2005/06/08/business/business/6f8101fc700e42ca86257019007949d5.txt, retrieved June 15, 2005.

[39] Information on the strike at Wheatland was compiled from the following sources (found at www.amm.com): "Union workers walk off job at Wheatland Tube" in AMM.com - Steel News - April 29, 2003; "'Bad faith' trips

(continued...)

In March 2004, the USWA and Oregon Steel Mills, Inc., approved a contract covering the Pueblo, CO facility of Oregon Steel. The agreement ended a strike of more than six years, the longest in the USWA's history.[40] During the period, the plant was operated with temporary, nonunion workers.[41]

On May 26, 2005, operations were halted at the Beaumont, TX, facility of Gerdau Ameristeel Corp. until an agreement with the USWA is reached. Gerdau management ceased operations at its Beaumont, TX, mill in "an effort to encourage the United Steelworkers of America (USWA) labor union to act on the company's 'last, best and final' agreement offer presented to the union committee on May 9, 2005."[42] The USWA alleges that "management attempted to short-circuit negotiations for a new labor agreement at Beaumont by abruptly locking out the mill's unionized work force on May 26."[43] The USWA has since submitted a new proposal to the company which includes a "new health care plan" and reportedly union officials are optimistic that an agreement can be reached if the company accepts the new health care proposal.[44]

TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

U.S. workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports may seek assistance under the Trade Adjustment Assistance (TAA) program established under the Trade Act of 1974.[45] The TAA program provides for (1) training services for employment in another job or career; (2) income support; (3) job search allowances; and/or (4) relocation allowances. Workers certified by the TAA program may receive up to 104 weeks of approved training services, which are provided by certified state agencies. Income support, known as trade readjustment allowances (TRA), are weekly cash payments available for 52 weeks after a worker's unemployment compensation benefit is exhausted and during which a worker is participating in an approved full-time training program. As a result, a worker may receive income support for a total of 78 weeks: 26 weeks of unemployment compensation and 52 weeks of TRA.[46]

In 1994, a NAFTA-TAA program was established to assist workers that were affected by the North American Free Trade Agreement. In August 2002, the Trade Adjustment Assistance Reform Act of 2002 was signed into law and re-authorized the TAA program through September 30, 2008.[47] Under the

---

[39] (...continued)
contract talks at Wheatland Tube" in AMM.com - Steel News - August 7, 2003; "Showdown looms on Wheatland Tube final offer" in AMM.com - Steel News - September 8, 2003; "Union negotiators approve latest Wheatland offer" in AMM.com - Steel News - September 25, 2003; "Changes allow Wheatland to better contract offer" in AMM.com - Steel News - September 26, 2003; and "Wheatland Tube workers ratify deal, end strike" in AMM.com - Steel News - September 29, 2003.

[40] USWA, press release, "Pueblo Steelworkers Overwhelmingly Approve Settlement with Oregon Steel," March 12, 2004, found at http://www.uswa.org/uswa/program/content/1056.php, retrieved June 21, 2005.

[41] Frank Haflich, "Oregon, USW End Lengthy Labor Dispute," *American Metal Market*, March 16, 2004, found at www.amm.com, retrieved June 21, 2005.

[42] Gerdau Ameristeel Corp., press release, "Gerdau Ameristeel Halts Operations at Beaumont Steel Mill Pending Labor Agreement," May 26, 2005, found at http://www.gerdauameristeel.com, retrieved June 21, 2005.

[43] USWA, press release, "Gerdau Ameristeel Killed Trust 'in cold blood,' Steelworkers Charge at Beaumont 'Funeral'," June 3, 2005, found at http://www.uswa.com, retrieved June 21, 2005.

[44] Jim Leonard, "USW tone on Ameristeel talks turns upbeat," *American Metal Market*, August 15, 2005, found at www.amm.com, retrieved August 17, 2005.

[45] 19 U.S.C. 2271 et. seq., P.L. 93-618, as amended.

[46] *See* U.S. Department of Labor (DOL), Employment and Training Administration (ETA), "Trade Adjustment Assistance," found at http://www.doleta.gov/programs/factsht/taa.htm, retrieved June 14, 2005.

[47] *See* Public Law 107-210, 116 Stat. 935, August 6, 2002.

Act, the NAFTA-TAA program was repealed and consolidated into the TAA program. The Act also increased benefit levels and provided tax credits for health insurance coverage assistance, as well as improved the timeliness for the receipt of benefits and training. Further, under the Act, the Alternative Trade Adjustment Assistance (ATAA) program for older workers was created to provide a wage subsidy for eligible persons over age 50 to assist in bridging the salary gap between old and new employment.[48] Coverage of the TAA program was expanded to include affected secondary workers, such as those in downstream producing companies performing value-added production processes or of suppliers of component parts to an affected company.

According to data from the U.S. Department of Labor, Employment and Training Administration (ETA), for the U.S. steel industry overall,[49] the number of petitions for TAA relief (excluding NAFTA-TAA petitions), certified and denied, were high during 2001-03 before decreasing in 2004, as shown in the following tabulation:

Year	Certified	Denied
2001	55	26
2002	66	25
2003	57	35
2004	30	12

Since each petition is for workers at a particular location, there may be a number of petitions related to a company that has multiple locations with affected workers. For example, during 2004, there were 11 petitions filed by workers of U.S. Steel Corp. and 4 from J&L Specialty Steel, LLC.

Since April 2000, for the steel industry, there were 47 petitions under NAFTA-TAA, resulting in 17 certifications and 29 denials (the investigation of one petition was terminated before a determination was made). Twelve certifications were made before the implementation of the steel safeguard measures and five certifications since. Petitions were filed by workers, companies employing the workers, or unions, including the United Steelworkers of America.[50] Data on the number of persons associated with these certifications are not available as the ETA does not provide those data to the public.

PRICING

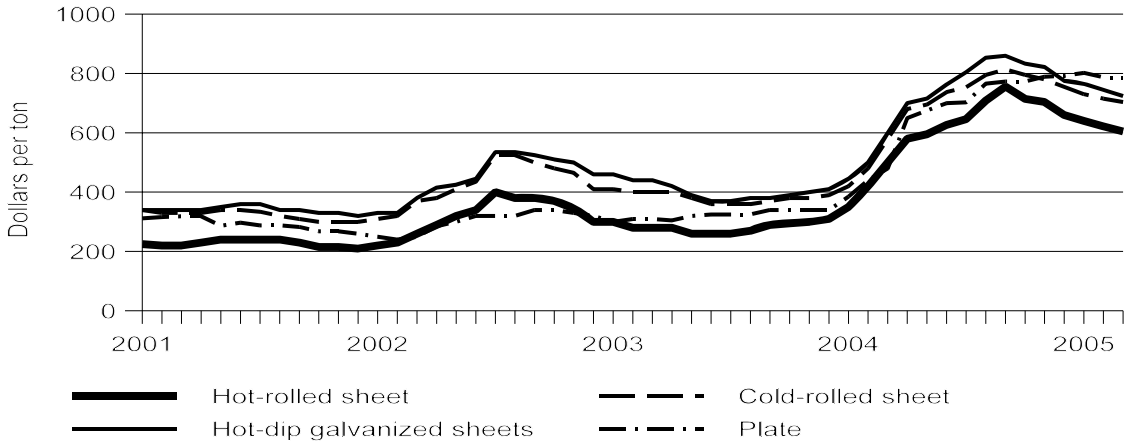
Publically available pricing series for steel products are available only for a limited number of steel products (figure OVERVIEW III-9, figure OVERVIEW III-10, and figure OVERVIEW III-11). The data are based on information collected from purchasing managers and represent average transaction prices for the product.

[48] *See* DOL, ETA, "Trade Adjustment Assistance Reform Act of 2002," found at http://www.doleta.gov/tradeact/2002act_index.cfm, retrieved June 14, 2005.

[49] Data are from U.S. Department of Labor, Employment and Training Administration, Trade Act Programs: Petition Determinations, found at http://www.doleta.gov/tradeact/determinations.cfm, retrieved June 14, 2005, for Standard Industrial Classification industries: 3312, Steel Works, Blast Furnaces (Including Coke Ovens), and Rolling Mills; 3315, Steel Wiredrawing and Steel Nails and Spikes; 3316, Cold-Rolled Steel Sheet, Strip, and Bars; and 3317, Steel Pipe and Tubes.

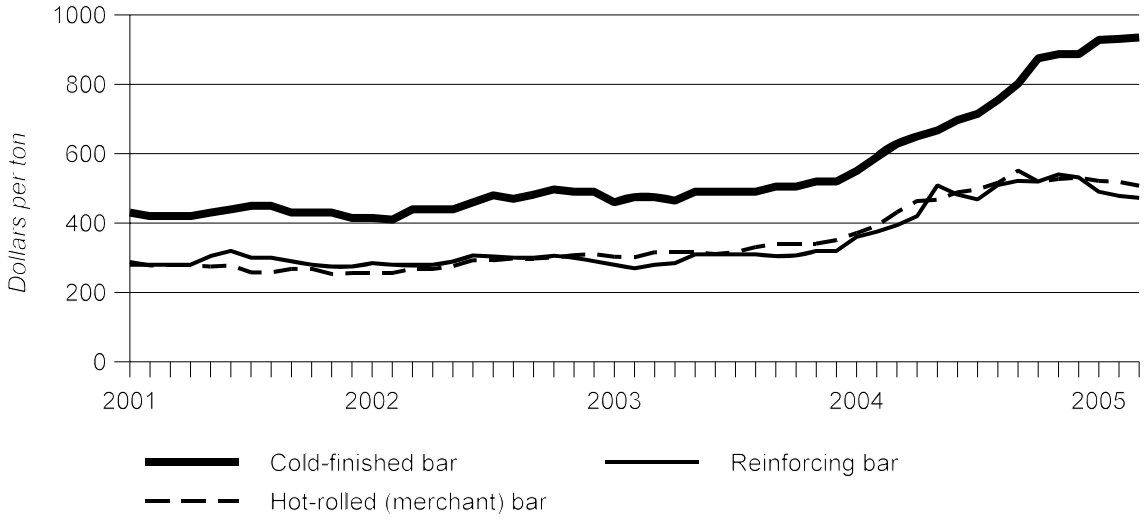
[50] As noted previously, the USWA and the Paper, Allied-Industrial, Chemical and Energy Workers International Union (PACE) merged in April 2005.

Figure OVERVIEW III-9
Flat-rolled carbon steel: Transaction prices, monthly, January 2001-March 2005



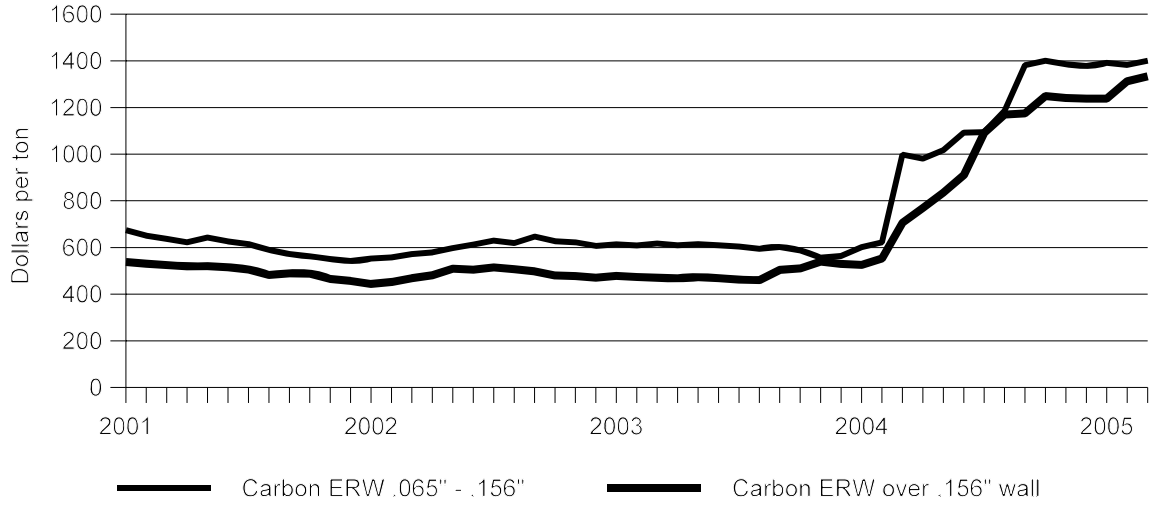
Source: *Purchasing Magazine.*

Figure OVERVIEW III-10
Carbon steel long products: Transaction prices, monthly, January 2001-March 2005



Source: *Purchasing Magazine*.

Figure OVERVIEW III-11
Carbon ERW welded pipe: Transaction prices, monthly, January 2001-March 2005



Source: *Preston Pipe and Tube Report*.

DISTRIBUTION TRENDS

Importers and Channels of Distribution

U.S. steel production is either internally consumed by steel producers or their subsidiaries, or sold to converters, processors,[51] distributors, service centers,[52] or end users. Some U.S. companies will convert purchased steel, such as hot-rolled or cold-rolled steel, into other steel mill products, such as corrosion-resistant steel or pipe and tube. Stainless steel bar has another layer of distribution, "master distributors," which purchase primarily from U.S. importers, because of their affiliations with foreign mills, and resell principally to regional service centers and not directly to end users.

Reported U.S. shipments to steel service centers and distributors accounted for 26.4 percent of total net U.S. shipments of steel mill products based on tonnage in 1999 and 22.6 percent in 2004.[53] In contrast, steel for converting or processing accounted for 6.5 percent of net U.S. shipments of steel mill

[51] Processors fill a market niche that exists between the primary steel producers and end-users, performing various value-added operations. Intermediate processing operations include a variety of activities, such as slitting, cutting-to-length, pickling and oiling, edge trimming, leveling, painting, blanking, and so forth. Processors may either purchase the steel, process and then resell it, or perform these services for a fee (a toll) and not take title to the steel being processed.

[52] U.S. service centers serve as distributors and processors not only of steel, but of other metals, such as aluminum, copper, bronze, and brass. Many service centers maintain extensive inventories of a variety of steel products which they own and resell, thus providing availability and inventory management services for customers of all sizes, including those with smaller purchasing needs that must place low-volume orders. Increasingly, service centers perform a wide range of value-added processing, such as uncoiling, flattening, and cutting products to length, for their customers. Service centers also provide customers with quick turn-around on order deliveries and maintain inventories, thus avoiding the need for customers to do so. Finally, since service centers buy large volumes of steel they can use their buying power to buy steel more cheaply than a small customer.

[53] AISI, *Annual Statistical Report, 2004*, table 11, "Net Shipments of Steel Mill Products by Market Classifications, All Grades," pp. 30-31. During 1999-2004, between 9.7 percent and 33.4 percent of net shipments were classified by AISI as nonclassified shipments, and it is possible that some of these shipments were to steel service centers and distributors.

products in 2004. Including U.S. imports, steel service centers distribute over one-half of certain steel products consumed in the United States, such as major carbon and stainless steel products.[54] In many product areas, the majority of U.S. imports are shipped to distributors, processors, or service centers, as opposed to end users, including original equipment manufacturers (OEMs).[55]

U.S. steel producers generally do not own, and are not financially linked to, processors or service centers.[56] U.S. Steel Corp.'s Straightline Source, an online company started in October 2001 to compete in e-commerce and distribution, ceased operations in December 2003 after losing more than $100 million in less than two years.[57] Only two U.S. steel companies, Carpenter Technology Corp. and Crucible Materials Corp., producers of stainless steel, specialty alloys, and other metals, own U.S. service centers. In contrast, foreign steel producers, particularly those in Europe, tend to control a greater share of service centers and other channels of distribution in their home markets.[58] There is also a significant European, South African, and Canadian foreign ownership presence in the U.S. service center industry. These firms are among the largest service centers in the United States.[59]

The U.S. metals distribution industry, including steel service centers, consists of approximately 1,300 companies operating at more than 3,500 locations.[60] Competitive and financial difficulties among integrated steel mill producers encouraged many service centers to service this customer base through

---

[54] Steel Service Center Institute (SSCI), "Statement of The Steel Service Center Institute Before The Congressional Steel Caucus," March 21, 2001, found at Internet address http://www.ssci.org/final_causcus.adp., retrieved August 15, 2001.

[55] Based upon review of numerous Commission antidumping and countervailing duty investigation reports.

[56] SSCI, "Statement of Robert J. Carragher on Behalf of the Steel Service Center Institute before the Organization for Economic Co-Operation and Development," Paris, France, November 30, 2000, found at Internet address *http://www.ssci.org/oecd_statement.adp*, retrieved August 16, 2001.

[57] U.S. Steel Corp., the largest U.S. steelmaker, launched Straightline Source in October 2001, stating that Straightline was the "first steel distribution business created to serve customers of all sizes who do not typically buy directly from steel producers." Straightline Source is an e-business (i.e., an electronic business based around the Internet) that provides customers with processed steel through the processing capacity of a network of qualified partners (such as processors and steel service centers), with transportation to the customer managed by a third party logistics company. Initially, Straightline Source specialized in providing carbon flat-rolled steel. The company began its business regionally, and by the end of 2002, provided service to more than 700 customers in 34 states east of the Rocky Mountains. In 2003, Straightline had planned to provide service in the western United States and also to expand its product offerings to include galvalume, galvaneal, and aluminized products. *See* Tom Balcerek, *American Metal Market*, "U.S. Steel may pull plug on Straightline," May 1, 2003, found at http://www.amm.com/news-2003-05-01__01-20-00.html," retrieved June 20, 2005.

[58] Tom Stundza, *Purchasing Magazine Online*, "Top 100 Metals Service Centers," May 5, 2005, found at http://www.purchasing.com/index.asp?layout=articlePrint&articleID=CA527336, retrieved May 12, 2005.

[59] For example, Thyssen Inc. (North America), wholly owned by Thyssen Krupp AG of Germany, ranks third, with sales of $2.2 billion (including products and services other than steel or steel-related) in 2004, among the top 100 metal service centers in the United States and several European steel producers either operate service centers or have U.S. service centers as subsidiaries. These include twelfth-ranked PNA Group Inc. with sales of $1.21 billion in 2004, which is owned by Preussag AG of Germany and thirteenth-ranked Namasco Corp., with sales of $1.08 billion in 2004, which is owned by Klockner AG of Germany. ARBED Americas, Inc., owned by Arbed Group of Luxembourg, owns several distributors and fabricators of steel products.

Ninth-ranked MacSteel Service Centers USA, with sales of $1.5 billion in 2004, is owned by MacSteel Holdings of South Africa, a global metals trader and distributor. Canadian service center firms have invested in numerous facilities in the United States. For example, Samuel, Son & Co. ranked sixth with sales of $1.83 billion in 2004, has 37 service centers in the United States, as well as a steel processing facility. *See* Tom Stundza, *Purchasing Magazine Online*, "Top 100 Metals Service Centers," May 5, 2005, found at http://www.purchasing.com/index.asp?layout=articlePrint&articleID=CA527336, retrieved May 12, 2005.

[60] Tom Stundza, *Purchasing Magazine Online*, "Suppliers must boost service to buyers," May 1, 2003, found at http://www.manufacturing.net/pur, retrieved June 3, 2003.

acquisitions or construction of new facilities to expand into geographical markets where service centers did not have a presence, to enhance their ability to service national accounts, to broaden fabrication and processing capacity, or to expand their product line.

Growth in the service center industry has been driven by the requirements of the manufacturing industry for further processing of metals prior to the production of parts and components. This trend has also resulted in an expanding toll/contract processor industry, thereby eliminating processing operations at some OEMs. However, the service center customer base has also been consolidating, resulting in consolidation among service centers themselves. In late 2001 and 2002, a major service center entered and exited bankruptcy and a leading service center was formed out of the merger of two companies.[61] In 2003, Ryerson Tull, the largest U.S. steel service center, purchased another large service center, J&F Steel. In 2004, Ryerson Tull acquired Integris Metals, the fourth largest service center.[62] In other merger developments, Esmark, ranked 25th in service center sales in 2004, bought Sun Steel and Century Steel, leading Midwest service centers, and in 2005 Esmark acquired U.S. Metals & Supply and TriWestern Metals.[63]

Importers of steel tend to be the foreign steel companies or their steel trading subsidiaries, Japanese trading companies, international metals trading companies, U.S. service centers, U.S. steel producers, or U.S. end users. The volume of imports shipped to distributors, service centers, and end users varies greatly by type of product (e.g., carbon versus stainless, flat-rolled versus long products); the degree of value-added (such as hot-rolled versus corrosion-resistant steel); the market (OEM or replacement); and the supplier country.[64]

E-COMMERCE

The nature of the role of e-commerce in the steel industry has changed considerably over the past several years.[65] As originally conceived by some in the steel industry, business-to-business E-commerce would affect the entire nature of the steel industry, from the procurement of raw materials to the

---

[61] Prior to the implementation of the steel safeguard measures, Metals USA, which ranked fourth among North American service centers in 2000 with sales of $2.1 billion, filed for bankruptcy in November 2001 because of high debt due to acquisitions made prior to 2000 and declines in U.S. steel consumption and steel prices. *See* Metals USA, Inc., SEC Form 10-K, for fiscal year ending December 31, 2002, filed March 28, 2003, found at http://www.sec.gov, retrieved June 4, 2003. After the implementation of the steel safeguard measures, Metals USA sold some assets and emerged from bankruptcy in October 2002. Integris Metals, which ranked fourth among North American service centers in 2002 with sales of $1.5 billion, was formed in November 2001, when Alcoa, a large U.S. aluminum producer, merged its subsidiary Reynolds Aluminum Supply Co., with BHP Billiton's Vincent Metal Goods and Atlas Ideal Metals. Alcoa and BHP Billiton each own 50 percent of Integris. The company employs approximately 3,000 persons in 60 locations in the United States and Canada. Integris supplies aluminum, stainless steel, alloy steel, brass/copper, building products, carbon steel, and nickel alloys. *See* Integris Metals, Fact Sheet, found at http://www.integrismetals.com/i_fact.html, retrieved January 24, 2003. In August 2003, Russel Metals Inc. of Canada, purchased Leroux Steel Inc., also of Canada, to form a large service center company in North America, with U.S. sales in 2003 of $1.1 billion. Aside from locations in Canada, Russel Metals currently has 4 service center locations in the United States (Russel Metals website, found at http://www.russelmetals.com/english/ service/ index.html, retrieved June 21, 2005).

[62] Tom Stundza, "Buyers are really cranky," *Purchasing Magazine*, May 5, 2005, found at http://www.purchasing.com/article/CA527574.html?text=tom+stundza, retrieved June 21, 2005.

[63] Ibid.

[64] For example, in 2001, a majority of subject imports of cold-rolled steel were to distributors, processors, and service centers. *See Cold-Rolled Steel Products From Argentina, Belgium, Brazil, France, Germany, Korea, the Netherlands, New Zealand, Russia, South Africa, Spain, Taiwan, Turkey, and Venezuela, investigations Nos. 701-TA-423-425 (Final) and 701-TA-964, 966-970, 973-978, 980, and 982-983 (Final),* USITC Publication 3551, November 2002, p. 8.

[65] *See* previous section for a discussion of U.S. Steel Corp.'s Straightline Source involvement in E-commerce.

production of steel and to the selling of finished steel products, through operation of a public exchange for steel products.[66] The primary benefit promised by the creation of such an electronic network, featuring auctions and reverse auctions of steel products, was cost reduction resulting from price transparency and reductions of inventories. Allowing information on pricing to be determined on a public site, rather than in secret by steel trading intermediaries such as trading companies and brokers would lead to reduced price volatility and lower transaction costs related to the buying and selling of steel. Inventories would be reduced as steel suppliers established electronic links between their production systems and their customers. In addition to lowered costs and reduced inventories, creation of a public exchange promised to expand the universe of potential customers by allowing information on steel to be made available in a public forum.

In actual practice, e-commerce in steel has evolved somewhat differently from the original model.[67] Some of the reasons advanced by steel producers for the limited success, thus far, of public steel exchange web sites include:[68]

- a public exchange is often not appropriate for an engineered product such as steel, which must be processed to achieve certain physical properties required to meet a particular specification;
- steel producers have been largely reluctant to participate in public steel exchanges because they feel that such exchanges tend to favor buyers of steel at the expense of sellers as sellers are encouraged to compete against each other to satisfy a bid;
- unlike other markets where potential customers for a product appear to be unlimited, the number of participants in the relevant steel markets tends to be small and most suppliers are already aware of the entire universe of possible users of the product; and
- the steel industry has thus far appeared unwilling to accept the transaction fees associated with public exchange sales.

[66] Scott Robertson, "Key Role Seen for E-commerce in Steel," *American Metal Market*, March 22, 2000, at http://www.amm.com/SUSCRIB/2000/Mar/special/0322-1.htm.

[67] By the end of 2001, a number of the original public steel trading exchanges had ceased operations while other public exchange companies, including E-Steel, Core Markets, and Metal Suppliers Online, had decided to supplement the public exchange side of their business by designing E-Commerce supply management platforms for steel companies.

[68] This section is based on information presented in the Commission's original safeguard and monitoring investigations, and has been updated to reflect changes since publication of the reports in those investigations. *See*, *Steel, Inv. No. TA-201-73*, USITC Publication 3479, December 2001 and *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9,* USITC Publication 3632, September 2003.

Prior to the implementation of the safeguards, two major public on-line exchanges were created. In May 2001, Global Steel Exchange (GSX)[69] began operations and sold its 1 millionth metric ton of steel by September of that year.[70] GSX differed from earlier attempts at public steel exchanges in that it targeted the international, rather than a regional or national, market for steel.

In the fourth quarter of 2000, Enron Corp. began buying and selling hot-rolled and cold-rolled carbon steel and some galvanized steel products using an on-line bid and offer process.[71] In Enron's steel trading operations, domestic steel mills accounted for less than 50 percent of Enron's purchases with much of the remaining steel coming from service centers with excess inventories. Unlike earlier attempts at establishing an on-line exchange of steel, Enron acted as a principal in the transaction, buying steel for its own account, providing storage in various company-owned regional warehouses, selling the steel to customers, and profiting from the spread between the two prices. In addition to trading physical steel, Enron also bought and sold steel financial futures contracts on-line, allowing producers and customers to hedge against the risks of steel price volatility through the trading of financial futures contracts.[72] Enron's involvement in on-line steel trading ended when the company filed for bankruptcy protection in December 2001.

After the implementation of the steel safeguard measures, in May 2002, GSX decided to close its operations after failing to agree on an arrangement for continued funding from its founding members. In July 2002 Management Science Associates, Inc. (MSA), the parent of MetalSite, purchased the assets of GSX in order to apply GSX technology and client lists to help set up its version of a public steel exchange--a request-for-quote (RFQ) system to enable users to create and post RFQs reflecting their steel needs.[73]

The Growth of Private Marketplace Exchanges

Due to a general lack of satisfaction with public marketplace exchanges, the trend in the steel industry in recent years has been moving to the creation of private steel exchanges on company web sites as many of the major integrated and nonintegrated U.S. steel companies have established, or are in the process of establishing such exchanges. An on-line private exchange differs significantly from a public exchange in that a private exchange is maintained by a single company with a select group of suppliers and customers that are regulated by the owner of the exchange. In addition, private exchanges can be tailored to serve specific projects and customers, unlike public exchanges, which are generic in nature in

---

[69] The four founding members of GSX were Cargill Steel (U.S.), Duferco (Switzerland), Samsung (S. Korea), and TradeArbed (Luxembourg). GSX traded more than 50 steel products, ranging from raw products to finished steel.

[70] *American Metal Market*, "GSX E-Site Logs Sale of 1 Millionth Tonne," September 18, 2001, p. 3.

[71] The effort by Enron was considered important by steel observers due to Enron's past success in trading other non-steel commodities and its perceived financial strength at the time as it built upon EnronOnline, an electronic transaction platform offering real-time pricing information for approximately 850 commodities that began in November 1999. Commodities initially traded on EnronOnline included electricity, natural gas, coal, pulp and paper, clean air credits, bandwidth, weather and credit derivatives, petrochemicals and plastics, and oil and refined products.

[72] According to Enron Corp., the advantages of its electronic trading platform were improved price transparency and competition, increased liquidity, management of price volatility, increased transaction efficiency and reduced transaction costs, and convenience. *See*, *Steel*, *Inv. No. TA-201-73*, USITC Publication 3479, December 2001 and *Steel*: *Monitoring Developments in the Domestic Industry*, *Inv. No. TA-204-9*, USITC Publication 3632, September 2003.

[73] MSA's RFQ system supplements its other businesses, including the creation of supply management software systems for steel companies. *See* "MSA Buys Assets of Global Steel Exchange," MSA MetalSite website, retrieved May 29, 2003, at http://www.metalsite.net/metalsite_is/Press_room/article.cfm?i=240.

order to accommodate all users.[74] As presently constituted, private exchanges permit customers to enter orders, check order status, obtain chemical analysis information, and acquire information on delivery of the product, thereby eliminating or reducing many of the costs associated with the administration of these functions. Material typically is traded through a bidding process. A customer will bid on material listed on the exchange and is notified through the exchange if it has been awarded the material. The customer can then submit a purchase order via e-mail or facsimile. In recent years, steelmakers have expanded their use of their private marketplace exchanges to include trade with their supplier base, particularly outside processors who finish steel, and logistics information regarding delivery of raw materials to the plant.[75]

A principal advantage of a private exchange, such as those conducted by the major integrated U.S. steel producers, is that it does not force participants to give up sensitive information, in particular, information on prices, to competitors or to suppliers serving those competitors, while the earlier public exchanges, including GSX and E-Steel, encountered resistance because they required the public sharing of price information. By encouraging suppliers and customers to exchange information on a secure site, a private exchange gives suppliers a more accurate picture of customer needs, allowing manufacturers to tailor production cycles to better match customer demand requirements, resulting in reduced inventories, better management of distribution channels, and reduced transaction time and costs. Another advantage of a private electronic exchange is that it permits aggregation of transactions when a customer orders a variety of products from a company with multiple product lines or when a supplier sells to different divisions of a company, resulting in cost and time savings.[76]

GOVERNMENT PROGRAMS (FEDERAL, STATE, AND LOCAL)

Within the United States, there has been government support for the steel industry at the Federal, state, and local levels. Recent programs have included monitoring, loan guarantees, community assistance, and research and development (R&D) assistance.[77]

Steel Action Plan

The Steel Action Plan of January 1999 featured a steel import monitoring program designed to identify sudden price declines or import increases, and included monthly steel import data released by the Department of Commerce. The program was created in August 1999, and led to bilateral consultations with Korea and Japan, as well as to a five-year comprehensive agreement with Russia, which limited Russian exports of certain steel products to the U.S. market.[78] The agreement expired on July 12, 2004.

---

[74] Pimm Fox, "Private Exchanges Drive B2B Success," *Computerworld*, May 7, 2001, at http://www.itworld.com/Tech/3478/CWD010507ST.

[75] U.S. industry official, telephone interview with USITC staff, May 3, 2005.

[76] This section is based on information presented in the Commission's original safeguard and monitoring investigations, and has been updated to reflect changes since publication of the reports in those investigations. *See, Steel, Inv. No. TA-201-73*, USITC Publication 3479, December 2001 and *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, USITC Publication 3632, September 2003 (citing Jennifer Caplan, "Private Exchanges Reinvent B2B: Private E-Marketplaces May Improve upon the Model Created by Public B2B Sites," *CFO.com*, April 2, 2001, at http://www.cfo.com/pr...1,4580,87%7C88% 7CAD% 7C2484,00.html).

[77] For more information on such projects, see the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy Industrial Projects Locator at http://www.eere.energy.gov/industry/iplocator/search.html.

[78] U.S. Department of Commerce (DOC), International Trade Administration, *Global Steel Trade: Structural Problems and Future Solutions*, July 2000, p. 12. Certain steel products not subject to antidumping suspension agreements included cold-rolled carbon quality steel products; certain cold-rolled stainless, alloy, and other carbon steel products; semifinished steel products; galvanized sheet products; other metallic coated flat-rolled products; certain tin mill products; electrical sheet products; heavy structural shapes; rails; hot-rolled bars; cold-finished bars;

(continued...)

In 2002, the Steel Import Licensing and Surge Monitoring Program was created, requiring all importers of steel products subject to the steel safeguard measures to obtain a license prior to the import of the product.[79] The data on the amount of steel licensed for import is released publicly on a weekly basis to provide early information on changes in import patterns. The Department of Commerce in an interim final rule issued March 9, 2005, extended the program, now called the Steel Import Monitoring and Analysis (SIMA) System, beyond the initial March 21, 2005, expiration date through March 2009, and broadened the coverage to include not only the steel products subject to the safeguard measures, but all basic steel mill products.[80]

Emergency Steel Loan Guarantee Program

This temporary steel loan guarantee program was created in 1999 and designed to assist steel companies that are unable to obtain commercial loans from private banking and investment institutions.[81] The loan guarantee program is administered by the Emergency Steel Loan Guarantee Board and provides loan guarantees up to $250 million to a single company, with a total amount outstanding not to exceed $1 billion. The loans must be repaid by year-end 2015.[82] The authority of the Loan Guarantee Board was originally set to expire on December 31, 2003. However, the Act was amended to extend the Board's authority to issue loan guarantees from year-end 2003 to year-end 2005.[83]

There are currently only two steel producers that have loans outstanding.[84] In March 2002, Hanna Steel, a steel tubing and prepainted coil manufacturer in Birmingham, AL, received a $42.5 million loan guarantee.[85] In March 2003, Wheeling-Pittsburgh Steel Corporation received a loan guarantee of $250 million. In June 2003, Weirton Steel sought a $175-million loan guarantee from the program, however,

---

[78] (...continued)
pipe and tube products; wire rod products; hot-rolled stainless and alloy products; and pig iron. *See* DOC, Trade Compliance Center, *Russia Agreement Concerning Trade in Certain Steel Products*, July 12, 1999, found at http://www.tcc.mac.doc.gov/cgi-bin/doit.cgi?205:64:186384015, retrieved May 18, 2005.

[79] The Steel Import Licensing Program became effective February 1, 2003, and was set to expire March 21, 2005.

[80] The safeguard measure covered certain steel products under 270 HTS (10-digit) codes. SIMA broadened the coverage to include certain steel products under approximately 650 HTS (10-digit) codes. As of June 9, 2005, licensing for certain downstream steel products now covered–specifically, carbon and alloy flanges and pipe fittings–is no longer required. *See* U.S. Department of Commerce, Import Administration, Steel Import Monitoring and Analysis System, found at http://www.ia.ita.doc.gov/steel/license, retrieved May 18, 2005.

[81] Authority for this program is contained in P.L. 106-5; U.S.C. 15, Chapter 45, "Emergency Steel Loan Guarantee Act of 1999 and Emergency Oil and Gas Guaranteed Loan Program Act."

[82] Emergency Steel Loan Guarantee Program, *Annual Report to the Congress for Fiscal Year 2004.*

[83] The Emergency Steel Loan Guarantee Program was amended by Section 336 of P.L. 107-63 on November 5, 2001 to extend the Board's authority to issue loan guarantees from December 31, 2001 to December 31, 2003. P.L. 108-99 further extends the Board's authority to issue loan guarantees until December 31, 2005, after which the Board will no longer accept applications for loan guarantees.

[84] In June 2000, the Loan Guarantee Board approved an 85-percent loan guarantee of a $110-million term loan to Geneva Steel; however, the company ceased operations in November 2001 and filed for bankruptcy protection in January 2002. The bankruptcy filing constituted a default under the terms of the guaranteed loan. The claim for approximately $92 million, or 85 percent of the unpaid principal of the loan, was paid in full by the Loan Guarantee Board in March 2002, and the Loan Guarantee Board became the holder of 85 percent of the defaulted note, which is secured by the assets of Geneva Steel and is being repaid by the liquidation of those assets. *See* Emergency Steel Loan Guarantee Program, *Annual Report to the Congress for Fiscal Year 2004.*

[85] "Hanna Steel getting loan guarantee," *American Metal Market*, found at www.amm.com, retrieved August 28, 2003.

the loan guarantee was never granted, as International Steel Group subsequently acquired most of Weirton Steel's assets.[86]

U.S. Department of Agriculture's Business and Industry Guaranteed Loans Program

Although not steel-specific, this program provides loan guarantees to assist job creation, as well as to stimulate rural economies by providing financial backing to rural businesses. The Business and Industry Guaranteed Loans Program guarantees up to 80 percent of a loan made by a commercial lender.[87] In March 2005, newly formed SteelCorr, Inc. applied for a $25 million loan guarantee through the U.S. Department of Agriculture's Rural Development Business and Cooperative Services Program. The loan guarantee application is still under consideration.[88]

The Steel and Aluminum Energy Conservation and Technology Competitiveness Act of 1988

This Act,[89] also known as the Metals Initiative, helped finance research and development in the steel industry, and is administered by the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE).[90] Through the "Industries of the Future" program, EERE provides cost-sharing funding for approximately 25 steel-specific R&D projects. In April 2005, proposed legislation was passed in the House of Representatives to reauthorize the Act, as well as to appropriate $12 million from FY 2006 through FY 2010.[91]

State and Local Programs

Table OVERVIEW III-6 describes recent state and local programs within the United States that assist the steel industry. The extent of state and local programs was limited; state and local programs were most concentrated in Ohio and West Virginia. The majority of state and local programs take the form of tax incentives or abatements to upgrade existing infrastructure and equipment.

---

[86] On May 19, 2003, Weirton Steel filed a voluntary petition for reorganization under Chapter 11 Bankruptcy, and filed an application for a $175-million loan guarantee the following month. In November 2003, the Loan Guarantee Board agreed to guarantee 88 percent of a $145-million loan to Weirton Steel. In February 2004, International Steel Group announced its plans to acquire most of the assets of Weirton Steel, and the acquisition was completed in May 2004. On April 15, 2005, Mittal Steel Company completed its merger with International Steel Group.

[87] *See* U.S. Department of Agriculture, Rural Development Business and Cooperative Services program at http://www.rurdev.usda.gov/rbs/busp/bpdir.htm.

[88] *See* "Correnti rips objection to U.S. loan guarantee," *American Metal Market*, April 14, 2005, found at www.amm.com, retrieved May 12, 2005. SteelCorr plans to build a mill capable of producing 1.5 million tons of flat-rolled steel per year in Lowndes County, Mississippi. The Mississippi state legislature agreed to propose a financial incentive package for SteelCorr worth more than $100 million, including a $25-million grant and up to $85 million in state-backed loans. *See* "Nucor says anti-funding stance good for industry," *American Metal Market*, March 28, 2005, found at www.amm.com, retrieved May 12, 2005. In June 2005, it was reported that Russian steel producer JSC Severstal would provide 75 percent of the financing for SteelCorr's proposed mini-mill in Columbus, Mississippi. *See* "Severstal tagged as 75% partner in SteelCorr mill," *American Metal Market*, June 13, 2005, found at www.amm.com.

[89] U.S.C. Title 15, Chapter 77.

[90] Formerly called the Office of Industrial Technologies.

[91] Bill HR 1158 was referred to the Senate Committee on Energy and Natural Resources.

Table OVERVIEW III-6
State and local assistance programs

State	Year	Description of program	Approximate value
Florida	2005	Tax incentives including recaptured enhanced value grant from Jacksonville Economic Development Commission to Gerdau-Ameristeel to upgrade the company's Baldwin plant.	$3 million
Mississippi	2005	Financial incentives to SteelCorr including a $25 million infrastructure grant, a $12 million grant from Lowndes County, and $85 million in state-backed loans for the development of a new steel mill and company headquarters.	$110 million
Indiana	2003	10-year tax abatement and assistance package to upgrade machinery and equipment at International Steel Group Inc.'s Burns Harbor facility. Assistance package is largest ever awarded to a northwest Indiana business.	$74 million
Kentucky	2004	Tax incentive package to AK Steel Corp for $65-million modernization project at Ashland plant.	([1])
Ohio	2005	Delaco Steel Corp was granted $340,000 in sales tax breaks and $180,000 in mortgage tax savings by the Erie County Industrial Development Agency to build a new plant.	$500,000
Ohio	2004	15-year tax abatement on real estate, machinery, equipment and inventory to Charter Steel to expand its Cuyahoga Heights plant.	$12.1 million $115,000 in training grants; $1.1 million tax credit for job creation
Ohio	2004	67-percent, 10 year tax abatement to Wheeling-Pittsburgh for electric-arc furnace at its Mingo Junction mill.	$7.5 million
Ohio	2003	Low-interest loan to Republic Engineered Products LLC	$5 million
Ohio	2002	5-year Enterprise Bond approved by Development Financing Advisory Council to restart International Steel Group's Cleveland Works facility.	$10 million
Ohio	2002	Revenue bonds issued on behalf of Timken for plant upgrade.	$13 million
West Virginia	2003	Loans and loan insurance to Wheeling-Pittsburgh Steel Corp. To build an electric arc furnace and retire debt.	$110 million
West Virginia	2001	Grant to Wheeling-Pittsburgh Tax to complete construction of a paint line at its Beech Botton, WV, plant.	$400,000

[1] Not available.

Source: Industry literature; *Paying the Price for Big Steel*, American Institute for International Steel (AIIS), 2000; and press releases.

PART IV: GLOBAL DEVELOPMENTS (2001–05)[1]

INTERNATIONAL NEGOTIATIONS OF A PROPOSED STEEL SUBSIDIES AGREEMENT

In August 2001, the Organization for Economic Cooperation and Development (OECD) began a series of meetings to discuss the issues of excess capacity and market distortions within the world-wide steel industry. This effort was spearheaded by the United States as part of the initiative announced by President Bush to "respond to the challenges facing the U.S. steel industry."[2] The meetings were attended by the OECD Steel Committee and representatives of several key, non-OECD steel producers: Argentina, China, Kazakhstan, South Africa, and Taiwan.

Several meetings ensued, and in December 2002, a high-level group (HLG)[3] agreed to launch an initiative to eliminate state subsidization of steelmaking capacity. The goal was to reach an international agreement under which governments would agree not to provide subsidies to steel or steel-related industries, with a few narrow exceptions. Throughout 2003 and until April 2004, a designated group of negotiators, called the Subsidies Working Group (SWG), met numerous times under the auspices of the OECD and developed a text of a proposed agreement. However, the text was extensively bracketed, reflecting areas of disagreement among the negotiators. Facing a self-imposed deadline of September to finalize an agreement, the SWG realized in April 2004 that it was not making progress toward reaching an agreement on several of the key issues and postponed its next scheduled meeting. After further discussion at a June 2004 meeting of the HLG, it was decided to postpone the discussions indefinitely.

Prior to the decision to suspend the discussions, the Deputy Secretary-General of the OECD indicated in a letter to the HLG the following areas in which important differences remain:

> *Exceptions, including proposals related to environment and research and development.* Agreement was reached that exceptions to the proposed ban on subsidies should be allowed for the permanent closure of steelmaking capacity. The European Union and several other members of the group insisted also, however, that exceptions should be allowed for environmental expenditures, especially those which might be granted to cushion the potential impact of the expected entry-into-force of the Kyoto Protocol. The European Union also insisted on exceptions for other provisions of its State Aid Code.[4] This position was strongly opposed by the United States, which insisted that the only allowable subsidies should be for permanent closure.
>
> *Special and differential treatment for developing countries.* This refers to the position advocated by certain countries, including China, in favor of an allowance for subsidization of steel industries in "developing" countries. Several mechanisms to limit allowable subsidies were discussed but agreement could not be reached.

---

[1] This section is based on information presented in the Commission's original safeguard and monitoring investigations, and has been updated to reflect changes since publication of the reports in those investigations. See, *Steel, Inv. No. TA-201-73*, USITC Publication 3479, December 2001 and *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, USITC Publication 3632, September 2003.

[2] The White House, "Statement by the President Regarding a Multilateral Initiative on Steel," June 5, 2001.

[3] High-level refers to the involvement of vice-ministers or directors-general.

[4] These proposed exceptions include subsidies for employee training, recruitment of disadvantaged and disabled workers, small and medium enterprises, and *de minimis* subsidies.

The ability to countervail exceptions (including those for developing economies). This refers to the position, advocated primarily by the United States, that nations would retain the right to impose countervailing duties against injurious steel subsidies, regardless of the inclusion of such subsidies in the proposed agreement.

In postponing the discussions, the HLG requested that the countries engage in further bilateral discussions in an effort to narrow their differences in the areas of disagreement. In addition, the OECD staff is continuing informal discussions with HLG participants and the group agreed to meet again in 2005. In late March 2005, the OECD circulated a "blueprint for a steel subsidy agreement" to all participants in the discussion. In the blueprint, the OECD set forth its suggestions for provisions that could be agreed upon and might lead to a successful agreement.

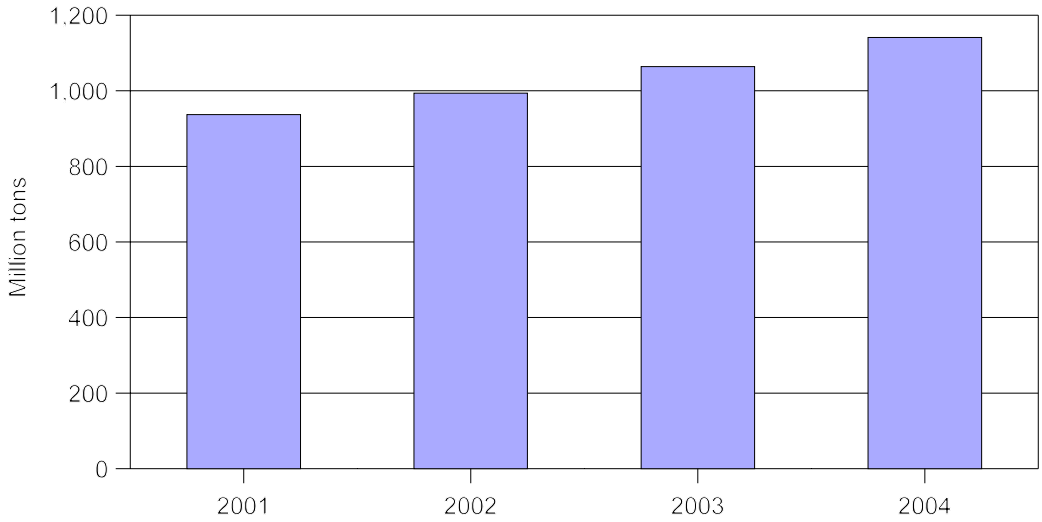
GLOBAL PRODUCTION, CAPACITY, AND EMPLOYMENT TRENDS

Between 2001 and 2004, world crude steel production increased by 21.8 percent, growing from 937 million short tons per year in 2001 to 1.141 billion tons per year in 2004 (figure OVERVIEW IV-1).[5] From 2001 to 2004, world crude steel production increased more rapidly each year. Sequential year-to-year increases of 57 million tons, 69 million tons, and 77 million tons represent annual increases of 6.1 percent, 7.0 percent, and 7.3 percent, respectively. Two-thirds of the increase in world crude steel production was due to rising production in China, which increased from 164 million to 300 million tons per year (83 percent) during 2001-04. The next largest production increases were in Japan, up by 10.8 million tons (14 percent) and the United States, up by 9.3 million tons (9.4 percent). After China, the steel industries with the most rapid rates of growth during 2001–04 were Turkey, Mexico, and Brazil, with increases of 36.5 percent (6.0 million tons), 25.6 percent (3.7 million tons), and 23.3 percent (6.9 million tons), respectively. For the first 3 months of 2005, world crude steel production was 295 million tons, 6.5 percent higher than during the comparable period in 2004.[6]

[5] International Iron and Steel Institute (IISI), *World Steel in Figures*, 2005 and earlier editions and "Monthly Crude Steel Production" data. IISI data are in metric tons, and were converted to short tons using 0.907 metric ton = 1 short ton.

[6] IISI, "Monthly Crude Steel Production," March 2005.

Figure OVERVIEW IV-1
World crude steel production, 2001–04



Source: International Iron and Steel Institute, *World Steel in Figures*, 2005 and earlier editions.

As indicated in table OVERVIEW IV-1, China, the European Union, Japan, the republics of the former Soviet Union, and the United States accounted for 71.0 percent of world crude steel production in 2001 and 73.8 percent of world production in 2004.

Table OVERVIEW IV-1
Steel: Shares of world crude steel production, by selected sources, 2001 and 2004

Source	Share of world production in 2001	Share of world production in 2004
	Percent	
China	17.6	26.3
EU[1]	18.8	16.3
Japan	12.1	10.9
Former republics of the USSR[2]	11.8	10.8
United States	10.7	9.5

[1] Data are for the 15 Member States comprising the EU prior to May 1, 2004.
[2] Data are for Belarus, Kazakhstan, Moldova, Russia, Ukraine, and Uzbekistan.

Source: International Iron and Steel Institute.

China's share of world production increased from less than 18 percent in 2001 to more than 26 percent in 2004. Despite a production increase of almost 6 percent, the European Union share of world production declined by 2.5 percentage points between 2001 and 2004. Japan increased production by 9.5 percent and republics of the former Soviet Union increased production by 11.7 percent between 2001 and 2004, yet their shares of world production declined. The U.S. share of world production also declined, even as U.S. production increased by 9.4 percent between 2001 and 2004.[7]

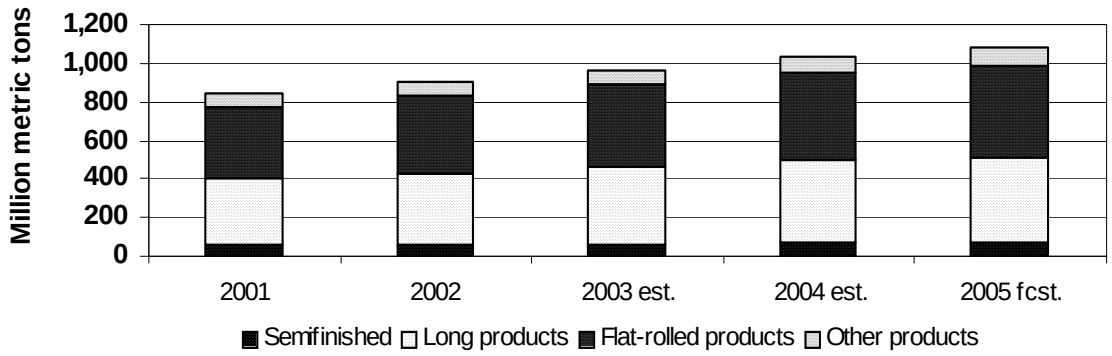
During 2001-04, the proportion of steel produced using the basic oxygen process increased slightly, from 58 percent in 2001 to 63 percent in 2004, due almost entirely to new installations in China during this period. The electric arc process accounted for about one-third of world production during

[7] IISI, *World Steel in Figures*, 2005 and earlier editions.

2001-04, and the open hearth and other processes for approximately 4 percent.[8] Russia and Ukraine continue to produce significant amounts of steel using the open hearth process. In 2004, the open hearth process accounted for 22.1 percent of the steel produced in Russia and 43.4 percent of the steel produced in Ukraine.[9]

With respect to finished steel mill products, world production has increased from 839 million metric tons in 2001 to nearly 1.1 billion tons (forecasted) for 2005 (figure OVERVIEW IV-2).

Figure OVERVIEW IV-2
Production of steel mill products in the world, 2001-05



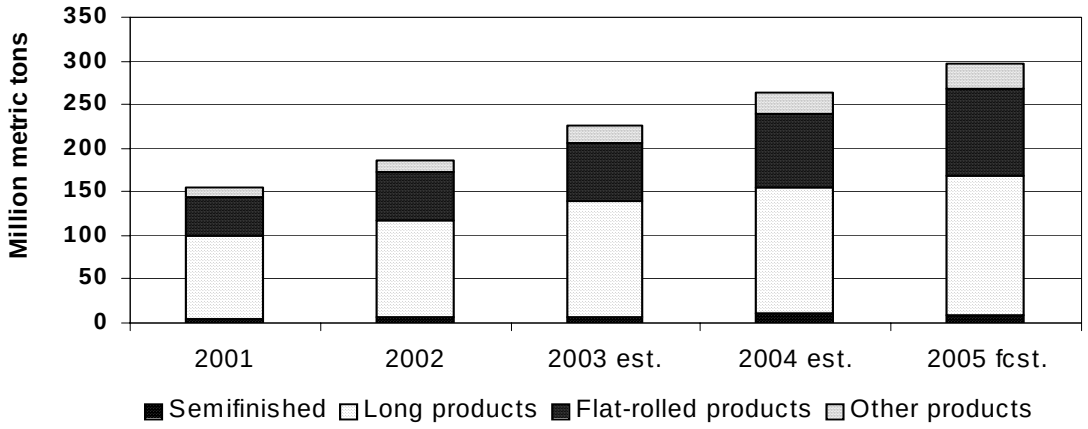
Source: World Steel Dynamics.

Production in China increased from 156 million tons to 296 million tons over the same period, thereby accounting for 59 percent of the increase in world production (figure OVERVIEW IV-3).[10]

As the steel industry in China has expanded, its growth has been led by production of flat-rolled products, which has increased by 127 percent during 2001–05, whereas production of long products has increased by 70 percent. Flat-rolled products are anticipated to represent about 34 percent of all Chinese steel produced in 2005, up from 28 percent in 2001. On a world-wide basis, flat-rolled products account for about 44 percent of all steel produced, whereas in developed nations, such as the United States, flat-rolled products account for about 67 percent of all steel production.

[8] Ibid.
[9] Ibid.
[10] WSD, *Global Steel Mill Product Matrix,* March 2005.

Figure OVERVIEW IV-3
Production of steel mill products in China, 2001-05



Source: World Steel Dynamics.

World production capacity is more difficult to quantify than actual production. Estimates[11] suggest that global steel production capacity exceeds both actual production and current market demand. The difficulty in estimating capacity is two-fold. First, there may be significant differences between stated capacity and effective capacity. In almost all production facilities, effective capacity[12] is less than stated production capacity. Second, stated capacity may be inflated by the inclusion of projected, inoperative, or obsolete capacity. Annual global crude steel production capacity for 2004 is estimated at 1.350 billion tons,[13] exceeding production by an estimated 200 million tons.

Although world steel production increased between 2001 and 2004, measurable employment in steel production decreased (employment can be measured for almost 70 percent of world steel production at the beginning of each year of the period examined).[14] Employment data for steel production in China and the republics of the former Soviet Union (collectively accounting for about one-third of annual world production during 2001-04) are not comparable to employment data for the rest of the world. Typically, China and the republics of the former Soviet Union count all workers in steel-producing locales (areas immediately surrounding steel production facilities) as steel production workers. In addition, labor policies intended to provide full employment in those countries likely distort the relationship between the number of employees and the quantity of output.[15]

For the part of world steel production for which meaningful data are available, employment decreased by 82,000 persons (more than 9 percent) between the beginning of 2001 and the beginning of 2004 (figure OVERVIEW IV-4).[16] The largest declines during this period were in the United States

[11] The principal sources of steel industry capacity are World Steel Dynamics, Inc. (WSD), and the OECD.

[12] WSD publishes data on effective capacity and defines effective capacity as the level of output that occurs one year after a surge in world steel export prices.

[13] E-mail from Noboru Uchida, WSD, received June 9, 2005.

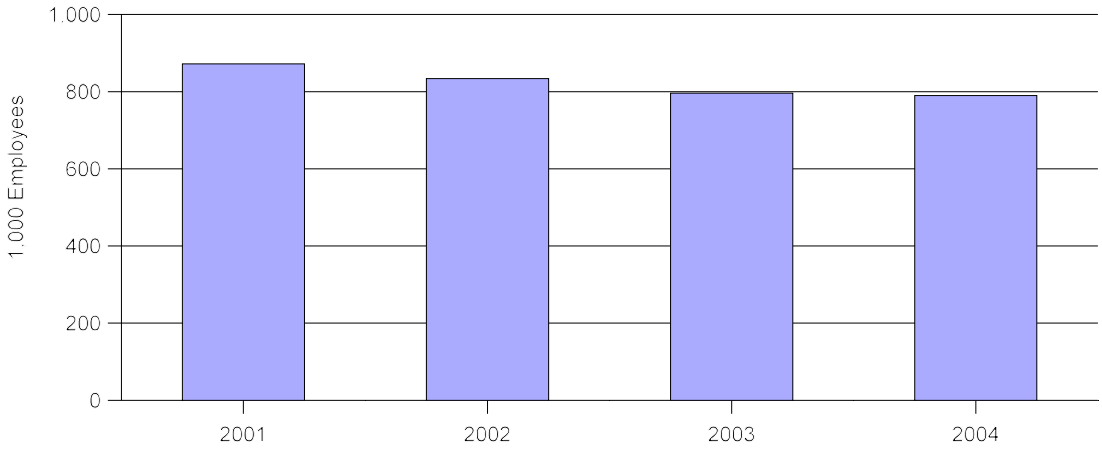
[14] IISI, *World Steel in Figures*, 2004 and earlier editions.

[15] U.S. Department of Commerce, International Trade Administration, *Global Steel Trade: Structural Problems and Future Solutions*, July 2000, pp. 43 and 143.

[16] IISI, *World Steel in Figures*, 2003 and earlier editions.

(30,000 persons) and Japan (27,000 persons). By the beginning of 2004, approximately 790,000 workers produced nearly 70 percent of the world's steel, down from 872,000 workers at the beginning of 2001.

Figure OVERVIEW IV-4
World steel industry employment, 2001–04

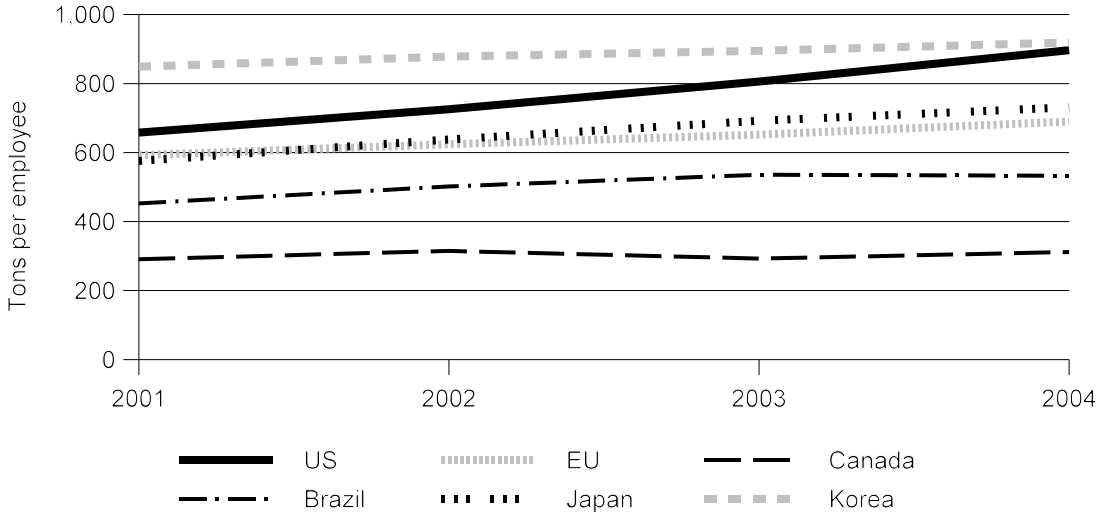


Source: International Iron and Steel Institute, *World Steel in Figures*, 2004 and earlier editions.

PRODUCTIVITY TRENDS

Figure OVERVIEW IV-5 shows approximate annual productivity, based on IISI data, in tons of crude steel produced per employee, for Brazil, Canada, the European Union, Japan, Korea, and the United States during 2001-04. These data are primarily useful for observing trends within national industries over time.

Figure OVERVIEW IV-5
Productivity: Annual crude steel production per employee for selected countries, 2001–04



Source:

International Iron and Steel Institute, *World Steel in Figures*, 2005 and earlier editions**.**

CONCENTRATION OF PRODUCERS

Global steel production remains fragmented. In 2004, the 20 largest firms produced less than 40 percent of the world's steel. However, as indicated in table OVERVIEW IV-2, between 2001 and 2004, the largest producers' collective share of world production increased slightly.

Table OVERVIEW IV-2
Steel: Shares of global production, by firm size grouping, 2001 and 2004

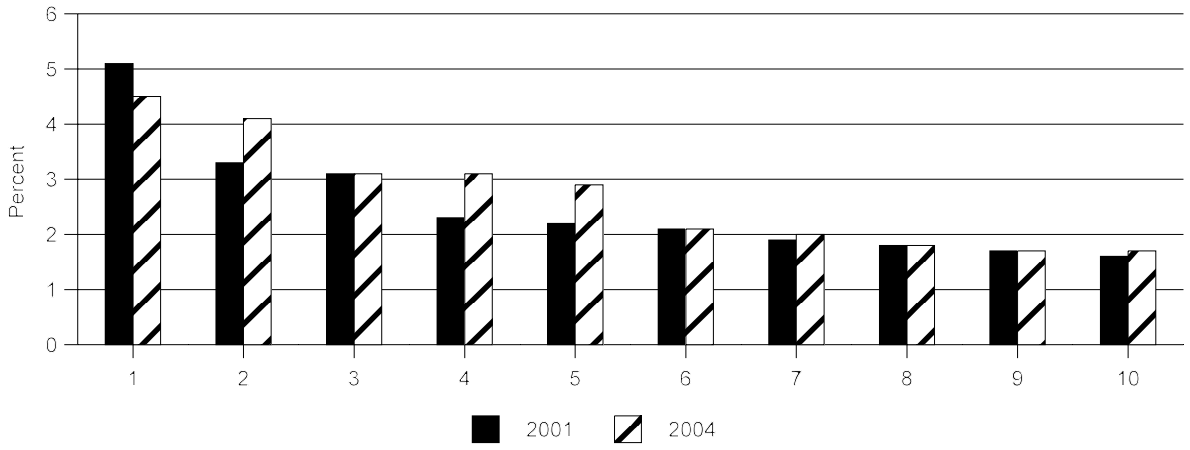
Largest firms	Percent of world production in 2001	Percent of world production in 2004
5 largest firms	15.9	17.8
10 largest firms	25.0	27.1
20 largest firms	36.8	39.5

Source: International Iron and Steel Institute, *World Steel in Figures*, 2002 and 2005 editions.

In 2001, the individual production shares of the five largest producers ranged from 2.2 percent to 5.1 percent of total world production, with an average share of 3.2 percent. In 2004, their individual production shares ranged from 2.9 percent to 4.5 percent, with the average individual share increasing to 3.6 percent. Average individual production shares for the 10 largest producers, which increased from an average of 1.8 percent in 2001 to 1.9 percent in 2004, are shown in figure OVERVIEW IV-6. The 10

largest firms in 2004, in descending order, were Arcelor[17] (Luxembourg), Mittal Steel[18] (The Netherlands), Nippon Steel (Japan), JFE[19] (Japan), POSCO (Korea), Shanghai Baosteel (China), U.S. Steel (United States), Corus Group (United Kingdom), Nucor (United States), and ThyssenKrupp (Germany).

Figure OVERVIEW IV-6
World steel production: Shares of production by the 10 largest producers, 2001 and 2004



Source: Metal Bulletin.

GLOBAL TRADE IN STEEL

Between 2001 and 2003, the most recent year for which data are available, world exports of semi-finished and finished steel rose by 12 percent.[20] Trade data on world exports do not match data on world imports due to discrepancies in the compiling of statistics by various countries. As a percentage of world steel production, exports comprised 39.4 percent during 2001 and 38.9 percent during 2003.[21] In 2003, the most recent year for which data are available, the top five steel exporting countries, based on tonnage, were Japan, Russia, Ukraine, Germany, and Belgium-Luxembourg. The top five importing countries were China, the United States, Germany, Italy, and Korea.[22]

Several foreign countries also initiated safeguard investigations and imposed tariff rate quotas on imports of certain steel mill products during 2002-03 (table OVERVIEW IV-3). Definitive-stage safeguards imposed by China and the European Union were terminated in December 2003, the same month when the U.S. safeguards were terminated.

---

[17] Arcelor was created in February 2002 by the merger of three European firms–Aceralia (Spain), Arbed (Luxembourg), and Usinor (France).

[18] Mittal Steel was created in December 2004 by the merger of two firms–Ispat International and LNM Holdings, both based in The Netherlands. Mittal acquired International Steel Group, Inc. (United States) in April 2005.

[19] JFE was created in 2002 from the merger of two firms, Kawasaki Steel and NKK, both based in Japan.

[20] IISI, *World Statistical Yearbook*, 2004.

[21] In the report for investigation No. TA-201-73, crude steel equivalents were used to measure world trade in steel. Because conversion efficiencies continue to increase, finished steel exports are a more consistent measure of export activity over time.

[22] IISI, *World Steel in Figures*, 2005.

Table OVERVIEW IV-3
Steel safeguards imposed by foreign trade partners, 2002–05

Country	Subject products	Safeguard type	Implementation date	Termination date
China	Carbon steel slab, plate, sheet, galvanized sheet, and organic-coated sheet. Electrical steel sheets. Tin mill products. Stainless steel plates and sheets. Carbon steel bars, rebars, and wire. Carbon steel sections. Iron or steel seamless pipes.	Provisional– Tariff rates ranging from 7 percent to 26 percent on imports exceeding quota levels.	May 24, 2002	Nov. 19, 2002
China	Carbon steel sheet, and organic-coated sheet. Electrical steel sheets. Stainless steel sheet.	Definitive– Tariff quotas for the first half year set at the average of imports over the prior 3 years plus 3-15 percent, depending on product category. Tariff quota for years 2 and 3 increased 3-15 percent over that of the prior year, depending on product category. Tariff rates for above-quota imports to decline, from the second year, at the rate of 8 percent per year and the specific annual rate will be: 10.3-23.2 percent between Nov. 20, 2002, and May 23, 2003; 9.5-21.3 percent between May 24, 2003, and May 23, 2004; and 8.7-19.6 percent between May 24, 2004 and May 23, 2005, depending on product category.	Nov. 20, 2002	Dec. 26, 2003
European Union	Carbon steel plate, sheet, strip, and quatro plate. Alloy steel flat-rolled products. Electrical steel sheets. Tin mill products. Carbon and alloy steel bar and rebar. Stainless steel wire. Alloy steel fittings and flanges.	Provisional– Tariff rates for above-quota imports range from 14.9 percent to 26.0 percent depending on product category.	Mar. 29, 2002	Sept. 28, 2002
European Union	Carbon steel plate, hot-rolled and cold-rolled sheet, and strip. Alloy steel flat-rolled products. Alloy steel fittings and flanges.	Definitive– Initial tariff quotas are based on the average annual import volume over the prior 3 years plus 10 percent. The quota level is to increase by 5 percent in each subsequent year beginning Sept. 29, 2002. Tariff rates for above-quota imports range from 14.1 percent to 26.0 percent depending on product category.	Sept. 29, 2002	Dec. 5, 2003

Table continued. See footnotes at end of table.

Table OVERVIEW IV-3--*Continued*
Steel safeguards imposed by foreign trade partners, 2002-05

Country	Subject products	Safeguard type	Implementation date	Termination date
Hungary	Carbon steel plate, sheet, bar, rod, sections, pipe, tube, hollow profiles, wire-cloth, grill netting, and fencing.	Tariff rate quota increases by 2.5 percent in each successive 6-months period. Tariff rates for above-quota imports set between 15-25 percent, depending on product category, and declines by 5 percent in each successive 6-months period.	Provisional: June 3, 2002 Definitive: Apr. 2, 2003	May 1, 2004[1]
Venezuela	Iron or steel U and I sections.	Provisional– Tariff rate of 26.53 percent imposed on imports exceeding quota levels.	Dec. 12, 2002	([2])
Poland	Carbon steel uncoated, galvanized, and organic-coated flat-rolled products. Carbon steel bar. Electric steel sheets. Iron or steel welded and seamless tubes.	Definitive– Tariff rates on over-quota imports are 9-15 percent during Aug. 3, 2003 to Aug. 7, 2003; and drop to 8-13 percent during Aug. 3, 2004, to Aug. 7, 2005, depending on product category.	Mar. 8, 2003	May 1, 2004[1]
Czech Republic	Iron or steel welded tubes and pipes.	Definitive– Tariff quotas set at the average annual imports over the past 3 years plus 10 per cent. Tariff rates of 13.5-22.4 percent during Mar. 1, 2003 to Dec. 31, 2003; and 12.2-20.2 during Jan. 1, 2004, to Dec. 31, 2004, depending on product group.	Mar. 1, 2003[3]	May 1, 2004[1]
Chile	Carbon steel sheet, bar, and rod.	Definitive– Tariff rate of 10 percent imposed on imports exceeding quota levels.	July 2002[3]	([2])

[1] Safeguards terminated with country's accession to the European Union.
[2] No termination date specified.
[3] Proposed; no notification that safeguards entered into effect.

Source: World Trade Organization.

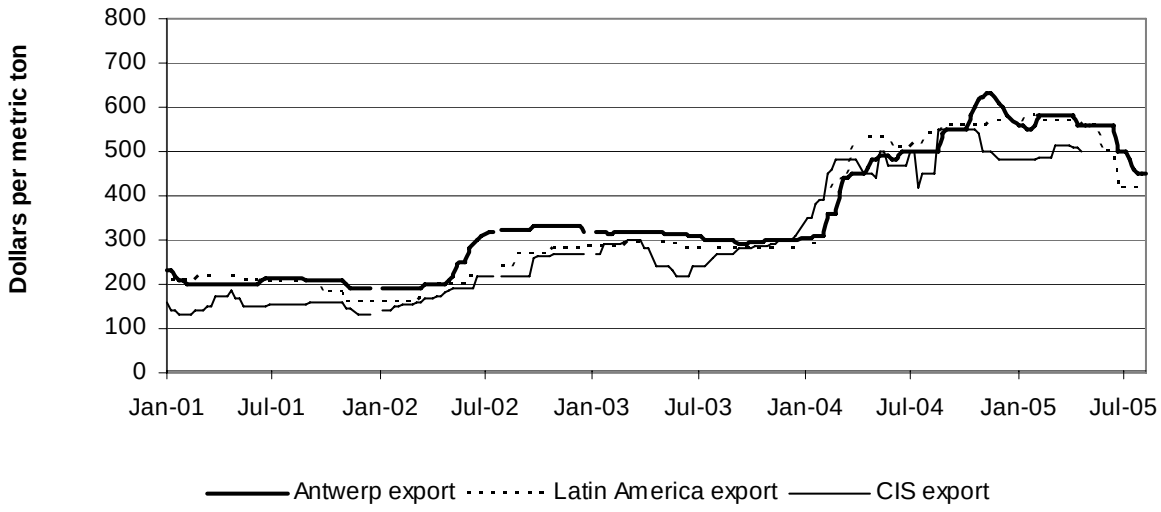
GLOBAL PRICE TRENDS

Prices of steel in world trade have followed a similar trend to that of prices in the United States. Figures OVERVIEW IV-7 and OVERVIEW IV-8 show the trends of prices for imports of hot-rolled coil into the United States and China, and for exports from Western Europe (Antwerp), Latin America, and the Commonwealth of Independent States (CIS) Black Sea or Baltic Sea ports, as reported by Metal Bulletin.

Figure OVERVIEW IV-7
Hot-rolled coil: Import prices in United States and China, January 2001- July 2005

Source: Metal Bulletin.

Figure OVERVIEW IV-8
Hot-rolled coil: Export prices in various markets, January 2001- July 2005



Source: Metal Bulletin.

CHAPTER 2

CARBON AND ALLOY FLAT STEEL

PART I: OVERVIEW (FLAT STEEL)

ORGANIZATION OF THIS CHAPTER

Information in this carbon and alloy flat steel (flat steel)[1] chapter is organized into four parts: (1) overview of issues concerning the industries producing flat steel; (2) industry and market data for certain carbon and alloy flat-rolled steel;[2] (3) industry and market data for tin mill products (tin); and (4) adjustment efforts of U.S. flat steel producers.

U.S. PRODUCERS

A summary of U.S. producers' positions with respect to the section 203 relief during the original investigation and during the monitoring investigation is presented in table FLAT I-1. A list of U.S. producers of flat steel providing a response to the Commission's producers' questionnaire in the current evaluation is presented in table FLAT I-2.

Table FLAT I-1
Flat steel: Summary of U.S. producers' positions with respect to the section 203 relief,[1] by products and forms[2]

Item	Support relief	Oppose relief	Take no position	No response	Total
Slab	12/12	5/2	2/0	1/0	20/14
Plate	13/12	1/1	4/1	1/0	19/14
Hot-rolled	21/20	1/1	6/3	0/0	28/24
Cold-rolled	17/16	4/5	6/4	1/0	28/25
Coated	18/16	1/2	3/3	0/0	22/21
Subtotal, certain flat steel	81/76	12/11	21/11	3/0	117/98
Tin	6/6	0/0	1/1	0/0	7/7

[1] The first number represents U.S. producers' positions in the original safeguard investigation in 2001. The second number represents U.S. producers' positions in the monitoring investigation in 2003.
[2] Responses are shown only for products a firm produces and for which it provided data. A firm may produce more than one of the products or forms.

Source: *Steel, Inv. No. TA-201-73,* USITC Publication 3479, December 2001, p. FLAT-6, *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9,* USITC Publication 3632, September 2003, p. FLAT I-1.

[1] For purposes of this report, the term "flat steel" consists of subject slab, plate, hot-rolled steel (hot-rolled), cold-rolled steel (cold-rolled), coated steel (coated), and tin mill products (tin).

[2] In the section 201 investigation, the Commission found a single industry producing carbon and alloy flat-rolled steel comprising slab, plate, hot-rolled, cold-rolled, and coated. The Commission found a separate industry producing tin mill products. *See*, *Steel*, *Inv. No. TA-201-73*, USITC Publication 3479, December 2001, pp. 37, 46-47, and n.138.

For purposes of this report, the term "certain carbon and alloy flat-rolled steel" consists of subject carbon and alloy slab, plate, hot-rolled, cold-rolled, and coated.

Table FLAT I-2
Flat steel: U.S. producers' production, by products, 2004

* * * * * * *

STRUCTURAL DEVELOPMENTS

Information on developments in the domestic industries producing certain carbon and alloy flat-rolled steel and tin mill products, including bankruptcy protection filings, mergers and acquisitions, and significant capital investments, is presented below. A list of U.S. producers that filed for bankruptcy protection during 2001-05 is presented in table FLAT I-3. Table FLAT I-4 presents industry mergers and acquisitions. Table FLAT I-5 presents major publicly announced capital investments of U.S. producers.

Timelines

Figure FLAT I-1 presents data on the raw steel production capacity of bankrupt firms. Bankruptcies of several large firms occurred during the two-year period preceding the safeguard measures.[3] Figure FLAT I-2 presents a timeline for significant mergers and acquisitions of companies in the flat-rolled sector. It shows that merger and acquisition activity increased annually during 2001-03 before decreasing slightly in 2004.

Table FLAT I-3
Flat steel: U.S. producers of subject products that have filed for bankruptcy protection, 2001-05[1]

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capacity (*million short tons*)	Employees affected	Comments
January 2001	Heartland Steel *Terre Haute, IN*	Cold-rolled sheet	Operating	None	175	Purchased by Brazilian steel company CSN in June 2001.
March 2001	Trico Steel *Decatur, AL*	Hot-rolled sheet	Operating	2.2	320	Joint venture of LTV (50%) Corus (UK) (25%) and Sumitomo Metals (Japan) (25%). Shut down March 2001. Assets acquired by Nucor in July 2002. Restarted in September 2002.
April 2001	Great Lakes Metals *E. Chicago, IN*	Electrogal-vanized steel	Operating	None	40	Assets acquired by Electrotek Metals Corp. in January 2002 and plant restarted February 2002.

Table continued. See footnote at end of table.

[3] The last of the large firms to declare bankruptcy before the effective date of the safeguard measures was National Steel, which filed for chapter 11 bankruptcy on March 6, 2002.

Table FLAT I-3--*Continued*
Flat steel: U.S. producers of subject products that have filed for bankruptcy protection, 2001-05[1]

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capacity (*million short tons*)	Employees affected	Comments
August 2001	GalvPro *Jeffersonville, IN*	Galvanized sheet	Operating	None	60	Began production in December 1999 as joint venture between Weirton Steel and Corus Group. Shut down March 2001. Bought by Steel Dynamics in February 2003 which restarted production in July 2003.
October 2001	Bethlehem Steel *Baltimore, MD Portage, IN Steelton, PA Coatesville, PA Conshohocken, PA*	Plate, hot- and cold-rolled sheet, galvanized sheet, tinplate, rail	Operating	11.3	13,000	Operating assets acquired by International Steel Group, Inc. in May 2003.
January 2002 and February 1999	Geneva Steel *Provo, UT*	Plate, hot-rolled sheet, pipe (primarily line pipe), slab	Shut down Dec. 2001	2.5	1,800	Emerged from 1999 bankruptcy as Geneva Steel Holdings Corp., January 2001, with federally guaranteed loan of $110 million. Permanent shutdown in December 2001. Filed for bankruptcy again on January 25, 2002. In 2004, core assets were purchased by several firms in China and are no longer operating in the United States.
March 2002	National Steel *Mishawaka, IN Ecorse, MI St. Louis, MO*	Hot- and cold-rolled sheet, galvanized sheet	Operating	7.0	9,283	Operating assets acquired by U.S. Steel in May 2003.

Table continued. See footnote at end of table.

Table FLAT I-3--*Continued*
Flat steel: U.S. producers of subject products that have filed for bankruptcy protection, 2001-05[1]

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capacity (*million short tons*)	Employees affected	Comments
August 2002	Cold Metal Products *Youngstown, OH Ottawa, OH Indianapolis, IN Roseville, MI Canada*	Cold-rolled strip and sheet	2 U.S. plants closed, 2 U.S. plants operating	None	494	Ottawa, OH, Roseville, MI, and Canadian plants acquired and restarted by 3 separate companies. Indianapolis and Youngstown plants liquidated.
May 2003	Weirton Steel *Weirton, WV*	Hot- and cold-rolled sheet, corrosion resistant sheet and tinplate	Operating	3.0	3,500	Operating assets acquired by ISG in May 2004
September 2003	WCI Steel *Warren, OH*	Hot- and cold-rolled sheet/coil, hot-dip galvanized sheet/coil	Operating	1.4	1,800	Still in bankruptcy.
October 2003	Rouge Industries, Inc. *Dearborn, MI*	Hot-rolled, cold-rolled and galvanized steel	Operating	3.2	2,600	Bought by Severstal, a Russian steel producer, in January 2004.

[1] In February 2002, Huntco Inc. (Town and Country, MO) declared bankruptcy and ceased operations. Huntco was a processor and the largest U.S. service center. All but one of its facilities were purchased and operated by other U.S. companies. The cold-rolling mill at the Blytheville, AR facility was sold first to Enron subsidiary EBF LLC and then to Changqing Iron and Steel, and subsequently moved to China.

Source: Compiled from various public sources.

Table FLAT I-4
Flat steel: Significant steel company mergers and acquisitions, 2001-05[1]

Month and year	Company	Description and raw steel capacity
March 2001	U.S. Steel	U.S. Steel (capacity: 16.8 million short tons) acquired the tin mill unit of LTV (with no raw steel capacity), consisting of tin mill facilities at Aliquippa, PA and East Chicago, IN. Following the acquisition, U.S. Steel closed the Aliquippa facility.
June 2001	CSN (Brazil)	Acquired Heartland Steel, a cold-rolled sheet processor with no raw steel capacity.
January 2002	Electrotek Metals Corp.	Purchased Great Lakes Metals (no raw steel capacity); subsequently went out of business. Electric Coating Technologies now operates at the same location and was purchased by Esmark in January 2003.
2nd quarter 2002	Gallatin Steel	Gallatin Steel (capacity: 1.2 million short tons) acquired, through its purchase of Ghent Steel Industries, the steel processing assets of Huntco (with no raw steel capacity), which formerly processed coils supplied by Gallatin. With the acquisition, Gallatin now processes its own coils.
April 2002	International Steel Group (ISG)	ISG, a newly formed corporation, acquired the steelmaking assets of LTV Steel Corp. (capacity: 8.4 million short tons), a major integrated steel company.
May 2002	Steelscape	Steelscape (with no raw steel capacity), a west-coast producer of galvanized and painted sheets, and a part of the Grupo IMSA family of companies that includes Mexican steel producing operations, acquired the Pinole Point (CA) steel processing facilities (with no raw steel capacity) from MSC Corp. and shut down the galvanizing line.
June 2002	Bethlehem Steel	Bethlehem (capacity: 11.3 million short tons) acquired LTV's 50% share of Columbus Coatings and Columbus Processing, giving Bethlehem 100% ownership of these hot-dip galvanized production and processing facilities with no raw steel capacity.
July 2002	Nucor	Nucor (capacity: 13.2 million short tons) acquired the assets of Trico Steel Co., LLC (capacity: 2.2 million short tons), a minimill producer of flat-rolled products.
August 2002	AK Steel and ISG	AK Steel (capacity: 6.0 million short tons) and International Steel Group (capacity: 8.4 million short tons) formed a partnership to own a flat-rolled steel electrogalvanizing facility (AK-ISG Metal Coatings Co.) in Cleveland, OH (with no raw steel capacity) formerly owned by LTV Steel and Sumitomo Corp.
October 2002	ISG	ISG (capacity: 8.4 million short tons) acquired the steelmaking assets of Acme Metals, Inc. (capacity: 1.2 million short tons).
February 2003	Steel Dynamics	Steel Dynamics (capacity: 2.8 million short tons) acquired GalvPro, a galvanizing facility in Jeffersonville, IN, with no raw steel capacity.
May 2003	ISG	ISG, a large, integrated steel producer (capacity: 9.6 million short tons), purchased the assets of Bethlehem Steel Corp. (capacity: 11.3 million short tons), a large, integrated producer of all flat-rolled products and rails.
May 2003	U.S. Steel	U.S. Steel (capacity: 16.8 million short tons), the largest integrated steel producer in the United States, acquired the assets of National Steel Corp. (capacity: 7.0 million short tons), another large, integrated producer of flat-rolled products.
January 2004	Severstal	Severstal, one of the largest steel companies in Russia, bought Rouge Steel (capacity: 3.2 million short tons), an integrated producer of flat-rolled products in the United States.
May 2004	ISG	ISG (capacity: 20.9 million short tons) purchased Weirton Steel, one of a dwindling number of tin mill producers (capacity: 3.0 million short tons).
July 2004	Nucor	Nucor (capacity: 15.4 million short tons) purchased substantially all of the steelmaking assets of Corus Tuscaloosa (capacity: 0.8 million short tons).

[1] In November 2003, U.S. Steel swapped its Gary, IN plate operations for an ISG-owned pickle line in East Chicago, IN. U.S. Steel now no longer produces cut-to-length plate. Also, in December 2004, Ispat International N.V. (parent company of Ispat Inland) acquired LNM Holdings creating Mittal Steel Co. In April 2005, Mittal Steel Co. N.V. acquired ISG.

Source: Compiled from various public sources.

Table FLAT I-5
Flat steel: Major capital investments of U.S. steel companies, as reported in public sources, 2001-05

Year	Company and location	Facility	Reported investment[1]
2001	California Steel Industries *Fontana, CA*	Installation of 12 hydrogen annealing bases.	
2001	Nucor *Berkeley County, SC*	Second cold reversing mill increased cold-rolling capacity from 750,000 to 1.5 million tons of cold-rolled product.	$40 million
2001	DSC Ltd. *Gibraltar, MI*	Revamp and restart cold-mill with capacity of 1.2 million tons. (The plant, formerly known as McLouth Steel, had gone into bankruptcy twice (the second bankruptcy in 1995) and closed in early 1996; sold in August 1996 to DSC (Detroit Steel Co.), but subsequently closed permanently.	$60 million
2001	Nucor *Crawfordsville IN*	Began construction on demonstration strip casting facility. (Had agreed with IHI (Japan) to jointly develop, commercialize, and license direct strip casting.)	$95 million[2]
2001	USS-Posco *Pittsburg, CA*	Line speed capacity was increased for the continuous annealing line.	
2001	Ipsco Steel *Mobile, AL*	Construction of new steelworks completed; includes new melting and plate rolling capacity.	$395 million
2001	Citisteel *Claymont, DE*	Oxygen-carbon supersonic injector system installed.	
2001	Cold Metal Products	Four new hydrogen annealing bases installed.	
2001	USS-Posco	Increased line speed on the continuous annealing line.	
2001	US Steel	Three new hydraulic coilers on the 84-inch hot strip mill were installed and the 5-stand tandem cold mill in Irvin, PA was modernized.	
2001	Bethlehem Steel	Widening of one slab caster resulting in a slab production increase from 3.7 to 4.0 million tons. Cast width was increased from 88 to 104 inches enabling Bethlehem to roll wider plates.	
2002	USS-Posco *Pittsburg, CA*	Rebuilt and restarted the continuos pickle line tandem cold mill that was damaged by fire in 2001.	$115 million
2002	Bethlehem Steel *Sparrows Point, MD*	Fine-tuning of an in-line acrylic coater installed in 2001 was completed in early 2002.	
2002	Nucor *Crawfordsville, IN*	Construction (referred to above in 2000) completed of the Castrip facility with a new ladle metalurgy furnace installed; facility was successfully started up.	$95 million[2]
2002	Wheeling-Pittsburgh *Beech Bottom, WV*	No. 2 paint line was purchased and installed.	$15 million

Table continued. See footnotes at end of table.

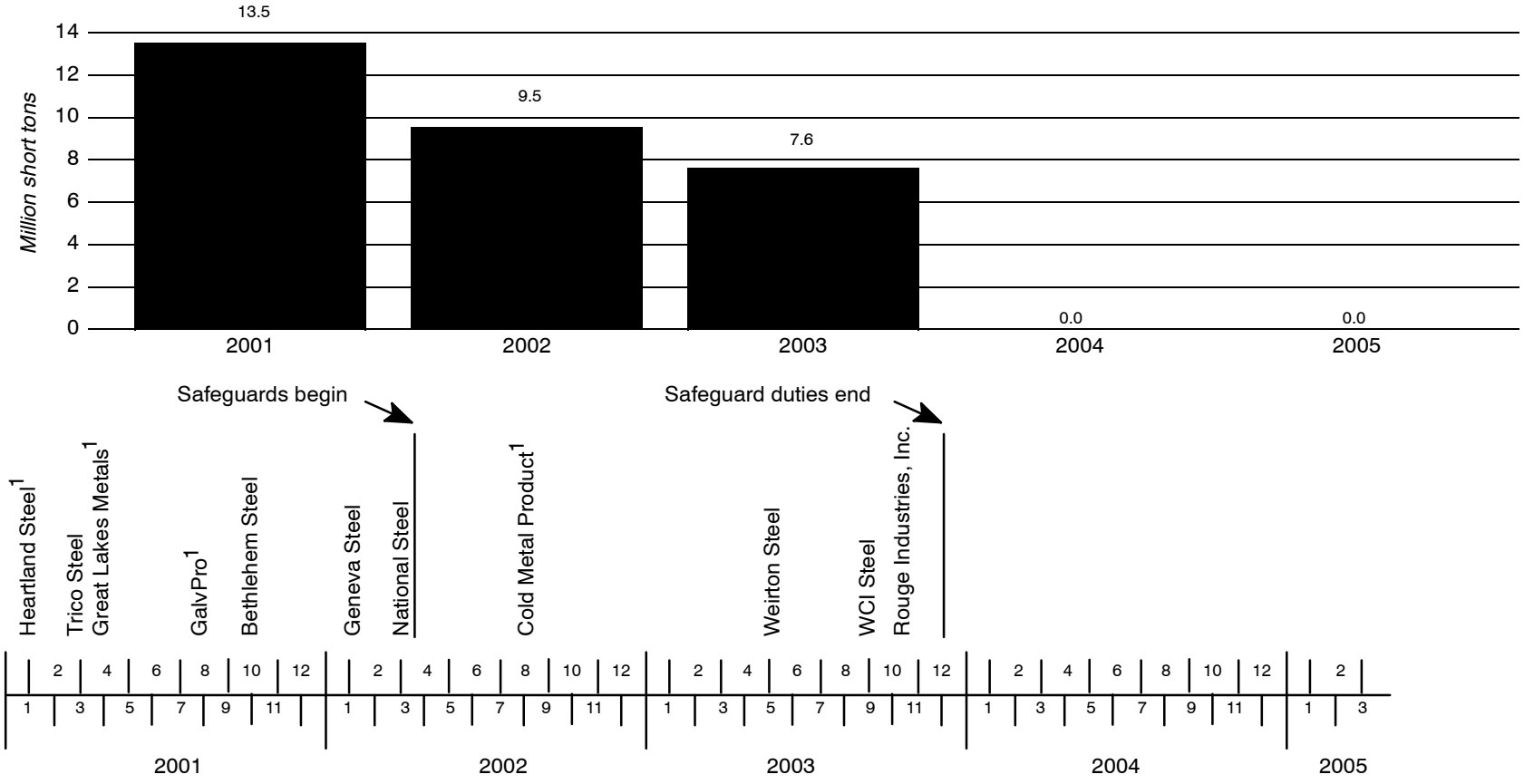
Table FLAT I-5--*Continued*
Flat steel: Major capital investments of U.S. steel companies, as reported in public sources, 2001-05

Year	Company and location	Facility	Reported investment[1]
2002	Nucor *Decatur, AL*	Major renovation of the facility acquired in July 2002.	$68 million
2003	Steel Dynamics *Butler, IN*	New coating line, with a capacity of 240,000 tons, installed to provide further penetration into flat-rolled steel marketplace.	$25-30 million
2003	Nucor *Berkeley County, SC*	Completed construction of a vacuum degasser.	
2003	Nucor *Decatur, AL*	Continuing renovation of the facility acquired in July 2002.	$17 million
2004	Wheeling-Pittsburgh Steel *Mingo Junction, OH*	Installation of a new EAF furnace to replace a blast furnace.	$96 million
2004	Nucor *Decatur, AL*	Purchased the adjacent cold rolling mill of Worthington Industries, Inc.	$82 million
2004	IPSCO *Mobile, AL*	Announced plans to build a new continuous plate heat treating operation that will produce 170,000 tons per year of heat treated plate.	$45 million

[1] Where no value is given, data were not reported in source.
[2] Estimated by the Commission staff at ***.

Source: "Developments in the North American Iron and Steel Industry," *Iron & Steel Technology* for the years 2001-04.

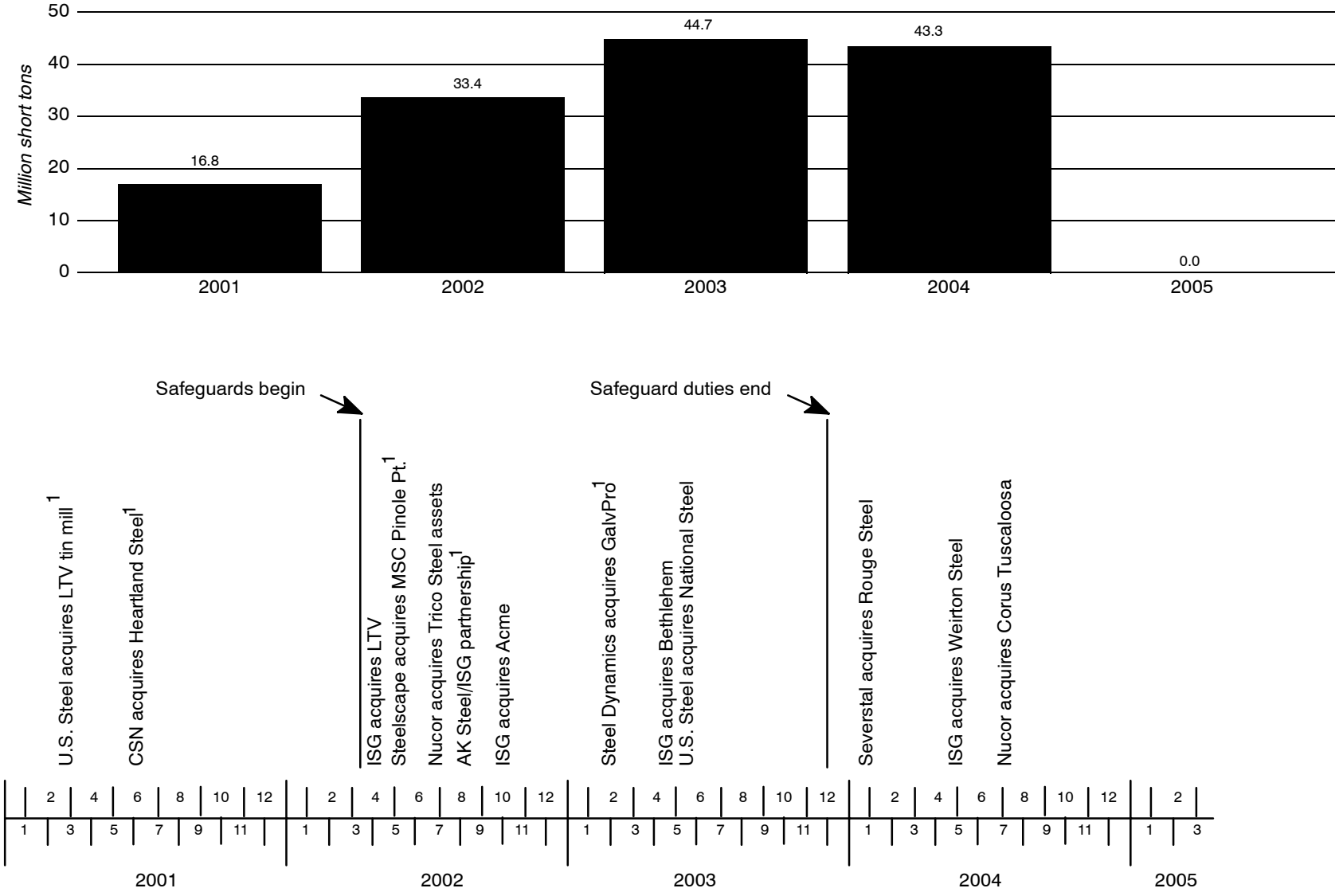
Figure FLAT I-1
Flat steel: Firms filing for bankruptcy protection and related raw steel capacity, January 2001-March 2005



[1] Firm without raw steel capacity.

Source: Table FLAT I-3 and other publicly available information.

Figure FLAT I-2
Flat steel: Mergers and acquisitions and related raw steel capacity, January 2001-March 2005



[1] Acquired firm has no raw steel capacity.

Source: Table FLAT I-4 and other publicly available information.

PART II: INDUSTRY AND MARKET DATA (CERTAIN CARBON AND ALLOY FLAT-ROLLED STEEL)

DESCRIPTION AND USES

Slab

A slab is a semifinished steel product produced by continuous casting or by hot-rolling or forging.[1] Slabs of carbon steel have a rectangular cross-section with a width at least two times the thickness. Slabs of other alloy steel have a width at least four times the thickness. All slabs are considered semifinished steel products that are consumed by steel producers to make sheet, strip, plate, and other downstream steel products. All reporting U.S. slab-producing firms also produced one or more forms of downstream products during the period for which data were collected in this investigation. The vast majority of U.S.-produced slabs are internally consumed by the domestic slab producers in the production of finished flat-rolled steel, with a very minor portion being sold on the commercial market. HTS statistical reporting numbers for subject carbon and alloy steel slab (slab) are provided in table FLAT II-1.

Table FLAT II-1
Slab: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Slab[1]	7207.12.0010	7207.12.0050	7207.20.0025	7207.20.0045	7224.90.0055

[1] The temporary HTS subheadings for slab established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:
(1) 9903.72.30 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.72.31 for other products excluded from the section 203 remedy,
(2) 9903.74.30 and 9903.74.31 for products entered in quantities up to stated limits (250,000 tons for each of the HTS subheadings) without additional tariffs,
(3) 9903.72.38, 9903.72.42, 9903.72.46 for slab entered under country-specific quota levels without additional tariffs, and
(4) 9903.72.40, 9903.72.44, and 9903.72.48 for products imported in excess of the tariff-rate quota trigger quantities and therefore incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, and 24 percent additional tariffs through December 4, 2003.
As indicated in (2), certain temporary subheadings specify particular types of slab which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of such a particular type of slab exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the country-specific quotas, or if the applicable country-specific quota has already been filled then the quantity of imports in excess of the specified quantitative limits would be covered by the temporary HTS subheadings identified in (4) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

[1] Thin slab, which is typically produced in minimills, is immediately consumed in the hot-rolling process and is thus not available for the merchant market.

Plate

This category includes both cut-to-length (CTL) plate and clad plate (collectively referred to in this section as "plate"). CTL plate is flat-rolled steel of rectangular cross-section, having a thickness of 4.75 mm or more and a width that exceeds 150 mm and measures at least twice the thickness. It is flat, *i.e.*, not in coil,[2] and may be of any shape (rectangular, circular, or other). CTL plate is produced by rolling on a reversing mill, on a Steckel mill, or on a continuous hot-strip mill. If produced from a coiled form, plate is flattened and cut to length from the coiled plate at the mill or at a service center. It may have patterns-in-relief derived directly from rolling (floor plate). It may be perforated, corrugated, or polished. Plate may also have been subjected to heat-treatment and may have been descaled or pickled. Clad plate is flat-rolled steel of more than one metal layer, of which the predominating metal is non-alloy steel, and the layers are joined by molecular interpenetration of the surfaces in contact. The metal other than non-alloy steel used for clad plate may be stainless steel, titanium, or any other metal. The clad plate may be in the form of a flat plate or a coiled plate, may be of any thickness, and may be either hot- or cold-rolled. Made from slab, plate is used in welded load-bearing and structural applications, such as bridgework, machine parts (*e.g.*, the body of the machine or its frame), transmission towers and light poles, buildings, self-propelled machinery such as cranes and bulldozers, railway cars, tanks, oceangoing ships, and floor plate, or formed into pipe, oilwell rigs, and platforms. HTS statistical reporting numbers for subject carbon and alloy steel CTL plate are presented in table FLAT II-2.

Table FLAT II-2
Plate: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Plate[1]	7208.40.3030	7208.51.0045	7208.90.0000	7211.14.0030	7225.40.3050
	7208.40.3060	7208.51.0060	7210.90.1000	7211.14.0045	7225.50.6000
	7208.51.0030	7208.52.0000	7211.13.0000	7225.40.3005	7226.91.5000

[1] The temporary HTS subheadings for plate established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.72.50 through 9903.72.54, 9903.74.38 through 9903.74.42, 9903.74.45 through 9903.74.49, 9903.74.54, 9903.74.58 through 9903.74.60, 9903.74.70, and 9903.78.25 through 9903.78.28 for products excluded from the section 203 remedy,
(2) 9903.74.43, 9903.74.44, 9903.74.50 through 9903.74.53, 9903.74.55 through 9903.74.57, 9903.74.69, 9903.74.73, and 9903.78.29 through 9903.78.32 for products entered in quantities up to stated limits (ranging from 180 tons to 6,500 tons) without additional tariffs, and
(3) 9903.72.60, 9903.72.61, and 9903.72.62 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing therefore incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, and 24 percent additional tariffs through December 4, 2003.

As indicated in (2), certain temporary subheadings specify particular types of plate which are excluded from the additional tariffs when entered up to certain quantitative limits, *i.e.*, a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of plate exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

With respect to 9903.74.69 and 9903.74.73, although these no-longer-existent temporary HTS subheadings were originally categorized as hot-rolled sheet and strip (including plate in coils) as described on the following page, it is believed that all imports entered under this subheading were indeed plate as described on this page.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

[2] Plate (other than clad plate) in coil is not included in the "plate" category for purposes of this report and is instead included in the hot-rolled category.

Hot-Rolled

This category includes hot-rolled sheet and strip, as well as non-clad plate in coils (collectively referred to in this section as "hot-rolled" steel). These are carbon and alloy flat-rolled steel of rectangular cross-section, produced by hot-rolling on hot-strip (continuous) mills, reversing mills, or Steckel mills. If the hot-rolled steel is in coils, it may be of any thickness. If it is in straight lengths, it must be of a thickness of less than 4.75 mm and a width measuring at least 10 times the thickness. It may have patterns-in-relief derived directly from rolling (floor plate). It may be perforated, corrugated, or polished. It may be either unpickled or pickled. It may have been subjected to various processing steps after hot reduction, including pickling or descaling, rewinding, flattening, temper rolling, or heat treatment, and it may have been cut into shapes other than rectangular. A substantial amount of hot-rolled steel is consumed internally or transferred to an affiliated company to make cold-rolled and/or galvanized or other coated forms of flat-rolled steel, formed and welded to make pipe, or cut to length to produce discrete sheet. Hot-rolled sheet and strip is also used in the manufacture of structural parts of automobiles and appliances. Hot-rolled plate that is cut-to-length is used in the same applications identified above for CTL plate. HTS statistical reporting numbers for subject carbon and alloy steel hot-rolled sheet and strip including plate in coils (hot-rolled) are presented in table FLAT II-3.

Table FLAT II-3
Hot-rolled: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Hot-rolled[1]	7208.10.1500	7208.27.0060	7208.39.0015	7211.19.1500	7225.30.3005
	7208.10.3000	7208.36.0030	7208.39.0030	7211.19.2000	7225.30.3050
	7208.10.6000	7208.36.0060	7208.39.0090	7211.19.3000	7225.30.7000
	7208.25.3000	7208.37.0030	7208.40.6030	7211.19.4500	7225.40.7000
	7208.25.6000	7208.37.0060	7208.40.6060	7211.19.6000	7226.91.7000
	7208.26.0030	7208.38.0015	7208.53.0000	7211.19.7530	7226.91.8000
	7208.26.0060	7208.38.0030	7208.54.0000	7211.19.7560	
	7208.27.0030	7208.38.0090	7211.14.0090	7211.19.7590	

[1] The temporary HTS subheadings for hot-rolled steel established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.72.65 through 9903.72.73, 9903.74.61, 9903.74.63, 9903.74.64, 9903.74.74 through 9903.74.76, 9903.74.78 through 9903.74.84, 9903.74.86 through 9903.74.88, 9903.74.94, 9903.74.95, 9903.74.97, 9903.74.98, 9903.75.02, 9903.75.03, 9903.75.09, 9903.75.12, 9903.78.40 through 9903.78.47, 9903.78.57, 9903.78.58, 9903.78.60, and 9903.78.63 for products excluded from the section 203 remedy,

(2) 9903.72.74 through 9903.72.76, 9903.74.62, 9903.74.65, 9903.74.77, 9903.74.85, 9903.74.89 through 9903.74.91, 9903.74.96, 9903.74.99 through 9903.75.01, 9903.75.04 through 9903.75.08, 9903.75.10, 9903.75.13, 9903.75.14, 9903.78.48 through 9903.78.56, 9903.78.59, 9903.78.61, and 9903.78.62 for products entered in quantities up to stated limits (ranging from 250 tons to 750,000 tons) without additional tariffs, and

(3) 9903.72.80, 9903.72.81, and 9903.72.82 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, and 24 percent additional tariffs through December 4, 2003.

As indicated in (2), certain temporary subheadings specify particular types of hot-rolled steel which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of hot-rolled steel exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

Cold-Rolled

This category includes cold-rolled sheet and strip, other than grain-oriented electrical steel (GOES), of rectangular cross-section, produced by cold-rolling ("cold-rolled"). If in coiled form, it may be of any thickness. If it is in straight lengths, it must be of a thickness of less than 4.75 mm and a width measuring at least 10 times the thickness. Cold-rolled steel may have patterns-in-relief derived directly from rolling. It may be perforated, corrugated, or polished. It may have been subjected to various processing steps after cold reduction, including flattening, temper rolling, or heat treatment, and it may have been cut into shapes other than rectangular. Much of the cold-rolled steel is used internally or transferred to affiliates for downstream production of corrosion-resistant steel, tin plate, and other products. Cold-rolled steel that is not further processed is used for such applications as panels in electrical equipment and appliances, or for body parts in automobiles, where surface finish or strength-to-weight ratio is important but resistance to corrosion is not important. Cold-rolled steel is also used for automotive transmission and seat belt components,[3] and serves as a material for utensils, cutting tools, and cutlery. HTS statistical reporting numbers for subject carbon and alloy steel cold-rolled sheet and strip (cold-rolled) are presented in table FLAT II-4.

Table FLAT II-4
Cold-rolled: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Cold-rolled[1]	7209.15.0000	7209.18.1530	7209.27.0000	7211.29.2030	7226.19.1000
	7209.16.0030	7209.18.1560	7209.28.0000	7211.29.2090	7226.19.9000
	7209.16.0060	7209.18.2510	7209.90.0000	7211.29.4500	7226.92.5000
	7209.16.0070	7209.18.2520	7211.23.1500	7211.29.6030	7226.92.7005
	7209.16.0090	7209.18.2550	7211.23.2000	7211.29.6080	7226.92.7050
	7209.16.0091	7209.18.2580	7211.23.3000	7211.90.0000	7226.92.8005
	7209.17.0030	7209.18.6000	7211.23.4500	7225.19.0000	7226.92.8050
	7209.17.0060	7209.18.6020	7211.23.6030	7225.50.7000	
	7209.17.0070	7209.18.6090	7211.23.6060	7225.50.8010	
	7209.17.0090	7209.25.0000	7211.23.6075	7225.50.8015	
	7209.17.0091	7209.26.0000	7211.23.6085	7225.50.8085	

Notes appear on following page.

[3] *See Certain Carbon Steel Products, Invs. Nos. AA1921-197* (Review), 701-TA-231, 319-320, 322, 325-328, 340, 342, and 348-350 (Review), and 731-TA-573-576, 578, 582-587, 604, 607-608, 612, and 614-618 (Review), Publication 3364, November 2000, pp. Cold-I-14-16 for discussion of seat belt retractor steel.

[1] The temporary HTS subheadings for cold-rolled steel established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.72.85 for products outside the scope of the section 201 investigation and therefore excluded from the remedy, and 9903.72.86 through 9903.72.90, 9903.72.92 through 9903.72.96, 9903.75.15 through 9903.75.19, 9903.75.27, 9903.75.30 through 9903.75.46, 9903.75.48, 9903.75.49, 9903.75.51, 9903.75.53, 9903.75.56, 9903.75.57, 9903.75.59, 9903.75.60, 9903.75.68 through 9903.75.72, and 9903.75.76 through 9903.75.97 for other products excluded from the section 203 remedy,

(2) 9903.72.97 through 9903.73.00, 9903.75.20 through 9903.75.26, 9903.75.28, 9903.75.29, 9903.75.50, 9903.75.52, 9903.75.54, 9903.75.55, 9903.75.58, 9903.75.62 through 9903.75.67, and 9903.75.73 through 9903.75.75 for products entered in quantities up to stated limits (ranging from 3 tons to 20,000 tons) without additional tariffs, and

(3) 9903.73.02, 9903.73.03, and 9903.73.04 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, and 24 percent additional tariffs through December 4, 2003.

As indicated in (2), certain temporary subheadings specify particular types of cold-rolled steel which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of cold-rolled steel exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

Coated

This category includes corrosion-resistant and other coated sheet and strip (collectively referred to in this section as "coated" steel). Coated steel is flat-rolled carbon or alloy steel with a metallic or nonmetallic coating, other than clad or tin mill products. Corrosion resistance is used to prolong the useful life of end products in areas where the product is visible or exposed to weather or other corroding agents. The category includes steel that is galvanized (*i.e.*, coated with zinc), aluminized, coated with zinc-aluminum alloy, galvannealed (heat-treated after coating), coated with a mixture of lead and tin (*i.e.*, terne plate and terne coated sheets), painted, and coated with plastic. Galvanized steel is used to provide corrosion resistance in automobile parts, garbage cans, storage tanks, and building products. Terne principally is used in the manufacture of gasoline tanks, although it also can be found in chemical containers, oil filters, television chassis, highway equipment (*e.g.*, guardrails, bridgedecks, and signs), and agricultural buildings and equipment. HTS statistical reporting numbers for subject carbon and alloy steel corrosion-resistant and other coated sheet and strip (coated) are presented in table FLAT II-5.

Table FLAT II-5
Coated: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Coated[1]	7210.20.0000	7210.61.0000	7210.90.6000	7212.30.5000	7225.92.0000
	7210.30.0030	7210.69.0000	7210.90.9000	7212.40.1000	7225.99.0010
	7210.30.0060	7210.70.3000	7212.20.0000	7212.40.5000	7225.99.0090
	7210.41.0000	7210.70.6030	7212.30.1030	7212.50.0000	7226.93.0000
	7210.49.0030	7210.70.6060	7212.30.1090	7212.60.0000	7226.94.0000
	7210.49.0090	7210.70.6090	7212.30.3000	7225.91.0000	7226.99.0000

[1] The temporary HTS subheadings for coated steel established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.73.07 and 9903.73.08 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.09 through 9903.73.14, 9903.76.00 through 9903.76.09, 9903.76.11 through 9903.76.13, 9903.76.17 through 9903.76.19, 9903.76.21 through 9903.76.25, 9903.79.60 through 9903.79.71, 9903.79.77, 9903.79.79, and 9903.79.80 for other products excluded from the section 203 remedy,

(2) 9903.76.10, 9903.76.14 through 9903.76.16, 9903.76.20, 9903.79.72 through 9903.79.76, and 9903.79.78 for products entered in quantities up to stated limits (ranging from 500 tons to 80,000 tons) without additional tariffs, and

(3) 9903.73.21, 9903.73.22, and 9903.73.23 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, and 24 percent additional tariffs through December 4, 2003.

As indicated in (2), certain temporary subheadings specify particular types of coated steel which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of coated steel exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

The overall demand for certain carbon and alloy flat-rolled steel depends on the demand for a variety of end-use applications. Demand for slab is influenced by the demand for hot-rolled, cold-rolled, and coated steel. Demand for plate is influenced by the production of ships and barges, storage tanks, heavy machinery, bridges, railcars, machine parts, pressure vessels, and off-shore drilling platforms. Demand for hot-rolled sheet and strip is dependent on demand for further-processed steel, such as cold-rolled, as well as those products in which it is a direct raw material, such as construction or automobiles. Demand for cold-rolled sheet and strip depends on demand in the appliance, automotive, construction, container, and other industries in which it is used. Demand for coated steel is influenced by demand in the automotive and construction industries.

As shown in OVERVIEW Part II, the value of U.S. manufacturers' shipments of transportation equipment increased by 11.5 percent during the period for which data were collected (table OVERVIEW II-1). Most recently, the value of U.S. manufacturers' shipments of transportation equipment have dropped by 5.8 percent from first quarter 2004 to first quarter 2005. The value of U.S. nonresidential construction put in place increased slightly by 3.9 percent during the period for which data were collected.

The data collected by the Commission indicate that apparent U.S. consumption of slab increased by 4.9 percent from 2001 to 2004; apparent U.S. consumption of plate increased by 9.8 percent; apparent U.S. consumption of hot-rolled products increased by 15.9 percent; apparent U.S. consumption of cold-rolled products increased by 7.0 percent; and apparent U.S. consumption of coated products increased by 50.7 percent over the same period.

In the monitoring investigation, 23 of 36 responding U.S. certain carbon and alloy flat-rolled steel producers reported that U.S. demand had decreased from March 2002 to March 2003, seven reported that demand remained the same, and six reported that demand had increased over the same period. U.S.

certain carbon and alloy flat-rolled steel producers that reported decreased demand in the monitoring investigation generally cited the slowing U.S. economy, particularly weakness in the construction, automotive, office furniture, capital spending, and appliance market sectors. U.S. certain carbon and alloy flat-rolled steel producers that reported increased demand in the monitoring investigation cited factors such as the strong U.S. automotive market and a temporary spike in spending for homeland security and military requirements.[4]

In the current evaluation, 13 of 22 responding U.S. certain carbon and alloy flat-rolled steel producers reported in the current evaluation that U.S. demand remained the same from March 2002 to December 2003, six reported that demand increased over the same period, two reported that demand fluctuated, and one reported that demand in the United States decreased.[5] U.S. certain carbon and alloy flat-rolled steel producers that reported increased demand from March 2002 to December 2003 generally cited the improving U.S. economy, particularly in the manufacturing sector; the attractiveness of U.S. exports to the rest of the world due to the weak dollar; and growing demand in China. Twenty-two of 29 responding certain carbon and alloy flat-rolled steel producers in the current evaluation reported that U.S. demand for steel increased from January 2004 to March 2005, six reported that demand stayed the same over the period, and one reported that demand was stable in Europe while growing in Asia. U.S. certain carbon and alloy flat-rolled steel producers that reported increased demand from January 2004 to March 2005 mostly cited the strong demand in China. Other factors included the continued economic recovery worldwide, particularly in the manufacturing, construction, and automotive market sectors; the continued attractiveness of U.S. exports to the rest of the world due to the weak dollar; and increased demand in India. One producer also noted that some of the increase in domestic demand during this period was due to a perceived shortage of domestic supply in the face of rising prices. Four firms also noted that demand for U.S. steel products began to slow in 2005. Two producers attributed this fall-off in demand to China's expanding domestic production capacity and the slowing of U.S. economic activity, particularly in the automotive sector. Another producer also reported that the U.S. manufacturing sector is increasingly moving offshore, which negatively impacts domestic demand for steel.

Twenty-one of 25 responding U.S. certain carbon and alloy flat-rolled steel producers reported in the current evaluation that there had been no changes in the types or prices of substitute products from March 2002 to December 2003. Twenty-four of 29 responding U.S. certain carbon and alloy flat-rolled steel producers reported that there were no changes in the types or prices of substitute products from January 2004 to March 2005. One producer reported that the prices of all substitute products, especially plastics and aluminum, experienced a sharp spike in 2004. Another producer reported that the significant increases in steel prices in 2004-05 have made concrete and asphalt more attractive to consumers in the roofing market. One responding U.S. certain carbon and alloy flat-rolled steel producer reported increased competition from stainless steel products; another producer reported that cold-rolled steel products increasingly gained market share against light-gauge hot-rolled steel products; and one producer reported that fluctuations in the price of concrete increased demand for that product for use in infrastructure projects. Another producer noted that hot-dipped galvanized steel products continued to replace electro galvanized products in some markets.

---

[4] *Steel: Monitoring Developments in the Domestic Industry*, *Inv. No. TA-204-09*, USITC Publication 3632, September 2003, p. FLAT II-6, n. 5.

[5] The U.S. certain carbon and alloy flat-rolled steel producers cited in this section include one toll processor.

.

Changes in U.S. Supply

Prior to the imposition of section 201 tariff relief, several U.S. flat steel producers filed for bankruptcy and shut down their operations. Most importantly, LTV, a producer of hot- and cold-rolled sheet, galvanized sheet, tin-plate, and pipe and tubing, with raw steel capacity of 8 million short tons, filed for bankruptcy in December 2000 and closed its operations in December 2001. Other U.S. flat steel producers that filed for bankruptcy and shut down their operations prior to section 201 tariff relief include: Trico Steel (a producer of hot-rolled sheet with raw steel capacity of 2.2 million short tons) which filed for bankruptcy in March 2001 and shut down its operations in March 2001; Acme Metals (a producer of hot- and cold-rolled sheet with raw steel capacity of 1.2 million short tons) which filed for bankruptcy in September 1998 and shut down in October 2001; Great Lakes Metals (an electro-galvanizing processor) which filed for bankruptcy in April 2001 and shut down its operations in July 2001; GalvPro (a producer of galvanized sheet) which shut down its operations in March 2001 and filed for bankruptcy in August 2001; and Geneva Steel (a producer of plate, hot-rolled sheet, pipe, and slabs with raw steel capacity of 2.5 million short tons) which filed for bankruptcy in February 1999, emerged from bankruptcy as Geneva Steel Holdings in January 2001, shut down its operations in December 2001, and filed for bankruptcy again in January 2002.

Following imposition of the section 201 relief, four of these firms were acquired by other steel-producing firms and were able to restart their operations. LTV's flat operations were acquired by ISG in April 2002 and were restarted in May and June 2002. Acme's flat-rolling assets were acquired by ISG in October 2002 and restarted in December 2002. Trico Steel's flat operations were acquired by Nucor in July 2002 and restarted in September 2002. GalvPro was acquired by Steel Dynamics in February 2003 and restarted production in July 2003. Also during this period, however, Cold Metal Products, a producer of cold-rolled sheet and strip, filed for bankruptcy and liquidated its Indianapolis, IN and Youngstown, OH plants in August 2002.[6] In 2002, the assets of Material Science Corporation in Richmond, CA were acquired and shut down by Steelscape, a producer of cold-rolled sheet and strip and coated sheet and strip.

The steel-producing operations of National Steel Corporation and National Steel Pellet Company, which filed for bankruptcy in March 2002, were acquired by U.S. Steel in May 2003. WCI (a producer of slabs; plate; and hot-rolled, cold-rolled, and corrosion-resistant steel) filed for bankruptcy in September 2003 and is currently operating as "debtor-in-possession." Weirton Steel declared bankruptcy in May 2003, was acquired by ISG one year later, and has idled one of its blast furnaces. U.S. Steel exchanged a plate mill at Gary Works for the assets of a pickle line at Indiana Harbor Works operated by ISG in November 2003. Rouge Steel Company and QS Steel Incorporated were acquired in January 2004 by Severstal, a Russian producer of hot-rolled sheet, strip, and coils; cold-rolled sheet and strip, other than GOES; and corrosion-resistant and other coated sheet and strip. A cold-rolling mill operated by Worthington Industries in Decatur, AL, was acquired by Nucor in May 2004 and was subsequently closed in August 2004. A plate and sheet mill operated by Corus in Tuscaloosa, AL was acquired by Nucor in June 2004. A coil paint line of Mangatrax Corporation in Fairfield, AL was acquired by Steelscape in December 2004. At the end of 2004, ISG, which had previously acquired bankrupt Bethlehem Steel, was acquired by Mittal Steel, officially changing its name to Mittal Steel USA ISG, Inc., in April 2005.

As shown in the table FLAT II-6, U.S. certain carbon and alloy flat-rolled steel producers in the current evaluation reported few marketing changes from March 2002 to December 2003. Seven producers reported changes in lead times from production over the period. Most of these producers reported experiencing longer lead times during this period. Eight producers reported changes in product range which mostly resulted from the acquisition of other steel mills.

[6] *See* table FLAT I-3.

Table FLAT II-6
Certain carbon and alloy flat-rolled steel: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No	Yes		No	Yes	
Efforts to increase product availability	14	3		14	10	
Change in geographic market	30	3		29	6	
Change in share of sales from inventory	20	2		20	2	
Change in average lead times from inventory	17	0		15	3	
Change in average lead times from production	27	7		17	15	
Change in product range	24	8		23	10	
Change in demand for or production of alternate products	23	1		23	2	
	I	D	S	I	D	S
Change in order backlogs[1]	13	7	17	22	12	6
Change in on-time shipping percentage[1]	6	1	28	8	7	22

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or stayed the same (S) for over the specified time period. Some producers responded that the practice both increased and decreased over the same period.

Note–Not all producers answered for all of the marketing practices.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. certain carbon and alloy flat-rolled steel producers in the current evaluation reported additional changes in market practices from January 2004 to March 2005. Ten producers reported efforts to increase product availability, which mostly included improvements or additions to existing equipment. Fifteen producers reported changes in the lead times from production. Most of these producers reported that lead times were extended as order volumes increased. Others reported that lead times fluctuated over the period and have generally decreased or stabilized since the fourth quarter of 2004. Ten producers reported changes in product range over the period, mostly including the addition of higher grades of products. A majority of producers reported an increase in order backlogs since 2004.

In the monitoring investigation, 177 of 340 responding certain carbon flat-rolled product purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. One hundred sixty-seven of 314 responding certain carbon and alloy flat-rolled steel purchasers reported increased average lead times for their purchases of domestic steel, 118 reported no change in domestic lead times, and 29 reported decreased domestic lead times. Certain carbon and alloy flat-rolled steel purchasers were asked to identify actions taken by domestic producers March 2002 to March 2003 to make a positive adjustment to import competition.[7] Of 342 responding purchasers in the monitoring investigation, 223 purchasers did not indicate that producers had taken any such actions. However, 27 of 342 responding purchasers reported that domestic producers had introduced new or innovative products, 35 reported that domestic producers had improved product quality, 42 reported that domestic producers had expanded marketing efforts, 38 reported that domestic

[7] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

producers had improved customer service, and 51 reported that domestic producers had made other positive adjustment efforts.[8]

Based on data compiled in this evaluation, U.S. certain carbon and alloy flat-rolled steel producers' average capacity utilization increased from 76.7 percent in 2001 to 82.6 percent in 2004 (down somewhat from 83.7 percent in 2002). In 2004, capacity utilization for U.S. producers of slab was 83.5 percent; 64.3 percent for U.S. producers of plate; 86.0 percent for U.S. producers of hot-rolled products; 78.6 percent for U.S. producers of cold-rolled products; and 82.9 percent for U.S. producers of coated products. In 2004, inventories as a percentage of total shipments were 1.0 percent for U.S. producers of slab; 3.9 percent for U.S. producers of plate; 2.8 percent for U.S. producers of hot-rolled products; 6.5 percent for U.S. producers of cold-rolled products; and 6.9 percent for U.S. producers of coated products. In 2004, exports accounted for 0.04 percent of total shipments of U.S. slab producers; 9.0 percent of total shipments of U.S. plate producers; 1.0 percent of total shipments of U.S. hot-rolled producers; 1.7 percent of total shipments of U.S. cold-rolled producers; and 3.9 percent of total shipments of U.S. coated producers.

Timeline

Figure FLAT II-1 shows quarterly shipments of certain flat products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and may differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include quarterly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the timeline),[9] startups and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard dates, while antidumping and countervailing duty orders are shown below the line.[10]

The supply of flat products in the United States was affected significantly by the shutdowns of steel operations, particularly by those of Acme in October 2001, and both Geneva and LTV in December 2001. The restart of the LTV operations by their new owner, International Steel Group (ISG), in May and

---

[8] Some purchasers reported more than one of these actions.

[9] There were two major closures as a result of fire damage during the period examined. On May 31, 2001, a fire heavily damaged the cold-rolling operations at USS-POSCO's Pittsburg, CA facility. Finishing and shipment of products were halted after inventory in process was exhausted; however, the duration of the full interruption was limited. Finishing and shipping resumed, using product cold rolled in Korea or in U.S. Steel plants. The supply impact of the interruption was for a period of about 45 days, followed by a period of about 6 months during which imports from POSCO, the Korean parent company of USS-POSCO, were in the form of cold-rolled sheet rather than hot-rolled sheet. The fire damage was repaired and production resumed in January 2002. On December 15, 2001, a major fire damaged the Dearborn, MI coating line of Double Eagle Steel Co., jointly owned by U.S. Steel and Rouge Steel Co. Double Eagle is the world's largest electrogalvanizing facility. Repairs were made and production resumed in early September 2002. During the interruption, production was diverted to other coating lines and some customers may have opted to use hot-dip galvanized steel rather than electrogalvanized due to capacity restraints.

[10] Commerce issued antidumping duty orders on hot-rolled carbon flat steel on the following dates: September 19, 2001 (Argentina and South Africa, 66 FR 48242 for both orders in one notice), November 21, 2001 (Kazakhstan, 66 FR 58435), November 29, 2001 (China, the Netherlands, Romania, Taiwan, Thailand, and Ukraine, 66 FR 59561, 59565, 59566, 59563, 59562, and 59559, respectively), and December 3, 2001 (India and Indonesia, 66 FR 60194 and 60192, respectively). Commerce also issued countervailing duty orders on hot-rolled carbon flat steel on the following dates: September 11, 2001 (Argentina, 66 FR 47173) and December 3, 2001 (India and Indonesia, 66 FR 60198 (for both orders in one notice), South Africa and Thailand, 66 FR 60201 and 60197, respectively).

June 2002; the restart of the former Trico plant by its new owner, Nucor, in September 2002; and the restart of the Acme plant by ISG in December 2002, restored most of the idled capacity to the market.

U.S. INDUSTRY DATA

Tables FLAT II-7 through FLAT II-12 present information on U.S. carbon and alloy flat-rolled steel producers' capacity, production, shipments, inventories, and employment. The Commission received usable questionnaire responses from a wide range of carbon and alloy flat-rolled steel producers,[11] many of which produced more than one form of the product (11 slab producers,[12] 12 plate producers,[13] 20 hot-rolled producers,[14] 21 cold-rolled producers,[15] and 22 coated producers).[16] Responding producers accounted for nearly 65 million short tons of flat-rolled steel commercial shipments in 2004. This response represents approximately 94 percent of domestic flat-rolled steel shipments as reported to the American Iron and Steel Institute.[17] Responding U.S. producers are believed to account for a substantial share of U.S. production capacity during the period January 2001-March 2005.[18]

---

[11] The Commission also received producer questionnaires from six companies that operate solely as toll processors. To prevent double counting, their tolling production is not included in the trade and financial tables that appear in this report. Four of the six toll processors *** produce coated steel and reported a combined production capacity of 2,663,596 short tons and production of 2,066,132 short tons in 2004. A fifth company, *** produces plate and reported production capacity of *** short tons and production of *** in 2004. The sixth toll processor, *** provided pricing data only.

[12] The following firms reported calendar-year 2000 slab production (in short tons) in the original safeguard investigation but did not provide data in the current evaluation: ***.

[13] The following firms reported calendar-year 2000 plate production (in short tons) in the original safeguard investigation but did not provide data in the current evaluation: ***.

[14] The following firms reported calendar-year 2000 hot-rolled production (in short tons) in the original safeguard investigation but did not provide data in the current evaluation: ***.

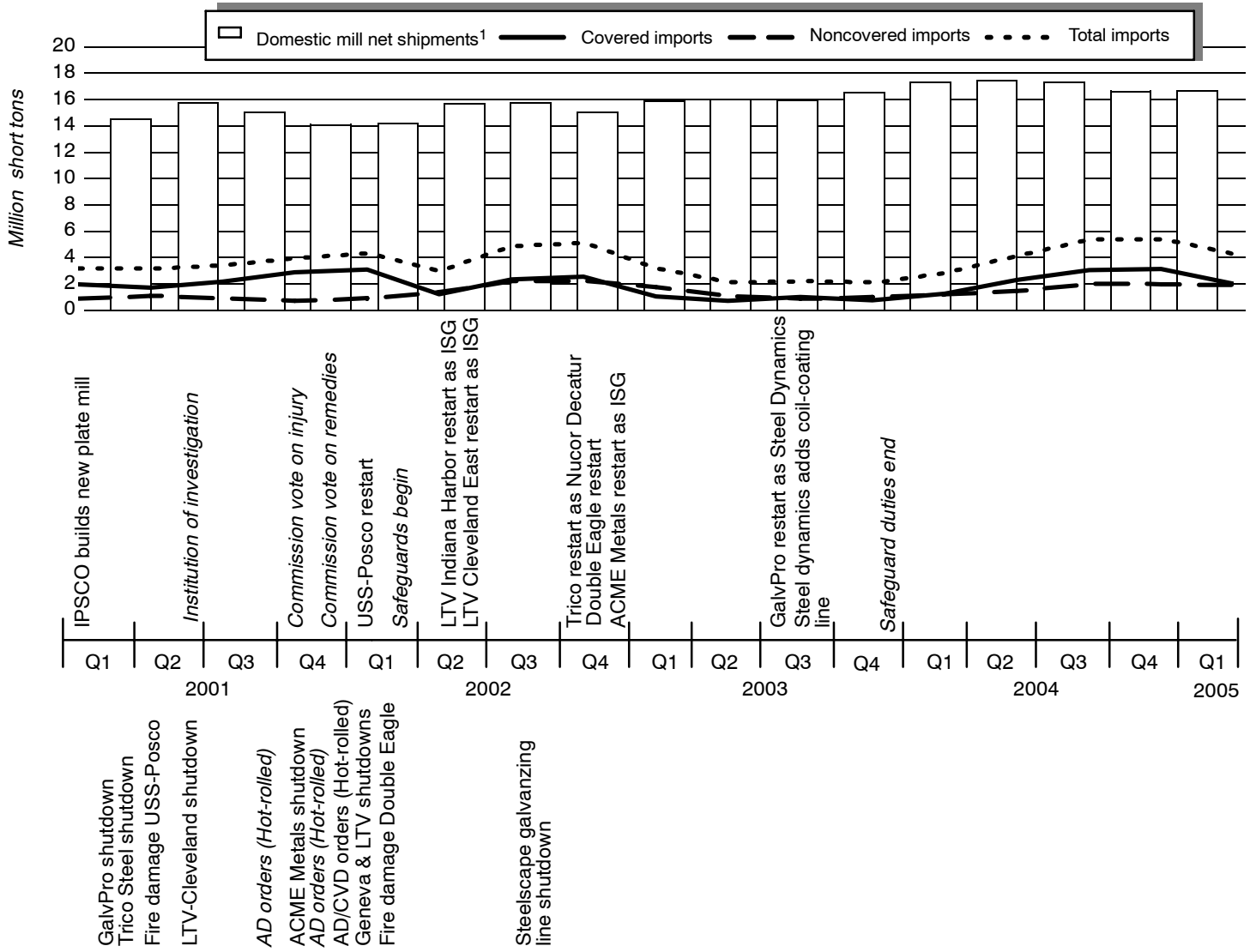
[15] The following firms reported calendar-year 2000 cold-rolled production (in short tons) in the original safeguard investigation but did not provide data in the current evaluation: ***.

[16] The following firm reported calendar-year 2000 coated production (in short tons) in the original safeguard investigation but did not provide data in the current evaluation: ***.

[17] AISI's data indicate that domestic mills' commercial flat-rolled shipments in 2004 were 68.8 million short tons. American Iron and Steel Institute, AIS 10, compiled from monthly reports.

[18] Despite repeated requests, trade data for Nucor-Tuscaloosa, formerly Corus Tuscaloosa, were not reported for 2001-June 2004. Tuscaloosa had reported production capacity (in short tons) of *** for slab, *** for plate and *** for hot-rolled steel in April 2000-March 2001. Trade data for Geneva Steel, which shut down in December 2001, were not available for July-December 2001. Accordingly, slab, plate, and hot-rolled steel data are understated for 2001-June 2004. In addition, because *** did not provide data in the current evaluation, staff obtained limited hot-rolled trade, financial, and pricing data from the producer questionnaire submitted by this company in *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and Russia, Inv. Nos. 701-TA-384 and 731-TA-806-808* (Review). As a result, slab, cold-rolled, and coated steel data are understated for the entire period, as are hot-rolled data in the interim periods.

Figure FLAT II-1
Certain flat steel: Quarterly imports and domestic mill net shipments, antidumping (AD) and countervailing duty (CVD) orders, facility shutdowns and startups or restarts, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

Table FLAT II-7
Certain carbon and alloy flat-rolled steel: U.S. producers' capacity, production, and capacity utilization, by form, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004[1]	January-March 2005[1]
	Quantity *(short tons)*					
Capacity:						
Slab	58,959,096	55,094,696	53,839,583	60,427,429	15,029,336	15,320,436
Plate	9,067,495	8,726,395	8,581,800	8,102,184	1,984,871	2,162,821
Hot-rolled	76,652,677	71,617,506	78,882,384	79,911,439	18,668,913	18,486,423
Cold-rolled	44,755,762	41,160,662	42,746,434	42,958,783	10,970,798	11,375,166
Coated	24,609,250	23,319,051	24,613,787	25,331,996	6,989,273	6,888,948
Total[2]	214,044,280	199,918,310	208,663,988	216,731,831	53,643,191	54,233,794
Plate and hot-rolled only[3]	85,720,172	80,343,901	87,464,184	88,013,623	20,653,784	20,649,244
Production:						
Slab	48,024,546	46,656,946	45,500,138	50,479,000	12,895,633	12,433,406
Plate	4,553,619	4,743,525	4,885,359	5,211,797	1,249,994	1,480,912
Hot-rolled	61,216,008	63,383,970	65,099,361	68,689,346	15,796,593	15,026,995
Cold-rolled	31,873,803	32,990,420	31,399,141	33,755,595	8,540,123	8,281,999
Coated	18,432,300	19,527,459	18,746,094	20,987,890	5,123,163	5,012,847
Total[2]	164,100,276	167,302,320	165,630,093	179,123,628	43,605,506	42,236,159
Plate and hot-rolled only[3]	65,769,627	68,127,495	69,984,720	73,901,143	17,046,587	16,507,907
	Ratio *(percent)*					
Capacity utilization:						
Slab	81.5	84.7	84.5	83.5	85.8	81.2
Plate	50.2	54.4	56.9	64.3	63.0	68.5
Hot-rolled	79.9	88.5	82.5	86.0	84.6	81.3
Cold-rolled	71.2	80.2	73.5	78.6	77.8	72.8
Coated	74.9	83.7	76.2	82.9	73.3	72.8
Average[2]	76.7	83.7	79.4	82.6	81.3	77.9
Average, plate and hot-rolled only[3]	76.7	84.8	80.0	84.0	82.5	79.9

[1] The Commission lacks complete interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated.

[2] Caution should be used in interpreting the data presented in this table because of the potential for multiple counting (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc.).

[3] It is believed that double-counting of plate and hot-rolled is minimal. However, data will be understated by the amount of imported hot-rolled or cold-rolled steel that is processed by domestic producers into other downstream forms of certain carbon and alloy flat-rolled steel.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-8
Certain carbon and alloy flat-rolled steel: U.S. producers' U.S. shipments, by form, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004[1]	January-March 2005[1]
	Quantity *(short tons)*					
Slab	49,013,593	47,987,935	47,276,226	50,941,949	12,908,259	12,664,060
Plate	4,283,999	4,505,687	4,540,382	4,833,258	1,182,391	1,356,022
Hot-rolled	59,768,182	61,552,698	62,843,119	67,458,511	15,554,329	15,100,324
Cold-rolled	30,309,670	32,367,413	30,516,955	33,389,711	8,589,623	8,209,170
Coated	14,085,293	18,781,915	17,794,037	20,640,796	5,559,610	5,054,418
Total[1]	157,460,737	165,195,648	162,970,719	177,264,225	43,794,212	42,383,994
	Value *($1,000)*					
Slab	9,558,216	10,887,526	10,369,305	15,150,207	3,435,287	3,995,320
Plate	1,653,967	1,730,149	1,664,483	3,212,988	625,788	1,158,730
Hot-rolled	15,638,468	19,192,921	18,857,640	35,624,576	6,385,452	9,199,292
Cold-rolled	11,696,082	13,193,598	12,017,497	18,442,244	3,989,561	5,540,190
Coated	8,919,890	9,780,574	9,529,981	14,031,361	3,260,942	3,766,367
Total[2]	47,466,623	54,784,768	52,438,906	86,461,376	17,697,029	23,659,899
	Unit value *(per short ton)*					
Slab	$195	$227	$219	$297	$266	$315
Plate	386	384	367	665	529	855
Hot-rolled	262	312	300	528	411	609
Cold-rolled	386	408	394	552	464	675
Coated	633	521	536	680	587	745
Average[2]	301	332	322	488	404	558

[1] The Commission lacks complete interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated.

[2] Caution should be used in interpreting the data presented in this table because of the potential for multiple counting (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc.)

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-9
Certain carbon and alloy flat-rolled steel: U.S. producers' commercial U.S. shipments, by form, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004[1]	January-March 2005[1]
	Quantity *(short tons)*					
Slab	19,046	430,052	887,051	309,038	33,813	33,685
Plate	4,023,509	4,182,313	4,380,147	4,752,481	1,153,351	1,282,941
Hot-rolled	22,487,695	23,179,596	24,658,253	26,186,077	6,503,720	6,175,730
Cold-rolled	10,816,078	12,170,594	12,197,919	13,805,532	3,536,623	3,359,531
Coated	13,723,384	18,292,629	17,229,838	19,656,287	5,090,365	4,548,670
Total	51,069,712	58,255,184	59,353,208	64,709,415	16,317,872	15,400,557
	Value *($1,000)*					
Slab	3,211	105,048	196,302	120,236	9,184	8,919
Plate	1,554,890	1,591,111	1,596,793	3,162,020	610,844	1,088,367
Hot-rolled	6,069,637	7,151,386	7,412,618	14,077,257	2,717,244	3,816,906
Cold-rolled	4,749,322	5,213,809	5,079,239	7,843,729	1,674,533	2,330,603
Coated	8,750,665	9,549,556	9,254,211	13,421,421	2,995,202	3,404,175
Total	21,127,725	23,610,910	23,539,163	38,624,663	8,007,007	10,648,970
	Unit value *(per short ton)*					
Slab	$169	$244	$221	$389	$272	$265
Plate	386	380	365	665	530	848
Hot-rolled	270	309	301	538	418	618
Cold-rolled	439	428	416	568	473	694
Coated	638	522	537	683	588	748
Average	414	405	397	597	491	691

[1] The Commission lacks complete interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-10
Certain carbon and alloy flat-rolled steel: U.S. producers' export shipments, by form, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004[1]	January-March 2005[1]
	Quantity *(short tons)*					
Slab	26,968	55,511	79,694	22,576	9,174	4,633
Plate	213,874	245,103	316,827	435,622	110,012	89,317
Hot-rolled	441,414	498,158	1,480,649	679,651	166,087	130,881
Cold-rolled	551,605	516,040	575,644	556,682	146,383	140,890
Coated	782,639	767,859	666,926	805,388	203,693	182,851
Total	2,016,500	2,082,671	3,119,740	2,499,919	635,349	548,572
	Value *($1,000)*					
Slab	6,162	11,786	17,571	9,937	3,473	2,294
Plate	76,978	91,500	113,589	295,939	53,670	75,603
Hot-rolled	130,765	161,936	426,309	362,143	68,435	84,246
Cold-rolled	254,699	257,152	243,850	283,470	66,474	101,986
Coated	494,295	481,041	403,974	558,520	130,818	136,835
Total	962,899	1,003,415	1,205,293	1,510,009	322,870	400,964
	Unit value *(per short ton)*					
Slab	$228	$212	$220	$440	$379	$495
Plate	360	373	359	679	488	846
Hot-rolled	296	325	288	533	412	644
Cold-rolled	462	498	424	509	454	724
Coated	632	626	606	693	642	748
Average	478	482	386	604	508	731

[1] The Commission lacks complete interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-11
Certain carbon and alloy flat-rolled steel: U.S. producers' end-of-period inventories, by form, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004[2]	January-March 2005[2]
	Quantity *(short tons)*					
Slab	926,584	1,070,509	440,134	531,878	663,823	631,905
Plate	356,239	281,633	157,572	203,261	120,580	153,420
Hot-rolled	2,476,030	1,917,280	1,708,575	1,923,846	1,072,726	1,254,514
Cold-rolled	3,071,138	1,574,061	2,432,901	2,212,049	1,926,636	2,001,706
Coated	1,863,958	1,890,156	1,875,313	1,479,052	1,064,738	1,306,188
Total	8,693,949	6,733,639	6,614,495	6,350,086	4,848,503	5,347,733
	Ratio to total shipments *(percent)*					
Slab	1.9	2.2	0.9	1.0	1.3	1.2
Plate	7.9	5.9	3.2	3.9	2.3	2.7
Hot-rolled	4.1	3.1	2.7	2.8	1.7	2.1
Cold-rolled	10.0	4.8	7.8	6.5	5.5	6.0
Coated	12.5	9.7	10.2	6.9	4.6	6.2
Average[1]	5.5	4.0	4.0	3.5	2.7	3.1

[1] May be understated to the extent that there is multiple counting of the denominator (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc., and therefore total shipments can include shipments of slab and shipments of forms made from it in the same reporting period). There is no double counting of inventories since they are reported as of the end of each period.

[2] The Commission lacks complete interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-12
Certain carbon and alloy flat-rolled steel: U.S. producers' production and related workers, hours worked, wages paid, hourly wages, productivity, and unit labor costs, by form, 2001-04, January-March 2004, and January-March 2005[1]

Item	2001	2002	2003	2004	January-March 2004[3]	January-March 2005[2]
	Production and related workers					
Slab	7,487	6,715	5,349	5,398	4,946	4,854
Plate	5,357	4,441	3,222	2,678	2,196	2,227
Hot-rolled	28,520	25,554	25,470	23,986	19,164	18,519
Cold-rolled	22,853	19,547	13,604	12,959	13,235	12,829
Coated	21,890	19,037	14,424	13,232	13,518	12,879
Total	86,107	75,294	62,069	58,253	53,059	51,308
	Hours worked *(1,000 hours)*					
Slab	15,872	15,106	10,367	11,171	2,807	2,827
Plate	11,423	10,082	7,262	6,180	1,507	1,584
Hot-rolled	59,839	54,754	54,338	53,736	11,051	10,353
Cold-rolled	47,642	42,417	29,778	30,036	7,592	7,247
Coated	49,730	45,144	37,359	37,271	9,701	8,806
Total	184,506	167,502	139,104	138,394	32,658	30,817
	Wages paid *($1,000)*					
Slab	480,513	463,883	363,290	382,351	93,410	103,704
Plate	269,313	244,143	177,635	164,780	39,786	42,115
Hot-rolled	1,573,120	1,475,405	1,620,255	1,664,984	348,445	347,046
Cold-rolled	1,283,546	1,163,831	937,171	987,937	247,290	252,223
Coated	1,236,401	1,135,873	1,022,362	1,037,624	266,837	274,674
Total	4,842,892	4,483,135	4,120,713	4,237,676	995,767	1,019,761
	Hourly wages					
Slab	$30.27	$30.71	$35.04	$34.23	$33.28	$36.68
Plate	23.58	24.22	24.46	26.66	26.40	26.59
Hot-rolled	26.29	26.95	29.82	30.98	31.53	33.52
Cold-rolled	26.94	27.44	31.47	32.89	32.57	34.80
Coated	24.86	25.16	27.37	27.84	27.51	31.19
Average	26.25	26.76	29.62	30.62	30.49	33.09
	Productivity *(short tons per 1,000 hours)*					
Slab	2,071.1	2,307.7	3,040.8	3,210.2	3,292.2	3,102.0
Plate	395.0	466.8	666.6	835.4	820.8	934.9
Hot-rolled	1,010.8	1,145.6	1,185.7	1,263.5	1,363.7	1,432.5
Cold-rolled	663.9	772.4	1,047.4	1,116.3	1,116.8	1,137.3
Coated	357.0	415.8	480.8	541.0	505.6	547.3
Average[2]	798.1	918.3	1,078.0	1,175.0	1,192.1	1,237.7
	Unit labor costs *(per short ton)*					
Slab	$14.62	$13.31	$11.52	$10.66	$10.11	$11.83
Plate	59.69	51.87	36.69	31.92	32.17	28.44
Hot-rolled	26.01	23.52	25.15	24.52	23.12	23.40
Cold-rolled	40.58	35.52	30.05	29.46	29.17	30.60
Coated	69.63	60.52	56.91	51.46	54.41	56.99
Average[3]	32.89	29.14	27.48	26.06	25.58	26.74

Table continued. See footnotes at end of table.

[1] The following firms did not provide employment data for the specified products: plate (***), hot-rolled (***), cold-rolled (***), and coated (***). Hourly wages, productivity, and unit labor costs are calculated from data of firms providing both numerator and denominator information for the specified products.

[2] The Commission lacks complete interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated.

[3] Caution should be used in interpreting the average productivity and unit labor cost data presented in this table because of the potential for multiple counting of the production component of the ratio (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc. and forms produced in the same reporting period will be double counted in that period). Therefore, productivity will be overstated and unit labor costs understated to the extent of the multiple counting.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Reporting U.S. producers' aggregate output-related indicators are presented in table FLAT II-7. Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the domestic industry's reported capacity decreased irregularly by 2.5 percent, production increased irregularly by 0.9 percent, and capacity utilization increased irregularly by 2.7 percentage points. Between 2001 and 2003, the domestic industry's capacity (plate and hot-rolled only) increased irregularly from 85.7 million short tons to 87.5 million short tons, while its production increased steadily from 65.8 million short tons to 70.0 million short tons.[19] Capacity utilization increased from 76.7 percent to 80.0 percent. During this period several events took place that impacted domestic steel capacity and production. *** reported that its *** mill ramped up production during the fourth quarter of 2001 and the first quarter of 2002. In October 2003, *** began slab production. *** in its first year of operation, reported a production capacity of *** short tons in 2004. *** shut down its melt shop, discontinuing its flat steel production, in ***. LTV Steel entered bankruptcy and its facility was idled for almost six months spanning 2001-02. When ISG (now Mittal Steel USA ISG) acquired LTV in April 2002 the plant was restarted. Similarly, Acme Metal's Riverdale, IL plant was idled from October 2001 to December 2002 when it was restarted by its new owner, ISG. In 2003 *** lost *** short tons of production due to an equipment failure, and *** closed its *** melt shop.

Between 2003 and 2004 (the year following the removal of the increased tariffs), output-related indicators all rose modestly. The domestic industry's capacity reportedly increased by 3.9 percent, production increased by 8.1 percent, and capacity utilization increased by 3.3 percentage points. Between 2003 and 2004, the domestic industry's capacity (plate and hot-rolled only) increased slightly by 0.6 percent, while its production increased from 70.0 million short tons to 73.9 million short tons, or by 5.6 percent. Capacity utilization increased from 80.0 percent to 84.0 percent. Improvements in capacity utilization reflect a number of factors, including the impact of facility closures and rationalization of production.[20] Two producers, ***, however, reported that their production in 2004 was constrained by a lack of raw materials, namely coke, scrap, and slab.

Reporting U.S. producers' aggregate output-related indicators, with the exception of capacity, were higher in January-March 2004 than in January-March 2005 (the final period covered by the original safeguard action). The domestic industry's capacity reportedly was 1.1 percent lower, production was 3.1 percent higher, and capacity utilization was 3.4 percentage points higher in interim 2004 than in interim 2005. In these periods, the domestic industry's plate and hot-rolled output-related indicators followed similar trends. Capacity (plate and hot-rolled only) was less than 0.05 percent higher, while production

[19] Because of the sequential nature of production and further processing of many of the forms of flat-rolled steel, the combined capacity and production of plate and hot-rolled steel provides a useful proxy for actual capacity and production and for derivative calculations, such as capacity utilization.

[20] Nucor's posthearing brief, p. 9.

was 3.2 percent higher in January-March 2004 than in January-March 2005. Capacity utilization was 2.6 percentage points higher.[21]

There are anticipated changes in the flat-rolled steel industry as existing and potential producers make plans to add domestic capacity. Nucor operates a Castrip® pilot facility at the Crawfordsville, IN sheet mill and has announced plans to build a second Castrip® facility in the United States.[22] Most recently, Daniel DiMicco has stated that the company is committed to establishing a second Castrip® plant by the end of this year and that the plant will be located in the south-central United States, most likely near a Nucor plant in either Blytheville, AR, or Jewett, TX.[23] CSI reportedly has launched a feasability study to determine if it should install an additional reheat furnace. Preliminary cost estimates are $50-60 million; if approved, the project is expected to take 18 to 24 months to complete and would increase CSI's hot-coil capacity by as much as 1 million tons a year.[24]

There are three potential new members of the domestic flat-rolled steel industry: California Coil Processors, Leo Inc., and SteelCorr. California Coil Processors has received local permits to build an 800,000-to-1-million-tons-per-year slab-fed hot-rolled operation. This project represents a $150-million investment and construction is due to begin in mid-2005, with completion expected in 18 months.[25] Leo Inc. has been developing plans to construct a steel mill along the banks of the Ohio river since the mid-1990s.[26] Financing-related delays have prevented the company from moving forward.[27] Leo plans to build a 1.2 million-tons-per-year combined carbon and hot-rolled steel slab conversion facility in Kentucky.[28] In July 2004 the Kentucky Economic Development Finance Authority gave preliminary approval of up to $16 million in state tax credits over 10 years for the Leo project. This approval has been extended until July 2006.[29] MCC Corp., a large Chinese construction company, has committed to

---

[21] As discussed above, the Commission lacks interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated. As noted in table FLAT I-3, a number of flat-rolled steel mills closed over the period examined. The closure of mills such as Geneva Steel and Kentucky Electric Steel, and their corresponding absence from the data collected, would tend to overstate a trend of increasing capacity, shipments, and other performance indicators or understate a declining trend of such indicators over the period examined.

[22] Scott Robertson, *Nucor building up Castrip; second plant eyed*, American Metal Market, January 31, 2005, found at http://www.amm.com/subscrib/2005/jan/week4/0131tp02.htm, retrieved July 26, 2005.

[23] Scott Robertson, *Nucor hopping as 'leapfrog' iron alternate plans progress*, American Metal Market, July 22, 2005, found at http://www.amm.com/News-2005-07-22_15-48-49.html, retrieved July 25, 2005, and Scott Robertson, *Castrip is out of the cradle and ready to make its mark*, American Metal Market, April 29, 2005, found at http://www.amm.com/news-2005-04-29_08-46-48.html.

[24] *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia, Invs. Nos. 701-TA-384 and 731-TA-806-808 (Review)*, USITC Publication 3767, April 2005, p. III-5, and Frank Haflich, *CSI's hot-strip plan still in air, less urgency*, American Metal Market, July 18, 2005, found at http://www.amm.com/news-2005-07-18_15-02-16.html, retrieved July 26, 2005.

[25] Frank Haflich, *California processor eyes move into hot roll*, American Metal Market, January 19, 2005, found at http://www.amm.com/subscrib/2005/jan/week3/0119tp02.htm, retrieved March 8, 2005, and Frank Haflich, *CSI awaiting reheat furnace installation 'go,'* American Metal Market, January 27, 2005, found at http://www.amm.com/subscrib/2005/jan/week4/0127tp05.htm, retrieved March 8, 2005.

[26] John E. Sacco, *Steel exec hopes this Leo roars like lion*, American Metal Market, January 26, 2001, found at http://www.amm.com/subscrib/2001/jan/inside4/0126st04.htm, retrieved March 16, 2005.

[27] Jim Leonard, *Leo needs more time to line up Louisville funding*, American Metal Market, December 27, 2004, found at http://www.amm.com/subscrib/2004/dec/week5/1227tp04.htm, retrieved March 16, 2005.

[28] John E. Sacco, *Tax breaks pave the way for new steel mill*, American Metal Market, March 29, 2002, found at http://www.amm.com/subscrib/2002/mar/inside4/0329st06.htm, retrieved March 16, 2005.

[29] *Leo's Ky. plan lifts investment level to $374M*, American Metal Market, July 30, 2004, found at http://www.amm.com/subscrib/2004/jul/week4/0730st04.htm, retrieved March 16, 2005, and Maria Guzzo, *Leo mill*

(continued...)

financing 85 percent of the project while the project's developer continues to seek domestic investors to cover the remaining 15 percent.[30] Finally, SteelCorr plans to build a 1.5-million-tons-per-year flat-rolled minimill in Mississippi to serve the automotive and appliance industries. SteelCorr has been offered the following government assistance for this start-up venture: a $25 million infrastructure grant from the state of Mississippi, a $12 million grant from Lowndes County, and $85 million in contingent state loans.[31] This financing deal is expected to close in the third quarter 2005 and construction is set to begin immediately thereafter with an 18-20 month projected completion time.[32]

Shipment data are presented in tables FLAT II-8 through FLAT II-10. As presented in table FLAT II-9, between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the domestic industry's aggregate U.S. commercial shipment quantities increased by 16.2 percent. U.S. commercial shipments of each of the subject constituent forms of flat-rolled steel also increased during this period, ranging from a low of 8.9 percent for steel plate to a high of 4,557.4 percent for steel slab. Between 2001 and 2003 U.S. commercial shipment values increased irregularly by 11.4 percent, although there was an overall decrease in average unit values of 4.1 percent. Between 2003 and 2004 (the year following the removal of the increased tariffs), the domestic industry's aggregate U.S. commercial shipment quantities increased by 9.0 percent while U.S. commercial shipment values increased by 64.0 percent, resulting in an increase in average unit values of 50.4 percent. Reporting U.S. producers' U.S. commercial shipment quantities were 5.6 percent higher in January-March 2004 than in January-March 2005 (the final period covered by the original safeguard action), while U.S. commercial shipment values were 32.9 percent lower. As a result, average unit values were 40.7 percent higher in January-March 2005.

As presented in table FLAT II-11, between 2001 and 2003, U.S. producers' end-of-period inventories decreased by 23.9 percent while the ratio of inventories to total shipments also decreased from 5.5 to 4.0 percent. Between 2003 and 2004, the domestic industry's inventories decreased by 3.9 percent and the ratio of inventories to total shipments decreased from 4.0 to 3.5 percent. Between January-March 2004 and January-March 2005, inventories increased by 10.3 percent and the ratio of inventories to total shipments rose from 2.7 to 3.1 percent.

As presented in table FLAT II-12, between 2001 and 2003, the number of production and related workers and their hours worked both decreased. Production and related workers declined from 86,107 to 62,069 (a decrease of 27.9 percent) while hours worked (in 1,000 hours) declined from 184,506 to 139,104 (a decrease of 24.6 percent). At the same time, hourly wages increased by 12.8 percent. Productivity, while difficult to measure in the aggregate, increased by 35.0 percent; productivity gains, combined with a more modest increase in the hourly wage rate, resulted in declining unit labor costs in the period 2001-03. These trends of declining workers employed, increasing productivity, and lower unit labor costs were observable across all subject forms of flat-rolled steel, though they were least pronounced in hot-rolled operations and most pronounced in steel plate operations. During 2003-04, after removal of the increased tariffs, the number of production and related workers employed decreased by 6.1 percent, while hourly wages increased by 3.4 percent, which resulted in falling unit labor costs in the

---

[29] (...continued)
project still alive, cash hunt continues, American Metal Market, August 9, 2005, found at http://www.amm.com/news-2005-08-09_18-49-04.html, retrieved August 17, 2005.

[30] *Leo making tracks on $402.5-million Ky. mill*, American Metal Market, May 18, 2005, found at http://www.amm.com/news-2005-05-18_09-20-01.html, retrieved July 15, 2005, and Maria Guzzo, *Leo mill project still alive, cash hunt continues*, American Metal Market, August 9, 2005, found at http://www.amm.com/news-2005-08-09_18-49-04.html, retrieved August 17, 2005.

[31] *SteelCorr construction to begin in Columbus*, Memphis Business Journal, May 20, 2005, found at http://www.bizjournals.com/memphis/stories/2004/05/23/newscolumn.html, retrieved July 28, 2005.

[32] *SteelCorr almost there; deal seen closing by month-end*, July 12, 2005, found at http://www.amm.com/news-2005-07-12__15-21-39.html, retrieved July 18, 2005.

period 2003-04. Between January-March 2004 and January-March 2005, the number of production and related workers employed decreased by 3.3 percent while hourly wages increased by 8.5 percent. The increase in hourly wages coupled with a more modest increase in productivity of 3.8 percent resulted in an increase in unit labor costs of 4.5 percent.

FINANCIAL DATA

Financial data concerning U.S. companies producing certain carbon and alloy flat-rolled steel are presented in table FLAT II-13,[33] which includes data on a per-short-ton basis as well as operating and net income (loss) to net sales ratios. Whenever possible, any slabs, hot-rolled steel, and cold-rolled steel purchased from other domestic producers to produce downsteam products, such as hot-rolled steel, cold-rolled steel, and corrosion-resistant and other coated steel sheet and strip, were eliminated to avoid double counting of domestic steel production and sales.

Sales quantity and net sales value increased continuously between 2001 and 2004. Rising net sales values reflected the continuous rise in the average unit selling price for the same period. Both operating income and net income increased substantially in 2004 after sustained losses between 2001 and 2003, due mainly to the substantial increase of the average unit selling price. The domestic industry's operating income ratio to net sales in 2004 was more than 13 percent while its operating loss ratio in 2003 was slightly more than 4 percent. Per-short-ton net sales value increased in 2004 (by $192) from 2003 levels, while per-unit total cost also increased by $92, resulting in operating income ($80 per short ton) in 2004 compared to an operating loss of $17 in 2003, an increase of $97 per short ton. Even though sales quantity was slightly lower in January-March 2005 than in January-March 2004, net sales value and operating income were substantially higher, due primarily to an increase in the average unit sales value.

The average unit cost of goods sold (COGS) decreased between 2001 and 2003 and increased substantially (by $92 per short ton) from 2003 to 2004 and from January-March 2004 to January-March 2005 (by $109 per short ton), due primarily to an increase of raw materials cost of $84 per short ton between 2003 and 2004 and further elevated raw material costs in January-March 2005 ($84 per short ton higher than in January-March 2004). The average unit cost of direct labor and factory overhead generally decreased from 2001 to 2003 but increased somewhat from 2003 to 2004 and from January-March 2004 to January-March 2005.

[33] Thirty-five producers submitted questionnaire responses. Data from *** for 2001 were based on the original safeguard investigation on steel, Investigation No. TA-201-73. Data from *** were based on the most recent review cases for certain hot-rolled flat-rolled carbon-quality steel products from Brazil, Japan, and Russia, Investigations Nos. 701-TA-384 and 731-TA-806-808 (Review). *** submitted only limited financial data which did not contain data for 2001 and 2002, data for pension and post employment benefits, and property, plant, and equipment (PPE). *** data for 2001 and 2002 were based on the relevant review cases and the previous monitoring investigation. Capital expenditures, research and development (R&D) expenses, and PPE from additional five toll processors were also added.

Table FLAT II-13
Certain carbon and alloy flat-rolled steel: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
				Quantity *(short tons)*		
Net commercial sales[1]	55,221,233	57,223,829	60,752,334	64,072,767	16,182,104	15,464,840
				Value *($1,000)*		
Net commercial sales	21,287,575	23,409,647	25,023,581	38,689,444	8,175,906	10,859,853
COGS	22,610,783	22,883,195	24,275,466	31,548,842	7,220,500	8,580,325
Gross profit or (loss)	(1,323,208)	526,452	748,115	7,140,602	955,406	2,279,528
SG&A expenses	1,320,038	1,290,387	1,770,227	2,046,194	458,105	504,421
Operating income or (loss)	(2,643,246)	(763,935)	(1,022,112)	5,094,408	497,301	1,775,107
Interest expense	597,629	508,297	458,862	454,469	117,520	73,040
Other (income)/expenses, net	51,169	16,128	(88,082)	(319,093)	(102,111)	(56,243)
Net income or (loss)	(3,292,044)	(1,288,360)	(1,392,892)	4,959,032	481,892	1,758,310
Depreciation/amortization	1,451,637	1,278,057	1,027,488	1,009,903	256,117	248,268
Cash flow	(1,840,407)	(10,303)	(365,404)	5,968,935	738,009	2,006,578
CDSOA funds received	9,105	7,390	21,313	22,717	([2])	([2])
Pension (credit)/expense	188,308	559,596	301,993	307,896	66,267	52,902
Post-employment benefits	212,521	425,933	324,083	284,144	44,887	43,282
Capital expenditures	686,430	498,602	580,318	918,128	127,545	144,266
R&D expenses	119,149	116,606	80,567	73,750	17,031	17,962
Property, plant, and equipment:						
Original cost	19,100,047	19,743,002	18,557,824	19,331,820	17,784,113	18,725,477
Book value	10,164,703	9,799,441	9,350,089	9,190,813	9,560,605	8,549,879
				Ratio to net commercial sales *(percent)*		
COGS	106.2	97.8	97.0	81.5	88.3	79.0
Gross profit or (loss)	(6.2)	2.2	3.0	18.5	11.7	21.0
SG&A expenses	6.2	5.5	7.1	5.3	5.6	4.6
Operating income or (loss)	(12.4)	(3.3)	(4.1)	13.2	6.1	16.3
Net income or (loss)	(15.5)	(5.5)	(5.6)	12.8	5.9	16.2
				Unit value (*per short ton*)		
Net commercial sales	$385	$409	$412	$604	$505	$702
COGS total	409	400	400	492	446	555
Raw materials	167	168	195	279	247	331
Direct labor	63	54	47	48	46	50
Other factory costs	179	178	158	166	153	174
Gross profit or (loss)	(24)	9	12	111	59	147
SG&A expenses	24	23	29	32	28	33
Operating income or (loss)	(48)	(13)	(17)	80	31	115

Table continued. See footnotes at end of table.

Table FLAT II-13
Certain carbon and alloy flat-rolled steel: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
	Number of firms reporting					
Operating losses	21	12	18	6	7	6
Data	35	34	34	34	32	32

[1] The Commission lacks interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated.
[2] Data not available.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table FLAT II-14 presents data on U.S. imports of certain carbon and alloy flat-rolled steel for 2001-04, January-March 2004, and January-March 2005. Table FLAT II-15 presents data on U.S. imports from covered sources, by tariff categories, during 2002-03.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity of U.S. imports of flat-rolled steel from covered sources decreased faster than the quantity of U.S. imports from other sources increased. As a result, the quantity of total U.S. imports decreased overall by 27.5 percent. During this period covered U.S. import values decreased while all other U.S. import values increased, resulting in an overall import value decrease of 9.6 percent. U.S. imports from covered sources decreased from 67.0 percent of the quantity of total flat-rolled imports and 66.9 percent of the value of total flat-rolled imports to 44.7 percent and 44.6 percent, respectively. During this period, average unit values for covered and noncovered sources increased, which resulted in an overall increase of $73 per short ton by 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of flat-rolled steel from covered sources and other sources increased. As a result, the quantity of total U.S. imports increased by 74.4 percent while the value of U.S. imports increased by 151.7 percent. U.S. imports from covered sources increased from 44.7 percent of the quantity of total flat-rolled imports and 44.6 percent of the value of total flat-rolled imports to 58.1 percent and 56.7 percent, respectively. During this period, average unit values for both covered and, to a greater extent, noncovered sources increased, resulting in an overall increase of $165 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity and value of U.S. imports of flat-rolled steel from covered sources was higher than during January-March 2004. During the same period, the quantity and value of U.S. imports from other sources were also higher than during January-March 2004. As a result, the quantity of total U.S. imports was 44.2 percent higher in January-March 2005 than during the comparable period in 2004, while the value of U.S. imports was 142.4 percent higher. U.S. imports from covered sources accounted for 51.4 percent of the quantity of total flat-rolled steel imports and 51.6 percent of the value of total flat-rolled imports, compared to 51.0 percent and 47.4 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, U.S. imports of flat-rolled steel were $255 per short ton higher in January-March 2005 than during the comparable period in 2004.

Table FLAT II-14
Certain carbon and alloy flat-rolled steel: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
	Quantity *(short tons)*					
Covered sources[1]	9,946,691	10,367,598	4,817,703	10,920,198	1,589,400	2,308,634
All others	4,906,294	7,963,123	5,954,647	7,867,200	1,528,510	2,186,132
Total (all imports)	14,852,984	18,330,722	10,772,349	18,787,398	3,117,909	4,494,767
	Landed, duty paid value *($1,000)*					
Covered sources[1]	2,966,994	2,974,881	1,788,286	5,720,728	552,209	1,459,930
All others	1,469,747	2,699,500	2,221,172	4,372,914	613,937	1,366,832
Total (all imports)	4,436,741	5,674,381	4,009,458	10,093,641	1,166,146	2,826,762
	Unit value *(per short ton)*					
Covered sources[1]	$298	$287	$371	$524	$347	$632
All others	300	339	373	556	402	625
Average (all imports)	299	310	372	537	374	629
	Share of total imports based on quantity *(percent)*					
Covered sources[1]	67.0	56.6	44.7	58.1	51.0	51.4
All others	33.0	43.4	55.3	41.9	49.0	48.6
Total (all imports)	100.0	100.0	100.0	100.0	100.0	100.0
	Share of total imports based on value *(percent)*					
Covered sources[1]	67	52	45	57	47	52
All others	33	48	55	43	53	48
Total (all imports)	100	100	100	100	100	100
	Ratio of imports to production *(percent)*					
Covered sources[1]	6.1	6.2	2.9	6.1	3.6	5.5
All others	3.0	4.8	3.6	4.4	3.5	5.2
Average	9.1	11.0	6.5	10.5	7.2	10.6

[1] Although Brazil is generally exempt from the section 203 relief, it is a covered source with respect to imports of certain carbon and alloy flat-rolled steel.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table FLAT II-15
Certain carbon and allot flat-rolled steel: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of certain carbon and alloy flat-rolled steel are presented in table FLAT II-16. The data gathered by the Commission in this investigation indicate that between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity of apparent U.S. consumption of flat-rolled steel increased irregularly by 0.8 percent. Calculated individually for the constituent subject forms of flat-rolled steel, apparent U.S. consumption increased by as much as 23.2 percent for coated steel but decreased by 5.1 percent for steel slab in the period 2001-03. The domestic industry's share of the U.S. market increased from 91.3 percent to 93.8 percent. Imports from covered countries saw their market share decrease from

5.8 percent to 2.8 percent, while imports from noncovered countries saw their market share increase from 2.8 percent to 3.4 percent. Among the constituent forms of flat-rolled steel, the largest increase in the domestic industry's share of the U.S. market was for coated (increasing by 2.0 percentage points) and the smallest increase was for hot-rolled steel (increasing by 0.06 percentage point).

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity of apparent U.S. consumption of flat-rolled steel increased by 12.8 percent. The domestic industry's share of the U.S. market decreased by 3.4 percentage points. Imports from covered countries saw their share of the U.S. market increase by 2.8 percentage points, while imports from noncovered countries saw their share of the market increase by 0.6 percentage point. Among the constituent forms of flat-rolled steel, the largest decrease in the domestic industry's share of the U.S. market was for hot-rolled steel (falling by 1.8 percentage points).

In January-March 2005 (the final period covered by the safeguard action) the quantity of apparent U.S. consumption of flat-rolled steel was 0.1 percent less than during January-March 2004. The domestic industry's share of the U.S. market was 2.9 percentage points lower in January-March 2005 than during the same period in 2004. Total imports of subject flat-rolled steel were 2.9 percentage points higher in January-March 2005 than in the same period in 2004, with covered imports accounting for 1.5 percentage points and noncovered imports accounting for 1.4 percentage points of this total.

Table FLAT II-16
Certain carbon and alloy flat-rolled steel: U.S. producers' U.S. shipments, U.S. imports, by source, apparent U.S. consumption, and market shares, by form, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
	Quantity *(short tons)*					
Producers' U.S. shipments:						
Slab	49,013,593	47,987,935	47,276,226	50,941,949	12,908,259	12,664,060
Plate	4,283,999	4,505,687	4,540,382	4,833,258	1,182,391	1,356,022
Hot-rolled	59,768,182	61,552,698	62,843,119	67,458,511	15,554,329	15,100,324
Cold-rolled	30,309,670	32,367,413	30,516,955	33,389,711	8,589,623	8,209,170
Coated	14,085,293	18,781,915	17,794,037	20,640,796	5,559,610	5,054,418
Total[1]	157,460,737	165,195,648	162,970,719	177,264,225	43,794,212	42,383,994
U.S. imports from covered sources:						
Slab	4,047,729	5,845,209	2,079,560	3,900,710	853,717	779,894
Plate	585,782	345,823	131,464	425,700	51,341	118,710
Hot-rolled	1,891,630	2,304,222	1,566,679	3,426,699	470,488	648,397
Cold-rolled	2,319,050	854,217	411,603	1,576,090	111,107	342,520
Coated	1,102,500	1,018,128	628,396	1,590,999	102,747	419,112
Total	9,946,691	10,367,598	4,817,703	10,920,198	1,589,400	2,308,634
U.S. imports from noncovered sources:						
Slab	1,626,167	2,205,720	1,956,362	2,548,551	544,307	857,103
Plate	324,790	457,049	409,129	442,754	114,898	128,924
Hot-rolled	1,255,375	2,611,128	1,359,124	2,040,365	341,888	602,509
Cold-rolled	761,534	980,925	780,217	761,591	164,443	178,362
Coated	938,428	1,708,301	1,449,815	2,073,939	362,973	419,235
Total	4,906,294	7,963,123	5,954,647	7,867,200	1,528,510	2,186,132
Total imports	14,852,984	18,330,722	10,772,349	18,787,398	3,117,909	4,494,767
Apparent U.S. consumption[1]	172,313,721	183,526,370	173,743,068	196,051,623	46,912,121	46,878,761
	Value *($1,000)*					
Producers' U.S. shipments:						
Slab	9,558,216	10,887,526	10,369,305	15,150,207	3,435,287	3,995,320
Plate	1,653,967	1,730,149	1,664,483	3,212,988	625,788	1,158,730
Hot-rolled	15,638,468	19,192,921	18,857,640	35,624,576	6,385,452	9,199,292
Cold-rolled	11,696,082	13,193,598	12,017,497	18,442,244	3,989,561	5,540,190
Coated	8,919,890	9,780,574	9,529,981	14,031,361	3,260,942	3,766,367
Total[1]	47,466,623	54,784,768	52,438,906	86,461,376	17,697,029	23,659,899
U.S. imports from covered sources:						
Slab	703,445	1,086,602	485,018	1,472,021	220,883	372,231
Plate	242,264	154,093	82,672	319,247	29,261	108,334
Hot-rolled	539,911	743,707	531,975	1,711,844	166,078	384,073
Cold-rolled	913,939	418,489	287,327	1,044,691	72,382	251,344
Coated	567,436	571,991	401,294	1,172,925	63,604	343,948
Total	2,966,994	2,974,881	1,788,286	5,720,728	552,209	1,459,930
U.S. imports from noncovered sources:						
Slab	305,354	478,036	468,635	1,045,872	142,219	442,534
Plate	112,170	158,281	155,306	267,459	47,919	105,738
Hot-rolled	325,964	786,855	450,542	1,104,904	129,535	364,227
Cold-rolled	244,736	378,472	322,434	467,085	76,999	121,340
Coated	481,523	897,855	824,255	1,487,594	217,265	332,993
Total	1,469,747	2,699,500	2,221,172	4,372,914	613,937	1,366,832
Total imports	4,436,741	5,674,381	4,009,458	10,093,641	1,166,146	2,826,762
Apparent U.S. consumption	51,903,364	60,459,149	56,448,364	96,555,017	18,863,175	26,486,661

Table continued. See footnotes at end of table.

Table FLAT II-16–*Continued*
Certain carbon and alloy flat-rolled steel: U.S. producers' U.S. shipments, U.S. imports, by source, apparent U.S. consumption, and market shares, by form, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
	Share of quantity *(percent)*					
Producers' U.S. shipments:						
Slab	28.4	26.1	27.2	26.0	27.5	27.0
Plate	2.5	2.5	2.6	2.5	2.5	2.9
Hot-rolled	34.7	33.5	36.2	34.4	33.2	32.2
Cold-rolled	17.6	17.6	17.6	17.0	18.3	17.5
Coated	8.2	10.2	10.2	10.5	11.9	10.8
Total[1]	91.4	90.0	93.8	90.4	93.4	90.4
U.S. imports from covered sources:						
Slab	2.3	3.2	1.2	2.0	1.8	1.7
Plate	0.3	0.2	0.1	0.2	0.1	0.3
Hot-rolled	1.1	1.3	0.9	1.7	1.0	1.4
Cold-rolled	1.3	0.5	0.2	0.8	0.2	0.7
Coated	0.6	0.6	0.4	0.8	0.2	0.9
Total	5.8	5.6	2.8	5.6	3.4	4.9
U.S. imports from noncovered sources:						
Slab	0.9	1.2	1.1	1.3	1.2	1.8
Plate	0.2	0.2	0.2	0.2	0.2	0.3
Hot-rolled	0.7	1.4	0.8	1.0	0.7	1.3
Cold-rolled	0.4	0.5	0.4	0.4	0.4	0.4
Coated	0.5	0.9	0.8	1.1	0.8	0.9
Total	2.8	4.3	3.4	4.0	3.3	4.7
Total imports	8.6	10.0	6.2	9.6	6.6	9.6
Apparent U.S. consumption	100.0	100.0	100.0	100.0	100.0	100.0
	Share of value *(percent)*					
Producers' U.S. shipments:						
Slab	18.4	18.0	18.4	15.7	18.2	15.1
Plate	3.2	2.9	2.9	3.3	3.3	4.4
Hot-rolled	30.1	31.7	33.4	36.9	33.9	34.7
Cold-rolled	22.5	21.8	21.3	19.1	21.2	20.9
Coated	17.2	16.2	16.9	14.5	17.3	14.2
Total[1]	91.5	90.6	92.9	89.5	93.8	89.3
U.S. imports from covered sources:						
Slab	1.4	1.8	0.9	1.5	1.2	1.4
Plate	0.5	0.3	0.1	0.3	0.2	0.4
Hot-rolled	1.0	1.2	0.9	1.8	0.9	1.5
Cold-rolled	1.8	0.7	0.5	1.1	0.4	0.9
Coated	1.1	0.9	0.7	1.2	0.3	1.3
Total	5.7	4.9	3.2	5.9	2.9	5.5
U.S. imports from noncovered sources:						
Slab	0.6	0.8	0.8	1.1	0.8	1.7
Plate	0.2	0.3	0.3	0.3	0.3	0.4
Hot-rolled	0.6	1.3	0.8	1.1	0.7	1.4
Cold-rolled	0.5	0.6	0.6	0.5	0.4	0.5
Coated	0.9	1.5	1.5	1.5	1.2	1.3
Total	2.8	4.5	3.9	4.5	3.3	5.2
Total imports	8.5	9.4	7.1	10.5	6.2	10.7
Apparent U.S. consumption	100.0	100.0	100.0	100.0	100.0	100.0

[1] Caution should be used in interpreting the data presented in this table because of the potential for multiple counting of producers' U.S. shipments (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of cold-rolled, etc.).

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. certain carbon and alloy flat-rolled steel producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table FLAT II-20).

The three factors rated most important by U.S. certain carbon and alloy flat-rolled steel producers from March 2002 to December 2003 were: changes in demand for steel within the United States, changes in the level of competition from imports from excluded countries, and changes in the level of competition from imports from non-excluded countries. The three factors rated most important by certain carbon and alloy flat-rolled steel producers from January 2003 to March 2005 were: changes in the cost of raw materials, changes in demand for steel within the United States, and changes in demand for steel outside the United States, particularly in China.[34]

Pricing Practices

Nearly all responding U.S. certain carbon and alloy flat-rolled steel producers reported making no changes in the way they determined the price they charged in March 2002-December 2003 or January 2004-March 2005. However, three of 34 responding U.S. certain carbon and alloy flat-rolled steel producers reported that they offered fewer volume discounts from January 2004 to March 2005 than previously. Eleven of 31 responding U.S. certain carbon and alloy flat-rolled steel producers reported changes in the share of contract sales over the same period. Six of these producers reported that they shifted more to spot or quarterly pricing as opposed to long-term contracts in order to minimize the mutual risk to buyers and sellers of the volatile steel prices during this period.[35] Another producer reported shortening its contracts to three months due to price volatility. One producer that reported a larger share of contract sales over the period characterized it as a strategy to create a more stable customer and product mix. Nineteen of 28 responding U.S. certain carbon and alloy flat-rolled steel producers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tend to lag behind spot prices, are not as volatile as spot prices, and are often lower than spot prices. Also, one producer noted that contracts can be affected by surcharges for high raw material costs while another producer reported that these surcharges can be implemented on both spot and contractual prices.

---

[34] Apparent U.S. consumption of slab increased by 4.9 percent from 2001 to 2004; apparent U.S. consumption of plate increased by 9.8 percent; apparent U.S. consumption of hot-rolled products increased 15.9 percent; apparent U.S. consumption of cold-rolled products increased by 7.0 percent; and apparent U.S. consumption of coated products increased by 50.7 percent over the same period (table FLAT II-16). The industrial production index increased by 4.4 percent during the period for which data were collected and the durable goods production index increased by 13.5 percent during the period for which data were collected (figure OVERVIEW II-2). Manufacturers' shipments of transportation equipment increased by 11.5 percent during the period for which data were collected (most recently, manufacturers' shipments of transportation equipment decreased by 5.8 percent from first quarter 2004 to first quarter 2005), while non-residential construction put in place increased by 3.9 percent during the period for which data were collected (table OVERVIEW II-1).

Unit raw material costs have increased significantly since 2001. Prices for steel scrap increased by 133.2 percent during the period for which data were collected (figure OVERVIEW II-12).

[35] U.S steel consumers also reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable. U.S. Steel Consumers' posthearing brief, p. 20.

Table FLAT II-17
Certain carbon and alloy flat-rolled steel: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	2	13	17	3	1.3	34	0	0
Changes in demand for steel within the United States	2	11	13	10	1.4	24	7	4
Changes in demand for steel outside the United States	2.3	13	15	4	1.5	29	2	3
Changes in energy costs	2.2	17	16	0	1.6	32	1	0
Changes in competition between U.S. producers	2.1	10	18	6	2	15	13	6
Changes in transportation/delivery cost changes	2.6	15	17	1	2.1	33	0	0
Changes in the level of competition from imports from non-excluded countries	1.9	9	11	14	2.1	12	13	9
Changing market patterns	2.6	5	24	3	2.2	11	19	2
Changes in the level of competition from imports from excluded countries	2.1	10	13	11	2.3	12	12	10
Changes in U.S. production capacity	2.3	9	11	11	2.4	9	17	5
Changes in the productivity of domestic producers	2.8	9	16	7	2.6	12	15	4
Changes in labor agreements, contracts, etc.	3	5	24	4	3.2	5	26	2
Changes in the level of competition from substitute products	3.4	0	32	1	3.4	2	31	0
Changes in the allocation of production capacity to alternate products	3.7	1	32	0	3.6	1	31	0

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following five certain carbon and alloy flat-rolled pricing products during January 2001-March 2005:[36]

***Product 1*–Low carbon slab with chemistries of up to 0.15 max carbon and 0.60 max manganese exclusive of IF or specialty chemistries.** This commodity product is used by steel mills as a material input to produce hot-rolled sheet or plate. The hot-rolled sheet may be further processed to produce cold-rolled steel, corrosion-resistant products, tin mill products, and welded pipe and tubular products.

***Product 2*–Hot-rolled carbon steel plate, ASTM A-36 or equivalent as rolled, sheared edge, not heat treated, not cleaned or oiled, in cut lengths, over 72" through 96" in width, 1.00" through 2.00" in thickness. Not including high-strength or mill proprietary products, or products tested to other specifications, unless otherwise noted.** This commodity product is used in riveted, bolted, or welded construction of buildings, bridges, work platforms, and for general structural purposes.

***Product 3*–Hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM A-569 equivalent, not high-strength, not pickled and oiled, not temper-rolled, 0.090" through 0.171" in nominal or actual thickness, 40" to 60" in width.** This commodity product is used in automotive/truck frames, shelving, automotive wheels, manufacture of pipe and tube, agricultural equipment, and strapping.

***Product 4*–Cold-rolled carbon steel sheet in coils, commercial quality (ASTM A-366), not IF, box annealed and temper-rolled, 36" to 72" in width, 0.028" to less than 0.090" in thickness.** This commodity product is used in sheet and strip for painting, the manufacture of pipe and tube, hardware and miscellaneous building components, doors and windows, vehicle parts and accessories, agricultural machinery, industrial equipment, electric lighting equipment and fixtures, major home appliances, general purpose furniture, and steel barrels and drums.

***Product 5*–Electrolytically zinc coated carbon steel sheet, in coils, ASTM A-879, 50-90 grams/square meter per side coating, without organic coating, forming steel, 40" to under 60" in width, 0.022" to under 0.044" in thickness. This product is not prepainted, is not high-strength, and is not mill proprietary.** This commodity product is used in essentially all exposed automotive body parts (fenders, hoods, deck lids, doors). It is typically used when the application requires a very smooth surface.

During the period for which data were collected, reported pricing data for slab accounted for *** percent of U.S. commercial shipments of U.S. slab producers, *** percent of U.S. commercial shipments of U.S. plate producers, *** percent of U.S. commercial shipments of U.S. hot-rolled producers, ***

[36] Pricing data as presented here for January 2001 through December 2002 are the data collected in the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately in the current evaluation.

percent of U.S. commercial shipments of U.S. cold-rolled producers, and *** percent of U.S. commercial shipments of U.S. coated producers.[37]

Weighted-average prices and quantities sold of U.S.-produced, covered imported, and noncovered imported certain carbon and alloy flat-rolled steel are shown in tables FLAT II-18 through FLAT II-22. Weighted-average prices of U.S.-produced certain carbon and alloy flat-rolled steel are also shown in figures FLAT II-2-FLAT II-6.[38] A summary of the price data, by form, is shown in table FLAT II-23.

For each of the five domestically produced certain carbon and alloy flat-rolled steel items, the weighted-average sales prices decreased or remained virtually unchanged from January 2001 to January 2002, ranging from a decrease of *** percent for the slab pricing item to a negligible increase in the plate pricing item. Prices began to gradually increase in 2002, and then experienced steady and substantial price increases beginning in late 2003, with prices peaking during the period from third quarter 2004 to first quarter 2005. Over the entire period from January 2001 to March 2005, the weighted-average sales prices of all five pricing products increased, ranging from an increase of 48.1 percent for the coated pricing item to an increase of *** percent for the plate pricing item.

[37] *** U.S. producers provided usable pricing data for the five certain carbon and alloy flat-rolled steel products. Some producers reported pricing data for more than one product. Not all producers provided pricing data for all quarters. Two data points as reported by *** for product 2 were excluded as staff deemed them to be outliers.

[38] Public price data for certain flat products are shown in figures E-1 through E-3 of appendix E.

Table FLAT II-18
Slab: Weighted-average price and quantity data for domestic product 1,[1] by quarters, January 2001-March 2005

Period	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	-	-
April-June	-	-
July-September	***	***
October-December	***	***
2002:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2003:		
January-March	$238.11	179,226
April-June	246.09	230,807
July-September	***	***
October-December	284.23	124,620
2004:		
January-March	407.00	73,641
April-June	516.84	114,192
July-September	589.00	98,265
October-December	638.45	80,825
2005:		
January-March	***	***

[1] Low carbon slabs with chemistries of up to 0.15 max carbon and 0.60 max manganese exclusive of IF or specialty chemistries.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-19
Plate: Weighted-average price and quantity data for domestic product 2,[1] by quarters, January 2001-March 2005

Period	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	$297.63	188,640
April-June	321.14	178,880
July-September	332.68	150,668
October-December	310.98	161,197
2002:		
January-March	305.63	190,720
April-June	314.63	189,409
July-September	338.82	184,727
October-December	347.18	165,282
2003:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2004:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2005:		
January-March	***	***

[1] Hot-rolled carbon steel plate, ASTM A-36 or equivalent as rolled, sheared edge, not heat treated, not cleaned or oiled, in cut lengths, over 72" through 96" in width, 1.00" through 2.00" in thickness. Not including high-strength or mill proprietary products, or products tested to other specifications, unless otherwise noted.

Note–Quantities shown may not be reflective of the entire sample, as data from January 2001 to December 2002 were collected in the monitoring investigation and data from January 2003 to March 2005 were collected in the current evaluation and each sample may have included a different number of questionnaire respondents. Staff believes the price per ton data are reliable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-20
Hot-rolled: Weighted-average price and quantity data for domestic product 3,[1] by quarters, January 2001-March 2005

Period	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	$232.99	657,390
April-June	235.40	641,267
July-September	235.47	563,766
October-December	222.35	541,575
2002:		
January-March	230.15	643,627
April-June	281.43	737,139
July-September	331.78	865,618
October-December	329.96	625,099
2003:		
January-March	283.90	1,453,874
April-June	274.52	1,915,637
July-September	283.53	1,755,097
October-December	295.15	2,124,055
2004:		
January-March	363.04	2,165,841
April-June	472.38	2,132,139
July-September	586.44	2,236,622
October-December	585.98	1,991,530
2005:		
January-March	577.40	1,997,045

[1] Hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM A-569 equivalent, not high-strength, not pickled and oiled, not temper-rolled, 0.090" through 0.171" in nominal or actual thickness, 40" to 60" in width.

Note–Quantities shown may not be reflective of the entire sample, as data from January 2001 to December 2002 were collected in the monitoring investigation and data from January 2003 to March 2005 were collected in the current evaluation and each sample may have included a different number of questionnaire respondents. Staff believes the price per ton data are reliable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-21
Cold-rolled: Weighted-average price and quantity data for domestic product 4,[1] by quarters, January 2001-March 2005

Period	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	$364.49	651,789
April-June	350.23	597,417
July-September	340.83	514,093
October-December	326.59	518,032
2002:		
January-March	326.98	599,961
April-June	360.22	638,405
July-September	428.46	873,804
October-December	438.12	725,073
2003:		
January-March	449.38	1,035,948
April-June	426.68	1,172,858
July-September	411.68	1,231,995
October-December	401.81	1,336,578
2004:		
January-March	453.85	1,567,641
April-June	560.16	1,479,602
July-September	668.85	1,508,330
October-December	695.94	1,427,146
2005:		
January-March	690.34	1,374,607

[1] Cold-rolled carbon steel sheet in coils, commercial quality (ASTM A-366), not IF, box annealed and temper-rolled, 36" to 72" in width, 0.028" to less than 0.090" in thickness.

Note–Quantities shown may not be reflective of the entire sample, as data from January 2001 to December 2002 were collected in the monitoring investigation and data from January 2003 to March 2005 were collected in the current evaluation and each sample may have included a different number of questionnaire respondents. Staff believes the price per ton data are reliable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-22
Coated: Weighted-average price and quantity data for domestic product 5,[1] by quarters, January 2001-March 2005

Period	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	$494.85	202,312
April-June	475.27	216,560
July-September	442.16	220,602
October-December	462.09	226,626
2002:		
January-March	448.83	231,226
April-June	458.86	217,671
July-September	***	***
October-December	***	***
2003:		
January-March	504.54	765,183
April-June	493.21	1,129,228
July-September	481.07	1,311,323
October-December	489.08	1,354,338
2004:		
January-March	538.50	1,555,338
April-June	654.10	1,499,475
July-September	745.68	1,502,583
October-December	738.56	1,361,188
2005:		
January-March	732.68	1,368,612

[1] Electrolytically zinc coated carbon steel sheet, in coils, ASTM A-879, 50-90 grams/square meter per side coating, without organic coating, forming steel, 40" to under 60" in width, 0.022" to under 0.044" in thickness. This product is not prepainted, is not high-strength, and is not mill proprietary.

Note–Quantities shown may not be reflective of the entire sample, as data from January 2001 to December 2002 were collected in the monitoring investigation and data from January 2003 to March 2005 were collected in the current evaluation and each sample may have included a different number of questionnaire respondents. Staff believes the price per ton data are reliable.

Source: Compiled from data submitted in response to Commission questionnaires.

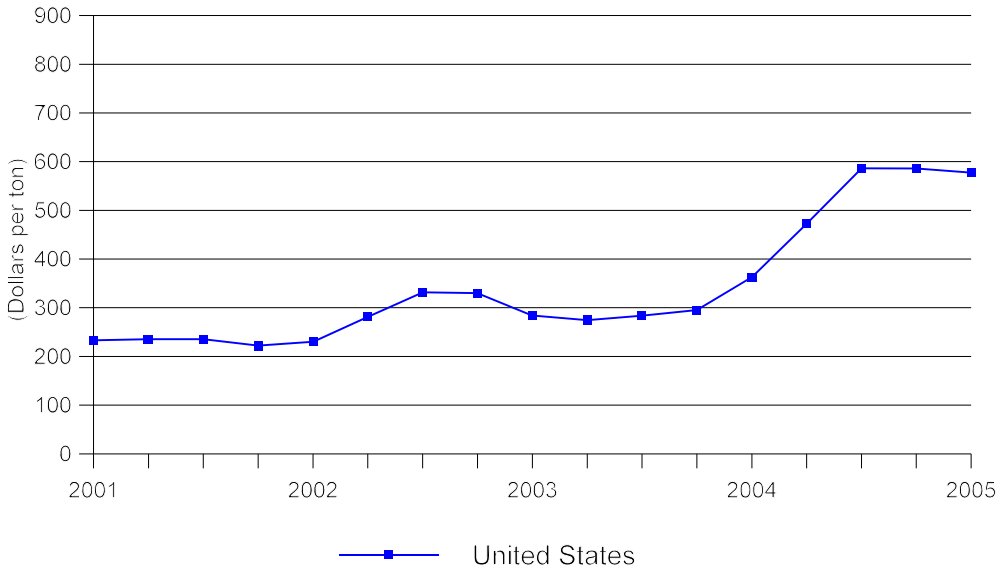
Figure FLAT II-2
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic product 1, January 2001-March 2005

* * * * * * *

Figure FLAT II-3
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic product 2, January 2001-March 2005

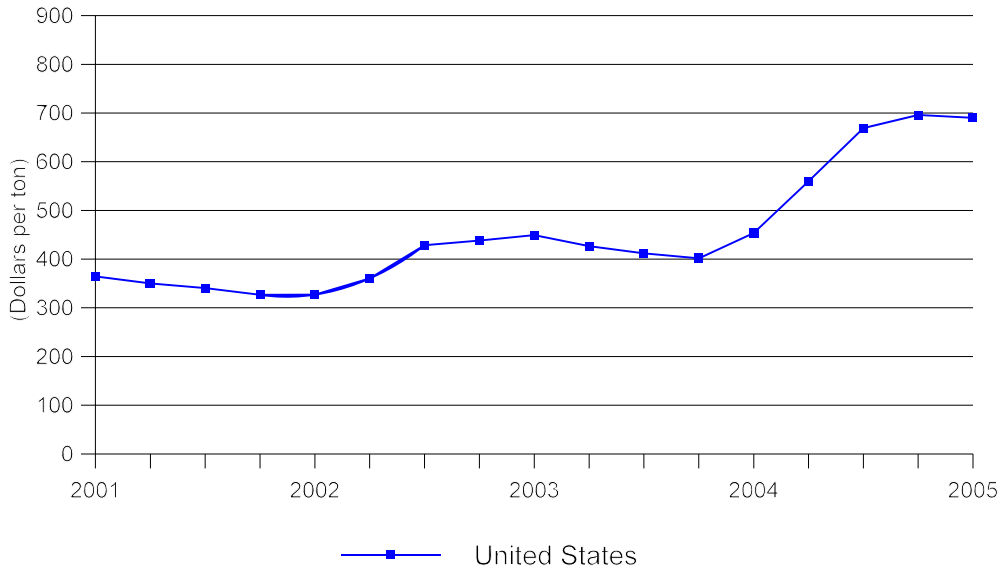
* * * * * * *

Figure FLAT II-4
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic product 3, January 2001-March 2005



Source: Compiled from data submitted in response to Commission questionnaires.

Figure FLAT II-5
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic product 4, January 2001-March 2005



Source: Compiled from data submitted in response to Commission questionnaires.

Figure FLAT II-6
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic product 5, January 2001-March 2005

* * * * * * *

Table FLAT II-23
Certain carbon and alloy flat-rolled steel: Changes in quarterly prices of domestic products 1-5

Product	Change in price from Q1 2001 to Q1 2002	Change in price from Q1 2002 to Q1 2003	Change in price from Q1 2003 to Q1 2004	Change in price from Q1 2004 to Q1 2005	Change in price from Q1 2001 to Q1 2005
	Percent				
1	***	***	***	***	***
2	2.7	***	***	***	***
3	-1.2	23.4	27.9	59.1	147.8
4	-10.3	37.4	1	52.1	89.4
5	-9.3	12.4	6.7	36.1	48.1

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: INDUSTRY AND MARKET DATA (TIN)

DESCRIPTION AND USES

Tin mill products (tin) are flat-rolled products of carbon or alloy steel, plated or coated with tin or with chromium oxides or with chromium and chromium oxides (tin-free steel). The products may be either in coils or in straight lengths. Tin products are made by electrolytically coating flat-rolled steel with tin or chromium. Major end uses of tin plate are in the manufacture of welded cans used to contain food, beverages, aerosols, and paint. Chromium-coated steel sheet is used primarily for beer and soft drink two-piece cans and ends, as well as ends for food cans and caps and crowns for glass containers. HTS statistical reporting numbers for subject tin are presented in table FLAT III-1.

Table FLAT III-1
Tin: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers			
Tin[1]	7210.11.00	7210.12.00	7210.50.00	7212.10.00

[1] The temporary HTS subheadings for tin established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.73.26 for products outside the scope of the 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.27 through 9903.73.31, 9903.76.26 through 9903.76.28, 9903.76.30, 9903.76.31, 9903.76.35, 9903.76.37, and 9903.76.38 for other products excluded from the section 203 remedy,

(2) 9903.73.32, 9903.73.33, 9903.76.29, 9903.76.32 through 9903.76.34, 9903.76.36, 9903.76.39, and 9903.76.40 for products entered in quantities up to stated limits (ranging from 760 tons to 40,000 tons) without additional tariffs, and

(3) 9903.73.37, 9903.73.38, and 9903.73.39 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, and 24 percent additional tariffs through December 4, 2003.

As indicated in (2), certain temporary subheadings specify particular types of tin which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of tin exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

Tin mill products are used primarily in the manufacture of welded cans used to contain food, beverages, aerosols, and paint. As shown in OVERVIEW Part II, the quantity of U.S. manufacturers' shipments of steel cans for food increased by 7.1 percent between the first quarter of 2001 and the first quarter of 2005 (table OVERVIEW II-1).

The data collected by the Commission indicate that apparent U.S. consumption of tin mill products increased by 3.5 percent from 2001 to 2004.

In the monitoring investigation, three of five responding U.S. tin mill producers reported that U.S. demand for steel increased and two reported that demand decreased from March 2002 to March 2003, while witness testimony suggested that the U.S. market was "unattractive" and demand was weak.

In the current evaluation, two of four responding U.S. tin mill producers reported that U.S. demand for steel remained the same from March 2002 to December 2003. One producer reported that demand increased and the another reported that demand fluctuated over this period. Three of four U.S. tin mill producers reported that demand increased from January 2004 to March 2005. One producer reported that much of the increased demand in this period was due to the unanticipated substantial increase in demand in China, the perceived shortage of supply domestically, and consumers building up

inventories to hedge rising prices. Another producer reported that demand slowed beginning in the third quarter of 2004 as Chinese production capacity expanded, reducing China's reliance on imports.[1] This producer also attributed the slowing demand to the liquidation of inventories that had been built up in the first half of 2004.

All four responding U.S. tin mill producers reported that there were no changes in the types or prices of substitute products since March 2002. Similarly, in the monitoring investigation, all 13 responding tin mill importers reported no changes in the types or prices of substitute products from March 2002 to March 2003.

Changes in U.S. Supply

U.S. Steel acquired the tin mill unit of LTV, consisting of tin mill facilities at Aliquippa, PA and East Chicago, IN, in March 2001. Following the acquisition, U.S. Steel closed the Aliquippa facility.[2]

There has been extensive consolidation in the U.S. tin mill industry. Bethlehem Steel filed for bankruptcy in October 2001 and was acquired by ISG in May 2003. National Steel filed for bankruptcy in March 2002 and was acquired by U.S. Steel in May 2003. Weirton Steel filed for bankruptcy in May 2003 and was acquired by ISG in May 2004.

As shown in table FLAT III-2, U.S. tin mill producers reported efforts to increase product availability from January 2004 to March 2005. Two producers reported increases in average lead times from production over both periods, reportedly indicative of increased demand. Four producers reported increases in order backlogs, although two noted that they began to slow down in the second half of 2004 through the first quarter of 2005.

In the monitoring investigation, 25 of 34 responding tin mill product purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Purchasers were also asked to identify actions taken by domestic producers from March 2002 to March 2003 to make a positive adjustment to import competition.[3] Of 34 responding tin mill product purchasers, 25 purchasers did not indicate that producers had taken any such actions. However, five of 34 responding tin mill product purchasers reported that domestic producers had introduced new or innovative products, four reported that domestic producers had improved product quality, five reported that domestic producers had expanded marketing efforts, five reported that domestic producers had improved customer service, and three reported that domestic producers had made other positive adjustment efforts.[4]

Based on data compiled in this evaluation, U.S. tin mill producers' capacity utilization was 88.4 percent in 2004, and their inventories as a percentage of total shipments were *** percent in 2004. Exports accounted for *** percent of total shipments in 2004.

---

[1] This producer also reported that as China reduced its imports of steel from countries such as the United States, the United States began increasing its imports of steel from China and that this dual effect negatively impacted demand for U.S. steel.

[2] *See* table FLAT I-4.

[3] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[4] Some purchasers reported more than one of these actions.

Table FLAT III-2
Tin: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No	Yes		No	Yes	
Efforts to increase product availability	1	1		1	2	
Change in geographic market	2	2		2	1	
Change in share of sales from inventory	4	0		4	0	
Change in average lead times from inventory	3	0		3	0	
Change in average lead times from production	0	2		0	2	
Change in product range	2	2		2	2	
Change in demand for or production of alternate products	3	0		3	0	
	I	D	S	I	D	S
Change in order backlogs[1]	2	1	1	4	2	0
Change in on-time shipping percentage[1]	2	0	2	1	2	2

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or stayed the same (S) for over the specified time period. Some producers responded that the practice both increased and decreased over the same period.

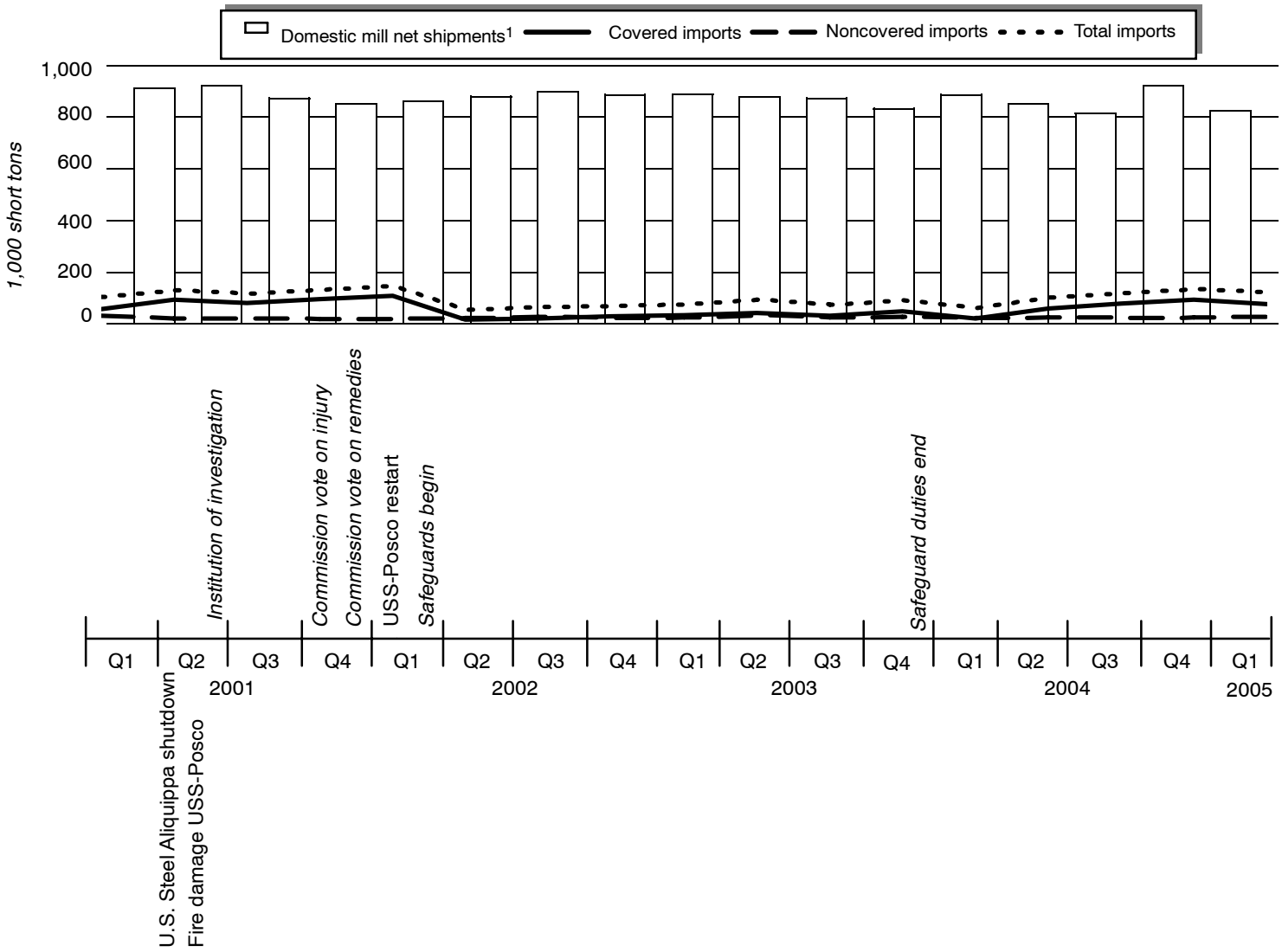
Note–Not all producers answered for all of the marketing practices.

Source: Compiled from data submitted in response to Commission questionnaires.

Timeline

Figure FLAT III-1 shows quarterly shipments of tin mill products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include quarterly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to a shutdown and fire damage (shown below the timeline) and a restart (shown above the line). Also shown above the line are significant safeguard events.

Figure FLAT III-1
Tin mill products: Quarterly imports and domestic mill net shipments, facility shutdowns and restarts, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Reporting U.S. producers' aggregate output-related indicators are presented in table FLAT III-3. The Commission received usable questionnaire responses from all four known tin mill producers that accounted for approximately 3.0 million short tons of tin shipments in 2004.[5] This response represents nearly 86 percent of domestic tin shipments as reported to the American Iron and Steel Institute ("AISI") a figure that likely reflects the difficulty in consolidating data as a result of the major acquisitions during the period for which data were collected.[6]

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the domestic industry's reported capacity decreased by 5.0 percent, production decreased irregularly by 8.3 percent, capacity utilization decreased irregularly by 2.7 percentage points, and inventories decreased irregularly, both absolutely and relative to shipments. During this period, U.S. shipment quantities and values decreased irregularly by 10.7 percent and 4.9 percent, respectively, resulting in an overall increase in average unit values of 6.6 percent. During 2001-03, the number of production and related workers and their hours worked decreased. Productivity improved by 38.0 percent while wages increased by 13.0 percent, resulting in a 18.1-percent decrease in unit labor costs.

Between 2003 and 2004 (the year following the removal of the increased tariffs), output-related indicators all rose, with the exception of capacity which remained flat. The domestic industry's production reportedly increased by 18.1 percent, and U.S. shipments increased by 19.4 percent. Capacity utilization increased by 13.5 percentage points. The number of production and related workers employed decreased by 14.1 percent even as productivity increased by 23.5 percent. At the same time hourly wages increased slightly by 0.6 percent, resulting in falling unit labor costs.

Between January-March 2004 and January-March 2005, reporting U.S. producers' aggregate output-related indicators were stable or declining, with the exception of small gains in productivity and hourly wages. The domestic industry's capacity reportedly remained flat, and production was 2.1 percent lower in the first quarter of 2005 than in the first quarter of 2004. Compared to the first quarter of 2004, U.S. shipments were 11.2 percent lower, capacity utilization was 1.8 percentage points lower, the number of production and related workers employed was 0.1 percent lower, and productivity was 5.2 percent higher, while hourly wages were 0.6 percent higher in the first quarter of 2005.

[5] In the original safeguard investigation there were seven tin producers. Through the process of consolidation those seven firms are now represented by the four responding tin producers in the current evaluation.

[6] AISI's data indicate that domestic mills' commercial tin shipments in 2004 were 3.5 million short tons. American Iron and Steel Institute, AIS 10, compiled from monthly reports.

Table FLAT III-3
Tin: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
			Quantity *(short tons)*			
Capacity	3,721,545	3,629,045	3,535,240	3,535,240	883,810	883,810
Production	2,885,955	3,171,974	2,645,798	3,123,462	762,611	746,805
Internal consumption/transfers	0	0	0	0	0	0
U.S. commercial shipments	2,829,180	3,032,028	2,526,777	3,016,238	732,374	650,190
U.S. shipments	2,829,180	3,032,028	2,526,777	3,016,238	732,374	650,190
Export shipments	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***
Ending inventories	289,428	343,854	237,047	211,050	165,862	167,958
			Value *($1,000)*			
Internal consumption/transfers	0	0	0	0	0	0
U.S. commercial shipments	1,684,340	1,821,174	1,601,920	1,938,167	454,732	488,194
U.S. shipments	1,684,340	1,821,174	1,601,920	1,938,167	454,732	488,194
Export shipments	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***
			Unit value *(per short ton)*			
Internal consumption/transfers	(1)	(1)	(1)	(1)	(1)	(1)
U.S. commercial shipments	$595	$601	$634	$643	$621	$751
U.S. shipments	595	601	634	643	621	751
Export shipments	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***
			Ratios and shares *(percent)*			
Capacity utilization	77.5	87.4	74.8	88.4	86.3	84.5
U.S. shipments to distributors	17.7	18.5	19.2	17.8	19.0	16.8
U.S. shipments to end users	82.3	81.5	80.8	82.2	81.0	83.2
Inventories/total shipments	***	***	***	***	***	***
			Employment data			
PRWs[2] *(number)*	5,581	4,928	3,972	3,412	3,291	3,289
Hours worked *(1,000)*	11,592	10,668	7,698	7,360	1,787	1,663
Wages paid *($1,000)*	302,167	282,269	226,891	218,224	52,818	49,431
Hourly wages	$26.07	$26.46	$29.47	$29.65	$29.56	$29.72
Productivity *(short tons/1,000 hours)*	249.0	297.3	343.7	424.4	426.8	449.1
Unit labor costs *(per short ton)*	$104.70	$88.99	$85.76	$69.87	$69.26	$66.19

[1] Not applicable.
[2] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL DATA

Financial data concerning U.S. companies producing tin mill products are presented in table FLAT III-4. All four known U.S. producers provided usable financial data.

Sales quantity and net sales value fluctuated between 2001 and 2004, increasing from 2001 to 2002, decreasing from 2002 to 2003, and then increasing from 2003 to 2004. Even though sales quantity, value, and average unit value decreased from 2002 to 2003, operating and net income increased because the average unit total cost decreased to a somewhat greater degree than the average unit sales value. Sales quantity, net sales value, and operating and net income all increased from 2003 to 2004. The ratios of the domestic producers' operating income and net income to net sales for the same period increased between 2003 and 2004 because the average unit selling price increased to a greater degree than the average unit total cost. Even though sales quantity was lower in January-March 2005 than in January-March 2004, net sales value and operating income were higher, due primarily to an increase in the average unit sales value.

The average unit COGS decreased between 2001 and 2003 then increased substantially (by $98 per short ton) from 2003 to 2004, due primarily to an increase of raw materials cost of $104 per short ton. The average unit cost of direct labor generally decreased from 2001 to 2004 except for a slight increase from 2003 to 2004. The average unit factory overhead decreased substantially from 2002 to 2003 (by $114 per short ton) and further decreased from 2003 to 2004. The average unit COGS increased from January-March 2004 to January-March 2005 (by $80 per short ton), due mainly to an increase of raw materials cost of $61 per short ton and an increase of fabrication cost (labor and overhead combined) of $19 per short ton. The average unit selling, general, and administrative (SG&A) expenses also increased (by $11 per short ton) during the same period.

Table FLAT III-4
Tin: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
				Quantity *(short tons)*		
Net commercial sales	2,975,767	3,146,293	3,107,013	3,175,460	771,460	686,038
				Value *($1,000)*		
Net commercial sales	1,763,658	1,881,537	1,637,025	1,999,356	470,712	485,601
COGS	1,795,283	1,864,176	1,453,068	1,796,578	418,153	426,806
Gross profit or (loss)	(31,625)	17,361	183,957	202,778	52,559	58,795
SG&A expenses	86,834	85,420	112,983	107,304	24,908	29,771
Operating income or (loss)	(118,459)	(68,059)	70,974	95,474	27,651	29,024
Interest expense	30,326	16,719	20,379	19,825	5,678	1,889
Other (income)/expenses, net	(7,187)	(15,117)	(5,341)	(3,234)	(2,656)	(8,573)
Net income or (loss)	(141,598)	(69,661)	55,936	78,883	24,629	35,708
Depreciation/amortization	117,921	95,934	90,918	88,650	22,454	21,928
Cash flow	(23,677)	26,273	146,854	167,533	47,083	57,636
CDSOA funds received	0	0	108	23	([1])	([1])
Pension (credit)/expense	13,467	15,782	15,391	14,043	3,290	3,357
Post-employment benefits	13,489	17,571	5,501	3,956	1,053	719
Capital expenditures	41,382	16,760	18,867	43,365	6,662	6,794
R&D expenses	***	***	***	***	***	***
Property, plant, and equipment:						
Original cost	1,000,442	931,228	1,008,344	967,063	962,773	1,026,028
Book value	363,520	311,659	335,596	306,061	315,233	318,644
				Ratio to net commercial sales *(percent)*		
COGS	101.8	99.1	88.8	89.9	88.8	87.9
Gross profit or (loss)	(1.8)	0.9	11.2	10.1	11.2	12.1
SG&A expenses	4.9	4.5	6.9	5.4	5.3	6.1
Operating income or (loss)	(6.7)	(3.6)	4.3	4.8	5.9	6.0
Net income or (loss)	(8.0)	(3.7)	3.4	3.9	5.2	7.4
				Unit value (*per short ton*)		
Net commercial sales	$593	$598	$527	$630	$610	$708
COGS total	603	592	468	566	542	622
Raw materials	233	233	256	360	331	392
Direct labor	112	106	71	76	72	82
Other factory costs	259	254	140	129	139	148
Gross profit or (loss)	(11)	6	59	64	68	86
SG&A expenses	29	27	36	34	32	43
Operating income or (loss)	(40)	(22)	23	30	36	42
				Number of firms reporting		
Operating losses	3	1	1	1	0	1
Data	4	4	4	4	4	4

[1] Data not available.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table FLAT III-5 presents data on U.S. imports of tin for 2001-04, January-March 2004, and January-March 2005. Table FLAT III-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002-03.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of tin from covered sources decreased faster than the quantity and value of U.S. imports from other sources increased. As a result, the quantity of total U.S. imports decreased by 27.3 percent while the value of U.S. imports decreased by 25.6 percent. U.S. imports from covered sources decreased from 71.5 percent of the quantity of total tin imports and 72.3 percent of the value of total tin imports to 55.5 percent and 56.0 percent, respectively. During this period, average unit values for covered and, to a greater extent, noncovered sources increased irregularly, resulting in an overall increase of $13 per short ton by 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of tin from covered sources alone increased. As a result, the quantity of total U.S. imports increased by 20.2 percent while the value of U.S. imports increased 26.6 percent. U.S. imports from covered sources increased from 55.5 percent of the quantity of total tin imports and 56.0 percent of the value of total tin imports to 66.2 percent and 66.0 percent, respectively. During this period, average unit values for both covered and, to a greater extent, noncovered sources increased, resulting in an overall increase of $33 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity and the value of U.S. imports of tin from covered sources were much higher than during January-March 2004, while the quantity and value of U.S. imports from other sources were somewhat higher. As a result, the quantity of total U.S. imports was 76.2 percent higher in January-March 2005 than during the comparable period in 2004, while the value of U.S. imports was 104.7 percent higher. U.S. imports from covered sources accounted for 67.4 percent of the quantity of total tin imports and 64.4 percent of the value of total tin imports, compared to 48.7 percent and 48.3 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, U.S. imports of tin were $101 per short ton higher in January-March 2005 than during the comparable period in 2004.

Table FLAT III-5
Tin: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
			Quantity *(short tons)*			
Covered sources	386,093	238,414	218,133	312,565	37,347	91,012
All others	154,161	156,938	174,813	159,650	39,309	44,040
Total (all imports)	540,254	395,352	392,946	472,216	76,656	135,052
			Landed, duty paid value *($1,000)*			
Covered sources	233,100	140,505	134,406	200,497	23,018	62,860
All others	89,337	88,747	105,395	103,187	24,682	34,771
Total (all imports)	322,437	229,252	239,801	303,683	47,700	97,631
			Unit value *(per short ton)*			
Covered sources	$604	$589	$616	$641	$616	$691
All others	580	565	603	646	628	790
Average (all imports)	597	580	610	643	622	723
			Share of total imports based on quantity *(percent)*			
Covered sources	71.5	60.3	55.5	66.2	48.7	67.4
All others	28.5	39.7	44.5	33.8	51.3	32.6
Total (all imports)	100.0	100.0	100.0	100.0	100.0	100.0
			Share of total imports based on value *(percent)*			
Covered sources	72.3	61.3	56.0	66.0	48.3	64.4
All others	27.7	38.7	44.0	34.0	51.7	35.6
Total (all imports)	100.0	100.0	100.0	100.0	100.0	100.0
			Ratio of imports to production *(percent)*			
Covered sources	13.4	7.5	8.2	10.0	4.9	12.2
Noncovered sources	5.3	4.9	6.6	5.1	5.2	5.9
Total	18.7	12.5	14.9	15.1	10.1	18.1

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table FLAT III-6
Tin: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of tin are presented in table FLAT III-7. As presented in table FLAT III-7, the data gathered by the Commission in this investigation indicate that between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity of apparent U.S. consumption of tin decreased irregularly by 13.3 percent. The domestic industry's share of the U.S. market increased from 84.0 percent to 86.5 percent. Imports from covered countries saw their market share decrease from 11.5 percent to 7.5 percent, while imports from noncovered countries saw their market share increase from 4.6 percent to 6.0 percent.

Table FLAT III-7
Tin: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
			Quantity *(short tons)*			
U.S. producers' U.S. shipments	2,829,180	3,032,028	2,526,777	3,016,238	732,374	650,190
U.S. imports from:						
Covered sources	386,093	238,414	218,133	312,565	37,347	91,012
Noncovered sources	154,161	156,938	174,813	159,650	39,309	44,040
Total U.S. imports	540,254	395,352	392,946	472,216	76,656	135,052
Apparent U.S. consumption	3,369,434	3,427,380	2,919,723	3,488,454	809,030	785,242
			Value *($1,000)*			
U.S. producers' U.S. shipments	1,684,340	1,821,174	1,601,920	1,938,167	454,732	488,194
U.S. imports from:						
Covered sources	233,100	140,505	134,406	200,497	23,018	62,860
Noncovered sources	89,337	88,747	105,395	103,187	24,682	34,771
Total U.S. imports	322,437	229,252	239,801	303,683	47,700	97,631
Apparent U.S. consumption	2,006,777	2,050,426	1,841,721	2,241,850	502,432	585,825
			U.S. market share based on quantity *(percent)*			
U.S. producers' U.S. shipments	84.0	88.5	86.5	86.5	90.5	82.8
U.S. imports from:						
Covered sources	11.5	7.0	7.5	9.0	4.6	11.6
Noncovered sources	4.6	4.6	6.0	4.6	4.9	5.6
Total U.S. imports	16.0	11.5	13.5	13.5	9.5	17.2
			U.S. market share based on value *(percent)*			
U.S. producers' U.S. shipments	83.9	88.8	87.0	86.5	90.5	83.3
U.S. imports from:						
Covered sources	11.6	6.9	7.3	8.9	4.6	10.7
Noncovered sources	4.5	4.3	5.7	4.6	4.9	5.9
Total U.S. imports	16.1	11.2	13.0	13.5	9.5	16.7

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity of apparent U.S. consumption of tin increased by 19.5 percent. The domestic industry's share of the U.S. market decreased by 0.1 percentage point. Imports from covered countries saw their share of the U.S. market increase by 1.5 percentage points, while imports from noncovered countries saw their share of the U.S. market decrease by 1.4 percentage points.

In January-March 2005 (the final period covered by the safeguard action), the quantity of apparent U.S. consumption of tin was 2.9 percent lower than during January-March 2004. The domestic industry's share of the U.S. market was 7.7 percentage points lower in January-March 2005 than during the same period in 2004. Total imports of subject tin held 7.7 percentage points greater market share in

January-March 2005 than in the same period in 2004, with covered imports accounting for 7.0 percentage points of the growth and noncovered imports accounting for 0.7 percentage point.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. tin mill producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table FLAT III-8).

The four factors rated most important by U.S. tin mill products producers from March 2002 to December 2003 were: changes in the level of competition from imports from excluded countries, changes in the level of competition from imports from non-excluded countries, changes in demand for steel within the United States, and changes in demand for steel outside the United States. The three factors rated most important by U.S. tin mill products producers from January 2004 to March 2005 were: changes in the cost of raw materials, changes in energy costs, and changes in the level of competition from imports from excluded countries.[7]

Pricing Practices

All of the four responding U.S. tin mill producers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 2002. Two of four responding U.S. tin mill producers reported that they have increased the share of their sales made on a contract versus a spot basis.[8] All four producers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag behind spot prices and are not as volatile.

---

[7] Apparent U.S. consumption of tin mill products increased by 3.5 percent from 2001 to 2004 (table FLAT III-7). As previously mentioned, U.S. manufacturers' shipments of steel cans for food, a primary end product for tin mill products, increased by 7.1 percent between the first quarter of 2001 and the first quarter of 2005.

Cold-rolled sheet products are the primary raw material input for tin mill products; prices for product 4, the cold-rolled steel product for which the Commission collected quarterly price data, increased substantially between the first quarter of 2001 and the first quarter of 2005 (table FLAT II-21). However, ***, typically purchases cold-rolled sheet.

[8] One producer reported that the shift towards more contract sales was a strategic effort to provide a more stable customer and product mix to increase efficiency. U.S. steel consumers, however, reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable. U.S. Steel Consumers' posthearing brief, p. 20.

Table FLAT III-8
Tin: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	1.8	2	2	0	1.0	4	0	0
Changes in energy costs	1.8	1	3	0	1.0	4	0	0
Changes in the level of competition from imports from excluded countries	1.0	2	1	1	1.0	1	0	3
Changes in the level of competition from imports from non-excluded countries	1.3	0	1	3	1.3	2	0	2
Changes in demand for steel within the United States	1.5	2	2	1	1.5	3	1	2
Changes in demand for steel outside the United States	1.5	2	1	1	1.5	3	0	2
Changes in transportation/delivery cost changes	2.3	1	3	0	2.0	4	0	0
Changes in U.S. production capacity	1.8	0	2	2	2.0	1	2	1
Changes in the productivity of domestic producers	2.3	3	1	0	2.3	3	1	0
Changes in competition between U.S. producers	2.3	0	4	0	2.3	0	4	0
Changing market patterns	2.8	0	4	0	2.8	0	4	0
Changes in the level of competition from substitute products	2.8	0	4	0	2.8	0	4	0
Changes in the allocation of production capacity to alternate products	2.8	0	4	0	2.8	0	4	0
Changes in labor agreements, contracts, etc.	2.5	2	2	0	3.0	1	3	0

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors and some provided more than one response per factor.

Source: Compiled from data submitted in response to Commission questionnaires.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following tin mill product during January 2001-March 2005:[9]

> ***Product 6*–Base price for single-reduced, electrolytic tin plate (1CRETP), 70-75 pound per base box.** This commodity product is used primarily for end closures for food cans. It is also used in compact disc bases.

During the period for which data were collected, reported pricing data accounted for *** percent of the quantity of U.S. producers' domestic commercial shipments of tin mill products.[10] Weighted-average prices and quantities sold of U.S.-produced tin mill product 6 are shown in table FLAT III-9 and in figure FLAT III-2. A summary of the price data is shown in table FLAT III-10.

Quarterly prices for the domestically produced tin mill product for which the Commission collected pricing data remained relatively steady from January 2001 to December 2003 and began a steady increase in 2004, with prices peaking in the first quarter of 2005. The weighted-average sales price increased 26.5 percent over the entire period.

[9] Pricing data as presented here for January 2001 through December 2002 are the data collected in the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately in the current evaluation.

[10] *** U.S. producers provided pricing data on product 6. Not all producers provided pricing for all quarters.

Table FLAT III-9
Tin: Weighted-average price and quantity data for U.S.-produced product 6,[1] by quarters, January 2001-March 2005

Period	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	$604.64	101,021
April-June	600.70	113,462
July-September	596.64	130,937
October-December	597.67	123,216
2002:		
January-March	597.98	122,350
April-June	596.04	135,426
July-September	597.65	141,452
October-December	599.80	143,415
2003:		
January-March	***	***
April-June	606.60	241,780
July-September	598.45	300,092
October-December	595.55	254,353
2004:		
January-March	597.52	291,027
April-June	642.20	354,321
July-September	700.89	405,036
October-December	710.69	438,076
2005:		
January-March	764.61	370,457

[1] Base price for single-reduced, electrolytic tin plate (1CRETP), 70-75 pound per base box.

Note–Quantities shown may not be reflective of the entire sample, as data from January 2001 to December 2002 were collected in the monitoring investigation and data from January 2003 to March 2005 were collected in the current evaluation and each sample may have included a different number of questionnaire respondents. Staff believes the price per ton data are reliable.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure FLAT III-2
Tin: Weighted-average f.o.b. prices of domestic product 6, January 2001-March 2005

* * * * * * *

Table FLAT III-10
Tin: Changes in quarterly prices of domestic product 6

Product	Change in price from Q1 2001 to Q1 2002	Change in price from Q1 2002 to Q1 2003	Change in price from Q1 2003 to Q1 2004	Change in price from Q1 2004 to Q1 2005	Change in price from Q1 2001 to Q1 2005
			Percent		
6	-1.1	***	***	28.0	26.5

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: ADJUSTMENT EFFORTS

Section 204(d) of the Trade Act of 1974 (19 U.S.C. § 2254 (d)) requires the Commission, following termination of a relief action, to evaluate the effectiveness of the action in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President in the report submitted to the Congress under section 203(b) of the Act. In doing so the Commission examines whether the industry has satisfied its previous commitments, comparing the actions taken by workers and firms to the actions that were anticipated if relief were granted. This report considers these efforts in the context of the prevailing economic circumstances during the period of relief.

PROPOSED ADJUSTMENT PLANS

In the section 201 investigation, the individual companies' adjustment plans reviewed by the Commission were designed to improve the domestic flat-rolled industry's ability to meet import competition and largely fell into four general categories: restoring financial stability, investing in more efficient facilities and equipment, developing new products and markets, and pursuing market-based consolidation and rationalization. The domestic producers also argued that the domestic industry would be assisted by public policy measures such as: legacy costs relief, including expanded access to federal health programs/plans for retirees; tax incentives to spur consolidation/rationalization/liquidation of capacity; and improved unfair trade law enforcement. The individual producers that provided information make some or all of the products included in the category "certain carbon and alloy flat-rolled steel" (i.e., slabs, plate, hot-rolled, cold-rolled, and coated) and certain of these producers make tin mill products as well. A summary of the types of actions contained in U.S. producers' proposed adjustment plans in the section 201 investigation is presented in table FLAT IV-1.[1]

Several integrated companies (Bethlehem, LTV, National, and U.S. Steel) estimated that the industry needed to invest $7 billion to $9 billion over three years to maintain competitiveness. In particular, the integrated steel companies described the following types of major investments as being required: rebuilding existing coke plants and building one or two new "non-recovery" plants; relining or refitting blast furnaces; modifying some blast furnaces to provide for coal injection or oxygen injection; replacing older furnaces with COREX units; developing alternatives to scrap so minimills could produce higher quality steel; acquiring ladle refining and degassing equipment at some mills; rebuilding or converting continuous casters at some mills; upgrading hot-rolling mills with walking beam reheat furnaces, hydraulic coilers, and coil bending equipment; upgrading cold-rolling mills with annealing furnaces and new pickle lines so they could produce higher quality steel; and environmental investments such as waste oxide treatment facilities. The industry also stated that it would continue to invest in developing new products and markets.

[1] Also included in the table is the number of firms that stated they had no planned adjustments.

Table FLAT IV-1
Flat steel: Number of U.S. producers affirmatively reporting proposed adjustments in the section 201 investigation, by product group

Certain flat products					
Slab	**Plate**	**Hot-rolled**	**Cold-rolled**	**Coated**	**Tin**
Number of reporting U.S. producers					
20	19	28	28	22	8
Additional capital investment					
11	11	18	14	14	7
Further cost reductions					
11	7	15	12	10	6
Improve product quality					
7	7	11	9	8	3
Increase capacity and/or production					
6	8	9	11	6	3
Develop new or innovative product lines					
3	7	8	7	7	4
Increase productivity/speed in manufacturing process					
1	2	6	5	6	3
Reduction in work force					
3	3	4	4	4	3
Improved customer service					
2	4	4	4	5	1
No planned adjustments					
2	4	3	0	0	0
Utilization of e-commerce to reduce transaction costs or increase sales					
1	1	1	1	1	1
Increase employee training					
1	0	1	0	1	0
Increase employment					
0	1	1	1	0	0
Relocation or closing of facility					
1	0	1	0	1	0
Research & development					
0	0	0	0	2	0
Expand geographic reach of current customer base					
1	0	0	0	0	0

Source: *Steel*: *Investigation No. TA-201-73*, USITC Publication 3479, December 2001, table FLAT-80, p. FLAT-78, compiled from data submitted in response to Commission questionnaires in that investigation.

The Minimill 201 Coalition described investment plans of $2.3-$2.6 billion over four years to increase efficiency and productivity by, for example, upgrading existing equipment and installing new equipment, developing new product grades, expanding capacity in certain product lines, adding marketing personnel and production workers, and installing new information processing systems to improve customer service. Ispat Inland's adjustment plan contained a commitment to improving competitiveness through rationalization of resources. Proposed adjustment efforts by 16 other producers of certain carbon and alloy flat-rolled steel were mainly directed at acquisition of new equipment and upgrades to existing equipment, but also included organizational marketing and labor-related and other changes. The proposed expenditures of those 16 firms totaled approximately $1.9 billion.

In the monitoring investigation, the Commission asked U.S. producers whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that if relief were granted as a result of that investigation, their firms would make adjustments in their subject steel products operations that would permit them to compete more effectively with imports of subject steel products after relief expires. The firms' responses are presented at the end of this chapter in table FLAT IV-3.

SIGNIFICANCE OF RELIEF AND ECONOMIC CONDITIONS DURING ADJUSTMENT EFFORTS

The Commission asked U.S. producers to describe the significance of the safeguard measures imposed by the President, effective on or after March 20, 2002, in terms of their effect on the domestic firms' operations in the following categories:

(a) Production capacity, production, shipments, inventories, and employment.

(b) Return on investment, ability to generate capital to finance the modernization of domestic plant(s) and equipment, or ability to maintain existing levels of expenditures for research and development.

(c) Changes in collective bargaining agreements.

Firms were asked to compare their operations during the tariff-rate quota and increased import duties (March 2002-December 2003) and after the termination of the tariff-rate quota and increased import duties but while import monitoring remained in place (January 2004-March 2005). Additionally, firms were asked to explain how they have separated the effects of section 201 relief from the effects of other factors, such as closure or re-opening of domestic production facilities, changes in demand, exchange rate changes, or antidumping and countervailing duties. The responses of firms are presented at the end of Part IV in table FLAT IV-3.

POST-RELIEF EFFORTS

The Commission asked U.S. producers to indicate whether they had undertaken any efforts to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:[2]

1. Any efforts that have been made by firms and/or their workers since March 20, 2002, to compete more effectively,

2. The period (month(s) and year(s)) in which the efforts were made,

3. The expenditure or savings involved, as applicable, and

4. The effectiveness of efforts, including any competitive advantage acquired (i.e., increased production, cost reduction, quality improvement, increased market share or sales, etc.).

In addition, if firms felt that any of these efforts were made primarily to compete with sales of imported subject steel products, they were instructed to so indicate and to give the reasons in support of their beliefs. To the extent possible, firms were asked to furnish the Commission with memoranda, studies, or other documentation that indicate that such competitive efforts were undertaken primarily against imports of subject steel. A summary of the types of U.S. producers' reported actual adjustment efforts are presented in table FLAT IV-2 and the responses of firms are presented at the end of Part IV in table FLAT IV-3.

[2] Categories on which producers were asked to comment were: investments made; capacity reductions; cost reductions with existing equipment; diversifications/expansions; mergers and consolidations; new products developed or new applications for existing products; organizational changes; changes in production practices; efforts to secure an adequate supply of raw materials; marketing changes in U.S. and foreign markets; employee reductions; changes in pension liabilities, healthcare, and union contracts; and all other efforts made by firm or workers to compete.

Table FLAT IV-2
Flat steel: Number of U.S. producers affirmatively reporting actual adjustments in the section 204 investigation, by product group

Certain flat products					
Slab	Plate	Hot-rolled	Cold-rolled	Coated	Tin
Number of U.S. producers reporting adjustments					
7	7	16	17	18	4
Investments made					
7	5	13	14	14	3
Capacity reductions					
1	2	2	3	3	1
Cost reductions with existing equipment					
5	3	10	7	10	2
Diversifications/expansions					
2	1	3	2	3	0
Mergers and consolidations					
4	3	5	6	5	1
New products developed or new applications for existing equipment					
4	4	7	6	5	1
Organizational changes					
5	3	7	7	6	2
Changes in production practices					
4	4	7	6	7	2
Efforts to secure raw materials					
4	4	9	8	7	2
Marketing changes (U.S. and foreign markets)					
2	3	6	7	5	3
Employee reductions					
4	2	5	7	7	3
Changes in pension liabilities, healthcare, and union contracts					
4	3	6	7	6	3
All other efforts made by firm or workers					
1	1	1	2	2	0

Source: Compiled from data submitted in response to Commission questionnaires.

The majority of responding domestic producers have made capital investments in order to expand product lines and to upgrade existing facilities.[3] Gallatin reported that it acquired Ghent Steel Industries in 2002 to provide in house coil processing and to increase value added sales.[4] In 2001, IPSCO Steel opened the newest flat-rolled minimill in the U.S., a plate and hot-rolled sheet mill in Mobile, AL. In 2004 the company announced a significant investment in a new 170,000 ton-per-year heat treat line for

[3] The European Confederation of Iron and Steel Industries cited these capital investments as proof that the U.S. steel industry has made a positive adjustment to import competition. European Confederation of Iron and Steel Industries, posthearing brief, pp. 5-6.

[4] IPSCO Steel, Gallatin Steel, and Steel Dynamics' posthearing brief, p. 4.

the Mobile mill.[5] SDI purchased Galv Pro, a galvanized sheet mill, out of bankruptcy in February 2003, and restarted production in July 2003. Also in 2003, the company installed a 240,000 ton paint coating line. SDI also made a substantial investment in a sections and rail facility in Whitley County, IN and in Qualitech, a bar minimill purchased out of bankruptcy.[6] Finally, U.S. Steel reported that it will rebuild its Number 13 blast furnace at Gary Works, which accounts for approximately *** percent of the iron produced at that facility. This project, which will cost over ***, is reportedly the largest single capital investment the company has made since the early 1990's.[7]

During the period under review the domestic flat-rolled industry underwent dramatic restructuring. In particular, ISG, Nucor, and U.S. Steel invested billions of dollars to consolidate the flat-rolled industry.[8] In April 2002, ISG acquired LTV's assets, in September 2002, ISG purchased Acme's assets, and in May 2003, ISG purchased Bethlehem's assets. The company stated that those successful acquisitions led to the asset acquisition of Weirton Steel in 2004.[9] Nucor bought the assets of Trico Steel, a bankrupt producer of hot-rolled products, in 2002. In 2004, Nucor acquired a cold-rolling mill from Worthington Industries and substantially all of the assets of Corus Tuscaloosa.[10] In May 2003, U.S. Steel purchased the assets of National Steel. Gallatin purchased the assets of Ghent Steel Industries, a cut-to-length finishing operation.[11] In posthearing submissions, several domestic flat-rolled steel producers expressed their view that without Section 201 relief, these consolidation efforts would not have been possible.[12]

Nearly half of responding domestic producers reported that they have undertaken efforts to secure raw materials since March 20, 2002. Raw materials for steel production include coke, iron ore, limestone and scrap. Coke is a refined carbon product produced by baking coal to drive off volatile matter, and is the principal fuel used to produce hot metal in blast furnaces.[13] To guarantee a reliable coke supply, Wheeling-Pittsburgh Steel and Severstal N.A. are working toward an agreement to rehabilitate Wheeling Pittsburgh's coke batteries in Follansbee, WV. The coke batteries are capable of producing one million tons a year, but require substantial capital investment to achieve that level of production. The two producers are negotiating the terms of a joint venture that would give Severstal N.A. a 50-percent ownership stake in exchange for a $120 million capital investment.[14] Scrap is used for a portion of the basic oxygen furnace charge; hot metal accounts for the remainder. In addition, scrap is a major input for

---

[5] IPSCO Steel, Gallatin Steel, and Steel Dynamics' posthearing brief, p. 4.

[6] IPSCO Steel, Gallatin Steel, and Steel Dynamics' posthearing brief, p. 4.

[7] U.S. Steel's response to Commission questions, p. 4.

[8] The European Confederation of Iron and Steel Industries cited this merger and acquisition activity as further proof that the domestic industry has made a positive adjustment to import competition, "With larger, substantially stronger companies vying for market share, the industry as a whole is more competitive, both internally and with foreign producers." European Confederation of Iron and Steel Industries, posthearing brief, p. 8.

[9] Mittal Steel USA ISG's response to Commission questions, p. 1.

[10] Nucor's posthearing brief, p. 8.

[11] *STEEL: Monitoring Developments In The Domestic Industry, Inv. No. TA-204-9*, USITC Publication 3632, September 2003, p. FLAT IV-7.

[12] Mittal Steel USA ISG's posthearing submission, p. 1-2, Nucor's posthearing brief p. 7, and U.S. Steel's posthearing submission, p. 8, *But see* Japan Iron & Steel Federation's posthearing submission, p. 11-12.

[13] *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia, Inv. Nos. 701-TA-384 and 731-TA-806-808 (Review)*, USITC Publication 3767, April 2005, p. I-19.

[14] Scott Robertson, *W-P puts more coke into deal with Severstal*, American Metal Market, August 9, 2005, found at http://www.amm.com/news-2005-08-09_18-47-36.html, retrieved August 17, 2005.

electric arc furnace (EAF) production.[15] In 2004, the tight supply of scrap and alternative iron units for steel making furnaces led to a renewed interest in scrap substitutes such as iron ore, DRI, hot-briquetted iron (HBI), Kwicksteel, pig iron, and Mesabi Nugget. Today, Mittal Steel, Nucor, and SDI either have or are developing alternative iron projects.[16] Nucor, the largest U.S. buyer and user of scrap and scrap substitutes, is developing high-quality scrap substitutes in an effort to control about one-third of its iron unit consumption, between 6 million and 7 million tons.[17] The company has joint ventures constructing pig iron plants in Australia and Brazil and has relocated the former American Iron Reduction, a direct-reduced iron (DRI) plant that Nucor acquired out of bankruptcy in 2004, from Louisiana to Trinidad.[18] The plant in Australia, HIsmelt, will have an initial capacity of 800,000 tons of pig iron annually and is expected to begin shipments by the fourth quarter of 2005. The Brazilian joint venture will have a 380,000 ton capacity and is due to begin pig iron production by the end of 2005. Finally, the relocated DRI plant in Trinidad is being re-assembled and should start operating in the second half of 2006, with anticipated production of 1.8 million tons of DRI annually. Nucor's 2005 investments in these joint ventures will total approximately $150 million.[19]

SDI has made substantial investments in Iron Dynamics and in new iron-making alternative technologies to reduce dependence on the volatile scrap market.[20] SDI operates an HBI facility, which it restarted in 2003, and has a joint venture, Mesabi Nugget LCC, to turn low-grade iron ore fines and pulverized coal into high-purity nuggets. The company has a pilot plant in Minnesota and plans to build two 500,000 ton-per-year commercial plants, one in Indiana, near SDI's mill, to provide operational savings, and the other in Minnesota. The plants are moving through the permit process and one is tentatively expected to begin production in 2007. Mittal Steel USA has two alternative iron facilities, the former Cliffs & Associates' HBI facility and the former Georgetown Steel Co.'s 500,000 ton DRI plant.[21]

Several domestic producers reported that since March 20, 2002, they experienced changes in union contracts. The new contracts represented a shift toward more flexible labor agreements.[22] In 2003 ISG and U.S. Steel both reached new labor agreements with the United Steelworkers of America that were designed to improve industry competitiveness. The agreements provide for workforce restructuring,

---

[15] *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia, Inv. Nos. 701-TA-384 and 731-TA-806-808 (Review)*, USITC Publication 3767, April 2005, p. I-19.

[16] Myra Pinkham, *Out of sync in alternative iron*, American Metal Market, June 17, 2005, found at http://www.amm.com/feature-2005-06-17_09-31-52.html, retrieved July 29, 2005.

[17] Myra Pinkham, *Out of sync in alternative iron*, American Metal Market, June 17, 2005, found at http://www.amm.com/feature-2005-06-17_09-31-52.html, retrieved July 29, 2005, and Scott Robertson, *Nucor hopping as 'leapfrog' iron alternate plans progress*, American Metal Market, July 22, 2005, found at http://www.amm.com/news-2005-07-22_15-48-49.html, retrieved July 29, 2005.

[18] According to Sylvia Tann, a consultant at Hatch Ltd, no company is building DRI or HBI plants in North America because of high natural gas prices. Myra Pinkham, *Out of sync in alternative iron*, American Metal Market, June 17, 2005, found at http://www.amm.com/feature-2005-06-17_09-31-52.html, retrieved July 29, 2005.

[19] Scott Robertson, *Hungry for iron, Nucor is set to turn a new leaf in 'pig' production*, American Metal Market, April 29, 2005, found at http://www.amm.com/news-2005-04-29_08-47-32.html, retrieved July 29, 2005, and Scott Robertson, *Nucor hopping as 'leapfrog' iron alternate plans progress*, American Metal Market, July 22, 2005, found at http://www.amm.com/news-2005-07-22_15-48-49.html, retrieved July 29, 2005.

[20] IPSCO Steel, Gallatin Steel, and Steel Dynamics, posthearing brief, p. 4.

[21] Myra Pinkham, *Out of sync in alternative iron*, American Metal Market, June 17, 2005, found at http://www.amm.com/feature-2005-06-17_09-31-52.html, retrieved July 29, 2005.

[22] According to the Japan Iron & Steel Federation, more flexible labor coupled with new technology and cheap inputs, placed some U.S. producers in a position to eliminate all but the most competitive producers. Japan Iron & Steel Federation's written statement, p. 4.

and a more variable and competitive cost structure.[23] *** reported that the company recently negotiated new labor agreements with ***. These new agreements have partially reduced *** healthcare costs and provided more workforce flexibility through fewer job classifications.[24] U.S. Steel reported that these new labor agreements have made the domestic flat-rolled industry more competitive, as evidenced by the decrease in unit labor costs from 2001 to 2004.[25] The use of more flexible labor agreements is reportedly continuing, as *** is now working on *** because the company's ***.[26]

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) the significance of the section 203 relief on their firm's operations, and (2) the efforts they have undertaken to compete more effectively in the U.S. market. The responses of firms are presented in the following table FLAT IV-3.

Table FLAT IV-3
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
AK Steel (slabs, hot-rolled, cold-rolled, and coated)		X		***	***
A	---				
B	***				
C	**Investments made:** In 2003, AK Steel committed to installing pollution-control measures on its Middletown, Ohio blast furnace to meet new federal standards under the Clean Air Act by May of 2005. We also committed to meeting the new standards required for our Middletown steelmaking shop by the required May 2006 deadline. The total cost of these projects is $66 million. We also recommitted to making steel in Ashland, Kentucky with approval for the investment of $65 million in a vacuum-degassing facility and an enhancement to the caster. Completing this project will enable AK Steel to more closely match its steelmaking capabilities with its customers' needs. This investment will not materially impact the amount of purchased carbon slabs that the company will need to purchase (currently from foreign producers). However, it will provide a cost benefit to the company and will provide us with more purchasing flexibility since there are more producers of the grades of steel slabs we will need to purchase in the future. **Organizational changes:** On September 18, 2003, AK Steel announced that Richard M. Wardrop- chairman and CEO and John G. Hritz- president had resigned their respective positions with the company by mutual agreement with the company's board of directors. In October 2003, Mr. James L. Wainscott was named President and CEO of the company. **Changes in production practices:** The company is now melting carbon steel products at its facilities that were previously only melting stainless and electrical products. This will help the company reduce its dependency and need to purchase carbon slabs from third-party producers. **Efforts to secure raw materials:** The company has implemented various raw material surcharge pricing mechanisms with its spot market customers. The company has also entered into new agreements with several of its contract customers which now contain variable price mechanisms which help the company deal more effectively with escalating steelmaking input costs. **Employee reductions:** Our total employment has been reduced by 1,100, or nearly 12% since October 2003. **Changes in pension liabilities, healthcare, and union contracts:** The company has recently negotiated new labor agreements with represented employees at its Coshocton, Ohio, Rockport, Indiana, Mansfield, Ohio and Ashland, Kentucky Steel plants. Overall, the new contracts have allowed the company to partially reduce its healthcare costs and to provide more workforce flexibility through fewer job classes to begin to address the competitive total labor cost disadvantage it faces versus its competitors. As indicated in our 2004 Form 10-K, our pension funds are significantly underfunded. Our pension benefit obligations at the end of 2004 were $3,830.1 million partially offset by pension plan assets of $2,484.3 million resulting in an approximate funded position of 65%. The company has improved this funding percentage slightly as the result of an early, voluntary pension funding payment of $150 million in January 2005.					

Table continued. See footnotes at end of table.

[23] U.S. Steel's response to Commission questions, p. 5.

[24] *** producer questionnaire response, section II-1-B.

[25] U.S. Steel's response to Commission questions, pp. 22-23.

[26] *** producer questionnaire response, section II-2-B.

Table FLAT IV-3
Flat steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
Alton Steel (slabs)				X	***	***
A	---					
B	---					
C	---					
Apollo Metals (coated)				X	***	***
A	---					
B	---					
C	---					
Beta (hot-rolled)			X		***	***
A	---					
B	---					
C	---					
Blair Strip Steel (cold-rolled)			X		***	***
A	---					
B	*** *** ***					
C	---					
California Steel (plate, hot-rolled, cold-rolled, and coated)			X		***	***
A	---					
B	---					
C	---					
Canfield Metal (coated)				X	***	***
A	---					
B	***					
C	---					
CSN (cold-rolled, and coated)				X	***	***
A	---					
B	*** ***					
C	---					
Double G Coatings (coated)				X	***	***
A	---					
B	*** ***					
C	***					

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
Duferco Farrell (hot-rolled, and cold-rolled)			X		***	***
A	---					
B	---					
C	---					
Ergste Westig South Carolina (cold-rolled)			X		***	***
A	---					
B	*** ***					
C	---					
Gallatin Steel (hot-rolled)		X			***	***
A	---					
B	***					
C	---					
Gibraltar Industries (cold-rolled)				X	***	***
A	---					
B	---					
C	---					
Greer Steel (hot-rolled, and cold-rolled)				X	***	***
A	---					
B	*** ***					
C	**Investments made:** Purchased new anneal furnaces at a cost of $3.4 million to increase productivity, purchased new packaging line at a cost of $130,000 to improve quality and purchased new slitter head at a cost of $189,000 to improve quality.					
IPSCO Enterprises (slabs, plate, and hot-rolled)		X			***	***
A	***					
B	*** ***					
C	---					
Ispat Inland (slabs, hot-rolled, cold-rolled, and coated)		X			***	***
A	***					
B	***					

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
Ispat Inland (slabs, hot-rolled, cold-rolled, and coated)–*Continued*					
C	**Investments made:** Ispat Inland undertook a $100 million relining and upgrading of its Blast Furnace No. 7 during the second half of 2003. Neither this project nor other long-term capital improvements of the company's flat product manufacturing facilities conducted during the Section 201 program's term could have been made without the Section 201 program's protection from surging, unfairly priced imports, which stabilized prices in a volatile market and bolstered the domestic industry's confidence in making capital investments for the future. Unfortunately, a number of other planned capital investments described in Ispat Inland's positive adjustment plan submissions during the Section 201 program were ultimately shelved because they were no longer viewed as economically feasible long-term - economic decisions that were influenced by the Section 201 program's early termination in December 2003. **Mergers and consolidations:** The integration of Ispat Inland's operations with those of the former International Steel Group (ISG) to form Mittal Steel USA in 2005 is expected to save more than $200 million in purchasing and manufacturing synergies, approximately $20 million in operating synergies, and about $60 million in an one-time inventory reduction. In addition, savings are also anticipated in revenue enhancements, reduced capital expenditures, and contract-related improvements in productivity. The roots of the new Mittal Steel USA can be traced to the Section 201 program. Wilbur Ross, the chairman of the former ISG, has repeatedly stated that the Section 201 program promoted market conditions that encouraged his purchase and consolidation of the bankrupt assets of the various steel companies composing ISG. **New products developed or new applications for existing products:** Ispat Inland has a large number of products under development, and the integration of Ispat Inland and the former ISG is expected to create the largest steel product research and development program in the United States. These activities are expected to significantly improve the competitiveness of the new company, Mittal Steel USA, with both domestic and imported flat products. **Efforts to secure raw materials:** The integration of Ispat Inland and the former ISG will increase Ispat Inland's access to raw material supplies domestically. Ispat Inland's ongoing relationships with its sister subsidiaries of Mittal Steel N.V. will continue to ensure raw material supplies from abroad when needed. **Employee reductions:** Employee reductions occurred over this period through increased efficiencies, natural attrition and retirements. **Changes in pension liabilities, healthcare, and union contracts:** In July 2003, in an agreement with the Pension Benefit Guaranty Corp. (PBGC), Ispat Inland contributed an additional $50 million to its $290 million pension trust and granted the PBGC $160 million security in certain assets. Ispat Inland's six-year collective bargaining agreement with the United Steel Workers of America (USWA) expired in 2004. The company is now working on a unified collective bargaining agreement patterned on the one the former ISG negotiated with the USWA.				
Jindal Steel (plate)			**X**	***	***
A	***				
B	---				
C	---				
JIT Steel (plate, hot-rolled, cold-rolled, and coated)		**X**		***	***
A	---				
B	---				
C	---				
Le Tourneau (plate)		**X**		***	***
A	***				
B	*** ***				
C	---				
Lone Star Steel (hot-rolled)	**X**			***	***
A	***				
B	***				
C	---				

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
Mittal Steel USA ISG (slabs, plate, hot-rolled, cold-rolled, coated, and tin)	**X[2]**			*******	*******

A	***
B	*******
C	International Steel Group Inc. ("ISG") came into existence in early 2002 as a result of the numerous bankruptcies in the steel sector that resulted in large part from waves of dumped and subsidized imports. By providing for temporarily improved market conditions and relief from imports, the Section 201 safeguard enabled ISG to acquire out of bankruptcy the steelmaking assets of Acme, LTV, Bethlehem Steel in 2002 and 2003. These successful acquisitions also led to the asset acquisition of Weirton in 2004. Thus, ISG's existence was contingent upon the company being able to restore competitiveness to high-cost assets idled as a result of bankruptcy. For example: The acquisition of LTV mitigated the supply constraints in the U.S. market by restarting the bulk of LTV's idled assets in May of 2002. The acquisition of Acme Steel's assets in October of 2002 helped diversify ISG's product line to include higher value-added mid-to-high carbon hot band. ISG's acquisition of Bethlehem's assets in May of 2003 enhanced ISG's ability to supply the automotive industry as well as broadened its product offerings. The Weirton acquisition in May 2004 expanded ISG's product offerings to tin mill products. The merger with Mittal Steel Co. N.V. is projected to save the company over $200 million annually in purchasing and manufacturing as a result of integrated purchasing processes, purchase-price reductions, changes in the mix of purchased goods, and facility optimization. ISG (now Mittal Steel USA ISG Inc. pursuant to the completion of a merger agreement on April 15, 2005) has made significant and continuing efforts to become a competitive global steel producer capable of withstanding import competition. Some of these efforts were a direct result of the asset acquisitions as outlined above, *e.g.,* decisions not to restart inefficient capacity, addition of new product lines and expansion of existing offerings, new collective bargaining agreements. Other efforts to compete such as the restart or idling of capacity as a result of changes in domestic demand have been in response to changing market conditions. As ISG began operations in April 2002, after the conclusion of the Section 201 investigation, ISG made no indication to either USTR or the ITC concerning adjustments to its operations. To the extent that ISG's predecessor companies made commitments concerning their adjustment plans, ISG's acquisition of their assets, a significant adjustment in its own right, supercedes those commitments. Below is a detailed description of Mittal Steel USA ISG's efforts to compete since March 2002. To the extent practicable in a public discussion, we have provided specific information regarding each of the Commission's categories. To avoid confusion, we refer to Mittal Steel USA ISG Inc. as "ISG" with respect to all events prior to April 2005. **Investments made**: As a result of favorable market conditions in 2004, ISG was able to make long-deferred capital investments to assist with its efforts to be a competitive global steel producer. In 2004 for example, ISG reported $267.2 million in capital expenditures and investments compared to $96.9 million in 2003. **Capacity reductions:** As of late 2003, 2.7 million tons of inefficient iron-making capacity and 3.3 million tons of inefficient rolling capacity were shutdown. Following the acquisition of LTV, for example, ISG closed and began the dismantling of a 40-year old hot strip mill in Cleveland. Further, ISG shut down Acme Steel's old and inefficient blast furnace. **New products developed or new applications for existing products:** Both ISG and now Mittal Steel USA ISG Inc. have committed to furthering product development work at the Homer Research Facility in Bethlehem, PA. In 2003 and 2004, ISG spent $5 million and $9 million respectively on new product development research efforts. The research from this facility has resulted in the introduction of products such as Galvalume, a trademark steel with a zinc and aluminum coating that reduces corrosion and is now used as a standard in the steel industry. Further, in 2004, ISG improved its product mix from a higher percent of shipments of value added coated, plate, and tin plate products as well as a lower percent of shipments of hot rolled products. **Organizational changes:** Underlying each of ISG's asset acquisitions was the negotiation and acceptance of innovative new labor agreements designed to increase productivity through a broadened scope of responsibility and accountability at each level of the workforce. As of December 31, 2004, ISG had approximately 15,500 employees, almost all of which were under collective bargaining agreements with the United Steelworkers of America or the Independent Steelworkers Union. These new agreements were all ratified between 2003 and 2004, and are not set to expire until 2008 and 2009. Notably, the agreements streamlined job classifications, implemented alternative work schedules, and eliminated previously restricted work rules. Such changes have resulted in increased flexibility and worker productivity. As of late 2003, the company projected cost savings from these agreements is in excess of $500 million per year.

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
Mittal Steel USA ISG (slabs, plate, hot-rolled, cold-rolled, coated, and tin)–*Continued*					
C	**Changes in production practices:** While basic production practices in making steel have not changed, ISG has instituted a number of initiatives that have fundamentally altered the production procedures and philosophy at each of the acquired facilities, including changes in work rules, new bonus initiatives to workers, profit-sharing, reduction of job classifications from 30 to 5, and a reduction in management structures both in the factory and in corporate headquarters. Another result of ISG's acquisitions has been the company's ability to balance maintenance outages by rotating outages during peaks in demand amongst different facilities in order to better serve our customers. **Efforts to secure raw materials:** Recognizing that access to raw materials is a critical component of ISG's business, the company has taken steps to ensure an adequate supply of raw materials now and in the future. For example, substantially all of Mittal Steel USA ISG Inc.'s 2005 iron ore requirements are under contract or supplied by entities in which the company maintains an ownership interest. Moreover, the company has a non-cancellable contract with Cleveland-Cliffs Inc. for an annual supply of iron ore pellets through 2016 for the Cleveland and Indiana Harbor facilities. With respect to coke supplies, the company sources some of its coke from its coke batteries in Warren, Ohio and Burns Harbor, Indiana, while simultaneously supplementing its needs through long-term contracts. As the price of raw materials rose sharply in 2004 in light of significantly decreased global supply, ISG added surcharges to some of its contracts to cover some or all of these costs. **Employee reductions:** At the outset, it should be noted that the formation of ISG resulted in the restoration of thousands of jobs that would have been lost if the steelmaking assets of ISG's predecessor companies remained idle. That said, there have been some necessary workforce reductions since March 2002, both in terms of management and hourly positions. For example, ISG has been able to maximize efficiency by running its facilities with approximately 60 percent of the hourly workforce that ISG's predecessor companies had and less than 50 percent of the salaried workforce. *See* Testimony of Jerry Nelson at the HRS Hearing (Mar. 2, 2005). Recognizing the painful yet necessary process of downsizing to ensure cost-savings and therefore enhance competition, ISG made substantial efforts to mitigate the loss of jobs. For example, in 2003, the company committed millions of dollars to a transition assistance program aimed at offering 2,000 hourly workers in 2003 a sizeable cash buy-out to assist with the transition out of the company. These reductions were necessary to reduce the number of man-hours needed to produce one ton of steel from 2.5 to 1. **Changes in pension liabilities, healthcare and union contracts:** By purchasing only the assets of Acme, LTV, Bethlehem, Weirton and Georgetown, ISG did not assume these companies' pension liabilities and retiree health benefit costs. The absence of defined benefit pension and retiree health care plans makes ISG's cost structure more variable than other domestic integrated producers. In 2004, total variable compensation paid to or on behalf of union employees was $432 million. This included production bonuses, profit sharing, and contributions to pension and retiree healthcare/life insurance trusts. In this regard, ISG (and now Mittal Steel USA ISG Inc.) committed itself to directing a percentage of operating profits to a trust fund that will restore some of those lost benefits to the companies' retirees. The success of the company's efforts is therefore contingent upon the company being able to operate at reasonable levels of profitability – which in turn is influenced by relief from unfairly priced and subsidized imports. **Marketing changes in U.S. and foreign markets:** In the U.S., ISG created an automotive sales group at the Burns Harbor facility to act as the focus point for ISG's automotive sales, service and development effort. Historically, ISG's opportunities for sales outside of the U.S. have been intermittent and highly competitive. In 2004, however, ISG increased its overall export sales to $337.9 million from $165 million in 2003 (which remains a relatively small share of total sales).					
National Galvanizing (coated)			X	***	***
A	---				
B	***				
C	---				
North Star BHP (hot-rolled)	X			***	***
A	---				
B	***				
C	---				

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
	Yes	No	Not known	Yes	No
North Star Steel (plate)			X	***	***
A	---				
B	*** ***				
C	---				
Nucor (slabs, plate, hot-rolled, cold-rolled, and coated)	X			***	***
A	***				
B	***				
C	Nucor's efforts are directed at effectively competing against all competitors regardless of whether they are domestic or foreign. Thus, there are no Nucor investments that are targeted specifically at competing with imports. Nucor has, from time to time, had to introduce marketing efforts to combat increasing volumes and offers of low-priced steel imports and has submitted relevant evidence of these efforts, in confidence, to the Commission in other investigations. Further, each Nucor mill is continuously engaged in efforts to compete more effectively against other suppliers. The most significant efforts are noted below. **Investments made:** Nucor acquired the Decatur, Alabama hot-rolled mill from Trico Steel in July 2002 and cast its first heats approximately 60 days after acquisition as Nucor accelerated the re-start of this facility. Nucor also acquired an option to purchase American Iron Reduction, a scrap-alternative producer, in December 2003. In 2004, Nucor acquired a cold-rolling mill located in Decatur, Alabama, from Worthington Industries and a plate mill from Corus Steel located in Tuscaloosa, Alabama. In March 2005, Nucor announced that it was adding 2 vacuum degassers in order to increase the qualities of flat-rolled steel that it produces. Each Nucor facility has also made smaller investments since March 2002 that were intended to increase the facility's competitiveness, but Nucor prefers not to publicly issue a comprehensive list of these projects. **Capacity reductions:** Nucor is currently accelerating its maintenance shutdowns at its flat-rolled mills because soft demand makes it possible to reduce production without adversely affecting customers. Cost reductions with existing equipment: Each Nucor facility continuously tries to reduce costs with its existing equipment and continuously evaluates whether the acquisition of new equipment or a change in procedure will result in lower costs, higher quality, or greater output or some combination of these. Nucor prefers not to publicly issue a comprehensive list of these projects. **Diversifications/expansions:** As noted above, Nucor acquired the Decatur mill in July 2002, a cold-rolling mill in Decatur in 2004, and acquired the Tuscaloosa mill in 2004. These are Nucor's most significant diversifications/expansions and mergers and consolidations in the flat rolled steel area.				
Ohio Coatings (tin)		X		***	***
A	---				
B	---				
C	---				
Oregon Steel Mills (slabs, plate, and hot-rolled)		X		***	***
A	---				
B	***				
C	---				
Pre-Coat Metals (hot-rolled, cold-rolled and coated)			X	***	***
A	---				
B	***				
C	---				

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
Pro-Tec Coating (coated)		**X**			***	***
A	***					
B	***					
C	**Investments made:** Investments are continually being made to improve Pro-Tec's production facilities. Some of the more significant projects which improved Pro-Tec's overall production performance were: 1) Improved combustion control in the furnace on its second hot-dip continuous galvanizing/galvannealing line ("CGL 2"); 2) Improving strip cooling effectiveness on CGL 2; 3) Improving strip cooling effectiveness on its original line ("CGL 1"). **Diversifications/expansions:** See new product development below. **New products developed or new applications for existing products:** In response to the ITC's steel safeguard investigation, Pro-Tec identified new product development as a specific action plan to combat excessive imports and to maintain its market share in the automotive market. Through the development and commercialization of Advanced High Strength Steels (AHSS), Pro-Tec has gained a significant competitive advantage since the original safeguard investigation. Today, Pro-Tec Coating Company is the largest supplier of corrosion-resistant AHSS to automotive manufacturers. These AHSS are the next generation of ultra high-forming and high-strength steels. The combination of high formability and high strength allow automotive manufacturers to reduce the weight of their vehicles without any corresponding loss of formability, resulting in improved crash-worthiness and fuel economy. **Changes in production practices:** Pro-Tec is continually looking for new ways to improve its production practices. In particular, Pro-Tec has recently concentrated on developing methods of processing coils of varying characteristics in a manner that will ensure that all AHSS made from those coils will meet the same exacting standards.					
Rome Strip Steel (cold-rolled)				**X**	***	***
A	---					
B	***					
C	**Investments made:** Rome Strip Steel's primary competition is other domestic cold-rolled strip steel producers. We compete on a very limited basis with foreign producers of cold-rolled strip steel. In order to remain competitive in our marketplace we have consistently reinvested in our plant and equipment. The most recent major capital investment was a temper mill installed in 2003 at a cost of 8 million dollars. This allowed us to remove two pieces of equipment and made us more productive. **Changes in production practices:** We are also constantly trying to improve our production practices and use of manpower. Through the use of improved methods and scheduling we have been able to reduce our employee count steadily. We have been able to maintain the same level of production with less workers. We have accomplished this entirely through attrition. **All other efforts made by firm or workers to compete:** The improvements we have made in quality and productivity have allowed us to maintain our market share and our position with key accounts. Our domestic competition continues to improve and we must improve as well in order to stay competitive.					
Severstal N.A. (slabs, hot-rolled, cold-rolled, and coated)		**X**			***	***
A	***					
B	---					
C	---					
Spartan Steel Coating (coated)				**X**	***	***
A	---					
B	***					
C	---					

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
Steelscape (cold-rolled, and coated)			X		***	***
A	---					
B	***					
C	**Investments made:** Cut-to-length line over the period of 7/02-4/03, estimated expense of $4,000,000. This gave the ability to supply sheet products to the HVAC and service center accounts. Diversifications/expansions: Warehouse additions over the period 1/03-4/03. This gave the ability to control distribution channels and provide better service to our customers. **Mergers and consolidations:** Acquisition of MSC facility at Richmond, 6/02, estimated expense of $26,000,000. This provided additional painting capacity to allow for shorter lead-times and greater reliability. Acquisition of Polymer Coatings at Fairfield, AL, 12/31/04, estimated expense of $27,900,000. This provides additional painting capacity in a key target market.					
Steel Dynamics (hot-rolled, cold-rolled, coated)				X	***	***
A	---					
B	---					
C	---					
The Techs (coated)				X	***	***
A	---					
B	---					
C	---					
Theis Precision (cold-rolled)				X	***	***
A	---					
B	***					
C	***					
Thomas Steel (cold-rolled, and coated)			X		***	***
A	---					
B	***					
C	---					
Thompson (cold-rolled)			X		***	***
A	—					
B	—					
C	—					
U.S. Steel (slabs, plate, hot-rolled, cold-rolled, coated, and tin)		X			***	***
A	***					
B	***					

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

	Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
U.S. Steel (slabs, plate, hot-rolled, cold-rolled, coated, and tin)–*Continued*						
C	**Investments made:** U.S. Steel's most important investment was its purchase of the assets of National Steel in May 2003. This investment has significantly improved U.S. Steel's competitive position. Indeed, total savings from operational synergies associated with this transaction, including workforce reductions and administrative cost reduction programs, have exceeded $400 million in annual repeatable cost savings. As a result of the steel crisis that began in 1998, U.S. Steel, like other domestic producers, was unable to make needed capital expenditures to improve and upgrade its facilities. However, due to improved market conditions (which were directly influenced by Section 201 relief), these expenditures have begun to increase. Capital expenditures for 2005 are expected to be approximately $475 million, up from $356 million in 2004. **Cost reductions with existing equipment:** As discussed above, U.S. Steel's purchase of National's assets has resulted in major cost reductions. **Mergers and consolidations:** U.S. Steel's purchase of National's assets is discussed above. Organizational changes: U.S. Steel's purchase of National's assets resulted in significant organizational changes. For example, U.S. Steel has restructured its operations to ensure that customers located close to U.S. Steel's new Granite City and Great Lakes facilities are served by those facilities, and to reach out to former National customers who are now served by U.S. Steel. **Changes in production practices:** As part of its effort to concentrate on higher value-added downstream products, U.S. Steel exchanged its plate mill at Gary Works for an ISG pickling line located in East Chicago, Indiana. This exchange improved the efficiency of U.S. Steel's tin mill operations in East Chicago, Indiana. U.S. Steel has also changed its production practices to ensure that each of its mills, including the facilities it purchased from National, are concentrating on the most profitable product mix for the customers that it serves. **Efforts to secure raw materials:** Iron Ore: As part of its purchase of National's assets, U.S. Steel obtained an iron ore facility in Keewatin, Minnesota. This facility, along with U.S. Steel's Minntac facility in Mount Iron, Minnesota, makes U.S. Steel completely self-sufficient for its domestic iron ore requirements to support blast furnace production. Coke: U.S. Steel operates coke-making facilities in Clairton, Pennsylvania; Gary, Indiana; and Granite City, Illinois. These facilities have the capability to supply all of U.S. Steel's domestic metallurgical coke requirements for blast furnace operations. Pursuant to a Coke Sales Agreement between U.S. Steel and EES Coke Battery, LLC, which operates a cokemaking facility at U.S. Steel's Great Lakes Works, U.S. Steel purchased 100 percent of the output of this facility during 2004 and will purchase a portion of such output during 2005. U.S. Steel also benefits from blast furnace coal injection processes at Gary Works, Great Lakes Works, and Fairfield Works. These processes reduce U.S. Steel's domestic coke requirements. Limestone: U.S. Steel believes that supplies adequate to meet its domestic limestone needs are readily available from third parties at competitive market prices. Scrap and other materials: Supplies of steel scrap, tin, zinc, and other alloying and coating materials required to serve U.S. Steel's domestic operations are available from third parties at competitive market prices. U.S. Steel utilizes some hedging and derivative purchasing practices with regard to domestic requirements for tin and zinc. Natural Gas: U.S. Steel believes that supplies of natural gas, adequate to meet its domestic needs, are available from third parties at competitive market prices. Currently, about 60 percent of U.S. Steel's domestic natural gas purchases are based on solicited bids, on a monthly basis, from various vendors; approximately 30 percent are made through long-term contracts; and the remainder are made daily. U.S. Steel utilizes some hedging and derivative purchasing practices with regard to domestic requirements for natural gas because of the volatility of natural gas markets. **Marketing changes in U.S. and foreign markets:** As discussed above, U.S. Steel's purchase of National's assets has given it access to National's former customers. U.S. Steel's new Great Lakes facility has also improved its ability to reach customers in the Detroit area, while its new Granite City facility has improved its ability to reach customers in the Gulf Coast and the West. U.S. Steel has moved aggressively to build relationships with all of these potential new customers.					

Table continued. See footnotes at end of table.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers[1]

LEGEND
A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
U.S. Steel (slabs, plate, hot-rolled, cold-rolled, coated, and tin)–*Continued*					
C	**Employee reductions:** As discussed above, U.S. Steel's purchase of National's assets resulted in significant workforce reductions, which have dramatically reduced U.S. Steel's costs. **Changes in pension liabilities, healthcare, and union contracts:** In May 2003, U.S. Steel and the United Steelworkers of America ("USWA") finalized a progressive new labor contract covering the USWA-represented employees of U.S. Steel and the former National Steel. This agreement allowed for a workforce restructuring, expanded profit-based variable compensation, provided cost-sharing mechanisms for employee and retiree health care expenses, and provided a joint mechanism to consider further acquisitions of steel and steel-related assets in North America. **All other efforts made by firm or workers to compete:** One final point should be made in response to this question. The questionnaire asks domestic producers to identify any efforts that have been made "primarily to compete with sales of imported subject steel products." As the Commission documented in the original Section 201 investigation, imports were a *substantial* cause of *serious* injury to domestic steel producers. Furthermore, the rest of the world continues to have an enormous excess capacity to produce steel products, which means that domestic producers must constantly face the threat of new import surges. Under these circumstances, *every* effort to compete undertaken by U.S. Steel is designed with one of its primary purposes being to improve U.S. Steel's ability to compete with imports.					
USS-POSCO (cold-rolled, coated, and tin)	**X**			*******	*******
A	***				
B	*******				
C	---				
WCI Steel (slabs, plate, hot-rolled, cold-rolled, and coated)	**X**			*******	*******
A	***				
B	***				
C	***				
Wheeling-Nisshin (coated)	**X**			*******	*******
A	***				
B	***				
C	**---**				
Wheeling-Pittsburgh (slabs, hot-rolled, cold-rolled, and coated)	**X**			*******	*******
A	*******				
B	**---**				
C	**---**				

[1] All reported efforts to compete are presented. For all other categories, firm either answered "NA," "None," or did not respond.
[2] Mittal Steel USA came into existence in 2005. The following predecessor companies whose assets were acquired by ISG, which in turn was acquired by Mittal Steel to form Mittal Steel ISG USA, submitted adjustment plans during the Section 201 investigation: Acme, Bethlehem, LTV and Weirton.

Source: Compiled from data submitted in response to Commission questionnaires.

CHAPTER 3

CARBON AND ALLOY LONG STEEL

PART I: OVERVIEW (LONG STEEL)

ORGANIZATION OF THIS CHAPTER

Information in this carbon and alloy long steel (long steel)[1] chapter is organized into five parts: (1) overview of issues concerning the industries producing long steel products; (2) industry and market data for hot bar; (3) industry and market data for cold bar; (4) industry and market data for rebar; and (5) adjustment efforts of U.S. long steel producers.

U.S. PRODUCERS

Information on the number of reporting U.S. producers of long steel and a summary of U.S. producers' positions with respect to the section 203 relief collected during the Commission's monitoring investigation are presented in table LONG I-1. A list of U.S. producers of long steel providing a response to the Commission's producers' questionnaire in this investigation is presented in table LONG I-2.

Table LONG I-1
Long steel: Summary of U.S. producers' positions with respect to the section 203 relief,[1] by products[2]

Item	Support relief	Oppose relief	Take no position	No response	Total
Hot bar	24/19	4/0	2/1	0	30/20
Cold bar	16/15	1/2	1/2	0	18/19
Rebar	12/10	3/0	2/1	0	17/11

[1] The first number represents U.S. producers' positions in the original safeguard investigation in 2001. The second number represents U.S. producers' positions in the monitoring investigation in 2003.
[2] Responses are shown only for products a firm produces and for which it provided data. A firm may produce more than one of the products.

Source: *Steel, Inv. No. TA-201-73,* USITC Publication 3479, December 2001, p. LONG-6, *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9,* USITC Publication 3632, September 2003, p. LONG I-1.

Table LONG I-2
Long steel: U.S. producers' production, by products, 2004

* * * * * * *

STRUCTURAL DEVELOPMENTS

Information on developments in the domestic industries producing hot bar, cold bar, and rebar, including bankruptcy protection filings, mergers and acquisitions, and significant capital investments, is presented below. A list of U.S. producers that have recently filed for bankruptcy protection is presented in table LONG I-3. Table LONG I-4 presents industry mergers and acquisitions. Table LONG I-5 presents major publicly announced capital investments of U.S. producers.

[1] For purposes of this report, the term "long steel" consists of subject hot bar, cold bar, and rebar.

Table LONG I-3
Long steel: U.S. producers of subject products that have filed for bankruptcy protection, 2001-05

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capacity (million short tons)	Employees affected	Comments
January 2001	CSC *Warren, OH*	Carbon and alloy steel hot-rolled and cold-finished bars	Shut down April 2001	0.4	1,225	Privately owned by Reserve Group, Akron, OH. Ceased operation April 2001. Restart attempted October 2001.
February 2001	GS Industries *Georgetown, SC* *Kansas City, MO*	Carbon and alloy steel rod, wire, hot-rolled bars, and grinding media (balls and rods)	MO plant shut down; SC plant operating	2.0	1,750	Permanently closed Kansas City operations with 1.0 million tons capacity and 800 employees. Georgetown assets (rod mill) purchased by Georgetown Steel Co. LLC, August 2002, idled when Georgetown Steel filed for bankruptcy October 2003, acquired by International Steel Group (ISG) June 2004, restarted August 2004, and was part of Mittal Steel's acquisition of ISG April 2005.
April 2001	Republic Technologies International *Beaver Falls, PA* *Lorain, OH* *Canton, OH* *Massilon, OH* *Lackawana, NY* *Gary, IN* *Cartersville, GA*	Carbon and alloy steel hot-rolled and cold-finished bar, billet, wire	PA cold-finishing plant shut down July 2002; Massilon, OH hot-rolling mill shut down late 2002; others operating	2.2	4,600	Joint venture of Blackstone Capital Partners, USX, and Kobe Steel (Japan). Operating assets acquired by Gerdau AmeriSteel (Cartersville) in June 2002, by Republic Engineered Products, LLC, August 2002, and by BVV Acquisitions (Beaver Falls) June 2003. Most operations continue.
July 2001	Laclede Steel *Alton, IL* *Fairless Hills, PA*	Carbon and alloy steel hot-rolled bar, pipe, welded chain	Operating	0.6	525	Original bankruptcy filing November 1998. Emerged from bankruptcy January 2001. Filed for bankruptcy July 2001. Mill shut down August 2001. Melt shop and bar mill assets in IL acquired by Alton Steel in January 2003. Melt shop followed by rolling mill restarted September 2003.
August 2001	Riverview Steel *Glassport, PA*	Rebar	Shut down August 2001	None	60	Shut down 2000, re-opened spring 2001, shut down again in August 2001. Privately owned by Sherman International Corp.
December 2001	Sheffield Steel *Sand Springs, OK* *Joliet, IL*	Carbon and alloy steel hot-rolled special- and merchant-quality bar, rebar, fence posts	Operating	0.6	610	Emerged from bankruptcy August 2002.
March 2002	Calumet Steel *Chicago Heights, IL*	Carbon and alloy steel hot-rolled, special- and merchant-quality bar and carbon steel light sections	Shut down March 2002	0.2	210	Chapter 7 (liquidation) filing. Assets acquired at bankruptcy auction by MZG Associates II LLC, Lansing, IL, November 2002. MZG sought funding from the Illinois Department of Commerce and Economic Opportunity to restart the mill, May 2003.
June 2002	Birmingham Steel, *Birmingham, AL* *Kankakee, IL* *Memphis, TN* *Seattle, WA* *Jackson, MS*	Rebar and carbon and alloy steel hot-rolled merchant bar, rod, and light sections	TN mill idled; others operating	2.5	1,300	Assets acquired by Nucor Corp., December 2002, and operations continue.
January 2003	J&L Structural Steel *Aliquippa, PA*	Carbon steel light sections	Shut down August 2002	None	120	Operated under Chapter 11 (reorganization) bankruptcy protection since June 2000. After sale attempt to Cornerstone Capital Advisors Inc. fell through, U.S. Bankruptcy Court placed J&L in Chapter 7 (liquidation).

Table continued.

Table LONG I-3--*Continued*
Long steel: U.S. producers of subject products that have filed for bankruptcy protection, 2001-05

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capacity (million short tons)	Employees affected	Comments
January 2003	Bayou Steel *LaPlace, LA*	Carbon steel hot-rolled merchant bar and light sections	Operating	0.6	510	Emerged from bankruptcy February 2004.
February 2003	Kentucky Electric Steel *Ashland, KY*	Carbon and alloy steel hot-rolled flat and square bars	Operating	0.3	326	Previously shut down since December 2002. Assets acquired by KES Acquisition Co. (Pinnacle Steel) September 2003. Rolling mill restarted April 2004, melt shop restarted May 2004.
June 2003	Slater Steel *Fort Wayne, IN* *Lemont, IL* *Canada*	Carbon and alloy steel hot-rolled and cold-finished bars, and rebar; and stainless steel hot-rolled and cold-finished bars, and light sections.	IN and IL mills idled October 2003	None in the United States	370	Filing of Canadian parent company under Canadian law concurrent with filing in United States. IL carbon and alloy bar mill sold to Nucor Corp. January 2004. IN alloy and stainless steel bar mill sold to Valburna Corp. February 2004 and subsequently restarted July 2004. Canadian mills sold off January-April 2004.
October 2003	Republic Engineered Products *Lorain, OH* *Canton, OH* *Massillon, OH* *Lackawana, NY* *Gary, IN*	Carbon and alloy steel hot-rolled and cold-finished bar, billet, wire	Operating	2.2	2,350	Previous bankruptcy filing by Republic Technologies International April 2001. Emerged from bankruptcy December 2003 through sale to Perry Strategic Capital Inc., which changed the name from Republic Engineered Products LLC to Republic Engineered Products Inc.

Source: Compiled from various public sources.

Table LONG I-4
Long steel: Significant steel company mergers and acquisitions, 2001-05

Month and year	Company	Description and raw steel capacity
April 2001	Nucor	Nucor, the largest U.S. minimill steel producer (capacity: 3.8 million short tons), acquired Auburn Steel's Auburn minimill (capacity: 0.5 million short tons) that produces hot-rolled bar, rebar, and light sections.
July 2001	International Steel & Tube Industries (Istil USA)	Istil USA (with no U.S. raw steel capacity) acquired assets of the shuttered Susquehanna Steel Mill, Milton, PA (capacity: 0.2 million short tons), a minimill that produced hot-rolled bar, rebar, and light sections. No further information available as to the mill's operating status.
December 2001	Gerdau AmeriSteel	Gerdau AmeriSteel (capacity: 2.2 million short tons) purchased Birmingham's Cartersville, GA minimill (capacity: 1.0 million short tons) that produces light and medium sections and flat bars.
March 2002	Charter Steel	Charter Steel, a minimill rod producer (with no subject long-product raw steel capacity) purchased Birmingham's Cleveland, OH rolling mill (no raw-steel capacity) that produces special quality bar products, wire rod, and wire.
June 2002	Gerdau AmeriSteel	Gerdau AmeriSteel (capacity: 3.2 million short tons) purchased Republic Technology's Cartersville, GA carbon steel cold-finished bar mill (no raw steel capacity).
August 2002	Republic Engineered Products	Newly established Republic Engineered Products acquired most of the assets of Republic Technologies International (capacity: 3.2 million short tons), a minimill producer of hot-rolled and cold-finished bar.
September 2002	Steel Dynamics	Steel Dynamics, a minimill producer (previously with no subject-long raw steel capacity), finalized the purchase of the assets of Qualitech Steel SBQ LLC, a minimill producer (capacity: 0.6 million short tons) after resolving litigation with Nucor. Steel Dynamics began converting the Pittsboro, IN mill in December 2003, which produces special-quality bar products, to also produce merchant-quality bar, light sections, and rebar.
September 2002	Slater Steel	Slater Steel (no U.S. raw-steel capacity) purchased Auburn Steel's Lemont, IL, minimill (capacity: 0.5 million short tons, that has been shuttered since February 2001) that produced merchant quality bar and rebar. Re-started rolling operations, beginning in December 2002, of carbon and stainless steel merchant- and special-quality bars, and rebar. Billets are produced by other Slater Steel facilities in the United States and Canada, as Slater Steel decided to redistribute melt shop equipment from the Lemont facility among its other facilities.
October 2002	Gerdau AmeriSteel	Gerdau (capacity: 3.2 million short tons), a Brazilian steel company with both Canadian and U.S. minimills, merged with Co-Steel Inc. (capacity: 1.8 million short tons), a Canadian firm also having both Canadian and U.S. minimills. The merged firm, Gerdau Ameristeel Corp., operates 11 minimills in the United States and Canada.
November 2002	MZG Associates II	Acquired assets of Calumet Steel (capacity: 0.2 million short tons).
December 2002	Nucor	Nucor (capacity: 4.3 million short tons) acquired the four remaining minimills (capacity: 2.4 million short tons) of Birmingham Steel Corp., a large minimill company that produced hot-rolled bar, rebar, and light sections.
January 2003	Alton Steel	Acquired Alton, IL melt shop (capacity: 0.6 million short tons) and bar mill assets of Laclede Steel.
March 2003	Nucor	Nucor (capacity: 6.7 million short tons) acquired the assets of the Kingman, AZ, rebar and wire rod minimill (capacity: 0.5 million short tons) from North Star Steel. The Kingman melt operation has not operated since January 2000 and the rolling mill has been idle since March 2003. Nucor decided July 2004 to dismantle and redistribute the melt-shop equipment to its other facilities locations after unsuccessful attempts to negotiate favorable contracts with electric power providers.
May 2003	International Steel Group (ISG)	ISG, a large, integrated flat-steel producer (no U.S. long-product capacity), purchased the assets of Bethlehem Steel Corp., a large, integrated producer of all flat-rolled products, including the Steelton, PA mill (capacity: 1.2 million short tons) that produces rail, hot-rolled flat bar, forging steels, and ingots.
June 2003	BVV Acquisitions LLC	Acquired the assets of Republic Technologies International's previously idled carbon, alloy, and stainless steel, cold-finished bar facility in Beaver Falls, PA.

Table continued. See note at end of table.

Table LONG I-4 –*continued*
Long steel: Significant steel company mergers and acquisitions, 2001-05

Month and year	Company	Description and raw steel capacity
July 2003	Keystone Profiles Ltd.	Keystone Profiles was formed from the merger of BVV Acquisitions, owner of the idled former-Republic Technologies International carbon, alloy, and stainless steel, cold-finished bar facility at Beaver Falls, PA, with Pittsburgh Tool Steel Inc., a producer of carbon, alloy, and stainless steel, cold-finished bars, light sections, wire, and tubes and pipes at its Monaca, PA facility.
August 2003	KES Acquisition Co.	Acquired the assets of Kentucky Electric Steel LLC, a minimill producer (capacity: 0.3 million short tons) of hot-rolled bars.
October 2003	Perry Strategic Capital Inc.	Acquired the assets of Republic Engineered Products LLC, a minimill producer (capacity: 0.3 million short tons) of hot-rolled bars, and renamed the company Republic Engineered Products Inc.
January 2004	Nucor	Nucor (capacity: 6.7 million short tons) acquired the idled Lemont IL (no raw-steel capacity) hot-rolling bar mill as part of bankruptcy proceedings of Slater Steel Inc.
February 2004	Quanex (MacSteel) Corp.	Quanex (capacity: 0.8 million short tons), a producer of carbon and alloy steel, hot-rolled and cold-finished, special-quality and engineered bars, acquired the assets of the Monroe, MI special-quality and engineered bar minimill (capacity: 0.6 million short tons) from North Star Steel Co.
February 2004	Valbruna Corp.	Valbruna acquired the assets of the Fort Wayne, IN stainless and alloy steel hot-rolled bar and light sections mill and cold-finished bar plant from Slater Steel Corp., which was restarted July 2004.
April 2004	Mittal Steel USA	Mittal Steel (capacity: 0.6 million short tons), a large multinational steel producer, purchased the assets of ISG, including the Steelton, PA mill (capacity: 1.2 million short tons) that produces rail, hot-rolled flat bar, forging steel, and ingots.
November 2004	Gerdau AmeriSteel	Gerdau AmeriSteel (capacity: 5.0 million short tons), acquired the four remaining long-product minimills (capacity: 2.0 million short tons) of North Star Steel that produce carbon and alloy steel bars and light and medium sections, along with three wire-rod processing plants and a grinding ball facility. The sales marked North Star's exit from the long-product market.
February 2005	Nucor	Nucor (capacity: 6.7 million short tons) acquired the cold-finished bar mill in Oak Creek, WI from Fort Howard Steel Inc. which exited the industry by also shutting down its mill in Ashwaubenon, WI.

Note: Raw-steel capacity shown are only those for subject long-product facilities in the United States.

Source: Compiled by Commission staff from various public sources.

Table LONG I-5
Long steel: Major capital investments of U.S. steel companies, as reported in public sources, 2001-05

Year	Company and location	Facility	Reported investment
2001	Tamco *Rancho Cucamonga, CA*	Major modernization completed, including new transformer and controls for the electric-arc furnace (EAF), new 5-strand billet caster, upgrades to the reheat furnace to increase heating capacity, and new mill drives and controls for the rebar rolling mill.	$9 million
2001	Calumet Steel *Chicago Heights, IL*	New 2-strand continuous billet caster commissioned.	
2001	Connecticut Steel *Wallingford, CT*	Rolling mill upgraded with state-of-the-art high-speed trimming shear for increased efficient and precise trimming of larger-diameter coiled bar and rebar.	
2001	Macsteel *Jackson, MI*	New roller hearth furnace commissioned to increase bar production capacity by one-third. Also includes new specialized heat-treating, bar straightening, and testing equipment.	$30 million
2001	Nucor *Jewett, TX*	Bar and light-section rolling mill upgraded.	
2001	Connecticut Steel *Wallingford, CT*	Modifications to rolling mill to roll larger billets completed.	
2002	Bayou Steel *Harriman, TN*	New 6-stand hot-bar roughing mill commissioned to replace cantilevered mill.	$8 million
2002	Charter Steel *Saukville, WI*	Production of quality bar-in-coils commenced at bar mill upgraded with a new 5-stand reducing and sizing block, and coilers.	
2002	North Star Steel *Monroe, MI*	New automation and drive systems for the roll stands of the special quality bar mill to improve product quality.	
2002	North Star Steel *Wilton, IA*	Additional sidewall oxygen and carbon injectors were installed on the EAF to increase production, among other investments.	$36.6 million
2002	Co-Steel *Perth Amboy, NJ*	Start-up of CoJet gas-injection system for the EAF.	
2002	CMC Steel *Cayce, SC*	Upgraded the EAF, new material handling equipment, extended the meltshop bay, and installed scratch-reduction rolls on the cooling bed for large-diameter special bar quality round bars.	$4.2 million
2002	Nucor *Norfolk, NE*	Upgraded the NN2 mill into a modern twist- and tension-free mill with 18 new stands in a quick-change arrangement for producing a wider size range of bars and light sections.	
2003	Gerdau AmeriSteel *Baldwin, FL*	Equipment upgraded to improve alignment between the finishing mill and coilers, allowing the mill's single-strand rod outlet to roll wire rods and rebar more consistently at high speeds.	
2003	Republic Engineered Products *Lorain, OH*	Production commenced at new 20-inch bar mill, as part of plan to improve bar quality (especially dimensional, straightness, and end conditions), and to move production of larger-diameter bars to the newly modernized Lorain mill from the older 18-inch mill at Massillon, OH.	$19.7 million
2003	Gerdau AmeriSteel *Knoxville, TN*	Enhancements to improve the efficiency of the EAF with installation of a carbon-injection unit and improved weighting system.	
2003	Gerdau AmeriSteel *Jackson, TN*	Modernization plans for a 4-strand continuous billet caster to expand production capacity, improve product quality, and offer greater range of steel grades.	

Table continued. See footnotes at end of table.

Table LONG I-5--*Continued*
Long steel: Major capital investments of U.S. steel companies, as reported in public sources, 2001-05

Year	Company and location	Facility	Reported investment[1]
2003	Gerdau AmeriSteel Cartersville, GA Jacksonville, FL	Installed JetBOx chemical-energy injector and control systems on EAFs to enhance injection of oxygen and carbon streams into the molten steel.	
2003	Nucor *Darlington, SC*	Modernized the No. 1 bar and section mill with a new finishing end (including a longer cooling bed, and upgraded modern straightening, cutting, magnetic stacking, and automatic packaging facilities) for increased production capacity, efficiency, and final product quality of bars and light sections.	
2003	CMC Steel *Cayce, SC*	Announced (2003) upgrades planned for the EAF include new transformer, switchgear and breakers, an additional CoJet burner system, and baghouse expansion.	$8.4 million
2003[2]	Alton Steel *Alton, IL*	Investment considered (January 2003) to restart operations of former Laclede melt shop and bar mill.	$15 million
2004[2]	Nucor *Jewett, TX*	Announced (April 2003) plans for new meltshop to reduce melt-cycle time include new single-charge AC EAF, twin-station ladle metallurgy furnace, and four/five-strand billet caster.	
2004	Steel Dynamics *Pittsboro, IN*	Announced (May 2003) upgrades to expand product capacity of the former Qualitech special-quality bar mill (idled since February 2001) to also include merchant bars, rebar, and light sections. Started up a new vacuum tank degasser to produce alloy steel (April 2004) and an eight-stand bar finishing line to produce rebar, merchant-quality bar, and light sections (June 2004). Installed new straightening and stacking equipment.	$80 million
2004	Gerdau AmeriSteel *Knoxville, TN*	Announced (April 2004) EAF upgrades with installation of Burnjector units to enhance injection of oxygen and carbon streams into the molten steel.	
2004	Republic Engineered Products *Lorain, OH*	Installed a new quality verification system to inspect and straighten bars at its 20-inch mill, instead of sending the bars to another facility, which will improve lead times and enhance cost- and inventory-controls (June 2004).	$0.8 million
2004	Republic Engineered Products *Lorain, OH*	Upgraded the molds on the six-strand billet and bloom caster with Dynaflex hydraulic mold oscillation technology to enhance molding of molten steel.	
2004	Nucor *Kankakee, IL*	Completed (July 2004) a modernization project to replace existing cooling bed, cooling system, and controls on the line producing bar, rebar, and light sections. Also a multi-million dollar contract was awarded (August 2004) for a new pusher reheat furnace.	
2004	Republic Engineered Products *Canton, OH*	Announced (November 2004) the start-up of a new saw line for bars that boosts the mill's cutting capacity by 40,000 tons per year and eliminates the need for contracting with outside processors.	$0.3 million
Early 2005[1]	SMI Steel *Segun, TX*	Contract awarded (April 2004) to upgrade the bar and section mill with a new automatic stacking and bundling system.	
Early 2005	Nucor *Darlington, SC*	Major upgrades announced (April 2004) to the No. 2 mill including replacement of the existing 9-stand intermediate finishing mill with a state-of-the-art 10-stand twist-free mill.	
2005	Nucor *Auburn, NY*	Continuous caster modernization completed and caster roller table lengthened by 80 feet to extend casting capacity to 40-foot long billets.	

Table continued. See footnotes at end of table.

Table LONG I-5--*Continued*
Long steel: Major capital investments of U.S. steel companies, as reported in public sources, 2001-05

Year	Company and location	Facility	Reported investment[1]
2005[1]	Republic Engineered Products *Canton, OH*	Investment reported (January 2005) for a new five-strand, high-speed continuous caster; a single-tank vacuum degasser station; and other molten-steel refining and processing equipment to expand the supply of blooms and billets for hot-rolling into bars at the Lorain, OH and Lackawana, NY mills.	$50 million
2005[1]	Gerdau AmeriSteel *Cartersville, GA*	Contracted (January 2005) for new equipment to upgrade finishing facilities including a 1,000-ton stationary cold shear for cutting flat bar and light sections and an 80-foot double-headed magnetic stacker.	
2005[1]	Nucor *Seattle, WA*	Contracted (February 2005) for the rebuilding of the four-strand caster with new mold assemblies, cooling system, withdraw straighteners, service systems, and full-automation package.	
2005[1]	Quanex *Fort Smith, AK*	Phase-8 capital improvement project approved (September 2004) to expand production shipping capacity by 40,000 tons to 500,000 tons per year, along with upgrades to the rotary continuous caster, direct rolling mill, and metallurgical refining stations.	$20 million

[1] Anticipated.

Note: Where no value is given, data were not reported in source.

Source: Selected entries from annual reports titled "Developments in the North American Iron and Steel Industry," various issues, *Iron and Steel Technology*; *Steel News*, found at *http://www.steelnews.org*, various issues; *American Metal Market*, found at *http://www.amm.com*, various issues; *Metal Center News online*, found at *http://www.metalcetnernews.com*, various issues; and individual company Internet sites.

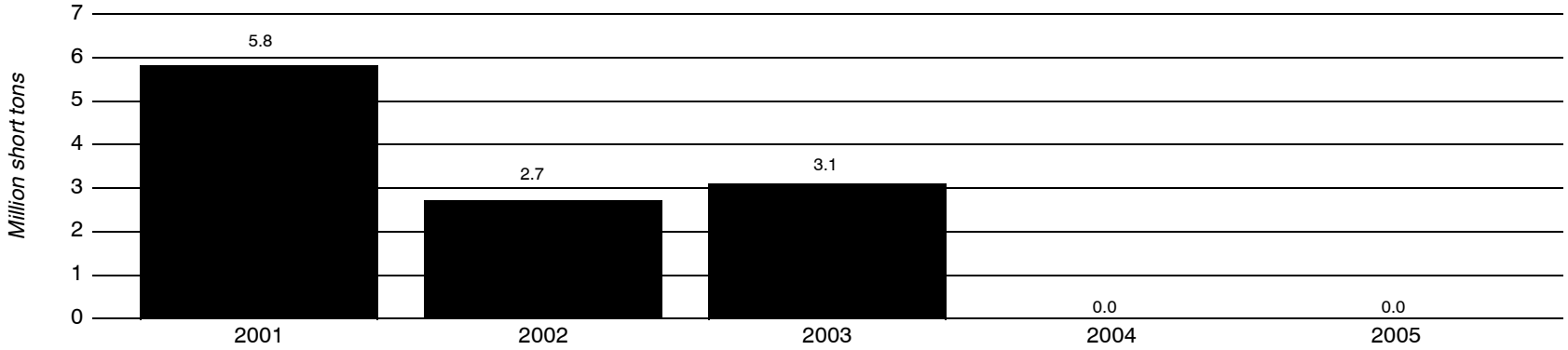
Timelines

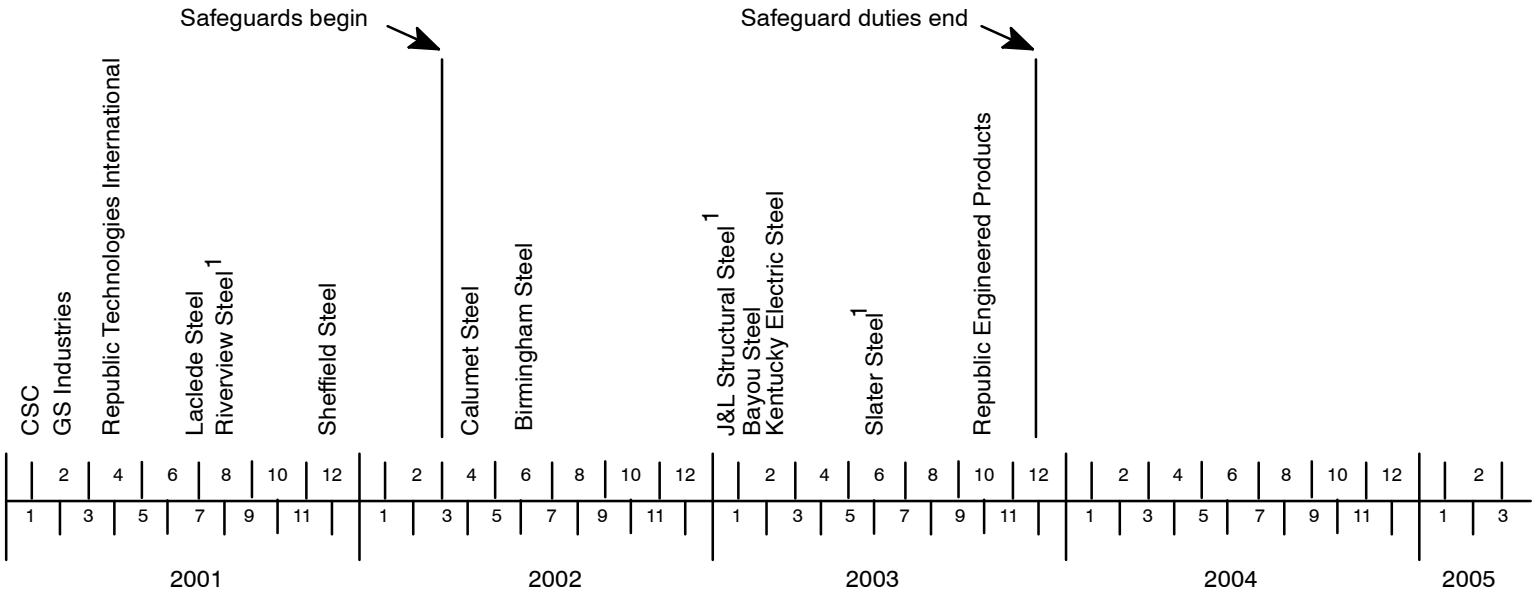
Figure LONG I-1 includes data on the raw steel production capacity of bankrupt firms, illustrating that bankruptcies of large firms occurred throughout the period under review. Figure LONG I-2 illustrates the timeline for mergers and acquisitions of companies by steel-producing firms in the long products sector.[2] It shows that merger and acquisition activity, both the number of instances and raw steel capacity involved,[3] has increased since the first year of the safeguard measures.

[2] Firms that have name changes as a result of takeovers of shutdown facilities by investor groups or other non-steelmaking entities are not included.

[3] Although the purchase of the shuttered Susquehanna Steel Mill by Instil USA is shown on the timeline, the related raw steel capacity of Susquehanna is not included on the bar chart because it was shuttered at the time of purchase and did not start up during the period depicted in the timeline.

Figure LONG I-1
Long steel: Firms filing for bankruptcy protection and related raw steel capacity, January 2001-March 2005

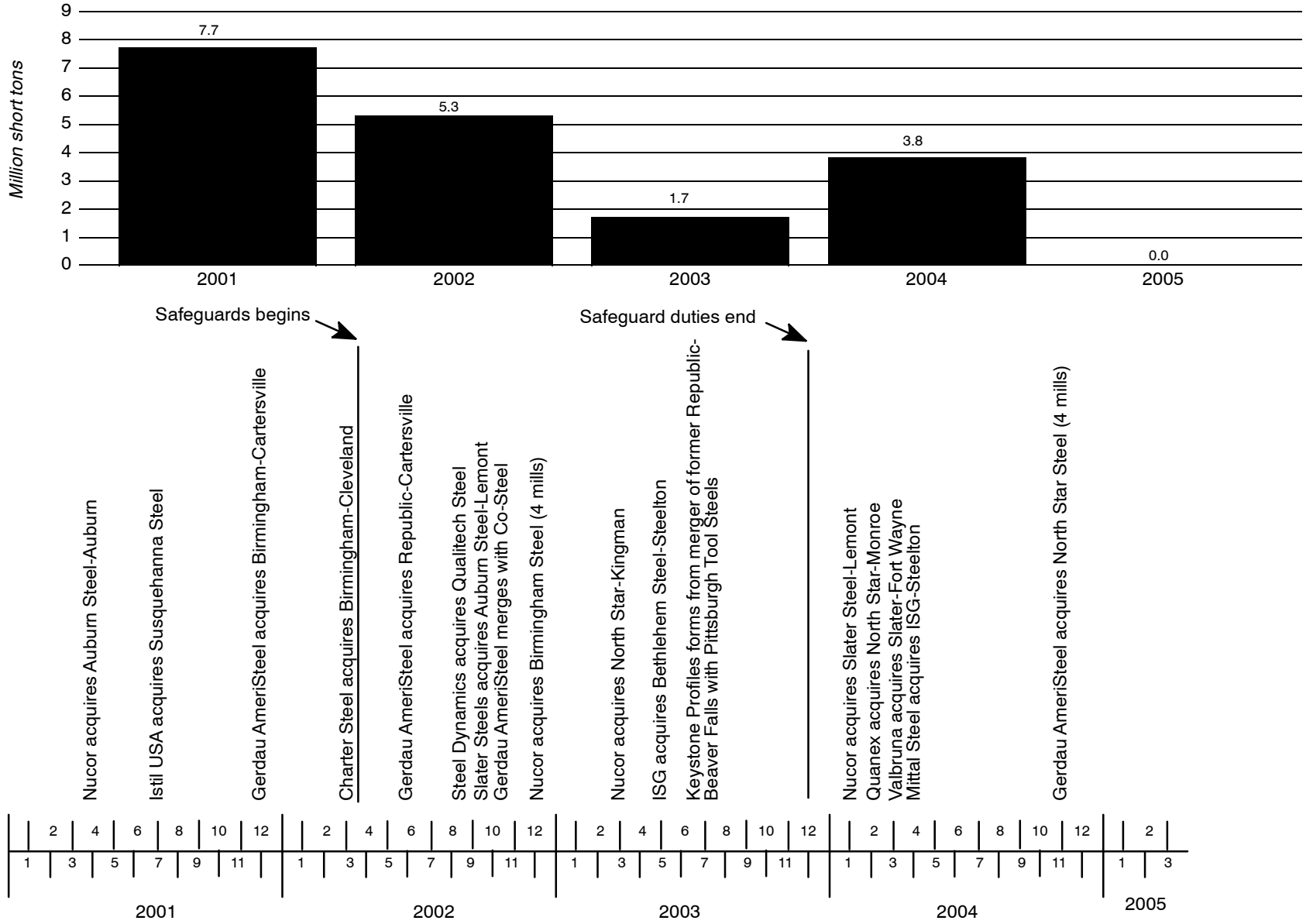




[1] Firm without raw steel capacity.

Source: Table LONG I-3 and other publicly available information.

Figure LONG I-2
Long steel: Mergers and acquisitions and related raw steel capacity, January 2001-March 2005



Source: Table LONG I-4 and other publicly available information.

PART II: INDUSTRY AND MARKET DATA (HOT BAR)

DESCRIPTION AND USES

This category includes carbon and alloy hot-rolled bars and light shapes (hot bar). Bars are products that have a solid cross-section in the shape of circles, segments of circles, ovals, triangles, rectangles (including squares), or other convex polygons including flattened circles and modified rectangles of which two opposite sides are convex arcs and the other two sides are straight, of equal length, and parallel.[1] This category includes the following: bars of a diameter of 19 mm or more in irregularly wound coils; free-machining carbon steel and high-nickel alloy steel bars and rods of any diameter; angles, shapes, and sections (such as U, I, or H sections) not further worked than hot-rolled, hot-drawn, or extruded, of a height of less than 80 mm; and hollow drill bars and rods of which the greatest external dimension of the cross section exceeds 15 mm but does not exceed 52 mm, and of which the greatest internal dimension does not exceed one-half of the greatest external dimension. This category excludes carbon and alloy steel (including free-machining alloy steel) wire rod having a diameter of 5 mm or more but less than 19 mm (which until March 1, 2003 were covered by a section 203 remedy on wire rod) and hollow bars and rods of iron or steel not conforming to this definition (which are included in the pipe and tubing product categories). HTS statistical reporting numbers for subject hot bar are presented in table LONG II-1.

MARKET ENVIRONMENT

Changes in U.S. Demand

Major markets for hot bar are in automotive and construction applications. Hot bars are used in the production of parts of bridges, buildings, ships, agricultural implements, motor vehicles, road building equipment, railway equipment, and general types of machinery. As shown in OVERVIEW PART II, the value of U.S. manufacturers' shipments of transportation equipment increased by 11.5 percent during the period for which data were collected (table OVERVIEW II-1). Most recently, the value of U.S. manufacturers' shipments of transportation equipment have dropped by 5.8 percent from first quarter 2004 to first quarter 2005. The value of U.S. nonresidential construction put in place increased 3.9 percent during the period for which data were collected. The value of U.S. nonresidential construction put in place increased by 3.9 percent during the period for which data were collected, while the value of U.S. manufacturers' shipments of carbon steel forgings increased by 36.2 percent.

The data collected by the Commission indicate that apparent U.S. consumption of hot bar increased by 11.1 percent from 2001 to 2004.

In the monitoring investigation, 13 of 19 responding U.S. hot bar producers reported that U.S. demand had decreased from March 2002 to March 2003. U.S. hot bar producers generally tied decreased demand to the slowing U.S. economy, particularly weakness in the vehicle parts, appliance, construction, and machinery market sectors.

---

[1] Hot-finished bars of ball-bearing steel (HTS items 7227.90.1030, 7227.90.2030, 7228.30.2000, and 7228.60.1030), which were included in this category in investigation No. TA-201-73, were excluded from the remedy and, therefore are, not included in the hot-rolled bar and light shapes category for purposes of this investigation.

Table LONG II-1
Hot bar: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Hot bar[1]	7213.20.0000	7214.91.0090	7216.21.0000	7227.20.0000	7228.20.1000
	7213.20.0010	7214.99.0015	7216.22.0000	7227.20.0010	7228.30.8005
	7213.20.0080	7214.99.0030	7216.50.0000	7227.20.0020	7228.30.8050
	7213.99.0060	7214.99.0045	7216.61.0000	7227.20.0090	7228.40.0000
	7213.99.0090	7214.99.0060	7216.69.0000	7227.20.0095	7228.60.6000
	7214.10.0000	7214.99.0075	7216.91.0000	7227.90.6005	7228.70.3020
	7214.30.0000	7214.99.0090	7216.91.0010	7227.90.6050	7228.70.3040
	7214.30.0010	7215.90.1000	7216.91.0090	7227.90.6051	7228.70.3060
	7214.30.0080	7215.90.5000	7216.99.0000	7227.90.6053	7228.70.3080
	7214.91.0015	7216.10.0010	7216.99.0010	7227.90.6058	7228.70.6000
	7214.91.0060	7216.10.0050	7216.99.0090	7227.90.6059	7228.80.0000

[1] The temporary HTS subheadings for hot bar established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.73.42 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.43 through 9903.73.46, 9903.76.52 through 9903.76.54, 9903.76.56 through 9903.76.66, 9903.76.69 through 9903.76.74, 9903.76.76 through 9903.76.78, 9903.76.80 through 9903.76.85, 9903.80.40 through 9903.80.63, 9903.80.71, 9903.80.73 through 9903.80.81, 9903.80.83, and 9903.80.84 for other products excluded from the section 203 remedy,

(2) 9903.76.51, 9903.76.55, 9903.76.67, 9903.76.68, 9903.76.75, 9903.76.79, 9903.80.64 through 9903.80.70, 9903.80.72, and 9903.80.82 for products entered in quantities up to stated limits (ranging from 5 tons to 30,000 tons) without additional tariffs, and

(3) 9903.73.50, 9903.73.51, and 9903.73.52 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, and 24 percent additional tariffs through December 4, 2003.

As indicated in (2), certain temporary subheadings specify particular types of hot bar which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of hot bar exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

Seven of ten responding U.S. hot bar producers reported in the current evaluation that demand for steel increased from March 2002 to December 2003. U.S. hot bar producers generally tied increased demand to worldwide economic growth. Ten of 14 responding U.S. hot bar producers reported that demand increased from January 2004 to March 2005. U.S. hot bar producers generally attributed increased demand to continued worldwide economic growth, with particularly strong demand from China; improvement in the U.S. industrial sector; and the weak dollar that made U.S. exports more attractive to the rest of the world. One producer that reported decreased demand over this period attributed it to market expectations that steel prices will soon fall from their high levels of 2004. Another producer reported that demand began to slow in mid-2004 as previously built-up inventories were liquidated.

Most U.S. hot bar producers reported that there were no changes in the types or prices of substitute products since March 2002. One producer noted that the rising price of steel as compared to concrete and lumber have made those substitutes more attractive for use in non-residential construction.

Changes in U.S. Supply

Prior to the imposition of section 203 tariff relief, several U.S. hot bar producers filed for bankruptcy and shut down their operations. Qualitech Steel, a producer of special quality hot-rolled round bars with raw steel capacity of 0.6 million short tons, filed for bankruptcy in March 1999 and shut down its operations in January 2001. J&L Structural, a producer of bar-size structural sections with no raw steel capacity, filed for bankruptcy in June 2000 and shut down its operations in August 2002. Northwestern Steel & Wire, a producer of structural steel, hot-rolled merchant bar, wire rod, and wire with raw steel capacity of 2.4 million short tons, filed for bankruptcy in December 2000 and shut down its operations in May 2001. CSC, a producer of carbon and alloy steel hot-rolled and cold-finished bar with raw steel capacity of 0.5 million short tons, filed for bankruptcy in January 2001 and shut down its operations in April 2001. GS Industries, a producer of carbon and alloy steel rod, wire, hot-rolled bars, and grinding media with raw steel capacity of 2.0 million short tons, filed for bankruptcy and closed its Kansas City, MO plant in February 2001. Laclede Steel, a producer of carbon and alloy steel hot-rolled bar, pipe, and welded chain with raw steel capacity of 0.6 million short tons, which had emerged from an earlier bankruptcy in January 2001, filed for bankruptcy again in July 2001 and shut down its operations in August 2001. Calumet Steel, a producer of hot-rolled alloy steel bar and carbon steel light structural sections with raw steel capacity of 0.2 million short tons, filed for bankruptcy and shut down its operations in March 2002.

Qualitech's assets were purchased by Steel Dynamics in September 2002, and restarted in 2004 as a producer of special quality bars, rebar, and light sections. Laclede's Alton, IL assets were acquired by Alton Steel in January 2003 and operations were restarted in September of that year. Calumet's assets were acquired by MZG Associates II in November 2002. Also, in September 2002, Slater Steel purchased Auburn Steel's Lemont, IL minimill (shuttered since February 2001), re-commissioned the mill in December 2002, then ceased operations in 2003. Kentucky Electric Steel, a producer of carbon and alloy steel hot-rolled flat and square bars, shut down its operations in January 2003 and filed for bankruptcy in February 2003; its assets, however, were acquired in August 2003 by KES Acquisition Co.

In October 2002, Brazilian steelmaker Gerdau S.A. and Canadian steelmaker Co-Steel combined their North American operations resulting in the formation of Gerdau AmeriSteel Corp., which is a producer of hot-rolled bar, cold-finished bar and rebar. Republic Engineered Products, a producer of carbon and alloy steel hot-rolled and cold-finished bars, sustained a fire and filed for bankruptcy in October 2003 and subsequently reopened in December 2003. North Star Steel's facility in Monroe, MI was acquired by Mac Steel, a producer of carbon and alloy steel hot-rolled and cold-finished bars, in January 2004. Four long steel minimills and four downstream facilities owned by North Star Steel were acquired by Gerdau AmeriSteel in November 2004.

As shown in table LONG II-2, with the exception of efforts to increase product availability and changing product range, the majority of hot bar producers reported no significant changes in their marketing practices from March 2002 to December 2003. Increases in product availability were mostly attributed to acquiring other steel mills.

Table LONG II-2
Hot bar: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No	Yes		No	Yes	
Efforts to increase product availability	1	8		2	7	
Change in geographic market	11	2		9	5	
Change in share of sales from inventory	9	2		6	6	
Change in average lead times from inventory	12	0		9	3	
Change in average lead times from production	8	4		3	9	
Change in product range	8	5		7	7	
Change in demand for or production of alternate products	12	0		12	0	
	I	D	S	I	D	S
Change in order backlogs[1]	5	1	6	7	2	3
Change in on-time shipping percentage[1]	2	3	9	4	2	8

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or stayed the same (S) for over the specified time period. Some producers responded that the practice both increased and decreased over the same period.

Note–Not all producers answered for all of the marketing practices.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. hot bar producers reported additional changes in marketing practices from January 2004 to March 2005. Five producers reported changes in geographic markets. These changes included increased sales to the West Coast and Midwest, decreased sales to Canada and Mexico, and a shift of sales from the northeast and north central regions to the southwest and southeast, reportedly due to weak automotive production. Six producers reported a change in the share of sales from inventory over the same period, generally reflecting reductions in sales from inventory. Nine producers reported changes in the average lead times from production, which generally entailed extended lead times that were more than double those of the previous period. Three producers also noted that these lead times began to return to normal levels in the fourth quarter of 2004.

In the monitoring investigation, 54 of 162 responding hot bar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Sixty-one of 157 responding hot bar purchasers reported increased average lead times for their purchases of domestic steel, 84 reported no change in domestic lead times, and 12 reported decreased domestic lead times. Hot bar purchasers were also asked in the monitoring investigation to identify actions taken by domestic producers from March 2002 to March 2003 to make a positive adjustment to import competition.[2] Of 164 responding purchasers, 103 did not indicate that producers had taken any such actions. However, 15 of 164 responding purchasers reported that domestic producers had introduced new or innovative products, 16 reported that domestic producers had improved product

[2] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

quality, 24 reported that domestic producers had expanded marketing efforts, 20 reported that domestic producers had improved customer service, and 26 reported that domestic producers had made other positive adjustment efforts.[3]

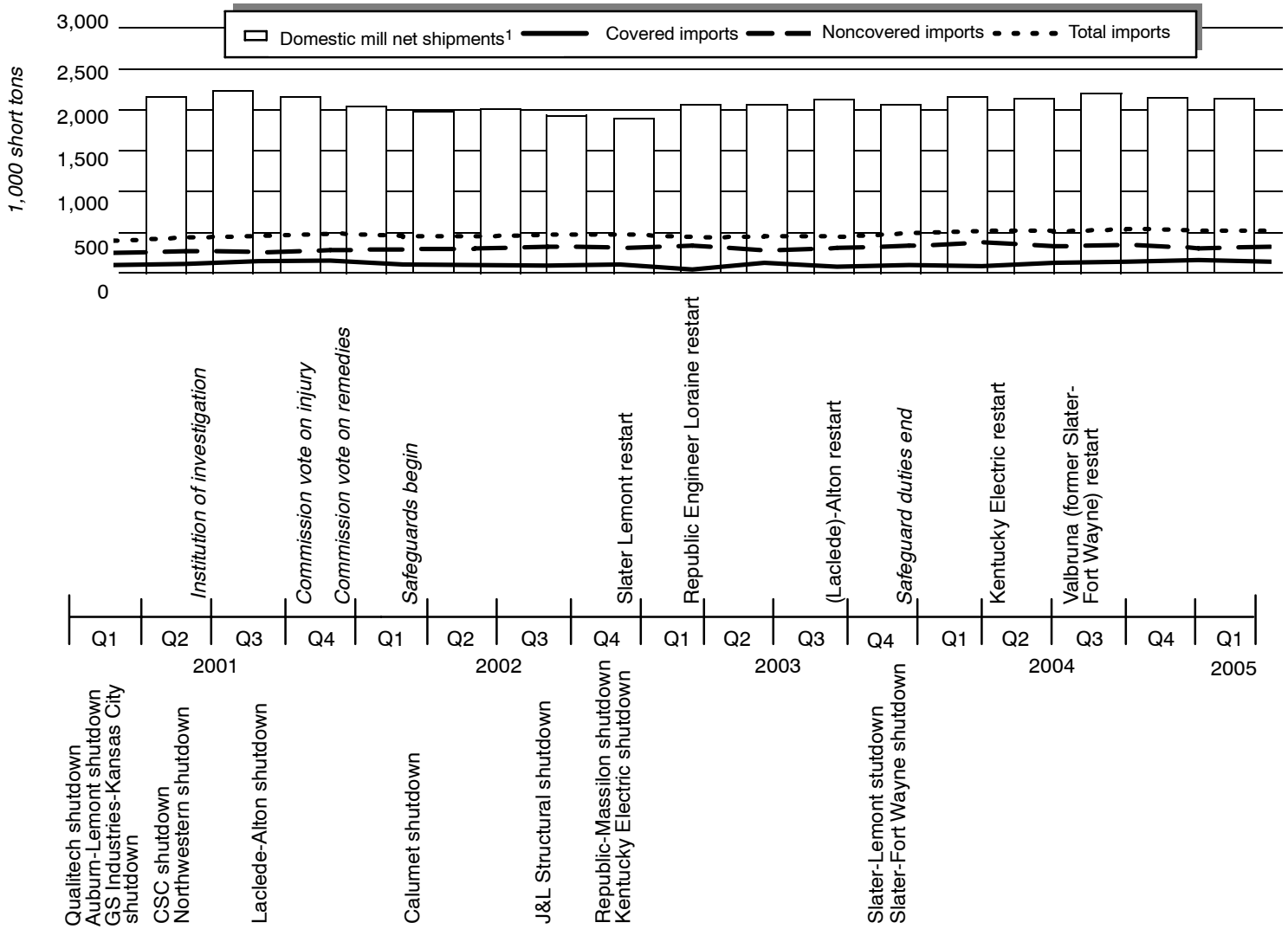
Based on data compiled in this investigation, U.S. hot bar producers' capacity utilization was 88.2 percent and their inventories as a percentage of total shipments were 11.2 percent in 2004. Exports accounted for 3.4 percent of total shipments in 2004.

Timeline

Figure LONG-II-1 shows quarterly shipments of hot-rolled bar products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include quarterly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the line) and startups and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard dates.

[3] Some purchasers reported more than one of these actions.

Figure LONG II-1
Hot-rolled bar: Quarterly imports and domestic mill net shipments, facility shutdowns and startups or restarts, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Table LONG II-3 presents information on U.S. hot bar producers' capacity, production, shipments, inventories, and employment. The Commission received useable questionnaire responses from 17 producers that accounted for approximately 9.7 million short tons of hot bar shipments in the United States in 2004. This response exceeds domestic shipments of hot bar as reported to the AISI.[4]

The following tabulation presents firms that either reported calendar-year 2000 production capacity in the original safeguard investigation or that reported April 2000-March 2001 production in the monitoring investigation, but did not provide data in the current evaluation:

* * * * * * *

Table LONG II-3 presents information on U.S. hot bar producers' capacity, production, shipments, inventories, and employment. One reporting hot bar producer, Nucor, acquired another hot bar producer, Birmingham, early in the period evaluated. Commission staff compiled an estimate of Birmingham's hot bar operations during the period evaluated based on publically available data. ***. Accordingly, the data contained in this report for 2001 and 2002 are understated. One reporting hot bar producer, Republic, first entered bankruptcy during the period evaluated, dissolved its legal status, re-incorporated under a new name, and recommenced its operations in 2004. ***. Commission staff used Koppel's response to the original 201 investigation for that firm's operations in 2001 prior to closure.

As presented in table LONG II-3, reporting U.S. producers' aggregate output-related indicators increased in 2002 (the first year of the U.S. safeguard action) and then fell in 2003 (the final year in which increased tariffs were in effect). According to these data, the industry increased production in 2002 by 289,266 short tons (3.3 percent) and then decreased production by 229,594 short tons (2.5 percent) in 2003. Between 2001 and 2003, 12 of the 16 reporting firms with continuous operations reported increased production,[5] while the remaining four reported production decreases during this period.[6]

---

[4] AISI's data indicates that domestic mills' hot bar shipments were approximately 8.7 million short tons in 2004.

[5] *** reported increased production in this period and cited its successful renegotiation of pension liabilities after emergence from bankruptcy protection at the end of 2002 as assisting the firm in its expansion of hot bar operations. *** reported small quantities of increased production in this period, but noted that the majority of its operations were not covered by the 204 safeguards and that therefore the safeguard actions did not significantly influence its choice to increase production. ***, whose production increased by *** short tons in this period, indicated that the firm could not isolate the effect of the safeguard tariffs from other market forces, but indicated nonetheless that the safeguard action had a general positive effect on its ability to improve operations, increase capacity, and ship more product. ***, whose production increased by *** short tons in this period, indicated that the safeguard tariffs contributed to the improved economic condition of hot bar operations in 2003. *** indicated that it *** the 201 relief, and that during the 2001 to 2003 the company grew due to increased demand in both the United States and Mexico.

[6] ***, whose operations included further downstream fabrication of its hot bar product, indicated that the lower cost of imports of its finished (non-tariff covered) goods caused them to lose market share and therefore decrease its upstream hot bar production. ***, the firm that decreased its production the most out of these four firms, did not cite a reason for its decrease in production, and seemingly contradicted its reported trade data in categorizing its production over this period as having been relatively stable. *** indicated that it believes the steel safeguards to have been effective overall and reported that its decision *** was based on the anticipation of improved condition during the period of relief from steel imports.

Table LONG II-3
Hot bar: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
Capacity	12,570,474	12,160,160	11,410,881	11,688,893	2,937,559	3,035,593
Production	8,821,048	9,110,314	8,880,720	10,304,626	2,550,601	2,494,847
Internal consumption/transfers	1,457,377	1,439,031	1,657,114	1,919,902	462,628	414,339
U.S. commercial shipments	7,338,523	7,477,444	7,102,249	7,769,416	2,095,531	1,952,350
U.S. shipments	8,795,900	8,916,475	8,759,363	9,689,318	2,558,159	2,366,689
Export shipments	267,069	300,034	355,076	343,625	88,253	75,286
Total shipments	9,062,969	9,216,509	9,114,439	10,032,943	2,646,412	2,441,975
Ending inventories	1,168,132	1,109,069	867,567	1,128,684	755,263	1,183,731
	Value *($1,000)*					
Internal consumption/transfers	503,721	490,805	606,379	1,029,333	223,147	248,461
U.S. commercial shipments	2,731,463	2,759,570	2,790,854	4,420,063	1,008,793	1,279,451
U.S. shipments	3,235,184	3,250,375	3,397,233	5,449,396	1,231,940	1,527,912
Export shipments	114,590	126,059	148,240	200,354	44,190	53,160
Total shipments	3,349,774	3,376,434	3,545,473	5,649,750	1,276,130	1,581,072
	Unit value *(per short ton)*					
Internal consumption/transfers	$346	$341	$366	$536	$482	$600
U.S. commercial shipments	372	369	393	569	481	655
U.S. shipments	368	365	388	562	482	646
Export shipments	429	420	417	583	501	706
Total shipments	370	366	389	563	482	647
	Ratios and shares *(percent)*					
Capacity utilization	70.2	74.9	77.8	88.2	86.8	82.2
U.S. shipments to distributors	27.7	29.5	32.0	30.5	32.5	35.5
U.S. shipments to end users	72.3	70.5	68.0	69.5	67.5	64.5
Inventories/total shipments	12.9	12.0	9.5	11.2	7.1	12.1
	Employment data					
PRWs[1] *(number)*	6,976	6,389	5,916	7,018	6,624	7,376
Hours worked *(1,000)*	14,217	13,084	12,335	14,305	3,578	3,881
Wages paid *($1,000)*	407,542	386,632	356,324	430,499	106,095	118,596
Hourly wages	$28.67	$29.53	$28.89	$30.09	$29.65	$30.56
Productivity *(short tons/1,000 hrs)*	566.7	629.6	643.0	689.9	675.1	642.8
Unit labor costs *(per short ton)*	$50.58	$46.91	$44.92	$43.62	$43.92	$47.54

[1] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Reporting firms' production capacity decreased slightly between 2001 and 2002 by 410,314 short tons (3.3 percent) and then decreased by 749,279 short tons (6.2 percent) between 2002 and 2003. Capacity utilization rates increased for 12 out of 18 reporting firms when comparing operations in 2002 to operations in 2001, and for 14 out of 17 when comparing 2003 to 2002, increasing overall from 70.2

percent in 2001 to 77.8 percent in 2003.[7] Over the same period of improving capacity utilization, the hot bar industry as a whole experienced little consolidation, although one firm's (***) share of production increased from *** of the reporting industry in 2001 to *** in 2003 due to the ***. In terms of the top producers of hot bar in 2001, the four largest firms by share were ***, which together accounted for 49.2 percent of the industry; while in 2003 *** increased production and gained market share to displace *** in the top four by production share. Several responding firms indicated that the disruption of Republic's hot bar production due to that firm's bankruptcy proceedings in 2003 substantially affected the supply of hot bar to the market.

Responding firms reportedly first increased U.S. commercial shipments of hot bar by 138,921 short tons (1.9 percent) in 2002 and then decreased U.S. commercial shipments by 375,195 short tons (5.0 percent) in 2003. Six out of eleven exporting firms increased their exports by 2003, for a total increase of 88,007 short tons from 2001 to 2003. Internal consumption decreased by 18,346 short tons (1.3 percent) in 2002 and then increased by 218,083 short tons (15.2 percent) in 2003. The majority of this increase in internal consumption was related to ***.[8] Average unit values for U.S. commercial shipments remained relatively constant from 2001 to 2002, and then increased by approximately 6.4 percent between 2002 and 2003. Of the 17 firms that reported hot bar production in both 2001 and 2002, 10 reduced the average value of their U.S. commercial shipments. All reporting hot bar producers increased their average unit values in 2003 over 2002 except ***. Productivity reportedly increased for 9 out of 16 firms in 2002 and for 9 out of 15 in 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the industry increased production. Responding firms reported an increase in production of 1,423,906 short tons (16.0 percent) of hot bar in 2004.[9] The earlier trend in capacity reduction apparently reversed in 2004 as responding firms reported an increase in total hot bar capacity of 278,012 short tons (2.4 percent). Since production increased to a greater degree than capacity, the industry's capacity utilization rate increased between 2003 and 2004; in fact, capacity utilization increased for 16 out of 18 firms with continuous operations in those years.

Responding firms increased U.S. commercial shipments of hot bar by 667,167 short tons (9.4 percent) in 2004, while they decreased export shipments of hot bar by 11,451 short tons (3.2 percent) during this period. Continuing the trend begun in 2003, responding firms increased internal consumption by 262,788 short tons (15.9 percent) in 2004.[10] In this period, all reporting producers increased the average unit values of their hot bar U.S. shipments for an aggregate increase of $174. Productivity increased for the industry as a whole between 2003 and 2004, as 11 of 16 responding firms reported higher productivity.

In January-March 2005, production was slightly lower than the same period a year earlier. Responding firms reported 55,754 fewer short tons (2.2 percent) in this comparison. While production was lower, capacity was higher. Responding firms reported 98,034 greater short tons (3.3 percent) of hot

---

[7] As *** in this period, the latter's data are not included in the tabulation. ***.

[8] Due to the above changes, the shipment mix shifted slightly over the period evaluated. In 2001, 81.0 percent of total shipments were shipped to satisfy U.S. commercial demand, 16.1 percent of total shipments supplied internal consumption needs, and 2.9 percent of total shipments were exported. By 2003, 77.9 percent went to U.S. commercial demand, 18.2 percent to internal consumption needs, and 3.9 percent to export markets.

[9] Hot bar producer *** indicated in its questionnaire response that demand by foreign mills pushed the price of scrap up and that producers were able to take advantage of these price increases to return to profitable levels.

[10] One hot bar producer, ***, reporting improved operations in this period accounts for about *** of this increase. Some of the increase is attributable to vertical integration within the industry as certain firms, ***, acquired further downstream processing operations that consumed hot bar as a raw material input. *** also accounts for a portion of this increase in internal consumption as it moved to supply its cold-finished bar operations with additional in-house hot bar.

bar capacity in January-March 2005 compared to January-March 2004. As firms increased capacity following the tighter supply-demand conditions of 2004, capacity utilization on average across reporting firms was lower in January-March 2005 than in January-March 2004. In this comparison, capacity utilization was lower for 9 out of 17 firms reporting operations in both quarters, and the industry as a whole reported a capacity utilization rate 4.6 percentage points lower in January-March 2005 than in January-March 2004.

Comparing the first quarter of 2005 with that same period a year earlier, U.S. commercial shipments were 143,181 short tons (6.8 percent) lower, while export shipments were lower by 12,967 short tons (14.7 percent). Additionally, internal consumption was lower by 48,289 short tons (10.4 percent) comparing the first quarter of 2005 to that of 2004.[11] The earlier trend of increasing average unit values continued into the first three months of 2005, as reporting firms achieved on average $165 higher unit values over the same period a year earlier. All responding firms increased their average unit values in this comparison. Productivity was lower for the industry as a whole comparing the first quarters of 2004 and 2005, although it was higher for 9 out of 17 firms.

FINANCIAL DATA

Financial data provided by U.S. producers concerning operations on hot bar are presented in table LONG II-4.[12] [13] From 2001 to 2003, net commercial sales quantities declined unevenly while average unit commercial sales values increased unevenly. Average unit COGS also increased unevenly while average unit SG&A expenses were essentially unchanged. In combination, average unit sales values increased more than average unit COGS and resulted in an overall increase in gross and operating profit between 2001 and 2003.

From 2003 to 2004, net commercial sales quantities increased along with total and average unit commercial sales values, COGS, and SG&A. Interim data showed similar trends with the exception that net commercial sales quantities declined between interim 2004 and interim 2005. In combination, average unit sales values increased more than COGS and SG&A and resulted in increased gross and operating profits from 2003 to 2004 and between the interim periods.

Increases in raw material costs are the major factor behind the overall increase in COGS during the examination period. From 2001 to 2003, average unit raw material costs increased 30 percent and then increased an additional 72 and 53 percent, respectively, from 2003 to 2004 and between the interim periods.

Data on capital expenditures were reported by firms that account for 95 percent of the total reported 2004 commercial sales value of hot bar. Data on research and development expenses were reported by four firms that account for 39 percent of the total reported 2004 commercial sales value of hot bar. Data on property, plant, and equipment were reported by firms that account for 78 percent of the total reported 2004 commercial sales value of hot bar.

---

[11] Due to these changes, the shipment mix again shifted slightly. By March 2005, 81.6 percent of total shipments were shipped to satisfy U.S. commercial demand, 15.4 percent of total shipments supplied internal consumption needs, and 3.0 percent of total shipments were exported.

[12] Firms reflected in these data are ***. *** are only reflected in the first part of the evaluation period because they were ***.

[13] Staff utilized estimates for several firms that provided either incomplete financial data or no financial data. For ***, staff estimated fiscal year 2001 and 2002 data using the firm's 10-K report for fiscal year 2002. For ***, staff estimated costs and expenses based on aggregate financial data for hot bar as reported to the Commission during this evaluation period.

Table LONG II-4
Hot bar: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
				Quantity (*short tons*)		
Net commercial sales	7,788,822	7,966,707	7,445,886	8,095,888	2,113,239	2,088,245
				Value *($1,000)*		
Net commercial sales	2,980,983	3,004,611	3,007,221	4,677,863	992,272	1,481,020
COGS	2,793,074	2,786,964	2,758,580	4,015,508	878,835	1,202,263
Gross profit or (loss)	187,909	217,647	248,641	662,355	113,437	278,757
SG&A expenses	168,369	172,082	162,755	186,296	40,741	58,912
Operating income or (loss)	19,540	45,565	85,886	476,059	72,696	219,844
Interest expense	79,231	55,483	37,584	38,751	8,659	9,524
Other (income)/expenses, net	(13,938)	(3,597)	(36,386)	24,782	13,460	7,039
Net income or (loss)	(73,629)	(13,514)	11,915	462,090	77,497	217,359
Depreciation/amortization	178,520	169,300	142,813	147,690	35,752	36,727
Cash flow	104,891	155,786	154,728	609,780	113,249	254,086
CDSOA funds received	12	0	0	0	0	([1])
Pension (credit)/expense	17,867	21,623	23,535	24,410	6,512	8,094
Other post-employment benefits	15,668	9,104	16,260	13,554	3,656	4,312
Capital expenditures	108,140	85,473	72,341	85,031	12,232	34,796
R&D expenses	1,953	1,806	2,550	1,620	411	437
Property, plant, and equipment:						
Original cost	1,848,924	1,830,772	1,847,063	2,027,119	1,918,151	2,022,053
Book value	869,020	817,820	836,524	859,374	814,909	834,634
				Ratio to net commercial sales (*percent*)		
COGS	93.7	92.8	91.7	85.8	88.6	81.2
Gross profit or (loss)	6.3	7.2	8.3	14.2	11.4	18.8
SG&A expenses	5.6	5.7	5.4	4.0	4.1	4.0
Operating income or (loss)	0.7	1.5	2.9	10.2	7.3	14.8
Net income or (loss)	(2.5)	(0.5)	0.4	9.9	7.8	14.7
				Unit value (*per short ton*)		
Net commercial sales	$383	$377	$404	$578	$470	$709
COGS[2]	359	350	370	496	416	576
Gross profit or (loss)	24	27	33	82	54	133
SG&A expenses	22	22	22	23	19	28
Operating income or (loss)	3	6	12	59	34	105
				Number of firms reporting		
Operating losses	6	10	5	1	2	1
Data	17	17	16	16	15	15

[1] Not available.

[2] Data on the components of COGS (raw materials, direct labor, and other factory costs) are not available for all firms; therefore, average unit data are only presented for total COGS. Firms with data on the components of COGS account for 98 percent of 2004 total commercial sales value. For these firms, average unit values for raw materials were $115 in 2001 and $314 in interim 2005, average unit values for direct labor were $50 in 2001 and $53 in interim 2005, and average unit values for other factory costs were $168 in 2001 and $199 in interim 2005.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table LONG II-5 presents data on U.S. imports of hot bar by sources for 2001-04, as well as January-March 2004 and January-March 2005. Table LONG II-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002 and 2003.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of hot bar from covered sources decreased while the quantity and value of U.S. imports from other sources increased. As a result, the quantity of total U.S. imports increased by 2.3 percent between 2001 and 2003 while the value of U.S. imports increased by 7.0 percent between 2001 and 2003. U.S. imports from covered sources decreased from 36.1 percent of the quantity of total hot bar imports and 44.3 percent of the value of total hot bar imports to 27.8 percent and 33.0 percent, respectively. During this period, average unit values for covered and, to a greater extent, noncovered sources increased, resulting in an overall increase of $19 per short ton by 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of hot bar from covered sources and other sources increased. As a result, the quantity of total U.S. imports increased by 12.7 percent while the value of U.S. imports increased 55.4 percent. U.S. imports from covered sources increased from 27.8 percent of the quantity of total hot bar imports and 33.0 percent of the value of total hot bar imports to 31.6 percent and 36.9 percent, respectively. During this period, average unit values for both covered sources and, to a lesser extent, noncovered sources increased, resulting in a net increase of $172 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity of U.S. imports of hot bar from covered sources was higher than during January-March 2004, while the quantity of U.S. imports of hot bar from noncovered sources was lower than in the previous period. The value of U.S. imports of hot bar was greater for both covered and noncovered sources in the latter period. As a result, the quantity of total U.S. imports remained relatively constant, while the value of U.S. imports was 49.5 percent higher than during the comparable period in 2004. U.S. imports from covered sources accounted for 33.5 percent of the quantity of total hot bar imports and 40.6 percent of the value of total hot bar imports in January-March 2005, compared to 24.5 percent and 30.4 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, the average unit value of U.S. imports of hot bar was $246 higher in January-March 2005 than during the comparable period in 2004.

Table LONG II-5
Hot bar: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January - March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
Covered sources	703,816	602,355	555,230	711,627	137,334	188,480
Noncovered sources	1,247,100	1,417,222	1,441,246	1,538,593	423,730	374,212
Total	1,950,917	2,019,577	1,996,476	2,250,220	561,063	562,692
	Landed, duty paid value *($1,000)*					
Covered sources	375,043	324,454	298,647	519,501	85,454	170,575
Noncovered sources	471,189	547,805	606,444	887,338	195,352	249,106
Total	846,232	872,259	905,092	1,406,839	280,806	419,682
	Unit value *(per short ton)*					
Covered sources	$533	$539	$538	$730	$622	$905
Noncovered sources	378	387	421	577	461	666
Average	434	432	453	625	500	746
	Share of quantity *(percent)*					
Covered sources	36.1	29.8	27.8	31.6	24.5	33.5
Noncovered sources	63.9	70.2	72.2	68.4	75.5	66.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Share of value *(percent)*					
Covered sources	44.3	37.2	33.0	36.9	30.4	40.6
Noncovered sources	55.7	62.8	67.0	63.1	69.6	59.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Ratio of imports to production *(percent)*					
Covered sources	8.0	6.6	6.3	6.9	5.4	7.6
Noncovered sources	14.2	15.6	16.2	14.9	16.6	15.0
Total	22.2	22.2	22.5	21.8	22.0	22.6

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table LONG II-6
Hot bar: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table LONG II-7 presents data on apparent U.S. consumption and market shares of hot bar. Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), apparent U.S. consumption for hot bar increased slightly. The slight decline in reported U.S. producers' domestic shipments by 2003 was offset by the increase in noncovered imports. Over this period, imports of hot bar shifted slightly from covered to noncovered sources. U.S. producers' market share by quantity decreased from 81.8 percent in 2001 to 81.4 percent in 2003, a decrease of less than a full percentage point. At the same time, U.S. market share by value decreased from 79.3 percent in 2001 to 79.0 percent in 2003.

Table LONG II-7
Hot bar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January - March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
U.S. producers' U.S. shipments	8,795,900	8,916,475	8,759,363	9,689,318	2,558,159	2,366,689
U.S. imports from:						
Covered sources	703,816	602,355	555,230	711,627	137,334	188,480
Noncovered sources	1,247,100	1,417,222	1,441,246	1,538,593	423,730	374,212
Total U.S. imports	1,950,917	2,019,577	1,996,476	2,250,220	561,063	562,692
Apparent U.S. consumption	10,746,817	10,936,052	10,755,839	11,939,538	3,119,222	2,929,381
	Value *($1,000)*					
U.S. producers' U.S. shipments	3,235,184	3,250,375	3,397,233	5,449,396	1,231,940	1,527,912
U.S. imports from:						
Covered sources	375,043	324,454	298,647	519,501	85,454	170,575
Noncovered sources	471,189	547,805	606,444	887,338	195,352	249,106
Total U.S. imports	846,232	872,259	905,092	1,406,839	280,806	419,682
Apparent U.S. consumption	4,081,416	4,122,634	4,302,325	6,856,235	1,512,746	1,947,594
	U.S. market share based on quantity *(percent)*					
U.S. producers' U.S. shipments	81.8	81.5	81.4	81.2	82.0	80.8
U.S. imports from:						
Covered sources	6.5	5.5	5.2	6.0	4.4	6.4
Noncovered sources	11.6	13.0	13.4	12.9	13.6	12.8
Total U.S. imports	18.2	18.5	18.6	18.8	18.0	19.2
	U.S. market share based on value *(percent)*					
U.S. producers' U.S. shipments	79.3	78.8	79.0	79.5	81.4	78.5
U.S. imports from:						
Covered sources	9.2	7.9	6.9	7.6	5.6	8.8
Noncovered sources	11.5	13.3	14.1	12.9	12.9	12.8
Total U.S. imports	20.7	21.2	21.0	20.5	18.6	21.5

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

Between 2003 and 2004 (the year following the removal of the increased tariffs), apparent U.S. consumption for hot-rolled bar products increased by 1,183,699 short tons (11.0 percent). A portion of this increase was supplied by an increase in U.S. producers' shipments, while a smaller portion was met by an increase in imports from covered sources. In 2004, the quantity of imports from covered sources was greater than in 2001. U.S. producers' market share by quantity again decreased in this period by less than a percentage point, while U.S. producers gained less than a percentage point of market share by value.

In January-March 2005 (the final period covered by the original safeguard action), the quantity of apparent U.S. consumption of hot bar was 6.1 percent lower than during January-March 2004. By value, however, apparent U.S. consumption was 28.7 percent higher in January-March 2005 than in January-March 2004. The domestic industry's share of the U.S. market was 1.2 percentage points lower by quantity and 3.0 percentage points lower by value in January-March 2005 than in January-March

2004. Import market share, conversely, was higher in January-March 2005 than in January-March 2004, as imports from covered sources were higher and imports from noncovered sources were slightly lower as a share of the U.S. market.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. hot bar producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table LONG II-8).

The three factors rated most important by U.S. hot bar producers from March 2002 to December 2003 were: changes in the demand for steel within the United States, changes in the cost of raw materials, and changes in energy costs. The three factors rated most important by U.S. hot bar producers from January 2004 to March 2005 were: changes in the cost of raw materials, changes in the demand for steel within the United States, and changes in the demand for steel outside of the United States.[14]

Pricing Practices

All responding U.S. hot bar producers reported making no changes in the way they determined the price they charged or discounts allowed for sales of steel from March 2002 to December 2003. One producer reported offering fewer discounts to Canadian purchaers over this period. One U.S. hot bar producer reported that it was more willing to absorb freight costs from January 2004 to March 2005 in order to be more competitive. Also, one producer reported offering more discounts in the United States while another reported that it offered less volume discounts over this period. Ten of 11 responding U.S. hot bar producers reported that there was no change in the share of their sales on a contract vis-a-vis a spot basis from March 2002 to December 2003 and 11 of 12 responding producers reported that there was no change from January 2003 to March 2005.[15] Eight of 14 U.S. hot bar producers reported that contract prices do not tend to follow a similar trend as spot prices, noting that spot prices are more volatile and that some contracts use escalators for raw material costs. Another producer noted that contracts are typically fixed for one quarter. Two producers also said that the magnitude of changes in spot prices is greater than that of changes in contract prices.

---

[14] Apparent U.S. consumption of hot bar products increased by 11.1 percent from 2001 to 2004 (table LONG II-7). U.S. producers also report that demand from China was particularly strong over the period.

Prices for steel scrap increased by 133.2 percent during the period for which data were collected (figure OVERVIEW II-12). U.S. hot bar producers' capacity decreased by 7.0 percent from 2001 to 2004 and capacity utilization increased from 70.2 percent in 2001 to 88.2 percent in 2004 (table LONG II-3).

[15] U.S. steel consumers, however, reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable, U.S. Steel Consumers' posthearing brief, p. 20.

Table LONG II-8
Hot bar: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	1.8	11	2	1	1.2	13	1	0
Changes in demand for steel within the United States	1.7	9	3	2	1.3	11	0	4
Changes in demand for steel outside the United States	2.1	7	6	1	1.5	10	1	3
Changes in the level of competition from imports from non-excluded countries	2.1	5	6	3	1.9	5	5	4
Changes in energy costs	1.9	10	4	0	2.0	13	1	0
Changes in transportation/delivery cost changes	2.5	8	6	0	2.2	13	1	0
Changes in competition between U.S. producers	2.1	4	6	4	2.2	4	6	4
Changes in the level of competition from imports from excluded countries	2.2	2	7	5	2.2	4	6	4
Changes in U.S. production capacity	2.7	4	5	5	2.6	5	5	4
Changing market patterns	2.8	3	10	1	2.8	6	7	1
Changes in the productivity of domestic producers	2.8	3	8	3	3.0	3	9	2
Changes in labor agreements, contracts, etc.	3.5	1	12	1	3.3	2	11	1
Changes in the allocation of production capacity to alternate products	3.5	1	13	0	3.4	3	11	0
Changes in the level of competition from substitute products	3.6	0	12	2	3.6	0	13	1

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors and some gave more than one response per factor.

Source: Compiled from data submitted in response to Commission questionnaires.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following hot bar product during January 2001-March 2005:[16]

> ***Product 7*–Hot-rolled bars, grade ASTM A36 or equivalent in sizes 3 inches and under.** This commodity product is used extensively in manufacturing and construction. Typical uses include brackets, frames and supports for industrial equipment, and fabricated bar joists used in commercial construction.

Reported pricing data accounted for 63.4 percent of the quantity of U.S. producers' U.S. commercial shipments of hot bar during the period for which data were collected.[17]

Weighted-average prices and quantities sold of U.S.-produced hot bar product 7 are shown in table LONG II-9 and figure LONG-II-2. A summary of the price data is shown in table LONG II-10.

Quarterly prices for the domestically produced hot bar product for which the Commission collected pricing data remained relatively steady from first quarter 2001 to first quarter 2003, began to gradually increase in 2003, and then steadily increased throughout 2004, with prices peaking in first quarter 2005. The weighted-average sales price increased 65.3 percent over the entire period.

[16] Pricing data as presented here for January 2001 through December 2002 are the data collected under the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately under the current evaluation.

[17] Thirteen U.S. producers provided pricing data for product 7. Three data points as reported by *** were excluded as they only contained quantities and no prices.

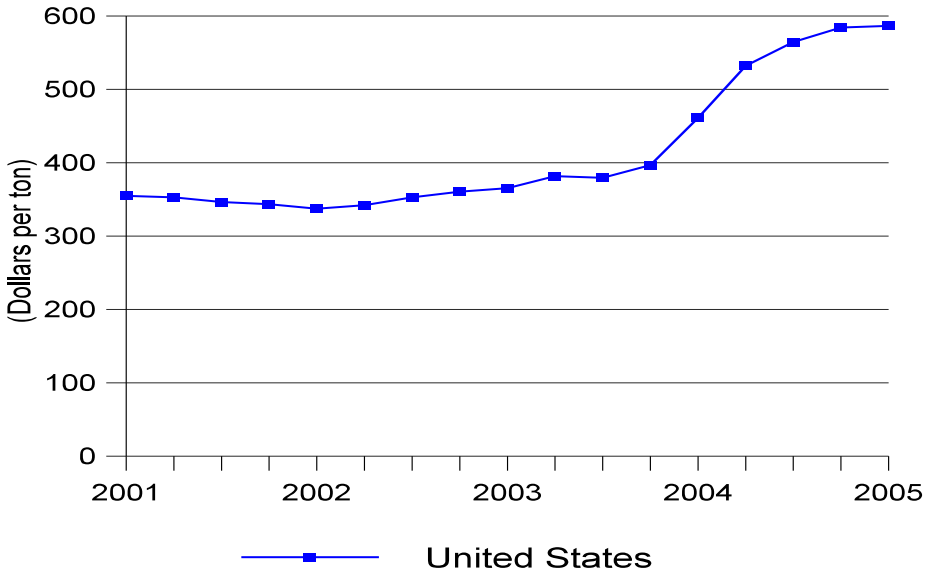
Table LONG II-9
Hot bar: Weighted-average price and quantity data for domestic product 7,[1] by quarters, January 2001-March 2005

Period	United States	
	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	$354.92	1,122,912
April-June	352.72	1,133,696
July-September	346.53	1,026,446
October-December	343.55	947,426
2002:		
January-March	337.33	1,087,081
April-June	342.11	1,166,560
July-September	352.76	1,105,884
October-December	360.65	995,155
2003:		
January-March	365.34	1,296,594
April-June	381.79	1,184,902
July-September	379.47	1,249,228
October-December	396.65	1,246,901
2004:		
January-March	461.14	1,442,336
April-June	532.13	1,329,790
July-September	564.47	1,356,298
October-December	584.19	1,184,004
2005:		
January-March	586.65	1,183,161

[1] Hot bars, grade ASTM A36 or equivalent in sizes 3 inches and under.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure LONG II-2
Hot bar: Weighted-average f.o.b. prices of domestic product 7, January 2001-March 2005



Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG II-10
Hot bar: Changes in quarterly prices of domestic product 7

Product	Change in price from Q1 2001 to Q1 2002	Change in price from Q1 2002 to Q1 2003	Change in price from Q1 2003 to Q1 2004	Change in price from Q1 2004 to Q1 2005	Change in price from Q1 2001 to Q1 2005
			Percent		
7	-5.0	8.3	26.2	27.2	65.3

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: INDUSTRY AND MARKET DATA (COLD BAR)

DESCRIPTION AND USES

Carbon and alloy steel cold-finished bar (cold bar) are products defined by shape in the hot bar category, not in coils, that have been subjected to a cold-finishing operation such as cold rolling, cold drawing, grinding, or polishing.[1] HTS statistical reporting numbers for subject cold bar are presented in table LONG III-1.

Table LONG III-1
Cold bar: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Cold bar[1]	7215.10.0000	7215.10.0010	7215.10.0080	7215.50.0060	7215.90.3000
	7228.50.5005	7228.60.8000	7215.50.0015	7215.50.0090	7228.20.5000
	7228.50.5050				

[1] The temporary HTS subheadings for cold bar established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:
(1) 9903.76.87 through 9903.76.93, 9903.76.95 through 9903.77.27, 9903.77.29, 9903.81.00 through 9903.81.03, 9903.81.05 through 9903.81.09, and 9903.81.13 for products excluded from the section 203 remedy,
(2) 9903.76.86, 9903.76.94, 9903.77.28, 9903.81.04, and 9903.81.10 through 9903.81.12 for products entered in quantities up to stated limits (ranging from 250 tons to 13,000 tons) without additional tariffs, and
(3) 9903.73.60, 9903.73.61, and 9903.73.62 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, and 24 percent additional tariffs through December 4, 2003.
As indicated in (2), certain temporary subheadings specify particular types of cold bar which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of cold bar exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

Major markets for cold bar products are in automotive and construction applications. As shown in OVERVIEW PART II, the value of U.S. manufacturers' shipments of transportation equipment increased by 11.5 percent during the period for which data were collected (table OVERVIEW II-1). Most recently, the value of U.S. manufacturers' shipments of transportation equipment has dropped by 5.8 percent from first quarter 2004 to first quarter 2005. The value of U.S. nonresidential construction put in place increased by 3.9 percent during the period for which data were collected, while the value of carbon steel forgings shipments increased by 36.2 percent over the same period.

The data collected by the Commission indicate that apparent U.S. consumption of cold bar increased by 18.0 percent from 2001 to 2004.

[1] Cold bars of ball-bearing steel (HTS item 7228.50.1010), which were included in this category in investigation No. TA-201-73, were excluded from the remedy and are, therefore, not included in the cold bar category for purposes of this investigation.

In the monitoring investigation, 16 of 18 responding U.S. cold bar producers reported that U.S. demand had decreased from March 2002 to March 2003. U.S. cold bar producers that reported decreased demand in the monitoring investigation generally cited the slowing U.S. economy, particularly weakness in the construction, capital spending, and aerospace market sectors. U.S. cold bar producers also noted the loss of end product sales to off-shore competitors.[2] [3]

In the current evaluation, all responding U.S. cold bar producers reported that demand increased from March 2002 to December 2003. U.S. cold bar producers attributed the increased demand to worldwide economic growth and strong demand in China. Seven of eight U.S. cold bar producers in the current evaluation reported that demand increased from January 2004 to March 2005, citing increased demand in China in particular.[4] One producer attributed the increased demand in this period to the perception of a shortage of steel due to China's rising consumption of raw materials.

Nearly all responding U.S. cold bar producers reported that there were no changes in the types or prices of substitute products since March 2002. One producer reported that some consumers have tried replacing leaded steel with non-leaded steel products, due to price and availability.

Changes in U.S. Supply

Prior to the 201 tariff relief, CSC, a producer of carbon and alloy steel hot-rolled and cold-finished bar with raw steel capacity of 0.5 million short tons, filed for bankruptcy in January 2001 and shut down its operations in April 2001.[5] In October 2002, Brazilian steelmaker Gerdau S.A. and Canadian steelmaker Co-Steel combined their North American operations, resulting in the formation of Gerdau AmeriSteel Corporation, which is a producer of hot-rolled and cold-finished bars and rebar. Republic Engineered Products, a producer of carbon and alloy steel hot-rolled and cold-finished bars, sustained a fire and filed for bankruptcy in October 2003, then subsequently reopened in December 2003. North Star Steel's facility in Monroe, MI, was acquired by MacSteel, a producer of carbon and alloy steel hot-rolled and cold-finished bars, in January 2004. Four long steel minimills and four downstream facilities owned by North Star Steel were acquired by Gerdau AmeriSteel in November 2004.

As shown in table LONG III-2, the majority of U.S. cold bar producers reported no changes in their marketing practices from March 2002 to December 2003. U.S. cold bar producers reported some changes in their marketing practices from January 2004 to March 2005. All six responding producers reported efforts to increase product availability. Seven of ten responding producers reported increased lead times from production and all eight responding producers reported increased order backlogs over the same period.

---

[2] A domestic producer testified that dumped imports of manufactured finished parts and assemblies from Asia are slowly wiping out the domestic cold bar producers' customer base, *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-09,* USITC Pub. 3632, September 2003, p. LONG III-2, n. 3 (citing testimony of Paul Darling, President and CEO, Corey Steel Co.).

[3] Ten of 12 cold bar importers reported that demand remained the same, and two reported that it had increased.

[4] The one U.S. cold bar producer that reported decreased demand from January 2004 to March 2005 cited decreased sales outside the United States due to low-priced foreign goods.

[5] *See* table LONG I-3.

Table LONG III-2
Cold bar: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No	Yes		No	Yes	
Efforts to increase product availability	3	3		0	6	
Change in geographic market	8	1		6	3	
Change in share of sales from inventory	8	0		8	0	
Change in average lead times from inventory	8	0		8	1	
Change in average lead times from production	7	2		3	7	
Change in product range	8	2		6	4	
Change in demand for or production of alternate products	7	0		7	0	
	I	D	S	I	D	S
Change in order backlogs[1]	0	1	6	8	0	0
Change in on-time shipping percentage[1]	2	2	6	5	3	2

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or have stayed the same (S) for over the specified time period.

Source: Compiled from data submitted in response to Commission questionnaires.

In the monitoring investigation, 42 of 115 responding cold bar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Forty-eight of 110 responding cold bar purchasers reported increased average lead times for their purchases of domestic steel, 55 reported no change in domestic lead times, and seven reported decreased domestic lead times. Cold bar purchasers were also asked in the monitoring investigation to identify actions taken by domestic producers from March 2002 to March 2003 to make a positive adjustment to import competition.[6] Of 116 responding purchasers, 71 did not indicate that producers had taken any such actions. However, 13 of 116 responding purchasers reported that domestic producers had introduced new or innovative products, 10 reported that domestic producers had improved product quality, 19 reported that domestic producers had expanded marketing efforts, 13 reported that domestic producers had improved customer service, and 16 reported that domestic producers had made other positive adjustment efforts.[7]

Based on data compiled in this investigation, U.S. cold bar producers' capacity utilization was 79.8 percent and their inventories as a percentage of total shipments were 13.9 percent in 2004. Exports accounted for 2.5 percent of total shipments in 2004.

[6] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[7] Some purchasers reported more than one of these actions.

Timeline

Figure LONG-III-1 shows quarterly shipments of cold-rolled bar products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include quarterly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the line); shown above the line are significant safeguard dates.

U.S. INDUSTRY DATA

Table LONG III-3 presents information on U.S. cold bar producers' capacity, production, shipments, inventories, and employment. The Commission received useable questionnaire responses from 10 producers who accounted for 1,178,427 short tons of cold bar shipments in the United States in 2004. This response represents 85.0 percent of the domestic shipments of cold bar as reported to the AISI.[8]

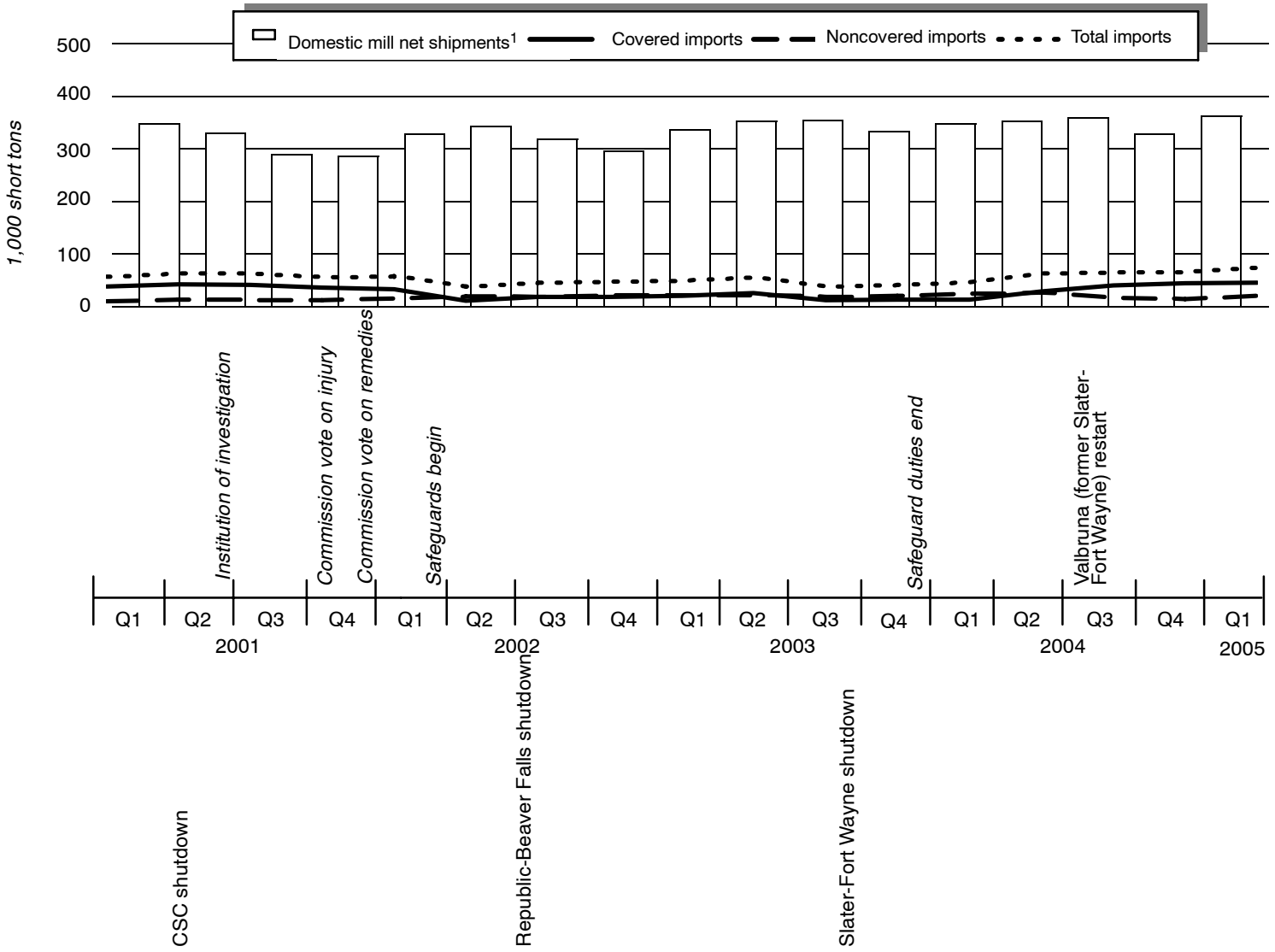
The following tabulation presents firms that either reported calendar-year 2000 production capacity in the original safeguard investigation or that reported April 2000-March 2001 production in the Commission's monitoring investigation, but did not provide data in the current evaluation:

* * * * * * *

Table LONG III-3 presents information on U.S. cold bar producers' capacity, production, shipments, inventories, and employment. One reporting producer, Nucor, acquired one of Fort Howard Steel's idled cold bar mills in 2005. Fort Howard shut down its other cold bar mill in 2005. One reporting cold bar producer, Republic, entered bankruptcy, dissolved its legal status, re-incorporated under a new name, and recommenced its operations in 2004. Commission staff was able to obtain estimates for Republic's original trade and financial data from ***.

[8] AISI's data indicate that domestic mills' cold bar shipments were approximately 1.4 million short tons in 2004.

Figure LONG III-1
Cold-finished bar: Quarterly imports and domestic mill net shipments, facility shutdowns, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

Table LONG III-3
Cold bar: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
Capacity	1,458,762	1,413,392	1,453,841	1,535,896	462,922	462,334
Production	969,327	974,948	994,163	1,226,048	314,564	327,838
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	960,934	957,669	975,732	1,178,427	311,016	310,942
Export shipments	33,411	28,328	23,208	29,935	5,015	8,550
Total shipments	994,345	985,998	998,940	1,208,362	316,031	319,492
Ending inventories	167,351	154,732	147,500	168,313	145,439	176,304
	Value *($1,000)*					
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	619,887	613,590	629,865	1,004,219	223,039	306,274
Export shipments	21,727	18,848	15,835	31,761	4,277	8,923
Total shipments	641,614	632,438	645,700	1,035,980	227,316	315,197
	Unit value *(per short ton)*					
Internal consumption/transfers	$***	$***	$***	$***	$***	$***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	645	641	646	852	717	985
Export shipments	650	665	682	1,061	853	1,044
Total shipments	645	641	646	857	719	987
	Ratios and shares *(percent)*					
Capacity utilization	66.4	69.0	68.4	79.8	68.0	70.9
U.S. shipments to distributors	26.6	28.6	28.8	29.3	32.1	32.0
U.S. shipments to end users	73.4	71.4	71.2	70.7	67.9	68.0
Inventories/total shipments	16.8	15.7	14.8	13.9	11.5	13.8
	Employment data					
PRWs[1] *(number)*	1,260	1,156	1,032	1,046	1,022	1,256
Hours worked *(1,000)*	2,411	2,245	2,089	2,242	547	578
Wages paid *($1,000)*	59,232	54,343	48,711	54,301	13,107	15,128
Hourly wages	$24.56	$24.21	$23.32	$24.22	$23.96	$26.16
Productivity *(short tons/1,000 hrs)*	391.2	421.5	463.3	532.0	558.4	554.2
Unit labor costs *(per short ton)*	$62.79	$57.43	$50.34	$45.52	$42.91	$47.21

[1] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

As presented in table LONG III-3, reporting U.S. producers' aggregate output-related indicators fluctuated in the period between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect). According to these data, reporting firms increased

production by 5,621 short tons (0.6 percent) between 2001 and 2002. This increase, however, was limited by ***. In 2003, reporting firms again increased cold bar production by 19,215 short tons (2.0 percent), with ***.[9] Reporting firms reduced production capacity by 45,370 short tons (3.1 percent) between 2001 and 2002,[10] and increased production capacity by 40,449 short tons (2.9 percent) between 2002 and 2003. As production was fluctuating and capacity decreasing, the reported capacity utilization for reporting firms increased by 1.9 percentage points from 2001 to 2003, with a peak in capacity utilization in 2002. In 2002, 8 out of 11 producers increased capacity utilization over the year earlier, while in 2003, only 6 out of 11 increased capacity utilization from the previous year.

Total U.S. commercial shipments as reported by responding firms decreased slightly in 2002 but increased in 2003. *** either drove or limited these trends. In 2002, reporting firms decreased U.S. commercial shipments by *** short tons (*** percent). In 2003, reporting firms increased U.S. commercial shipments by *** short tons (*** percent). *** drove the decreases in reported export shipments of 5,083 short tons (15.2 percent) and 5,120 short tons (18.1 percent) in 2002 and 2003, respectively. Only one firm reported small amounts of internal consumption in the period examined.[11] The average unit values for reporting cold bar producers first decreased from 2001 to 2002, and then increased from 2002 to 2003. Six out of eleven firms with continuous operations in 2001 and 2002 reported an increase in their average unit values, which nonetheless declined in aggregate by $***. Ten out of eleven firms with continuous operations in 2002 and 2003 reported an increase in average unit values for a total increase in average unit values of $*** in 2003. Productivity of reporting firms increased in both 2002 and 2003. Productivity increased for five out of ten producers in 2002 and for seven out of ten producers in 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), reporting firms increased production by 231,885 short tons (23.3 percent), with all eleven firms reporting increased production. In this period, total production capacity of reporting firms increased by 82,055 short tons (5.6 percent). Average capacity utilization for the reporting firms increased during this period by 11.4 percentage points to 79.8 percent. All but one firm indicated an increase in capacity utilization.

Reporting firms increased U.S. commercial shipments of cold bar by *** short tons (*** percent) in 2004. At the same time, these firms also increased exports by 6,726 short tons (29.0 percent). While shipments were increasing, responding firms reported an aggregate average unit value increase for their U.S. shipments of $206 (32.0 percent). All producers increased their average unit values in 2004. Productivity continued to increase in 2004, with nine out of eleven firms reporting an increase.

---

[9] *** indicated that the 201 safeguard action had no discernible effect on these production changes and that this firm was still selling in 2003 its typical product at 15 percent below what that product sold for in 1981. *** indicated that the numerous exemptions granted to select steel products reduced the effectiveness of safeguard import relief measures. This firm also indicated that demand for cold bar products is often cyclical in nature spanning several years. *** indicated that the firm could not specifically isolate the effect of the safeguard tariffs from other market forces, but indicated nonetheless that the safeguard action had a general positive effect on its ability to improve operations, increase capacity, and ship more product. *** indicated that some labor disputes hindered production in 2003, but that the reduction of foreign cold bar imports assisted the industry in competing. *** indicated that it believes the steel safeguards to have been overall effective; however, that relief might have been less effective for non-rebar long products than rebar products due to numerous exemptions made to specific non-rebar importing firms and due to the antidumping order on rebar.

[10] *** decrease in production capacity accounts for this trend as the five other firms whose production capacity changed in this period all increased production capacity of their cold bar facilities.

[11] In 2001, *** percent of total shipments were shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied internal consumption needs, and 3.4 percent of total shipments were exported. By 2003, *** percent went to U.S. commercial demand, *** to internal consumption needs, and 2.3 to export markets.

In January-March 2005 (the final period covered by the original safeguard action), production was greater than in January-March 2004 by 13,274 short tons (4.2 percent), with six out of eleven firms reporting higher production. In 2005, Nucor acquired part of *** Fort Howard Steel; ***. Production capacity was slightly lower in January-March 2005 than it was in January-March 2004. In comparing the first quarter of 2005 with that same period a year earlier, capacity utilization was greater by on average 3 percentage points for responding firms. Six out of eleven firms experienced increased capacity utilization in January-March 2005.

Reporting firms had a slightly lower quantity of U.S. commercial shipments in the first quarter of 2005 than in that same period a year earlier, down *** short tons (*** percent). Conversely, reporting firms exported 3,535 more short tons (70.5 percent) in January-March 2005 than in January-March 2004.[12] On average, these firms' average unit value for U.S. shipments of cold bar was $268 higher in January-March 2005 than in January-March 2004.[13] Productivity for the reporting firms on average was slightly lower in January-March 2005 than in January-March 2004.

FINANCIAL DATA

Financial data provided by U.S. producers concerning operations on cold bar are presented in table LONG III-4.[14] From 2001 to 2003, net commercial sales quantities steadily increased while total and average unit commercial sales values increased unevenly. Average unit COGS declined while average unit SG&A showed a slight increase. In combination, increased average unit sales values coupled with lower average unit COGS resulted in increased gross and operating profits from 2001 to 2003.

From 2003 to 2004 and between the interim periods, total and average unit commercial sales values, COGS, and SG&A increased. Net commercial sales quantities also increased from 2003 to 2004, but declined between the interim periods. In combination, average unit sales values increased more than average unit COGS and SG&A and resulted in increased gross and operating profits from 2003 to 2004 and between the interim periods.

Increases in raw material costs were the major factor behind the increase in COGS from 2003 to 2004 and between the interim periods. Average unit raw material costs increased throughout the examination period; however, the increases were too small from 2001 to 2003 to offset declines in average unit direct labor and other factory costs and thus average unit COGS declined during this time frame. From 2001 to 2003, average unit raw material costs increased by 13 percent and then increased by an additional 49 and 56 percent, respectively, from 2003 to 2004 and between the interim periods.

Data on capital expenditures were reported by all firms. Data on research and development expenses were reported by *** firms that account for *** percent of the total reported 2004 commercial sales value of cold bar. Data on property, plant, and equipment were reported by firms that account for 79 percent of the total reported 2004 commercial sales value of cold bar.

---

[12] Due to these changes, the shipment mix in January-March 2005 shifted slightly, with *** percent of total shipments being shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied internal consumption needs, and 2.7 percent of total shipments were exported.

[13] One firm, ***, indicated that the contradiction of average unit values increasing after the removal of the tariff-component of the safeguard measures indicates that the 201 action was relatively ineffective at changing market conditions for U.S. producers in comparison to other market forces of global supply and demand.

[14] Firms reflected in these data are ***. *** provided incomplete financial data; therefore, staff estimated costs and expenses based on the aggregate financial data for cold bar as reported to the Commission during this evaluation period.

Table LONG III-4
Cold bar: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
			Quantity (*short tons*)			
Net commercial sales	954,638	958,495	981,576	1,096,868	353,386	346,067
			Value *($1,000)*			
Net commercial sales	617,384	615,319	633,587	947,474	250,546	326,873
COGS	552,761	544,544	556,971	784,939	221,314	276,718
Gross profit or (loss)	64,623	70,775	76,616	162,535	29,232	50,155
SG&A expenses	35,118	35,849	38,106	46,990	13,224	14,608
Operating income or (loss)	29,505	34,926	38,510	115,545	16,008	35,547
Interest expense	13,995	6,330	6,921	4,466	1,264	1,346
Other (income)/expenses, net	(8,508)	(1,137)	(24,173)	1,180	287	316
Net income or (loss)	7,002	27,459	7,416	112,259	15,030	34,517
Depreciation/amortization	27,374	21,190	19,190	19,361	4,507	4,829
Cash flow	34,376	48,650	26,606	131,621	19,538	39,345
CDSOA funds received	0	0	0	0	0	([1])
Pension (credit)/expense	2,399	2,550	2,728	3,946	938	1,117
Other post-employment benefits	307	117	419	525	106	208
Capital expenditures	39,548	13,850	9,731	8,937	2,959	4,147
R&D expenses	***	***	***	***	***	***
Property, plant, and equipment:						
Original cost	876,982	897,433	906,812	905,110	916,047	887,552
Book value	317,143	303,760	282,727	256,098	271,790	239,955
			Ratio to net commercial sales (*percent*)			
COGS	89.5	88.5	87.9	82.8	88.3	84.7
Gross profit or (loss)	10.5	11.5	12.1	17.2	11.7	15.3
SG&A expenses	5.7	5.8	6.0	5.0	5.3	4.5
Operating income or (loss)	4.8	5.7	6.1	12.2	6.4	10.9
Net income or (loss)	1.1	4.5	1.2	11.8	6.0	10.6
			Unit value (*per short ton*)			
Net commercial sales	$647	$642	$645	$864	$709	$945
COGS total	579	568	567	716	626	800
Raw materials	294	309	332	493	353	552
Direct labor	64	59	52	58	40	51
Other factory costs	222	200	184	165	234	197
Gross profit or (loss)	68	74	78	148	83	145
SG&A expenses	37	37	39	43	37	42
Operating income or (loss)	31	36	39	105	45	103
			Number of firms reporting			
Operating losses	2	3	1	0	1	0
Data	9	9	9	9	9	9

[1] Not available.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table LONG III-5 presents data on U.S. imports of cold bar by sources for 2001-04, as well as January-March 2004 and January-March 2005. Table LONG III-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002 and 2003.

Table LONG III-5
Cold bar: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January - March	
	2001	2002	2003	2004	2004	2005
				Quantity *(short tons)*		
Covered sources	185,953	112,139	102,067	155,765	20,802	52,361
Noncovered sources	79,084	105,222	111,932	112,673	32,388	29,045
Total	265,037	217,361	214,000	268,437	53,189	81,406
				Landed, duty paid value *($1,000)*		
Covered sources	142,781	92,342	79,739	176,721	19,487	57,640
Noncovered sources	59,842	78,918	82,845	103,159	24,085	32,764
Total	202,622	171,261	162,583	279,879	43,572	90,404
				Unit value *(per short ton)*		
Covered sources	$768	$823	$781	$1,135	$937	$1,101
Noncovered sources	757	750	740	916	744	1,128
Average	765	788	760	1,043	819	1,111
				Share of quantity *(percent)*		
Covered sources	70.2	51.6	47.7	58.0	39.1	64.3
Noncovered sources	29.8	48.4	52.3	42.0	60.9	35.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
				Share of value *(percent)*		
Covered sources	70.5	53.9	49.0	63.1	44.7	63.8
Noncovered sources	29.5	46.1	51.0	36.9	55.3	36.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
				Ratio of imports to production *(percent)*		
Covered sources	19.2	11.5	10.3	12.7	6.6	16.0
Noncovered sources	8.2	10.8	11.3	9.2	10.3	8.9
Total	27.3	22.3	21.5	21.9	16.9	24.8

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table LONG III-6
Cold bar: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of cold bar from covered sources decreased while the quantity and value of U.S. imports from other sources increased. As a result, the quantity of total U.S. imports decreased by 19.3 percent while the value of U.S. imports decreased by

19.8 percent. U.S. imports from covered sources decreased from 70.2 percent of the quantity of total cold bar imports and 70.5 percent of the value of total cold bar imports to 47.7 percent and 49.0 percent, respectively. During this period, average unit values for covered sources first increased and then decreased, whereas average unit values from noncovered sources decreased regularly over the same period. Overall, average unit values first increased and then decreased, resulting in a net decrease of $5 per short ton by 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity of U.S. imports of cold bar from covered sources increased, while the quantity of U.S. imports of cold bar from noncovered sources remained relatively constant. The value of U.S. imports of cold bar for both covered and noncovered sources increased. As a result, the quantity of total U.S. imports increased by 25.4 percent while the value of U.S. imports increased by 72.1 percent. U.S. imports from covered sources increased from 47.7 percent of the quantity of total cold bar imports and 49.0 percent of the value of total cold bar imports to 58.0 percent and 63.1 percent, respectively. During this period, average unit values for both covered and, to a lesser extent, noncovered sources increased, resulting in an overall increase of $283 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity of U.S. imports of cold bar from covered sources was higher than during January-March 2004, while the quantity of U.S. imports from other sources was slightly lower. The values of U.S. imports of cold bar from both covered sources and noncovered sources were higher in January-March 2005 than during January-March 2004. As a result, the quantity of total U.S. imports was 53.0 percent higher in January-March 2005 than during the comparable period in 2004, while the value of U.S. imports was 107.5 percent higher. U.S. imports from covered sources accounted for 64.3 percent of the quantity and 63.8 percent of the value of total cold bar imports, compared to 39.1 percent and 44.7 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, U.S. imports of cold bar were $292 per short ton higher in January-March 2005 than during the comparable period in 2004.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table LONG III-7 presents data on apparent U.S. consumption and market shares of cold bar. Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), apparent U.S. consumption first decreased and then increased slightly. On the whole imports declined as the increase in imports from noncovered sources did not entirely offset the decrease in imports from covered sources. U.S. producers' U.S. shipments fell by 0.3 percent in 2002, but then increased by 1.9 percent in 2003. U.S. producers' market share rose between 2001 and 2002 from 78.4 percent by quantity to 81.5 percent, a gain of 3.1 percentage points. The trend of increasing U.S. market share continued into 2003 by 0.5 percentage point. U.S. market share by value increased in the period from 75.4 percent in 2001 to 79.5 percent in 2003, a gain of 4.1 percentage points over two years.

Between 2003 and 2004 (the year following the removal of the increased tariffs), apparent U.S. consumption for cold bar products increased by 21.6 percent. In this period, both an increase in U.S. producers' U.S. shipments and in covered imports contributed to the increase in apparent U.S. consumption. Imports from covered sources increased to approximately 84 percent of their 2001 (i.e., pre-tariff) levels. At the same time, U.S. producers increased shipments by 202,695 short tons (20.8 percent) in 2004 over 2003, but lost market share by quantity and value in 2004. U.S. producers' market share declined between 2003 and 2004 from 82.0 percent by quantity to 81.4 percent, a loss of less than a percentage point. U.S. producers' market share by value declined between 2003 and 2004 from 79.5 percent to 78.2 percent, a loss of 1.3 percentage points.

In January-March 2005 (the final period covered by the original safeguard action), the quantity of apparent U.S. consumption of cold bar was 7.7 percent higher than during January-March 2004, while

the value of apparent U.S. consumption was 48.8 percent higher. The domestic industry's share of the U.S. market was 6.1 percentage points lower by quantity and 6.4 percentage points lower by value in January-March 2005 than in January-March 2004. Import market share, conversely, was higher in January-March 2005 than in January-March 2004, as imports from covered sources increased and imports from noncovered sources decreased as a share of the U.S. market. Total imports of cold bar were 28,217 short tons (53.0 percent) higher in January-March 2005 than in January-March 2004.

Table LONG III-7
Cold bar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January - March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
U.S. producers' U.S. shipments	960,934	957,669	975,732	1,178,427	311,016	310,942
U.S. imports from:						
Covered sources	185,953	112,139	102,067	155,765	20,802	52,361
Noncovered sources	79,084	105,222	111,932	112,673	32,388	29,045
Total U.S. imports	265,037	217,361	214,000	268,437	53,189	81,406
Apparent U.S. consumption	1,225,971	1,175,030	1,189,732	1,446,864	364,205	392,348
	Value *($1,000)*					
U.S. producers' U.S. shipments	619,887	613,590	629,865	1,004,219	223,039	306,274
U.S. imports from:						
Covered sources	142,781	92,342	79,739	176,721	19,487	57,640
Noncovered sources	59,842	78,918	82,845	103,159	24,085	32,764
Total U.S. imports	202,622	171,261	162,583	279,879	43,572	90,404
Apparent U.S. consumption	822,509	784,851	792,449	1,284,099	266,611	396,678
	U.S. market share based on quantity *(percent)*					
U.S. producers' U.S. shipments	78.4	81.5	82.0	81.4	85.4	79.3
U.S. imports from:						
Covered sources	15.2	9.5	8.6	10.8	5.7	13.3
Noncovered sources	6.5	9.0	9.4	7.8	8.9	7.4
Total U.S. imports	21.6	18.5	18.0	18.6	14.6	20.7
	U.S. market share based on value *(percent)*					
U.S. producers' U.S. shipments	75.4	78.2	79.5	78.2	83.7	77.2
U.S. imports from:						
Covered sources	17.4	11.8	10.1	13.8	7.3	14.5
Noncovered sources	7.3	10.1	10.5	8.0	9.0	8.3
Total U.S. imports	24.6	21.8	20.5	21.8	16.3	22.8

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. cold bar producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table LONG III-8).

The three factors rated most important by U.S. cold bar producers from March 2002 to December 2003 were: changes in the cost of raw materials, changes in demand for steel within the United States, and changes in demand for steel outside the United States. The three factors rated most important by U.S. cold bar producers from January 2004 to March 2005 were: changes in the cost of raw materials, changes in demand for steel outside the United States, and changes in demand for steel within the United States.[15]

Pricing Practices

Nearly all responding U.S. cold bar producers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 2002. One producer reported adding a scrap surcharge beginning in January 2004. All nine responding U.S. cold bar producers reported that there has not been a change in the share of their sales that is on a contract vis-a-vis a spot basis. One producer noted that its contract durations were shortened from January 2004 to March 2005 due to rising raw material costs.[16] Seven of ten U.S. cold bar producers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag spot prices and are not as volatile.

---

[15] Apparent U.S. consumption of cold bar products increased by 18.0 percent from 2001 to 2004 (table LONG III-7). The industrial production index increased by 4.4 percent during the period for which data were collected and the durable goods production index increased by 13.5 percent during the same period (figure OVERVIEW II-2). Manufacturers' shipments of transportation equipment increased by 11.5 percent during the period for which data were collected. Most recently, the value of U.S. manufacturers' shipments of transportation equipment dropped by 5.8 percent from first quarter 2004 to first quarter 2005. Non-residential construction put in place increased by 3.9 percent during the period for which data were collected and manufacturers' shipments of carbon steel forgings increased by 36.2 percent during the same period (table OVERVIEW II-1). Hot bar products are the primary raw material input for cold bar products; prices for product 7, the hot bar product for which the Commission collected quarterly price data, increased by 65.3 percent from the first quarter of 2001 to the first quarter of 2005 (table LONG II-14). Prices for steel scrap increased by 133.2 percent during the period for which data were collected (figure OVERVIEW II-12). U.S. cold bar producers' capacity increased by 5.3 percent from 2001 to 2004, and capacity utilization increased from 66.4 percent in 2001 to 79.8 percent in 2004 (table LONG III-3).

[16] U.S. steel consumers also reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable, U.S. Steel Consumers' posthearing brief, p. 20.

Table LONG III-8
Cold bar: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	1.2	7	3	0	1.3	10	0	0
Changes in demand for steel outside the United States	1.6	5	5	0	1.4	9	0	1
Changes in demand for steel within the United States	1.4	5	2	3	1.4	8	0	2
Changes in transportation/delivery cost changes	2.0	7	3	0	1.6	10	0	0
Changing market patterns	2.0	2	6	2	1.6	4	4	2
Changes in energy costs	1.9	7	3	0	2.0	9	1	0
Changes in the level of competition from imports from excluded countries	2.2	0	5	5	2.1	1	6	3
Changes in the productivity of domestic producers	2.0	1	7	2	2.2	2	7	1
Changes in labor agreements, contracts, etc.	2.4	0	9	1	2.4	0	9	1
Changes in U.S. production capacity	2.2	4	4	2	2.7	4	4	2
Changes in competition between U.S. producers	2.1	4	4	2	3.1	3	7	0
Changes in the level of competition from substitute products	3.4	0	9	1	3.4	0	10	0
Changes in the allocation of production capacity to alternate products	3.6	0	10	0	3.6	0	10	0

[1] The numbers in this column represents the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Source: Compiled from data submitted in response to Commission questionnaires.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following cold bar product during January 2001-March 2005:[17]

> ***Product 8*--C1045, one inch round.** This specialty product is a medium-carbon steel, used where greater strength is required than can be obtained from lower carbon steels. In the size specified, it is used primarily for shafts, machinery parts, and bolts.

Reported pricing data accounted for *** percent of the quantity of U.S. producers' U.S. commercial shipments of cold bar during the period for which data were collected.[18]

Weighted-average prices and quantities sold of U.S.-produced cold bar product 8 are shown in table LONG III-9 and in figure LONG III-2.[19] A summary of the price data is shown in table LONG III-10.

The weighted-average sales prices remained relatively steady from first quarter 2001 to fourth quarter 2002, began to increase in 2003, and dramatically rose in 2004, with prices peaking in first quarter 2005. Weighted-average sales prices increased by *** percent over the entire period.

Table LONG III-9
Cold bar: Weighted-average price and quantity data for domestic product 8, by quarters, January 2001-March 2005

* * * * * * *

Figure LONG III-2
Cold bar: Weighted-average f.o.b. prices of domestic product 8, January 2001-March 2005

* * * * * * *

Table LONG III-10
Cold bar: Changes in quarterly prices of domestic product 8

* * * * * * *

[17] Pricing data as presented here for January 2001 through December 2002 are the data collected under the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately under the current evaluation.

[18] Eight U.S. producers provided pricing data for product 8.

[19] Public price data for cold-finished bar are shown in figure E-4 of appendix E.

PART IV: INDUSTRY AND MARKET DATA (REBAR)

DESCRIPTION AND USES

Carbon steel reinforcing bar (rebar) are hot-rolled steel products that generally have a solid cross-section (as described for hot bars) with ribs or other deformations produced during the rolling process, for the purpose of improving the bond with concrete. Rebar is used for structural reinforcement within cast concrete structures. HTS statistical reporting numbers for subject rebar are presented in table LONG IV-1.

Table LONG IV-1
Rebar: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers	
Rebar[1]	7213.10.00	7214.20.00

[1] The temporary HTS subheadings for rebar established by proclamation pursuant to trade legislation during 2002-03 were:
(1) 9903.73.70 through 9903.81.73 for products excluded from the section 203 remedy, and
(2) 9903.73.69, 9903.73.70, and 9903.73.71 for products not excluded from relief and incurring, respectively, 15 percent additional tariffs through March 19, 2003, and 12 percent additional tariffs through December 4, 2003.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

Rebar is used for structural reinforcement within cast concrete structures. As shown in OVERVIEW PART II, the value of U.S. nonresidential construction put in place increased by 3.9 percent during the period for which data were collected (table OVERVIEW II-1).

The data collected by the Commission indicate that apparent U.S. consumption of rebar increased by 7.1 percent from 2001 to 2004.

In the monitoring evaluation, seven of nine responding U.S. rebar producers reported that U.S. demand for steel had decreased from March 2002 to March 2003. U.S. rebar producers that reported decreased demand in the monitoring evaluation generally cited the slowing U.S. economy, particularly weakness in the construction market sector and reduced government spending on transportation projects.

In the current evaluation, three of seven responding U.S. rebar producers reported that U.S. demand for steel increased from March 2002 to December 2003. For the period from January 2004 to March 2005, nine of twelve U.S. rebar producers reported that demand increased, generally citing strong demand in China.[1] One producer also cited the weak U.S. dollar, which makes U.S. exports more attractive to the rest of the world. Another producer also noted strong demand in India.

Thirteen of 15 responding U.S. rebar producers in the current evaluation reported that there have been no changes in the types or prices of substitute products since March 2002. One producer reported that fluctuations in the price of concrete relative to rebar prices have made concrete substitutes more attractive for use in infrastructure projects and another noted that fiberglass fibers are increasingly becoming a substitute for rebar.

[1] One producer that reported decreased demand attributed it to a weak domestic market.

Changes in U.S. Supply

Riverview Steel, a producer of rebar without raw steel capacity, shut down its rolling operations in August 2000, restarted operations in the spring of 2001, then filed for bankruptcy and shut down operations again in August 2001. Nucor acquired the Kingman, AZ rebar and wire rod minimill from North Star in March 2003, but the rolling assets have remained idle. In September 2002, Slater Steel purchased Auburn Steel's Lemont, IL minimill (shuttered since February 2001), and re-commissioned the mill in December 2002 to ramp up production of merchant and special quality bars and rebar. In September 2002, Steel Dynamics purchased certain assets of Qualitech (shut down since January 2001).

In October 2002, Brazilian steelmaker Gerdau S.A. and Canadian steelmaker Co-Steel combined their North American operations, resulting in the formation of Gerdau AmeriSteel Corporation, which is a producer of hot-rolled and cold-finished bars and rebar. Potter Form & Tie Company, a rebar fabricator with six locations in the Midwest, was acquired by Gerdau AmeriSteel in March 2004. Gate City and RJ Rebar, Inc., two rebar fabricators in the Midwest, were acquired by Gerdau AmeriSteel in December 2004.

As shown in the table LONG IV-2, the majority of U.S. rebar producers reported no changes in their marketing practices, either from March 2002 to December 2003 or from January 2004 to March 2005. Five of seven responding U.S. rebar producers reported efforts to increase product availability from January 2004 to March 2005, mostly due to the acquisition of other mills.

Table LONG IV-2
Rebar: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No	Yes		No	Yes	
Efforts to increase product availability	2	4		2	5	
Change in geographic market	11	2		10	5	
Change in share of sales from inventory	10	2		7	5	
Change in average lead times from inventory	10	0		8	2	
Change in average lead times from production	7	1		5	5	
Change in product range	9	3		6	3	
Change in demand for or production of alternate products	11	0		10	1	
	I	D	S	I	D	S
Change in order backlogs[1]	7	2	5	7	4	4
Change in on-time shipping percentage[1]	3	0	11	4	1	10

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or have stayed the same (S) for over the specified time period.

Note: Not all producers answered all questions.

Source: Compiled from data submitted in response to Commission questionnaires.

In the monitoring investigation, 13 of 43 responding rebar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Sixteen of 41 responding rebar purchasers reported increased average lead times for their

purchases of domestic steel, 22 reported no change in domestic lead times, and three reported decreased domestic lead times. Rebar purchasers were also asked in the monitoring investigation to identify actions taken by domestic producers from March 2002 to March 2003 to make a positive adjustment to import competition.[2] Of 43 responding purchasers, 27 did not indicate that producers had taken any such actions. However, 5 of 43 responding purchasers reported that domestic producers had introduced new or innovative products, 4 reported that domestic producers had improved product quality, 6 reported that domestic producers had expanded marketing efforts, 7 reported that domestic producers had improved customer service, and 5 reported that domestic producers had made other positive adjustment efforts.[3]

Based on data compiled in this investigation, U.S. rebar producers' capacity utilization was 84.9 percent and their inventories as a percentage of total shipments were 9.1 percent in 2004. Exports accounted for 2.7 percent of total shipments in 2004.

Timeline

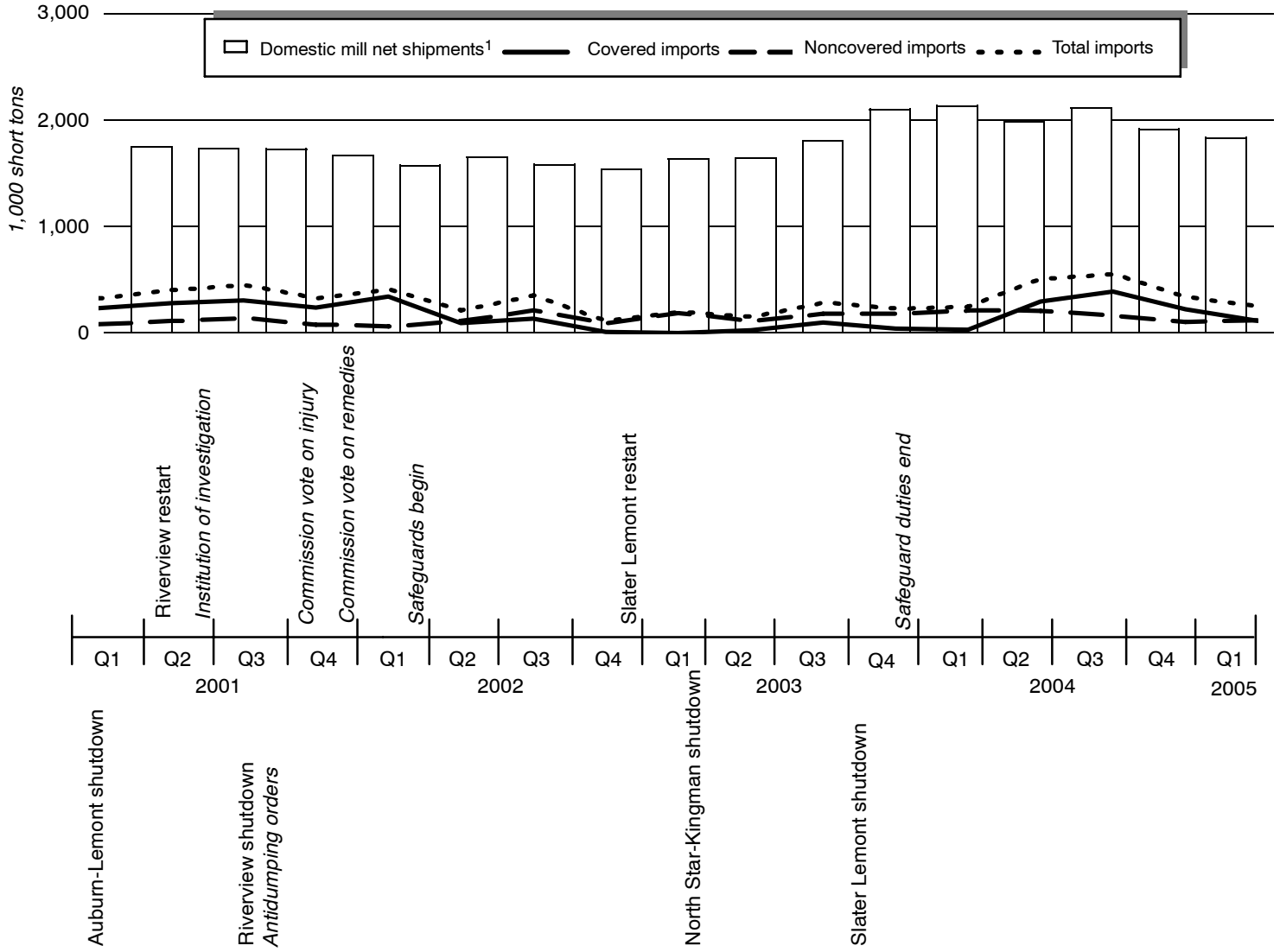
Figure LONG-IV-1 shows quarterly shipments of rebar products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include quarterly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the line) and startups and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard events while antidumping duty orders are shown below the line.[4]

[2] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[3] Some purchasers reported more than one of these actions.

[4] On September 7, 2001, Commerce issued antidumping duty orders on rebar from Belarus, China, Indonesia, Korea, Latvia, Moldova, Poland, and Ukraine (66 FR 46777).

Figure LONG IV-1
Rebar: Quarterly imports and domestic net shipments, antidumping duty orders, facility shutdowns and restarts, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Table LONG IV-3 presents information on U.S. rebar producers' capacity, production, shipments, inventories, and employment. The Commission received useable questionnaire responses from 14 producers who accounted for 6.9 million short tons of rebar shipments in the United States in 2004. This represents approximately 84.5 percent of domestic shipments of rebar as reported to the AISI.[5]

Only one company that reported calendar-year 2000 production capacity in the original safeguard investigation did not provide data in the current evaluation. *** reported capacity of *** shorts tons in 2000 and production of *** short tons, resulting in a calculated capacity utilization of *** percent.[6]

Table LONG IV-3 presents information on U.S. rebar producers' capacity, production, shipments, inventories, and employment. One reporting producer, Bayou, began and ceased rebar operations during the period evaluated. Another reporting rebar producer, Nucor, acquired a nonreporting rebar producer, Birmingham, early in the period evaluated. Commission staff constructed an estimate of Birmingham's rebar production during the period evaluated based on publicly available data. One reporting firm, Gerdau Ameristeel, acquired two rebar producers, Co-Steel and North Star. Commission staff constructed an estimate of Co-Steel's rebar production during the period evaluated based on data this firm submitted in other investigations, while ***.

As presented in table LONG IV-3, reporting U.S. producers' aggregate output-related indicators rose between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect). According to these data, the industry initially decreased production by 70,890 short tons (1.1 percent), then increased production by 1,158,713 short tons (17.6 percent) in 2003.[7] Reporting firms' production capacity decreased by 153,374 short tons (1.7 percent) between 2001 and 2002 and then decreased again by 94,317 short tons (1.1 percent) between 2002 and 2003. Capacity utilization rates increased for 7 out of 14 reporting firms from 2001 to 2002, with an average increase of 0.5 percentage point across the reporting firms. Between 2002 and 2003, capacity utilization increased for 11 out of 13 firms with continuous operations for an industry-wide average increase of 14.2 percentage points.[8] Over the same period of improving capacity utilization, the rebar industry reported a substantial degree of consolidation. In 2001, Nucor, Ameristeel (subsequently Gerdau Ameristeel), and CMC Steel accounted for *** percent of U.S. rebar production; by 2003, these three firms accounted for *** percent of U.S. rebar production.[9]

---

[5] AISI's data indicate that domestic mills' rebar shipments totaled approximately 8.2 million short tons in 2004. Part of the difference in data might be due to ***. Staff telephone interview with ***, June 15, 2005.

[6] In early 2005, *** parent, ***, re-staffed management in this *** plant. After initial contact, the new management was unresponsive to Commission inquiry.

[7] *** accounted for more than *** of this increase in production in 2003 as ***. *** reported increased production in 2003; however, this firm characterized the increase as a reintroduction of production that had been taken offline in 2002 due to the impact of imports on the domestic market. *** reported increased production in this period and cited its successful renegotiation of pension liabilities after emergence from bankruptcy protection at the end of 2002 as assisting the firm in its expansion of rebar operations. *** reported increased production in this period and cited a reduction of rebar imports into the U.S. that allowed its mills to increase production rates. *** indicated that the safeguard tariffs contributed to the improved economic condition of rebar operations in 2003.

[8] ***.

[9] *** consolidated the most in this period and accounted for *** percent of reporting firms' production in 2003, an increase of *** percentage points over the year earlier.

Table LONG IV-3
Rebar: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
Capacity	8,891,279	8,737,905	8,643,588	8,659,643	2,210,229	2,191,564
Production	6,659,184	6,588,294	7,747,007	7,352,839	1,903,582	1,765,666
Internal consumption/transfers	950,306	896,791	1,153,380	1,175,082	329,044	251,731
U.S. commercial shipments	5,661,957	5,702,169	6,552,966	5,874,978	1,587,766	1,487,786
U.S. shipments	6,612,263	6,598,960	7,706,346	7,050,060	1,916,810	1,739,517
Export shipments	21,575	24,537	223,518	198,557	66,539	57,482
Total shipments	6,633,838	6,623,497	7,929,864	7,248,617	1,983,349	1,796,999
Ending inventories	767,517	810,637	433,985	656,721	330,813	620,309
	Value *($1,000)*					
Internal consumption/transfers	238,027	222,653	307,221	464,172	106,145	112,299
U.S. commercial shipments	1,500,406	1,464,196	1,846,787	2,648,461	588,826	700,614
U.S. shipments	1,738,433	1,686,849	2,154,008	3,112,633	694,971	812,913
Export shipments	5,370	6,236	66,003	88,021	25,223	27,088
Total shipments	1,743,803	1,693,085	2,220,011	3,200,654	720,194	840,001
	Unit value *(per short ton)*					
Internal consumption/transfers	$250	$248	$266	$395	$323	$446
U.S. commercial shipments	265	257	282	451	371	471
U.S. shipments	263	256	280	442	363	467
Export shipments	249	254	295	443	379	471
Total shipments	263	256	280	442	363	467
	Ratios and shares *(percent)*					
Capacity utilization	74.9	75.4	89.6	84.9	86.1	80.6
U.S. shipments to distributors	24.1	24.2	28.0	32.9	28.1	28.4
U.S. shipments to end users	75.9	75.8	72.0	67.1	71.9	71.6
Inventories/total shipments	11.6	12.2	5.5	9.1	4.2	8.6
	Employment data					
PRWs[1] *(number)*	3,932	4,445	4,126	4,810	4,105	4,626
Hours worked *(1,000)*	8,011	8,832	8,697	9,067	2,705	2,776
Wages paid *($1,000)*	206,386	229,698	248,120	277,682	66,478	76,580
Hourly wages	$25.76	$26.01	$28.53	$30.63	$24.58	$27.59
Productivity *(short tons/1,000 hrs)*	776.2	698.6	857.8	794.1	684.9	636.1
Unit labor costs *(per short ton)*	$33.19	$37.22	$33.26	$38.57	$35.88	$43.37

[1] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

production by 5,621 short tons (0.6 percent) between 2001 and 2002. This increase, however, was limited by ***. In 2003, reporting firms again increased cold bar production by 19,215 short tons (2.0 percent), with ***.[9] Reporting firms reduced production capacity by 45,370 short tons (3.1 percent) between 2001 and 2002,[10] and increased production capacity by 40,449 short tons (2.9 percent) between 2002 and 2003. As production was fluctuating and capacity decreasing, the reported capacity utilization for reporting firms increased by 1.9 percentage points from 2001 to 2003, with a peak in capacity utilization in 2002. In 2002, 8 out of 11 producers increased capacity utilization over the year earlier, while in 2003, only 6 out of 11 increased capacity utilization from the previous year.

Total U.S. commercial shipments as reported by responding firms decreased slightly in 2002 but increased in 2003. *** either drove or limited these trends. In 2002, reporting firms decreased U.S. commercial shipments by *** short tons (*** percent). In 2003, reporting firms increased U.S. commercial shipments by *** short tons (*** percent). *** drove the decreases in reported export shipments of 5,083 short tons (15.2 percent) and 5,120 short tons (18.1 percent) in 2002 and 2003, respectively. Only one firm reported small amounts of internal consumption in the period examined.[11] The average unit values for reporting cold bar producers first decreased from 2001 to 2002, and then increased from 2002 to 2003. Six out of eleven firms with continuous operations in 2001 and 2002 reported an increase in their average unit values, which nonetheless declined in aggregate by $***. Ten out of eleven firms with continuous operations in 2002 and 2003 reported an increase in average unit values for a total increase in average unit values of $*** in 2003. Productivity of reporting firms increased in both 2002 and 2003. Productivity increased for five out of ten producers in 2002 and for seven out of ten producers in 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), reporting firms increased production by 231,885 short tons (23.3 percent), with all eleven firms reporting increased production. In this period, total production capacity of reporting firms increased by 82,055 short tons (5.6 percent). Average capacity utilization for the reporting firms increased during this period by 11.4 percentage points to 79.8 percent. All but one firm indicated an increase in capacity utilization.

Reporting firms increased U.S. commercial shipments of cold bar by *** short tons (*** percent) in 2004. At the same time, these firms also increased exports by 6,726 short tons (29.0 percent). While shipments were increasing, responding firms reported an aggregate average unit value increase for their U.S. shipments of $206 (32.0 percent). All producers increased their average unit values in 2004. Productivity continued to increase in 2004, with nine out of eleven firms reporting an increase.

---

[9] *** indicated that the 201 safeguard action had no discernible effect on these production changes and that this firm was still selling in 2003 its typical product at 15 percent below what that product sold for in 1981. *** indicated that the numerous exemptions granted to select steel products reduced the effectiveness of safeguard import relief measures. This firm also indicated that demand for cold bar products is often cyclical in nature spanning several years. *** indicated that the firm could not specifically isolate the effect of the safeguard tariffs from other market forces, but indicated nonetheless that the safeguard action had a general positive effect on its ability to improve operations, increase capacity, and ship more product. *** indicated that some labor disputes hindered production in 2003, but that the reduction of foreign cold bar imports assisted the industry in competing. *** indicated that it believes the steel safeguards to have been overall effective; however, that relief might have been less effective for non-rebar long products than rebar products due to numerous exemptions made to specific non-rebar importing firms and due to the antidumping order on rebar.

[10] *** decrease in production capacity accounts for this trend as the five other firms whose production capacity changed in this period all increased production capacity of their cold bar facilities.

[11] In 2001, *** percent of total shipments were shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied internal consumption needs, and 3.4 percent of total shipments were exported. By 2003, *** percent went to U.S. commercial demand, *** to internal consumption needs, and 2.3 to export markets.

In January-March 2005 (the final period covered by the original safeguard action), production was greater than in January-March 2004 by 13,274 short tons (4.2 percent), with six out of eleven firms reporting higher production. In 2005, Nucor acquired part of *** Fort Howard Steel; ***. Production capacity was slightly lower in January-March 2005 than it was in January-March 2004. In comparing the first quarter of 2005 with that same period a year earlier, capacity utilization was greater by on average 3 percentage points for responding firms. Six out of eleven firms experienced increased capacity utilization in January-March 2005.

Reporting firms had a slightly lower quantity of U.S. commercial shipments in the first quarter of 2005 than in that same period a year earlier, down *** short tons (*** percent). Conversely, reporting firms exported 3,535 more short tons (70.5 percent) in January-March 2005 than in January-March 2004.[12] On average, these firms' average unit value for U.S. shipments of cold bar was $268 higher in January-March 2005 than in January-March 2004.[13] Productivity for the reporting firms on average was slightly lower in January-March 2005 than in January-March 2004.

FINANCIAL DATA

Financial data provided by U.S. producers concerning operations on cold bar are presented in table LONG III-4.[14] From 2001 to 2003, net commercial sales quantities steadily increased while total and average unit commercial sales values increased unevenly. Average unit COGS declined while average unit SG&A showed a slight increase. In combination, increased average unit sales values coupled with lower average unit COGS resulted in increased gross and operating profits from 2001 to 2003.

From 2003 to 2004 and between the interim periods, total and average unit commercial sales values, COGS, and SG&A increased. Net commercial sales quantities also increased from 2003 to 2004, but declined between the interim periods. In combination, average unit sales values increased more than average unit COGS and SG&A and resulted in increased gross and operating profits from 2003 to 2004 and between the interim periods.

Increases in raw material costs were the major factor behind the increase in COGS from 2003 to 2004 and between the interim periods. Average unit raw material costs increased throughout the examination period; however, the increases were too small from 2001 to 2003 to offset declines in average unit direct labor and other factory costs and thus average unit COGS declined during this time frame. From 2001 to 2003, average unit raw material costs increased by 13 percent and then increased by an additional 49 and 56 percent, respectively, from 2003 to 2004 and between the interim periods.

Data on capital expenditures were reported by all firms. Data on research and development expenses were reported by *** firms that account for *** percent of the total reported 2004 commercial sales value of cold bar. Data on property, plant, and equipment were reported by firms that account for 79 percent of the total reported 2004 commercial sales value of cold bar.

---

[12] Due to these changes, the shipment mix in January-March 2005 shifted slightly, with *** percent of total shipments being shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied internal consumption needs, and 2.7 percent of total shipments were exported.

[13] One firm, ***, indicated that the contradiction of average unit values increasing after the removal of the tariff-component of the safeguard measures indicates that the 201 action was relatively ineffective at changing market conditions for U.S. producers in comparison to other market forces of global supply and demand.

[14] Firms reflected in these data are ***. *** provided incomplete financial data; therefore, staff estimated costs and expenses based on the aggregate financial data for cold bar as reported to the Commission during this evaluation period.

Table LONG IV-4
Rebar: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
			Quantity (*short tons*)			
Net commercial sales	5,532,463	5,694,963	6,434,401	6,105,861	1,622,048	1,525,904
			Value *($1,000)*			
Net commercial sales	1,467,361	1,464,145	1,817,386	2,662,135	602,080	716,513
COGS	1,375,413	1,368,803	1,671,889	2,132,503	511,639	591,801
Gross profit	91,948	95,342	145,497	529,632	90,441	124,712
SG&A expenses	91,702	96,712	76,632	81,764	19,695	19,688
Operating income or (loss)	246	(1,370)	68,864	447,868	70,746	105,025
Interest expense	37,888	46,365	10,393	9,100	2,188	2,130
Other (income)/expenses, net	(3,823)	(16,846)	43	9,255	2,156	4,113
Net income or (loss)	(41,465)	(64,581)	58,514	448,024	70,714	107,007
Depreciation/amortization	81,753	79,742	87,096	89,572	22,956	23,298
Cash flow	40,288	15,161	145,610	537,595	93,671	130,306
CDSOA funds received	4	1,138	1,389	1,178	([1])	([1])
Pension (credit)/expense	1,856	3,173	5,651	6,165	1,821	2,182
Other post-employment benefits	2,081	2,202	2,403	2,025	749	380
Capital expenditures	34,820	16,195	79,032	60,914	15,614	18,684
R&D expenses	***	***	***	***	***	***
Property, plant, and equipment:						
Original cost	1,126,980	1,402,167	1,443,863	1,424,148	1,318,804	1,404,887
Book value	508,453	723,902	919,171	873,421	854,387	861,269
			Ratio to net commercial sales (*percent*)			
COGS	93.7	93.5	92.0	80.1	85.0	82.6
Gross profit	6.3	6.5	8.0	19.9	15.0	17.4
SG&A expenses	6.2	6.6	4.2	3.1	3.3	2.7
Operating income or (loss)	0.0	(0.1)	3.8	16.8	11.8	14.7
Net income or (loss)	(2.8)	(4.4)	3.2	16.8	11.7	14.9
			Unit value (*per short ton*)			
Net commercial sales	$265	$257	$282	$436	$371	$470
COGS[2]	249	240	260	349	315	388
Gross profit	17	17	23	87	56	82
SG&A expenses	17	17	12	13	12	13
Operating income or (loss)	0	0	11	73	44	69
			Number of firms reporting			
Operating losses	7	8	4	1	0	1
Data	13	14	12	12	11	10

[1] Not available.

[2] Data on the components of COGS (raw materials, direct labor, and other factory costs) are not available for all firms; therefore, per unit data are only presented as total COGS. Firms with data on the components of COGS account for 97 percent of 2004 total commercial sales value. For these firms, average unit values for raw materials were $82 in 2001 and $215 in interim 2005, average unit values for direct labor were $20 in 2001 and $33 in interim 2005, and average unit values for other factory costs were $74 in 2001 and $126 in interim 2005.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table LONG IV-5 presents data on U.S. imports of rebar by sources for 2001-04, as well as January-March 2004 and January-March 2005. Table LONG IV-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002 and 2003.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of rebar from covered sources decreased while the quantity and value of U.S. imports from other sources increased. As a result, the quantity of total U.S. imports decreased by 42.0 percent while the value of U.S. imports decreased by 27.6 percent. U.S. imports from covered sources decreased from 70.9 percent of the quantity of total rebar imports and 69.9 percent of the value of total rebar imports to 22.2 percent and 23.2 percent, respectively. During this period, average unit values for covered and, to a lesser extent, noncovered sources increased irregularly, resulting in an overall increase of $56 per short ton by 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of rebar from covered sources and other sources increased. As a result, the quantity of total U.S. imports increased by 88.1 percent while the value of U.S. imports increased by 216.9 percent. U.S. imports from covered sources increased from 22.2 percent of the quantity of total rebar imports and 23.2 percent of the value of total rebar imports to 57.7 percent and 61.8 percent, respectively. During this period, average unit values for both covered and, to a lesser extent, noncovered sources increased, resulting in an overall increase of $192 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity and the value of U.S. imports of rebar from covered sources were higher than during January-March 2004, while the quantity and value of U.S. imports from other sources were lower. As a result, the quantity of total U.S. imports was 1.0 percent lower in January-March 2005 than during the comparable period in 2004, while the value of U.S. imports was 30.0 percent higher. U.S. imports from covered sources accounted for 47.6 percent of the quantity of total rebar imports and 46.6 percent of the value of total rebar imports in January-March 2005, compared to 15.1 percent and 14.7 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, the average unit value of U.S. imports of rebar were $104 per short ton higher in January-March 2005 than during the comparable period in 2004.

Table LONG IV-5
Rebar: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January - March	
	2001	2002	2003	2004	2004	2005
			Quantity *(short tons)*			
Covered sources	1,246,359	692,853	226,248	1,105,947	44,210	137,930
Noncovered sources	511,850	583,338	792,760	810,907	248,638	151,886
Total	1,758,208	1,276,191	1,019,007	1,916,854	292,848	289,816
			Landed, duty paid value *($1,000)*			
Covered sources	275,852	150,214	66,222	559,474	14,320	58,859
Noncovered sources	118,588	135,422	219,327	345,352	82,927	67,534
Total	394,440	285,636	285,549	904,826	97,247	126,393
			Unit value *(per short ton)*			
Covered sources	$221	$217	$293	$506	$324	$427
Noncovered sources	232	232	277	426	334	445
Average	224	224	280	472	332	436
			Share of quantity *(percent)*			
Covered sources	70.9	54.3	22.2	57.7	15.1	47.6
Noncovered sources	29.1	45.7	77.8	42.3	84.9	52.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
			Share of value *(percent)*			
Covered sources	69.9	52.6	23.2	61.8	14.7	46.6
Noncovered sources	30.1	47.4	76.8	38.2	85.3	53.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
			Ratio of imports to production *(percent)*			
Covered sources	18.7	10.5	2.9	15.0	2.3	7.8
Noncovered sources	7.7	8.9	10.2	11.0	13.1	8.6
Total	26.4	19.4	13.2	26.1	15.4	16.4

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table LONG IV-6
Rebar: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of rebar are presented in table LONG IV-7. Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), apparent U.S. consumption of rebar first decreased and then increased. The decline in covered imports accounts for virtually all of this decline in apparent U.S. consumption in 2002 as U.S. producers' U.S. shipments remained relatively constant and as imports from noncovered sources increased. U.S. producers did not immediately increase their shipments of rebar to the U.S. market in 2002. By 2003, however, U.S. producers' U.S. shipments increased by 1,107,386 short tons (16.8 percent).[15] As imports exited the market in this period and U.S. producers increased the supply of domestic product, the domestic industry's U.S. market share based on quantity increased from 79.0 percent in 2001 to 88.3 percent in 2003, a gain of approximately 9.3 percentage points. At the same time, market share based on value of apparent U.S. consumption increased from 81.5 percent in 2001 to 88.3 percent in 2003, an increase of 6.8 percentage points.

Between 2003 and 2004 (the year following the removal of the increased tariffs), apparent U.S. consumption for rebar again increased. However, all of this increase in 2004 was due to the reintroduction of rebar from covered sources into the market. U.S. producers' U.S. shipments decreased by 656,286 short tons (8.5 percent) in this period, while total imports increased by 897,847 short tons. As a result of the reintroduction of rebar from covered sources to 88.7 percent of its pre-safeguard quantities, apparent U.S. consumption increased by 241,560 short tons (2.8 percent). U.S. producers' lost 9.7 percentage points of market share based on quantity in 2004 and 10.8 percentage points of share based on value.

In January-March 2005 (the final period covered by the original safeguard action), the quantity of apparent U.S. consumption of rebar was 8.2 percent lower than during January-March 2004. By value, however, apparent U.S. consumption was 18.6 percent higher in January-March 2005 than in January-March 2004. Whether measured by quantity or by value, the domestic industry's share of the U.S. market was modestly lower in January-March 2005 than in January-March 2004. Import market share, conversely, was modestly higher in January-March 2005 than in January-March 2004, as imports from covered sources increased and imports from noncovered sources decreased as a share of the U.S. market.

[15] As an example of the pressure on the domestic rebar producers to meet new demand, the firm Bayou, which usually does not roll rebar, began *** of short tons of rebar production to help other rebar manufacturers meet increased domestic demand. Staff telephone interview with ***, June 14, 2005.

Table LONG IV-7
Rebar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January - March	
	2000	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
U.S. producers' U.S. shipments	6,612,263	6,598,960	7,706,346	7,050,060	1,916,810	1,739,517
U.S. imports from:						
Covered sources[1]	1,246,359	692,853	226,248	1,105,947	44,210	137,930
Noncovered sources	511,850	583,338	792,760	810,907	248,638	151,886
Total U.S. imports	1,758,208	1,276,191	1,019,008	1,916,854	292,848	289,816
Apparent U.S. consumption	8,370,471	7,875,151	8,725,354	8,966,914	2,209,658	2,029,333
	Value *($1,000)*					
U.S. producers' U.S. shipments	1,738,433	1,686,849	2,154,008	3,112,633	694,971	812,913
U.S. imports from:						
Covered sources[1]	275,852	150,214	66,222	559,474	14,320	58,859
Noncovered sources	118,588	135,422	219,327	345,352	82,927	67,534
Total U.S. imports	394,440	285,636	285,549	904,826	97,247	126,393
Apparent U.S. consumption	2,132,873	1,972,485	2,439,557	4,017,459	792,218	939,306
	U.S. market share based on quantity *(percent)*					
U.S. producers' U.S. shipments	79.0	83.8	88.3	78.6	86.7	85.7
U.S. imports from:						
Covered sources[1]	14.9	8.8	2.6	12.3	2.0	6.8
Noncovered sources	6.1	7.4	9.1	9.0	11.3	7.5
Total U.S. imports	21.0	16.2	11.7	21.4	13.3	14.3
	U.S. market share based on value *(percent)*					
U.S. producers' U.S. shipments	81.5	85.5	88.3	77.5	87.7	86.5
U.S. imports from:						
Covered sources[1]	12.9	7.6	2.7	13.9	1.8	6.3
Noncovered sources	5.6	6.9	9.0	8.6	10.5	7.2
Total U.S. imports	18.5	14.5	11.7	22.5	12.3	13.5

[1] Although Moldova, Turkey, and Venezuela are generally excluded from the section 203 relief, they are covered sources with respect to imports of rebar.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. rebar producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table LONG IV-8).

The three factors rated most important by U.S. rebar producers from March 2002 to December 2003 were: changes in energy costs, changes in the cost of raw materials, and changes in the level of competition from imports from non-excluded countries. The three factors rated most important by U.S. rebar producers from January 2004 to March 2005 were: changes in the cost of raw materials, changes in demand for steel outside the United States, and changes in demand for steel within the United States.[16]

Pricing Practices

All 15 responding U.S. rebar producers in the current evaluation reported making no changes in the way they determine the price they charge for steel from March 2002 to December 2003 or from January 2004 to March 2005. One producer reported that it lowered discount terms from 1.5 percent to 1 percent over the first period and another producer reported that it lowered discount terms from 11 percent to 1 percent over the second period, while another reported that it increased the amount of rebates from January 2004 to March 2005. Fourteen of 15 responding U.S. rebar producers reported that there has not been a change in the share of their sales that is on a contract vis-a-vis a spot basis from March 2002 to December 2003. One of 15 responding producers reported a slight increase in contract sales over the period from January 2004 to March 2005.[17] Nine of 14 responding U.S. rebar producers reported that contract prices do not tend to follow a similar trend as spot prices.

---

[16] Apparent consumption of rebar increased by 7.1 percent from 2001 to 2004 (table LONG IV-7). Manufacturers' shipments of non-residential construction put in place increased by 3.9 percent during the period for which data were collected (table OVERVIEW II-1).

Prices for steel scrap increased by 133.2 percent during the period for which data were collected (figure OVERVIEW II-12). U.S. rebar producers' capacity utilization increased from 74.9 percent in 2001 to 84.9 percent in 2004 (table LONG IV-3).

[17] U.S. steel consumers also reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable, U.S. Steel Consumers' posthearing brief, p. 20.

Table LONG IV-8
Rebar: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	2.1	7	6	1	1.2	12	1	1
Changes in demand for steel outside the United States	2.5	7	6	0	1.3	10	1	2
Changes in demand for steel within the United States	2.1	6	4	4	1.5	10	0	5
Changes in energy costs	1.9	8	6	0	1.7	13	1	0
Changes in the level of competition from imports from non-excluded countries	2.1	6	7	1	1.8	4	5	5
Changes in the level of competition from imports from excluded countries	2.1	4	6	4	2.1	5	6	4
Changes in transportation/delivery cost changes	2.7	6	8	0	2.2	13	1	0
Changes in competition between U.S. producers	2.3	5	7	2	2.3	2	7	5
Changes in U.S. production capacity	2.8	4	6	4	2.5	3	7	4
Changing market patterns	3.0	4	10	0	2.8	5	8	1
Changes in the productivity of domestic producers	2.9	2	10	2	2.8	4	8	2
Changes in labor agreements, contracts, etc.	3.3	1	13	1	3.3	2	11	1
Changes in the allocation of production capacity to alternate products	3.4	0	14	0	3.4	0	14	0
Changes in the level of competition from substitute products	3.6	0	14	0	3.6	0	14	0

[1] The numbers in this column represents the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors and some producers gave more than one answer per factor.

Source: Compiled from data submitted in response to Commission questionnaires.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following rebar product during January 2001-March 2005:[18]

> ***Product 9*–Straight ASTM A615, Nos. 4 and 5, grade 60 rebar.** This commodity product is used for internal reinforcement of concrete construction components. Arrays of this product are placed within forms, and concrete is cast around and within those arrays.

Reported pricing data accounted for *** percent of the quantity of U.S. producers' U.S. commercial shipments of rebar during the period for which data were collected.[19] Weighted-average prices and quantities sold of U.S.-produced rebar are shown in table LONG IV-9 and in figure LONG IV-2. A summary of the price data is shown in table LONG IV-10.

Quarterly prices for the domestically produced rebar product for which the Commission collected pricing data remained relatively flat from first quarter 2001 through first quarter 2003. Prices began a gradual increase in second quarter 2003 and then rose dramatically beginning in first quarter 2004, with prices peaking in fourth quarter 2004. The weighted-average sales price increased by *** percent from January 2001 to March 2005.

[18] Pricing data as presented here for January 2001 through December 2002 are the data collected under the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately under the current evaluation.

[19] *** U.S. producers provided pricing data on product 9. Not all producers provided pricing for all quarters.

Table LONG IV-9
Rebar: Weighted-average price and quantity data for domestic product 9,[1] by quarters, January 2001-March 2005

	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2002:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2003:		
January-March	$265.73	915,706
April-June	286.98	890,552
July-September	297.16	964,584
October-December	313.78	917,307
2004:		
January-March	376.49	889,027
April-June	465.68	858,099
July-September	498.19	818,695
October-December	499.39	556,421
2005:		
January-March	470.05	744,236

[1] Straight ASTM A615, Nos. 4 and 5, grade 60 rebar.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure LONG IV-2
Rebar: Weighted-average f.o.b. prices of domestic product 9, January 2001-March 2005

* * * * * * *

Table LONG IV-10
Rebar: Changes in quarterly prices of domestic product 9

Product	Change in price from Q1 2001 to Q1 2002	Change in price from Q1 2002 to Q1 2003	Change in price from Q1 2003 to Q1 2004	Change in price from Q1 2004 to Q1 2005	Change in price from Q1 2001 to Q1 2005
			Percent		
9	***	***	41.7	24.9	***

Source: Compiled from data submitted in response to Commission questionnaires.

PART V: ADJUSTMENT EFFORTS

Section 204(d) of the Trade Act of 1974 (19 U.S.C. § 2254 (d)) requires the Commission, following termination of a relief action, to evaluate the effectiveness of the action in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President in the report submitted to the Congress under section 203(b) of the Act. In doing so the Commission examines whether the industry has satisfied its previous commitments, comparing the actions taken by workers and firms to the actions that were anticipated if relief were granted. This report considers these efforts in the context of the prevailing economic circumstances during the period of relief.

PROPOSED ADJUSTMENT PLANS

In the section 201 investigation, the domestic long producers' adjustment plans reviewed by the Commission included capital expenses intended to enhance efficiency and reduce costs. These proposed projects, some of which have now been implemented, included modifying, refurbishing, or replacing furnaces and installing new transformers, control systems, and other productive equipment. Several producers proposed resuming a more normal scope and pace of operations by increasing productive shifts, rehiring laid off workers, or paying down debt. Another element of the adjustment plans was the installation of equipment designed to permit producers to offer new product lines, such as special bar quality (SBQ) bar and high-strength joint bar, specialty types of cold-finished bar, and stainless or corrosion-resistant rebar. A summary of the types of actions contained in U.S. producers' proposed adjustment plans in the section 201 investigation is presented in table LONG V-1.[1]

In the monitoring investigation, the Commission asked U.S. producers whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that, if relief were granted as a result of that investigation, their firm would make adjustments in their subject steel products operations that would permit them to compete more effectively with imports of subject steel products after relief expires. The firms' responses are presented in table LONG V-3.

SIGNIFICANCE OF RELIEF AND ECONOMIC CONDITIONS DURING ADJUSTMENT EFFORTS

The Commission asked U.S. producers to describe the significance of the tariffs and/or tariff-rate quotas imposed by the President effective on or after March 20, 2002, in terms of their effect on the domestic firms' operations in the following categories:

(a) Production capacity, production, shipments, inventories, and employment.

(b) Return on investment, ability to generate capital to finance the modernization of domestic plant(s) and equipment, or ability to maintain existing levels of expenditures for research and development.

(c) Changes in collective bargaining agreements.

[1] Also included in the table is the number of firms that stated they had no planned adjustments.

Table LONG V-1
Long steel: Number of U.S. producers affirmatively reporting proposed adjustments in the section 201 investigation, by product group

Certain long products		
Hot bar	**Cold bar**	**Rebar**
Number of reporting U.S. producers		
32	15	17
Capital investment		
18	6	7
Increase productivity/production/capacity		
13	3	4
Cost reductions		
12	3	6
No planned adjustments		
2	1	1
Improve product quality		
7	1	3
Increase employee training/employment/employee incentives		
4	1	3
Pay off debt; restructure loans		
4	0	2
Decrease energy costs		
3	1	4
Acquire, build, or expand facility		
2	0	2
Develop new or innovative product lines; broaden product lines		
4	1	0
Relocate, close or sell facility		
3	0	2
Improve customer services		
2	1	2
Research & Development		
1	0	2
Environmental improvements		
3	0	1
Increase employee safety; reduce workers' compensation		
0	0	0
Reduce work force		
1	0	1
Expand geographic reach of current customer base		
0	0	1
New labor contract; reduce labor costs		
0	0	1
All others		
1	0	1
Increase/improve marketing		
0	0	0

Source: *Steel: Investigation No. TA-201-73*, USITC Publication 3479, December 2001, table LONG-104, p. LONG-102-103, compiled from data submitted in response to Commission questionnaires in that investigation.

Firms were asked to compare their operations during the period of increased import duties and tariff-rate quota (March 2002-December 2003) and after the termination of the tariff-rate quota and increased import duties but while import monitoring remained in place (January 2004-March 2005). Additionally, firms were asked to explain how they have separated the effects of section 203 relief from the effects of other factors, such as closure or re-opening of domestic production facilities, changes in demand, exchange rate changes, or antidumping and countervailing duties. The responses of firms are presented individually in table LONG V-3 (Part B).

Firms responding affirmatively were specifically asked whether there were any reported planned adjustment actions that they had not implemented, and if so, the reason(s) why specific adjustment actions have not been implemented. The firms' responses are presented at the end of Part V in table LONG V-3 (Part A).

POST-RELIEF EFFORTS

The Commission asked U.S. producers to indicate whether they had undertaken any efforts to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:[2]

1. Any efforts which have been made by firms and/or their workers since March 20, 2002, to compete more effectively,

2. The period (month(s) and year(s)) in which the efforts were made,

3. The expenditure or savings involved, as applicable, and

4. The effectiveness of efforts, including any competitive advantage acquired (i.e., increased production, cost reduction, quality improvement, increased market share or sales, etc.).

In addition, if firms felt that any of these efforts were made primarily to compete with sales of imported subject steel products, they were instructed to so indicate and to give the reasons in support of their beliefs. To the extent possible, firms were asked to furnish the Commission with memoranda, studies, or other documentation which indicate that such competitive efforts were undertaken primarily against imports of subject steel. A summary of the types of U.S. producers' reported actual adjustments are presented in table LONG V-2, and the responses of firms are presented at the end of Part V in table LONG V-3 (Part C).

[2] Categories on which producers were asked to comment were: investments made; capacity reductions; cost reductions with existing equipment; diversifications/expansions; mergers and consolidations; new products developed or new applications for existing products; organizational changes; changes in production practices; efforts to secure raw materials; marketing changes in U.S. and foreign markets; employee reductions; changes in pension liabilities, healthcare, and union contracts; and all other efforts made by firms or workers to compete.

Table LONG V-2
Long steel: U.S. producers affirmatively reporting actual adjustments in the section 204 investigation, by product group

Certain long products		
Hot bar	**Cold bar**	**Rebar**
Number of reporting U.S. producers		
13	8	9
Investments made		
8	6	7
Capacity reductions		
3	2	3
Cost reductions with existing equipment		
9	3	7
Diversifications/expansions		
1	3	1
Mergers and consolidations		
5	4	2
New products developed or new applications for existing equipment		
4	2	2
Organizational changes		
4	4	1
Changes in production practices		
7	2	5
Secure raw materials		
6	4	4
Marketing changes (U.S. and foreign markets)		
3	2	1
Employee reductions		
5	1	3
Changes in pension liabilities, healthcare, and union contracts		
5	1	1
All other efforts made by firm or workers		
2	1	1

Source: Compiled from data submitted in response to Commission questionnaires.

Parties to this evaluation provided written comments on firms' efforts to effect positive adjustment under the safeguard action in pre- and post-hearing briefs filed with the Commission. Comments filed by the Long Products Producers' Coalition ("LPPC")[3] (represented by the law firm Wiley Rein & Fielding, LLP) indicate that the effectiveness of LPPC adjustment efforts relate to four key measures (consolidation, investment, increased productivity, and reduced operating costs),[4] but that an evaluation using these measures of effectiveness must take into account the prevailing economic and business-cycle conditions of the period under review.[5] CMC Steel (hot bar and rebar) improved facilities, sought additional international certification, funded ongoing projects to improve efficiency and

[3] LPPC members include CMC Steel, Gerdau Ameristeel, Nucor, Republic Engineered, TAMCO, and Timken.

[4] LPPC, *The Effectiveness of Section 201 Relief for the Steel Long Products Industry*, posthearing brief, p. 5.

[5] Ibid., pp. 4, 6-7.

reduce production bottlenecks, and developed new products.[6] Gerdau Ameristeel (hot bar, cold bar, and rebar) expanded its operations in the United States, acquired mills, merged with another producer with operations in the United States, reorganized internal operations and management with the aim to rationalize production, and sought further integration with downstream processing facilities.[7] Nucor (hot bar, cold bar, and rebar) acquired additional mills, rationalized production among facilities, and sought further integration with downstream processing facilities.[8] Republic Engineered Products (hot bar and cold bar) rationalized production, reorganized its debt, renegotiated its labor agreements, restructured its pension liabilities, and acquired a foreign producer.[9] TAMCO Steel (rebar) reduced average unit costs.[10] The Timken Company (hot bar and cold bar) increased production capacity, increased productivity and reduced average unit costs.[11] By these measures (consolidation, investment, increased productivity, and reduced operating costs), the firms of the LPPC state that they have effected positive adjustment to import competition,[12] with the caveat that the cyclical nature of the steel industry makes a comparison of the period in which increased tariffs were in place with the period after December 2003 when the tariff component of the safeguard measure was removed difficult.[13]

Comments filed by the Cold Finished Steel Bar Institute ("CFSBI")[14] (represented by the law firm Miller & Chevalier) indicate that adjustment efforts by CFSBI members and associated members, as well as other cold bar producers, began in 2002 under the safeguard relief but were adversely affected by the President's decision to remove the tariff component of the safeguard measure in December of 2003.[15] Gerdau-Ameristeel resulted from a merger of several cold-finished bar producers, BVV acquired Pittsburgh Tool Steel and a former Republic plant in July 2003, and Keystone Profiles acquired cold-drawn assets.[16] Several CFSBI members adjusted operations and idled excess capacity.[17] Additionally, both CFSBI members and non-members made capital investments, instituted organizational restructuring efforts, sought to reduce man-hours per ton, signed new labor agreements and upgraded facilities or production lines.[18] CFSBI contends, however, that the early termination of the tariff component of the steel safeguard measure and the reintroduction of imports from covered sources have delayed additional positive adjustment efforts by the industry to compete with imports of cold bar products.[19]

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) the significance of the section 203 relief on their firm's operations, and (2) the efforts they have

---

[6] Ibid., p. 8. *See also* table LONG V-3, "CMC Steel."

[7] Ibid., p. 9. *See also* table LONG V-3, "Gerdau Ameristeel."

[8] Ibid., pp. 9-10. *See also* table LONG V-3, "Nucor."

[9] Ibid., p. 10-11. *See also* table LONG V-3, "Republic Engineered Products."

[10] Ibid., p. 11. *See also* table LONG V-3, "TAMCO Steel."

[11] Ibid., p. 12. *See also* table LONG V-3, "The Timken Company."

[12] Ibid., p. 12-15.

[13] Ibid., p. 16.

[14] CFSBI members include Corey Steel, Fort Howard Steel, LMP Steel, Precision Kidd, Taubensee Steel, and Wilton Steel. CFSBI associate members include Ispat and Sheffield Steel. The Commission received questionnaire responses from each of these CFSBI members and associate members except Fort Howard Steel (which had recently ceased operations and sold some of its cold-finished steel bar assets to Nucor) and Precision Kidd (which, despite a commitment to do so, failed to provide a questionnaire response). ***.

[15] CFSBI, *Comments on the Effectiveness of Import Relief*, posthearing brief, pp. 2-5.

[16] Ibid., p. 10. *See also* table LONG V-3, "Gerdau Ameristeel."

[17] Ibid., pp. 10-11.

[18] Ibid., pp. 11-12.

[19] Ibid., pp.13-22.

undertaken to compete more effectively in the U.S. market. The responses of firms are presented in the following table LONG V-3.

Table LONG V-3
Long steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
A B Steel Mill, Inc.				X	***	***
A	—					
B	***					
C	—					
Alton Steel Inc.				X	***	***
A	—					
B	***					
C	—					
Bayou Steel			X		***	***
A	*** *** ***					
B	*** ***					
C	**Investments made:** During the period October through December 2004, the company entered into a scrap processing facility capital lease. The company recorded the lease at $931,420 which is the present value of the lease payments at a discount rate of 5.5% as of December 31, 2004. Capital expenditures totaled $5.1 million from October 2004 thru March 2005. Spending was limited to required facility maintenance projects due to limited funds during the company's bankruptcy. The company is planning to spend approximately $3.7 million on capital during the last six months of fiscal 2005. The company is evaluating an investment of $5 million to expand its Louisiana warehouse in fiscal 2006. **Capacity reductions:** In June of 2002 the company reduced from 3 to 2 crews in one rolling mill and in November of 2002 reduced from 3 to 2 crews in the other rolling mill. **Cost reductions:** The company has continuously identified and implemented cost reductions prior to and after March, 2002. **Organizational changes:** One of the company's goals is to continually review and assure that the company is organized to meet current and long term strategic needs. This process requires that jobs and reporting relationships be periodically evaluated to assure organizational effectiveness. Many organizational changes have been made since March 2002 to achieve this goal. **Changes in production practices:** As part of the company's process to identify and implement cost reduction projects, production practices are likewise elevated. Practices that have changed since March 2002 include but are not limited to items such as substitution of lower priced alloys for more expensive ones, cycle time, rolling sizes, energy use, etc. **Raw materials:** The company has expanded its scrap processing since March 2002. **Employee reductions:** Position reductions since March 2002 are as follows and do not include mode of operation changes. 21 salary positions and 36 hourly positions.						
Cascade Steel			X		***	***
A	—					
B	*** *** ***					
C	***					

Table continued, next page.

Table LONG V-3-- *Continued*
Long steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
CMC Steel		**X**			***	***
A	***					
B	*** *** ***					
C	**Investments made:** Krasney bundle-tying upgrade project at SMI SC (in progress--began in Jan. 2002) will increase load carrying capacity of existing equipment, improve efficiency of manpower, and allow more flexibility for maintenance; single slit project at SMI AR (in progress--began in Dec. 2002 with a $600,000 initial investment) will increase mill yield by approximately 3 percent and will reduce use of old Web mill thereby requiring less maintenance and manpower for operation; caster/meltshop project at SMI TX (in progress–began in Sep. 2004) will increase mill capacity and efficiency. **Cost reductions with existing equipment:** The following projects have cost savings that were not publicly reported: mill pass water filtration system at SMI AR (began in Aug. 02); replacement of MEP Bender with MiniMax 80 at SMI TX (began in Aug. 02); replacement of spindle supports at SMI AL (began in Aug. 02); lime handling system for melt shop at SMI SC (was done in 2002). **New products developed or new applications for existing products:** Corrosion resistant rebar and rounds. Offers superior corrosion resistance. **Changes in production practices:** ISO 9001 certification installed in 2003 that documents and streamlines production practices for quality improvements; patented process improvements implemented in 2003 that improved efficiency and cost effectiveness. **Employee reductions:** In 2003, through efforts to remain competitive through cost reductions SMI TX reduced employee force by 14 employees; SMI SC reduced employee force by 45 employees. Total savings not reported publicly. In 2005, CMC has reduced the number of hours/shifts being worked by employees to closely control inventory levels and to match production to demand levels.					
Connecticut Steel			**X**		***	***
A	***					
B	***					
C	**Investments made:** Finish mill shear modification (completed Feb. 03 at a cost of $182,700), first step in increasing the diameter of products produced to expand the sales market basket; roll mill modification to roll 21/32 inch wire rod, also ability to produce #5 rebar 16mm (completed Sep. 04 at a cost of $268,921, final step in increasing the diameter of products produced.					
Corey Steel Company		**X**			***	***
A	***					
B	*** ***					
C	—					

Table continued, next page.

Table LONG V-3-- *Continued*
Long steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
Gerdau Ameristeel	**X**			***	***
A	—				
B	***				
C	**Mergers and acquisitions:** On June 24, 2002, the company acquired certain assets and assumed certain liabilities of Republic Technologies' cold drawn plant in Cartersville, Georgia. The purchase price was $8.4 million and the transaction was accounted for as a business combination. The plant commenced operations under Gerdau Ameristeel ownership on July 2, 2002. On October 23, 2002, Brazilian Steelmaker Gerdau S.A. and Canadian steelmaker Co-Steel combined their North American operations. In the transaction, Co-Steel acquired all of the issued and outstanding shares of the Gerdau North America Group in exchange for shares of Co-Steel representing approximately 74% of th shares of the combined entity. A portion of these shares were issued to minority shareholders of AmeriStreel Corporation on March 31, 2003, as described below. The name of Co-Steel was changed to Gerdau Ameristeel Corporation as part of the transaction. For accounting purposes, the business combination of the Gerdau North America Group and Co-Steel has been accounted for using the reverse take-over method of purchase and valued at $135.9 million. Gerdau North America is deemed to be the acquirer and is assumed to be purchasing the assets and liabilities of Co-Steel, since the original shareholders of the Gerdau North America Group have become owners of more than 50% of the voting shares of Co-Steel on a fully diluted basis. The results of the operations of Co-Steel are included from the date of the transaction. On March 19, 2004, the company acquired certain assets and assumed certain liabilities of Potter From & Tile Co., a rebar fabricator with six locations throughout the Midwest, for approximately $11.1 million. The transaction was accounted for as a purchase. On November 1, 2004, Gerdau Ameristeel Completed the acquisition of four long steel product minimills and four downstream facilities, which are referred to as North Star Steel, from Cargill Incorporated. This acquisition increased mill manufacturing capacity by approximately 2.0 million tons for finished long steel products. The facilities acquired consist of four long steel product minimills located in St. Paul, Minnesota; Wilton, Iowa; Calvert City, Kentucky; and Beaumont, Texas; and four downstream facilities - one that processes grinding balls located in Duluth, Tennessee; and Carrollton, Texas. The St. Paul and Wilton minimills have scrap shredder material needs. The purchase price for the acquired assets was $266 million in cash plus the assumption of certain liabilities of the businesses being acquired and changes in working capital from April 30, 2004 to the date of closing. On December 10, 2004, the company completed the acquisition of the fixed assets and working capital of Gate City's and RJ Rebar, Inc.'s rebar fabrication facilities in the Midwest with annual production capacity of approximately 150,000 tons for approximately $16.4 million. The transaction was accounted for as a purchase.					
Ispat	**X**			***	***
A	***				
B	*** *** ***				

Table continued, next page.

Table LONG V-3-- *Continued*
Long steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
Ispat – *Continued*	**X**			***	***
C	**Mergers and consolidations:** The integration of Ispat Inland's operations with those of the former International Steel Group (ISG) to form Mittal Steel USA in 2005 is expected to save more than $200 million in purchasing and manufacturing synergies, approximately $20 million in operating synergies, and about $60 million in a one-time inventory reduction. In addition, savings are also anticipated in revenue enhancements, reduced capital expenditures, and contract-related improvements in productivity. The roots of the new Mittal Steel USA can be traced to the Section 201 program. Wilbur Ross, the chairman of the former ISG, has repeatedly stated that the Section 201 program promoted market conditions that encouraged his purchase and consolidation of the bankrupt assets of the various steel companies comprising ISG. **New products developed or new applications for existing products:** Since March 2002, the Ispat Inland long products division has rationalized unprofitable product lines and replaced them with those more suitable for its production facilities. Other product lines regularly produced have been reduced in volume to limit inventory and be more responsive to market demand. In addition, the long products division has improved the quality of its finished products through refining practices throughout the production process. Planned capital improvements have been indefinitely postponed because low-priced bar imports originally exempted from the Section 201 program have continued to keep prices and profits too low to proceed. The company's ongoing integration in 2005 with the former ISG is expected to create the largest steel product research and development program in the United States. **Raw materials prices:** The integration of Ispat Inland and the former ISG will increase Ispat Inland's access to raw material supplies domestically. Ispat Inland's ongoing relationships with its sister subsidiaries of Mittal Steel N.V. will continue to ensure raw material supplies from abroad when needed. **Marketing changes:** The long products division has consolidated its sales force in north America to take advantage of geographic and administrative efficiencies. **Employee reductions:** From March 2002 through today, significant employee reductions have been achieved through increased efficiencies, normal attrition and retirements. **Pensions, healthcare, and union contracts:** In July 2003 , in an agreement with the Pension Benefit Guaranty Corp. (PBGC), Ispat Inland contributed an additional $50 million to its $290 million pension trust and granted the PBGC $160 million security in certain assets. Ispant Inland's six year collective bargaining agreement with the United Steel Workers of America (USWA) expired in 2004. The company is now working on a unified collective bargaining agreement patterned on the one the former ISG negotiated with the USWA.					
Jersey Shore		**X**		***	***
A	—				
B	*** ***				
C	**Cost reductions:** The reheat furnace operating and maintenance activities have been modified thereby reducing energy and other operating costs (March 2005). Lean manufacturing practices have been adopted (March 2005). **New Products:** We began offering new product sizes and lighter gauges. **Organizational changes:** Additions to the staff were made including: dedicated sales manager (December 2003); VP of manufacturing (April 2004); IT administrator (December 2004); safety manager (February 2005). **Raw materials:** We are investigating alternate global sources for re-roll quality rail raw material. **Marketing changes:** Greater emphasis on value added products (new fabrication services). Updated marketing tools (i.e. website and video). The company has investigated opportunities to enter new markets and expand in current markets. **Employee reduction:** 18 hourly positions were eliminated between January 2004 and March 2005. **Pensions, healthcare and union contracts:** A concessionary labor contract for the Rolling Division was signed in January 2005 to reduce labor related costs. This contract included a base wage reduction, a reduction in holidays and vacation, pension plan changes, job eliminations, initiation of employee healthcare contributions, and changes in work practices. **Other efforts to compete:** Productivity committees (labor/management) were created to identify and implement improved production and maintenance practices and other initiatives (September 2004).					

Table continued, next page.

Table LONG V-3-- *Continued*
Long steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
LMP Steel & Wire		X			***	***
A	***					
B	*** *** ***					
C	**Investments made:** Since March 2002, our company has made over $3.2 million in capital expenditures. We added bar coding and automated our production scheduling processes to compliment the ERP software implemented in October of 2001. We invested in our existing drawing lines to improve quality and reduce costs. We added production space and a new product line. **Capacity reductions:** Temporarily idled 2,000 tons of production capacity in 2003. **Diversifications/Expansions:** Added 40,000 square feet of production space. Expanded our product line to include center-less ground steel bars. **New applications:** Center-less ground steel bar for water well pump shafting. **Organizational changes:** Added engineering and sales personnel. **Adequate supply:** Developed additional sourcing in South Africa and Asia.					
MacSteel				X	***	***
A	—					
B	*** *** ***					
C	**Investments made:** March 2005, a $38 million value added capital improvement project for the Monroe facility. **Diversifications/expansions:** September 2004 expansion and modernization of Ft. Smith, Arkansas facility by 40,000 tons to 500,000 tons, at a cost of $20 million. **Mergers/acquisitions:** January 2004 acquisition of a mill facility in Monroe, Michigan.					
Marion Steel				X	***	***
A	—					
B	*** ***					
C	—					
Nelsen Steel		X			***	***
A	—					
B	*** *** ***					
C	—					
North Star		X			***	***
A	—					
B	*** *** ***					
C	—					

Table continued, next page.

Table LONG V-3-- *Continued*
Long steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
	Yes	No	Not known	Yes	No
Nucor	X			***	***
A	***				
B	—				
C	**Investments made:** Acquired the bar mills of Birmingham Steel in December 2002; purchased the North Star Steel bar mill located in Kingman, AZ in March 2003; obtained an option to purchase the assets of American Iron Reduction in Louisiana in December 2003; entered into a rebar fabrication joint venture with Harris Steel in January 2004; acquired some of the cold-finished bar assets of Fort Howard Steel in January 2005; entered into another rebar fabrication joint venture with Ambassador Steel in January 2005 which in turn announced an acquisition in May 2005; and acquired the bar mill and related assets of Marion Steel in April 2005. **Capacity reductions:** Market conditions have not justified the restarting of the Kingman, AZ bar plant. **New products developed or new applications for existing products:** Nucor has commercialized its revoutionary CASTRIP production process that directly casts molten steel into a finished product. **Raw material prices:** Many of Nucor's contracts now incorporate a scrap surcharge mechanism that causes finished product prices to adjust up or down if scrap pries move beyond a certain range. **Marketing changes in U.S. and foreign markets:** Nucor has actively sought export orders recently in order to maintain production in the face of declining US demand. Nucor has acquired the assets of American Iron Reduction and is moving those assets to Trinidad. Nucor also has a "green pig" joint venture with CVRD in Brazil.					
Oregon Steel		X		***	***
A	—				
B	***				
C	—				
Plymouth Steel Corporation		X		***	***
A	—				
B	—				
C	—				
Republic	X			***	***
A	***				
B	***				
C	**Investments made:** We began installing equipment at our Canton facility in December 2004 which we expect will further enhance our ability to utilize our EAF production capacity. The facility should be fully operational by the end of the fourth quarter of 2005, and will allow more efficient utilization of raw material inputs. We invested $8.0 million in capital expenditures during the period from January 1, 2003 to December 18, 2003 and for the rest of 2003 expenditures were $0.1 million. Capital expenditures for the year ending December 31, 2004 were $18.4 million including $3.2 million for the new fee strand combined billet/bloom caster located at our Canton, Ohio facility. The total cost for the project is estimated to be $50.0 million. We expect this project to be completed in the fourth quarter of 2005. Expenditures are expected to be funded using cash from operations and borrowings under our revolving credit facility. Capital expenditures for the year ending December 31, 2005 are estimated to be from $62-$65 million including $46.8 million for the billet/bloom caster project. Capital expenditures for any fiscal year are limited under our revolving credit facility to $40.0 million. **Chapter 11:** Our predecessors sought protection under Chapter 11 of the bankruptcy code and have in the past sustained substantial losses. Because of this we cannot assure you that we will be able to attain the kinds of profits they failed to realize. If so we will not be able to implement our business plan and investment could be adversely affected.					

Table continued, next page.

Table LONG V-3-- *Continued*
Long steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
Republic – *Continued*	**X**			***	***
C	**Organizational changes and acquisitions:** On December 19, 2003 we acquired substantially all of the operating assets of and assumed certain liabilities of REPH LLC. Specifically we acquired melt shops in Canton and Lorain, Ohio; hot-rolling and processing mills located in Canton and Lorain, Ohio and Lackawanna, New York; cold finishing facilities in Massillon, Ohio and Gary, Indiana; and a machine shop in Massillon, Ohio. We also acquired the rights to proceeds from business interruption and insurance claims and an option to purchase certain assets associated with a cold finishing plant in Ontario, Canada. We hired all of the approximately 2,300 employees of REPL LLC active at the acquisition on December 19, 2003. In January 2004 we hired approximately 70 active employees of Canadian Drawn Steel, Inc. As of December 31, 2004 we had approximately 2,070 hourly employees and 465 salaried employees. **Pensions, healthcare and union contracts:** The labor agreement with the USWA limits our obligations for pension and other post-retirement benefits, or OPEB, to a contribution of $3.50 per worker per hour worked which increases to $3.80 in August 2005. These contributions are our sole obligation with respect to providing benefits. The labor agreement also allows the USWA to appoint one director to our Board of Directors. Our agreements have enhanced our ability to maximize workforce flexibility, reduced costs and allowed us to focus on attaining our business plan objectives by: eliminating guarantee of minimum pay or hours of work, reducing supplemental benefits costs payable to laid off employees, potentially reducing overtime costs, establishing a cost competitive healthcare plan, keeping competitive wages, a profit-sharing plan, management's rights, and incentives tied to performance.					
Roanoke Electric		**X**		***	***
A	—				
B	***				
C	—				
Sheffield Steel	**X**			***	***
A	***				
B	***				
C	**Cost reductions:** We emerged from bankruptcy on August 14, 2002. During 2001 we made a decision to significantly increase maintenance spending on the productive assets in Sand Springs, which we continue to this day. Down time on these assets, melt shop, billet cast, and rolling mill had risen to unacceptable levels. Due to our financial difficulties, capital spending had been severely restricted. We saw only slight improvement through 2002 due to the equipment being in such poor shape, but we saw much improved operations in calendar year 2003 and since. These efforts were essential to remain in business and compete against other domestic mills as well as the high levels of imports we saw during the early 2000's. **Pensions, healthcare and union contracts:** Sheffield has three defined benefit pension plans covering, the hourly workforce in Sand Springs, the salaried workforce in Sand Springs, and the hourly workforce in Joliet. We managed to negotiate with the union in Sand Springs in 2004 closure of the defined benefit plan to new hires and then we also closed the salaried plan in Sand Springs to new hires as well. New hires now participate in a 401-K with company matching. The Joliet plan remains open to new hires.					
Steel of West Virginia		**X**		***	***
A	—				
B	*** ***				
C	**Pensions, healthcare and union contracts:** We successfully completed negotiations on a new bargaining agreement in June 2002 without a work stoppage. We successfully negotiated away an attendance bonus, reduced the vacation time for new hires from 4 weeks to 2 weeks, and made changes to the healthcare plan. All this was done without adding legacy costs.				

Table continued, next page.

Table LONG V-3-- *Continued*
Long steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
TAMCO		X			***	***
A	—					
B	*** ***					
C	—					
Taubensee Steel & Wire				X	***	***
A	—					
B	*** *** ***					
C	—					
Timken		X			***	***
A	***					
B	*** ***					
C	**Investments made:** The firm has had continuous improvement efforts in place to improve production processes and reduce costs. Existing equipment has been improved with limited capital investment and throughput has been increased through improved processes. **Changes in production processes:** We are constantly on the quest for new and innovative production methods and operating practices. **Raw material prices:** Ability to pass more of our raw material price fluctuations through to customers.					
TXI Chaparral				X	***	***
A	—					
B	—					
C	—					
Wilton Precision Steel			X		***	***
A	—					
B	*** *** ***					
C	—					

Source: Compiled from data submitted in response to Commission questionnaires.

CHAPTER 4

CARBON AND ALLOY TUBULAR STEEL

PART I: OVERVIEW (TUBULAR STEEL)

ORGANIZATION OF THIS CHAPTER

Information in this carbon and alloy tubular steel (tubular steel)[1] chapter is organized into four parts: (1) overview of issues concerning the industries producing tubular steel; (2) industry and market data for non-OCTG welded pipe and tube (welded pipe); (3) industry and market data for fittings and flanges (fittings); and (4) adjustment efforts of U.S. tubular steel producers.

U.S. PRODUCERS

Information on the number of reporting U.S. producers of tubular steel and a summary of U.S. producers' positions with respect to the section 203 relief is presented in table TUBULAR I-1. A list of U.S. producers of tubular steel providing a response to the Commission's producers' questionnaire in the current evaluation is presented in table TUBULAR I-2.

Table TUBULAR I-1
Tubular steel: Summary of U.S. producers' positions with respect to the section 203 relief[1] by products and forms[2]

Item	Support relief	Oppose relief	Take no position	No response	Total
Welded pipe	25/22	2/0	4/4	1/0	32/26
Fittings	15/6	2/0	2/1	0/1	19/8

[1] The first number represents U.S. producers' positions in the original safeguard investigation in 2001. The second number represents U.S. producers' positions in the monitoring investigation in 2003.
[2] Responses are shown only for products a firm produces and for which it provided data. A firm may produce more than one of the products or forms.

Source: *Steel, Inv. No. TA-201-73,* USITC Publication 3479, December 2001, p. TUBULAR-6, *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9,* USITC Publication 3632, September 2003, p. TUBULAR I-1.

Table TUBULAR I-2
Tubular steel: U.S. producers' production, by products, 2004

* * * * * * *

STRUCTURAL DEVELOPMENTS

Information on developments in the domestic industries producing welded products and fittings, including bankruptcy protection filings, mergers and acquisitions, and significant capital investments, is presented below. A list of U.S. producers that have recently filed for bankruptcy protection is presented in table TUBULAR I-3. Table TUBULAR I-4 presents industry mergers and acquisitions. Table TUBULAR I-5 presents major publicly announced capital investments of U.S. producers.

Timelines

Figure TUBULAR I-1 includes data on the raw steel production capacity of bankrupt firms, illustrating that bankruptcies of large firms occurred prior to the enactment of the safeguard measure. Figure TUBULAR I-2 presents a timeline for significant mergers and acquisitions of companies by steel-producing firms in the welded pipe and fittings product sector. It shows that merger and acquisition

[1] For purposes of this report, the term "tubular steel" consists of subject welded pipe and tube and fittings.

activity fluctuated between 2001 and 2003, with the largest mergers occurring in 2002 after the enactment of the safeguard measure.

Table TUBULAR I-3
Tubular steel: U.S. producers[1] that have filed for bankruptcy protection, 2001-05

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Tubular steel capacity (*million short tons*)	Employees affected	Comments
July 2001	Excaliber Holding Corp. *Benwood, WV* *Birmingham, AL* *Seymour, IN*	Mechanical tubing and fabricated tube	Shut down welded tube production.	0.2	800	Company was a fabricator of tube subassemblies for automotive, RV, construction, trucking, and agricultural industries with 3 plants producing welded tube and other plants only fabricating the downstream products. Certain fabricating assets (not welded-tube producing assets) were purchased by Leggett & Platt in August 2001.
July 2001	Laclede Steel Co. *Alton, IL.* *Fairless Hills, PA*	Bar, welded standard pipe, welded chain	Shut down August 2001.	0.6	525	Emerged from November 1998 bankruptcy in January 2001. Filed for bankruptcy again in July 2001.

[1] Geneva Steel filed for bankruptcy in September 2002 after having ceased operation in November 2001. Geneva Steel was primarily a producer of flat steel, but also produced nonsubject line pipe. Although Geneva Steel sold welded tube for piling or other applications, such sales were minor and incidental to its primary business and therefore Geneva Steel is not included as a producer of subject welded pipe for purposes of this investigation.

Source: Compiled from various public sources.

Table TUBULAR I-4
Tubular steel: Significant steel company mergers and acquisitions, 2001-05[1]

Month and year	Company and location	Description and tubular capacity
December 2001	Allied Tube & Conduit Corp. *Harvey, IL*	Allied Tube, part of the Tyco industrial group, (capacity: 1.0 million short tons), acquired the assets of Century Tube Co. (capacity: 0.1 million short tons) from Japan's Daiwa Steel Tube Industries.
July 2001	AK Steel Corp. *Middletown, OH*	AK Steel, an integrated producer of hot- and cold-rolled sheet, coated products, pipe and tubing products (capacity: 0.4 million short tons), and stainless steel, acquired the assets of Alpha Tube Co. (capacity: 0.2 million short tons), a bankrupt producer of welded steel tubing.
October 2001	Anvil International, Inc. *Portsmouth, NH*	Anvil International, a subject fittings producer, acquired the assets of Beck Manufacturing, a manufacturer of steel, PVC, and aluminum fittings.
April 2002	Wheatland Tube Co. *Collingswood, NJ*	John Maneely Company, the parent company of Wheatland Tube Co. (capacity: 0.4 million short tons), acquired the Sawhill Tubular Division (capacity: 0.2 million short tons) of AK Steel.
December 2002	Maverick Tube Corp. *Chesterfield, MO*	Maverick (capacity: 1.0 million short tons) acquired certain tubular assets of LTV Steel Corp. This acquisition was of five plants (Youngstown, OH; Ferndale, MI; Cedar Springs, GA; Elyria, OH; and Counce, TN; with a combined capacity: 0.7 million short tons) that formerly were the LTV Steel Tubular Products Division of LTV Steel prior to LTV's purchase of Copperweld Steel and Welded Tube. Maverick closed the Youngstown facility in February 2003.
March 2003	Maverick Tube Corp. *Chesterfield, MO*	Maverick purchased SeaCAT Corporation, Houston, TX for $4 million cash, $5 million subordinated note and 733,676 shares of Maverick common stock.
May 2003	Lone Star Steel Co. *Lone Star, TX*	Lone Star purchased Delta Tube Processing (Houston, TX) for $14 million.
June 2003	Dura-Bond Industries, *Export, PA*	Dura-Bond acquired equipment of the large diameter welded pipe facility in Steelton, PA, from ISG. Production began in December 2004 (capacity: 0.2 million short tons).
July 2003	Novamerican Corp. *Dorval, Quebec, Canada*	Nova purchased the outstanding 50 percent share of BethNova Tube from ISG Venture Inc. (capacity: 0.1 million short tons).
September 2003	Villacero Group *Monterrey, Mexico*	Villacero purchased and became the sole owner of Tex-Tube Company, Houston, TX.
October 2003	Steel Pipe Supply Co. *Manhattan, KS*	SPSC purchased Ex-L Tube (North Kansas City, MO) for an undisclosed amount.
December 2004	Northwest Pipe Co. *Portland, OR*	Northwest moved its Riverside facility to its Adelanto plant as part of its consolidation plan in southern California.

[1] Leggett and Platt, Inc. purchased portions of Excaliber Holding Corp.'s tube-fabricating operations, but not its welded tube assets, in August 2001. In June 2005, Maverick Tube Corp. sold assets related to its hollow structural sections (HSS) product line to Atlas Tube (Canada). Maverick will continue to produce HSS products for Atlas at Maverick's Hickman, AR mill for up to 18 months. Atlas Tube has entered into a binding agreement to purchase all shares of Copperweld Holding Co. Atlas will sell certain assets related to the Automotive and Mechanical divisions of Copperweld to Dofasco, Inc. (Canada). Atlas will retain the Structural division of Copperweld.

Source: Compiled by Commission staff from various public sources.

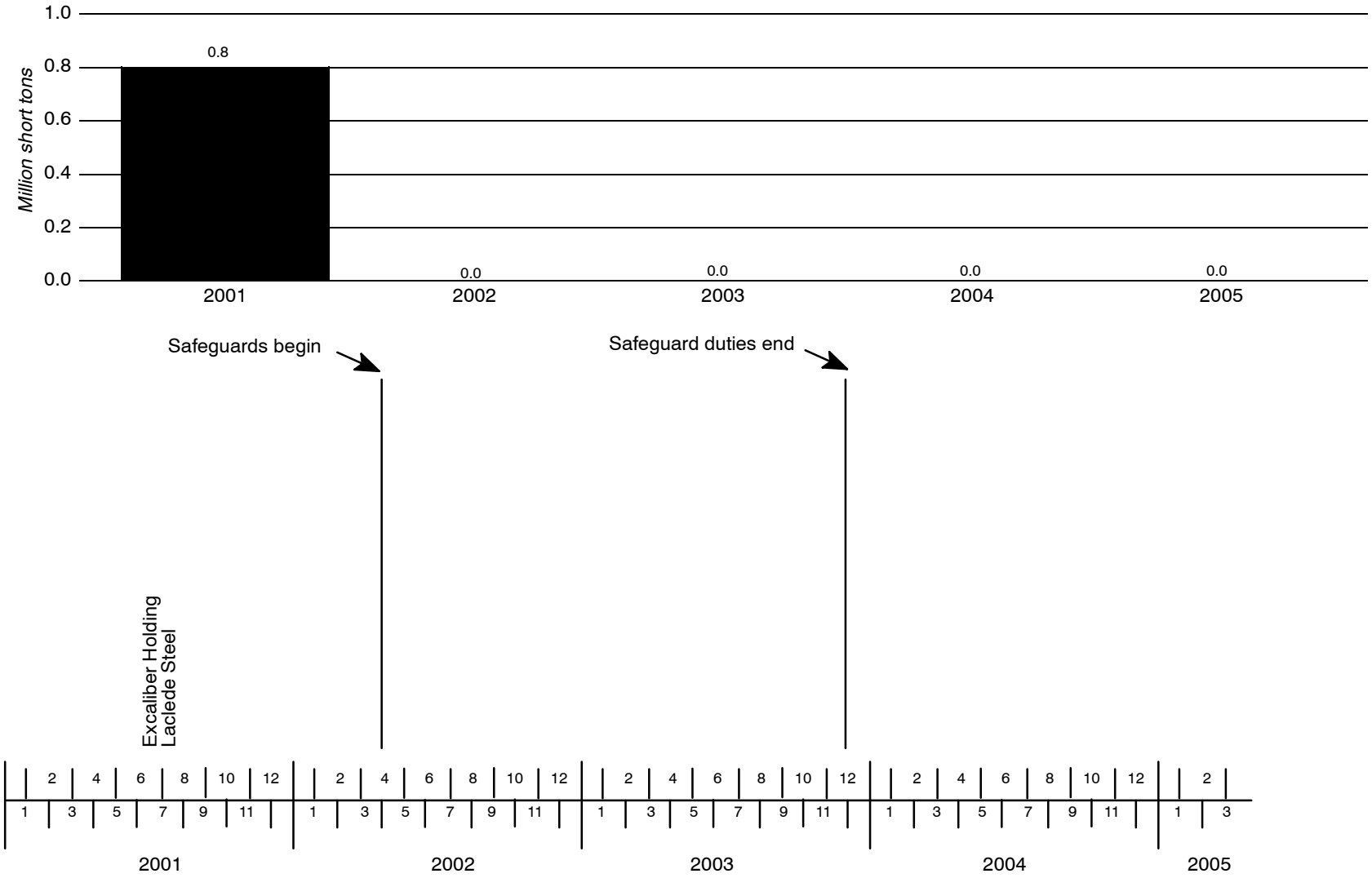
Table TUBULAR I-5
Tubular steel: Major capital investments of U.S. steel companies, as reported in public sources, 2001-05

Year	Company *location*	Facility	Reported investment[1]
1999	Maverick Tube *Hickman, AR*	Construction started on new large diameter pipe manufacturing plant. Production began first quarter 2001.	$40 million
2001	Lone Star Steel Co. *Lone Star, TX*	New pipe heat-treatment facility. New descaling system.	
2001	BethNova Tube[2] [3] *Jefferson, IN*	New facility to make hydro-formed tubes for the automotive industry. Annual production expected to reach 120,000 tons.	$19.5 million
2002	Lock Joint Tube *South Bend, IN*	New equipment to manufacture mechanical tubing. Announced plans to install another three tube mills.	$5 million
2002	Northwest Pipe *Portland, OR*	Purchase of new spiral mill to be installed in Saginaw, TX.	
2003	Northwest Pipe *Portland, OR*	Purchase of new spiral mill to be installed in Parkersburg, WV.	
2003	Paragon Tube Corp. *Fort Wayne, IN*	Installed a new ERW structural mill at Fort Wayne facility to produce squares and rounds with a size range of 1 1/4 to 4 inches (squares) with wall thickness from 0.083 to 0.250 inch and an annual capacity of 30,000 net tons.	
2003	Sharon Tube Co. *Sharon, PA*	New ERW mill in Niles, OH, produces hollows for their cold-draw facilities as well as outside customers.	$9.5 million
2004	Independence Tube *Chicago, IL*	New structural mill in Decatur, AL. Production is expected for late 2005.	$30 million
2004	Oregon Steel Mills *Portland, OR*	Began construction of a DSAW plant in Portland, OR, with total annual capacity of 150,000 tons of line pipe from 20 to 60" in diameter and lengths to 80 feet. The plant is scheduled for production in the fourth quarter of 2005.	$35 million
2004	Sharon Tube Co. *Sharon, PA*	Sharon Tube bought a Stretch Reduction Mill (near Sharon, PA) which heats large tube up to 1800 degrees Fahrenheit and stretches it to make smaller tube. The plant equipment is still in storage.	
2004	Bull Moose Tube *Chesterfield, MO*	Bull Moose purchased a production facility in Casa Grande, AZ. Production was expected to begin in early 2005.	
2005	Maverick Tube Corp. *Chesterfield, MO*	Maverick announced its intention to locate its new Republic Conduit mill in Louisville, KY. Construction began in early 2005.	$63 million
2005	Southland Tube Co. *Birmingham, AL*	Announced the completion date of August 2005 for its new mill.	$34 million
2005	IPSCO Inc. *Lisle, IL*	IPSCO announced plans to install new high-speed finishing line at its Blytheville, AR pipe mill. Production expected by the end of 2005.	

[1] Where no value is given, data were not reported in source.
[2] A joint venture of Bethlehem Steel and Novamerican Steel.
[3] AISE, found at http://www.steelnews.com/north_american/2001_target_blanks/june01/bethnova.htm, retrieved Sept. 8, 2003.

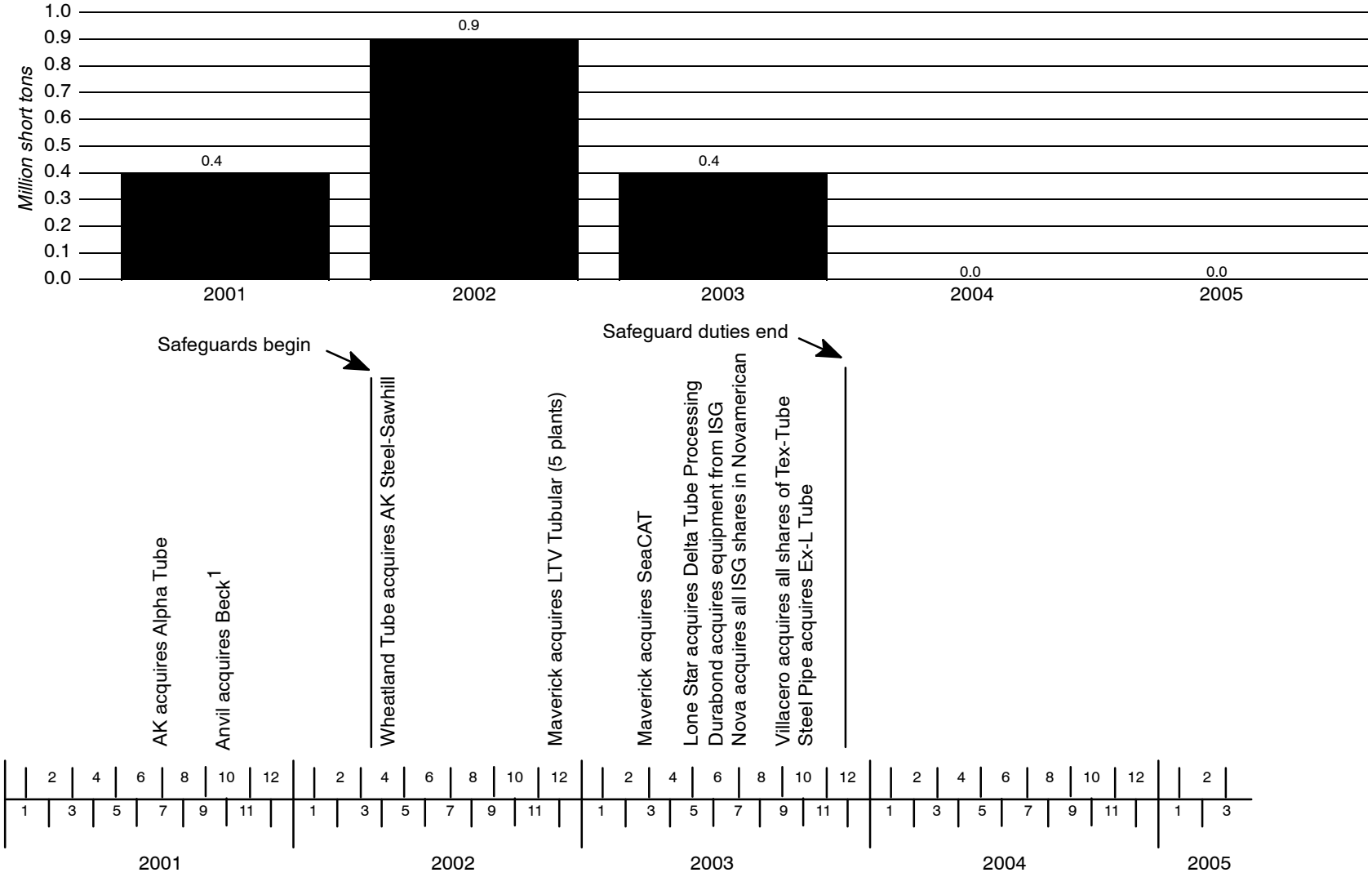
Source: *AISE Iron and Steel Engineer* and *AISE Steel Technology*, various issues; Preston Press, *Domestic Mill Activity*, various issues, unless otherwise specified.

Figure TUBULAR I-1
Tubular steel: Firms filing for bankruptcy protection and related tubular capacity, January 2001-March 2005



Source: Table TUBULAR I-3 and other publicly available information.

Figure TUBULAR I-2
Tubular steel: Mergers and acquisitions and related tubular capacity, January 2001-March 2005



[1] Capacity data not applicable; firms are both fittings producers, not pipe/tube producers.

Source: Table TUBULAR I-4 and other publicly available information.

PART II: INDUSTRY AND MARKET DATA (WELDED PIPE)

DESCRIPTION AND USES

Carbon and alloy welded tubular steel (welded pipe) is produced by bending flat-rolled steel products to form a hollow product with overlapping or abutting seams. These products are then fastened along the seam typically by welding, although clipping, riveting, and forging may also be used to fasten a length of the product. Generally, welded tubular products are slightly less reliable and durable than seamless tubular products because of the presence of a welded seam. Welded tubular products are used in the conveyance of water, petrochemicals, oil products, natural gas, and other substances in industrial piping systems. HTS statistical reporting numbers for subject welded products are presented in table TUBULAR II-1.

Table TUBULAR II-1
Welded pipe: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Welded pipe[1]	7305.11.1030	7305.19.5000	7306.30.1000	7306.30.5055	7306.50.5070
	7305.11.1060	7305.31.2000	7306.30.5010	7306.30.5085	7306.60.1000
	7305.11.5000	7305.31.4000	7306.30.5015	7306.30.5090	7306.60.3000
	7305.12.1030	7305.31.6000	7306.30.5020	7306.50.1000	7306.60.5000
	7305.12.1060	7305.39.1000	7306.30.5025	7306.50.3000	7306.60.7060
	7305.12.5000	7305.39.5000	7306.30.5032	7306.50.5010	7306.90.1000
	7305.19.1030	7305.90.1000	7306.30.5035	7306.50.5030	7306.90.5000
	7305.19.1060	7305.90.5000	7306.30.5040	7306.50.5050	

[1] The temporary HTS subheadings for welded products (other than OCTG) established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.73.74 and 9903.73.75 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.77, 9903.73.78, 9903.77.30, 9903.77.31, 9903.77.33 through 9903.77.35, 9903.77.37, 9903.77.38, 9903.77.40 through 9903.77.42, and 9903.82.90 through 9903.82.98 for other products excluded from the section 203 remedy,

(2) 9903.77.32, 9903.77.36, 9903.77.39, 9903.82.99, and 9903.83.00 for products entered in quantities up to stated limits (ranging from 5 tons to 100,000 tons) without additional tariffs, and

(3) 9903.73.84, 9903.73.85, and 9903.73.86 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 15 percent *ad valorem* additional tariffs through March 19, 2003, and 12 percent additional tariffs through December 4, 2003.

As indicated in (2), certain temporary subheadings specify particular types of welded products which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of welded product exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

Welded tubular products are used in a variety of end uses. Standard pipe is used for conveyance in industrial applications, as well as having uses in construction, electric power generation, and in the oil market. Mechanical tubing is used in automotive and structural applications. Large diameter line pipe is used in the transmission of oil and gas. Because line pipe is used for the transmission of oil and gas, demand for such pipe is related to the levels of oil and gas activity. As shown in OVERVIEW PART II,

the value of U.S. nonresidential construction put in place increased 3.9 percent during the period for which data were collected (table OVERVIEW II-1). The value of U.S. construction of utilities, pipelines, and railroads put in place increased by 35.5 percent over the same time period. Most recently, the value of U.S. construction of utilities, pipelines, and railroads put in place has decreased by 7.0 percent from first quarter 2004 to first quarter 2005.

The data collected by the Commission indicate that apparent U.S. consumption of welded tubular products decreased by 5.8 percent from 2001 to 2004.

In the monitoring investigation, 14 of 20 responding U.S. welded tube producers reported that U.S. demand had decreased from March 2002 to March 2003.[1] U.S. welded tube producers that reported decreased demand in the monitoring investigation generally cited the slowing U.S. economy, particularly weakness in capital spending and the construction market sector.[2]

In the current evaluation, six of 13 responding U.S. welded tube producers reported no change in U.S. demand from March 2002 to December 2003. Five producers reported an increase in demand from March 2002 to December 2003, generally citing strong demand in Asia, particularly in China. One producer reported that U.S. demand decreased 20 percent since 2001 over this period, stating that consumers bought finished goods from China rather than U.S. raw steel products. Thirteen of 18 responding producers reported that global demand for steel increased from January 2004 to March 2005. Producers that reported increased global demand over this period generally cited worldwide economic growth, strong demand in Asia for steel and raw materials, and an increase in domestic pipeline construction. One producer also noted that U.S. demand increased due to inventory build-ups in efforts to hedge rising prices. Two producers reported increased U.S. demand during the first half of 2004 followed by a decline in demand from August 2004 to March 2005. One producer attributed the decreased demand to liquidation of inventories that had been built up over previous periods, while the other producer said that increased consumption of imports in the United States had a negative effect on demand for domestic steel. Two producers reported U.S. decreased demand over this period due to consumers increasingly buying imported finished products, especially from China, instead of purchasing intermediate U.S. steel products.

The majority of the 19 responding U.S. welded tube producers reported that there have been no changes in the types or prices of substitute products over the two periods. One producer reported that the prices of copper and plastic pipes have increased and another noted that fluctuations in the price of concrete have made that material more attractive for use in infrastructure projects.

---

[1] Four producers reported that demand remained the same, and two reported that demand had increased from March 2002 to March 2003.

[2] One domestic producer of large diameter line pipe testified that the U.S. pipeline industry underwent one of the biggest shocks ever to its system in 2002-03 as a result of the fallout from the Enron collapse. The collapse reportedly resulted in a significant reduction in expenditures on pipeline activities. *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-09*, USITC Publication 3632, September 2003, p. TUBULAR II-2, n. 2 (citing testimony of Donald Bohach, Vice-President, Marketing and Sales, Stupp Corp.). A mechanical tubing producer maintained that the overall effect of the recession and the September 11 tragedy caused firms to decide to postpone investment in big capital projects. He also stated that downstream markets for mechanical tubing have lost a tremendous amount of sales to foreign producers, particularly Chinese producers. *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-09*, USITC Publication 3632, September 2003, p. TUBULAR II-2, n. 2 (citing testimony of Perry Katsafanas, President, Leavitt Tube Co.).

Changes in U.S. Supply

Prior to the imposition of the section 203 safeguard measures, Laclede Steel, a producer of carbon and alloy steel hot-rolled bar, welded standard pipe, and welded chain with raw steel capacity of 0.6 million short tons, filed for bankruptcy in July 2001, and shut down its operations in August 2001. Additional capacity reductions reportedly occurred at Excaliber Holding.[3]

Following the imposition of the section 203 safeguard measure, three other tubular facilities were shut down. In June 2002, Olympic Steel Tube shut down its Cleveland, OH tubular facility; in February 2003, Maverick shut down its Youngstown, OH tubular facility (formerly an LTV asset); and also in February 2003, Copperweld shut down its Portland, OR tubular facility (also formerly an LTV asset).[4]

As shown in table TUBULAR II-2, the majority of welded tube producers reported no changes in their marketing practices from March 2002 to December 2003. Some producers reported changes in marketing practices from January 2004 to March 2005. Seven producers reported efforts to increase product availability during this period, including increasing the workforce, sourcing additional steel plate from imports, and acquiring other mills. Seven producers reported changes in average lead times from inventory and 15 producers reported changes in average lead times from production from January 2004 to March 2005, mostly reflecting lead times that were more than double those of the previous period. Most of these producers also reported that lead times were extended only during the first half of 2004 and then returned to normal levels from August 2004 to March 2005. Eighteen producers reported an increase in order backlogs from January 2004 to March 2005, citing strong global demand, especially in China, and reduced availability of steel in the first half of 2004, partly due to lower volumes of imports. Most producers noted that backlogs began to decrease in August 2004. Ten producers reported a decrease in their on-time shipping percentage from January 2004 to March 2005, citing delays in procuring raw materials due to the strong demand for steel in this period.

---

[3] *See* table TUBULAR I-3.

[4] A mechanical tubing producer testified during the Commission's monitoring investigation that he had seen more capacity leave the U.S. welded pipe industry than at any time since the integrated producers exited the welded pipe and tube business in the early 1980's. He cited the closures of Excaliber Tube, Olympic Steel Tube, the former LTV tubular facility in Youngstown OH, and Copperweld's tubular plants in Birmingham, AL, Portland, OR, and Piqua, OH. *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-09*, USITC Publication 3632, September 2003, p. TUBULAR II-3, n. 4 (citing testimony of Perry Katsafanas, President, Leavitt Tube Co.). Counsel to the Korean respondents maintained that the Commission capacity and capacity utilization data indicate that the welded pipe industry has not closed all of its inefficient capacity. *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-09*, USITC Publication 3632, September 2003, p. TUBULAR II-3, n. 4 (citing testimony of Donald Cameron, counsel to Korean respondents).

Table TUBULAR II-2
Welded pipe: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No	Yes		No	Yes	
Efforts to increase product availability	12	5		11	7	
Change in geographic market	22	1		22	4	
Change in share of contract sales	20	0		17	3	
Change in share of sales from inventory	16	1		14	5	
Change in average lead times from inventory	21	0		17	7	
Change in average lead times from production	9	5		7	15	
Change in product range	19	6		19	5	
Change in demand for or production of alternate products	16	2		16	4	
	I	D	S	I	D	S
Change in order backlogs[1]	8	6	16	18	12	3
Change in on-time shipping percentage[1]	3	2	23	4	10	15

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or stayed the same (S) for over the specified time period. Some producers responded that the practice both increased and decreased over the same period.

Note–Not all producers answered for all of the marketing practices.

Source: Compiled from data submitted in response to Commission questionnaires.

In the monitoring investigation, 49 of 133 responding welded tube purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Fifty-four of 124 responding welded tube purchasers reported increased average lead times for their purchases of domestic steel, 56 reported no change in domestic lead times, and 14 reported decreased domestic lead times. Welded tube purchasers were also asked in the monitoring investigation to identify actions taken by domestic producers from March 2002 to March 2003 to make a positive adjustment to import competition.[5] Seventy-nine of 133 responding welded tube purchasers did not indicate that producers had taken any such actions. However, 13 of 133 responding purchasers reported that domestic producers had introduced new or innovative products, 15 reported that domestic producers had improved product quality, 17 reported that domestic producers had expanded marketing efforts, 16 reported that domestic producers had improved customer service, and 23 reported that domestic producers had made other positive adjustment efforts.[6]

Based on data compiled in the current evaluation, in 2004 U.S. welded tube producers' capacity utilization was 59.0 percent and their inventories as a percentage of total shipments were 10.4 percent. Exports in 2004 accounted for 2.7 percent of total shipments.

[5] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative products, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[6] Some purchasers reported more than one of these actions.

Timeline

Figure TUBULAR II-1 shows quarterly shipments of welded tubular products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include quarterly data).[7] Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the timeline) and startups (shown above the line). Also shown above the line are significant safeguard dates,[8] while antidumping duty orders are shown below the line.[9] [10]

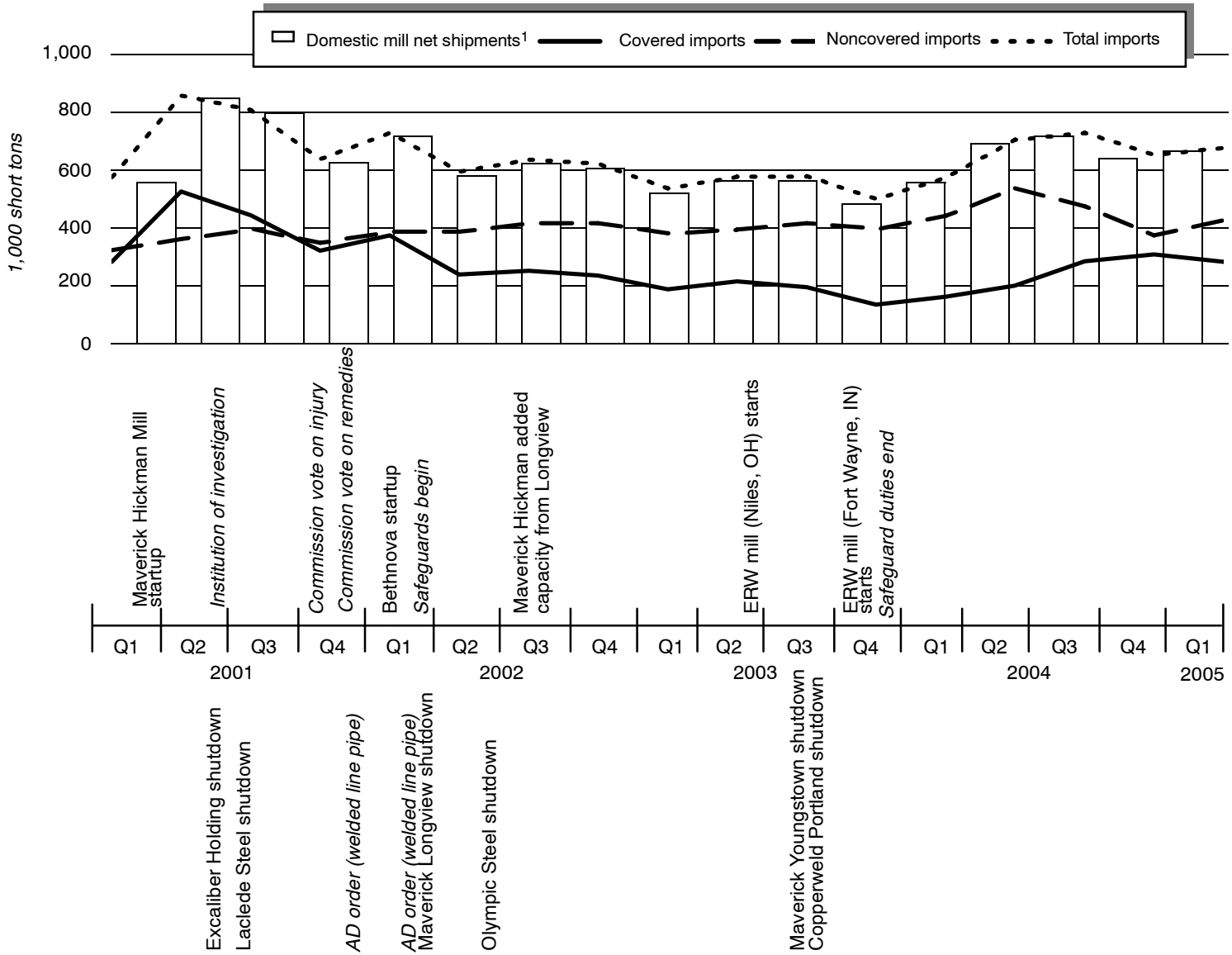
[7] AISI data are less comprehensive in terms of product coverage than data collected by the Commission through its questionnaires.

[8] During the Commission's monitoring investigation, counsel to the CPTI 201 coalition testified regarding the effects of a "surge" in imports from Korea between the time of the Commission's injury determination and the President's remedy decision, and further testified that imports from some countries not covered by the safeguard measures, notably India and Turkey, had surged compared to the 1996-1997 base period used by the Administration for excluding developing countries. Roger Schagrin, counsel to the CPTI 201 coalition, transcript of Commission hearing (July 17, 2003) at 18-19.

[9] Commerce imposed antidumping duty orders on welded large diameter line pipe from Japan on December 6, 2001 (66 FR 63368) and from Mexico on February 27, 2002 (67 FR 8937).

[10] Imports may also have been affected by safeguard measures imposed on line pipe in March 2000, just before the period examined in the timeline. The President imposed tariff rate quotas on welded line pipe on March 1, 2000. Inasmuch as line pipe can be produced in the same facilities used to produce subject welded pipe, the safeguard measures on line pipe could affect the availability of foreign welded pipe subject to the instant investigation.

Figure TUBULAR II-1
Welded non-OCTG pipe: Quarterly imports and domestic mill net shipments, antidumping duty (AD) orders, facility shutdowns and startups, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Table TUBULAR II-3 presents information on U.S. welded pipe producers' capacity, production, shipments, inventories, and employment. The Commission received usable questionnaire responses from 30 producers that accounted for approximately 4.3 million short tons of commercial welded pipe shipments in 2004. This response exceeds shipments reported to the AISI, likely because of the product mix.[11]

The following tabulation presents firms that reported calendar-year 2000 production capacity in the original safeguard investigation but did not provide data in the current evaluation:[12]

* * * * * * *

*** returned questionnaires in both the original safeguard investigation and the monitoring investigation. In the firm's questionnaire response in the original investigation the firm reported welded tube capacity of *** short tons and production of *** short tons in 2000; however, in its questionnaire in the monitoring investigation the firm reported that it did not produce subject welded pipe. In the current evaluation, *** reported that it began operating a *** facility in *** and provided data for this new facility only.[13] Therefore, the data shown in table TUBULAR II-3 do not include the company's shipments of *** and thus are understated for the period examined.

Several producers reportedly have ceased or reduced welded tube operations during the period examined. Excaliber's operations were broken up in August 2001, Laclede closed in September 2001, and Olympic Steel closed in June 2002.[14] In addition, Copperweld permanently shut down four U.S. plants--Bedford Park, IL in December 2001; Portland, OR in February 2003 (subsequently restarted by new ownership); the Birmingham, AL structural tubing plant in July 2003; and the Piqua, OH mechanical tube mill in August 2003. Then, in February 2003 Maverick closed its Youngstown, OH facility. In May 2003, *** and thereby reducing the capacity of *** from *** short tons per year to *** short tons per year.[15] Finally, Bull Moose Tube closed a small diameter tube mill at its Chicago Heights, IL facility in mid-2004.

Since 2001 there also have been additions to the domestic industry. A new entrant, Nova Tube, began production in 2002, adding *** short tons of welded tubular steel capacity to the domestic industry. Hannibal reported that it added a new tube mill in May 2003.

---

[11] AISI's data indicate that domestic mills' welded tubular shipments in 2004 were 3.2 million short tons. American Iron and Steel Institute, AISI 10, compiled from monthly reports.

[12] The Commission also collected data from companies that did not report in the original safeguard investigation: ***. However, *** did not begin producing subject welded tubular products until 2002. These four companies had a combined capacity of *** short tons, a combined production of *** short tons, and an average capacity utilization rate of *** percent in 2004.

[13] ***.

[14] Laclede filed for bankruptcy protection in November 1998, emerged from bankruptcy in January 2001 with a $61.5 million revolving credit and term loan facility, and was forced to file for bankruptcy again in July 2001. Alton Steel was established to acquire certain assets of Laclede and to use those assets for the manufacture of steel products. *Laclede Steel News Archives*, found at http://www.steelnews.com/companies/producers/laclede_archive.htm, retrieved July 15, 2005. Alton Steel, however, ceased welded pipe production at the former Laclede facility. Staff telephone interview with ***.

[15] *Steel: Monitoring Developments In The Domestic Industry, Inv. No. TA-204-9*, USITC Publication 3632, September 2003, Vol. II, p. Tubular II-8.

Reporting U.S. producers' aggregate output-related indicators are presented in table TUBULAR II-3. Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the domestic industry's reported capacity decreased irregularly by 2.7 percent, production decreased by 8.6 percent, capacity utilization decreased irregularly by 3.6 percentage points, and inventories decreased irregularly, both absolutely and relative to shipments. During this period, U.S. shipment quantities decreased by 7.9 percent while U.S. shipment values decreased by 2.2 percent, resulting in an increase in average unit values of 6.0 percent. During 2001-03, the number of production and related workers (PRWs) decreased by 823 and their hours worked increased by 487,000. Unit labor costs increased slightly overall between 2001 and 2003 as declining productivity offset falling wage rates.

Between 2003 and 2004, output-related indicators all rose. The domestic industry's capacity reportedly increased by 2.9 percent, production increased by 6.9 percent, and U.S. shipments increased by 3.7 percent. Capacity utilization increased by 2.2 percentage points. The number of production and related workers employed increased by 2.8 percent. Productivity increased by 11.6 percent, while hourly wages increased by 12.6 percent, resulting in slightly higher unit labor costs. Nonetheless, three respondents reported that their production during this period was curtailed by a shortage of steel supply that began in February 2004 and lasted until May 2005. *** all reported that they were forced to shut down or curtail production at their mills because of a lack of adequate steel availability, especially plate. In addition, during mid-2004 *** scrapped a small diameter tube mill in its *** facility citing a lack of business.

Reporting U.S. producers' aggregate output-related indicators, with the exception of hourly wages, were lower in January-March 2005 than in January-March 2004. In January-March 2005, the domestic industry's capacity reportedly was 0.6 percent lower, production was 20.8 percent lower, and U.S. shipments were 22.1 percent lower than in the same period of 2004. Capacity utilization was 13.5 percentage points lower in January-March 2005 than in the same period of 2004. This trend was observable for 20 responding welded tubular producers that reported lower capacity utilization in January-March 2005 than in the same period in 2004. Several of these producers cited an increase in global demand in January 2004 that led to the highest capacity utilization rate of the period collected. At least two producers that contributed to this trend, ***, explained that demand in January 2004 increased due to price and availability hedging but that demand had slowed by the first quarter of 2005 as inventories were liquidated.[16] The number of production and related workers employed was 5.4 percent lower during this period in 2005. Productivity was also lower in the 2005 period, by 11.7 percent. Hourly wages alone were higher in January-March 2005, by 6.1 percent, than in January-March 2004.

[16] E-mail from ***, July 29, 2005 and *** producer questionnaire response, section IV-B.9.

Table TUBULAR II-3
Welded pipe: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
			Quantity *(short tons)*			
Capacity	7,576,619	7,038,164	7,374,066	7,590,287	1,887,397	1,876,076
Production	4,579,045	4,380,184	4,185,801	4,475,508	1,255,395	993,746
Internal consumption/transfers	58,672	67,149	60,002	75,174	18,338	10,543
U.S. commercial shipments	4,480,294	4,130,329	4,122,653	4,261,467	1,211,029	947,563
U.S. shipments	4,538,966	4,197,478	4,182,655	4,336,641	1,229,367	958,106
Export shipments	128,069	124,536	122,083	119,599	33,429	27,900
Total shipments	4,667,035	4,322,014	4,304,738	4,456,240	1,262,796	986,006
Ending inventories	531,803	589,545	461,369	461,657	458,653	470,168
			Value *($1,000)*			
Internal consumption/transfers	34,662	41,750	39,335	65,798	13,155	15,292
U.S. commercial shipments	2,520,212	2,456,629	2,459,008	3,678,672	802,555	997,839
U.S. shipments	2,554,874	2,498,379	2,498,343	3,744,470	815,710	1,013,131
Export shipments	86,522	84,778	85,443	116,445	26,375	33,516
Total shipments	2,641,396	2,583,157	2,583,786	3,860,915	842,085	1,046,647
			Unit value *(per short ton)*			
Internal consumption/transfers	$591	$622	$656	$875	$717	$1,450
U.S. commercial shipments	563	595	596	863	663	1,053
U.S. shipments	563	595	597	863	664	1,057
Export shipments	676	681	700	974	789	1,201
Total shipments	566	598	600	866	667	1,062
			Ratios and shares *(percent)*			
Capacity utilization	60.4	62.2	56.8	59.0	66.5	53.0
U.S. shipments to distributors	64.1	64.2	66.2	68.6	69.7	66.5
U.S. shipments to end users	35.9	35.8	33.8	31.4	30.3	33.5
Inventories/total shipments	11.4	13.6	10.7	10.4	9.1	11.9
			Employment data			
PRWs[1] *(number)*	6,975	6,613	6,152	6,326	6,263	5,927
Hours worked *(1,000)*	18,120	18,960	18,607	17,836	4,566	4,093
Wages paid *($1,000)*	291,820	290,167	267,922	289,180	72,396	68,863
Hourly wages	$16.10	$15.30	$14.40	$16.21	$15.85	$16.82
Productivity *(short tons/1,000 hours)*	251.7	228.9	224.1	250.0	273.9	241.8
Unit labor costs *(per short ton)*	$64.00	$66.86	$64.26	$64.86	$57.88	$69.58

[1] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL DATA

Financial data provided by U.S. producers on their operations on tubular products are presented in table TUBULAR II-4.[17] From 2001 to 2003, net commercial sales quantities and values and all levels of profitability declined. Central to this declining profitability were unit costs (principally raw materials) increasing faster than unit revenues. The situation changed in 2004, as a very large (approximately 50 percent) increase in unit sales values completely outpaced the 30 percent increase in unit operating costs (most of which was related to increased raw materials costs). The result was a very large increase in all levels of profitability, irrespective of whether the profits were measured on an absolute, per-unit, or percentage of net sales value basis. These trends were virtually industry-wide, as the vast majority of companies reported increased sales values, increased operating profits, and increased operating margins from 2003 to 2004.

The financial results were mixed in January-March 2005 when compared to January-March 2004. Despite the large decrease in net sales quantities, net sales values were up by almost one-quarter, the result of a substantial increase in unit sales values. At $1,087 per ton, net sales average unit values were 60 percent higher than they were during the corresponding period in 2004, and were close to double what they were in FY 2001. Even though net sales surged higher, all levels of profitability declined; operating profits, for example, were down by $28 million (22 percent) and the operating margin declined from 14.6 percent to 9.1 percent. This declining profitability was the combined result of unit costs (principally raw materials) increasing virtually as fast as unit revenues coupled with declining net sales quantities. From January-March 2004 to January-March 2005 the per-unit raw materials cost increased by 90 percent, and it much more than doubled from FY 2001's level of $329 per ton. The trend of higher sales/lower profits cuts across most of the industry, as 22 of the 29 companies reported higher net sales values while 17 reported decreased operating profits.

Capital expenditures surged in FY 2002 and then tailed off. These expenditures were dominated by four companies which accounted for approximately one-third to two-thirds of total expenditures in every fiscal year. These expenditures were approximately equal to yearly depreciation expenses, and even though the original cost of the domestic industry’s productive assets (property, plant, and equipment) increased over time, the book value decreased.

[17] Firms reflected in these data are AK Steel, Allied Tube & Conduit, American Steel Pipe, Beck Industries, Berg Steel Pipe, Bull Moose, California Steel and Tube, California Steel Industries, Copperweld, Hannibal Industries, IPSCO, John Maneely (d/b/aWheatland), Laclede (2001 only), Leavitt Tube, Lock Joint Tube, Lone Star Steel, Maruichi American, Maverick Tube, Newport Steel, Northwest Pipe, Nova Tube (from FY 2002 on), Oregon Steel (from FY 2003 on), Plymouth Tube, Searing Industries, Sharon Tube, Stupp Corp, Tex-Tube, Tubular Products Division of Leggett & Platt, U.S. Steel, Vest, Inc, and Western Tube & Conduit.

Table TUBULAR II-4
Welded pipe: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity (*short tons*)					
Net commercial sales	4,644,252	4,261,552	4,259,372	4,389,279	1,252,966	976,597
	Value (*$1,000*)					
Net commercial sales	2,648,498	2,579,115	2,572,245	3,892,450	851,319	1,061,493
COGS	2,298,440	2,206,370	2,345,206	3,150,011	683,130	912,847
Gross profit or (loss)	350,058	372,745	227,039	742,439	168,189	148,646
SG&A expenses	200,778	196,200	161,843	208,871	44,081	52,095
Operating income or (loss)	149,280	176,545	65,195	533,568	124,108	96,551
Interest expense	28,531	22,913	23,195	24,295	5,782	6,814
Other (income)/expenses, net	6,393	(4,029)	16,372	(2,122)	1,686	1,047
Net income or (loss)	114,356	157,661	25,628	511,395	116,640	88,690
Depreciation/amortization	80,064	72,548	74,412	69,128	17,292	17,429
Cash flow	194,420	230,209	100,040	580,523	133,932	106,119
CDSOA funds received	4,979	6,793	4,630	9,139	([1])	([1])
Pension (credit)/expense	3,121	7,380	12,491	5,903	1,626	3,423
Other post-employment benefits	7,230	8,162	9,687	8,781	2,032	2,350
Capital expenditures	81,600	103,662	67,801	61,352	11,962	14,228
R&D expenses	1,375	1,289	1,444	1,350	352	356
Property, plant, and equipment:						
Original cost	1,246,337	1,298,263	1,344,578	1,252,824	1,237,591	1,248,195
Book value	656,705	687,677	663,382	552,301	573,414	544,168
	Ratio to net commercial sales (*percent*)					
COGS	86.8	85.5	91.2	80.9	80.2	86.0
Gross profit or (loss)	13.2	14.5	8.8	19.1	19.8	14.0
SG&A expenses	7.6	7.6	6.3	5.4	5.2	4.9
Operating income or (loss)	5.6	6.8	2.5	13.7	14.6	9.1
Net income or (loss)	4.3	6.1	1.0	13.1	13.7	8.4

Table continued.

Table TUBULAR II-4
Welded pipe: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
	Unit value (*per short ton*)					
Net commercial sales	$570	$605	$604	$887	$679	$1,087
COGS total	495	518	551	718	545	935
Raw materials	329	341	378	531	382	730
Direct labor	52	55	50	55	47	59
Other factory costs	114	121	123	132	117	146
Gross profit or (loss)	75	87	53	169	134	152
SG&A expenses	43	46	38	48	35	53
Operating income or (loss)	32	41	15	122	99	99
	Number of firms reporting					
Operating losses	6	4	6	1	4	5
Data	29	29	30	30	30	30

[1]Not available.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table TUBULAR II-5 presents data on U.S. imports of welded tubular products by sources for 2001-04, January-March 2004, and January-March 2005. Table TUBULAR II-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002-03.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of welded tubular products from covered sources decreased faster than the quantity and value of U.S. imports from other sources increased. As a result, the quantity of total U.S. imports decreased by 24.8 percent while the value of U.S. imports decreased by 18.8 percent. U.S. imports from covered sources decreased from 52.6 percent of the quantity and value of total welded tubular imports to 29.3 percent and 32.3 percent, respectively. During this period, average unit values for covered and, to a lesser extent, noncovered sources increased, resulting in an overall increase of $40 per short ton by 2003.

Table TUBULAR II-5
Welded pipe: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
			Quantity *(short tons)*			
Covered sources[1]	1,488,531	1,002,031	623,188	854,348	134,750	258,221
All others	1,340,871	1,523,264	1,503,955	1,750,624	421,849	407,050
Total (all imports)	2,829,403	2,525,295	2,127,143	2,604,972	556,599	665,271
			Landed, duty paid value *($1,000)*			
Covered sources[1]	747,625	556,926	372,778	579,247	81,130	213,967
All others	673,782	804,416	780,720	1,342,854	256,811	364,257
Total (all imports)	1,421,407	1,361,343	1,153,498	1,922,101	337,941	578,223
			Unit value *(per short ton)*			
Covered sources[1]	$502	$556	$598	$678	$602	$829
All others	502	528	519	767	609	895
Average (all imports)	502	539	542	738	607	869
			Share of total imports based on quantity *(percent)*			
Covered sources[1]	52.6	39.7	29.3	32.8	24.2	38.8
All others	47.4	60.3	70.7	67.2	75.8	61.2
Total (all imports)	100.0	100.0	100.0	100.0	100.0	100.0
			Share of total imports based on value *(percent)*			
Covered sources[1]	52.6	40.9	32.3	30.1	24.0	37.0
All others	47.4	59.1	67.7	69.9	76.0	63.0
Total (all imports)	100.0	100.0	100.0	100.0	100.0	100.0
			Ratio of imports to production *(percent)*			
Covered sources[1]	32.5	22.9	14.9	19.1	10.7	26.0
All others	29.3	34.8	35.9	39.1	33.6	41.0
Total	61.8	57.7	50.8	58.2	44.3	66.9

[1] Although Thailand was generally exempt from the section 203 relief, it was a covered source with respect to imports of welded pipe.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table TUBULAR II-6
Welded pipe: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of welded tubular products from covered sources and other sources increased. As a result, the quantity of total U.S. imports increased by 22.5 percent while the value of U.S. imports increased by 66.6 percent. U.S. imports from covered sources increased from 29.3 percent of the quantity and 32.3 percent of the value of total welded tubular imports to 32.8 percent and 30.1 percent, respectively. During this period, average unit values for both covered and, to a greater extent, noncovered sources increased, resulting in an overall increase of $196 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity and the value of U.S. imports of welded tubular products from covered sources were higher than during January-March 2004, while the quantity of U.S. imports from other sources was lower and the value was higher than during January-March 2004. As a result, the quantity of total U.S. imports was 19.5 percent higher in January-March 2005 than during the comparable period in 2004, while the value of U.S.

imports was 71.1 percent higher. U.S. imports from covered sources accounted for 38.8 percent of the quantity and 37.0 percent of the value of total welded tubular imports, compared to 24.2 percent and 24.0 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, U.S. imports of welded tubular products were $262 per short ton higher in January-March 2005 than during the comparable period in 2004.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of welded tubular products are presented in table TUBULAR II-7. As presented in table TUBULAR II-7, the data gathered by the Commission in the current evaluation indicate that between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity of apparent U.S. consumption of welded pipe decreased by 14.4 percent. The domestic industry's share of the U.S. market increased from 61.6 percent to 66.3 percent. Imports from covered countries saw their market share decrease from 20.2 percent to 9.9 percent, while imports from noncovered countries saw their market share increase from 18.2 percent to 23.8 percent.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity of apparent U.S. consumption of welded pipe increased by 10.0 percent. The domestic industry's share of the U.S. market decreased by 3.8 percentage points. Imports from covered countries saw their share of the U.S. market increase by 2.4 percentage points, while imports from noncovered countries had a smaller increase of 1.4 percentage points.

In January-March 2005 (the final period covered by the safeguard action) the quantity of apparent U.S. consumption of welded pipe was 9.1 percent lower than during January-March 2004. The domestic industry's share of the U.S. market was 9.8 percent lower in January-March 2005 than during the same period in 2004. Total imports of welded tubular products were 9.8 percentage points higher in January-March 2005 than in the same period in 2004, with covered imports accounting for 8.4 percentage points and noncovered imports accounting for 1.5 percentage points of this growth.

Table TUBULAR II-7
Welded pipe: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
			Quantity *(short tons)*			
U.S. producers' U.S. shipments	4,538,966	4,197,478	4,182,655	4,336,641	1,229,367	958,106
U.S. imports from:						
Covered sources[1]	1,488,531	1,002,031	623,188	854,348	134,750	258,221
All other sources	1,340,871	1,523,264	1,503,955	1,750,624	421,849	407,050
Total U.S. imports	2,829,403	2,525,295	2,127,143	2,604,972	556,599	665,271
Apparent U.S. consumption	7,368,369	6,722,773	6,309,798	6,941,613	1,785,966	1,623,377
			Value *($1,000)*			
U.S. producers' U.S. shipments	2,554,874	2,498,379	2,498,343	3,744,470	815,710	1,013,131
U.S. imports from:						
Covered sources[1]	747,625	556,926	372,778	579,247	81,130	213,967
All other sources	673,782	804,416	780,720	1,342,854	256,811	364,257
Total U.S. imports	1,421,407	1,361,343	1,153,498	1,922,101	337,941	578,223
Apparent U.S. consumption	3,976,281	3,859,722	3,651,841	5,666,571	1,153,650	1,591,354
			U.S. market share based on quantity *(percent)*			
U.S. producers' U.S. shipments	61.6	62.4	66.3	62.5	68.8	59.0
U.S. imports from:						
Covered sources[1]	20.2	14.9	9.9	12.3	7.5	15.9
All other sources	18.2	22.7	23.8	25.2	23.6	25.1
Total U.S. imports	38.4	37.6	33.7	37.5	31.2	41.0
			U.S. market share based on value *(percent)*			
U.S. producers' U.S. shipments	64.3	64.7	68.4	66.1	70.7	63.7
U.S. imports from:						
Covered sources[1]	18.8	14.4	10.2	10.2	7.0	13.4
All other sources	16.9	20.8	21.4	23.7	22.3	22.9
Total U.S. imports	35.7	35.3	31.6	33.9	29.3	36.3

[1] Although Thailand was generally exempt from the section 203 relief, it was a covered source with respect to imports of welded pipe.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. welded tube producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table TUBULAR II-8).

The three factors rated most important by U.S. welded tube producers March 2002 to December 2003 were: changes in the level of competition from imports from excluded countries, changes in the level of competition from imports from non-excluded countries, and changes in demand for steel outside the United States. The four factors rated most important by welded tube producers from January 2004 to March 2005 were: changes in the cost of raw materials, changes in demand for steel outside the United States, changes in the level of competition from imports from excluded countries, and changes in the level of competition from imports from non-excluded countries.[18]

[18] Apparent U.S. consumption of welded tubular products decreased by 5.8 percent from 2001 to 2004 (table TUBULAR II-7). The value of non-residential construction put in place increased by 3.9 percent during the period for which data were collected (table OVERVIEW II-1). The value of utilities, pipelines, and railroads construction put in place increased 35.5 percent over the same period. Much of this increase occurred in 2001. Most recently, from January 2004 to March 2005, the value of utilities, pipelines, and railroads construction put in place has decreased by 7.0 percent.

Prices for carbon steel plate and sheet, primary inputs for welded tubular products, increased significantly during the period for which data were collected (table FLAT II-28). U.S. welded tube producers' capacity reportedly increased by 0.2 percent from 2001 to 2004, and capacity utilization fell from 60.4 percent in 2001 to 59.0 percent in 2004 (table TUBULAR II-3).

Table TUBULAR II-8
Welded pipe: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	2.0	12	11	8	1.2	27	0	3
Changes in demand for steel outside the United States	2.0	15	13	2	1.5	24	4	2
Changes in the level of competition from imports from excluded countries	1.8	15	10	3	1.5	16	6	6
Changes in the level of competition from imports from non-excluded countries	1.8	14	8	6	1.5	16	6	6
Changes in demand for steel within the United States	2.0	9	11	7	1.7	16	6	7
Changing market patterns	2.4	5	19	4	1.9	11	14	2
Changes in transportation/delivery cost changes	2.5	13	14	0	2.2	27	0	0
Changes in competition between U.S. producers	2.4	9	17	1	2.2	7	16	6
Changes in energy costs	2.7	11	16	1	2.3	22	5	0
Changes in U.S. production capacity	2.3	4	14	10	2.3	8	18	2
Changes in the productivity of domestic producers	2.6	6	16	5	2.4	10	15	2
Changes in the level of competition from substitute products	3.1	1	25	0	3.0	3	23	1
Changes in labor agreements, contracts, etc.	3.1	6	19	3	3.1	8	19	1
Changes in the allocation of production capacity to alternate products	3.1	1	24	0	3.1	3	23	0

[1] The numbers in this column represents the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.
[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors and some gave more than one answer per factor.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing Practices

Nearly all responding U.S. welded tube producers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 2002. Two producers, however, reported that they applied surcharges to cover increases in the cost of raw materials. One producer reported offering more discounts from January 2004 to March 2005, citing continued price pressure from imports. Nearly all responding U.S. welded tube producers reported that there has not been

been a change in the share of their sales that is on a contract versus a spot basis since March 2002.[19] Eleven of 14 responding U.S. welded tube producers reported that contract prices tend to follow a similar trend as spot prices. One producer noted that while contract prices generally lag behind spot prices, they tend to follow each other more closely as market competition increases.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following welded tubular product during January 2001-March 2005:[20]

> ***Product 10***–**Circular welded non-alloy steel pipe meeting ASTM A-53 or equivalent, schedule 40, black, plain-end, two inches nominal inside diameter.** This commodity product is used for light load-bearing applications or low-pressure conveyance of air, steam, gas, water, oil, or other fluids. It is used in machinery, fence posts, buildings, sprinkler systems, irrigation systems and water wells.

Reported pricing data accounted for 13.8 percent of the quantity of U.S. producers' U.S. commercial shipments of welded tubular products during the period for which data were collected.[21]

Weighted-average prices and quantities sold of the U.S.-produced welded tubular product are shown in table TUBULAR II-9 and in figure TUBULAR II-2.[22] A summary of the price data, by product, is shown in table TUBULAR II-10.

The weighted-average sales prices for the domestic welded tubular product decreased by 8.1 percent from first quarter 2001 to first quarter 2002, increased significantly by 40.6 percent in 2002, remained relatively steady in 2003, and then began a dramatic increase in 2004, with prices peaking in first quarter 2005. Prices increased by 121.2 percent over the entire period.

---

[19] U.S. steel consumers, however, reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable. U.S. Steel Consumers' posthearing brief, p. 20.

[20] Pricing data as presented here for January 2001 through December 2002 are the data collected under the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately under the current evaluation.

[21] *** U.S. producers provided usable pricing data on product 10. The pricing data as reported by *** were excluded as staff could not verify them and two data points as reported by *** were excluded as staff deemed them to be outliers.

[22] Public price data for tubular steel and pipe are shown in figure E-5 in appendix E.

Table TUBULAR II-9
Welded pipe: Weighted-average price and quantity data for U.S.-produced product 10,[1] by quarters, January 2001-March 2005

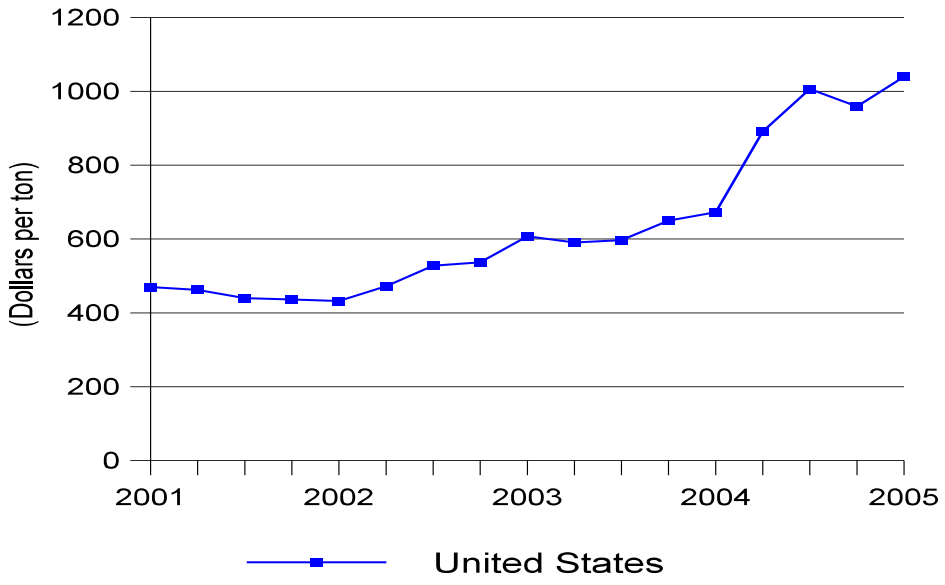
Period	Price *Per ton*	Quantity *Short tons*
2001:		
January-March	$470.08	83,856
April-June	462.32	83,127
July-September	439.95	82,549
October-December	436.07	75,846
2002:		
January-March	432.08	94,695
April-June	472.15	102,760
July-September	527.60	76,887
October-December	536.85	67,264
2003:		
January-March	607.48	191,837
April-June	590.80	247,226
July-September	596.96	198,334
October-December	649.86	181,933
2004:		
January-March	672.46	232,876
April-June	891.46	218,161
July-September	1,006.62	196,414
October-December	959.28	184,568
2005:		
January-March	1,039.69	155,466

[1] Circular welded non-alloy steel pipe meeting ASTM A-53 or equivalent, schedule 40, black, plain-end, two inches nominal inside diameter.

Note–Quantities shown may not be reflective of the entire sample, as data from January 2001 to December 2002 were collected in the monitoring investigation and data from January 2003 to March 2005 were collected in the current evaluation and each sample may have included a different number of questionnaire respondents. Staff believes the price per ton data are reliable.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure TUBULAR II-2
Welded pipe: Weighted-average f.o.b. prices of domestic product 10, January 2001-March 2005



Source: Compiled from data submitted in response to Commission questionnaires.

Table TUBULAR II-10
Welded pipe: Changes in quarterly prices of domestic product 10

Product	Change in price from Q1 2001 to Q1 2002	Change in price from Q1 2002 to Q1 2003	Change in price from Q1 2003 to Q1 2004	Change in price from Q1 2004 to Q1 2005	Change in price from Q1 2001 to Q1 2005
			Percent		
10	-8.1	40.6	10.7	54.6	121.2

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: INDUSTRY AND MARKET DATA (FITTINGS)

DESCRIPTION AND USES[1]

Carbon and alloy fittings and flanges (fittings) generally are used for connecting the bores of two or more pipes or tubes together, or for connecting a pipe or tube to some other apparatus, or for closing the tube aperture. HTS statistical reporting numbers for subject fittings are presented in table TUBULAR III-1.

Table TUBULAR III-1
Fittings: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Fittings[1]	7307.91.5010	7307.91.5070	7307.92.9000	7307.93.9030	7307.99.5045
	7307.91.5030	7307.92.3010	7307.93.3000	7307.93.9060	7307.99.5060
	7307.91.5050	7307.92.3030	7307.93.6000	7307.99.5015	

[1] The temporary HTS subheadings for fittings established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:
(1) 9903.77.51 for products excluded from the section 203 remedy,
(2) 9903.77.50 for products entered in quantities up to a stated limit of 3,000 tons without additional tariffs, and
(3) 9903.73.93, 9903.73.94, and 9903.73.95 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 13 percent *ad valorem* additional tariffs through March 19, 2003, and 10 percent additional tariffs through December 4, 2003.
As indicated in (2), temporary subheading 9903.77.50 specifies a particular type of fittings which is excluded from the additional tariffs when entered up to 3,000 tons during the 12-month period beginning on September 1, 2002 or September 1, 2003 or during the period from September 1, 2004 through March 20, 2005, inclusive. Whenever imports of the particular type of fitting covered by 9903.77.50 exceed 3,000 tons, then the quantity in excess would not be covered by the temporary HTS subheading 9903.77.50 and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

The fittings category includes pipe fittings and flanges. Fittings and flanges are often distributed with other tubular products, and demand for them is driven by utilities, construction, and import competition in downstream markets. As shown in OVERVIEW PART II, the value of U.S. nonresidential construction put in place increased 3.9 percent during the period for which data were collected (table OVERVIEW II-1). The value of U.S. construction of utilities, pipelines, and railroads put in place increased by 35.5 percent during the same period.[2]

The data collected by the Commission indicate that apparent U.S. consumption of fittings decreased by *** percent from 2001 to 2003, but rebounded in 2004 to its 2001 level.

Three of seven responding U.S. fittings producers in the monitoring investigation reported that U.S. demand for steel decreased and four reported that demand remained the same from March 2002 to March 2003. U.S. fittings producers that reported decreased demand generally cited the slowing U.S.

[1] Tool joints were included in the fittings category in investigation No. TA-201-73. However, the section 203 remedy specifically excluded tool joints from the fittings product category. Therefore, tool joints are not subject products in this investigation.

[2] Most of this increase occurred in 2001. Most recently, from January 2004 to March 2005, the value of U.S. construction of utilities, pipelines, and railroads put in place has decreased by 7.0 percent.

economy, particularly a lack of capital spending, delays in mandated Environmental Protection Agency (EPA) upgrades, and a lack of projects and maintenance in the refining and petrochemical industry.[3]

Two of three responding U.S. fittings producers in the current evaluation reported that demand remained the same from March 2002 to December 2003. One producer reported that demand increased in this period, due primarily to increased demand in China and India. Four of five responding fittings producers reported that demand increased from January 2004 to March 2005, citing increased domestic and global demand, particularly in China.

All seven responding U.S. fittings producers in the current evaluation reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

Changes in U.S. Supply[4]

As shown in table TUBULAR III-2, the majority of fittings producers reported no changes in their marketing practices since March 2002.

Two of six responding fittings producers in the current evaluation reported efforts to increase product availability from January 2004 to March 2005. Two of seven responding producers reported increased lead times from production over this same period. Three of seven responding producers reported increases in order backlogs over the period. One producer reported that its share of sales from inventory increased in the first quarter of 2004, which it attributed to an announced price increase due to take effect thereafter.

In the monitoring investigation, 17 of 60 responding fittings purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Fittings purchasers were asked to identify actions taken by domestic producers from March 2002 to March 2003 to make a positive adjustment to import competition.[5] Of 60 responding fittings purchasers in the monitoring investigation, 35 purchasers did not indicate that producers had taken any such actions. However, 4 purchasers reported that domestic producers had introduced new or innovative products, 5 reported that domestic producers had improved product quality, 9 reported that domestic producers had expanded marketing efforts, 11 reported that domestic producers had improved customer service, and 11 reported that domestic producers had made other positive adjustment efforts.[6]

Based on data compiled in this investigation, U.S. fittings producers' capacity utilization was 65.7 percent and their inventories as a percentage of total shipments were *** percent in 2004. Exports accounted for *** percent of total shipments in 2004.

---

[3] One domestic fittings producer testified that from March 2002 to March 2003 U.S. demand for welded fittings declined as key consuming industries such as chemicals, construction, oil and gas stagnated. Demand began to slow in November and December of 2002, dropping slightly each month into 2003. *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-09*, USITC Publication 3632, September 2003, p. TUBULAR III-2, n. 2 (citing testimony of Don Graham, President, Trinity Fitting Group Inc. (Trinity)).

[4] In the Commission's monitoring investigation, counsel to the CPTI 201 Coalition testified that Anvil purchased the assets of Beck Manufacturing early in 2002 and rationalized capacity through plant closures. *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-09*, USITC Publication 3632, September 2003, p. TUBULAR III-2, n. 3 (citing testimony of Roger Schagrin, counsel to the CPTI 201 Coalition). Counsel to Trinity maintained that a decline in U.S. fittings capacity was due to Trinity exiting the flange business. *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-09*, USITC Publication 3632, September 2003, p. TUBULAR III-2, n. 3 (citing testimony of Cheryl Ellsworth, counsel to Trinity).

[5] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative products, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[6] Some purchasers reported more than one of these actions.

Table TUBULAR III-2
Fittings: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No		Yes	No		Yes
Efforts to increase product availability	4		1	4		2
Change in geographic market	7		0	7		0
Change in share of contract sales	5		0	5		1
Change in share of sales from inventory	6		0	5		2
Change in average lead times from inventory	7		0	6		1
Change in average lead times from production	6		0	5		2
Change in product range	7		0	7		0
Change in demand for or production of alternate products	7		0	7		0
	I	D	S	I	D	S
Change in order backlogs[1]	1	2	4	3	1	3
Change in on-time shipping percentage[1]	1	0	6	0	2	5

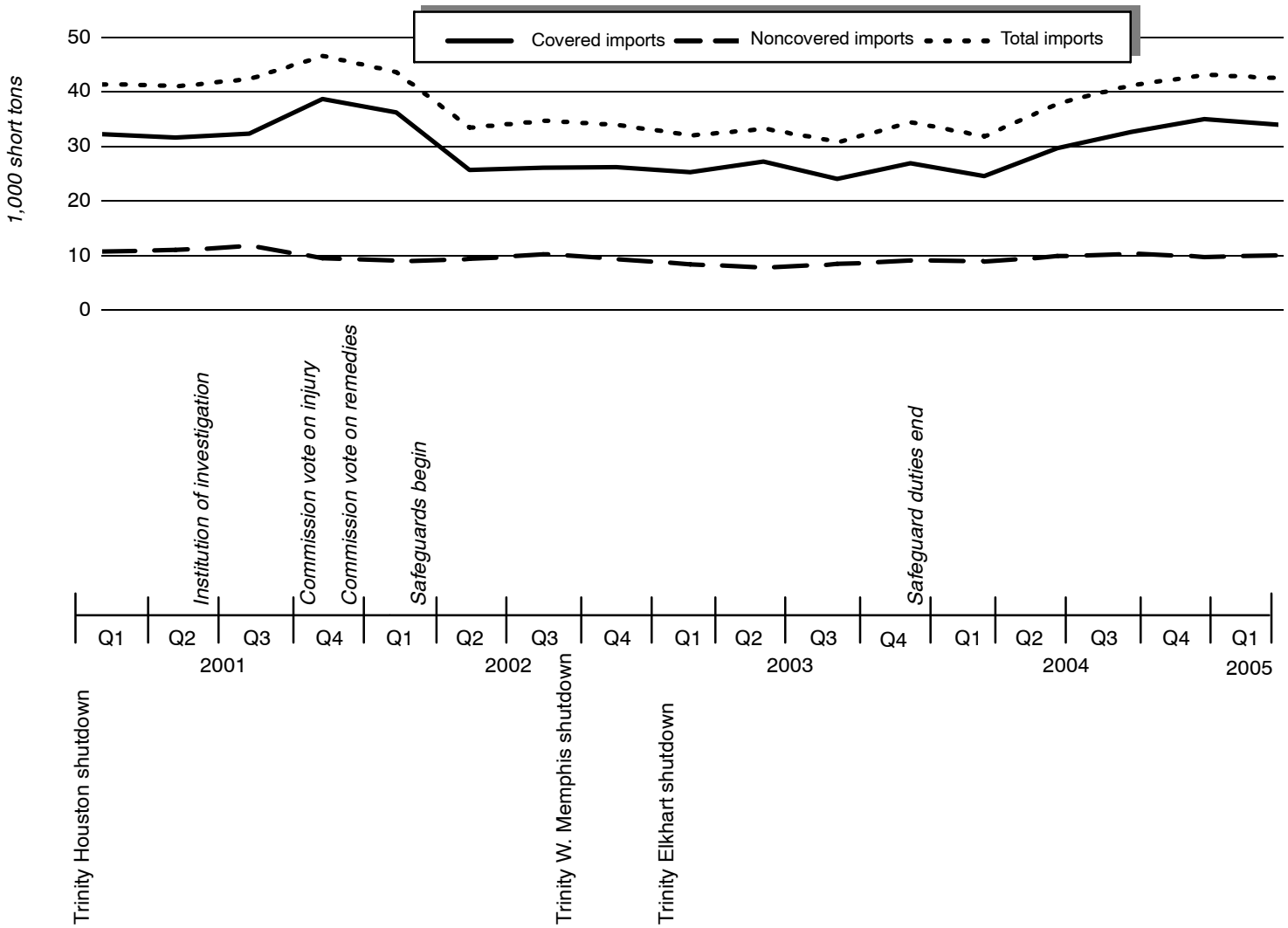
[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or have stayed the same (S) for over the specified time period.

Source: Compiled from data submitted in response to Commission questionnaires.

Timeline

Figure TUBULAR III-1 shows quarterly total imports of fittings and flanges as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for these products are not available from public sources. Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the timeline); shown above the line are significant safeguard dates.

Figure TUBULAR III-1
Fittings and flanges: Quarterly imports, facility shutdowns, and investigation milestones, January 2001-March 2005[1]



[1] Domestic mill shipment data are not available for this product category.

Source: Official statistics of the U.S. Department of Commerce and publicly available information.

U.S. INDUSTRY DATA

Table TUBULAR III-3 presents information on U.S. fittings producers' capacity, production, shipments, inventories, and employment. The Commission received usable questionnaire responses from ten fittings producers that accounted for 102,220 short tons of domestic commercial fittings shipments in 2004. The following tabulation presents firms that reported calendar-year 2000 production and capacity in the original safeguard investigation, or April 2002-March 2003 production in the monitoring investigation, but did not provide data in the current evaluation:[7]

* * * * * * *

Reporting U.S. producers' aggregate output-related indicators are presented in table TUBULAR III-3. Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the domestic industry's reported capacity increased by 13.3 percent, production decreased irregularly by 4.3 percent, capacity utilization decreased by 9.7 percentage points, and inventories decreased irregularly, both absolutely and relative to shipments. During this period, U.S. shipment quantities were generally stable while U.S. shipment values decreased by 3.9 percent, resulting in a decrease in average unit values of 3.9 percent. During 2001-03, the number of production and related workers (PRWs) decreased by 33, or 2.6 percent, and their hours worked decreased by 10.3 percent. Rising wage rates outstripped productivity and unit labor costs increased by 6.0 percent overall between 2001 and 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), output-related indicators all rose. The domestic industry's capacity reportedly increased by 1.2 percent, production increased by 26.2 percent, and U.S. shipments increased by 13.2 percent. Capacity utilization increased by 13.0 percentage points. The number of production and related workers employed increased by 23.1 percent. Productivity increased by 2.3 percent, while hourly wages alone decreased by 2.2 percent, resulting in falling unit labor costs in the period 2003-04.

Reporting U.S. producers' aggregate output-related indicators, with the exception of hourly wages and productivity, were all higher in January-March 2005 than in January-March 2004. In January-March 2005, the domestic industry's capacity reportedly was 2.6 percent higher, production was 27.4 percent higher, and U.S. shipments were 0.1 percent higher than in the same period of 2004. Capacity utilization was 14.9 percentage points higher in January-March 2005 than in the same period of 2004. The number of production and related workers employed was 22.1 percent higher during this period in 2005. Productivity was higher, by 2.6 percent. Hourly wages were lower in January-March 2005, by 2.5 percent, than in January-March 2004. As a result, unit labor costs were reduced to their lowest level in January-March 2005.

[7] The Commission also received questionnaires from companies that did not report in the original safeguard investigation: *** and ***. However, *** did not begin producing fittings until December 2003 and its data were not useable. *** had 2004 capacity of *** short tons, and production of *** short tons.

Table TUBULAR III-3
Fittings: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004[1]	January-March 2005[1]
			Quantity *(short tons)*			
Capacity	147,005	165,579	166,539	168,602	39,000	40,017
Production	91,795	93,608	87,830	110,807	24,051	30,636
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	91,738	93,272	91,675	103,805	24,844	24,862
Export shipments	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***
Ending inventories	41,108	43,401	37,755	56,486	36,640	61,420
			Value *($1,000)*			
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	211,882	209,381	203,527	288,967	55,962	77,175
Export shipments	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***
			Unit value *(per short ton)*			
Internal consumption/transfers[2]	$***	$***	$***	$***	$***	$***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	2,310	2,245	2,220	2,784	2,253	3,104
Export shipments	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***
			Ratios and shares *(percent)*			
Capacity utilization	62.4	56.5	52.7	65.7	61.7	76.6
U.S. shipments to distributors	100.0	100.0	100.0	100.0	100.0	100.0
U.S. shipments to end users	0.0	0.0	0.0	0.0	0.0	0.0
Inventories/total shipments	***	***	***	***	***	***
			Employment data[3]			
PRWs[4] *(number)*	1,287	1,361	1,254	1,544	1,141	1,393
Hours worked *(1,000)*	3,201	3,162	2,872	3,543	702	871
Wages paid *($1,000)*	50,467	55,242	51,164	61,705	12,171	14,723
Hourly wages	$15.77	$17.47	$17.81	$17.41	$17.35	$16.91
Productivity *(short tons/1,000 hours)*	28.7	29.6	30.6	31.3	34.3	35.2
Unit labor costs *(per short ton)*	$549.83	$590.17	$582.64	$556.94	$506.14	$480.66

[1] The Commission lacks interim period data for ***. Therefore, data for January-March 2004 and January-March 2005 are understated.

[2] ***. *** reported high unit values for both commercial shipments and internal consumption/transfers.

[3] ***. Hourly wages, productivity, and unit labor costs are calculated using data of firms providing both numerator and denominator information.

[4] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL DATA

Financial data provided by U.S. producers on their operations on flanges and fittings are presented in table TUBULAR III-4.[8] The financial results of the U.S. producers deteriorated from 2001 to 2003, as net commercial sales values and all levels of profitability declined slowly but perceptibly (mostly from 2002 to 2003). The reason for the decline was the combined effects of small decreases in unit revenues and small increases in total unit operating costs. The situation changed in 2004, as large increases in sales quantities (approximately 9 percent) and unit sales values ($359 per ton) combined more than overcame the $125 per ton increase in unit operating costs, all of which was related to increased raw material costs. The result was a very large increase in all levels of profitability, irrespective of whether the profits were measured on an absolute, per-unit, or percentage of net sales value basis. These trends were industry-wide, as all companies reported increased sales values, increased operating profits, and increased operating margins from 2003 to 2004.

This upward trend continued when comparing January-March 2005 results to January-March 2004 results. Even though net sales quantities decreased slightly, a very large increase in unit sales values ($718 per ton) more than negated the $487 per ton increase in unit operating costs. As a result, there were continued large increases in all levels of profitability by all measures. These trends were again industry-wide, as virtually all companies reported increased sales values, increased operating profits, and increased operating margins in January-March 2005 compared to January-March 2004. Much like the full-year periods, increases in unit raw material costs accounted for most of the increase in unit costs.

Capital expenditures steadily declined from 2001 to 2003 before increasing in 2004. These expenditures were dominated by *** which accounted for a little more than one-half of the expenditures during the period in which data were collected. The expenditures in total were marginally higher than yearly depreciation expenses, and therefore the original cost of productive assets (property, plant, and equipment) increased over time while the book value was marginally higher.

[8] Firms reflected in these data are Anvil International, Bonney Forge, Mills Iron Works, Pennsylvania Machine, Trinity Fittings, Tube Forgings, Wellhead Inc., and Western Forge & Flange.

Table TUBULAR III-4
Fittings: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
			Quantity (*short tons*)			
Net commercial sales	77,196	77,705	73,239	79,529	18,455	17,848
			Value (*$1,000*)			
Net commercial sales	$170,922	$167,840	$159,322	$201,506	$41,451	$52,902
COGS	139,244	137,916	132,820	154,049	33,354	39,366
Gross profit	31,678	29,925	26,502	47,457	8,097	13,537
SG&A expenses	26,449	24,928	26,091	28,455	5,446	6,839
Operating income	5,229	4,997	411	19,002	2,651	6,697
Interest expense	1,290	653	628	579	146	154
Other (income)/expenses, net	(307)	(78)	(971)	(503)	(135)	79
Net income	4,246	4,422	754	18,926	2,640	6,464
Depreciation/amortization	3,754	3,685	3,688	3,625	908	907
Cash flow	8,000	8,107	4,442	22,551	3,548	7,371
CDSOA funds received	427	126	303	63	(1)	(1)
Pension (credit)/expense	680	826	749	681	182	191
Other post-employment benefits	0	0	0	0	0	0
Capital expenditures	4,258	3,772	3,219	5,707	1,075	1,343
R&D expenses	12	65	78	89	17	32
Property, plant, and equipment:						
Original cost	64,044	65,765	65,613	69,591	59,699	67,619
Book value	22,120	21,057	20,459	22,823	19,567	22,545
			Ratio to net commercial sales (*percent*)			
COGS	81.5	82.2	83.4	76.4	80.5	74.4
Gross profit	18.5	17.8	16.6	23.6	19.5	25.6
SG&A expenses	15.5	14.9	16.4	14.1	13.1	12.9
Operating income	3.1	3.0	0.3	9.4	6.4	12.7
Net income	2.5	2.6	0.5	9.4	6.4	12.2

Table continued on next page.

Table TUBULAR III-4--*Continued*
Fittings: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
	Unit value (*per short ton*)					
Net commercial sales	$2,214	$2,160	$2,175	$2,534	$2,246	$2,964
COGS total	1,804	1,775	1,814	1,937	1,807	2,206
Raw materials	852	799	794	971	864	1,190
Direct labor	254	242	240	238	152	238
Other factory costs	698	734	779	728	791	778
Gross profit	410	385	362	597	439	758
SG&A expenses	343	321	356	358	295	383
Operating income	68	64	6	239	144	375
	Number of firms reporting					
Operating losses	1	3	4	0	1	0
Data	8	8	8	8	7	8

[1]Not available.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table TUBULAR III-5 presents data on U.S. imports of fittings by sources for 2001-04, January-March 2004, and January-March 2005. Table TUBULAR III-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002-03.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of fittings from covered and noncovered sources decreased. As a result, the quantity of total U.S. imports decreased by 24.8 percent while the value of U.S. imports decreased by 26.8 percent. U.S. imports from covered sources increased from 77.9 percent of the quantity of total fittings imports and 66.1 percent of the value of total fittings imports to 78.2 percent and 67.4 percent, respectively. During this period, average unit values for covered and, to a greater extent, noncovered sources decreased irregularly, resulting in an overall decrease of $52 per short ton by 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of fittings from covered sources and other sources increased. As a result, the quantity of total U.S. imports increased by 19.1 percent while the value of U.S. imports increased 38.4 percent. The share of U.S. imports from covered sources decreased just slightly from 78.2 percent to 78.1 percent of the quantity of total fittings imports while the value of these imports increased from 67.4 percent to 70.8 percent. During this period, average unit values for both covered and, to a lesser extent, noncovered sources increased, resulting in an overall increase of $323 per short ton in 2004.

Table TUBULAR III-5
Fittings: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004	January-March 2005
			Quantity *(short tons)*			
Covered sources[1]	132,078	110,827	99,661	118,604	23,587	33,286
All others	37,527	32,223	27,798	33,165	7,428	8,730
Total (all imports)	169,605	143,051	127,459	151,769	31,015	42,016
			Landed, duty paid value *($1,000)*			
Covered sources[1]	228,857	217,787	170,972	248,507	47,711	76,422
All others	117,395	92,598	82,656	102,488	23,386	27,380
Total (all imports)	346,251	310,384	253,628	350,995	71,096	103,801
			Unit value *(per short ton)*			
Covered sources[1]	$1,733	$1,965	$1,716	$2,095	$2,023	$2,296
All others	3,128	2,874	2,973	3,090	3,148	3,136
Average (all imports)	2,042	2,170	1,990	2,313	2,292	2,471
			Share of total imports based on quantity *(percent)*			
Covered sources[1]	77.9	77.5	78.2	78.1	76.1	79.2
All others	22.1	22.5	21.8	21.9	23.9	20.8
Total (all imports)	100.0	100.0	100.0	100.0	100.0	100.0
			Share of total imports based on value *(percent)*			
Covered sources[1]	66.1	70.2	67.4	70.8	67.1	73.6
All others	33.9	29.8	32.6	29.2	32.9	26.4
Total (all imports)	100.0	100.0	100.0	100.0	100.0	100.0
			Ratio of imports to production *(percent)*			
Covered sources[1]	143.9	118.4	113.5	107.0	98.1	108.6
All others	40.9	34.4	31.7	29.9	30.9	28.5
Total (all imports)	184.8	152.8	145.1	137.0	129.0	137.1

[1] Although India, Romania, and Thailand were generally exempt from the section 203 relief, they were covered sources with respect to imports of fittings.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table TUBULAR III-6
Fittings: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

In January-March 2005 (the final period covered by the original safeguard action), the quantity and the value of U.S. imports of fittings from both covered and noncovered sources were higher than during January-March 2004. As a result, the quantity of total U.S. imports was 35.5 percent higher in January-March 2005 than during the comparable period in 2004, while the value of U.S. imports was 46.0 percent higher. U.S. imports from covered sources accounted for 79.2 percent of the quantity of total fittings imports and 73.6 percent of the value of total fittings imports, compared to 76.1 percent and 67.1 percent, respectively in January-March 2004. Average unit values for covered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, U.S. imports of fittings were $179 per short ton higher in January-March 2005 than during the comparable period in 2004.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of fittings are presented in table TUBULAR III-7. As presented in table TUBULAR III-7, the data gathered by the Commission in the current evaluation indicate that between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity of apparent U.S consumption of fittings decreased by 16.2 percent. The domestic industry's share of the U.S. market increased from 35.1 percent to 41.8 percent. Imports from covered countries saw their market share decrease from 50.5 percent to 45.5 percent; following the same trend, imports from noncovered countries saw their market share decrease from 14.4 percent to 12.7 percent.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity of apparent U.S. consumption of fittings increased by 16.6 percent. The domestic industry's share of the U.S. market decreased by 1.2 percentage points. Imports from covered and noncovered countries saw their share of the U.S. market increase by 0.9 and 0.3 percentage points, respectively.

In January-March 2005 (the final period covered by the safeguard action) the quantity of apparent U.S. consumption of fittings was 19.7 percent higher than during January-March 2004. The domestic industry's share of the U.S. market was 7.3 percentage points lower in January-March 2005 than during the same period in 2004. The share of total imports of fittings was 7.3 percentage points higher in January-March 2005 than in the same period in 2004, with covered imports accounting for the increase while the share for imports from noncovered sources showed a slight decline.

Table TUBULAR III-7
Fittings: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	2001	2002	2003	2004	January-March 2004[1]	January-March 2005[1]
			Quantity *(short tons)*			
U.S. producers' U.S. shipments	91,738	93,272	91,675	103,805	24,844	24,862
U.S. imports from:						
Covered sources[1]	132,078	110,827	99,661	118,604	23,587	33,286
All other sources	37,527	32,223	27,798	33,165	7,428	8,730
Total U.S. imports	169,605	143,051	127,459	151,769	31,015	42,016
Apparent U.S. consumption	261,343	236,323	219,134	255,573	55,859	66,878
			Value *($1,000)*			
U.S. producers' U.S. shipments	211,882	209,381	203,527	288,967	55,962	77,175
U.S. imports from:						
Covered sources[2]	228,857	217,787	170,972	248,507	47,711	76,422
All other sources	117,395	92,598	82,656	102,488	23,386	27,380
Total U.S. imports	346,251	310,384	253,628	350,995	71,096	103,801
Apparent U.S. consumption	558,133	519,765	457,155	639,962	127,058	180,976
			U.S. market share based on quantity *(percent)*			
U.S. producers' U.S. shipments	35.1	39.5	41.8	40.6	44.5	37.2
U.S. imports from:						
Covered sources[2]	50.5	46.9	45.5	46.4	42.2	49.8
All other sources	14.4	13.6	12.7	13.0	13.3	13.1
Total U.S. imports	64.9	60.5	58.2	59.4	55.5	62.8
			U.S. market share based on value *(percent)*			
U.S. producers' U.S. shipments	38.0	40.3	44.5	45.2	44.0	42.6
U.S. imports from:						
Covered sources[2]	41.0	41.9	37.4	38.8	37.6	42.2
All other sources	21.0	17.8	18.1	16.0	18.4	15.1
Total U.S. imports	62.0	59.7	55.5	54.8	56.0	57.4

[1] The Commission lacks interim period data for: ***. Therefore, data for January-March 2004 and January-March 2005 are understated.

[2] Although India, Romania, and Thailand were generally exempt from the section 203 relief, they were covered sources with respect to imports of fittings.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. fittings producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table TUBULAR III-8).

The three factors rated most important by U.S. fittings producers from March 2002 to December 2003 were: changes in the level of competition from imports from non-excluded countries, changes in energy costs, and changes in demand for steel within the United States. The three factors rated most important by fittings producers from January 2004 to March 2005 were: changes in the cost of raw materials, changes in demand for steel outside the United States, and changes in the level of competition from imports from non-excluded countries.[9]

[9] Apparent U.S. consumption of fittings decreased by 16.2 percent from 2001 to 2003, but rebounded in 2004 to its 2001 levels (table TUBULAR III-7). The value of non-residential construction put in place increased by 3.9 percent during the period for which data were collected (table OVERVIEW II-1). The value of utilities, pipelines, and railroads construction put in place increased by 35.5 percent over the same period. Much of this increase occurred in 2001. Most recently, from January 2004 to March 2005, the value of utilities, pipelines, and railroads construction put in place has decreased by 7.0 percent.

Prices for steel scrap increased by 133.2 percent during the period for which data were collected (figure OVERVIEW II-12). U.S. fittings producers' capacity increased by 14.7 percent, and capacity utilization increased from 62.4 percent in 2001 to 65.7 percent in 2004 (table TUBULAR III-3). Prices for natural gas decreased sharply by 54.2 percent from January 2001 to January 2002 and then slowly rebounded. Natural gas prices decreased 20.5 percent from January 2001 to March 2005. Prices for electricity sold to industrial users increased slightly by 3.4 percent during the period for which data were collected (figures OVERVIEW II-10 and OVERVIEW II-11).

Table TUBULAR III-8
Fittings: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	2.0	3	3	0	1.0	7	0	0
Changes in demand for steel outside the United States	1.8	2	2	1	1.4	5	1	0
Changes in the level of competition from imports from non-excluded countries	1.5	2	3	1	1.6	1	3	3
Changes in energy costs	1.8	5	1	0	1.8	7	0	0
Changes in demand for steel within the United States	1.8	2	4	0	1.8	5	2	0
Changes in transportation/delivery cost	2.5	4	2	0	2.0	7	0	0
Changes in U.S. production capacity	2.0	1	4	1	2.0	2	5	0
Changing market patterns	2.5	1	4	0	2.4	3	3	0
Changes in the level of competition from imports from excluded countries	2.3	1	4	1	2.4	2	4	1
Changes in labor agreements, contracts, etc.	2.8	1	4	1	2.6	2	3	2
Changes in the productivity of domestic producers	2.8	1	5	0	2.6	1	6	0
Changes in the allocation of production capacity to alternate products	3.3	1	5	0	2.8	2	5	0
Changes in competition between U.S. producers	3.3	0	6	0	3.5	0	6	0
Changes in the level of competition from substitute products	3.8	0	5	0	3.8	0	5	0

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing Practices

All of the seven responding U.S. fittings producers reported making no changes in the way they determine the price they charge for steel since March 2002. One producer reported offering more discounts from January 2004 to March 2005 in an effort to combat competition from cheap imports. Five of six responding U.S. fittings producers reported that there was no change in the share of their sales that is on a contract versus a spot basis. One producer reported increasing its contract terms from January

2004 to March 2005.[10] Four of six U.S. fittings producers reported that contract prices tend to follow a different trend than spot prices. One producer noted that its contracts do not have price escalators for raw material costs, whereas spot prices closely track changes in raw material costs.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following fitting product during January 2001-March 2005:[11]

> ***Product 11*–Carbon steel butt-weld pipe fitting, 6 inch nominal diameter, 90 degree elbow, long radius, standard weight, meeting ASTM A-234, grade WPB or equivalent specification.** This commodity product is typically used in pressure piping and in pressure vessel fabrication for service at moderate and elevated temperatures such as in natural gas and petrochemical facilities.

Reported pricing data accounted for *** percent of the quantity of U.S. producers' U.S. commercial shipments of fittings during the period for which data were collected.[12]

Weighted-average prices and quantities sold of U.S.-produced fittings are shown in table TUBULAR III-9 and in figure TUBULAR III-2. A summary of the price data is shown in table TUBULAR III-10.

Quarterly prices for the domestically produced fittings product for which the Commission collected pricing data remained relatively stable from first quarter 2001 to first quarter 2004 and then began a steady increase in second quarter 2004, with prices peaking in third quarter 2004. Prices increased *** percent from January 2001 to March 2005.

---

[10] U.S. steel consumers also reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable. U.S. Steel Consumers' posthearing brief, p. 20.

[11] Pricing data as presented here for January 2001 through December 2002 are the data collected under the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately under the current evaluation.

[12] *** U.S. fittings producers provided pricing data for product 11. Data as reported by ***, ***, and *** were excluded as staff deemed them to be outliers.

Table TUBULAR III-9
Fittings: Weighted-average price and quantity data for U.S.-produced product 11,[1] by quarters, January 2001-March 2005

	Price	Quantity
	Per ton	*Short tons*
2001:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2002:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2003:		
January-March	$1,390.77	622
April-June	1,369.10	649
July-September	1,374.98	705
October-December	1,393.58	539
2004:		
January-March	1,447.47	912
April-June	1,651.26	686
July-September	1,877.28	557
October-December	1,799.57	461
2005:		
January-March	1,818.24	579

[1] Carbon steel butt-weld pipe fitting, 6 inch nominal diameter, 90 degree elbow, long radius, standard weight, meeting ASTM A-234, grade WPB or equivalent specification.

Note–Quantities shown may not be reflective of the entire sample, as data from January 2001 to December 2002 were collected in the monitoring investigation and data from January 2003 to March 2005 were collected in the current evaluation and each sample may have included a different number of questionnaire respondents. Staff believes the price per ton data are reliable.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure TUBULAR III-2
Fittings: Weighted-average f.o.b. prices of domestic product 11, January 2001-March 2005

* * * * * * *

Table TUBULAR III-10
Fittings: Changes in quarterly prices of domestic product 11

Product	Change in price from Q1 2001 to Q1 2002	Change in price from Q1 2002 to Q1 2003	Change in price from Q1 2003 to Q1 2004	Change in price from Q1 2004 to Q1 2005	Change in price from Q1 2001 to Q1 2005
			Percent		
11	***	***	4.1	25.6	***

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: ADJUSTMENT EFFORTS

Section 204(d) of the Trade Act of 1974 (19 U.S.C. § 2254(d)) requires the Commission, following termination of a relief action, to evaluate the effectiveness of the action in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President in the report submitted to the Congress under section 203(b) of the Act. In doing so the Commission examines whether the industry has satisfied its previous commitments, comparing the actions taken by workers and firms to the actions that were anticipated if relief were granted. This report considers these efforts in the context of the prevailing economic circumstances during the period of relief.

PROPOSED ADJUSTMENT PLANS

In the section 201 investigation, the individual adjustment plans put forth by 16 producers of welded pipe, and reviewed by the Commission, stated that they intended to invest about $159 million over a four-year period. The companies said that the investments would be spent on modernization of equipment and application of technological innovations to increase efficiency and productivity. Some companies proposed upgrading and expanding their facilities and installing new equipment, while others planned to relocate or close some of their facilities. Companies also planned to invest in employee training and new information systems. Four fittings producers' adjustment plans proposed combined investments of $12.8 million to $14.8 million to increase competitiveness over a four-year period. Certain companies planned to upgrade their facilities by purchasing new production equipment and developing new manufacturing technologies. Others planned to invest in additional worker training and retirement plans. A summary of the types of actions contained in U.S. producers' proposed adjustment plans in the section 201 investigation is presented in table TUBULAR IV-1.[1]

In the monitoring investigation, the Commission asked U.S. producers whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that, if relief were granted as a result of that investigation, their firm would make adjustments in their subject steel products operations that would permit them to compete more effectively with imports of subject steel products after relief expires.[2] The firms' responses are presented at the end of this chapter in table TUBULAR IV-3.

[1] Also included in the table is the number of firms that stated they had reported they had no planned adjustments.

[2] Firms were also asked to attach copies of their specific adjustment plans as reported to the Commission during Inv. No. TA-201-73 or to USTR since the initiation of the original section 201 investigation.

Table TUBULAR IV-1
Tubular steel: Number of U.S. producers affirmatively reporting proposed adjustments in the section 201 investigation, by product group

Certain tubular products	
Welded	**Fittings**
Number of reporting U.S. producers	
32	19
No planned adjustments	
7	4
Additional capital investment	
20	14
Further cost reductions	
4	3
Research & Development	
2	2
Improved customer service	
1	1
Utilization of e-commerce to reduce transaction costs or increase sales	
1	0
Develop new or innovative product lines	
1	0
Increase employee training	
4	2
Increase productivity/speed in manufacturing process	
1	2
Increase employment	
3	0
Relocation or closing of facility	
1	2
Expand geographic reach of current customer base	
1	1
Production shift from commodity to niche products	
1	0

Source: *Steel: Investigation No. TA-201-73*, USITC Publication 3479, December 2001, table TUBULAR-70 at TUBULAR-66, compiled from data submitted in response to Commission questionnaires in that investigation.

SIGNIFICANCE OF RELIEF AND ECONOMIC CONDITIONS DURING ADJUSTMENT EFFORTS

The Commission asked U.S. producers to describe the significance of the safeguard measures imposed by the President effective on or after March 20, 2002, in terms of their effect on the domestic firms' operations in the following categories:

(a) Production capacity, production, shipments, inventories, and employment.

(b) Return on investment, ability to generate capital to finance the modernization of domestic plant(s) and equipment, or ability to maintain existing levels of expenditures for research and development.

(c) Changes in collective bargaining agreements.

Firms were asked to compare their operations during the tariff-rate quota and increased import duties (March 2002-December 2003) and after the termination of the tariff-rate quota and increased import duties but while import monitoring remained in place (January 2004-March 2005). Additionally, firms were asked to explain how they have separated the effects of section 203 relief from the effects of other factors, such as closure or re-opening of domestic production facilities, changes in demand, exchange rate changes, or antidumping and countervailing duties. The responses of firms are presented individually at the end of this chapter in table TUBULAR IV-3 (Part B).

Firms responding affirmatively were specifically asked whether there were any reported planned adjustment actions that they had not implemented, and if so, the reason(s) why specific adjustment actions have not been implemented. The firms' responses are presented at the end of this chapter in table TUBULAR IV-3 (Part A).

POST-RELIEF EFFORTS

The Commission asked U.S. producers to indicate whether they had undertaken any efforts to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:[3]

1. Any efforts that have been made by firms and/or their workers since March 20, 2002, to compete more effectively,

2. The period (month(s) and year(s)) in which the efforts were made,

3. The expenditure or savings involved, as applicable, and

4. The effectiveness of efforts, including any competitive advantage acquired (i.e., increased production, cost reduction, quality improvement, increased market share or sales, etc.).

In addition, if firms felt that any of these efforts were made primarily to compete with sales of imported subject steel products, they were instructed to so indicate and to give the reasons in support of their beliefs. To the extent possible, firms were asked to furnish the Commission with memoranda, studies, or other documentation which indicate that such competitive efforts were undertaken primarily against imports of subject steel. The responses of firms are presented at the end of Part IV in table TUBULAR IV-3 (Part C), and a summary of the types of U.S. producers' reported actual adjustments are presented in table TUBULAR IV-2.

[3] Categories on which producers were asked to comment were: investments made; capacity reductions; cost reductions with existing equipment; diversifications/expansions; mergers and consolidations; new products developed or new applications for existing products; organizational changes; changes in production practices; efforts to secure raw materials; marketing changes in U.S. and foreign markets; employee reductions; changes in pension liabilities, healthcare, and union contracts; and, all other efforts made by firm or workers to compete.

Table TUBULAR IV-2
Tubular steel: U.S. producers affirmatively reporting actual adjustments in the section 204 investigation, by product group

Certain tubular products	
Welded	Fittings
Number of U.S. producers reporting adjustments	
22	8
Investments made	
13	8
Capacity reductions	
4	1
Cost reductions with existing equipment	
12	6
Diversifications/expansions	
2	2
Mergers and consolidations	
2	2
New products developed or new applications for existing equipment	
5	0
Organizational changes	
5	2
Changes in production practices	
9	5
Efforts to secure raw materials	
13	6
Marketing changes (U.S. and foreign markets)	
7	3
Employee reductions	
6	2
Changes in pension liabilities, healthcare, and union contracts	
4	0
All other efforts made by firm or workers	
1	1

Source: Compiled from data submitted in response to Commission questionnaires.

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) the significance of the section 203 relief on their firm's operations, and (2) the efforts they have undertaken to compete more effectively in the U.S. market. The responses of firms are presented in the following table TUBULAR IV-3.

Table TUBULAR IV-3
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Efforts to compete more effectively: Yes	No
AK Steel (welded pipe)		X		***	***

A ----

B ***

C **Investments Made:** In 2003, AK Steel committed to installing pollution-control measures on its Middletown, OH blast furnace to meet new federal standards under the Clean Air Act by May of 2005. We also committed to meeting the new standards required for our Middletown steelmaking shop by the required May 2006 deadline. The total cost of these projects is $66 million. We also recommitted to making steel in Ashland, KY with approval for the investment of $65 million in a vacuum-degassing facility and an enhancement to the caster. Completing this project will enable AK Steel to more closely match its steelmaking capabilities with its customers' needs. This investment will not materially impact the amount of purchased carbon slabs that the company will need to purchase (currently from foreign producers). However, it will provide a cost benefit to the company and will provide us with more purchasing flexibility since there are more producers of the grades of steel slabs we will need to purchase in the future.
Organizational Changes: On September 18, 2003, AK Steel announced that Richard M. Wardrop- chairman and CEO and John G. Hritz- president had resigned their respective positions with the company by mutual agreement with the company's board of directors. In October 2003, Mr. James L. Wainscott was named President and CEO of the company.
Changes in production practices: The company is now melting carbon steel products at its facilities that were previously only melting stainless and electrical products. This will help the company reduce its dependency and need to purchase carbon slabs from third-party producers.
Efforts to secure raw materials: The company has implemented various raw material surcharge pricing mechanisms with its spot market customers. The company has also entered into new agreements with several of its contract customers which now contain variable price mechanisms which help the company deal more effectively with escalating steelmaking input costs.

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation: Yes	No	Not known	Efforts to compete more effectively: Yes	No
AK Steel (welded pipe)--*Continued*						
C	**Employee reductions:** Our total employment has been reduced by 1,100, or nearly 12% since October 2003. **Changes in pension liabilities, healthcare, and union contracts:** The company has recently negotiated new labor agreements with represented employees at its Coshocton, OH, Rockport, IN, Mansfield, OH and Ashland, KY steel plants. Overall, the new contracts have allowed the company to partially reduce its healthcare costs and to provide more workforce flexibility through fewer job classes to begin to address the competitive total labor cost disadvantage it faces versus its competitors. As indicated in our 2004 Form 10-K, our pension funds are significantly underfunded. Our pension benefit obligations at the end of 2004 were $3,830.1 million partially offset by pension plan assets of $2,484.3 million resulting in an approximate funded position of 65%. The company has improved this funding percentage slightly as the result of an early, voluntary pension funding payment of $150 million in January 2005.					
Allied Tube and Conduit (welded pipe)		**X**			***	***
A	---					
B	***					
	***					
C	---					
American Steel Pipe (welded pipe)		**X**			***	***
A	***					
B	---					
C	---					
Anvil International (fittings)			**X**		***	***
A	***					
B	***					
C	---					
Beck Industries (welded pipe)				**X**	***	***
A	---					
B	***					
	***					
C	***					
	***					
	***					
	***					
	***					
	***					

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Efforts to compete more effectively: Yes	No
Berg Steel Pipe (welded pipe)		X		***	***
A ---					
B ***					
***					
C ---					
Bonney Forge (fittings)		X		***	***
A ---					
B ***					
C ---					
Bull Moose Tube (welded pipe)		X		***	***
A ---					
B ***					
C ***					
California Steel & Tube (welded pipe)		X		***	***
A ---					
B ***					
***					
C ---					
California Steel Industries (welded pipe)		X		***	***
A ---					
B ---					
C ---					
Copperweld (welded pipe)		X		***	***
A ---					
B ---					
Delta Flanges (fittings)		X		***	***
A ---					
B ---					
C ---					

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Efforts to compete more effectively	
		Yes	No	Not known	Yes	No
Gulf Manufacturing (fittings)				X	***	***
	A ---					
	B ---					
	C ***					
Hannibal Industries (welded pipe)		X			***	***
	A ---					
	B ***					
	C ***					
	***					
	***					
	***					
IPSCO (welded pipe)		X			***	***
	A ***					

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation: Yes	Adjustment plans submitted during 201 investigation: No	Adjustment plans submitted during 201 investigation: Not known	Efforts to compete more effectively: Yes	Efforts to compete more effectively: No
IPSCO (welded pipe) --*Continued*						
B	***					
	***					
C	---					
Leavitt Tube (welded pipe)		**X**			***	***
A	***					
B	***					
	***					
C	***					
	***					
	***					
Leggett & Platt (welded pipe)				**X**	***	***
A	---					
B	***					
	***					
C	---					
Lock Joint Tube (welded pipe)				**X**	***	***
A	---					
B	---					
C	---					

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation: Yes	Adjustment plans submitted during 201 investigation: No	Adjustment plans submitted during 201 investigation: Not known	Efforts to compete more effectively: Yes	Efforts to compete more effectively: No
Lone Star (welded pipe)			X		***	***
	A ---					
	B ---					
	C ---					
Maruichi American (welded pipe)		X			***	***
	A ***					
	B ***					
	***					
	C ---					
Maverick Tube (welded pipe, and fittings)		X			***	***
	A ***					
	B ***					
	***					
	***					
	***					
	C ---					

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Efforts to compete more effectively: Yes	No
Mills Iron Works (fittings)			X	***	***
A	---				
B	---				
C	---				
Nova Tube (welded pipe)			X	***	***
A	---				
B	---				
C	---				
Northwest Pipe (welded pipe)	X			***	***
A	***				
B	*** ***				
C	**Investments made:** Capital expenditures since March 20, 2002: Portland; Entry shear- $38,000, Motor drives- $225,000, Cutting Line- $300,000. Houston; Welder- $230,000, Cut offs- $690,000, Change over tooling- $285,000, Entry equipment - $187,000, Idle stands- $77,000. Bossier City; Cut off-$585,000, Seam guide-$66,000, Turkshead- $38,000. Atchison; Annealers-$447,000, Length control-$43,000, Marking system-$46,000.				
NS Group (welded pipe)			X	***	***
A	---				
B	*** ***				
C	---				
Oregon Steel (welded pipe)			X	***	***
A	---				
B	*** ***				
C	---				
Pennsylvania Machine Works (fittings)	X			***	***
A	---				
B	*** ***				

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Efforts to compete more effectively: Yes	No
Pennsylvania Machine Works (fittings) --*Continued*					
C	Since March 2002, Pennsylvania Machine Works, Inc. has made several efforts to compete more effectively with the flood of imported pipe fittings coming into the United States. These products, frequently of equal or better quality than our own have effectively eroded the commodity portion of our business. This segment has historically equated to over half our annual sales. In 2001 and through 2003 we lost a significant portion of this market to imported products, primarily due to a 30-50% cost disadvantage. We undertook, and continue today to try to lower our costs to effectively compete for this market. The steps we have taken are as follows: **Investments made:** We have made investments in excess of $1,000,000 (largely borrowed funds) to upgrade many of our production tools with highly efficient robot controls which allow unattended operation, thus reducing our direct labor input for each product produced. These machine tools were brought on-line during 2002 and have allowed us to increase our efficiency through labor reductions. The result of this effort has allowed us to recapture some of the market share lost to imports by closing the price gap on our commodity products and the imported competing products by some 25%. In addition, this added efficiency has allowed us to meet generally increasing demand for our products overall during 2004 without the addition of labor, thus improving our margins on all our products. **Employee reductions:** From March 2003 through September 2003 we laid off some 28% of our overall workforce, including the closing of one satellite manufacturing facility. This resulted in the elimination of redundant operations at different locations. This was also coupled with the dedicating of certain production being run only at our lowest cost operation, rather than at multiple locations simultaneously. This "best practices" approach to where to schedule production allowed us to always manufacture a product on a least cost basis, thus contributing to lowering our overall cost of production. In March 2002, after extensive training of our employees under a grant from the MidAtlantic Trade Adjustment Assistance Association, funded by the U.S. Department of Commerce, we implemented the concepts of Lean Manufacturing at our main production facility in Aston, PA. The total cost of this effort is well in excess of $250,000. This effort has had some, as of now unmeasured impact on reducing our costs, particularly in the reduction of set-up times on our main production machines. This effort has further reduced the amount of labor we must put into the production of our products, thus improving our margins. **Efforts to secure raw materials:** Obtaining an adequate supply of raw materials was not a problem until late 2003. The rising demand for steel, our basic raw material, caused by the Chinese economic boom, rising fuel prices, and the closing of a large portion of the U.S. domestic steel industry through bankruptcy, caused rapidly rising prices and a complete unavailability of certain sizes of our critical raw materials. These events forced us to go outside the U.S. for a large portion of our raw material needs, and due to significant increases in domestic automobile production in the U.S. we were placed on allocation at both domestic as well as foreign steel mills. This forced us to "hedge" buy our raw material (ordering the same requirement with more than one mill to assure our supply). This practice worked, but caused a significant build up in inventory levels, thus adding to our costs. **All other efforts made by firm or workers to compete:** Since September 2004, we have begun implementing a Supply Chain Management software package at our main production facility to help us, using the Theory of Constraints, more cost effectively schedule and produce our product. The cost of this effort is in excess of $200,000.00. It will, when fully implemented allow us to more effectively compete with foreign product by being able to deliver more timely than an imported product can be delivered, thus yielding us a competitive advantage.					
Plymouth Tube (welded pipe)		X		***	***
A	---				
B	***				
C	---				
Searing Industries (welded pipe)		X		***	***
A	---				
B	---				
C	---				

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation: Yes	Adjustment plans submitted during 201 investigation: No	Adjustment plans submitted during 201 investigation: Not known	Efforts to compete more effectively: Yes	Efforts to compete more effectively: No
Sharon Tube (welded pipe)			X		***	***
	A	---				
	B	---				
	C	---				
Shaw Alloy Piping (fittings)		X			***	***
	A	***				
	B	---				
	C	---				
Stupp (welded pipe)		X			***	***
	A	***				
	B	***				
		***				
	C	---				
Tex-Tube (welded pipe)			X		***	***
	A	---				
	B	***				
		***				
		***				
	C	---				
Trinity Fittings (fittings)		X			***	***
	A	***				
	B	---				
	C	---				

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation: Yes	Adjustment plans submitted during 201 investigation: No	Adjustment plans submitted during 201 investigation: Not known	Efforts to compete more effectively: Yes	Efforts to compete more effectively: No
Tube Forgings (fittings)				X	***	***
	A	---				
	B	---				
	C	---				
U.S. Steel (welded pipe)		X			***	***
	A	***				
	B	***				
		***				

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	Adjustment plans submitted during 201 investigation: No	Adjustment plans submitted during 201 investigation: Not known	Efforts to compete more effectively: Yes	Efforts to compete more effectively: No
U.S. Steel (welded pipe)–*Continued*					
C	**Efforts to secure raw materials:** Iron Ore: As part of its purchase of National's assets, U.S. Steel obtained an iron ore facility in Keewatin, Minnesota. This facility, along with U.S. Steel's Minntac facility in Mount Iron, Minnesota, makes U.S. Steel completely self-sufficient for its domestic iron ore requirements to support blast furnace production. Coke: U.S. Steel operates coke-making facilities in Clairton, Pennsylvania; Gary, Indiana; and Granite City, Illinois. These facilities have the capability to supply all of U.S. Steel's domestic metallurgical coke requirements for blast furnace operations. Pursuant to a Coke Sales Agreement between U.S. Steel and EES Coke Battery, LLC, which operates a cokemaking facility at U.S. Steel's Great Lakes Works, U.S. Steel purchased 100 percent of the output of this facility during 2004 and will purchase a portion of such output during 2005. U.S. Steel also benefits from blast furnace coal injection processes at Gary Works, Great Lakes Works, and Fairfield Works. These processes reduce U.S. Steel's domestic coke requirements. Limestone: U.S. Steel believes that supplies adequate to meet its domestic limestone needs are readily available from third parties at competitive market prices. Scrap and other materials: Supplies of steel scrap, tin, zinc, and other alloying and coating materials required to serve U.S. Steel's domestic operations are available from third parties at competitive market prices. U.S. Steel utilizes some hedging and derivative purchasing practices with regard to domestic requirements for tin and zinc. Natural Gas: U.S. Steel believes that supplies of natural gas, adequate to meet its domestic needs, are available from third parties at competitive market prices. Currently, about 60 percent of U.S. Steel's domestic natural gas purchases are based on solicited bids, on a monthly basis, from various vendors; approximately 30 percent are made through long-term contracts; and the remainder are made daily. U.S. Steel utilizes some hedging and derivative purchasing practices with regard to domestic requirements for natural gas because of the volatility of natural gas markets. **Marketing Changes in U.S. and foreign markets:** As discussed above, U.S. Steel's purchase of National's assets has given it access to National's former customers. U.S. Steel's new Great Lakes facility has also improved its ability to reach customers in the Detroit area, while its new Granite City facility has improved its ability to reach customers in the Gulf Coast and the West. U.S. Steel has moved aggressively to build relationships with all of these potential new customers. **Employee reductions:** As discussed above, U.S. Steel's purchase of National's assets resulted in significant workforce reductions, which have dramatically reduced U.S. Steel's costs. **Changes in pension liabilities, healthcare, and union contracts:** In May 2003, U.S. Steel and the United Steelworkers of America ("USWA") finalized a progressive new labor contract covering the USWA-represented employees of U.S. Steel and the former National Steel. This agreement allowed for a workforce restructuring, expanded profit-based variable compensation, provided cost-sharing mechanisms for employee and retiree health care expenses, and provided a joint mechanism to consider further acquisitions of steel and steel-related assets in North America. **All other efforts made by firm or workers to compete:** One final point should be made in response to this question. The questionnaire asks domestic producers to identify any efforts that have been made "primarily to compete with sales of imported subject steel products." As the Commission documented in the original Section 201 investigation, imports were a *substantial* cause of *serious* injury to domestic steel producers. Furthermore, the rest of the world continues to have an enormous excess capacity to produce steel products, which means that domestic producers must constantly face the threat of new import surges. Under these circumstances, *every* effort to compete undertaken by U.S. Steel is designed with one of its primary purposes being to improve U.S. Steel's ability to compete with imports.					
Vest (welded pipe)	**X**			***	***
A	***				
B	---				
C	---				

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Efforts to compete more effectively: Yes	No
Weldbend (fittings)			X	***	***
A	---				
B	***				
	***				
C	---				
Wellhead (fittings)			X	***	***
A	---				
B	***				
C	---				
Western Forge and Flange (fittings)			X	***	***
A	---				
B	---				
C	---				
Western Tube (welded pipe)	X			***	***
A	***				
B	***				
	***				

Table continued. See footnote at end of table.

Table TUBULAR IV-3--*Continued*
Tubular steel: Comments of U.S. producers[1]

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

	Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	Adjustment plans submitted during 201 investigation: No	Adjustment plans submitted during 201 investigation: Not known	Efforts to compete more effectively: Yes	Efforts to compete more effectively: No
Western Tube (welded pipe)–*Continued*						
C	***					
Wheatland Tube (welded pipe)		**X**			***	***
A	***					
B	***					
	***					
	***					
C	***					
	***					

[1] All reported efforts to compete are presented. For all other categories, firm either answered "NA," "None," or did not respond.

Source: Compiled from data submitted in response to Commission questionnaires.

CHAPTER 5

STAINLESS STEEL

PART I: OVERVIEW (STAINLESS STEEL)

ORGANIZATION OF THIS CHAPTER

Information in this stainless steel[1] chapter is organized into five parts: (1) overview of issues concerning the industries producing stainless steel; (2) industry and market data for stainless bar; (3) industry and market data for stainless rod; (4) industry and market data for stainless wire; and (5) adjustment efforts of U.S. stainless steel producers.

U.S. PRODUCERS

Information on the number of reporting U.S. producers of stainless steel and a summary of U.S. producers' positions with respect to the section 203 relief is presented in table STAINLESS I-1. A list of U.S. producers of stainless steel providing a response to the Commission's producers' questionnaire in this investigation is presented in table STAINLESS I-2.

Table STAINLESS I-1
Stainless steel: Summary of U.S. producers' positions with respect to the section 203 relief,[1] by products[2]

Item	Support relief	Oppose relief	Take no position	No response	Total
Stainless bar	11/7	3/0	1/2	2/0	17/9
Stainless rod	4/4	0/0	0/0	1/0	5/4
Stainless wire	17/11	1/2	6/1	3/0	27/14

[1] The first number represents U.S. producers' positions in the original safeguard investigation in 2001. The second number represents U.S. producers' positions in the monitoring investigation in 2003.
[2] Responses are shown only for products a firm produces and for which it provided data. A firm may produce more than one of the products or forms.

Source: *Steel, Inv. No. TA-201-73,* USITC Publication 3479, December 2001, p. LONG-6, *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9,* USITC Publication 3632, September 2003, p. LONG I-1.

Table STAINLESS I-2
Stainless products: U.S. producers' production, by products, 2004

* * * * * * *

STRUCTURAL DEVELOPMENTS

Information on developments in the domestic industries producing stainless bar, stainless rod, and stainless wire, including bankruptcy protection filings, mergers and acquisitions, and significant capital investments is presented below. A list of U.S. producers that have recently filed for bankruptcy protection is presented in table STAINLESS I-3. Table STAINLESS I-4 presents industry mergers and acquisitions. Table STAINLESS I-5 presents major publicly announced capital investments of U.S. producers.

[1] For purposes of this report, the term "stainless steel" consists of subject stainless bar, stainless rod, and stainless wire.

Table STAINLESS I-3
Stainless steel: U.S. producers[1] of subject products that have filed for bankruptcy protection, 2001-05

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capacity (*million short tons*)	Employees affected	Comments
June 2003	Slater Steel *Fort Wayne, IN* *Lemont, IL* *Canada*	Carbon and alloy hot-rolled and cold-finished bars, stainless steel bar and light shapes	IN and IL mills idled October 2003	None in the United States	370	Filing of Canadian parent company under Canadian law concurrent with filing in United States. IL carbon and alloy bar mill sold to Nucor Corp. January 2004. IN stainless steel bar mill sold to Valbruna Corp. February 2004 and subsequently restarted July 2004. Canadian mills sold off January-April 2004.

[1] Republic Engineered Products, Inc., was established in December 2003 with substantially all of the assets of Republic Engineered Products LLC, which was established in August 2002 from the former Republic Technologies International, which filed for bankruptcy in April 2001. Although Republic Engineered Products, Inc. had some sales of stainless bar, such sales were incidental to its primary business. Therefore, Republic Engineered Products, Inc., is not considered to be a producer of subject stainless products for the purposes of this investigation.

Source: Compiled by Commission staff from various public sources.

Table STAINLESS I-4
Stainless steel: Significant steel company mergers and acquisitions, 2001-05

Month and year	Company	Description and capacity
February 2002	Universal Stainless & Alloy[1]	Acquired and restarted the Dunkirk, NY assets (no raw steel capacity) of Empire Specialty Steel, Inc., a producer of stainless steel bar, rod, and wire products that had been shut down since June 29, 2001.
September 2002	Slater Steel Inc.	Slater, a Canadian steel company and the parent company of Fort Wayne Specialty Steel, a producer of stainless steel bar products, acquired the Lemont, IL minimill (with 0.5 million short tons of raw steel capacity),[2] shuttered since February 2001, from Auburn Steel. In December 2002, Slater re-commissioned the mill with plans to produce carbon and stainless steel merchant and special quality bars and rebar.
February 2004	Valbruna Corp.	Acquired former Slater Steel stainless steel bar mill in Fort Wayne, IN. Valbruna, based in Vicenza, Italy, is a privately-owned producer of stainless steel rod, bar and angle.

[1] Universal's raw steel capacity is unknown. However, Universal is believed to have only one 50-ton EAF, so capacity is likely to be no more than 100,000 short tons per year and would include both stainless and alloy products. Additionally, Universal produces both flat and long steel in the same establishment.
[2] Prior to being shuttered by Auburn Steel, the facility is believed to have produced carbon and alloy steel, but not stainless steel.

Source: Compiled by Commission staff from various public sources.

Table STAINLESS I-5
Stainless steel: Major capital investments of U.S. steel companies, as reported in public sources, 2001-05

Year	Company and location	Facility	Reported investment
2002	Universal Stainless and Alloy *Dunkirk, NY*	Startup of purchased rolling mill.	$0.4 million
2002	North American Stainless *Ghent, KY*	Investment to build a new state-of-the-art bar and rod facility.	$135.0 million
2002	Timken Latrobe Steel *Latrobe, PA*	Furnace capacity upgrade.	$2.0 million
2004	ATI Allvac *Richburg, SC*	Expansion of rolling mill	$48.0 million

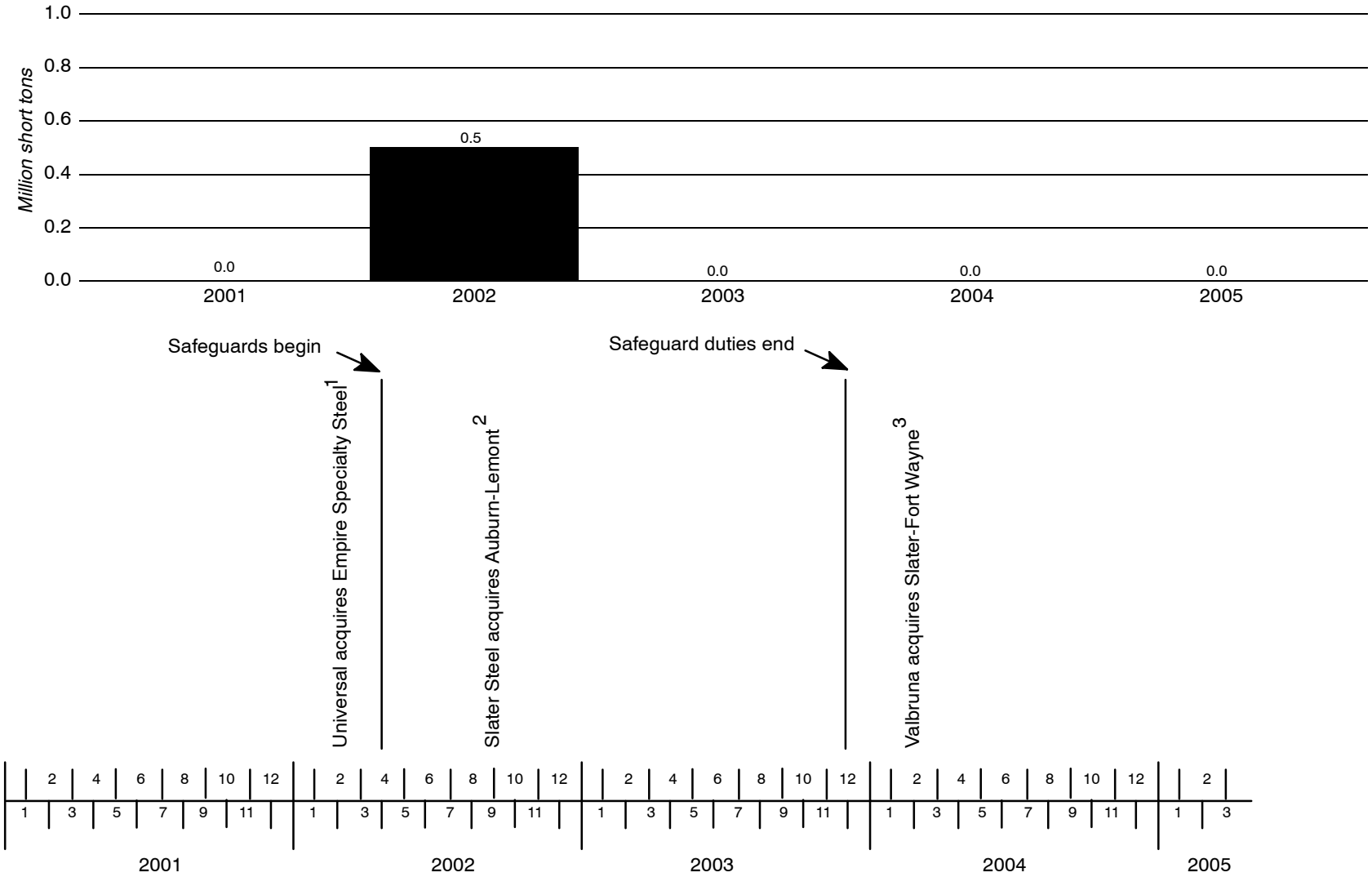
Source: Compiled by Commission staff from various public sources.

Timeline

Figure STAINLESS I-1 illustrates the timeline for mergers and acquisitions of companies in the stainless sector. There were few events during the period and raw steel capacity data shown may be misleading.[2]

[2] There was no real measurable change in the raw steel capacity of the purchasing firms as a result of the acquisitions. There was no raw steel capacity at Empire Specialty's Dunkirk, NY facility purchased by Universal Stainless and Alloy. Although Slater Steel has announced that it intends to produce carbon and stainless long products at the Lemont, IL facility it purchased from Auburn Steel (0.5 million short ton raw steel capacity), the facility produced only carbon and alloy long products prior to being shuttered by Auburn Steel.

Figure STAINLESS I-1
Stainless steel: Mergers and acquisitions and related raw steel capacity, January 2001-March 2005



[1] Universal's raw steel capability data are not available; Empire had no raw steel capability.

[2] Slater Steel had no raw steel capability; Auburn Steel Lemont had carbon and alloy steel capability prior to shuttering.

[3] The former Slater Steel bar mill in Fort Wayne, IN had no raw steel capability.

Source: Table STAINLESS I-4 and other publicly available information.

PART II: INDUSTRY AND MARKET DATA (STAINLESS BAR)

DESCRIPTION AND USES

Stainless steel bar and light shapes (stainless bar) are articles of stainless steel in straight lengths having a uniform solid cross-section in the shape of circles, segments of circles, ovals, rectangles, squares, triangles, or other convex polygons. Also included are angles, shapes, and sections (such as U, I, or H sections) not further worked than hot-rolled, hot-drawn, or extruded and concrete rebar, which had ribs or other deformations produced during the rolling process. HTS statistical reporting numbers for subject stainless bar are presented in table STAINLESS II-1.

Table STAINLESS II-1
Stainless bar: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Stainless bar[1]	7221.00.0045	7222.19.0050	7222.30.0000	7222.40.3045	7222.40.3085
	7222.11.0005	7222.20.0005	7222.40.3020	7222.40.3060	7222.40.6000
	7222.11.0050	7222.20.0045	7222.40.3025	7222.40.3065	
	7222.19.0005	7222.20.0075	7222.40.3040	7222.40.3080	

[1] The temporary HTS subheadings for stainless bar established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.73.97 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.98, 9903.77.62 through 9903.77.67, 9903.77.70, 9903.77.72, 9903.77.75, 9903.77.77, 9903.77.79 through 9903.77.84, 9903.82.10, 9903.82.11, and 9903.82.13 through 9903.82.15 for other products excluded from the section 203 remedy,

(2) 9903.77.61, 9903.77.68, 9903.77.69, 9903.77.73, 9903.77.74, 9903.77.76, 9903.77.78, 9903.82.12, 9903.82.16, and 9903.82.17 for products entered in quantities up to stated limits (ranging from 5 tons to 5,000 tons) without additional tariffs, and

(3) 9903.74.04, 9903.74.05, and 9903.74.06 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 15 percent *ad valorem* additional tariffs through March 19, 2003, and 12 percent additional tariffs through December 4, 2003.

As indicated in (2), certain temporary subheadings specify particular types of stainless bar which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of stainless bar exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

Stainless bar is used in a wide variety of applications where its corrosion resistance, heat resistance, and/or appearance are desired. Stainless bar end users include the aerospace, automotive, chemical processing, dairy, and food processing industries. Stainless bar is also used for pharmaceutical equipment, marine applications, and pumps and connectors for fluid handling systems.

The data collected by the Commission indicate that apparent U.S. consumption of stainless bar increased by 7.5 percent from 2001 to 2004 (table STAINLESS II-7).

The value of U.S. manufacturers' shipments of transportation equipment increased by 11.5 percent during the period for which data were collected (table OVERVIEW II-1). Most recently, the value of U.S. manufacturers' shipments of transportation equipment dropped by 5.8 percent, from first quarter 2004 to first quarter 2005. The value of U.S. manufacturers' shipments of stainless steel forgings rose by 28.3 percent from 2001 to 2004.

Most responding U.S. stainless bar producers in the monitoring investigation reported that U.S. demand for steel decreased from March 2002 to March 2003.[1] U.S. producers generally cited the slowing U.S. economy, particularly downturns in the aerospace, power generation, petrochemical, capital goods, and automotive markets.

One of two responding U.S. stainless bar producers in the current evaluation reported that demand dropped 12 to 15 percent from March 2002 to December 2003, citing weak demand in the oil, gas, power generation, and aerospace market sectors.[2] Five of seven responding U.S. stainless bar producers in the current evaluation reported that demand increased from January 2004 to March 2005, citing global economic recovery, particularly in the aerospace industry, and strong demand in China. All responding U.S. stainless bar producers reported that there were no changes in the types or prices of substitute products since March 20, 2002.

Changes in U.S. Supply

AL Tech Specialty Steel, a producer of stainless bar, rod, wire, and seamless tube, filed for bankruptcy in December 1997. AL Tech Specialty Steel emerged from bankruptcy in November 1999 as Empire Specialty Steel. Empire Specialty Steel shut down its operations in June 2001. Empire Specialty Steel's operating assets were acquired by Universal Stainless and Alloy Products in February 2002 and restarted in March 2002. In September 2002, Slater acquired Auburn Steel's minimill in Lemont, IL (shuttered since February 2001). Although the Lemont mill previously had not produced stainless bar, it was re-commissioned in December 2002 with plans to ramp up production of carbon and stainless steel merchant and special quality bars and rebar.[3] Slater Steel Corporation filed for bankruptcy in June 2003, however, and ceased production later that year. Its Fort Wayne plant was acquired by Valbruna Slater Stainless, Inc. in April 2004, with operations restarting in July 2004.

Stainless bar producers reporting changes in their marketing practices since March 2002 are shown in table STAINLESS II-2. The majority of stainless bar producers reported no changes in marketing practices from March 2002 to December 2003. Five producers reported efforts to increase product availability from January 2004 to March 2005, generally citing new equipment. Five producers reported increased lead times from production over this period, citing increased demand. Seven producers reported increases in order backlogs. One producer attributed this increase to the growing demand for stainless bar over the period which created shortages along supply chains. Three producers reported decreases in on-time shipments. Two producers cited start-up problems with new equipment, and one producer reported that it over-booked orders in this time period due to the strong demand.

In the monitoring investigation, 30 of 80 responding stainless bar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Stainless bar purchasers were also asked in the monitoring investigation to identify actions taken by domestic producers from March 2002 to March 2003 to make a positive adjustment to import competition.[4] Of 81 responding purchasers, 55 purchasers did not indicate that producers had taken any such actions. Only a few purchasers reported that domestic producers had introduced new or innovative products, improved product quality, expanded marketing efforts, improved customer service, or made other positive adjustment efforts.

---

[1] One producer reported that demand stayed the same.

[2] The other responding producer reported that demand did not change from March 2002 to December 2003.

[3] *See* table STAINLESS I-3.

[4] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

Based on data compiled in this evaluation, U.S. stainless bar producers' capacity utilization was 77.0 percent and their inventories as a percentage of total shipments were 8.0 percent in 2004. Exports accounted for 5.8 percent of total shipments in 2004.

Table STAINLESS II-2
Stainless bar: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No	Yes		No	Yes	
Efforts to increase product availability	0	2		1	5	
Change in geographic market	6	0		6	1	
Change in share of sales from inventory	5	0		5	2	
Change in average lead times from inventory	5	0		5	2	
Change in average lead times from production	3	0		2	5	
Change in product range	0	2		2	3	
Change in demand for or production of alternate products	2	0		1	1	
	I	D	S	I	D	S
Change in order backlogs[1]	4	0	2	7	0	0
Change in on-time shipping percentage[1]	0	0	6	1	3	2

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or have stayed the same (S) for over the specified time period.

Note–Not all producers answered for all of the marketing practices.

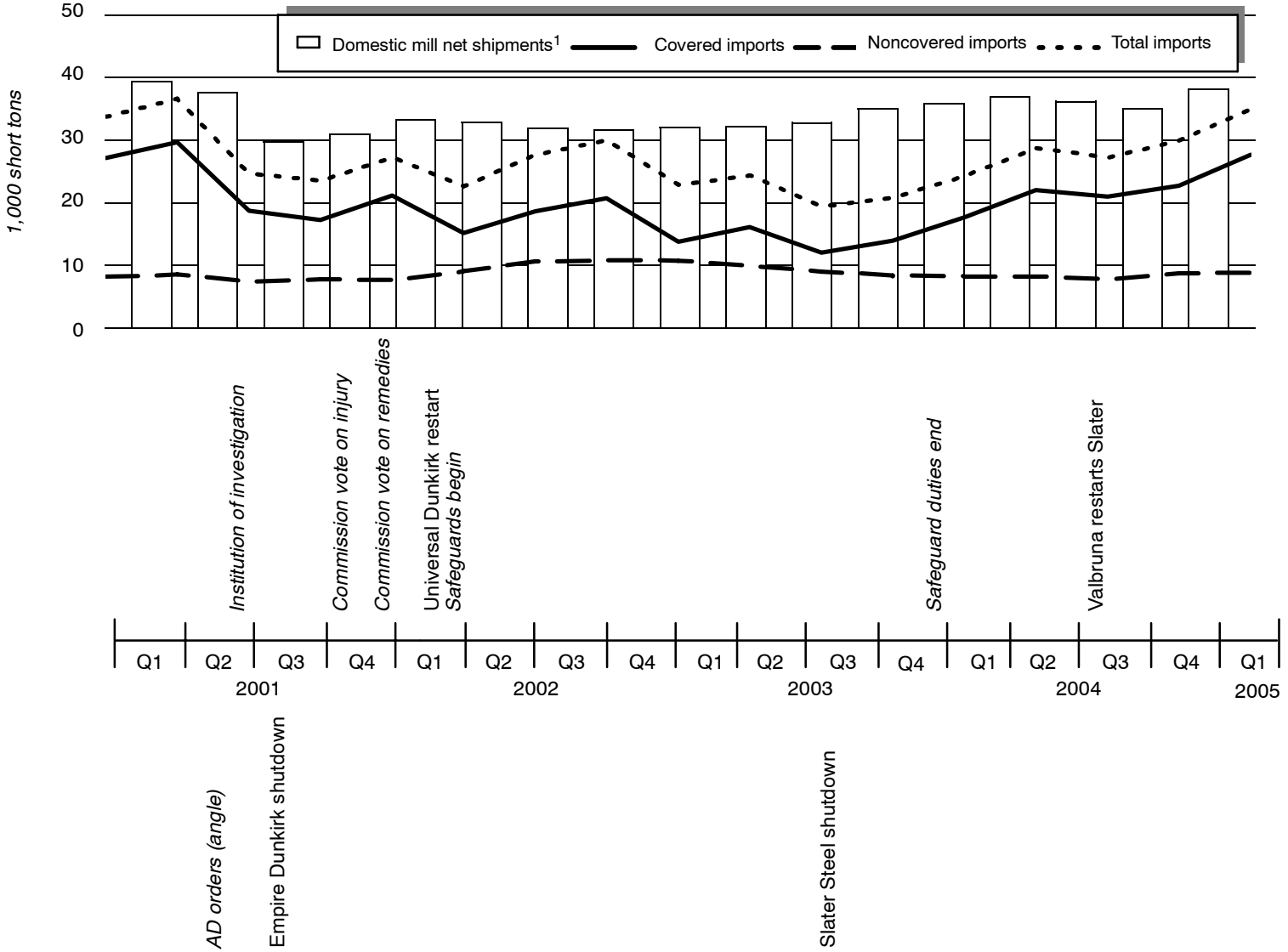
Source: Compiled from data submitted in response to Commission questionnaires.

Timeline

Figure STAINLESS-II-1 shows quarterly shipments of stainless bar products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for the domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (and do not include quarterly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the line) and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard dates, while antidumping and countervailing duty orders are shown below the line.[5]

[5] On May 18, 2001, Commerce issued antidumping duty orders on stainless steel angle from Japan, Korea, and Spain (66 FR 27628). On March 7, 2002, Commerce issued antidumping duty orders on stainless steel bar from France, Germany, Italy, Korea, and the United Kingdom (67 FR 10385, 10382, 10384, 10381, and 10381, respectively) and on March 8, 2002, Commerce issued a countervailing duty order on stainless steel bar from Italy (67 FR 10670).

Figure STAINLESS II-1
Stainless steel bar: Quarterly imports and domestic mill net shipments, antidumping (AD) and countervailing duty (CVD) orders, facility shutdowns and restarts, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Table STAINLESS II-3 presents information on U.S. stainless steel bar producers' capacity, production, shipments, inventories, and employment. The Commission received useable questionnaire responses from seven producers that accounted for approximately 171,238 short tons of stainless steel bar shipments in the United States in 2004. This response exceeds the shipments of stainless steel bar as reported to the AISI.[6]

The following tabulation presents firms that either reported calendar-year 2000 production capacity in the original safeguard investigation or reported April 2000-March 2001 production in the monitoring investigation, but did not provide data in the current evaluation:

* * * * * * *

Table STAINLESS II-3 presents information on U.S. stainless steel bar producers' capacity, production, shipments, inventories, and employment. One reporting producer, Universal Stainless & Alloy Products, acquired the assets of Empire Specialty Steel (which ceased operations in June 2001) in 2002. Commission staff used Empire Steel's response in the original safeguard investigation for that firm's operations in 2001 prior to closure.

As presented in table STAINLESS II-3, reporting U.S. producers' aggregate output-related indicators generally remained constant in the period between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect). Slater filed for bankruptcy in June 2003 and discontinued production of stainless steel bar in August 2003.[7] In the second half of 2003, however, North American Stainless began production of stainless bar, ***. The net result was stable production levels by the domestic industry in this period.[8]

---

[6] AISI's data indicate that domestic mills' stainless steel bar shipments were approximately 143,000 short tons in 2004.

[7] Staff estimated Slater's 2003 trade data based on the company's questionnaire response in the monitoring investigation.

[8] One producer, ***, indicated that the safeguards protection supported their decision to expand production by providing relief from import competition after the downturn in the industry after 9/11. Another producer, ***, indicated that the safeguard measures were ineffective at stemming the level of imports and that therefore the relief had no direct effect on this firm's production. A third producer, ***, indicated that improved pricing in stainless steel bar, which they attributed to the period of duties, helped the company increase capacity utilization ***.

Table STAINLESS II-3
Stainless bar: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
Capacity	234,436	242,311	253,792	238,604	56,787	68,662
Production	145,392	145,330	144,496	183,688	40,356	54,714
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	143,164	141,294	144,768	171,238	38,687	52,132
Export shipments	5,522	6,159	5,498	10,529	2,676	2,930
Total shipments	148,686	147,454	150,266	181,766	41,363	55,062
Ending inventories	20,438	18,298	12,529	14,451	11,772	13,866
	Value *($1,000)*					
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	0	0	0	0	0	0
Export shipments	23,862	24,897	19,630	36,899	8,921	11,046
Total shipments	23,862	24,897	19,630	36,899	8,921	11,046
	Unit value *(per short ton)*					
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	$3,214	$2,947	$2,645	$3,371	$3,076	$3,777
Export shipments	4,322	4,042	3,570	3,505	3,334	3,769
Total shipments	3,256	2,993	2,679	3,379	3,093	3,776
	Ratios and shares *(percent)*					
Capacity utilization	62.0	60.0	56.9	77.0	71.1	79.7
U.S. shipments to distributors	67.0	69.9	71.2	72.3	68.0	76.6
U.S. shipments to end users	33.0	30.1	28.8	27.7	32.0	23.4
Inventories/total shipments	13.7	12.4	8.3	8.0	7.1	6.3
	Employment data					
PRWs[1] *(number)*	1,552	1,280	1,202	1,045	1,027	1,107
Hours worked *(1,000)*	3,003	2,312	2,173	2,069	505	578
Wages paid *($1,000)*	67,648	54,479	51,284	51,565	12,717	14,568
Hourly wages	$22.52	$23.56	$23.60	$24.92	$25.20	$25.22
Productivity *(short tons/1,000 hrs)*	48.4	62.9	66.5	88.8	80.0	94.7
Unit labor costs *(per short ton)*	$465.28	$374.87	$354.92	$280.72	$315.12	$266.26

[1] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Between 2001 and 2003, the domestic industry's capacity increased by 7,875 short tons (3.4 percent) in 2002 and by 11,481 short tons (4.7 percent) in 2003. Capacity utilization rates decreased in both 2002 and 2003. In 2002, the industry on average reduced its capacity utilization by 2 percentage points, with four out of six firms with continuous operations indicating reduced capacity utilization. In 2003, the industry reduced its capacity utilization by 3 percentage points, with three out of six firms indicating reduced utilization in this year.[9] Over the period evaluated, the stainless steel bar industry did not undergo additional industry consolidation following Universal's acquisition of Empire. To the contrary, the three largest producers accounted for *** percent of production in the industry in 2001, *** percent in 2002, and *** percent in 2003.[10]

Overall, U.S. producers' commercial shipments decreased slightly in this period, declining by *** short tons (*** percent) in 2002 and *** short tons (*** percent) in 2003.[11] In this period, U.S. producers first increased and then decreased their export shipments of stainless steel bar. All U.S. producers participated in export operations to a minimal extent over the period evaluated; however, the majority of export volume and the trends apparent within the period are both driven in large part by ***. Three of the seven reporting firms[12] consumed their product internally in further downstream processing operations. The trend of increasing internal consumption in this period reflects increases by *** in 2002 and *** in 2003.[13] Between 2001 and 2003, average unit values for stainless steel bar shipments decreased.[14] In 2002, four out of six firms saw decreased average unit values for stainless steel bar, and in 2003, three out of six saw decreased average unit values. By 2003, the average unit value of stainless steel bar for reporting firms was 17.7 percent lower than in 2001. Finally, productivity increased in both 2002 and 2003. Productivity increased for four out of six firms in 2002, and it increased for three out of six firms in 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the industry increased production on the whole. Comparing 2004 with 2003, the industry increased production by 27.1 percent.[15] By the end of 2004, a new firm, Valbruna, began operations from the previously idled Slater Fort Wayne mill. Between 2003 and 2004, production capacity decreased by 15,188 short tons (6 percent), due in large part to the idling of Slater assets during that firm's closure. Capacity utilization increased in this period due to changes described above for all firms with continuous operations. For the reporting firms as a whole capacity utilization increased 20 percentage points.

The U.S. industry increased U.S. commercial shipments of stainless steel bar by *** short tons (*** percent) in 2004. At the same time that reporting firms increased shipments, reporting firms also

---

[9] A portion of the decrease in 2003 relates to ***.

[10] The decline in 2003 reflects the idling of Slater production in the last quarter of 2003 and the entrance of North American Stainless into the market in the third quarter of 2003.

[11] *** grew relative to the other leading producers, ***. In 2003, North American Stainless entered the market.

[12] ***.

[13] Due to the above changes, the shipment mix of the industry shifted slight towards greater internal consumption. In 2001, *** percent of total shipments were shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied to internal consumption, and 3.7 percent to export markets. By 2003, this mix had shifted to *** of stainless steel bar produced in the United States being shipped to satisfy U.S. domestic demand, *** percent to internal consumption, and 3.7 percent for export.

[14] One U.S. producer, ***, indicated that the 201 relief, due to the large number of exclusions, was ineffective in helping raise average unit values of the market and that the economy was very weak starting in 2001.

[15] Excluding the effect of Slater's bankruptcy, all other U.S. producers of stainless steel increased production by *** percent in 2004. *** appear to have met most of the demand that had been previously supplied by Slater in this period.

increased exports by 5,031 short tons, doubling reported exports, in 2004.[16] Internal consumption also increased slightly between 2003 and 2004. The shipment mix for the industry shifted again slightly away from commercial shipments to exports and internal consumption, although U.S. producers still continued to supply most of their stainless steel bar to the merchant market.[17] During this period, the average unit values of stainless steel bar shipments increased for U.S. producers.[18] In 2004, reporting producers increased their average unit value of stainless bar by on average $726. Productivity increased for four out of seven reporting firms between 2003 and 2004.

Comparing January-March 2005 (the final period covered by the original safeguard action) with the same period a year earlier, production was higher in the more recent period by 14,359 short tons (35.6 percent), with five firms reporting greater production in this period over the same period a year earlier. Production capacity was 11,875 short tons (20.9 percent) higher in January-March 2005 compared to January-March 2004, driven in part by the reintroduction of the previously idled Fort Wayne mill. Comparing the first quarter 2005 with that same period a year earlier, three out of seven reporting firms indicated higher capacity utilization rates for a total increase of 8.6 percentage points in capacity utilization for the industry.

In the first quarter of 2005, U.S. commercial shipments were greater by *** short tons (*** percent) compared to the same quarter a year earlier. Exports increased by 255 short tons (9.5 percent), while internal consumption decreased by *** short tons (*** percent). These trends shifted the market mix towards U.S. commercial shipments.[19] The trend of increasing average unit values appears to have continued into the first three months of 2005, as on average firms reported an increase of $*** in average unit values. Productivity was higher for two out of seven firms in January-March 2005 compared with January-March 2004.

[16] While increasing as a share of total shipments, these increased export quantities still only accounted for 5.8 percent, up 2 percentage points from 2003, of total U.S. producers' shipments in 2004.

[17] In 2004, *** percent of U.S. produced stainless steel bar was shipped to the merchant market, *** percent was internally transferred or consumed, and 5.8 percent was exported.

[18] One producer, ***, indicated that the closure of Slater's facilities and the depreciation of the U.S. dollar against other currencies positively impacted the market in this period.

[19] In January-March 2005, *** percent of U.S. produced stainless steel bar was shipped to the merchant market, *** percent was internally transferred or consumed, and 5.3 percent was exported.

FINANCIAL DATA

Financial data provided by U.S. producers concerning operations on stainless bar are presented in table STAINLESS II-4.

There were several developments in the U.S. stainless steel bar industry during the period for which data were collected. North American Stainless began to produce stainless bar in 2003. Slater, a large producer, filed for protection under chapter 11 of the bankruptcy code in June 2003 and ceased operations later that year. Valbruna purchased Slater's Fort Wayne, IN plant in April 2004, and started production in the plant in mid-July 2004.

Slater did not submit any data in this current evaluation. While the staff was able to utilize the 2001 and 2002 financial data Slater provided in the monitoring investigation, Slater's data for 2003 prior to ceasing production are not available. As a consequence, the sales data in table STAINLESS II-4 are understated in 2003. Since Slater accounted for a *** of the industry's sales in 2001 and 2002 (approximately *** tons valued at *** each period), comparisons between the 2001/2002 data and 2003 data may be of limited value.

U.S. producers' net commercial sales increased on both a quantity and a value basis in 2004 compared to the prior fiscal years. In 2004, U.S. producers reported an aggregate operating income of $27.3 million, or 4.8 percent of net sales compared with operating losses ranging from 1.4 percent of net sales to 8.1 percent during 2001-03. In 2004, unit COGS was slightly higher than that in 2003 but lower than in 2001-02. Average unit sales values in 2004 were higher than those in 2002-03, but lower than in 2001. In 2004, unit raw materials cost was highest while direct labor and other factory costs were lowest compared with 2001-03.

In January-March 2005, net commercial sales rose by 33 percent on a quantity basis and by 63 percent on a value basis compared with January-March 2004. In January-March 2005, the operating income increased to $24.0 million, or 11.6 percent of net sales compared with the operating income of $8.4 million, or 6.6 percent of net sales, in January-March 2004. In January-March 2005, unit COGS increased by much less than the increase in average unit sales value, while unit SG&A expenses declined; hence, unit operating income more than doubled compared with January-March 2004. In January-March 2005, unit raw materials cost increased while direct labor and other factory costs declined compared with January-March 2004.

Capital expenditures increased in 2003 as ***.

Out of eight firms, only two firms reported operating losses in 2004 compared with four firms during 2002-03. Only one firm reported operating losses during both interim periods.

Table STAINLESS II-4
Stainless bar: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
Quantity *(short tons)*						
Net commercial sales	153,869	143,179	114,084	174,630	40,805	54,169
Value *($1,000)*						
Net commercial sales	527,867	444,506	334,096	570,545	127,313	206,993
COGS	494,284	442,880	325,708	511,168	112,024	174,687
Gross profit or (loss)	33,583	1,626	8,388	59,377	15,289	32,306
SG&A expenses	41,192	37,555	29,528	32,075	6,875	8,265
Operating income or (loss)	(7,609)	(35,929)	(21,140)	27,302	8,414	24,041
Interest expense	14,020	11,511	6,586	5,426	1,189	1,960
Other (income)/expenses, net	(214)	(671)	(54)	(2,332)	(576)	(65)
Net income or (loss)	(21,415)	(46,769)	(27,672)	24,208	7,801	22,146
Depreciation/amortization	23,546	22,755	16,315	20,430	4,384	5,905
Cash flow	2,131	(24,014)	(11,357)	44,638	12,185	28,051
CDSOA funds received	1,014	914	4,289	2,511	([1])	([1])
Pension (credit)/expense	3,210	3,676	2,560	2,191	536	809
Other post-emp. benefits	3,578	4,777	1,298	2,234	565	575
Capital expenditures	21,902	12,082	98,345	35,181	2,845	2,236
R&D expenses	5,315	3,712	3,238	3,017	821	757
Property, plant, and equipment:						
Original cost	753,746	594,320	641,145	713,697	685,077	727,408
Book value	435,990	329,364	379,008	408,328	387,571	402,999
Ratio to net commercial sales *(percent)*						
COGS	93.6	99.6	97.5	89.6	88.0	84.4
Gross profit or (loss)	6.4	0.4	2.5	10.4	12.0	15.6
SG&A expenses	7.8	8.4	8.8	5.6	5.4	4.0
Operating income or (loss)	(1.4)	(8.1)	(6.3)	4.8	6.6	11.6
Net income or (loss)	(4.1)	(10.5)	(8.3)	4.2	6.1	10.7
Unit value (*per short ton*)						
Net commercial sales	$3,431	$3,105	$2,929	$3,267	$3,120	$3,821
COGS total	3,212	3,093	2,855	2,927	2,745	3,225
Raw materials	1,297	1,284	1,388	1,779	1,590	2,178
Direct labor	339	304	294	249	271	219
Other factory costs	1,577	1,505	1,174	899	884	828
Gross profit or (loss)	218	11	74	340	375	596
SG&A expenses	268	262	259	184	168	153
Operating income or (loss)	(49)	(251)	(185)	156	206	444
Number of firms reporting						
Operating losses	2	4	4	2	1	1
Data	6	6	6	7	6	7

[1] Data not available.

Note.–Data for 2003 do not include Slater's operations, and thus are understated.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table STAINLESS II-5 presents data on U.S. imports of stainless bar by sources for 2001-04, as well as January-March 2004 and January-March 2005. Table STAINLESS II-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002 and 2003.

Table STAINLESS II-5
Stainless bar: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

	Calendar year				January - March	
Item	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
	Quantity *(short tons)*					
Covered sources	88,890	71,331	50,975	79,327	16,544	26,847
Noncovered sources	26,501	32,768	32,580	27,463	6,827	7,506
Total	115,392	104,099	83,555	106,790	23,370	34,354
	Landed, duty paid value *($1,000)*					
Covered sources	222,223	168,574	124,989	244,255	44,413	103,540
Noncovered sources	58,071	68,920	66,561	67,291	14,372	20,799
Total	280,295	237,494	191,550	311,546	58,785	124,339
	Unit value *(per short ton)*					
Covered sources	$2,500	$2,363	$2,452	$3,079	$2,685	$3,857
Noncovered sources	2,191	2,103	2,043	2,450	2,105	2,771
Average	2,429	2,281	2,293	2,917	2,515	3,619
	Share of quantity *(percent)*					
Covered sources	77.0	68.5	61.0	74.3	70.8	78.1
Noncovered sources	23.0	31.5	39.0	25.7	29.2	21.9
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Share of value *(percent)*					
Covered sources	79.3	71.0	65.3	78.4	75.6	83.3
Noncovered sources	20.7	29.0	34.7	21.6	24.4	16.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Ratio of imports to production *(percent)*					
Covered sources	61.1	49.1	35.3	43.2	41.0	49.1
Noncovered sources	18.2	22.5	22.5	15.0	16.9	13.7
Total	79.4	71.6	57.8	58.1	57.9	62.8

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table STAINLESS II-6
Stainless bar: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of stainless bar from covered sources decreased while the quantity and value of U.S. imports from other sources increased. As a result, the quantity of total U.S. imports decreased by 27.6 percent while the value of U.S. imports decreased by 31.7 percent. U.S. imports from covered sources decreased from 77.0 percent of the quantity of total stainless bar imports and 79.3 percent of the value of total stainless bar imports to 61.0 percent and 65.3

percent, respectively. During this period, average unit values for covered and, to a lesser extent, noncovered sources decreased irregularly, resulting in an overall decrease of $136 per short ton by 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of stainless bar from covered sources increased. As a result, the quantity of total U.S. imports increased by 27.8 percent while the value of U.S. imports increased by 62.6 percent. U.S. imports from covered sources increased from 61.0 percent of the quantity of total stainless bar imports and 65.3 percent of the value of total stainless bar imports to 74.3 percent and 78.4 percent, respectively. During this period, average unit values for both covered and, to a lesser extent, noncovered sources increased, resulting in an overall increase of $624 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity and the value of U.S. imports of stainless bar from covered sources and noncovered sources were higher than during January-March 2004. As a result, the quantity of total U.S. imports was 47.0 percent greater in January-March 2005 than during the comparable period in 2004, while the value of U.S. imports was 111.5 percent higher. U.S. imports from covered sources accounted for 78.1 percent of the quantity of total stainless bar imports and 83.3 percent of the value of total stainless bar imports, compared to 70.8 percent and 75.6 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, U.S. imports of stainless bar were $1,104 per short ton higher in January-March 2005 than during the comparable period in 2004.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of stainless steel bar are presented in table STAINLESS II-7.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), apparent U.S. consumption decreased. The decline in covered imports accounted for all of this decline in apparent consumption as both U.S. producers' total shipments were relatively stable and imports from noncovered sources increased moderately. Noncovered imports increased slightly in 2002, but did not entirely offset the decrease in covered imports.[20] As total imports declined, U.S. producers' U.S. shipments remained constant. Accordingly, U.S. market share by quantity of apparent U.S. consumption increased from 55.4 percent in 2001 to 63.4 percent in 2003, an increase of 8.0 percentage points. At the same time, U.S. market share by value of apparent U.S. consumption increased from 62.1 percent in 2001 to 66.7 percent in 2003, an increase of 4.6 percentage points.

Between 2003 and 2004 (the year following the removal of the increased tariffs), apparent U.S. consumption for stainless steel bar increased.[21] In this period, apparent U.S. consumption increased by 21.8 percent. Both U.S. producers' U.S. shipments and imported stainless steel bar products met this increase in apparent consumption. As the market was expanding between 2003 and 2004, U.S. producers' lost 1.8 percentage points of market share based on quantity of apparent U.S. consumption and 1.7 percentage points of market share based on value of apparent U.S. consumption.

In January-March 2005 (the final period covered by the safeguard action), the quantity of apparent U.S. consumption of stainless bar was 39.4 percent higher than during January-March 2004, while the value of apparent U.S. consumption was 80.7 percent higher. The domestic industry's share of the U.S. market was 2.1 percentage points lower by quantity and 5.6 percentage points lower by value in January-March 2005 than in January-March 2004. Import market share, conversely, was higher in

[20] One U.S. producer, ***, specifically identified India as a country whose stainless steel bar products should not have been exempted from the 201 remedy, as imports of stainless steel bar from India allegedly replaced European product in this period.

[21] Several U.S. producers, ***, cited general growth in the U.S. economy as positively affecting the stainless steel industry in 2004.

January-March 2005 than in January-March 2004, as imports from covered sources increased and imports from noncovered sources decreased as a share of the U.S. market.

Table STAINLESS II-7
Stainless bar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January - March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
U.S. producers' U.S. shipments	143,164	141,294	144,768	171,238	38,687	52,132
U.S. imports from:						
Covered sources	88,890	71,331	50,975	79,327	16,544	26,847
Noncovered sources	26,501	32,768	32,580	27,463	6,827	7,506
Total U.S. imports	115,392	104,099	83,555	106,790	23,370	34,354
Apparent U.S. consumption	258,556	245,393	228,322	278,028	62,057	86,485
	Value *($1,000)*					
U.S. producers' U.S. shipments	460,200	416,377	382,977	577,239	118,998	196,894
U.S. imports from:						
Covered sources	222,223	168,574	124,989	244,255	44,413	103,540
Noncovered sources	58,071	68,920	66,561	67,291	14,372	20,799
Total U.S. imports	280,295	237,494	191,550	311,546	58,785	124,339
Apparent U.S. consumption	740,495	653,871	574,527	888,785	177,783	321,233
	U.S. market share based on quantity *(percent)*					
U.S. producers' U.S. shipments	55.4	57.6	63.4	61.6	62.3	60.3
U.S. imports from:						
Covered sources	34.4	29.1	22.3	28.5	26.7	31.0
Noncovered sources	10.2	13.4	14.3	9.9	11.0	8.7
Total U.S. imports	44.6	42.4	36.6	38.4	37.7	39.7
	U.S. market share based on value *(percent)*					
U.S. producers' U.S. shipments	62.1	63.7	66.7	64.9	66.9	61.3
U.S. imports from:						
Covered sources	30.0	25.8	21.8	27.5	25.0	32.2
Noncovered sources	7.8	10.5	11.6	7.6	8.1	6.5
Total U.S. imports	37.9	36.3	33.3	35.1	33.1	38.7

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. stainless bar producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table STAINLESS II-8).

The three factors rated most important by U.S. stainless bar producers from March 2002 to December 2003 were: changes in the level of competition from imports from non-excluded countries, changes in U.S. production capacity, and changes in the level of competition from imports from excluded countries. The three factors rated most important by U.S. stainless bar producers from January 2004 to March 2005 were: changes in the cost of raw materials, changes in the level of competition from imports from non-excluded countries, and changes in the level of competition from imports from excluded countries.[22]

Pricing Practices

Nearly all of the seven responding U.S. stainless bar producers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 2002.[23] All of the responding U.S. stainless bar producers reported that there was no change in the share of their sales that is on a contract vis-a-vis a spot basis.[24] Most U.S. stainless bar producers reported that contract prices do not tend to follow the same trend as spot prices, with one producer noting that spot prices are generally higher than contract prices.

---

[22] Apparent U.S. consumption of stainless bar increased by 7.5 percent from 2001 to 2004 (table STAINLESS II-7). Manufacturers' shipments of transportation equipment increased by 11.5 percent during the period of investigation. Most recently, manufacturers' shipments of transportation equipment decreased by 5.8 percent from January 2004 to March 2005. Manufacturers' shipments of stainless steel forgings increased by 28.3 percent during the period for which data were collected (table OVERVIEW II-1).

Nickel prices increased by 131.4 percent during the period of investigation (figure OVERVIEW II-13). U.S. stainless bar producers' capacity increased by 1.8 percent from 2001 to 2004, while capacity utilization increased from 62.0 percent in 2001 to 77.0 percent in 2004 (table STAINLESS II-3).

[23] One producer reported that it switched from transaction-by-transaction negotiations to set price lists from January 2004 to March 2005. Another producer reported implementing surcharges to cover rising input costs.

[24] U.S. steel consumers, however, reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable. U.S. Steel Consumers' posthearing brief, p. 20.

Table STAINLESS II-8
Stainless bar: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	2.2	6	0	0	1.4	7	0	0
Changes in the level of competition from imports from non-excluded countries	1.6	1	5	0	1.7	4	2	1
Changes in the level of competition from imports from excluded countries	2.0	3	1	2	1.7	4	2	1
Changes in energy costs	2.2	5	1	0	2.0	7	0	0
Changes in demand for steel within the United States	3.0	2	3	1	2.0	6	1	0
Changes in competition between U.S. producers	2.4	1	3	2	2.2	4	3	0
Changes in U.S. production capacity	1.6	0	3	3	2.3	7	0	0
Changing market patterns	3.0	1	3	1	2.3	6	0	1
Changes in transportation/delivery cost changes	2.6	5	1	0	2.6	7	0	0
Changes in demand for steel outside the United States	3.0	1	4	1	2.6	4	3	0
Changes in labor agreements, contracts, etc.	3.4	1	5	0	2.8	3	4	0
Changes in the productivity of domestic producers	3.0	0	5	1	2.9	4	1	2
Changes in the allocation of production capacity to alternate products	3.4	1	5	0	3.2	1	6	0
Changes in the level of competition from substitute products	3.4	0	6	0	3.2	1	6	0

[1] The numbers in this column represents the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following stainless bar product during January 2001-March 2005:[25]

> ***Product 12*–Stainless bar, grade 304/304L, 1 inch in diameter, annealed, cold-finished, of round shape.** Uses for this commodity product, in the size specified, include the manufacture of medical instruments, and parts for chemical and food processing equipment. Type 304L, for low-carbon, is formulated specifically for welding.

Reported pricing data accounted for *** percent of the quantity of U.S. producers' U.S. commercial shipments of stainless bar during the period for which data were collected.[26]

Weighted-average prices and quantities sold of U.S.-produced stainless bar are shown in table STAINLESS II-9 and in figure STAINLESS II-2. A summary of the price data is shown in table STAINLESS II-10.

Domestic producers' prices for the stainless bar pricing product generally decreased in 2001 and then rebounded in 2002. Prices fell again beginning in first quarter 2003 until fourth quarter 2003 when they began to increase. Prices continued to rise during the rest of the period for which data were collected, with prices peaking in first quarter 2005.

[25] Pricing data as presented here for January 2001 through December 2002 are the data collected under the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately under the current evaluation.

[26] Four U.S. producers provided pricing data for product 12. Not all producers provided pricing for all quarters.

Table STAINLESS II-9
Stainless bar: Weighted-average price and quantity data for U.S.-produced product 12,[1] by quarters, January 2001-March 2005

	Price	Quantity
	Per ton	***Short tons***
2001:		
January-March	$2,274.80	207
April-June	2,232.54	181
July-September	2,209.45	134
October-December	2,114.63	192
2002:		
January-March	2,061.01	223
April-June	2,117.97	180
July-September	2,108.96	157
October-December	2,232.86	196
2003:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2004:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
2005:		
January-March	***	***

[1] Stainless bar, grade 304/304L, 1 inch in diameter, annealed, cold-finished, of round shape.

Note–Quantities shown may not be reflective of the entire sample, as data from January 2001 to December 2002 were collected in the monitoring investigation and data from January 2003 to March 2005 were collected in the current evaluation and each sample may have included a different number of questionnaire respondents. Staff believes the price per ton data are reliable and is continuing to investigate reported quantities.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure STAINLESS II-2
Stainless bar: Weighted-average f.o.b. prices of domestic product 12, January 2001-March 2005

* * * * * * *

Table STAINLESS II-10
Stainless bar: Change in quarterly prices of domestic product 12

Product	Change in price from Q1 2001 to Q1 2002	Change in price from Q1 2002 to Q1 2003	Change in price from Q1 2003 to Q1 2004	Change in price from Q1 2004 to Q1 2005	Change in price from Q1 2001 to Q1 2005
	Percent				
12	-9.4	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: INDUSTRY AND MARKET DATA (STAINLESS ROD)

DESCRIPTION AND USES

Stainless steel rod (stainless rod) is an intermediate stainless steel product that is produced in a wide variety of sizes and grades. In the industry, rod usually refers to the smallest round sections of steel that can be produced by the hot-rolling process. As an intermediate product, most stainless rod is subsequently drawn into stainless steel wire. Other fabricators machine stainless rod into various downstream products, including, but not limited to, industrial fasteners, springs, medical and dental instruments, automotive parts, and welding electrodes. HTS statistical reporting numbers for subject stainless rod are presented in table STAINLESS III-1.

Table STAINLESS III-1
Stainless rod: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Stainless rod[1]	7221.00.0045	7222.19.0050	7222.30.0000	7222.40.3045	7222.40.3085

[1] The temporary HTS subheadings for stainless rod established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:
(1) 9903.74.08 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.74.09 and 9903.77.85 for other products excluded from the section 203 remedy,
(2) 9903.77.86 through 9903.77.89 for products entered in quantities up to stated limits (ranging from 180 tons to 1,500 tons) without additional tariffs, and
(3) 9903.74.14, 9903.74.15, and 9903.74.16 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 15 percent *ad valorem* additional tariffs through March 19, 2003, and 12 percent additional tariffs through December 4, 2003.
As indicated in (2), certain temporary subheadings specify particular types of stainless rod which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of stainless rod exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

As an intermediate product, most stainless rod is subsequently drawn into stainless steel wire. Other fabricators machine stainless rod into various downstream products, including industrial fasteners, springs, medical and dental instruments, automotive parts, and welding electrodes. The value of U.S. manufacturers' shipments of metalworking machinery increased by 19.9 percent during the period for which data were collected (table OVERVIEW II-1). However, between the first quarter of 2001 and the first quarter of 2003, the value of U.S. manufacturers' shipments of metalworking machinery dropped by 14.9 percent, and then rebounded in 2004 and first quarter 2005.

The data collected by the Commission indicate that apparent U.S. consumption of stainless rod increased by *** percent from 2001 to 2004.

In the monitoring investigation, all four responding U.S. stainless rod producers reported that U.S. demand for steel had decreased from March 2002 to March 2003. U.S. stainless rod producers generally cited the slowing U.S. economy, particularly downturns in the aerospace, automotive, industrial, and consumer markets.

Two of four responding U.S. stainless rod producers in the current evaluation reported that U.S. demand for steel increased, both from March 2002 to December 2003 and from January 2004 to March

2005, citing improved economies worldwide and improvement in key market sectors. One producer reported that domestic demand fell slightly while global demand increased moderately over the period.[1]

Three of four responding U.S. stainless rod producers in the current evaluation reported that there were no changes in the types or prices of substitute products, both from March 2002 to December 2003 and from January 2004 to March 2005. One producer reported that some consumers began to substitute stainless wire for stainless rod due to falling import prices for wire.

Changes in U.S. Supply

AL Tech Specialty Steel, a producer of stainless steel bar, rod, wire, and seamless tube, filed for bankruptcy in December 1997. AL Tech Specialty Steel emerged from bankruptcy in November 1999 as Empire Specialty Steel. Empire Specialty Steel shut down its operations in June 2001. Empire Specialty Steel's operating assets were acquired by Universal Stainless and Alloy Products in February 2002 and restarted in March 2002.

Stainless rod producers reporting changes in their marketing practices from March 2002 to December 2003 and from January 2004 to March 2005 are shown in table STAINLESS III-2. Three producers reported increased order backlogs from January 2004 to March 2005. One producer attributed the increase to strong demand and depleted supply chains.

Table STAINLESS III-2
Stainless rod: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	March 2002 to December 2003			January 2004 to March 2005		
	Number of producers			Number of producers		
	No	Yes		No	Yes	
Efforts to increase product availability	2	0		2	1	
Change in geographic market	4	0		4	0	
Change in share of sales from inventory	3	0		3	1	
Change in average lead times from inventory	4	0		4	0	
Change in average lead times from production	4	0		2	2	
Change in product range	1	1		1	1	
Change in demand for or production of alternate products	2	0		2	0	
	I	D	S	I	D	S
Change in order backlogs[1]	1	0	2	3	0	0
Change in on-time shipping percentage[1]	0	0	3	1	0	2

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or have stayed the same (S) for over the specified time period.

Note–Not all producers answered for all of the marketing practices.

Source: Compiled from data submitted in response to Commission questionnaires.

In the monitoring investigation, 20 of the 59 responding stainless rod purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Stainless rod purchasers were also asked to identify actions taken by domestic producers from

[1] The other producer reported that there was no change in demand since March 2002.

March 2002 to March 2003 to make a positive adjustment to import competition.[2] Of 60 responding purchasers in the monitoring investigation, 34 purchasers did not indicate that producers had taken any such actions. However, six of 60 responding purchasers reported that domestic producers had introduced new or innovative products, seven reported that domestic producers had improved product quality, eight reported that domestic producers had expanded marketing efforts, 10 reported that domestic producers had improved customer service, and 10 reported that domestic producers had made other positive adjustment efforts.

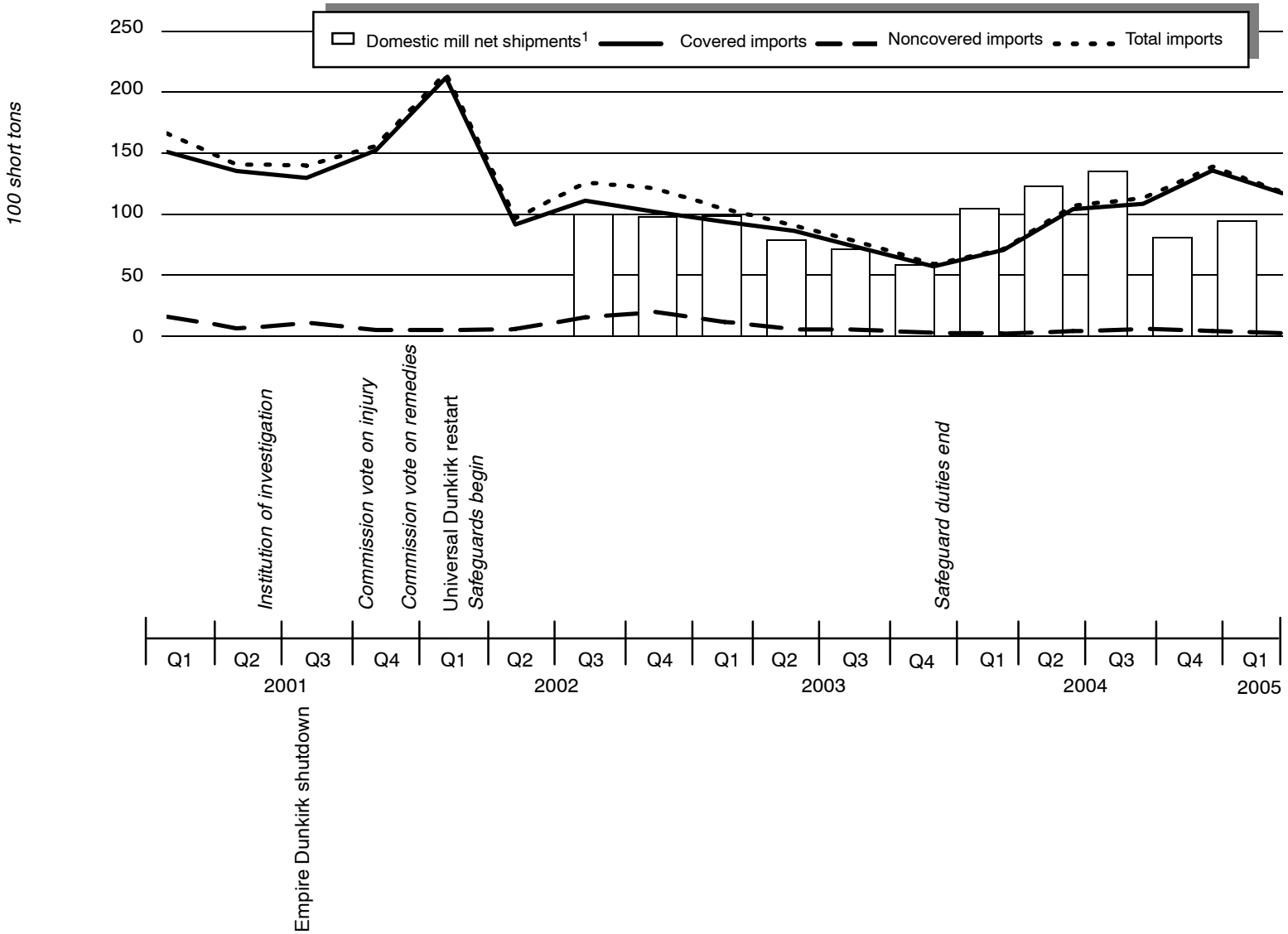
Based on data compiled in this evaluation, U.S. stainless rod producers' capacity utilization was *** percent and their inventories as a percentage of total shipments were *** percent in 2004. Exports accounted for *** percent of total shipments.

Timeline

Figure STAINLESS-III-1 shows quarterly shipments of stainless rod products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include quarterly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the line) and startups or restarts (shown above the line). Also shown above the line are significant safeguard dates.

[2] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

Figure STAINLESS III-1
Stainless steel rod: Quarterly imports and domestic mill net shipments, facility shutdowns and restarts, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies. Shipment data for January 2001-June 2002 are not available.

Source: Official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Table STAINLESS III-3 presents information on U.S. stainless rod producers' capacity, production, shipments, inventories, and employment. The Commission received useable questionnaire responses from four producers that accounted for approximately *** short tons of U.S. stainless rod shipments in 2004 (of which *** short tons of commercial shipments). This response exceeds the quantity of stainless rod reported to the AISI and is believed to represent the entire stainless rod industry in the United States.[3]

One reporting producer, Universal Stainless & Alloy Products, acquired the assets of Empire Specialty Steel (which ceased operations in June 2001) in February. Commission staff used Empire Steel's response to the original safeguard investigation for that firm's operations in 2001 prior to closure.

Reporting U.S. producers' aggregate output-related indicators fluctuated in the period between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect). The domestic industry's production increased in 2002 by *** short tons (*** percent) in 2002 and then remained at approximately the same level in 2003.[4] Capacity remained constant between 2001 and 2002 and then increased by *** short tons (*** percent) in 2003.[5] Over this same period, capacity utilization first increased by *** percentage points in 2002 and then decreased by *** percentage point in 2003. In this period, the number of domestic merchant market suppliers of stainless rod increased from two (Carpenter and Empire) to four (Carpenter, Universal, Charter, and North American Stainless).

Table STAINLESS III-3
Stainless rod: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

* * * * * * *

Reporting firms increased U.S. commercial shipments of stainless rod in 2002 by *** short tons (*** percent),[6] and by *** short tons (*** percent) in 2003.[7] Although export shipments were minimal for the industry between 2001 and 2003, they increased by approximately *** short tons each year, a *** and *** percent increase respectively. Internal consumption decreased by *** short tons (*** percent) in 2002 and *** short tons (*** percent) in 2003. However, internal consumption remained the primary market for this product between 2001 and 2002.[8] The average unit value of U.S. producers' stainless rod shipments decreased from 2001 to 2002, and then increased from 2002 to 2003. One out of two firms with continuous

[3] AISI's data indicates that domestic mills' stainless rod shipments were approximately 44,000 short tons in 2004.

[4] These trends are mainly driven by ***. In 2002, Universal Stainless first began production of stainless rod after having acquired the rod milling assets of Empire Specialty Steel. Additionally, in 2003, North American Steel first began its production of stainless rod. *** indicated that weakness in the economy after 2001 influenced most of its production decisions and that the safeguard action had no direct effect on production levels because of the numerous exemptions provided to select importers of its stainless steel products. *** indicated that application of duties allowed for some volume gains and improvement in pricing in this period.

[5] Although the overall level of stainless steel bar production remained relatively stable, *** decreased production while *** increased production.

[6] An increase in *** shipments and *** accounted for all of this increase in 2002.

[7] The introduction of North American Stainless stainless rod to the market accounted for this trend in 2003.

[8] In 2001, *** percent of total shipments were shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied internal consumption needs, and *** percent of total shipments were exported. By 2003, *** percent went to U.S. commercial demand, *** to internal consumption needs, and *** to export markets. *** accounts for most of the reported internal consumption.

stainless rod production in 2001 and 2002 reported an increase in the average unit values of its U.S. shipments, whereas the other reported a decrease. On the whole, the industry's average unit value of stainless rod shipments fell by $*** in this period. All three firms with continuous production in 2002 and 2003 reported an increase in average unit values, and the average increase amounted to $***. Productivity increased in this period for both firms with continuous operations in 2002, and it increased for all three firms with continuous operations in 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the industry increased production. Three out of four producers increased production in this period for a total increase of *** short tons (*** percent) in 2004. Capacity continued to increase by *** short tons (*** percent) in 2004. Due to these changes in production and production capacity, reporting firms' capacity utilization increased by *** percentage points.

Reporting firms increased U.S. commercial shipments of stainless rod by *** short tons (*** percent) in 2004. Between 2003 and 2004, exports increased by *** short tons (*** percent). Internal consumption increased in 2004 by an additional *** short tons (*** percent). During this period of fluctuating production and shipments, all reporting producers increased their average unit values, for an increase of $*** per short ton. Productivity increased for all four firms with continuous operations in 2003 and 2004.

In January-March 2005 (the final period covered by the original safeguard action), production was lower by *** short tons (*** percent) than during January-March 2004. Production capacity, however, was higher in January-March 2005 by *** short tons (*** percent).[9] Due to these changes in production and production capacity, reporting firms' capacity utilization decreased by *** percentage points.

U.S. commercial shipments were lower in January-March 2005 by *** short tons (*** percent) compared to the same quarter a year earlier. Exports were *** short tons (*** percent) higher and internal consumption slightly lower.[10] Due to these changes, the shipment mix again shifted slightly towards more commercially shipped stainless rod.[11] In the first three months of 2005, the industry's average unit value for commercial shipments was $*** per short ton higher than in first three months of 2004. Productivity was lower for all four firms in January-March 2005 than it was in the same period a year earlier.

[9] *** accounted for all of these increases in capacity.

[10] Most of the increases in exports are accounted for by ***.

[11] By March 2005, *** percent of total shipments were shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied internal consumption needs, and *** percent of total shipments were exported.

FINANCIAL DATA

Financial data provided by U.S. producers concerning operations on stainless rod are presented in table STAINLESS III-4.

Universal started producing stainless rod in 2002. North American Stainless started producing stainless rod in 2003.

U.S. producers' net commercial sales increased on both a quantity and a value basis in 2003 compared with 2001-02. In 2003, U.S. producers reported an aggregate operating loss of $***, or *** percent of net sales compared with the operating losses of $*** or *** percent of net sales in 2002 and $*** or *** percent of net sales in 2001. In 2003, unit COGS was lower than in 2001-02. Average unit sales value in 2003 was also lower than in 2001-02. These trends resulted in gross profit in 2003 that was lower than in 2001. Unit SG&A expenses fell in 2003, resulting in lower unit operating loss compared with 2001-02. In 2003, unit raw materials cost was higher than in 2002 but lower than in 2001, while direct labor and other factory costs were lower compared with 2001-02.

U.S. producers' net commercial sales increased on both a quantity and a value basis in 2004 compared with 2003. In 2004, U.S. producers reported an aggregate operating income of $*** million or *** percent of net sales compared with the operating loss of $*** or *** percent of net sales in 2003. From 2003 to 2004, unit COGS increased by less than the increase in the average unit sales value, and unit SG&A expenses fell, resulting in higher unit operating income. In 2004, unit raw materials cost was higher while direct labor and other factory costs were lower compared with 2003.

In January-March 2005, net commercial sales declined by *** percent on quantity basis but rose by *** percent on value basis compared with January-March 2004. In January-March 2005, the operating income decreased to $*** million or *** percent of net sales compared with the operating income of $*** million or *** percent of net sales in January-March 2004. In January-March 2005, unit COGS increased less than the increase in average unit sales value, resulting in slightly higher gross profit; unit SG&A expenses increased, hence, unit operating income remained the same compared with January-March 2004. In January-March 2005, unit raw materials and other factory costs increased whereas direct labor slightly decreased compared with January-March 2004.

Capital expenditures increased noticeably in 2003. This increase primarily reflected ***.

Out of four firms, only one firm reported operating losses in 2004 and in both interim periods compared with three firms in 2003. *** reporting firms reported operating losses in 2001 and in 2002.

Table STAINLESS III-4
Stainless rod: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

* * * * * * *

U.S. IMPORTS

Table STAINLESS III-5 presents data on U.S. imports of stainless rod by sources for 2001-04, as well as January-March 2004 and January-March 2005. Table STAINLESS III-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002 and 2003.

Table STAINLESS III-5
Stainless rod: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
Covered sources	58,045	52,678	31,389	42,629	7,148	11,945
Noncovered sources	3,554	4,391	2,129	1,284	117	97
Total	61,599	57,070	33,519	43,913	7,266	12,042
	Landed, duty paid value *($1,000)*					
Covered sources	104,798	91,480	57,180	100,547	14,672	31,755
Noncovered sources	6,344	6,543	3,197	2,706	228	317
Total	111,142	98,023	60,377	103,253	14,900	32,071
	Unit value *(per short ton)*					
Covered sources	$1,805	$1,737	$1,822	$2,359	$2,052	$2,658
Noncovered sources	1,785	1,490	1,501	2,108	1,943	3,273
Total	1,804	1,718	1,801	2,351	2,051	2,663
	Share of quantity *(percent)*					
Covered sources	94.2	92.3	93.6	97.1	98.4	99.2
Noncovered sources	5.8	7.7	6.4	2.9	1.6	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Share of value *(percent)*					
Covered sources	94.3	93.3	94.7	97.4	98.5	99.0
Noncovered sources	5.7	6.7	5.3	2.6	1.5	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Ratio of imports to production *(percent)*					
Covered sources	93.2	69.2	41.4	45.3	28.1	56.6
Noncovered sources	5.7	5.8	2.8	1.4	0.5	0.5
Total	98.9	75.0	44.2	46.7	28.5	57.0

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table STAINLESS III-6
Stainless rod: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of stainless rod from covered sources decreased while the quantity and value of U.S. imports from other sources first increased then decreased. As a result, the quantity of total U.S. imports decreased by 45.6 percent while the value of U.S. imports decreased by 45.7 percent. U.S. imports from covered sources decreased from 94.2 percent of the quantity of total stainless rod imports in 2001 to 93.6 percent in 2003, whereas the value of total imports increased slightly from 94.3 percent in 2001 to 94.7 percent in 2003. During this period, average unit values for both covered and noncovered sources fluctuated, resulting in a very slight decrease of $3 in the average unit value of stainless rod in 2003 compared to 2001.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of stainless rod from covered sources increased, while the quantity and value of U.S. imports of stainless rod from noncovered sources decreased. As a result, the quantity of total U.S. imports increased by 31.0 percent while the value of U.S. imports increased by 71.0 percent. U.S. imports from covered sources increased from 93.6 percent of the quantity and 94.7 percent of the value of stainless rod

imports to 97.1 percent and 97.4 percent, respectively. During this period, average unit values for both covered and, to a greater extent, noncovered sources increased, resulting in an overall increase of $550 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity of U.S. imports of stainless rod from covered sources was higher than during January-March 2004, while the quantity of U.S. imports from other sources was lower. The value of U.S. imports of stainless rod from both covered and noncovered sources was greater in the latter period. As a result, the quantity of total U.S. imports was 65.7 percent greater in January-March 2005 than during the comparable period in 2004, while the value of U.S. imports was 115.2 percent higher. U.S. imports from covered sources accounted for 99.2 percent of the quantity of total stainless rod imports and 99.0 percent of the value of total stainless rod imports, compared to 98.4 percent and 98.5 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, the average unit values of U.S. imports of stainless rod was $612 per short ton higher in January-March 2005 than during the comparable period in 2004.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of stainless rod are presented in table STAINLESS III-7.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), apparent U.S. consumption by quantity for stainless rod first increased by *** percent and then decreased by *** percent. In this same period, apparent U.S. consumption by value decreased by *** percent and then by *** percent in 2002 and 2003, respectively. The increase in quantity of apparent U.S. consumption in 2002 is driven by the increase in U.S. producers' shipments, while the decline in 2003 is driven by the decline in covered imports. The domestic industry increased U.S. shipments in 2002, but not in 2003. Accordingly, U.S. market share by quantity of apparent U.S. consumption increased from *** percent in 2001 to *** percent in 2003, a gain of approximately *** percentage points. At the same time, U.S. market share by value of apparent U.S. consumption increased from *** percent in 2001 to *** percent in 2003, a gain of approximately *** percentage points.

Between 2003 and 2004 (the year following the removal of the increased tariffs), apparent U.S. consumption for stainless rod again increased by *** percent based on quantity and by *** percent based on value. Some of this increase in 2004 was due to the reintroduction of covered stainless rod imports into the market; however, most of the increase in 2004 was from an increase in U.S. producers' U.S. shipments. Total imports increased by *** short tons in this period, while U.S. producers' U.S. shipments increased by *** short tons. On balance, however, U.S. producers lost *** percentage point of market share in apparent U.S. consumption based on quantity and *** percentage points of apparent U.S. consumption based on value between 2003 and 2004.

In January-March 2005 (the final period covered by the safeguard action), the quantity of apparent U.S. consumption of stainless rod was *** percent higher than during January-March 2004, while the value of apparent U.S. consumption was *** percent higher. The domestic industry's share of the U.S. market was *** percentage points lower by quantity and *** percentage points lower by value in January-March 2005 than in January-March 2004. Import market share, conversely, was higher in January-March 2005 than in January-March 2004, as imports from covered sources increased and imports from noncovered sources remained relatively constant as a share of the U.S. market.

Table STAINLESS III-7
Stainless rod: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. imports from:						
Covered sources	58,045	52,678	31,389	42,629	7,148	11,945
Noncovered sources	3,554	4,391	2,129	1,284	117	97
Total U.S. imports	61,599	57,070	33,519	43,913	7,266	12,042
Apparent U.S. consumption	***	***	***	***	***	***
	Value *($1,000)*					
U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. imports from:						
Covered sources	104,798	91,480	57,180	100,547	14,672	31,755
Noncovered sources	6,344	6,543	3,197	2,706	228	317
Total U.S. imports	111,142	98,023	60,377	103,253	14,900	32,071
Apparent U.S. consumption	***	***	***	***	***	***
	U.S. market share based on quantity *(percent)*					
U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. imports from:						
Covered sources	***	***	***	***	***	***
Noncovered sources	***	***	***	***	***	***
Total U.S. imports	***	***	***	***	***	***
	U.S. market share based on value *(percent)*					
U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. imports from:						
Covered sources	***	***	***	***	***	***
Noncovered sources	***	***	***	***	***	***
Total U.S. imports	***	***	***	***	***	***

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. stainless rod producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table STAINLESS III-8).

The three factors rated most important by U.S. stainless rod producers from March 2002 to December 2003 were: changes in U.S. production capacity, changes in the level of competition from imports from non-excluded countries, and changes in the cost of raw materials. The three factors rated most important by U.S. stainless rod producers from January 2004 to March 2005 were: changes in the cost of

raw materials, changes in the level of competition from imports from non-excluded countries, and changes in the level of competition from imports from excluded countries.[12]

Pricing Practices

Two of four responding U.S. stainless rod producers reported making changes in the way they determine the price they charge. The two other producers reported implementing raw material surcharges beginning in 2002-03. All four responding producers reported no changes in the discounts allowed for sales of steel or in the share of their sales that is on a contract vis-a-vis a spot basis since March 2002.[13] Three producers reported that contract prices tend to follow a similar trend as spot prices, noting that contract prices follow spot prices with a lag.

[12] Apparent U.S. consumption of stainless rod increased by *** percent from 2001 to 2004 (table STAINLESS III-7). Apparent U.S. consumption of stainless steel wire, a downstream product of stainless rod, increased by *** percent from 2001 to 2004 (table STAINLESS IV-10). Manufacturers' shipments of metalworking machinery, a proxy variable for downstream stainless rod demand, increased by 19.9 percent during the period for which data were collected (table OVERVIEW II-1). Between the first quarter of 2001 and the first quarter of 2003, the value of U.S. manufacturers' shipments of metalworking machinery dropped 14.9 percent, and then rebounded in 2004 and first quarter 2005.

Nickel prices have increased by 131.4 percent during the period of investigation (figure OVERVIEW II-13). U.S. stainless rod producers' capacity increased by *** percent during the period for which data were collected, while capacity utilization increased from *** percent in 2001 to *** percent in 2004 (table STAINLESS III-3).

[13] U.S. steel consumers, however, reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable. U.S. Steel Consumers' posthearing brief, p. 20.

Table STAINLESS III-8
Stainless rod: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	2.0	4	0	0	1.0	4	0	0
Changes in the level of competition from imports from non-excluded countries	1.7	2	2	0	1.5	2	2	0
Changes in the level of competition from imports from excluded countries	2.3	2	1	1	1.5	2	2	0
Changes in demand for steel within the United States	3.0	1	2	0	1.7	2	1	0
Changes in U.S. production capacity	1.3	1	2	1	2.0	4	0	0
Changes in energy costs	2.5	3	1	0	2.0	4	0	0
Changing market patterns	3.0	0	4	0	2.0	3	1	0
Changes in competition between U.S. producers	2.0	1	3	0	2.0	2	2	0
Changes in transportation/delivery cost changes	2.3	3	1	0	2.5	3	1	0
Changes in demand for steel outside the United States	3.5	0	3	0	2.7	1	2	0
Changes in the productivity of domestic producers	3.0	0	3	1	3.0	2	1	1
Changes in the level of competition from substitute products	3.3	1	3	0	3.3	1	3	0
Changes in labor agreements, contracts, etc.	4.0	0	4	0	4.0	0	4	0
Changes in the allocation of production capacity to alternate products	4.0	0	4	0	4.0	0	4	0

[1] The numbers in this column represents the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following stainless rod product during January 2001-March 2005:[14]

> ***Product 13*–Grade AISI 304 wire rod, 5.5 mm (0.217") diameter, hot-rolled, annealed, and pickled.** This commodity product is used by wire drawers to produce stainless steel wire and wire products such as mesh screens.

Reported pricing data accounted for *** percent of the quantity of U.S. producers' U.S. commercial shipments of stainless rod during the period for which data were collected.[15]

Weighted-average prices and quantities sold of U.S.-produced stainless rod are shown in table STAINLESS III-9 and in figure STAINLESS III-2. A summary of the price data is shown in table STAINLESS III-10.

Quarterly prices for the domestically produced stainless rod product for which the Commission collected pricing data generally decreased in 2001 and then fluctuated in 2002 and 2003. The weighted-average sales prices then began to steadily increase beginning in 2004, with prices peaking in first quarter 2005. Prices increased by *** percent over the entire period.

Table STAINLESS III-9
Stainless rod: Weighted-average price and quantity data for U.S.-produced product 13, by quarters, January 2001-March 2005

* * * * * * *

Figure STAINLESS III-2
Stainless rod: Weighted-average f.o.b. prices of domestic product 13, January 2001-March 2005

* * * * * * *

Table STAINLESS III-10
Stainless rod: Changes in quarterly prices of domestic product 13

* * * * * * *

[14] Pricing data as presented here for January 2001 through December 2002 are the data collected under the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately under the current evaluation.

[15] *** U.S. producers provided pricing data for product 13. Not all producers provided pricing for all quarters.

PART IV: INDUSTRY AND MARKET DATA (STAINLESS WIRE)

DESCRIPTION AND USES

Stainless steel wire (stainless wire) is produced by drawing stainless rods through a die or a series of dies, thereby reducing the diameter of the rod and creating wire. Stainless wire is used in the chemical, petroleum, medical instruments, paper-pulp, and food processing industries as well as in the production of household appliances, nails, and staples. HTS statistical reporting numbers for subject stainless wire are presented in table STAINLESS IV-1.

Table STAINLESS IV-1
Stainless wire: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers			
Stainless wire[1]	7223.00.1015	7223.00.1045	7223.00.1075	7223.00.9000
	7223.00.1030	7223.00.1060	7223.00.5000	

[1] The temporary HTS subheadings for stainless wire established by proclamation or delegated authority pursuant to trade legislation during 2002-03 were:

(1) 9903.78.10 through 9903.78.16 for products excluded from the section 203 remedy, and

(2) 9903.74.22, 9903.74.23, and 9903.74.24 for products not excluded from relief and incurring, respectively, 8 percent *ad valorem* additional tariffs through March 19, 2003, and 7 percent additional tariffs through December 4, 2003.

Source: Harmonized Tariff Schedule of the United States (2003 and 2005).

MARKET ENVIRONMENT

Changes in U.S. Demand

Stainless wire products are used in the chemical, petroleum, medical instruments, paper-pulp, and food processing industries as well as in the production of household appliances, nails, and staples. Demand for stainless steel wire products depends on the level of demand for the intermediate products in which it is used and on demand in the end-use industries (such as automotive, medical, and general manufacturing) that require wire rod with the corrosion-resistant properties of stainless steel. As shown in section OVERVIEW II, the value of U.S. manufacturers' shipments of metalworking machinery increased by 19.9 percent during the period for which data were collected (table OVERVIEW II-1). However, between the first quarter of 2001 and the first quarter of 2003, the value of U.S. manufacturers' shipments of metalworking machinery dropped 14.9 percent, and then rebounded in 2004 and the first quarter of 2005.

The data collected by the Commission indicate that apparent U.S. consumption of stainless wire products increased by 28.0 percent from 2001 to 2004.

In the monitoring investigation, nine of 12 responding U.S. stainless wire producers reported that U.S. demand for stainless wire products had decreased from March 2002 to March 2003.[1] U.S. stainless wire producers that reported decreased demand in the monitoring investigation generally cited the slowing U.S. economy, particularly weakness in the manufacturing sector.

Most responding U.S. stainless wire producers reported in the current evaluation that demand was unchanged from March 2002 to December 2003. Six of seven responding U.S. stainless wire producers reported that demand for stainless wire products, both within and outside the United States, increased from January 2004 to March 2005. Producers generally attributed the increased demand to the growth of the U.S. and Asian economies and to the improvement in the aerospace industry.

[1] Three producers reported that demand has remained the same.

All of the seven responding U.S. stainless wire producers in the current evaluation reported that there were no changes in the types of substitute products since March 2002.

Changes in U.S. Supply

AL Tech Specialty Steel, a producer of stainless steel bar, rod, wire, and seamless tube, filed for bankruptcy in December 1997. AL Tech Specialty Steel emerged from bankruptcy in November 1999 as Empire Specialty Steel. Empire Specialty Steel shut down its operations in June 2001. Empire Specialty Steel's operating assets were acquired by Universal Stainless and Alloy Products in February 2002 and restarted in March 2002.

As shown in table STAINLESS IV-2, with the exceptions of efforts to increase product availability and decreasing order backlogs, the majority of stainless wire producers reported no changes in their marketing practices. Four stainless wire producers reported efforts to increase product availability between January 2004 and March 2005, citing the addition of labor and new equipment. Four producers reported increases in average lead times from production during this period, due to increased demand. Five producers reported increases in order backlogs as the economy improved and demand increased.

In the monitoring investigation, 19 of the 50 responding stainless wire purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs from March 2002 to March 2003. Stainless wire purchasers were also asked to identify actions taken by domestic producers from March 2002 to March 2003 to make a positive adjustment to import competition.[2] Of 51 responding purchasers in the monitoring investigation, 27 purchasers did not indicate that producers had taken any such actions. However, a few responding purchasers reported that domestic producers had introduced new or innovative products, improved product quality, expanded marketing efforts, improved customer service, or made other positive adjustment efforts.[3]

[2] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[3] Some purchasers reported more than one of these actions.

Table STAINLESS IV-2
Stainless wire: U.S. producer responses to questions regarding firms' activities from March 2002 to December 2003 and from January 2004 to March 2005

Marketing practice	From March 2002 to December 2003			From January 2004 to March 2005		
	Number of producers			Number of producers		
	No		Yes	No		Yes
Efforts to increase product availability	1		0	0		4
Change in geographic market	6		0	6		0
Change in share of sales from inventory	6		0	6		1
Change in average lead times from inventory	5		0	5		0
Change in average lead times from production	3		1	0		4
Change in product range	4		1	4		1
Change in demand for or production of alternate products	6		0	6		0
	I	D	S	I	D	S
Change in order backlogs[1]	1	2	4	5	0	2
Change in on-time shipping percentage[1]	1	0	6	0	2	5

[1] The numbers in these columns represent the number of responding producers that reported that the practice increased (I), decreased (D), or have stayed the same (S) for over the specified time period.

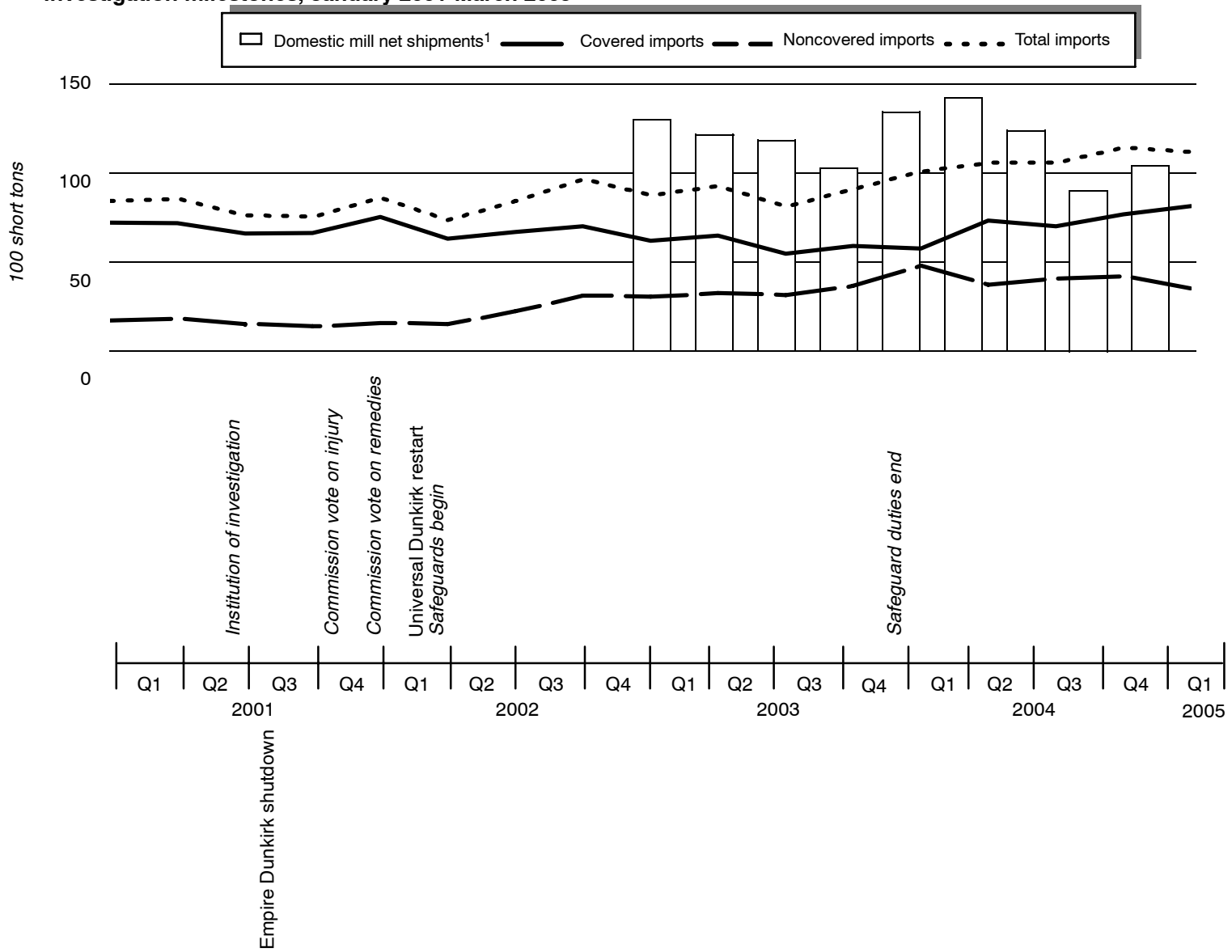
Source: Compiled from data submitted in response to Commission questionnaires.

Based on data collected in this evaluation, U.S. stainless wire producers' capacity utilization was 62.5 percent and their inventories as a percentage of total shipments were 11.5 percent in 2004. Exports accounted for 2.4 percent of total shipments in 2004.

Timeline

Figure STAINLESS-IV-1 shows quarterly shipments of stainless wire products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include quarterly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the line) and startups or restarts (shown above the line). Also shown above the line are significant safeguard dates.

Figure STAINLESS IV-1
Stainless steel wire: Quarterly imports and domestic mill net shipments, facility shutdowns and restarts, and investigation milestones, January 2001-March 2005



[1] Domestic mill shipments, excluding shipments to reporting companies. Shipment data for Janaury 2001-December 2002 are not available.

Source: Official statistics of the U.S. Department of Commerce; Speciality Steel Industry of North America; and publicly available information.

U.S. INDUSTRY DATA

Table STAINLESS IV-3 presents information on U.S. stainless steel wire producers' capacity, production, shipments, inventories, and employment. The Commission received useable questionnaire responses from nine stainless steel wire producers that accounted for 33,856 short tons of stainless steel wire shipments in 2004 (substantially in excess of shipments reported to AISI, which are believed to be markedly understated).

The following tabulation presents firms that reported calendar-year 2000 production capacity in the original safeguard investigation but did not provide data in the current evaluation:

* * * * * * *

One reporting producer, Universal Stainless & Alloy Products, acquired the assets of Empire Specialty Steel (which ceased operations in June 2001) in February 2002. Commission staff used Empire Steel's response to the original safeguard investigation for that firm's operations in 2001 prior to closure.

As presented in table STAINLESS IV-3, reporting U.S. producers' aggregate output-related indicators fluctuated in the period between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect). According to these data, reporting firms first increased production in 2002 by 2,790 short tons (9.5 percent) and then decreased production in 2003 by 1,158 short tons (3.6 percent).

Table STAINLESS IV-3
Stainless wire: U.S. producers' capacity, production, shipments, inventories, and employment data, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
Capacity	58,280	59,690	57,920	58,440	14,610	12,610
Production	29,252	32,042	30,884	36,550	9,782	7,359
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	28,146	29,756	29,490	33,856	8,445	6,821
Export shipments	792	763	757	837	238	104
Total shipments	28,938	30,519	30,246	34,692	8,683	6,925
Ending inventories	4,605	4,940	5,043	3,986	4,657	3,854
	Value *($1,000)*					
Internal consumption/transfers	***	***	***	***	***	***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	131,565	125,343	120,574	154,829	35,990	36,321
Export shipments	4,848	4,100	4,885	6,120	1,596	460
Total shipments	136,413	129,443	125,459	160,949	37,586	36,781
	Unit value *(per short ton)*					
Internal consumption/transfers	$***	$***	$***	$***	$***	$***
U.S. commercial shipments	***	***	***	***	***	***
U.S. shipments	4,674	4,212	4,089	4,573	4,262	5,325
Export shipments	6,121	5,374	6,453	7,312	6,706	4,423
Total shipments	4,714	4,241	4,148	4,639	4,329	5,311
	Ratios and shares *(percent)*					
Capacity utilization	50.2	53.7	53.3	62.5	67.0	58.4
U.S. shipments to distributors	21.8	27.3	24.3	24.5	22.9	23.2
U.S. shipments to end users	78.2	72.7	75.7	75.5	77.1	76.8
Inventories/total shipments	15.9	16.2	16.7	11.5	13.4	13.9
	Employment data					
PRWs[1] *(number)*	536	469	412	433	420	341
Hours worked *(1,000)*	965	879	773	831	193	164
Wages paid *($1,000)*	16,908	15,805	14,030	15,658	3,735	3,331
Hourly wages	$17.51	$17.98	$18.14	$18.85	$19.31	$20.33
Productivity *(short tons/1,000 hrs)*	30.3	36.4	39.9	44.0	50.6	44.9
Unit labor costs *(per short ton)*	$578.00	$493.26	$454.28	$428.39	$381.80	$452.58

[1] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Reporting firms' production capacity increased by 1,410 short tons (2.4 percent) in 2002, and decreased by 1,770 short tons (3.0 percent) in 2003. Over this period, responding firms' capacity utilization increased by 3.5 percentage points in 2002 and decreased by 0.4 percentage point in 2003. In 2002, capacity utilization decreased for four out of nine firms with continuous production. In 2003, capacity utilization likewise decreased for four out of nine firms with continuous production.

Reporting stainless steel wire producers increased U.S. commercial shipments by *** short tons (*** percent) in 2002, and then maintained commercial shipments at approximately the same level in

2003 as in 2002. Exports, which were minimal in absolute terms, remained relatively constant over this period. Only two firms, ***, reported internal consumption of stainless steel wire. The overall shipment mix for the reporting firms remained constant between 2001 and 2003.[4] The average unit values that reporting producers commanded for U.S. shipments of stainless steel wire products decreased in both 2002 and 2003 by $462 and $123, respectively. Only one out of eight firms reported an increase in the average unit value of its stainless steel wire products in 2002, while four out of nine reporting firms saw an increase in average unit values in 2003.[5] Productivity increased for six out of eight firms with continuous operations in 2001 and 2002, and it increased for seven out of nine firms with continuous operations in 2002 and 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the industry increased production by 5,666 short tons (18.3 percent). In this period, seven out of eight stainless steel wire producers increased production, while only one firm, ***, decreased production. Between 2003 and 2004, production capacity remained relatively constant whereas capacity utilization increased by 9 percentage points on average for responding firms. Seven out of nine firms drove the trend of increased capacity utilization in 2004.

Reporting firms increased U.S. commercial shipments of stainless steel wire by *** short tons (*** percent) in 2004. Reporting firms increased export shipments by 80 short tons (10.6 percent), although total exports in 2004 were still at a relatively minimal level. Internal consumption increased slightly. In 2004, U.S. producers' average unit values for their stainless steel wire shipments rose by an average of $484. Six out of nine reporting producers reported increased average unit values in this period. Productivity again increased minimally in 2004, with seven out of nine reporting producers indicating an increase in their productivity.

In January-March 2005 (the final period covered by the original safeguard action), production was lower by 2,423 short tons (24.8 percent) than in the same period a year earlier. Capacity was also lower by 2,000 short tons (13.7 percent). Capacity utilization in January-March 2005 was 9 percentage points lower than in January-March 2004. In January-March 2005, U.S. commercial shipments were *** short tons (*** percent) lower compared to the same quarter a year earlier. Both exports and internal consumption were lower in the latter period.[6] The average unit value for the reporting firms was $1,063 higher in January-March 2005 than in that same period a year earlier. Only one firm indicated a lower average unit value in January-March 2005 than in January-March 2004. On average, productivity was reportedly lower in comparing the first quarter of 2005 with the first quarter in 2004. Six out of the nine firms indicated lower productivity in that latter quarter.

---

[4] In 2001, *** percent of total shipments were shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied internal consumption needs, and 2.7 percent of total shipments were sent to export markets. By 2003, these shares remained nearly static at *** percent, *** percent and 2.5 percent, respectively.

[5] Average unit values for responding firms varied widely, consistent with the wide variety of products covered under stainless steel wire.

[6] Due to these changes, in 2004, *** percent of total shipments were shipped to satisfy U.S. commercial demand, *** percent of total shipments supplied internal consumption needs, and 1.5 percent of total shipments were exported.

FINANCIAL DATA

Financial data provided by U.S. producers concerning operations on stainless wire are presented in table STAINLESS IV-4.

U.S. producers' net commercial sales were relatively stable on a quantity and on a value basis in 2003 compared with 2002, but were lower than 2001.[7] In 2003, U.S. producers reported an aggregate operating income of $446,000, or 0.4 percent of net sales, compared with operating loss margins of 1.9 percent in 2001 and 6.8 percent in 2002. While average unit sales values declined throughout 2001-03, so too did unit COGS and unit SG&A expenses. In 2003, unit raw material costs were higher than in 2002 but lower than in 2001, while direct labor and other factory costs were lower than in 2001or 2002.

U.S. producers' net commercial sales increased on both a quantity and a value basis in 2004 compared with 2003. In 2004, U.S. producers reported an aggregate operating loss of $52,000 or 0.03 percent of net sales compared with the operating income of $446,000 or 0.4 percent of net sales in 2003. From 2003 to 2004, unit COGS increased by more than the increase in the average unit sales value. When combined with essentially flat unit SG&A expenses, the result was a small unit operating loss. In 2004, unit raw materials cost and direct labor were higher while other factory costs were lower than in 2003.

In January-March 2005, net commercial sales were lower by 19 percent on a quantity basis but were higher by about 2 percent on a value basis compared with January-March 2004. In January-March 2005, the U.S. producers reported an operating loss of $1.2 million or 3.1 percent of net sales, compared with the operating income of $1.9 million or 5.2 percent of net sales, in January-March 2004. In January-March 2005, unit COGS increased much more than the increase in average unit sales value, resulting in lower gross profit; unit SG&A expenses increased, resulting in a unit operating loss compared with January-March 2004. In January-March 2005, unit raw materials, direct labor and other factory costs increased compared with January-March 2004.

Out of nine firms, five firms reported operating losses in 2004 compared with six firms in 2002 and three firms in 2003. Five out of eight firms reported operating losses in 2001. Four firms in January-March 2004 and five firms in January-March 2005 reported operating losses.

[7] Universal started producing stainless wire in 2002.

Table STAINLESS IV-4
Stainless wire: Results of operations of U.S. producers, fiscal years 2001-04, January-March 2004, and January-March 2005

Item	Fiscal year				January-March	
	2001	2002	2003	2004	2004	2005
Quantity *(short tons)*						
Net commercial sales	30,772	29,379	29,477	33,597	8,453	6,876
Value *($1,000)*						
Net commercial sales	145,928	127,248	126,985	153,986	36,591	37,257
COGS	130,199	118,517	111,909	137,454	30,752	34,217
Gross profit or (loss)	15,729	8,731	15,076	16,532	5,839	3,040
SG&A expenses	18,473	17,353	14,630	16,584	3,927	4,208
Operating income or (loss)	(2,744)	(8,622)	446	(52)	1,912	(1,168)
Interest expense	4,793	3,396	2,721	2,611	614	518
Other (income)/expenses, net	(1,243)	1,774	320	(614)	(76)	6,818
Net income or (loss)	(6,294)	(13,792)	(2,595)	(2,049)	1,374	(8,504)
Depreciation/amortization	8,123	8,443	7,093	6,280	1,748	1,389
Cash flow	1,829	(5,349)	4,498	4,231	3,122	(7,115)
CDSOA funds received	0	0	0	0	[1]	[1]
Pension (credit)/expense	76	151	198	209	49	51
Other post-emp. benefits	0	0	0	0	0	0
Capital expenditures	6,814	3,695	4,928	3,034	1,252	1,264
R&D expenses	820	572	587	476	123	140
Property, plant, and equipment:						
Original cost	211,325	182,146	183,884	186,028	160,566	140,931
Book value	98,820	78,025	72,744	67,956	62,516	54,630
Ratio to net commercial sales *(percent)*						
COGS	89.2	93.1	88.1	89.3	84.0	91.8
Gross profit or (loss)	10.8	6.9	11.9	10.7	16.0	8.2
SG&A expenses	12.7	13.6	11.5	10.8	10.7	11.3
Operating income or (loss)	(1.9)	(6.8)	0.4	[2]	5.2	(3.1)
Net income or (loss)	(4.3)	(10.8)	(2.0)	(1.3)	3.8	(22.8)
Unit value (*per short ton*)						
Net commercial sales	$4,742	$4,331	$4,308	$4,583	$4,329	$5,418
COGS total	4,231	4,034	3,796	4,091	3,638	4,976
Raw materials	2,061	1,882	1,918	2,245	1,962	2,706
Direct labor	465	408	361	383	358	436
Other factory costs	1,706	1,744	1,517	1,463	1,318	1,834
Gross profit or (loss)	511	297	511	492	691	442
SG&A expenses	600	591	496	494	465	612
Operating income or (loss)	(89)	(293)	15	(2)	226	(170)
Number of firms reporting						
Operating losses	5	6	3	5	4	5
Data	8	9	9	9	9	9

[1] Data not available.
[2] Negative, but less than 0.05 percent.
Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table STAINLESS IV-5 presents data on U.S. imports of stainless wire by sources for 2001-04, as well as January-March 2004 and January-March 2005. Table STAINLESS IV-6 presents data on U.S. imports from covered sources, by tariff categories, during 2002-03.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), the quantity and value of U.S. imports of stainless wire from covered sources decreased while the quantity and value of U.S. imports from other sources increased. As a result, the quantity of total U.S. imports increased by 10.3 percent while the value of U.S. imports remained relatively constant, increasing only 0.6 percent. U.S. imports from covered sources decreased from 85.0 percent of the quantity and 90.9 percent of the value of total stainless wire imports to 66.5 percent and 78.7 percent, respectively. During this period, average unit values for both covered and noncovered sources fluctuated, resulting in a decrease of $295 in average unit value per short ton of stainless wire in 2003 compared to 2001.

Between 2003 and 2004 (the year following the removal of the increased tariffs), the quantity and the value of U.S. imports of stainless wire from covered sources increased, while the quantity and value of U.S. imports of stainless wire from noncovered sources also increased. As a result, the quantity of total U.S. imports increased by 22.4 percent while the value of U.S. imports increased 41.4 percent. U.S. imports from covered sources decreased from 66.5 percent of the quantity and 78.7 percent of the value of total stainless wire imports in 2003 to 63.4 percent and 73.4 percent, respectively, in 2004. During this period, average unit values for both covered and noncovered sources increased, resulting in an overall increase of $477 per short ton in 2004.

In January-March 2005 (the final period covered by the original safeguard action), the quantity of U.S. imports of stainless wire from covered sources was higher than during January-March 2004, while the quantity of U.S. imports from other sources was lower. The value of U.S. imports of stainless wire from covered sources was greater in the latter period, while the value of noncovered imports was lower. As a result, the quantity of total U.S. imports was 11.2 percent higher in January-March 2005 than during the comparable period in 2004, while the value of U.S. imports was 38.4 percent higher. U.S. imports from covered sources accounted for 71.8 percent of the quantity and 79.3 percent of the value of total stainless wire imports, compared to 55.1 percent and 68.7 percent, respectively, in January-March 2004. Average unit values for both covered and noncovered sources were higher in January-March 2005 than in January-March 2004. In the aggregate, the average unit value of U.S. imports of stainless wire were $766 per short ton higher in January-March 2005 than during the comparable period in 2004.

Table STAINLESS IV-5
Stainless wire: U.S. imports, by sources, 2001-04, January-March 2004, and January-March 2005

	Calendar year				January-March	
Item	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
	Quantity *(short tons)*					
Covered sources	26,439	26,374	22,806	26,623	5,449	7,896
Noncovered sources	4,662	6,729	11,500	15,359	4,443	3,098
Total	31,101	33,103	34,306	41,982	9,892	10,995
	Landed, duty paid value *($1,000)*					
Covered sources	94,952	89,122	82,730	109,132	21,225	33,919
Noncovered sources	9,511	12,197	22,392	39,509	9,670	8,840
Total	104,463	101,319	105,122	148,641	30,896	42,759
	Unit value *(per short ton)*					
Covered sources	$3,591	$3,379	$3,628	$4,099	$3,895	$4,296
Noncovered sources	2,040	1,813	1,947	2,572	2,177	2,853
Total	3,359	3,061	3,064	3,541	3,123	3,889
	Share of quantity *(percent)*					
Covered sources	85.0	79.7	66.5	63.4	55.1	71.8
Noncovered sources	15.0	20.3	33.5	36.6	44.9	28.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Share of value *(percent)*					
Covered sources	90.9	88.0	78.7	73.4	68.7	79.3
Noncovered sources	9.1	12.0	21.3	26.6	31.3	20.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Ratio of imports to production *(percent)*					
Covered sources	90.4	82.3	73.8	72.8	55.7	107.3
Noncovered sources	15.9	21.0	37.2	42.0	45.4	42.1
Total	106.3	103.3	111.1	114.9	101.1	149.4

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table STAINLESS IV-6
Stainless wire: U.S. imports from covered sources, by tariff categories, 2002-03

* * * * * * *

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of stainless steel wire are presented in table STAINLESS IV-7.

Between 2001 (the year prior to the U.S. safeguard action) and 2003 (the final year in which increased tariffs were in effect), apparent U.S. consumption increased based on quantity and decreased based on value. The quantity of apparent U.S. consumption of stainless steel wire increased by 6.1 percent in 2002 and by 1.5 percent in 2003, while the value of apparent U.S. consumption decreased by 4.0 percent in 2002 and increased by 0.4 percent in 2003. The increase in quantity in 2002 reflected an increase in U.S. producers' U.S. shipments as well as an increase in imports from noncovered sources.

The increase in quantity in 2003 reflected an increase in imports from noncovered sources. Imports from noncovered sources increased by a quantity greater than the decrease in covered imports in both 2002 and 2003. As a result, U.S. producers' market share decreased modestly by quantity and by value in both 2002 and 2003.

Between 2003 and 2004 (the year following the removal of the increased tariffs), apparent U.S. consumption of stainless steel wire increased by 18.9 percent based on quantity and by 34.5 percent based on value. An increase in U.S. producers' U.S. shipments and an increase in total imports accounted for the increase in apparent U.S. consumption based on quantity in 2004. The quantity of imported stainless steel wire from covered sources reached the same quantity in 2004 as in 2001. In terms of quantity, U.S. producers' market share decreased by 1.6 percentage points from 2003 to 2004 whereas, by value, U.S. producers' market share declined by 2.4 percentage points over this period.

Table STAINLESS IV-7
Stainless wire: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2001-04, January-March 2004, and January-March 2005

Item	Calendar year				January-March	
	2001	2002	2003	2004	2004	2005
	Quantity *(short tons)*					
U.S. producers' U.S. shipments	28,146	29,756	29,490	33,856	8,445	6,821
U.S. imports from:						
Covered sources	26,439	26,374	22,806	26,623	5,449	7,896
Noncovered sources	4,662	6,729	11,500	15,359	4,443	3,098
Total U.S. imports	31,101	33,103	34,306	41,982	9,892	10,995
Apparent U.S. consumption	59,247	62,859	63,796	75,837	18,337	17,816
	Value *($1,000)*					
U.S. producers' U.S. shipments	131,565	125,343	120,574	154,829	35,990	36,321
U.S. imports from:						
Covered sources	94,952	89,122	82,730	109,132	21,225	33,919
Noncovered sources	9,511	12,197	22,392	39,509	9,670	8,840
Total U.S. imports	104,463	101,319	105,122	148,641	30,896	42,759
Apparent U.S. consumption	236,028	226,662	225,696	303,470	66,886	79,080
	U.S. market share based on quantity *(percent)*					
U.S. producers' U.S. shipments	47.5	47.3	46.2	44.6	46.1	38.3
U.S. imports from:						
Covered sources	44.6	42.0	35.7	35.1	29.7	44.3
Noncovered sources	7.9	10.7	18.0	20.3	24.2	17.4
Total U.S. imports	52.5	52.7	53.8	55.4	53.9	61.7
	U.S. market share based on value *(percent)*					
U.S. producers' U.S. shipments	55.7	55.3	53.4	51.0	53.8	45.9
U.S. imports from:						
Covered sources	40.2	39.3	36.7	36.0	31.7	42.9
Noncovered sources	4.0	5.4	9.9	13.0	14.5	11.2
Total U.S. imports	44.3	44.7	46.6	49.0	46.2	54.1

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

In January-March 2005 (the final period covered by the safeguard action), the quantity of apparent U.S. consumption of stainless steel wire was 2.8 percent lower than during January-March 2004, while the value of apparent U.S. consumption was 18.2 percent higher. The domestic industry's share of the U.S. market was 7.8 percentage points lower by quantity and 7.9 percentage points lower by value in January-March 2005 than in January-March 2004. Import market share, conversely, was higher in January-March 2005 than in January-March 2004, as imports from covered sources increased and imports from noncovered sources decreased as a share of the U.S. market.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

U.S. stainless wire producers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005 (table STAINLESS IV-8).

The three factors rated most important by U.S. stainless wire producers from March 2002 to December 2003 were: changes in the cost of raw materials, changes in the level of competition from imports from excluded countries, and changes in U.S. production capacity. The four factors rated most important by stainless wire producers from January 2004 to March 2005 were: changes in the cost of raw materials, changes in the level of competition from imports from excluded countries, changes in the level of competition from imports from non-excluded countries, and changes in competition between domestic producers.[8]

[8] Apparent U.S. consumption of stainless wire increased by 28.0 percent from 2001 to 2004 (table STAINLESS IV-7). Manufacturers' shipments of metalworking machinery, a proxy variable for downstream stainless wire demand, increased by 19.9 percent during the period for which data were collected (table OVERVIEW II-1). From the first quarter of 2001 and the first quarter of 2003, the value of U.S. manufacturers' shipments of metalworking machinery dropped 14.9 percent, and then rebounded in 2004 and the first quarter of 2005.

Nickel prices increased by 131.4 percent during the period for which data were collected (figure OVERVIEW II-13). U.S. stainless wire producers' capacity increased by 13.9 percent from 2001 to 2004, and capacity utilization increased from 48.7 percent in 2001 to 61.4 percent in 2004 (table STAINLESS IV-3).

Table STAINLESS IV-8
Stainless wire: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel from March 2002 to December 2003 and from January 2004 to March 2005

Item	March 2002 to December 2003				January 2004 to March 2005			
	Importance[1]	Influence of factors[2]			Importance[1]	Influence of factors[2]		
	Ranking	I	N	D	Ranking	I	N	D
Changes in the cost of raw materials	1.4	5	1	1	1.1	6	1	0
Changes in the level of competition from imports from excluded countries	1.5	3	4	0	1.5	3	4	0
Changes in the level of competition from imports from non-excluded countries	1.8	1	4	2	1.8	3	3	1
Changes in competition between U.S. producers	1.8	2	5	0	1.8	1	4	2
Changes in demand for steel within the United States	2.7	1	4	2	1.9	5	2	0
Changes in energy costs	2.9	3	4	0	2.1	7	0	0
Changes in U.S. production capacity	1.7	1	5	1	2.1	4	1	2
Changes in the productivity of domestic producers	2.2	1	5	1	2.3	5	2	0
Changing market patterns	2.8	0	6	1	2.4	3	2	2
Changes in transportation/delivery cost changes	3.0	1	6	0	2.7	5	2	0
Changes in demand for steel outside the United States	3.0	2	4	1	2.7	4	3	0
Changes in labor agreements, contracts, etc.	3.0	1	6	0	3.0	1	6	0
Changes in the level of competition from substitute products	3.0	1	6	0	3.0	1	6	0
Changes in the allocation of production capacity to alternate products	3.7	0	7	0	3.7	0	7	0

[1] The numbers in this column represents the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance based on the responses for the period from January 2004 to March 2005.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel in the specified time period.

Note.–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing Practices

Nearly all responding U.S. stainless wire producers in the current evaluation reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 2002. Two producers reported implementing surcharges for rising raw material costs. Nearly all responding U.S. stainless wire producers reported that there was no change in the share of their sales that is on a contract vis-a-vis a spot basis. One producer reported fewer contracts from January 2004 to March

2005 over the previous period, due to rising raw material costs.[9] Five of seven U.S. stainless wire producers reported that contract prices tend to follow a similar trend as spot prices, although one noted that contract prices tended to lag spot prices.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' sales of the following stainless wire product during January 2001-March 2005:[10]

> ***Product 14*–Grade 302 HQ cold-heading stainless steel round wire, 0.099 to 0.127 inch (2.515 to 3.226 mm) in diameter annealed.** This specialty product is designed to be easily headed, threaded, formed, bent or machined. It is used to produce self-tapping screws, set screws, rivets, and specialized fasteners.

Reported pricing data accounted for *** of the quantity of U.S. producers' U.S. commercial shipments of stainless wire reported during the period for which data were collected.[11]

Weighted-average prices and quantities sold of U.S.-produced stainless wire products are shown in table STAINLESS IV-9 and in figure STAINLESS IV-2. A summary of the price data is shown in table STAINLESS IV-10.

Quarterly prices for the domestically produced stainless wire product for which the Commission collected pricing data generally decreased from January 2001 through third quarter 2002, decreasing by *** percent from first quarter 2001 to first quarter 2002. The weighted-average sales price fluctuated from the third quarter 2002 to first quarter 2005, with prices reaching their highest level since the first and second quarters of 2001 in the first quarter of 2005. Prices decreased by *** percent over the entire period, as they never fully recovered to the levels achieved in early 2001.

Table STAINLESS IV-9
Stainless wire: Weighted-average price and quantity data for U.S.-produced product 14, by quarters, January 2001-March 2005

* * * * * * *

Figure STAINLESS IV-2
Stainless wire: Weighted-average f.o.b. prices of domestic product 14, January 2001-March 2005

* * * * * * *

Table STAINLESS IV-10
Stainless wire: Changes in quarterly prices of domestic product 14

* * * * * * *

[9] U.S. steel consumers also reported that, beginning in the fourth quarter of 2004, buyers resisted longer-term contracts as they believed the high prices of that period were not sustainable. U.S. Steel Consumers' posthearing brief, p. 20.

[10] Pricing data as presented here for January 2001 through December 2002 are the data collected under the monitoring investigation. Pricing data for January 2003 through March 2005 were collected separately under the current evaluation.

[11] *** U.S. producers provided pricing data for product 14. Not all producers provided pricing for all quarters. Data points as reported by *** and *** were excluded as staff deemed them to be outliers.

PART V: ADJUSTMENT EFFORTS

Section 204(d) of the Trade Act of 1974 (19 U.S.C. § 2254 (d)) requires the Commission, following termination of a relief action, to evaluate the effectiveness of the action in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President in the report submitted to the Congress under section 203(b) of the Act. In doing so, the Commission examines whether the industry has satisfied its previous commitments, comparing the actions taken by workers and firms to the actions that were anticipated if relief were granted. This report considers these efforts in the context of the prevailing economic circumstances during the period of relief.

PROPOSED ADJUSTMENT PLANS

In the section 201 investigation, the domestic stainless steel bar and wire industries' adjustment plans reviewed by the Commission focused on substantial investments in their productive facilities to improve innovation, efficiency, product quality, and overall cost competitiveness. The industries also stated that they intended to develop new products and applications to increase demand for stainless steel bar and wire in a number of end-use applications. A summary of the types of actions contained in U.S. producers' proposed adjustment plans in the section 201 investigation is presented in table STAINLESS V-1.[1]

In the monitoring investigation, the Commission asked U.S. producers whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that, if relief were granted as a result of that investigation, their firm would make adjustments in their subject steel products operations that would permit them to compete more effectively with imports of subject steel products after relief expires. The firms' responses are presented at the end of Part V in table STAINLESS V-3.

[1] Also included in the table is the number of firms that stated they had no planned adjustments.

Table STAINLESS V-1
Stainless steel: Number of U.S. producers affirmatively reporting proposed adjustments in the section 201 investigation, by product group

Stainless bar	Stainless rod	Stainless wire
Number of reporting U.S. producers		
17	5	27
No reported adjustments		
7	2	15
Additional capital investment		
7	1	8
Further cost reductions		
1	1	0
Research & Development		
1	0	2
Increase production		
0	0	1
Utilization of e-commerce to reduce transaction costs or increase sales		
0	0	0
Develop new or innovative product lines		
2	0	0
Increase employee training		
2	0	0
Increase employment		
0	0	0
Relocation or closing of facility		
0	0	0

Source: *Steel: Investigation No. TA-201-73*, USITC Publication 3479, December 2001, table STAINLESS-110 at STAINLESS-91, compiled from data submitted in response to Commission questionnaires in that investigation.

SIGNIFICANCE OF RELIEF AND ECONOMIC CONDITIONS DURING ADJUSTMENT EFFORTS

The Commission asked U.S. producers to describe the significance of the safeguard measures imposed by the President effective on or after March 20, 2002, in terms of their effect on the domestic firms' operations in the following categories:

(a) Production capacity, production, shipments, inventories, and employment.

(b) Return on investment, ability to generate capital to finance the modernization of domestic plant(s) and equipment, or ability to maintain existing levels of expenditures for research and development.

(c) Changes in collective bargaining agreements.

Firms were asked to compare their operations during the tariff-rate quota and increased import duties (March 2002-December 2003) and after the termination of the tariff-rate quota and increased import duties but while import monitoring remained in place (January 2004-March 2005). Additionally, firms were asked to explain how they have separated the effects of section 203 relief from the effects of other factors, such as closure or re-opening of domestic production facilities, changes in demand, exchange rate changes, or antidumping and countervailing duties. The responses of firms are presented individually at the end of Part V in table STAINLESS V-3 (Part B).

Firms responding affirmatively were specifically asked whether there were any reported planned adjustment actions that they had not implemented, and if so, the reason(s) why specific adjustment actions have not been implemented. The firms' responses are presented in table STAINLESS V-3 (Part A).

POST-RELIEF EFFORTS

The Commission asked U.S. producers to indicate whether they had undertaken any efforts to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:[2]

1. Any efforts which have been made by firms and/or their workers since March 20, 2002, to compete more effectively,

2. The period (month(s) and year(s)) in which the efforts were made,

3. The expenditure or savings involved, as applicable, and

4. The effectiveness of efforts, including any competitive advantage acquired (i.e., increased production, cost reduction, quality improvement, increased market share or sales, etc.).

In addition, if firms felt that any of these efforts were made primarily to compete with sales of imported subject steel products, they were instructed to so indicate and to give the reasons in support of their beliefs. To the extent possible, firms were asked to furnish the Commission with memoranda, studies, or other documentation which indicate that such competitive efforts were undertaken primarily against imports of subject steel. A summary of U.S. producers' reported actual adjustments is presented in table STAINLESS V-2 and the responses of the individual firms are presented at the end of Part V in table STAINLESS V-3 (Part C).

Parties to this evaluation provided written comments on firms' efforts to effect positive adjustment under the safeguard action in pre- and post-hearing briefs filed with the Commission. Comments filed by the Domestic Stainless Steel Long Products Industry ("DSSLP" industry)[3] (represented by the law firm Collier Shannon Scott), indicate that DSSLP producers were able to effectuate some positive adjustment under the steel safeguard measures instituted in March of 2002, but that the early termination of the tariff component of these measures limited the ability of such firms to

[2] Categories on which producers were asked to comment were: investments made; capacity reductions; cost reductions with existing equipment; diversifications/expansions; mergers and consolidations; new products developed or new applications for existing products; organizational changes; changes in production practices; efforts to secure raw materials; marketing changes in U.S. and foreign markets; employee reductions; changes in pension liabilities, healthcare, and union contracts; and, all other efforts made by firm or workers to compete.

[3] DSSLP members include Carpenter Technology Corporation, Crucible Specialty Metals, and Electralloy Corporation. The Commission received questionnaire responses from each of these DSSLP industry members.

complete scheduled adjustments.[4] DSSLP producers were able to fund several capital investment projects, cut overhead and manufacturing costs, fund R&D projects, introduce new production lines, increase productivity, reduce average unit costs, and increase employee training under the import relief.[5] However, DSSLP producers, they contend, would have been able to adjust to import competition more effectively had (i) the tariff component of the safeguard measures not been removed in December 2003, (ii) the tariffs for the stainless steel industry been higher, (iii) India not been excluded from increased tariffs, and (iv) certain stainless long products not been excluded.[6]

[4] DSSLP Industry, *Steel: Evaluation of the Effectiveness of Import Relief*, prehearing brief, p. 1.

[5] Ibid., pp. 1, 6.

[6] Ibid., pp. 2-5.

Table STAINLESS V-2
Stainless steel: Number of U.S. producers affirmatively reporting actual adjustments in the section 204 investigation, by product group

Stainless bar	Stainless rod	Stainless wire
Number of U.S. producers reporting adjustments		
6	4	5
Investments made		
5	3	2
Capacity reductions		
0	0	1
Cost reductions with existing equipment		
4	2	2
Diversifications/expansions		
1	0	1
Mergers and consolidations		
0	0	2
New products developed or new applications for existing equipment		
3	1	1
Organizational changes		
2	1	3
Changes in production practices		
2	2	1
Secure raw materials		
0	1	0
Marketing changes (U.S. and foreign markets)		
1	0	0
Employee reductions		
2	1	2
Changes in pension liabilities, healthcare, and union contracts		
1	0	0
All other efforts made by firm or workers		
1	1	1

Source: Compiled from data submitted in response to Commission questionnaires.

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) the significance of the section 203 relief on their firm's operations, and (2) the efforts they have undertaken to compete more effectively in the U.S. market. The responses of firms are presented in the following table STAINLESS V-3.

Table STAINLESS V-3
Stainless steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
Carpenter Technology	**X**			*******	*******
A	***				
B	*** ***				
C	**Cost reductions:** Calendar year 2001 was a turning point in demand for many of the products produced by Carpenter given the rapid reduction in demand for many of the key end-use markets served by Carpenter. September 11th was a key event that started a decline in demand. Carpenter Technology focused many resources on reducing manufacturing costs. Carpenter initiated numerous variation reduction programs employing six sigma and continuous improvement methods. We trained personnel to evaluate approaches to be more cost effective in our manufacturing process. Numerous teams were put in place, and continue to be in place today, that focus on eliminating waste, improving yields, streamlining processes with the goal of improving the quality in our manufacturing facilities. **New products or applications:** Even though the economy was soft, Carpenter continued to commit R&D funds to evaluate opportunities for new products or product enhancements. R&D expenditures for FY 2001 through FY 2004, were $14.7 million, $12.9 million, $11.7 million, $10.8 million, respectively. Carpenter's product focus is developing, manufacturing and supplying specialty steel products. These tend to be higher-valued added products specifically designed with unique properties to handle complex environments. The goal is to provide 10% of SAO's revenue from products commercialized in the last five years. **Organizational changes/employee reductions:** Carpenter realigned its Specialty Alloys Operations into Business Units and reduced its salary and manufacturing personnel by ~30%. **Changes in production practices:** Selected variation reduction and six sigma projects identified more effective/efficient methods to manufacture products. These practices continue to be employed today with the intent of identifying the most cost-effective method to produce our products.					
Charter Manufacturing	**X**			*******	*******
A	—				
B	***				
C	**Investments made:** Charter has spent in excess of $2 million on stainless specific investments during the specified time from. These investments included both specific for the rod mill such as laying head systems, guides, rollers, scrap segregation systems, technical agreements, while on the processing side an acid recovery system and waste water system. These investments have been made to produce the highest quality, lowest cost rod available in the U.S. market, thus competing with both imported and domestically produced stainless steel rod.					
Crucible Specialty Metals	**X**			*******	*******
A	***				
B	*** *** ***				
C	**Investments made:** Crucible Specialty Metals on a continuing basis, upgrades the existing equipment. In addition, capacity is being expanded selectively with new equipment to compete more effectively in our areas of strength. **Cost reductions:** Through an existing cost reduction and continuous improvement system, annual goals are set and measured. The focus is improved yield and higher throughput. **Organizational changes:** Crucible Materials Corporation reorganized in 2002, in order to centralize the reporting and to reduce the required overhead. What was once a decentralized divisional structure has evolved into a centralized organization with business units that report through functional disciplines across the organization. **Employee reduction:** As a result of the 2002 reorganization, the required overhead (primarily management employees) has been reduced by 15-20%. Production worker count will vary with the production volume, but through cost reductions and improved throughput, output per production worker has increased by 10-15%. **Pensions, healthcare and union contracts:** Pension waivers were granted by the PBGC for 2003 for both the management and union pension plans. Starting 2004, the management pension plan was frozen, and the required healthcare contributions were increased. In addition, a four year extension to the existing USWA contract was signed in 2005 with minimal cost increases.					

Table continued next page. See footnote at end of table.

Table STAINLESS V-3 – *Continued*
Stainless steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments	Adjustment plans submitted during 201 investigation: Yes	No	Not known	Has firm undertaken efforts to compete more effectively: Yes	No
Electralloy	X			***	***
A	***				
B	—				
C	**Investments made:** Electralloy will add a 15,000 square foot building addition to the existing three-furnace, 2-VAR (Vacuum Arc Remelt), 1-ESR (Electroslag Remelt) facility. The additional capacity enables us to provide customers shorter lead times, while allowing us to supply additional grades previously not available due to capacity constraints. Anticipated commissioning date for new VAR melt furnace is October 2005. We also purchased and installed a 40" x 40" Hyd Mech Band Saw and handling tables and an additional heat treat furnace. We also added salary, technical and hourly personnel. **Cost reductions:** Electralloy will expand AOD refining capabilities by upgrading their "A" - AOD unit to match the flexibility and tonnage capacity of the current "B" -AOD unit. Both will have the flexibility to refine 18, 22 or 30 ton heats. The upgrade, scheduled for plant shutdown in July, will allow additional tonnage to be produced while retaining the flexibility to produce smaller custom refined heats. Electralloy developed aggressive marketing programs to reduce inventory and lead times. **New products or applications:** Electralloy worked with several OEM's and distributors to develop new product forms and increased mechanical properties for sailboat rigging, oil field and aerospace applications. Electralloy acquired NADCAP accreditation for our laboratory.				
Ergste Westig		X		***	***
A	—				
B	*** ***				
C	—				
Handy and Harman		X		***	***
A	—				
B	—				
C	—				
Loos & Co.	X			***	***
A	***				
B	—				
C	—				
North American Stainless		X		***	***
A	—				
B	***				
C	—				
Outokumpu Stainless		X		***	***
A	—				
B	*** ***				
C	—				
Sandvik Materials Technology		X		***	***
A	—				
B	*** ***				
C	—				

Table continued next page. See footnote at end of table.

Table STAINLESS V-3 – *Continued*
Stainless steel: Comments of U.S. producers

LEGEND

A = Comments of U.S. producers regarding their original section 201 adjustment plans (from monitoring investigation)
B = Comments of U.S. producers on the significance of the President's section 203 relief on their operations
C = Comments of U.S. producers on their efforts to compete more effectively in the U.S. market

Firm/products/comments		Adjustment plans submitted during 201 investigation			Has firm undertaken efforts to compete more effectively	
		Yes	No	Not known	Yes	No
Sumiden Wire Products		**X**			***	***
A	—					
B	*** ***					
C	**Mergers and Consolidations:** Purchased outside sales group in order to save commission charges.					
Valbruna Slater Stainless		**X**			***	***
A	—					
B	***					
C	—					
Ulbrich Stainless Steel & Specialty Metals				**X**	***	***
A	—					
B	—					
C	—					
Universal Stainless		**X**			***	***
A	***					
B	*** ***					
C	**Investments made:** Capital expenditures follows profitability.					
Wire Industries Inc.				**X**	***	***
A	—					
B	***					
C	—					

[1] All reported efforts to compete are presented below. For all other categories, firm either answered "NA," "None," or did not respond.

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX A

FEDERAL REGISTER NOTICES

Table A-1
***Federal Register* notices regarding the section 203 safeguard measures[1]**

Date	*Federal Register* citation	Title	Description
March 7, 2002	67 FR 10553	Presidential Proclamation 7529– To Facilitate Positive Adjustment to Competition From Imports of Certain Steel Products	Announcement of the section 203 remedy; identification of products and countries covered by the relief; and list of initial products excluded from relief
March 7, 2002	67 FR 10593	Presidential Memorandum of March 5, 2002–Action Under Section 203 of the Trade Act of 1974 Concerning Certain Steel Products	Memorandum for the Secretary of the Treasury, the Secretary of Commerce, and the United States Trade Representative
March 19, 2002	67 FR 12635	Technical Corrections to the Harmonized Tariff Schedule of the United States	Corrects several inadvertent errors and omissions in the Annex to Presidential Proclamation 7529 of March 5, 2002 (67 FR 10553) so that the intended tariff treatment is provided
June 4, 2002	67 FR 38541	Technical Corrections to the Harmonized Tariff Schedule of the United States	Corrects several inadvertent errors and omissions in the Annex to Presidential Proclamation 7529 of March 5, 2002 (67 FR 10553) so that the intended tariff treatment is provided
July 12, 2002	67 FR 46221	Exclusion of Particular Products from Actions under Section 203 of the Trade Act of 1974 With Regard to Certain Steel Products; Conforming Changes and Technical Corrections to the Harmonized Tariff Schedule of the United States	USTR's determination that particular products should be excluded from actions under section 203 with regard to certain steel products
August 30, 2002	67 FR 56182	Exclusion of Particular Products From Actions Under Section 203 of the Trade Act of 1974 With Regard to Certain Steel Products; Conforming Changes and Technical Corrections to the Harmonized Tariff Schedule of the United States	USTR's determination that particular products should be excluded from actions under section 203 with regard to certain steel products
November 14, 2002	67 FR 69065	Technical Corrections to the Harmonized Tariff Schedule of the United States	Corrects several inadvertent errors and omissions in the Annex to Presidential Proclamation 7529 of March 5, 2002 (67 FR 10553) so that the intended tariff treatment is provided
February 11, 2003	68 FR 6982	Technical Corrections to the Harmonized Tariff Schedule of the United States	Corrects several inadvertent errors and omissions in the Annex to Presidential Proclamation 7529 of March 5, 2002 (67 FR 10553) so that the intended tariff treatment is provided
March 14, 2003	68 FR 12380	Institution and scheduling of an investigation under section 204(a) of the Trade Act of 1974 (19 U.S.C. 2254(a)) (the Act)	USITC's institution of the investigation for the purpose of preparing the report to the President and the Congress as required by section 204 (a)(2) of the Trade Act of 1974
March 31, 2003	68 FR 15494	Exclusion of Particular Products From Actions Under Section 203 of the Trade Act of 1974 With Regard to Certain Steel Products; Conforming Changes and Technical Corrections to the Harmonized Tariff Schedule of the United States	USTR's determination that particular products should be excluded from actions under section 203 with regard to certain steel products

Table continued on next page.

Table A-1-- *Continued*
***Federal Register* notices** regarding the section 203 safeguard measures[1]

April 16, 2003	68 FR 18672	Revised schedule for the subject investigation	USITC's revision of the hearing dates and brief deadlines for the subject investigation
June 9, 2003	68 FR 34462	Technical Corrections to the Harmonized Tariff Schedule of the United States	Corrects several inadvertent errors and omissions in the Annex to Presidential Proclamation 7529 of March 5, 2002 (67 FR 10553) so that the intended tariff treatment is provided

[1] Relevant Federal Register notices issued since the monitoring report are presented in this appendix.

Source: Various *Federal Register* notices.

Federal Register
Vol. 68, No. 235
Monday, December 8, 2003

Presidential Documents

Title 3—

The President

Proclamation 7741 of December 4, 2003

To Provide for the Termination of Action Taken With Regard to Imports of Certain Steel Products

By the President of the United States of America

A Proclamation

1. Proclamation 7529 of March 5, 2002, implemented actions (safeguard measures) of a type described in section 203(a)(3)(A) and (B) of the Trade Act of 1974, as amended (19 U.S.C. 2253(a)(3)(A) and (B)) (the ''Trade Act''), with respect to imports of certain flat steel (consisting of slabs, plate, hot-rolled steel, cold-rolled steel, and coated steel), hot-rolled bar, cold-finished bar, rebar, certain welded tubular products, carbon and alloy fittings, stainless steel bar, stainless steel rod, tin mill products, and stainless steel wire, as defined in paragraph 7 of Proclamation 7529 (collectively, ''certain steel products'').

2. In Proclamation 7529 and Proclamation 7576 of July 3, 2002, I authorized the United States Trade Representative (USTR) to further consider any request for exclusion of a particular product and upon finding that a particular product should be excluded, to modify the provisions of the Harmonized Tariff Schedule of the United States (HTS) created by the Annex to Proclamation 7529 to exclude such particular product from the pertinent safeguard measure established in Proclamation 7529. Pursuant to that authorization, the USTR published four notices of exclusions of products from the safeguard measures in the **Federal Register** at 67 Fed. Reg. 16484 (April 5, 2002), 67 Fed. Reg. 46221 (July 12, 2002), 67 Fed. Reg. 56182 (August 30, 2002), and 68 Fed. Reg. 15494 (March 31, 2003). The USTR also published notice in the **Federal Register** of technical corrections to that Annex.

3. In a Memorandum of March 5, 2002 (67 Fed. Reg. 10593), pursuant to section 203(a)(3)(I) of the Trade Act (19 U.S.C. 2253(a)(3)(I)), I instructed the Secretary of the Treasury and the Secretary of Commerce to establish a system of import licensing to facilitate the monitoring of imports of certain steel products. To provide for efficient and fair administration of this action, pursuant to section 203(g) of the Trade Act, I instructed the Secretary of Commerce to publish regulations in the **Federal Register** establishing such a system of import licensing (the ''Licensing System''). Those regulations were published on December 31, 2002, at 67 Fed. Reg. 79845.

4. Section 204(a) of the Trade Act (19 U.S.C. 2254(a)) requires the United States International Trade Commission (ITC) to monitor developments with respect to the domestic industry while action taken under section 203 remains in effect. If the initial period of a safeguard action exceeds 3 years, then the ITC must submit to the President a report on the results of such monitoring not later than the date that is the mid-point of the initial period of the safeguard action. The ITC report in Investigation Number TA–204–9 was submitted on September 19, 2003.

5. Section 204(b)(1)(A) of the Trade Act (19 U.S.C. 2254(b)(1)(A)) authorizes the President to reduce, modify, or terminate a safeguard action if, after taking into account any report or advice submitted by the ITC and after seeking the advice of the Secretary of Commerce and the Secretary of Labor, he determines that changed circumstances warrant such reduction, modification, or termination. The President's determination may be made, *inter alia*,

on the basis that the effectiveness of the action taken under section 203 has been impaired by changed economic circumstances.

6. In view of the information provided in the ITC report, and having sought advice from the Secretary of Commerce and the Secretary of Labor, I determine that the effectiveness of the actions taken under section 203(a)(3)(A) and (B) of the Trade Act with respect to imports of certain steel products and the exclusions from and technical corrections to the coverage of Proclamation 7529 has been impaired by changed economic circumstances. Accordingly, I have determined, pursuant to section 204(b)(1)(A)(ii), that termination of the actions taken under section 203(a)(3)(A) and (B) set forth in Proclamation 7529 taken with respect to certain steel imports is warranted. The action taken under section 203(a)(3)(I) set forth in the Memorandum of March 5, 2002, requiring the licensing and monitoring of imports of certain steel products remains in effect and shall not terminate until the earlier of March 21, 2005, or such time as the Secretary of Commerce establishes a replacement program.

7. Section 604 of the Trade Act (19 U.S.C. 2483) authorizes the President to embody in the HTS the substance of the relevant provisions of that Act, and of other acts affecting import treatment, and actions thereunder, including the removal, modification, continuance, or imposition of any rate of duty or other import restriction.

NOW, THEREFORE, I, GEORGE W. BUSH, President of the United States of America, acting under the authority vested in me by the Constitution and the laws of the United States of America, including, but not limited to sections 204 and 604 of the Trade Act and section 301 of title 3, United States Code, do proclaim that:

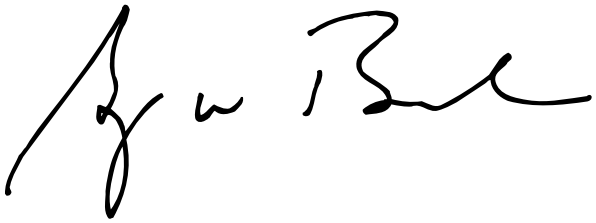
(1) The HTS is modified as provided in the Annex to this proclamation.

(2) The United States Trade Representative is authorized, upon his determination that the Secretary of Commerce has established a replacement program pursuant to paragraph 6 of this proclamation, to terminate the action under section 203(a)(3)(I) of the Trade Act set forth in the Memorandum of March 5, 2002, and the Licensing System and to publish notice of this determination and action in the **Federal Register**.

(3) Any provisions of previous proclamations and Executive Orders that are inconsistent with the actions taken in this proclamation are superseded to the extent of such inconsistency.

(4) The modifications to the HTS made by this proclamation shall be effective with respect to goods entered, or withdrawn from warehouse for consumption, on or after 12:01 a.m., eastern standard time, December 5, 2003.

IN WITNESS WHEREOF, I have hereunto set my hand this fourth day of December, in the year of our Lord two thousand three, and of the Independence of the United States of America the two hundred and twenty-eighth.



Billing code 3195–01–P

DEPARTMENT OF COMMERCE

International Trade Administration

19 CFR Part 360

[Docket Number: 040305083–5052–02]

RIN 0625–AA64

Steel Import Monitoring and Analysis System

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Interim final rule.

SUMMARY: The Department of Commerce publishes this interim final rule to implement a Steel Import Monitoring and Analysis (SIMA) System, originally outlined in the President's March 5, 2002, Proclamation on Steel Safeguards.[1] SIMA, as fully implemented by this interim final rule, contains modifications made in light of comments received in response to an Advanced Notice of Proposed Rulemaking (ANPRM) published on August 25, 2004.

DATES: This interim final rule is effective March 11, 2005. Modifications to SIMA, as stated in Annexes II and III will be implemented on June 9, 2005. Comments on the SIMA system must be submitted on or before 5 p.m. e.s.t., May 10, 2005.

Paperwork Reduction Act: Comments regarding the information collection requirements must be submitted to Diana Hynek, Departmental Paperwork Officer, on or before 5 p.m., e.s.t., May 10, 2005.

ADDRESSES: Comments on the SIMA system may be submitted through any of the following:

- Mail: Kelly Parkhill, Director for Industry Support and Analysis, Import Administration, Room 3713, Department of Commerce, 14th and Constitution Ave., NW., Washington, DC 20230.
- E-mail: *steel_license@ita.doc.gov.* Please state ''Comments on the Interim final rule'' in the subject line.
- Federal e-Rulemaking portal: *http://www.regulations.gov.*

Paperwork Reduction Act: Comments regarding the information collection should be sent to Diana Hynek, Departmental Paperwork, Clearance Officer, Department of Commerce, Room 6625, 14th and Constitution Ave., NW., Washington, DC 20230 or via the Internet at *dHynek@doc.gov.*

FOR FURTHER INFORMATION CONTACT: For information on the SIMA system, please contact Kelly Parkhill (202) 482–3791; Julie Al-Saadawi (202) 482–1930.

Paperwork Reduction Act: Requests for additional information on the collection of information, or copies of the information collection instrument and instructions should be directed to: William Franklin, Office of Finance, Room 1800A, U.S. Department of Commerce, 14th and Constitution Ave., NW., Washington, DC 20230; Phone Number: (202) 482–3277.

SUPPLEMENTARY INFORMATION: On December 31, 2002, the Department of Commerce published its final rule on the implementation of the current steel import monitoring system (67 FR 79845). This system was initiated in connection with the implementation of safeguard measures with respect to certain steel products pursuant to section 203 of the Trade Act of 1974 (67 FR 10593). The effective date of the system was February 1, 2003. On December 4, 2003, the President issued a proclamation that terminated the steel safeguard measures, but also directed the Secretary of Commerce to continue the monitoring system until the earlier of March 21, 2005, or such time as the Secretary of Commerce establishes a replacement program. On December 9, 2003, the Department of Commerce published a notice stating that the system would continue in effect as described in the Proclamation until March 21, 2005 (68 FR 68594).

The purpose of the SIMA system is to provide steel producers, steel consumers, importers, and the general public with accurate and timely information on anticipated imports of certain steel products. Currently, the SIMA system requires licenses for imports of certain steel products that were formerly covered under the President's safeguard action. Details of the current system can be found in the final rule (19 CFR 360) published on December 31, 2002 (67 FR 79845).

On August 25, 2004, the Department published an advanced notice of proposed rulemaking soliciting comments from the public on whether to continue the current system beyond its expiration date of March 21, 2005 (69 FR 52211) and, if extended, whether the system should be modified in any way. The Department received 73 submissions from a wide range of interested parties, including steel producers, steel consumers, steel suppliers, and importers, as well as from Congressional and foreign interests. Please refer to the SIMA system's Web site to read comments on the ANPRM and for further information about the SIMA system: *http://ia.ita.doc.gov/steel/license/.*

Interim Final Rule

The purpose of the SIMA system is to collect timely detailed statistics on anticipated steel imports and to provide stakeholders with information about import trends in this sector. The SIMA system aggregates detailed import statistics it collects from internet-generated licenses and makes the data available for public analysis on a weekly basis. The data gathering procedure through the online licensing system would remain the same. The monitor would continue to display aggregate statistical tables and graphs of U.S. steel imports combining data from the Census Bureau with data collected from the licensing system. Slightly more detailed information would be displayed in tabular form only.

The Department is implementing the SIMA system, beyond its current expiration date, for a period of four years (*see* 19 CFR 360). The Department also is expanding the coverage of the system to include all basic steel mill

[1] Formerly, the Steel Import Licensing and Surge Monitoring System.

products. Further, the Department will release, detail on the monitoring Web site, aggregate licensing data at the 6-digit Harmonized Tariff Schedule (HTS) product level. At the same time, the Department is terminating licensing with respect to certain downstream steel products now covered, specifically, carbon and alloy flanges and pipe fittings.

Licensing will continue without interruption on those products covered under the current system (*see* Annex I). With respect to those basic steel mill products not covered by the current system licensing will not be implemented until June 9, 2005 to allow affected parties sufficient time to adapt to and implement the new requirements (*see* Annex II for the full list of product codes to be covered under the new system). Finally, termination of licensing for certain downstream products will not occur until June 9, 2005 (*see* Annex III for a list of product codes to be removed from the system).

The Department does not intend to release aggregate data at the port level because of concerns about the potential release of proprietary information. In addition, the Department intends to make no changes to the timing requirement for obtaining an import license and would continue with the current policy that requires a license at the time of Customs' entry summary, although applicants could apply for a license up to two months prior to the expected date of importation.

The Department intends to issue a final rule, responding to comments received on this interim final rule, before September 30, 2005.

Comments: Submissions received during the public comment period established in the advanced notice of proposed rulemaking have been considered in preparing this interim final rule. In all, 73 submissions were received from a wide range of sources. Nearly all of the comments were supportive of continuing the SIMA system beyond its expiration date as long as it continued to be done in such a way that did not impose an additional burden on trade. The comments are summarized below and listed in order of their frequency:

Comment 1: Extension of the SIMA System—The vast majority of the submissions supported extending the SIMA system beyond its current expiration date, with most suggesting that the program be made permanent. A few commenters stated that the current system should be allowed to expire because either it was (1) unnecessary and duplicative of other import data available to the U.S. government, or (2) a burden on importers and a possible violation of U.S. international obligations.

Response 1: The Department believes that the SIMA system is a critical trade monitoring program and is extending it for another four years under the authority of the Census Act of 1930. The current automatic licensing system is WTO-consistent, and the system will continue to function in a way designed to meet our international obligations. The Department believes that the SIMA system has proven useful to both steel producers and consumers, by providing the public with timely and accurate data on steel imports through a mechanism that imposes minimal burden on those subject to licensing requirements. Other import data collected by the United States cannot be made publicly available on as timely a basis as that collected under the SIMA system. In addition, the system will continue to be Web-based and accessible 24 hours a day, seven days a week, and at no charge, in order to minimize the burden on licensees.

Comment 2: Product Coverage—The Department encouraged parties to comment on the system's product coverage. Generally, the majority of comments, particularly those from the steel producers and suppliers, and those from Members of Congress and State/local governments, requested that the monitoring system be expanded to cover a broader range of steel products than is covered by the current system. Most suggested that the system cover basic steel mill products; however, more than half also suggested that the system should also include some combination of downstream steel products, such as fabricated structurals, wire rope, wire strand and other wire products (including in a few cases, garment hangers). Several consumer groups also suggested that steel exports be covered as well. Those opposed to extension of the program also opposed its expansion, while two other commenters that were not opposed to the extension of the current program stated that they did not support expanding the program because of concerns over potential additional burden or costs to importers.

Response 2: The current system covers all steel products that were subject to the section 203 safeguards remedies imposed by the President in March 2002. That product scope, which corresponds to those products subject to the U.S. International Trade Commission's affirmative injury determinations in the section 201 investigation, included certain, but not all, basic steel mill products as well as some downstream steel products. In order to improve the usefulness of the current system, the Department is modifying the system's product coverage to make it more closely correspond to other important publicly available steel trade data by expanding the system to cover basic steel mill products. The Department also will remove certain currently covered downstream steel products, specifically carbon and alloy flanges and pipe fittings, from the licensing requirements of the system because they are not basic steel mill products. While the expansion in product coverage to basic steel mill products will result in an increase in the number of licenses, the additional burden this imposes on importers will be limited by the importers' familiarity with the current system, the system's automatic nature and the fact that the Department would continue its policy of imposing no fee for obtaining the license. The elimination of certain downstream products from coverage will also help reduce the burden on importers given the large volume of licenses associated with these products. A full list of the product categories and HTS numbers to be covered by the new SIMA system is provided in Annex II.[2] A list of the product categories and HTS numbers to be removed from the SIMA system licensing requirements is provided in Annex III.

Comment 3: Changes to the Import Monitor—The advanced notice of proposed rulemaking asked parties to comment on possible modifications to the Import Monitor, particularly with respect to the presentation of more detailed product information. A number of the submissions commented specifically on increasing the level of product detail presented in the monitor. These commenters all requested that the system be altered such that it would report aggregate data by 10-digit HTS category, rather than by the more general product categories currently displayed. Several other commenters voiced concerns over the possibility that increased product detail could potentially reveal proprietary information.

Response 3: The Department will present aggregate data at the 6-digit HTS level. The Department, however, is

[2] Implementation of the new product coverage will not occur until 90 days after the publication of this notice in the **Federal Register** to allow affected parties sufficient time to adapt to and implement the new requirements. Until that time product coverage will remain the same as the previous system. Until that time, licenses will be required on all products listed in Annex I, including those products listed in Annex III which will be removed from the system at the same time, 90 days after publication of this notice, that the modified product scope is implemented.

reluctant to disaggregate data in any greater product detail than at the 6-digit HTS level because of the possibility of inadvertent release of proprietary information.

Comment 4: Port of entry—A number of commenters also suggested that the Department should aggregate data by port of entry.

Response 4: The dissemination of aggregate data on a port of entry basis greatly increases the possibility of inadvertent disclosure of proprietary information, particularly if product detail is increased to the 6-digit HTS level. The Department does not intend to publicly release aggregate port of entry data at this time.

Comment 5: Deadline for Obtaining a Steel Import License—A number of commenters suggested that the deadline for import licenses should be changed to require importers to obtain them earlier than they do now. One group of commenters suggested changing the current deadline to require that licenses be obtained by the time the steel products enter the country (*i.e.*, date of entry) and another group proposed that licenses must be obtained at least fifteen days prior to the date of entry. Other commenters noted that changes to the current deadline (*i.e.*, by the date of entry summary, which may be up to 10 days after the date of entry) could result in additional burdens to importers and possibly impede the flow of trade. In particular, one commenter noted that the special nature of U.S.-Canada trade must be recognized since a significant number of imports are delivered across the border on a just-in-time basis.

Response 5: The Department does not plan to change the existing deadline for the submission of licenses. For the considerable portion of the steel trade that comes across a land border, the requested license data may not be known prior to importation. Licensing deadlines concurrent with, or preceding, the date of importation have the potential for creating impediments to the normal flow of trade, particularly at those ports with high volumes of steel imports. Licenses will continue to be required at the time of entry summary, but may be obtained up to 60 days prior to the expected date of importation.

All comments responding to this notice will be a matter of public record and available for public inspection and copying at Import Administration's Central Records Unit, Room B–099, between the hours of 8:30 a.m. and 5 p.m. on business days.

Classification

Administrative Procedure Act. The Department finds good cause under 5 U.S.C. 553(b)(B) to waive the requirement for prior notice and an opportunity for public comment as such procedures would be contrary to the public interest. The current steel import licensing and monitoring system, which will expire on March 21, 2005, provides the steel industry with real-time information and detailed statistics on steel imports and import trends. The new Steel Import Monitoring System (SIMA) would replace the current system. As described in the preamble, SIMA, as implemented on the effective date of this interim final rule, would be identical to the current steel import monitoring and licensing system. Differences between the current system and SIMA would not be implemented until 90 days after the effective date of this rule, after a 60 day public comment period. As such, the SIMA system would continue to provide the public with timely and accurate data on steel imports through a mechanism that imposes minimal burden on those subject to the licensing requirements. The public has been given multiple opportunities to comment on implementation of this import licensing and monitoring system, and the overwhelming response from the public has been positive. Moreover, changes from the current system, made in response to comments previously received, would not be implemented until after the public has had an opportunity to comment.

The SIMA system must be implemented immediately to prevent a lapse in the import monitoring program. A lapse would subject importers to a severe disruption, creating confusion and uncertainty. Importers would be burdened with the uncertainty of not knowing whether they need to obtain an import license for their product. Importers would also have to change their import process until the SIMA system is implemented, at which time they would again have to change their import process to comply with the licensing requirements. Because this period of lapse would be brief, it would be difficult to determine the licensing requirements at any given time. In addition, this lapse would create unusual and confusing import transactions that would be difficult to resolve. For example, an importer could be faced with the situation where his transaction was initiated during the period when no import license was required, but completed during a time after the implementation of the SIMA system. To avoid such confusion and uncertainty, the SIMA system must be implemented immediately.

In addition, this data provides the industry with real-time information on anticipated steel imports, allowing importers to monitor steel import trends. If this rule is not implemented immediately, the data collected under this system would be less useful to the industry because the information collected during and shortly after the period of lapse would not be complete or accurate. In order to ensure the uninterrupted availability of timely and accurate import data, it is necessary to implement the SIMA system immediately. Finally, upon the effective date of this rule, importers would continue to provide information only on those products covered under the current system. Additional information requirements would not be implemented until 90 days after this rule is effective.

For the reasons above, the Department also finds good cause to waive the 30-day delay in effectiveness. 5 U.S.C. 553(d)(3). The SIMA system must be implemented immediately to prevent a lapse in the import monitoring program. As explained above, if the SIMA system is not implemented immediately, importers would be subject to a severe disruption, which would create confusion and uncertainty. In addition, if this rule is not implemented immediately, the data collected under this system would be less useful to the industry. Finally, the system that is implemented on the effective date of this rule is the same as the system that is currently in place.

Regulatory Flexibility Act. Because prior notice and an opportunity for public comment are not required for this rule under 5 U.S.C. 553, or any other law, the analytical requirements of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, are inapplicable. However, the Commerce Department believes this interim final rule will not have a significant economic impact. Companies are already familiar with the licensing of certain steel products under the current system. In most cases, brokerage companies will apply for the license for the steel importers. Most brokerage companies that are currently involved in filing documentation for importing goods into the U.S. are accustomed to Customs' automated systems. Today, more than 99% of the Customs filings are handled electronically. Therefore, the Web-based nature of this simple license application is not a significant obstacle to any firm in completing this requirement. However, should a company need to apply for an ID or license non-electronically, a fax/phone option will be available at Commerce during regular business hours. There is

no cost to register for a company-specific ID user code and no cost to file for the license. Each license form is expected to take less than 10 minutes to complete using much of the same information used to complete the Customs Entry Summary documentation. This is the one additional requirement of the importers' broker to fulfill U.S. entry requirements to import each covered steel product shipment. Commerce estimates that less than five percent of the licenses would be filed by brokerage companies or other businesses that would be considered small entities. Commerce estimates that about one percent, or $20,000, represents the amount that small entities will incur as a result of this interim final rule.

Paperwork Reduction Act. This interim final rule contains collection-of-information requirements subject to review and approval by OMB under the Paperwork Reduction Act (PRA). These requirements have been approved by OMB (OMB No.: 0625–0245; Expiration Date: 09/30/05). Public reporting for this collection of information is estimated to be less than 10 minutes per response, including the time for reviewing instructions, and completing and reviewing the collection of information. All responses to this collection of information are voluntary, and will be provided confidentially to the extent allowed by law.

Paperwork Reduction Act Data:

OMB Number: 0625–0245.

ITA Number: ITA–4141P.

Type of Review: Regular Submission.

Affected Public: Business or other for-profit.

Estimated Number of Registered Users: 3,500.

Estimated Time Per Response: less than 10 minutes.

Estimated Total Annual Burden Hours: 100,000 hours.

Estimated Total Annual Costs: $2,000,000.

Request for Comments: Comments are invited on (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden (including hours and costs) of the proposed collection information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or forms of information technology.

Comments regarding the information collection must be submitted on or before 5 p.m., E.S.T., May 10, 2005. All comments on the information collection will be summarized and/or included in the request for OMB approval of this information collection; they also will become a matter of public record.

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a current valid OMB Control Number. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Diana Hynek, Departmental Paperwork, Clearance Officer, Department of Commerce (*see* **ADDRESSES**).

Executive Order 12866

This rule has been determined to be significant for purposes of Executive Order 12866.

Executive Order 13132

This rule does not contain policies with federalism implications as that term is defined in EO 13132.

List of Subjects in 19 CFR Part 360

Administrative practice and procedure, Business and industry, Imports, Reporting and recordkeeping requirements, Steel.

■ For reasons discussed above, 19 CFR part 360 is revised to read as follows:

PART 360—STEEL IMPORT MONITORING AND ANALYSIS SYSTEM

Sec.

Authority: 13 U.S.C. 301(a) and 302.

§ 360.101 Steel import licensing.

(a) *In general.* (1) All imports of basic steel mill products are subject to the import licensing requirements. These products are listed in Annex II. Registered users will be able to obtain steel import licenses on the Steel Import Monitoring and Analysis (SIMA) System Web site. This Web site contains two sections related to import licensing—the online registration system and the automatic steel import license issuance system. Information gathered from these licenses will be aggregated and posted on the import monitoring section of the SIMA system Web site.

(2) A single license may cover multiple products as long as certain information on the license (*e.g.*, importer, exporter, manufacturer and country of origin) remains the same. However, separate licenses for steel entered under a single entry will be required if the information differs. As a result, a single Customs entry may require more than one steel import license. The applicable license(s) must cover the total quantity of steel entered and should cover the same information provided on the Customs entry summary.

(b) *Entries for consumption.* All entries for consumption of covered steel products, other than the exception for ''informal entries'' listed in paragraph (d) of this section, will require an import license prior to the filing of Customs entry summary documents. The license number(s) must be reported on the entry summary (Customs Form 7501) at the time of filing. There is no requirement to present physical copies of the license forms at the time of entry summary. However, copies must be maintained in accordance with Customs' normal requirements. Entry summaries submitted without the required license number(s) will be considered incomplete and will be subject to liquidated damages for violation of the bond condition requiring timely completion of entry.

(c) *Foreign Trade Zone entries.* All shipments of covered steel products into a foreign trade zones (FTZ), known as FTZ admissions, will require an import license prior to the filing of FTZ admission documents. The license number(s) must be reported on the application for FTZ admission and/or status designation (Customs form 214) at the time of filing. There is no requirement to present physical copies of the license forms at the time of FTZ admission; however, copies must be maintained in accordance with Customs' normal requirements. FTZ admission documents submitted without the required license number(s) will not be considered complete and will be subject to liquidated damages for violation of the bond condition requiring timely completion of admission. A further steel license will not be required for shipments from zones into the commerce of the United States.

(d) *Informal entries.* No import license shall be required on informal entries of

covered steel products, such as merchandise valued at less than $2,000. This exemption applies to informal entries only, imports of steel valued at less than $2,000 that are part of a formal entry will require a license. For additional information, refer to 19 CFR 143.21 through 143.28.

(e) *Other non-consumption entries.* Import licenses are not required on temporary importation bond (TIB) entries, transportation and exportation (T&E) entries or entries into a bonded warehouse. Covered steel products withdrawn for consumption from a bonded warehouse will require a license at the entry summary.

§ 360.102 Online registration.

(a) *In general.* (1) Any importer, importing company, customs broker or importer's agent with a U.S. street address may register and obtain the user identification number necessary to log on to the automatic steel import license issuance system. Foreign companies may obtain a user identification number if they have a U.S. address through which they may be reached; P.O. boxes will not be accepted. A user identification number will be issued within two business days. Companies will be able to register online through the SIMA system Web site. However, should a company prefer to apply for a user identification number non-electronically, a phone/fax option will be available at Commerce during regular business hours.

(2) This user identification number will be required in order to log on to the steel import license issuance system. A single user identification number will be issued to an importer, customs broker or importer's agent. Operating units within the company (*e.g.*, individual branches, divisions or employees) will all use the same basic company user identification code but can supply suffixes to identify the branches. The steel import license issuance system will be designed to allow multiple users of a single identification number from different locations within the company to enter information simultaneously.

(b) *Information required to obtain a user identification number.* In order to obtain a user identification number, the importer, importing company, customs broker or importer's agent will be required to provide general information. This information will include: the filer company name, employer identification number (EIN) or Customs ID number (where no EIN is available), U.S. street address, phone number, contact information and e-mail address for both the company headquarters and any branch offices that will be applying for steel licenses. It is the responsibility of the applicant to keep the information up-to-date. This information will not be released by Commerce, except as required by U.S. law.

§ 360.103 Automatic issuance of import licenses.

(a) In general. Steel import licenses will be issued to registered importers, customs brokers or their agents through an automatic steel import licensing system. The licenses will be issued automatically after the completion of the form.

(b) Customs entry number. Filers are not required to report a Customs entry number to obtain an import license but are encouraged to do so if the Customs entry number is known at the time of filing for the license.

(c) Information required to obtain an import license. (1) The following information is required to be reported in order to obtain an import license (if using the automatic licensing system, some of this information will be provided automatically from information submitted as part of the registration process):

(i) Filer company name and address;

(ii) Filer contact name, phone number, fax number and email address;

(iii) Entry type (*i.e.*, Consumption, FTZ)

(iv) Importer name;

(v) Exporter name;

(vi) Manufacturer name (filer may state ''unknown'');

(vii) Country of origin;

(viii) Country of exportation;

(ix) Expected date of export;

(x) Expected date of import;

(xi) Expected port of entry;

(xii) Current HTS number (from Chapters 72 or 73);

(xiii) Quantity (in kilograms) and

(xiv) Customs value (U.S. $).

(2) Certain fields will be automatically filled out by the automatic license system based on information submitted by the filer (*e.g.*, product category, unit value). Filers should review these fields to help confirm the accuracy of the submitted data.

(3) Upon completion of the form, the importer, customs broker or the importer's agent will certify as to the accuracy and completeness of the information and submit the form electronically. After refreshing the page, the system will automatically issue a steel import license number. The refreshed form containing the submitted information and the newly issued license number will appear on the screen (the ''license form''). Filers can print the license form themselves only at that time. For security purposes, users will not be able to retrieve licenses themselves from the license system at a later date for reprinting. If needed, copies of completed license forms can be requested from Commerce during normal business hours.

(d) *Duration of the steel import license.* The steel import license can be applied for up to 60 days prior to the expected date of importation and until the date of filing of the entry summary documents, or in the case of FTZ entries, the filing of Customs form 214. The steel import license is valid for 75 days; however, import licenses that were valid on the date of importation but expired prior to the filing of entry summary documents will be accepted.

(e) *Correcting submitted license information.* Users will need to correct licenses themselves if they determine that there was an error submitted. To access a previously issued license, a user must log on with his user identification code and identify the license number and the volume (in kilograms) for the first product shown on the license. The information on the license should match the information presented on the CF–7501 entry summary document as closely as possible; this includes the value and volume of the shipment, the expected date of importation, and the customs district of entry.

(f) *Low-value licenses.* There is one exception to the requirement for obtaining a unique license for each Customs entry. If the total value of the covered steel portion of an entry is less than $250, applicants may apply to Commerce for a low-value license that can be used in lieu of a single entry license for low-value entries.

§ 360.104 Steel import monitoring.

(a) Throughout the duration of the licensing requirement, Commerce will maintain an import monitoring system on the SIMA system Web site that will report certain aggregate information on imports of steel mill products obtained from the steel licenses. Aggregate data will be reported on a monthly basis by country of origin and steel mill product category and will include import quantity (metric tons), import Customs value (U.S. $), and average unit value ($/metric ton). The Web site will also contain certain aggregate data at the 6-digit Harmonized Tariff Schedule level and will also present a range of historical data for comparison purposes. Provision of this aggregate data on the Web site may be revisited should concerns arise over the possible release of proprietary data.

(b) Reported monthly import data will be refreshed each week with new data

on licenses issued during the previous week. This data will also be adjusted periodically for cancelled or unused steel import licenses, as appropriate.

§ 360.105 Duration of the steel import licensing requirement.

The licensing program will be in effect through March 21, 2009, but may be extended upon review and notification in the **Federal Register** prior to this expiration date. Licenses will be required on all subject imports entered during this period, even if the entry summary documents are not filed until after the expiration of this program. The licenses will be valid for 10 business days after the expiration of this program to allow for the final filing of required Customs documentation.

§ 360.106 Fees.

No fees will be charged for obtaining a user identification number, issuing a steel import license or accessing the steel import surge monitoring system.

§ 360.107 Hours of operation.

The automatic licensing system will generally be accessible 24 hours a day, 7 days a week but may be unavailable at selected times for server maintenance. If the system is unavailable for an extended period of time, parties will be able to obtain licenses from Commerce directly via fax during regular business hours. Should the system be inaccessible for an extended period of time, Commerce would advise Customs to consider this as part of mitigation on any liquidated damage claims that may be issued.

§ 360.108 Loss of electronic licensing privileges.

Should Commerce determine that a filer consistently files inaccurate licensing information or otherwise abuses the licensing system, Commerce may revoke its electronic licensing privileges without prior notice. The filer will then only be able to obtain a license directly from Commerce. Because of the additional time need to review such forms, Commerce may require up to 10 working days to process such forms. Delays in filing caused by the removal of a filer's electronic filing privilege will not be considered a mitigating factor by the U.S. Customs Service.

Dated: March 8, 2005.

Grant Aldonas,

Under Secretary for International Trade.

Note: The Following annexes will not appear in the Code of Federal Regulations.

Annex I: Currently Covered Steel Products (based on section 203 determination): Harmonized Tariff Codes

Annex II: Covered Basic Steel Mill Products (to be implemented 90 days after publication of this notice in the **Federal Register**): Harmonized Tariff Codes

Annex III: Previously Covered Steel Products No Longer Subject to Licensing Requirements (to be implemented 90 days after publication of this notice in the **Federal Register**): Harmonized Tariff Codes

Annex I

List of Harmonized Codes Covered Under Current SIMA System

Flat Products: Carbon & Alloy Steel Slab
7207120010, 7207120050, 7207200025, 7207200045, 7224900055

Flat Products: Carbon & Alloy Steel Plate
7208403030, 7208403060, 7208510030, 7208510045, 7208510060, 7208520000, 7208900000, 7210901000, 7211130000, 7211140030, 7211140045, 7225403005, 7225403050, 7225506000, 7226915000

Flat Products: Carbon & Alloy Steel Hot-rolled Flat Products
7208101500, 7208103000, 7208106000, 7208253000, 7208256000, 7208260030, 7208260060, 7208270030, 7208270060, 7208360030, 7208360060, 7208370030, 7208370060, 7208380015, 7208380030, 7208380090, 7208390015, 7208390030, 7208390090, 7208406030, 7208406060, 7208530000, 7208540000, 7211140090, 7211191500, 7211192000, 7211193000, 7211194500, 7211196000, 7211197530, 7211197560, 7211197590, 7225303005, 7225303050, 7225307000, 7225407000, 7226917000, 7226918000

Flat Products: Carbon & Alloy Steel Cold-rolled Flat Products
7209150000, 7209160030, 7209160060, 7209160070, 7209160091, 7209170030, 7209170060, 7209170070, 7209170091, 7209181530, 7209181560, 7209182510, 7209182520, 7209182580, 7209186020, 7209186090, 7209250000, 7209260000, 7209270000, 7209280000, 7209900000, 7211231500, 7211232000, 7211233000, 7211234500, 7211236030, 7211236060, 7211236075, 7211236085, 7211292030, 7211292090, 7211294500, 7211296030, 7211296080, 7211900000, 7225190000, 7225507000, 7225508010, 7225508015, 7225508085, 7226927050, 7226928005, 7226928050, 7226191000, 7226199000, 7226925000, 7226927005

Flat Products: Carbon & Alloy Steel Coated Products
7210200000, 7210300030, 7210300060, 7210410000, 7210490030, 7210490090, 7210610000, 7210690000, 7210703000, 7210706030, 7210706060, 7210706090, 7210906000, 7210909000, 7212200000, 7212301030, 7212301090, 7212303000, 7212305000, 7212401000, 7212405000, 7212500000, 7225910000, 7225920000, 7225990010, 7225990090, 7226930000, 7226940000, 7226990000

Flat Products: Carbon & Alloy Steel Tin Products
7210110000, 7210120000, 7210500000, 7212100000

Carbon & Alloy Steel Hot-rolled bar
7213200010, 7213200080, 7213990060, 7213990090, 7214300010, 7214300080, 7214300000, 7214910015, 7214910060, 7214910090, 7214990015, 7214990030, 7214990045, 7214990060, 7214990075, 7214990090, 7215901000, 7215905000, 7216100010, 7216100050, 7216210000, 7216220000, 7216500000, 7216610000, 7216690000, 7216910010, 7216910090, 7216990010, 7216990090, 7227200000, 7227906005, 7227906050, 7228201000, 7228308005, 7228308050, 7228400000, 7228606000, 7228703020, 7228703040, 7228703060, 7228703080, 7228706000, 7228800000

Carbon & Alloy Steel Cold-Finished Bar
7215100010, 7215100080, 7215500015, 7215500060, 7215500090, 7215903000, 7228205000, 7228505005, 7228505050, 7228608000

Carbon & Alloy Steel Rebar
7213100000, 7214200000

Carbon & Alloy Steel Welded Tubular Products other than OCTG
7305111030, 7305111060, 7305115000, 7305121030, 7305121060, 7305125000, 7305191030, 7305191060, 7305195000, 7305312000, 7305314000, 7305316000, 7305391000, 7305395000, 7305901000, 7305905000, 7306301000, 7306303000, 7306305010, 7306305015, 7306305020, 7306305025, 7306305032, 7306305035, 7306305040, 7306305055, 7306305085, 7306305090, 7306501000, 7306503000, 7306505010, 7306505030, 7306505050, 7306505070, 7306601000, 7306603000, 7306605000, 7306607060, 7306901000, 7306905000

Carbon & Alloy Steel Fittings & Flanges
7307915010, 7307915030, 7307915050, 7307915070, 7307923010, 7307923030, 7307929000, 7307933000, 7307936000, 7307939030, 7307939060, 7307995015, 7307995045, 7307995060

Stainless Steel Bar
7221000045, 7222110005, 7222110050, 7222190005, 7222190050, 7222200005, 7222200045, 7222200075, 7222300000, 7222403065, 7222403085, 7222406000

Stainless Steel Rod
7221000005, 7221000015, 7221000030, 7221000075

Stainless Steel Wire
7223001015, 7223001030, 7223001045, 7223001060, 7223001075, 7223005000, 7223009000

Annex II

New SIMA System Product Coverage To Include Basic Steel Mill Products: Harmonized Tariff System Codes

Ingots and Steel for Castings
7206100000, 7206900000, 7218100000, 7224100005, 7224100075

Blooms, Billets and Slabs
7207110000, 7207120010, 7207120050, 7207190030, 7207190090, 7207200025, 7207200045, 7207200075, 7207200090, 7218910015, 7218910030, 7218910060, 7218990015, 7218990030, 7218990045, 7218990060, 7218990090, 7224900005, 7224900045, 7224900055, 7224900065, 7224900075

Wire Rods
7213913000, 7213913010, 7213913011, 7213913015, 7213913090, 7213913091, 7213913092, 7213914500, 7213914510, 7213914590, 7213916000, 7213916010, 7213916090, 7213990030, 7213990031,

7213990038, 7213990090, 7221000015, 7221000030
Structural Shapes Heavy
7216310000, 7216320000, 7216330030, 7216330060, 7216330090, 7216400010, 7216400050, 7216500000, 7216990000, 7216990010, 7216990090, 7222403025, 7222403045, 7228703020, 7228703040
Steel Piling
7301100000
Plates Cut Lengths
7208403030, 7208403060, 7208510030, 7208510045, 7208510060, 7208520000, 7210901000, 7211130000, 7211140030, 7211140045, 7219210005, 7219210020, 7219210040, 7219210050, 7219210060, 7219220005, 7219220010, 7219220015, 7219220020, 7219220025, 7219220030, 7219220035, 7219220040, 7219220045, 7219220060, 7219220070, 7219220075, 7219220080, 7219310050, 7220110000, 7225403005, 7225403050, 7225506000, 7226915000
Plates in Coils
7208101500, 7208103000, 7208253000, 7208256000, 7208360030, 7208360060, 7208370030, 7208370060, 7211140090, 7219110000, 7219110030, 7219110060, 7219120002, 7219120006, 7219120021, 7219120026, 7219120045, 7219120051, 7219120056, 7219120066, 7219120071, 7219120081, 7219310010, 7225303005, 7225303050
Rails Standard
7302101010, 7302101035, 7302105020
Rails All Other
7302101015, 7302101025, 7302101045, 7302101055
Railroad Accessories
7302200000, 7302400000, 7302901000
Bars—Hot Rolled
7213200000, 7213200010, 7213200080, 7213990060, 7214100000, 7214300000, 7214300010, 7214300080, 7214910015, 7214910060, 7214910090, 7214990015, 7214990030, 7214990045, 7214990060, 7214990075, 7214990090, 7215901000, 7221000005, 7221000045, 7221000075, 7222110005, 7222110050, 7222190005, 7222190050, 7227200000, 7227200010, 7227200020, 7227200090, 7227200095, 7227906005, 7227906050, 7227906051, 7227906053, 7227906058, 7227906059, 7228201000, 7228308005, 7228308050, 7228400000, 7228606000, 7228800000
Bars—Light Shapes
7216100010, 7216100050, 7216210000, 7216220000, 7222403065, 7222403085, 7228703060, 7228703080
Bars—Reinforcing
7213100000, 7214200000
Bars-Cold Finished
7215100000, 7215100010, 7215100080, 7215500015, 7215500060, 7215500090, 7215903000, 7215905000, 7222200005, 7222200045, 7222200075, 7222300000, 7228205000, 7228505005, 7228505050, 7228608000
Tool Steel
7224100045, 7224900015, 7224900025, 7224900035, 7225200000, 7225301000, 7225305030, 7225305060, 7225401015, 7225401090, 7225405030, 7225405060, 7225501030, 7225501060, 7226200000, 7226910500, 7226911530, 7226911560, 7226912530, 7226912560, 7226921030, 7226921060, 7226923030, 7226923060, 7227100000, 7227901030, 7227901060, 7227902030, 7227902060, 7228100010, 7228100030, 7228100060, 7228302000, 7228304000, 7228306000, 7228501010, 7228501020, 7228501040, 7228501060, 7228501080, 7228601030, 7228601060, 7229100000
Standard Pipe
7304390016, 7304390020, 7304390024, 7304390036, 7304390048, 7304390062, 7304390076, 7304390080, 7304598010, 7304598015, 7304598030, 7304598045, 7304598060, 7304598080, 7306305025, 7306305028, 7306305032, 7306305040, 7306305055, 7306305085, 7306305090
Oil Country Goods
7304213000, 7304216030, 7304216045, 7304216060, 7304291010, 7304291020, 7304291030, 7304291040, 7304291050, 7304291060, 7304291080, 7304292010, 7304292020, 7304292030, 7304292040, 7304292050, 7304292060, 7304292080, 7304293010, 7304293020, 7304293030, 7304293040, 7304293050, 7304293060, 7304293080, 7304294010, 7304294020, 7304294030, 7304294040, 7304294050, 7304294060, 7304294080, 7304295015, 7304295030, 7304295045, 7304295060, 7304295075, 7304296015, 7304296030, 7304296045, 7304296060, 7304296075, 7305202000, 7305204000, 7305206000, 7305208000, 7306201030, 7306201090, 7306202000, 7306203000, 7306204000, 7306206010, 7306206050, 7306208010, 7306208050
Line Pipe
7304101020, 7304101030, 7304101045, 7304101060, 7304101080, 7304105020, 7304105050, 7304105080, 7305111030, 7305111060, 7305115000, 7305121030, 7305121060, 7305125000, 7305191030, 7305191060, 7305195000, 7306101010, 7306101013, 7306101014, 7306101015, 7306101019, 7306101050, 7306101053, 7306101054, 7306101055, 7306101059, 7306105010, 7306105013, 7306105014, 7306105015, 7306105019, 7306105050, 7306105053, 7306105054, 7306105055, 7306105059
Mechanical Tubing
7304313000, 7304316050, 7304390028, 7304390032, 7304390040, 7304390044, 7304390052, 7304390056, 7304390068, 7304390072, 7304511000, 7304515060, 7304591000, 7304596000, 7304598020, 7304598025, 7304598035, 7304598040, 7304598050, 7304598055, 7304598065, 7304598070, 7304905000, 7304907000, 7306301000, 7306305015, 7306305020, 7306305035, 7306501000, 7306505030, 7306505050, 7306505070, 7306605000, 7306607060
Pressure Tubing
7304316010, 7304390002, 7304390004, 7304390006, 7304390008, 7304515015, 7304515045, 7304592030, 7304592040, 7304592045, 7304592055, 7304592060, 7304592070, 7304592080, 7306305010, 7306505010
Stainless Pipe & Tubing
7304413005, 7304413015, 7304413045, 7304416005,7304416015, 7304416045, 7304490005, 7304490015, 7304490045, 7304490060, 7306401010, 7306401015, 7306401090, 7306405005, 7306405015, 7306405040, 7306405042, 7306405044, 7306405062, 7306405064, 7306405080, 7306405085, 7306405090, 7306607030
Pipe & Tubing Nonclassified
7304515005, 7305901000, 7305905000, 7306901000, 7306905000
Structural Pipe & Tubing
7304901000, 7304903000, 7305312000, 7305314000, 7305316000, 7306303000, 7306503000, 7306601000, 7306603000
Pipe for Piling
7305391000, 7305395000
Wire Drawn
7217101000, 7217102000, 7217103000, 7217104030, 7217104090, 7217105030, 7217105090, 7217106000, 7217107000, 7217108010, 7217108020, 7217108025, 7217108030, 7217108045, 7217108060, 7217108075, 7217108090, 7217109000, 7217201500, 7217203000, 7217204510, 7217204520, 7217204530, 7217204540, 7217204550, 7217204560, 7217204570, 7217204580, 7217206000, 7217207500, 7217301530, 7217301560, 7217303000, 7217304504, 7217304510, 7217304511, 7217304520, 7217304530, 7217304540, 7217304541, 7217304550, 7217304560, 7217304590, 7217306000, 7217307500, 7217905030, 7217905060, 7217905090, 7223001015, 7223001030, 7223001045, 7223001060, 7223001075, 7223005000, 7223009000, 7229200000, 7229200010, 7229200015, 7229200090, 7229901000, 7229905006, 7229905008, 7229905015, 7229905016, 7229905030, 7229905031, 7229905050, 7229905051, 7229909000
Black Plate
7209182510, 7209182520, 7209182550, 7209182580
Tin Plate
7210110000, 7210120000, 7212100000
Tin Free Steel
7210500000
Sheets Hot Rolled
7208106000, 7208260030, 7208260060, 7208270030, 7208270060, 7208380015, 7208380030, 7208380090, 7208390015, 7208390030, 7208390090, 7208406030, 7208406060, 7208530000, 7208540000, 7208900000, 7219130002, 7219130031, 7219130051, 7219130071, 7219130081, 7219140030, 7219140065, 7219140090, 7219230030, 7219230060, 7219240030, 7219240060, 7225307000, 7225407000
Sheets Cold Rolled
7209150000, 7209160030, 7209160060, 7209160070, 7209160090, 7209160091, 7209170030, 7209170060, 7209170070, 7209170090, 7209170091, 7209181530, 7209181560, 7209186000, 7209186020, 7209186090, 7209250000, 7209260000, 7209270000, 7209280000, 7209900000, 7210703000, 7219320005, 7219320020, 7219320025, 7219320035, 7219320036, 7219320038, 7219320042, 7219320044, 7219320045, 7219320060, 7219330005, 7219330020, 7219330025, 7219330035, 7219330036, 7219330038, 7219330042, 7219330044, 7219330045, 7219330070, 7219330080, 7219340005, 7219340020, 7219340025, 7219340030, 7219340035, 7219340050, 7219350005, 7219350015, 7219350030, 7219350035, 7219350050, 7219900010, 7219900020, 7219900025, 7219900060, 7219900080, 7225507000, 7225508010, 7225508015, 7225508085, 7225990010, 7225990090

Sheets & Strip Galv Hot Dipped
7210410000, 7210490030, 7210490090, 7210706060, 7212301030, 7212301090, 7212303000, 7212305000, 7225920000, 7226940000
Sheets & Strip Galv Electrolytic
7210300030, 7210300060, 7210706030, 7212200000, 7225910000, 7226930000
Sheets & Strip All Other Metalic CTD
7210200000, 7210610000, 7210690000, 7210706090, 7210906000, 7210909000, 7212500000, 7212600000
Sheets & Strip—Electrical
7225110000, 7225190000, 7226111000, 7226119030, 7226119060, 7226191000, 7226199000
Strip—Hot Rolled
7211191500, 7211192000, 7211193000, 7211194500, 7211196000, 7211197530, 7211197560, 7211197590, 7220121000, 7220125000, 7226917000, 7226918000
Strip—Cold Rolled
7211231500, 7211232000, 7211233000, 7211234500, 7211236030, 7211236060, 7211236075, 7211236085, 7211292030, 7211292090, 7211294500, 7211296030, 7211296080, 7211900000, 7212401000, 7212405000, 7220201010, 7220201015, 7220201060, 7220201080, 7220206005, 7220206010,7220206015, 7220206060, 7220206080, 7220207005, 7220207010, 7220207015, 7220207060, 7220207080, 7220208000, 7220209030, 7220209060, 7220900010, 7220900015, 7220900060, 7220900080, 7226925000, 7226927005, 7226927050, 7226928005, 7226928050, 7226990000

Annex III

Harmonized Tariff Codes that will be Removed from the SIMA System

7307915010, 7307915030, 7307915050, 7307915070, 7307923010, 7307923030, 7307929000, 7307933000, 7307936000, 7307939030, 7307939060, 7307995015, 7307995045, 7307995060

[FR Doc. 05–4971 Filed 3–10–05; 8:45 am]

BILLING CODE 3510–DS–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. TA–204–12]

Steel: [1] Evaluation of the Effectiveness of Import Relief

AGENCY: United States International Trade Commission.

ACTION: Institution of an investigation and scheduling of hearings.

SUMMARY: Pursuant to section 204(d) of the Trade Act of 1974 (19 U.S.C. 2254(d)) (the Act), the Commission has instituted investigation No. TA–204–12, Steel: Evaluation of the Effectiveness of Import Relief, for the purpose of evaluating the effectiveness of the relief action imposed by the President on imports of certain steel products under

[1] Subheadings 9903.72.30 through 9903.74.24 of the Harmonized Tariff Schedule of the United States set forth safeguard measures applicable to covered steel products and specified products and sources excluded from the safeguard measures. In the 2003 HTS, subheadings 9903.72.30 through 9903.72.48 covered carbon and alloy steel slabs; subheadings 9903.72.50 through 9903.73.39 covered carbon and alloy steel flat-rolled products (including plates and other hot-rolled steel, cold-rolled steel other than grain-oriented steel, and clad, coated, and plated steel); subheadings 9903.73.42 through 9903.73.62 covered certain carbon and alloy steel bars, rods, and light shapes; subheadings 9903.73.65 through 9903.73.71 covered carbon steel concrete reinforcing bars (rebars); subheadings 9903.73.74 through 9903.73.86 covered certain carbon and alloy steel non-seamless pipes and tubes; subheadings 9903.73.88 through 9903.73.95 covered certain tube and pipe fittings; subheadings 9903.73.97 through 9903.74.16 covered stainless steel bars, rods, angles, shapes, and sections; and subheadings 9903.74.18 through 9903.74.24 covered stainless steel wire.

section 203 of the Act. The remaining portion of the action terminated on March 21, 2005.

EFFECTIVE DATE: March 21, 2005.

FOR FURTHER INFORMATION CONTACT: Elizabeth Haines (202–205–3200) or Douglas Corkran (202–205–3057), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (*http://www.usitc.gov*).

Background: The President announced the relief action on March 5, 2002. In a proclamation of that date (Proclamation 7529, published in the **Federal Register** of March 7, 2002, at 67 FR 10553), the President announced that he would impose safeguard measures on imports of certain steel products in the form of a tariff-rate quota and increased import duties effective March 20, 2002, for a period of 3 years and 1 day (to March 21, 2005). In a memorandum of that same date relating to these measures, the President instructed the Secretary of the Treasury and the Secretary of Commerce to establish a system of import licensing to facilitate the monitoring of imports of certain steel products (67 FR 10953). The Department of Commerce published regulations establishing such a system in the **Federal Register** on December 31, 2002 (67 FR 79845). On December 4, 2003, the President issued a proclamation that terminated the tariff-rate quota and the increased import duties on certain steel products, but directed the Secretary of Commerce to continue the monitoring system until the earlier of March 21, 2005, or such time as the Secretary establishes a replacement program (Proclamation 7741, published in the **Federal Register** of December 8, 2003, at 68 FR 68483). Proclamation 7741 also authorized the United States Trade Representative, upon his determination that the Secretary of Commerce has established a replacement program, to terminate the action under section 203(a)(3)(I) of the Trade Act and the licensing system, and to publish notice of this determination and action in the **Federal Register**. On December 9, 2003, the Department of Commerce published a notice stating that the system would continue in effect as described in the Proclamation until March 21, 2005 (68 FR 68594). On March 11, 2005, the Department of Commerce published an interim final rule to implement a replacement program for the period beyond March 21, 2005 (70 FR 12133).

Section 204(d) of the Act requires the Commission, following termination of a relief action, to evaluate the effectiveness of the action in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President in the report submitted to the Congress under section 203(b) of the Act. The Commission is required to submit a report on the evaluation to the President and the Congress no later than 180 days after the day on which the relief action was terminated.

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201, subparts A through and E), and part 206, subparts A and F (19 CFR part 206, subparts A and F).

SUPPLEMENTARY INFORMATION:

Participation in the investigation and service list.—Persons wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, not later than 14 days after publication of this notice in the **Federal Register**. The Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Public hearing.—The Commission has scheduled hearings in connection with this investigation. The hearings will be held beginning at 9:30 a.m. on July 19, 2005 (carbon and alloy flat products), July 21, 2005 (carbon and alloy long products), July 26, 2005 (carbon and alloy tubular products), and July 28, 2005 (stainless steel products), at the U.S. International Trade Commission Building. Requests to appear at a specific hearing should be filed in writing with the Secretary to the Commission on or before June 20, 2005, so that the Commission may determine the level of interest in the hearings. All persons desiring to appear at a hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on July 15, 2005, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the hearing are governed by sections 201.6(b)(2) and 201.13(f) of the Commission's rules.

Written submissions.—Each party is encouraged to submit a prehearing brief to the Commission. The deadline for filing prehearing briefs is July 12, 2005. Parties may also file posthearing briefs. The deadlines for filing posthearing briefs are July 27, 2005 (for material covered at the hearing on July 19, 2005), July 29, 2005 (for material covered at the hearing on July 21, 2005), August 3, 2005 (for material covered at the hearing on July 26, 2005) and August 5, 2005 (for material covered at the hearing on July 28, 2005). In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement concerning the matters to be addressed in the report on or before August 5, 2005. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's rules. The report that the Commission sends to the President may include confidential business information. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

In accordance with section 201.16(c) of the Commission's rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under the authority of section 204(d) of the Trade Act of 1974; this notice is published pursuant to section 206.3 of the Commission's rules.

By order of the Commission.

Issued: March 30, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E5–1483 Filed 4–1–05; 8:45 am]

BILLING CODE 7020–02–P

APPENDIX B

HEARING CALENDAR

CALENDAR OF PUBLIC HEARING

Subject: Steel: Evaluation of the Effectiveness of Import Relief

Inv. No.: TA-204-12

Date and Time: July 19, 2005 - 9:30 a.m.

The hearing in connection with this investigation was held in the Main Hearing Room (Room 101), 500 E Street, SW, Washington, D.C.

Parties who requested to testify at this hearing subsequently withdrew those requests. Therefore, no testimony was presented at this hearing. See the official transcript of the hearing for Chairman Koplan's full statement.

APPENDIX C

SUMMARY DATA

Table FLAT-C-1

Certain carbon and alloy flat-rolled steel (1): Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	172,313,721	183,526,370	173,743,068	196,051,623	46,912,121	46,878,761	13.8	6.5	-5.3	12.8	-0.1
Producers' share (2)	91.4	90.0	93.8	90.4	93.4	90.4	-1.0	-1.4	3.8	-3.4	-2.9
Importers' share (2):											
Covered sources	5.8	5.6	2.8	5.6	3.4	4.9	-0.2	-0.1	-2.9	2.8	1.5
All other sources	2.8	4.3	3.4	4.0	3.3	4.7	1.2	1.5	-0.9	0.6	1.4
Total imports	8.6	10.0	6.2	9.6	6.6	9.6	1.0	1.4	-3.8	3.4	2.9
U.S. consumption value:											
Amount	51,903,364	60,459,149	56,448,364	96,555,017	18,863,175	26,486,661	86.0	16.5	-6.6	71.1	40.4
Producers' share (2)	91.5	90.6	92.9	89.5	93.8	89.3	-1.9	-0.8	2.3	-3.4	-4.5
Importers' share (2):											
Covered sources	5.7	4.9	3.2	5.9	2.9	5.5	0.2	-0.8	-1.8	2.8	2.6
All other sources	2.8	4.5	3.9	4.5	3.3	5.2	1.7	1.6	-0.5	0.6	1.9
Total imports	8.5	9.4	7.1	10.5	6.2	10.7	1.9	0.8	-2.3	3.4	4.5
U.S. imports from:											
Covered sources:											
Quantity	9,946,691	10,367,598	4,817,703	10,920,198	1,589,400	2,308,634	9.8	4.2	-53.5	126.7	45.3
Value	2,966,994	2,974,881	1,788,286	5,720,728	552,209	1,459,930	92.8	0.3	-39.9	219.9	164.4
Unit value	$298	$287	$371	$524	$347	$632	75.6	-3.8	29.4	41.1	82.0
All other sources:											
Quantity	4,906,294	7,963,123	5,954,647	7,867,200	1,528,510	2,186,132	60.3	62.3	-25.2	32.1	43.0
Value	1,469,747	2,699,500	2,221,172	4,372,914	613,937	1,366,832	197.5	83.7	-17.7	96.9	122.6
Unit value	$300	$339	$373	$556	$402	$625	85.6	13.2	10.0	49.0	55.7
All sources:											
Quantity	14,852,984	18,330,722	10,772,349	18,787,398	3,117,909	4,494,767	26.5	23.4	-41.2	74.4	44.2
Value	4,436,741	5,674,381	4,009,458	10,093,641	1,166,146	2,826,762	127.5	27.9	-29.3	151.7	142.4
Unit value	$299	$310	$372	$537	$374	$629	79.9	3.6	20.2	44.3	68.1
U.S. producers':											
Average capacity quantity	214,044,280	199,918,310	208,663,988	216,731,831	53,643,191	54,233,794	1.3	-6.6	4.4	3.9	1.1
Production quantity	164,100,276	167,302,320	165,630,093	179,123,628	43,605,506	42,236,159	9.2	2.0	-1.0	8.1	-3.1
Capacity utilization (2)	76.7	83.7	79.4	82.6	81.3	77.9	6.0	7.0	-4.3	3.3	-3.4
U.S. shipments:											
Quantity	157,460,737	165,195,648	162,970,719	177,264,225	43,794,212	42,383,994	12.6	4.9	-1.3	8.8	-3.2
Value	47,466,623	54,784,768	52,438,906	86,461,376	17,697,029	23,659,899	82.2	15.4	-4.3	64.9	33.7
Unit value	$301	$332	$322	$488	$404	$558	61.8	10.0	-3.0	51.6	38.1
Export shipments:											
Quantity	2,016,500	2,082,671	3,119,740	2,499,919	635,349	548,572	24.0	3.3	49.8	-19.9	-13.7
Value	962,899	1,003,415	1,205,293	1,510,009	322,870	400,964	56.8	4.2	20.1	25.3	24.2
Unit value	$478	$482	$386	$604	$508	$731	26.5	0.9	-19.8	56.3	43.8
Ending inventory quantity	8,693,949	6,733,639	6,614,495	6,350,086	4,848,503	5,347,733	-27.0	-22.5	-1.8	-4.0	10.3
Inventories/total shipments (2)	5.5	4.0	4.0	3.5	2.7	3.1	-1.9	-1.4	-0.0	-0.5	0.4
Production workers	86,107	75,294	62,069	58,253	53,059	51,308	-32.3	-12.6	-17.6	-6.1	-3.3
Hours worked (1,000s)	184,506	167,502	139,104	138,394	32,658	30,817	-25.0	-9.2	-17.0	-0.5	-5.6
Wages paid ($1,000s)	4,842,892	4,483,135	4,120,713	4,237,676	995,767	1,019,761	-12.5	-7.4	-8.1	2.8	2.4
Hourly wages	$26.25	$26.76	$29.62	$30.62	$30.49	$33.09	16.7	2.0	10.7	3.4	8.5
Productivity (tons/1,000 hours)	798.1	918.3	1078.0	1175.0	1192.1	1237.7	47.2	15.1	17.4	9.0	3.8
Unit labor costs	$32.89	$29.14	$27.48	$26.06	$25.58	$26.74	-20.8	-11.4	-5.7	-5.2	4.5
Net commercial sales:											
Quantity	55,221,233	57,223,829	60,752,334	64,072,767	16,182,104	15,464,840	16.0	3.6	6.2	5.5	-4.4
Value	21,287,575	23,409,647	25,023,581	38,689,444	8,175,906	10,859,853	81.7	10.0	6.9	54.6	32.8
Unit value	$385	$409	$412	$604	$505	$702	56.6	6.1	0.7	46.6	39.0
Cost of goods sold (COGS)	22,610,783	22,883,195	24,275,466	31,548,842	7,220,500	8,580,325	39.5	1.2	6.1	30.0	18.8
Gross profit or (loss)	(1,323,208)	526,452	748,115	7,140,602	955,406	2,279,528	(3)	(3)	42.1	854.5	138.6
SG&A expenses	1,320,038	1,290,387	1,770,227	2,046,194	458,105	504,421	55.0	-2.2	37.2	15.6	10.1
Operating income or (loss)	(2,643,246)	(763,935)	(1,022,112)	5,094,408	497,301	1,775,107	(3)	71.1	-33.8	(3)	256.9
Capital expenditures	686,430	498,602	580,318	918,128	127,545	144,266	33.8	-27.4	16.4	58.2	13.1
Unit COGS	$409	$400	$400	$492	$446	$555	20.3	-2.3	-0.1	23.2	24.3
Unit SG&A expenses	$24	$23	$29	$32	$28	$33	33.6	-5.7	29.2	9.6	15.2
Unit operating income or (loss)	($48)	($13)	($17)	$80	$31	$115	(3)	72.1	-26.0	(3)	273.5
COGS/sales (2)	106.2	97.8	97.0	81.5	88.3	79.0	-24.7	-8.5	-0.7	-15.5	-9.3
Operating income or (loss)/sales (2)	(12.4)	(3.3)	(4.1)	13.2	6.1	16.3	25.6	9.2	-0.8	17.3	10.3

(1) Slabs, plate, hot-rolled sheet and strip, cold-rolled sheet and strip, and corrosion-resistant and other coated sheet and strip.

(2) "Reported data" are in percent and "period changes" are in percentage points.

(3) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Net commercial sales quantities and values as presented in thi will not check with sum of totals presented in tables FLAT-C-2 through FLAT-C-6 due to inconsistent reporting by respondents and elimination adjustments made by staff. Because of rounding, figures ma add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table FLAT-C-2

Slabs: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	54,687,489	56,038,864	51,312,148	57,391,211	14,306,284	14,301,057	4.9	2.5	-8.4	11.8	-0.0
Producers' share (1)	89.6	85.6	92.1	88.8	90.2	88.6	-0.9	-4.0	6.5	-3.4	-1.7
Importers' share (1):											
Covered sources	7.4	10.4	4.1	6.8	6.0	5.5	-0.6	3.0	-6.4	2.7	-0.5
All other sources	3.0	3.9	3.8	4.4	3.8	6.0	1.5	1.0	-0.1	0.6	2.2
Total imports	10.4	14.4	7.9	11.2	9.8	11.4	0.9	4.0	-6.5	3.4	1.7
U.S. consumption value:											
Amount	10,567,016	12,452,164	11,322,959	17,668,100	3,798,388	4,810,085	67.2	17.8	-9.1	56.0	26.6
Producers' share (1)	90.5	87.4	91.6	85.7	90.4	83.1	-4.7	-3.0	4.1	-5.8	-7.4
Importers' share (1):											
Covered sources	6.7	8.7	4.3	8.3	5.8	7.7	1.7	2.1	-4.4	4.0	1.9
All other sources	2.9	3.8	4.1	5.9	3.7	9.2	3.0	0.9	0.3	1.8	5.5
Total imports	9.5	12.6	8.4	14.3	9.6	16.9	4.7	3.0	-4.1	5.8	7.4
U.S. imports from:											
Covered sources:											
Quantity	4,047,729	5,845,209	2,079,560	3,900,710	853,717	779,894	-3.6	44.4	-64.4	87.6	-8.6
Value	703,445	1,086,602	485,018	1,472,021	220,883	372,231	109.3	54.5	-55.4	203.5	68.5
Unit value	$174	$186	$233	$377	$259	$477	117.1	7.0	25.5	61.8	84.5
All other sources:											
Quantity	1,626,167	2,205,720	1,956,362	2,548,551	544,307	857,103	56.7	35.6	-11.3	30.3	57.5
Value	305,354	478,036	468,635	1,045,872	142,219	442,534	242.5	56.6	-2.0	123.2	211.2
Unit value	$188	$217	$240	$410	$261	$516	118.5	15.4	10.5	71.3	97.6
All sources:											
Quantity	5,673,896	8,050,929	4,035,922	6,449,262	1,398,025	1,636,997	13.7	41.9	-49.9	59.8	17.1
Value	1,008,799	1,564,638	953,653	2,517,893	363,102	814,764	149.6	55.1	-39.0	164.0	124.4
Unit value	$178	$194	$236	$390	$260	$498	119.6	9.3	21.6	65.2	91.6
U.S. producers':											
Average capacity quantity	58,959,096	55,094,696	53,839,583	60,427,429	15,029,336	15,320,436	2.5	-6.6	-2.3	12.2	1.9
Production quantity	48,024,546	46,656,946	45,500,138	50,479,000	12,895,633	12,433,406	5.1	-2.8	-2.5	10.9	-3.6
Capacity utilization (1)	81.5	84.7	84.5	83.5	85.8	81.2	2.1	3.2	-0.2	-1.0	-4.6
U.S. shipments:											
Quantity	49,013,593	47,987,935	47,276,226	50,941,949	12,908,259	12,664,060	3.9	-2.1	-1.5	7.8	-1.9
Value	9,558,216	10,887,526	10,369,305	15,150,207	3,435,287	3,995,320	58.5	13.9	-4.8	46.1	16.3
Unit value	$195	$227	$219	$297	$266	$315	52.5	16.3	-3.3	35.6	18.5
Export shipments:											
Quantity	26,968	55,511	79,694	22,576	9,174	4,633	-16.3	105.8	43.6	-71.7	-49.5
Value	6,162	11,786	17,571	9,937	3,473	2,294	61.3	91.3	49.1	-43.4	-33.9
Unit value	$228	$212	$220	$440	$379	$495	92.6	-7.1	3.8	99.6	30.8
Ending inventory quantity	926,584	1,070,509	440,134	531,878	663,823	631,905	-42.6	15.5	-58.9	20.8	-4.8
Inventories/total shipments (1)	1.9	2.2	0.9	1.0	1.3	1.2	-0.8	0.3	-1.3	0.1	-0.0
Production workers	7,487	6,715	5,349	5,398	4,946	4,854	-27.9	-10.3	-20.3	0.9	-1.9
Hours worked (1,000s)	15,872	15,106	10,367	11,171	2,807	2,827	-29.6	-4.8	-31.4	7.8	0.7
Wages paid ($1,000s)	480,513	463,883	363,290	382,351	93,410	103,704	-20.4	-3.5	-21.7	5.2	11.0
Hourly wages	$30.27	$30.71	$35.04	$34.23	$33.28	$36.68	13.1	1.4	14.1	-2.3	10.2
Productivity (tons/1,000 hours)	2071.1	2307.7	3040.8	3210.2	3292.2	3102.0	55.0	11.4	31.8	5.6	-5.8
Unit labor costs	$14.62	$13.31	$11.52	$10.66	$10.11	$11.83	-27.1	-9.0	-13.4	-7.5	17.0
Net commercial sales:											
Quantity	42,258	485,563	966,745	297,771	39,146	35,861	604.7	1049.0	99.1	-69.2	-8.4
Value	8,611	116,834	213,873	116,066	11,056	10,195	1247.9	1256.8	83.1	-45.7	-7.8
Unit value	$204	$241	$221	$390	$282	$284	91.3	18.1	-8.1	76.2	0.7

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table FLAT-C-3

Plate: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	5,194,571	5,308,559	5,080,975	5,701,712	1,348,630	1,603,656	9.8	2.2	-4.3	12.2	18.9
Producers' share (1)	82.5	84.9	89.4	84.8	87.7	84.6	2.3	2.4	4.5	-4.6	-3.1
Importers' share (1):											
Covered sources	11.3	6.5	2.6	7.5	3.8	7.4	-3.8	-4.8	-3.9	4.9	3.6
All other sources	6.3	8.6	8.1	7.8	8.5	8.0	1.5	2.4	-0.6	-0.3	-0.5
Total imports	17.5	15.1	10.6	15.2	12.3	15.4	-2.3	-2.4	-4.5	4.6	3.1
U.S. consumption value:											
Amount	2,008,401	2,042,523	1,902,461	3,799,693	702,968	1,372,802	89.2	1.7	-6.9	99.7	95.3
Producers' share (1)	82.4	84.7	87.5	84.6	89.0	84.4	2.2	2.4	2.8	-2.9	-4.6
Importers' share (1):											
Covered sources	12.1	7.5	4.3	8.4	4.2	7.9	-3.7	-4.5	-3.2	4.1	3.7
All other sources	5.6	7.7	8.2	7.0	6.8	7.7	1.5	2.2	0.4	-1.1	0.9
Total imports	17.6	15.3	12.5	15.4	11.0	15.6	-2.2	-2.4	-2.8	2.9	4.6
U.S. imports from:											
Covered sources:											
Quantity	585,782	345,823	131,464	425,700	51,341	118,710	-27.3	-41.0	-62.0	223.8	131.2
Value	242,264	154,093	82,672	319,247	29,261	108,334	31.8	-36.4	-46.3	286.2	270.2
Unit value	$414	$446	$629	$750	$570	$913	81.3	7.7	41.1	19.3	60.1
All other sources:											
Quantity	324,790	457,049	409,129	442,754	114,898	128,924	36.3	40.7	-10.5	8.2	12.2
Value	112,170	158,281	155,306	267,459	47,919	105,738	138.4	41.1	-1.9	72.2	120.7
Unit value	$345	$346	$380	$604	$417	$820	74.9	0.3	9.6	59.1	96.7
All sources:											
Quantity	910,572	802,872	540,593	868,454	166,239	247,634	-4.6	-11.8	-32.7	60.6	49.0
Value	354,434	312,374	237,978	586,705	77,180	214,072	65.5	-11.9	-23.8	146.5	177.4
Unit value	$389	$389	$440	$676	$464	$864	73.6	-0.0	13.1	53.5	86.2
U.S. producers':											
Average capacity quantity	9,067,495	8,726,395	8,581,800	8,102,184	1,984,871	2,162,821	-10.6	-3.8	-1.7	-5.6	9.0
Production quantity	4,553,619	4,743,525	4,885,359	5,211,797	1,249,994	1,480,912	14.5	4.2	3.0	6.7	18.5
Capacity utilization (1)	50.2	54.4	56.9	64.3	63.0	68.5	14.1	4.1	2.6	7.4	5.5
U.S. shipments:											
Quantity	4,283,999	4,505,687	4,540,382	4,833,258	1,182,391	1,356,022	12.8	5.2	0.8	6.5	14.7
Value	1,653,967	1,730,149	1,664,483	3,212,988	625,788	1,158,730	94.3	4.6	-3.8	93.0	85.2
Unit value	$386	$384	$367	$665	$529	$855	72.2	-0.5	-4.5	81.3	61.5
Export shipments:											
Quantity	213,874	245,103	316,827	435,622	110,012	89,317	103.7	14.6	29.3	37.5	-18.8
Value	76,978	91,500	113,589	295,939	53,670	75,603	284.4	18.9	24.1	160.5	40.9
Unit value	$360	$373	$359	$679	$488	$846	88.7	3.7	-4.0	89.5	73.5
Ending inventory quantity	356,239	281,633	157,572	203,261	120,580	153,420	-42.9	-20.9	-44.1	29.0	27.2
Inventories/total shipments (1)	7.9	5.9	3.2	3.9	2.3	2.7	-4.1	-2.0	-2.7	0.6	0.3
Production workers	5,357	4,441	3,222	2,678	2,196	2,227	-50.0	-17.1	-27.4	-16.9	1.4
Hours worked (1,000s)	11,423	10,082	7,262	6,180	1,507	1,584	-45.9	-11.7	-28.0	-14.9	5.1
Wages paid ($1,000s)	269,313	244,143	177,635	164,780	39,786	42,115	-38.8	-9.3	-27.2	-7.2	5.9
Hourly wages	$23.58	$24.22	$24.46	$26.66	$26.40	$26.59	13.1	2.7	1.0	9.0	0.7
Productivity (tons/1,000 hours)	395.0	466.8	666.6	835.4	820.8	934.9	111.5	18.2	42.8	25.3	13.9
Unit labor costs	$59.69	$51.87	$36.69	$31.92	$32.17	$28.44	-46.5	-13.1	-29.3	-13.0	-11.6
Net commercial sales:											
Quantity	2,506,328	3,180,657	4,656,521	5,144,111	1,251,466	1,372,008	105.2	26.9	46.4	10.5	9.6
Value	859,123	1,080,539	1,714,070	3,433,753	659,201	1,163,970	299.7	25.8	58.6	100.3	76.6
Unit value	$343	$340	$368	$668	$527	$848	94.7	-0.9	8.4	81.3	61.1

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table FLAT-C-4

Hot-rolled: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	62,915,187	66,468,047	65,768,922	72,925,575	16,366,705	16,351,230	15.9	5.6	-1.1	10.9	-0.1
Producers' share (1)	95.0	92.6	95.6	92.5	95.0	92.3	-2.5	-2.4	2.9	-3.0	-2.7
Importers' share (1):											
Covered sources	3.0	3.5	2.4	4.7	2.9	4.0	1.7	0.5	-1.1	2.3	1.1
All other sources	2.0	3.9	2.1	2.8	2.1	3.7	0.8	1.9	-1.9	0.7	1.6
Total imports	5.0	7.4	4.4	7.5	5.0	7.7	2.5	2.4	-2.9	3.0	2.7
U.S. consumption value:											
Amount	16,504,343	20,723,483	19,840,156	38,441,324	6,681,065	9,947,593	132.9	25.6	-4.3	93.8	48.9
Producers' share (1)	94.8	92.6	95.0	92.7	95.6	92.5	-2.1	-2.1	2.4	-2.4	-3.1
Importers' share (1):											
Covered sources	3.3	3.6	2.7	4.5	2.5	3.9	1.2	0.3	-0.9	1.8	1.4
All other sources	2.0	3.8	2.3	2.9	1.9	3.7	0.9	1.8	-1.5	0.6	1.7
Total imports	5.2	7.4	5.0	7.3	4.4	7.5	2.1	2.1	-2.4	2.4	3.1
U.S. imports from:											
Covered sources:											
Quantity	1,891,630	2,304,222	1,566,679	3,426,699	470,488	648,397	81.2	21.8	-32.0	118.7	37.8
Value	539,911	743,707	531,975	1,711,844	166,078	384,073	217.1	37.7	-28.5	221.8	131.3
Unit value	$285	$323	$340	$500	$353	$592	75.0	13.1	5.2	47.1	67.8
All other sources:											
Quantity	1,255,375	2,611,128	1,359,124	2,040,365	341,888	602,509	62.5	108.0	-47.9	50.1	76.2
Value	325,964	786,855	450,542	1,104,904	129,535	364,227	239.0	141.4	-42.7	145.2	181.2
Unit value	$260	$301	$331	$542	$379	$605	108.6	16.1	10.0	63.4	59.6
All sources:											
Quantity	3,147,005	4,915,349	2,925,803	5,467,064	812,376	1,250,906	73.7	56.2	-40.5	86.9	54.0
Value	865,875	1,530,562	982,516	2,816,748	295,613	748,301	225.3	76.8	-35.8	186.7	153.1
Unit value	$275	$311	$336	$515	$364	$598	87.3	13.2	7.8	53.4	64.4
U.S. producers':											
Average capacity quantity	76,652,677	71,617,506	78,882,384	79,911,439	18,668,913	18,486,423	4.3	-6.6	10.1	1.3	-1.0
Production quantity	61,216,008	63,383,970	65,099,361	68,689,346	15,796,593	15,026,995	12.2	3.5	2.7	5.5	-4.9
Capacity utilization (1)	79.9	88.5	82.5	86.0	84.6	81.3	6.1	8.6	-6.0	3.4	-3.3
U.S. shipments:											
Quantity	59,768,182	61,552,698	62,843,119	67,458,511	15,554,329	15,100,324	12.9	3.0	2.1	7.3	-2.9
Value	15,638,468	19,192,921	18,857,640	35,624,576	6,385,452	9,199,292	127.8	22.7	-1.7	88.9	44.1
Unit value	$262	$312	$300	$528	$411	$609	101.8	19.2	-3.8	76.0	48.4
Export shipments:											
Quantity	441,414	498,158	1,480,649	679,651	166,087	130,881	54.0	12.9	197.2	-54.1	-21.2
Value	130,765	161,936	426,309	362,143	68,435	84,246	176.9	23.8	163.3	-15.1	23.1
Unit value	$296	$325	$288	$533	$412	$644	79.9	9.7	-11.4	85.1	56.2
Ending inventory quantity	2,476,030	1,917,280	1,708,575	1,923,846	1,072,726	1,254,514	-22.3	-22.6	-10.9	12.6	16.9
Inventories/total shipments (1)	4.1	3.1	2.7	2.8	1.7	2.1	-1.3	-1.0	-0.4	0.2	0.4
Production workers	28,520	25,554	25,470	23,986	19,164	18,519	-15.9	-10.4	-0.3	-5.8	-3.4
Hours worked (1,000s)	59,839	54,754	54,338	53,736	11,051	10,353	-10.2	-8.5	-0.8	-1.1	-6.3
Wages paid ($1,000s)	1,573,120	1,475,405	1,620,255	1,664,984	348,445	347,046	5.8	-6.2	9.8	2.8	-0.4
Hourly wages	$26.29	$26.95	$29.82	$30.98	$31.53	$33.52	17.9	2.5	10.7	3.9	6.3
Productivity (tons/1,000 hours)	1010.8	1145.6	1185.7	1263.5	1363.7	1432.5	25.0	13.3	3.5	6.6	5.1
Unit labor costs	$26.01	$23.52	$25.15	$24.52	$23.12	$23.40	-5.7	-9.6	6.9	-2.5	1.2
Net commercial sales:											
Quantity	17,114,188	18,996,555	25,410,025	26,229,029	6,568,142	6,237,433	53.3	11.0	33.8	3.2	-5.0
Value	4,723,258	5,871,385	7,646,725	14,078,388	2,743,368	3,858,811	198.1	24.3	30.2	84.1	40.7
Unit value	$276	$309	$301	$537	$418	$619	94.5	12.0	-2.6	78.4	48.1

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table FLAT-C-5
Cold-rolled: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	33,390,253	34,202,556	31,708,776	35,727,392	8,865,173	8,730,052	7.0	2.4	-7.3	12.7	-1.5
Producers' share (1)	90.8	94.6	96.2	93.5	96.9	94.0	2.7	3.9	1.6	-2.8	-2.9
Importers' share (1):											
Covered sources	6.9	2.5	1.3	4.4	1.3	3.9	-2.5	-4.4	-1.2	3.1	2.7
All other sources	2.3	2.9	2.5	2.1	1.9	2.0	-0.1	0.6	-0.4	-0.3	0.2
Total imports	9.2	5.4	3.8	6.5	3.1	6.0	-2.7	-3.9	-1.6	2.8	2.9
U.S. consumption value:											
Amount	12,854,757	13,990,559	12,627,258	19,954,020	4,138,942	5,912,874	55.2	8.8	-9.7	58.0	42.9
Producers' share (1)	91.0	94.3	95.2	92.4	96.4	93.7	1.4	3.3	0.9	-2.7	-2.7
Importers' share (1):											
Covered sources	7.1	3.0	2.3	5.2	1.7	4.3	-1.9	-4.1	-0.7	3.0	2.5
All other sources	1.9	2.7	2.6	2.3	1.9	2.1	0.4	0.8	-0.2	-0.2	0.2
Total imports	9.0	5.7	4.8	7.6	3.6	6.3	-1.4	-3.3	-0.9	2.7	2.7
U.S. imports from:											
Covered sources:											
Quantity	2,319,050	854,217	411,603	1,576,090	111,107	342,520	-32.0	-63.2	-51.8	282.9	208.3
Value	913,939	418,489	287,327	1,044,691	72,382	251,344	14.3	-54.2	-31.3	263.6	247.2
Unit value	$394	$490	$698	$663	$651	$734	68.2	24.3	42.5	-5.0	12.6
All other sources:											
Quantity	761,534	980,925	780,217	761,591	164,443	178,362	0.0	28.8	-20.5	-2.4	8.5
Value	244,736	378,472	322,434	467,085	76,999	121,340	90.9	54.6	-14.8	44.9	57.6
Unit value	$321	$386	$413	$613	$468	$680	90.8	20.1	7.1	48.4	45.3
All sources:											
Quantity	3,080,583	1,835,143	1,191,821	2,337,681	275,550	520,882	-24.1	-40.4	-35.1	96.1	89.0
Value	1,158,675	796,961	609,761	1,511,776	149,381	372,684	30.5	-31.2	-23.5	147.9	149.5
Unit value	$376	$434	$512	$647	$542	$715	71.9	15.5	17.8	26.4	32.0
U.S. producers':											
Average capacity quantity	44,755,762	41,160,662	42,746,434	42,958,783	10,970,798	11,375,166	-4.0	-8.0	3.9	0.5	3.7
Production quantity	31,873,803	32,990,420	31,399,141	33,755,595	8,540,123	8,281,999	5.9	3.5	-4.8	7.5	-3.0
Capacity utilization (1)	71.2	80.2	73.5	78.6	77.8	72.8	7.4	8.9	-6.7	5.1	-5.0
U.S. shipments:											
Quantity	30,309,670	32,367,413	30,516,955	33,389,711	8,589,623	8,209,170	10.2	6.8	-5.7	9.4	-4.4
Value	11,696,082	13,193,598	12,017,497	18,442,244	3,989,561	5,540,190	57.7	12.8	-8.9	53.5	38.9
Unit value	$386	$408	$394	$552	$464	$675	43.1	5.6	-3.4	40.3	45.3
Export shipments:											
Quantity	551,605	516,040	575,644	556,682	146,383	140,890	0.9	-6.4	11.6	-3.3	-3.8
Value	254,699	257,152	243,850	283,470	66,474	101,986	11.3	1.0	-5.2	16.2	53.4
Unit value	$462	$498	$424	$509	$454	$724	10.3	7.9	-15.0	20.2	59.4
Ending inventory quantity	3,071,138	1,574,061	2,432,901	2,212,049	1,926,636	2,001,706	-28.0	-48.7	54.6	-9.1	3.9
Inventories/total shipments (1)	10.0	4.8	7.8	6.5	5.5	6.0	-3.4	-5.2	3.0	-1.3	0.5
Production workers	22,853	19,547	13,604	12,959	13,235	12,829	-43.3	-14.5	-30.4	-4.7	-3.1
Hours worked (1,000s)	47,642	42,417	29,778	30,036	7,592	7,247	-37.0	-11.0	-29.8	0.9	-4.5
Wages paid ($1,000s)	1,283,546	1,163,831	937,171	987,937	247,290	252,223	-23.0	-9.3	-19.5	5.4	2.0
Hourly wages	$26.94	$27.44	$31.47	$32.89	$32.57	$34.80	22.1	1.8	14.7	4.5	6.8
Productivity (tons/1,000 hours)	663.9	772.4	1047.4	1116.3	1116.8	1137.3	68.1	16.3	35.6	6.6	1.8
Unit labor costs	$40.58	$35.52	$30.05	$29.46	$29.17	$30.60	-27.4	-12.5	-15.4	-1.9	4.9
Net commercial sales:											
Quantity	9,291,757	10,767,078	12,777,629	14,358,618	3,675,802	3,480,509	54.5	15.9	18.7	12.4	-5.3
Value	3,865,962	4,681,045	5,329,476	8,116,612	1,741,351	2,449,166	110.0	21.1	13.9	52.3	40.6
Unit value	$416	$435	$417	$565	$474	$704	35.9	4.5	-4.1	35.5	48.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table FLAT-C-6

Coated: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	16,126,222	21,508,343	19,872,248	24,305,734	6,025,330	5,892,765	50.7	33.4	-7.6	22.3	-2.2
Producers' share (1)	87.3	87.3	89.5	84.9	92.3	85.8	-2.4	-0.0	2.2	-4.6	-6.5
Importers' share (1):											
Covered sources	6.8	4.7	3.2	6.5	1.7	7.1	-0.3	-2.1	-1.6	3.4	5.4
All other sources	5.8	7.9	7.3	8.5	6.0	7.1	2.7	2.1	-0.6	1.2	1.1
Total imports	12.7	12.7	10.5	15.1	7.7	14.2	2.4	0.0	-2.2	4.6	6.5
U.S. consumption value:											
Amount	9,968,849	11,250,420	10,755,530	16,691,880	3,541,811	4,443,308	67.4	12.9	-4.4	55.2	25.5
Producers' share (1)	89.5	86.9	88.6	84.1	92.1	84.8	-5.4	-2.5	1.7	-4.5	-7.3
Importers' share (1):											
Covered sources	5.7	5.1	3.7	7.0	1.8	7.7	1.3	-0.6	-1.4	3.3	5.9
All other sources	4.8	8.0	7.7	8.9	6.1	7.5	4.1	3.2	-0.3	1.2	1.4
Total imports	10.5	13.1	11.4	15.9	7.9	15.2	5.4	2.5	-1.7	4.5	7.3
U.S. imports from:											
Covered sources:											
Quantity	1,102,500	1,018,128	628,396	1,590,999	102,747	419,112	44.3	-7.7	-38.3	153.2	307.9
Value	567,436	571,991	401,294	1,172,925	63,604	343,948	106.7	0.8	-29.8	192.3	440.8
Unit value	$515	$562	$639	$737	$619	$821	43.2	9.2	13.7	15.4	32.6
All other sources:											
Quantity	938,428	1,708,301	1,449,815	2,073,939	362,973	419,235	121.0	82.0	-15.1	43.0	15.5
Value	481,523	897,855	824,255	1,487,594	217,265	332,993	208.9	86.5	-8.2	80.5	53.3
Unit value	$513	$526	$569	$717	$599	$794	39.8	2.4	8.2	26.2	32.7
All sources:											
Quantity	2,040,929	2,726,428	2,078,211	3,664,938	465,720	838,347	79.6	33.6	-23.8	76.4	80.0
Value	1,048,959	1,469,846	1,225,549	2,660,519	280,869	676,941	153.6	40.1	-16.6	117.1	141.0
Unit value	$514	$539	$590	$726	$603	$807	41.2	4.9	9.4	23.1	33.9
U.S. producers':											
Average capacity quantity	24,609,250	23,319,051	24,613,787	25,331,996	6,989,273	6,888,948	2.9	-5.2	5.6	2.9	-1.4
Production quantity	18,432,300	19,527,459	18,746,094	20,987,890	5,123,163	5,012,847	13.9	5.9	-4.0	12.0	-2.2
Capacity utilization (1)	74.9	83.7	76.2	82.9	73.3	72.8	8.0	8.8	-7.6	6.7	-0.5
U.S. shipments:											
Quantity	14,085,293	18,781,915	17,794,037	20,640,796	5,559,610	5,054,418	46.5	33.3	-5.3	16.0	-9.1
Value	8,919,890	9,780,574	9,529,981	14,031,361	3,260,942	3,766,367	57.3	9.6	-2.6	47.2	15.5
Unit value	$633	$521	$536	$680	$587	$745	7.3	-17.8	2.8	26.9	27.0
Export shipments:											
Quantity	782,639	767,859	666,926	805,388	203,693	182,851	2.9	-1.9	-13.1	20.8	-10.2
Value	494,295	481,041	403,974	558,520	130,818	136,835	13.0	-2.7	-16.0	38.3	4.6
Unit value	$632	$626	$606	$693	$642	$748	9.8	-0.8	-3.3	14.5	16.5
Ending inventory quantity	1,863,958	1,890,156	1,875,313	1,479,052	1,064,738	1,306,188	-20.6	1.4	-0.8	-21.1	22.7
Inventories/total shipments (1)	12.5	9.7	10.2	6.9	4.6	6.2	-5.6	-2.9	0.5	-3.3	1.6
Production workers	21,890	19,037	14,424	13,232	13,518	12,879	-39.6	-13.0	-24.2	-8.3	-4.7
Hours worked (1,000s)	49,730	45,144	37,359	37,271	9,701	8,806	-25.1	-9.2	-17.2	-0.2	-9.2
Wages paid ($1,000s)	1,236,401	1,135,873	1,022,362	1,037,624	266,837	274,674	-16.1	-8.1	-10.0	1.5	2.9
Hourly wages	$24.86	$25.16	$27.37	$27.84	$27.51	$31.19	12.0	1.2	8.8	1.7	13.4
Productivity (tons/1,000 hours)	357.0	415.8	480.8	541.0	505.6	547.3	51.5	16.4	15.6	12.5	8.2
Unit labor costs	$69.63	$60.52	$56.91	$51.46	$54.41	$56.99	-26.1	-13.1	-6.0	-9.6	4.8
Net commercial sales:											
Quantity	14,680,602	16,755,996	18,297,164	20,898,883	5,401,054	4,809,767	42.4	14.1	9.2	14.2	-10.9
Value	7,626,693	8,944,375	9,997,992	14,404,302	3,226,105	3,608,094	88.9	17.3	11.8	44.1	11.8
Unit value	$520	$534	$546	$689	$597	$750	32.7	2.8	2.4	26.1	25.6

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table FLAT-C-7

Tin: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	3,369,434	3,427,380	2,919,723	3,488,454	809,030	785,242	3.5	1.7	-14.8	19.5	-2.9
Producers' share (1)	84.0	88.5	86.5	86.5	90.5	82.8	2.5	4.5	-1.9	-0.1	-7.7
Importers' share (1):											
Covered sources	11.5	7.0	7.5	9.0	4.6	11.6	-2.5	-4.5	0.5	1.5	7.0
All other sources	4.6	4.6	6.0	4.6	4.9	5.6	0.0	0.0	1.4	-1.4	0.7
Total imports	16.0	11.5	13.5	13.5	9.5	17.2	-2.5	-4.5	1.9	0.1	7.7
U.S. consumption value:											
Amount	2,006,777	2,050,426	1,841,721	2,241,850	502,432	585,825	11.7	2.2	-10.2	21.7	16.6
Producers' share (1)	83.9	88.8	87.0	86.5	90.5	83.3	2.5	4.9	-1.8	-0.5	-7.2
Importers' share (1):											
Covered sources	11.6	6.9	7.3	8.9	4.6	10.7	-2.7	-4.8	0.4	1.6	6.1
All other sources	4.5	4.3	5.7	4.6	4.9	5.9	0.2	-0.1	1.4	-1.1	1.0
Total imports	16.1	11.2	13.0	13.5	9.5	16.7	-2.5	-4.9	1.8	0.5	7.2
U.S. imports from:											
Covered sources:											
Quantity	386,093	238,414	218,133	312,565	37,347	91,012	-19.0	-38.2	-8.5	43.3	143.7
Value	233,100	140,505	134,406	200,497	23,018	62,860	-14.0	-39.7	-4.3	49.2	173.1
Unit value	$604	$589	$616	$641	$616	$691	6.2	-2.4	4.6	4.1	12.1
All other sources:											
Quantity	154,161	156,938	174,813	159,650	39,309	44,040	3.6	1.8	11.4	-8.7	12.0
Value	89,337	88,747	105,395	103,187	24,682	34,771	15.5	-0.7	18.8	-2.1	40.9
Unit value	$580	$565	$603	$646	$628	$790	11.5	-2.4	6.6	7.2	25.7
All sources:											
Quantity	540,254	395,352	392,946	472,216	76,656	135,052	-12.6	-26.8	-0.6	20.2	76.2
Value	322,437	229,252	239,801	303,683	47,700	97,631	-5.8	-28.9	4.6	26.6	104.7
Unit value	$597	$580	$610	$643	$622	$723	7.8	-2.8	5.2	5.4	16.2
U.S. producers':											
Average capacity quantity	3,721,545	3,629,045	3,535,240	3,535,240	883,810	883,810	-5.0	-2.5	-2.6	0.0	0.0
Production quantity	2,885,955	3,171,974	2,645,798	3,123,462	762,611	746,805	8.2	9.9	-16.6	18.1	-2.1
Capacity utilization (1)	77.5	87.4	74.8	88.4	86.3	84.5	10.8	9.9	-12.6	13.5	-1.8
U.S. shipments:											
Quantity	2,829,180	3,032,028	2,526,777	3,016,238	732,374	650,190	6.6	7.2	-16.7	19.4	-11.2
Value	1,684,340	1,821,174	1,601,920	1,938,167	454,732	488,194	15.1	8.1	-12.0	21.0	7.4
Unit value	$595	$601	$634	$643	$621	$751	7.9	0.9	5.5	1.4	20.9
Export shipments:											
Quantity	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	289,428	343,854	237,047	211,050	165,862	167,958	-27.1	18.8	-31.1	-11.0	1.3
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	***	***
Production workers	5,581	4,928	3,972	3,412	3,291	3,289	-38.9	-11.7	-19.4	-14.1	-0.1
Hours worked (1,000s)	11,592	10,668	7,698	7,360	1,787	1,663	-36.5	-8.0	-27.8	-4.4	-6.9
Wages paid ($1,000s)	302,167	282,269	226,891	218,224	52,818	49,431	-27.8	-6.6	-19.6	-3.8	-6.4
Hourly wages	$26.07	$26.46	$29.47	$29.65	$29.56	$29.72	13.7	1.5	11.4	0.6	0.6
Productivity (tons/1,000 hours)	249.0	297.3	343.7	424.4	426.8	449.1	70.5	19.4	15.6	23.5	5.2
Unit labor costs	$104.70	$88.99	$85.76	$69.87	$69.26	$66.19	-33.3	-15.0	-3.6	-18.5	-4.4
Net commercial sales:											
Quantity	2,975,767	3,146,293	3,107,013	3,175,460	771,460	686,038	6.7	5.7	-1.2	2.2	-11.1
Value	1,763,658	1,881,537	1,637,025	1,999,356	470,712	485,601	13.4	6.7	-13.0	22.1	3.2
Unit value	$593	$598	$527	$630	$610	$708	6.2	0.9	-11.9	19.5	16.0
Cost of goods sold (COGS)	1,795,283	1,864,176	1,453,068	1,796,578	418,153	426,806	0.1	3.8	-22.1	23.6	2.1
Gross profit or (loss)	(31,625)	17,361	183,957	202,778	52,559	58,795	(2)	(2)	959.6	10.2	11.9
SG&A expenses	86,834	85,420	112,983	107,304	24,908	29,771	23.6	-1.6	32.3	-5.0	19.5
Operating income or (loss)	(118,459)	(68,059)	70,974	95,474	27,651	29,024	(2)	42.5	(2)	34.5	5.0
Capital expenditures	41,382	16,760	18,867	43,365	6,662	6,794	4.8	-59.5	12.6	129.8	2.0
Unit COGS	$603	$592	$468	$566	$542	$622	-6.2	-1.8	-21.1	21.0	14.8
Unit SG&A expenses	$29	$27	$36	$34	$32	$43	15.8	-7.0	33.9	-7.1	34.4
Unit operating income or (loss)	($40)	($22)	$23	$30	$36	$42	(2)	45.7	(2)	31.6	18.0
COGS/sales (1)	101.8	99.1	88.8	89.9	88.8	87.9	-11.9	-2.7	-10.3	1.1	-0.9
Operating income or (loss)/sales (1)	(6.7)	(3.6)	4.3	4.8	5.9	6.0	11.5	3.1	8.0	0.4	0.1

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table LONG-C-1

Hot bar: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	10,746,817	10,936,052	10,755,839	11,939,538	3,119,222	2,929,381	11.1	1.8	-1.6	11.0	-6.1
Producers' share (1)	81.8	81.5	81.4	81.2	82.0	80.8	-0.7	-0.3	-0.1	-0.3	-1.2
Importers' share (1):											
Covered sources	6.5	5.5	5.2	6.0	4.4	6.4	-0.6	-1.0	-0.3	0.8	2.0
All other sources	11.6	13.0	13.4	12.9	13.6	12.8	1.3	1.4	0.4	-0.5	-0.8
Total imports	18.2	18.5	18.6	18.8	18.0	19.2	0.7	0.3	0.1	0.3	1.2
U.S. consumption value:											
Amount	4,081,416	4,122,634	4,302,325	6,856,235	1,512,746	1,947,594	68.0	1.0	4.4	59.4	28.7
Producers' share (1)	79.3	78.8	79.0	79.5	81.4	78.5	0.2	-0.4	0.1	0.5	-3.0
Importers' share (1):											
Covered sources	9.2	7.9	6.9	7.6	5.6	8.8	-1.6	-1.3	-0.9	0.6	3.1
All other sources	11.5	13.3	14.1	12.9	12.9	12.8	1.4	1.7	0.8	-1.2	-0.1
Total imports	20.7	21.2	21.0	20.5	18.6	21.5	-0.2	0.4	-0.1	-0.5	3.0
U.S. imports from:											
Covered sources:											
Quantity	703,816	602,355	555,230	711,627	137,334	188,480	1.1	-14.4	-7.8	28.2	37.2
Value	375,043	324,454	298,647	519,501	85,454	170,575	38.5	-13.5	-8.0	74.0	99.6
Unit value	$533	$539	$538	$730	$622	$905	37.0	1.1	-0.1	35.7	45.4
All other sources:											
Quantity	1,247,100	1,417,222	1,441,246	1,538,593	423,730	374,212	23.4	13.6	1.7	6.8	-11.7
Value	471,189	547,805	606,444	887,338	195,352	249,106	88.3	16.3	10.7	46.3	27.5
Unit value	$378	$387	$421	$577	$461	$666	52.6	2.3	8.9	37.1	44.4
All sources:											
Quantity	1,950,917	2,019,577	1,996,476	2,250,220	561,063	562,692	15.3	3.5	-1.1	12.7	0.3
Value	846,232	872,259	905,092	1,406,839	280,806	419,682	66.2	3.1	3.8	55.4	49.5
Unit value	$434	$432	$453	$625	$500	$746	44.1	-0.4	5.0	37.9	49.0
U.S. producers':											
Average capacity quantity	12,570,474	12,160,160	11,410,881	11,688,893	2,937,559	3,035,593	-7.0	-3.3	-6.2	2.4	3.3
Production quantity	8,821,048	9,110,314	8,880,720	10,304,626	2,550,601	2,494,847	16.8	3.3	-2.5	16.0	-2.2
Capacity utilization (1)	70.2	74.9	77.8	88.2	86.8	82.2	18.0	4.7	2.9	10.3	-4.6
U.S. shipments:											
Quantity	8,795,900	8,916,475	8,759,363	9,689,318	2,558,159	2,366,689	10.2	1.4	-1.8	10.6	-7.5
Value	3,235,184	3,250,375	3,397,233	5,449,396	1,231,940	1,527,912	68.4	0.5	4.5	60.4	24.0
Unit value	$368	$365	$388	$562	$482	$646	52.9	-0.9	6.4	45.0	34.1
Export shipments:											
Quantity	267,069	300,034	355,076	343,625	88,253	75,286	28.7	12.3	18.3	-3.2	-14.7
Value	114,590	126,059	148,240	200,354	44,190	53,160	74.8	10.0	17.6	35.2	20.3
Unit value	$429	$420	$417	$583	$501	$706	35.9	-2.1	-0.6	39.7	41.0
Ending inventory quantity	1,168,132	1,109,069	867,567	1,128,684	755,263	1,183,731	-3.4	-5.1	-21.8	30.1	56.7
Inventories/total shipments (1)	12.9	12.0	9.5	11.2	7.1	12.1	-1.6	-0.9	-2.5	1.7	5.0
Production workers	6,976	6,389	5,916	7,018	6,624	7,376	0.6	-8.4	-7.4	18.6	11.4
Hours worked (1,000s)	14,217	13,084	12,335	14,305	3,578	3,881	0.6	-8.0	-5.7	16.0	8.5
Wages paid ($1,000s)	407,542	386,432	356,324	430,499	106,095	118,596	5.6	-5.2	-7.8	20.8	11.8
Hourly wages	$28.67	$29.53	$28.89	$30.09	$29.65	$30.56	5.0	3.0	-2.2	4.2	3.1
Productivity (tons/1,000 hours)	566.7	629.6	643.0	689.9	675.1	642.8	21.7	11.1	2.1	7.3	-4.8
Unit labor costs	$50.58	$46.91	$44.92	$43.62	$43.92	$47.54	-13.8	-7.3	-4.2	-2.9	8.2
Net commercial sales:											
Quantity	7,788,822	7,966,707	7,445,886	8,095,888	2,113,239	2,088,245	3.9	2.3	-6.5	8.7	-1.2
Value	2,980,983	3,004,611	3,007,221	4,677,863	992,272	1,481,020	56.9	0.8	0.1	55.6	49.3
Unit value	$383	$377	$404	$578	$470	$709	51.0	-1.5	7.1	43.1	51.0
Cost of goods sold (COGS)	2,793,074	2,786,964	2,758,580	4,015,508	878,835	1,202,263	43.8	-0.2	-1.0	45.6	36.8
Gross profit or (loss)	187,909	217,647	248,641	662,355	113,437	278,757	252.5	15.8	14.2	166.4	145.7
SG&A expenses	168,369	172,082	162,755	186,296	40,741	58,912	10.6	2.2	-5.4	14.5	44.6
Operating income or (loss)	19,540	45,565	85,886	476,059	72,696	219,845	2,336.3	133.2	88.5	454.3	202.4
Capital expenditures	108,140	85,473	72,341	85,031	12,232	34,796	-21.4	-21.0	-15.4	17.5	184.5
Unit COGS	$359	$350	$370	$496	$416	$576	38.3	-2.4	5.9	33.9	38.4
Unit SG&A expenses	$22	$22	$22	$23	$19	$28	6.5	-0.1	1.2	5.3	46.3
Unit operating income or (loss)	$3	$6	$12	$59	$34	$105	2,243.9	128.0	101.7	409.8	206.0
COGS/sales (1)	93.7	92.8	91.7	85.8	88.6	81.2	-7.9	-0.9	-1.0	-5.9	-7.4
Operating income or (loss)/sales (1)	0.7	1.5	2.9	10.2	7.3	14.8	9.5	0.9	1.3	7.3	7.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table LONG-C-2

Cold bar: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	1,225,971	1,175,030	1,189,732	1,446,864	364,205	392,348	18.0	-4.2	1.3	21.6	7.7
Producers' share (1)	78.4	81.5	82.0	81.4	85.4	79.3	3.1	3.1	0.5	-0.6	-6.1
Importers' share (1):											
Covered sources	15.2	9.5	8.6	10.8	5.7	13.3	-4.4	-5.6	-1.0	2.2	7.6
All other sources	6.5	9.0	9.4	7.8	8.9	7.4	1.3	2.5	0.5	-1.6	-1.5
Total imports	21.6	18.5	18.0	18.6	14.6	20.7	-3.1	-3.1	-0.5	0.6	6.1
U.S. consumption value:											
Amount	822,509	784,851	792,448	1,284,098	266,611	396,678	56.1	-4.6	1.0	62.0	48.8
Producers' share (1)	75.4	78.2	79.5	78.2	83.7	77.2	2.8	2.8	1.3	-1.3	-6.4
Importers' share (1):											
Covered sources	17.4	11.8	10.1	13.8	7.3	14.5	-3.6	-5.6	-1.7	3.7	7.2
All other sources	7.3	10.1	10.5	8.0	9.0	8.3	0.8	2.8	0.4	-2.4	-0.8
Total imports	24.6	21.8	20.5	21.8	16.3	22.8	-2.8	-2.8	-1.3	1.3	6.4
U.S. imports from:											
Covered sources:											
Quantity	185,953	112,139	102,067	155,765	20,802	52,361	-16.2	-39.7	-9.0	52.6	151.7
Value	142,781	92,342	79,739	176,721	19,487	57,640	23.8	-35.3	-13.6	121.6	195.8
Unit value	$768	$823	$781	$1,135	$937	$1,101	47.8	7.2	-5.1	45.2	17.5
All other sources:											
Quantity	79,084	105,222	111,932	112,673	32,388	29,045	42.5	33.1	6.4	0.7	-10.3
Value	59,842	78,918	82,845	103,159	24,085	32,764	72.4	31.9	5.0	24.5	36.0
Unit value	$757	$750	$740	$916	$744	$1,128	21.0	-0.9	-1.3	23.7	51.7
All sources:											
Quantity	265,037	217,361	214,000	268,437	53,189	81,406	1.3	-18.0	-1.5	25.4	53.0
Value	202,622	171,261	162,583	279,879	43,572	90,404	38.1	-15.5	-5.1	72.1	107.5
Unit value	$765	$788	$760	$1,043	$819	$1,111	36.4	3.1	-3.6	37.2	35.6
U.S. producers':											
Average capacity quantity	1,458,761	1,413,392	1,453,841	1,535,896	462,922	462,334	5.3	-3.1	2.9	5.6	-0.1
Production quantity	969,327	974,948	994,163	1,226,048	314,564	327,838	26.5	0.6	2.0	23.3	4.2
Capacity utilization (1)	66.4	69.0	68.4	79.8	68.0	70.9	13.4	2.5	-0.6	11.4	3.0
U.S. shipments:											
Quantity	960,934	957,669	975,732	1,178,427	311,016	310,942	22.6	-0.3	1.9	20.8	-0.0
Value	619,887	613,590	629,865	1,004,219	223,039	306,274	62.0	-1.0	2.7	59.4	37.3
Unit value	$645	$641	$646	$852	$717	$985	32.1	-0.7	0.8	32.0	37.4
Export shipments:											
Quantity	33,411	28,329	23,208	29,935	5,015	8,550	-10.4	-15.2	-18.1	29.0	70.5
Value	21,727	18,848	15,835	31,762	4,277	8,923	46.2	-13.2	-16.0	100.6	108.6
Unit value	$650	$665	$682	$1,061	$853	$1,044	63.2	2.3	2.5	55.5	22.4
Ending inventory quantity	167,351	154,732	147,500	168,313	145,439	176,304	0.6	-7.5	-4.7	14.1	21.2
Inventories/total shipments (1)	16.8	15.7	14.8	13.9	11.5	13.8	-2.9	-1.1	-0.9	-0.8	2.3
Production workers	1,260	1,156	1,032	1,046	1,022	1,256	-17.0	-8.3	-10.7	1.4	22.9
Hours worked (1,000s)	2,411	2,245	2,089	2,242	547	578	-7.0	-6.9	-7.0	7.3	5.7
Wages paid ($1,000s)	59,232	54,343	48,711	54,301	13,107	15,128	-8.3	-8.3	-10.4	11.5	15.4
Hourly wages	$24.56	$24.21	$23.32	$24.22	$23.96	$26.16	-1.4	-1.5	-3.7	3.8	9.2
Productivity (tons/1,000 hours)	391.2	421.5	463.3	532.0	558.4	554.2	36.0	7.7	9.9	14.8	-0.8
Unit labor costs	$62.79	$57.43	$50.34	$45.52	$42.91	$47.21	-27.5	-8.5	-12.4	-9.6	10.0
Net commercial sales:											
Quantity	954,638	958,495	981,576	1,096,868	353,386	346,067	14.9	0.4	2.4	11.7	-2.1
Value	617,384	615,319	633,587	947,474	250,546	326,873	53.5	-0.3	3.0	49.5	30.5
Unit value	$647	$642	$645	$864	$709	$945	33.6	-0.7	0.5	33.8	33.2
Cost of goods sold (COGS)	552,761	544,545	556,971	784,939	221,314	276,719	42.0	-1.5	2.3	40.9	25.0
Gross profit or (loss)	64,623	70,774	76,616	162,535	29,232	50,154	151.5	9.5	8.3	112.1	71.6
SG&A expenses	35,118	35,849	38,106	46,990	13,224	14,608	33.8	2.1	6.3	23.3	10.5
Operating income or (loss)	29,505	34,925	38,510	115,545	16,008	35,546	291.6	18.4	10.3	200.0	122.1
Capital expenditures	39,548	13,850	9,731	8,937	2,959	4,147	-77.4	-65.0	-29.7	-8.2	40.1
Unit COGS	$579	$568	$567	$716	$626	$800	23.6	-1.9	-0.1	26.1	27.7
Unit SG&A expenses	$37	$37	$39	$43	$37	$42	16.5	1.7	3.8	10.4	12.8
Unit operating income or (loss)	$31	$36	$39	$105	$45	$103	240.8	17.9	7.7	168.5	126.7
COGS/sales (1)	89.5	88.5	87.9	82.8	88.3	84.7	-6.7	-1.0	-0.6	-5.1	-3.7
Operating income or (loss)/sales (1)	4.8	5.7	6.1	12.2	6.4	10.9	7.4	0.9	0.4	6.1	4.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table LONG-C-3

Rebar: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	8,370,471	7,875,151	8,725,353	8,966,914	2,209,658	2,029,333	7.1	-5.9	10.8	2.8	-8.2
Producers' share (1)	79.0	83.8	88.3	78.6	86.7	85.7	-0.4	4.8	4.5	-9.7	-1.0
Importers' share (1):											
Covered sources	14.9	8.8	2.6	12.3	2.0	6.8	-2.6	-6.1	-6.2	9.7	4.8
All other sources	6.1	7.4	9.1	9.0	11.3	7.5	2.9	1.3	1.7	-0.0	-3.8
Total imports	21.0	16.2	11.7	21.4	13.3	14.3	0.4	-4.8	-4.5	9.7	1.0
U.S. consumption value:											
Amount	2,132,873	1,972,485	2,439,557	4,017,460	792,218	939,306	88.4	-7.5	23.7	64.7	18.6
Producers' share (1)	81.5	85.5	88.3	77.5	87.7	86.5	-4.0	4.0	2.8	-10.8	-1.2
Importers' share (1):											
Covered sources	12.9	7.6	2.7	13.9	1.8	6.3	1.0	-5.3	-4.9	11.2	4.5
All other sources	5.6	6.9	9.0	8.6	10.5	7.2	3.0	1.3	2.1	-0.4	-3.3
Total imports	18.5	14.5	11.7	22.5	12.3	13.5	4.0	-4.0	-2.8	10.8	1.2
U.S. imports from:											
Covered sources:											
Quantity	1,246,359	692,853	226,248	1,105,947	44,210	137,930	-11.3	-44.4	-67.3	388.8	212.0
Value	275,852	150,214	66,222	559,474	14,320	58,859	102.8	-45.5	-55.9	744.8	311.0
Unit value	$221	$217	$293	$506	$324	$427	128.6	-2.0	35.0	72.8	31.7
All other sources:											
Quantity	511,850	583,338	792,760	810,907	248,638	151,886	58.4	14.0	35.9	2.3	-38.9
Value	118,588	135,422	219,327	345,352	82,927	67,534	191.2	14.2	62.0	57.5	-18.6
Unit value	$232	$232	$277	$426	$334	$445	83.8	0.2	19.2	53.9	33.3
All sources:											
Quantity	1,758,208	1,276,191	1,019,007	1,916,854	292,848	289,816	9.0	-27.4	-20.2	88.1	-1.0
Value	394,440	285,636	285,549	904,826	97,247	126,393	129.4	-27.6	-0.0	216.9	30.0
Unit value	$224	$224	$280	$472	$332	$436	110.4	-0.2	25.2	68.5	31.3
U.S. producers':											
Average capacity quantity	8,891,279	8,737,905	8,643,588	8,659,643	2,210,229	2,191,564	-2.6	-1.7	-1.1	0.2	-0.8
Production quantity	6,659,184	6,588,294	7,747,007	7,352,839	1,903,582	1,765,666	10.4	-1.1	17.6	-5.1	-7.2
Capacity utilization (1)	74.9	75.4	89.6	84.9	86.1	80.6	10.0	0.5	14.2	-4.7	-5.6
U.S. shipments:											
Quantity	6,612,263	6,598,960	7,706,346	7,050,060	1,916,810	1,739,517	6.6	-0.2	16.8	-8.5	-9.2
Value	1,738,433	1,686,849	2,154,008	3,112,633	694,971	812,913	79.0	-3.0	27.7	44.5	17.0
Unit value	$263	$256	$280	$442	$363	$467	67.9	-2.8	9.3	58.0	28.9
Export shipments:											
Quantity	21,575	24,537	223,518	198,557	66,539	57,482	820.3	13.7	810.9	-11.2	-13.6
Value	5,370	6,236	66,003	88,021	25,223	27,088	1,539.1	16.1	958.4	33.4	7.4
Unit value	$249	$254	$295	$443	$379	$471	78.1	2.1	16.2	50.1	24.3
Ending inventory quantity	767,517	810,637	433,985	656,721	330,813	620,310	-14.4	5.6	-46.5	51.3	87.5
Inventories/total shipments (1)	11.6	12.2	5.5	9.1	4.2	8.6	-2.5	0.7	-6.8	3.6	4.5
Production workers	3,932	4,445	4,126	4,810	4,105	4,626	22.3	13.0	-7.2	16.6	12.7
Hours worked (1,000s)	8,011	8,832	8,697	9,067	2,705	2,776	13.2	10.2	-1.5	4.3	2.6
Wages paid ($1,000s)	206,386	229,698	248,121	277,682	66,478	76,580	34.5	11.3	8.0	11.9	15.2
Hourly wages	$25.76	$26.01	$28.53	$30.63	$24.58	$27.59	18.9	1.0	9.7	7.3	12.2
Productivity (tons/1,000 hours)	776.2	698.6	857.8	794.1	684.9	636.1	2.3	-10.0	22.8	-7.4	-7.1
Unit labor costs	$33.19	$37.22	$33.26	$38.57	$35.88	$43.37	16.2	12.2	-10.7	16.0	20.9
Net commercial sales:											
Quantity	5,532,463	5,694,963	6,434,401	6,105,861	1,622,048	1,525,904	10.4	2.9	13.0	-5.1	-5.9
Value	1,467,361	1,464,145	1,817,386	2,662,135	602,080	716,513	81.4	-0.2	24.1	46.5	19.0
Unit value	$265	$257	$282	$436	$371	$470	64.4	-3.1	9.9	54.4	26.5
Cost of goods sold (COGS)	1,375,413	1,368,803	1,671,889	2,132,503	511,639	591,801	55.0	-0.5	22.1	27.6	15.7
Gross profit or (loss)	91,948	95,342	145,497	529,632	90,441	124,712	476.0	3.7	52.6	264.0	37.9
SG&A expenses	91,702	96,712	76,632	81,764	19,695	19,688	-10.8	5.5	-20.8	6.7	-0.0
Operating income or (loss)	246	(1,370)	68,865	447,868	70,746	105,024	181,960.2	(2)	(2)	550.4	48.5
Capital expenditures	34,820	16,195	79,032	60,914	15,614	18,684	74.9	-53.5	388.0	-22.9	19.7
Unit COGS	$249	$240	$260	$349	$315	$388	40.5	-3.3	8.1	34.4	23.0
Unit SG&A expenses	$17	$17	$12	$13	$12	$13	-19.2	2.5	-29.9	12.4	6.3
Unit operating income or (loss)	$0	($0)	$11	$73	$44	$69	164,863.0	(2)	(2)	585.4	57.8
COGS/sales (1)	93.7	93.5	92.0	80.1	85.0	82.6	-13.6	-0.2	-1.5	-11.9	-2.4
Operating income or (loss)/sales (1)	0.0	(0.1)	3.8	16.8	11.8	14.7	16.8	-0.1	3.9	13.0	2.9

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table TUBULAR-C-1

Welded: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	7,368,369	6,722,773	6,309,798	6,941,613	1,785,966	1,623,377	-5.8	-8.8	-6.1	10.0	-9.1
Producers' share (1)	61.6	62.4	66.3	62.5	68.8	59.0	0.9	0.8	3.9	-3.8	-9.8
Importers' share (1):											
Covered sources	20.2	14.9	9.9	12.3	7.5	15.9	-7.9	-5.3	-5.0	2.4	8.4
All other sources	18.2	22.7	23.8	25.2	23.6	25.1	7.0	4.5	1.2	1.4	1.5
Total imports	38.4	37.6	33.7	37.5	31.2	41.0	-0.9	-0.8	-3.9	3.8	9.8
U.S. consumption value:											
Amount	3,976,281	3,859,722	3,651,841	5,666,571	1,153,650	1,591,354	42.5	-2.9	-5.4	55.2	37.9
Producers' share (1)	64.3	64.7	68.4	66.1	70.7	63.7	1.8	0.5	3.7	-2.3	-7.0
Importers' share (1):											
Covered sources	18.8	14.4	10.2	10.2	7.0	13.4	-8.6	-4.4	-4.2	0.0	6.4
All other sources	16.9	20.8	21.4	23.7	22.3	22.9	6.8	3.9	0.5	2.3	0.6
Total imports	35.7	35.3	31.6	33.9	29.3	36.3	-1.8	-0.5	-3.7	2.3	7.0
U.S. imports from:											
Covered sources:											
Quantity	1,488,531	1,002,031	623,188	854,348	134,750	258,221	-42.6	-32.7	-37.8	37.1	91.6
Value	747,625	556,926	372,778	579,247	81,130	213,967	-22.5	-25.5	-33.1	55.4	163.7
Unit value	$502	$556	$598	$678	$602	$829	35.0	10.7	7.6	13.3	37.6
All other sources:											
Quantity	1,340,871	1,523,264	1,503,955	1,750,624	421,849	407,050	30.6	13.6	-1.3	16.4	-3.5
Value	673,782	804,416	780,720	1,342,854	256,811	364,257	99.3	19.4	-2.9	72.0	41.8
Unit value	$502	$528	$519	$767	$609	$895	52.7	5.1	-1.7	47.8	47.0
All sources:											
Quantity	2,829,403	2,525,295	2,127,143	2,604,972	556,599	665,271	-7.9	-10.7	-15.8	22.5	19.5
Value	1,421,407	1,361,343	1,153,498	1,922,101	337,941	578,223	35.2	-4.2	-15.3	66.6	71.1
Unit value	$502	$539	$542	$738	$607	$869	46.9	7.3	0.6	36.1	43.2
U.S. producers':											
Average capacity quantity	7,576,619	7,038,164	7,374,066	7,590,287	1,887,397	1,876,076	0.2	-7.1	4.8	2.9	-0.6
Production quantity	4,579,045	4,380,184	4,185,801	4,475,508	1,255,395	993,746	-2.3	-4.3	-4.4	6.9	-20.8
Capacity utilization (1)	60.4	62.2	56.8	59.0	66.5	53.0	-1.5	1.8	-5.5	2.2	-13.5
U.S. shipments:											
Quantity	4,538,966	4,197,478	4,182,655	4,336,641	1,229,367	958,106	-4.5	-7.5	-0.4	3.7	-22.1
Value	2,554,874	2,498,379	2,498,343	3,744,470	815,710	1,013,131	46.6	-2.2	-0.0	49.9	24.2
Unit value	$563	$595	$597	$863	$664	$1,057	53.4	5.7	0.4	44.6	59.4
Export shipments:											
Quantity	128,069	124,536	122,083	119,599	33,429	27,900	-6.6	-2.8	-2.0	-2.0	-16.5
Value	86,522	84,778	85,443	116,445	26,375	33,516	34.6	-2.0	0.8	36.3	27.1
Unit value	$676	$681	$700	$974	$789	$1,201	44.1	0.8	2.8	39.1	52.3
Ending inventory quantity	531,803	589,545	461,369	461,657	458,653	470,168	-13.2	10.9	-21.7	0.1	2.5
Inventories/total shipments (1)	11.4	13.6	10.7	10.4	9.1	11.9	-1.0	2.2	-2.9	-0.4	2.8
Production workers	6,975	6,613	6,152	6,326	6,263	5,927	-9.3	-5.2	-7.0	2.8	-5.4
Hours worked (1,000s)	18,120	18,960	18,607	17,836	4,566	4,093	-1.6	4.6	-1.9	-4.1	-10.4
Wages paid ($1,000s)	291,820	290,167	267,922	289,180	72,396	68,863	-0.9	-0.6	-7.7	7.9	-4.9
Hourly wages	$16.10	$15.30	$14.40	$16.21	$15.85	$16.82	0.7	-5.0	-5.9	12.6	6.1
Productivity (tons/1,000 hours)	251.7	228.9	224.1	250.0	273.9	241.8	-0.7	-9.0	-2.1	11.6	-11.7
Unit labor costs	$64.00	$66.86	$64.26	$64.86	$57.88	$69.58	1.3	4.5	-3.9	0.9	20.2
Net commercial sales:											
Quantity	4,644,252	4,261,552	4,259,372	4,389,279	1,252,966	976,597	-5.5	-8.2	-0.1	3.0	-22.1
Value	2,648,498	2,579,115	2,572,245	3,892,450	851,319	1,061,493	47.0	-2.6	-0.3	51.3	24.7
Unit value	$570	$605	$604	$887	$679	$1,087	55.5	6.1	-0.2	46.8	60.0
Cost of goods sold (COGS)	2,298,440	2,206,370	2,345,206	3,150,011	683,130	912,847	37.0	-4.0	6.3	34.3	33.6
Gross profit or (loss)	350,058	372,745	227,039	742,439	168,189	148,646	112.1	6.5	-39.1	227.0	-11.6
SG&A expenses	200,778	196,200	161,843	208,871	44,081	52,095	4.0	-2.3	-17.5	29.1	18.2
Operating income or (loss)	149,280	176,545	65,195	533,568	124,108	96,551	257.4	18.3	-63.1	718.4	-22.2
Capital expenditures	81,600	103,662	67,801	61,352	11,962	14,228	-24.8	27.0	-34.6	-9.5	18.9
Unit COGS	$495	$518	$551	$718	$545	$935	45.0	4.6	6.3	30.3	71.4
Unit SG&A expenses	$43	$46	$38	$48	$35	$53	10.1	6.5	-17.5	25.2	51.6
Unit operating income or (loss)	$32	$41	$15	$122	$99	$99	278.2	28.9	-63.1	694.2	-0.2
COGS/sales (1)	86.8	85.5	91.2	80.9	80.2	86.0	-5.9	-1.2	5.6	-10.2	5.8
Operating income or (loss)/sales (1)	5.6	6.8	2.5	13.7	14.6	9.1	8.1	1.2	-4.3	11.2	-5.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table TUBULAR-C-2

Fittings: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	261,343	236,323	219,134	255,573	55,859	66,878	-2.2	-9.6	-7.3	16.6	19.7
Producers' share (1)	35.1	39.5	41.8	40.6	44.5	37.2	5.5	4.4	2.4	-1.2	-7.3
Importers' share (1):											
Covered sources	50.5	46.9	45.5	46.4	42.2	49.8	-4.1	-3.6	-1.4	0.9	7.5
All other sources	14.4	13.6	12.7	13.0	13.3	13.1	-1.4	-0.7	-0.9	0.3	-0.2
Total imports	64.9	60.5	58.2	59.4	55.5	62.8	-5.5	-4.4	-2.4	1.2	7.3
U.S. consumption value:											
Amount	558,133	519,765	457,155	639,962	127,058	180,976	14.7	-6.9	-12.0	40.0	42.4
Producers' share (1)	38.0	40.3	44.5	45.2	44.0	42.6	7.2	2.3	4.2	0.6	-1.4
Importers' share (1):											
Covered sources	41.0	41.9	37.4	38.8	37.6	42.2	-2.2	0.9	-4.5	1.4	4.7
All other sources	21.0	17.8	18.1	16.0	18.4	15.1	-5.0	-3.2	0.3	-2.1	-3.3
Total imports	62.0	59.7	55.5	54.8	56.0	57.4	-7.2	-2.3	-4.2	-0.6	1.4
U.S. imports from:											
Covered sources:											
Quantity	132,078	110,827	99,661	118,604	23,587	33,286	-10.2	-16.1	-10.1	19.0	41.1
Value	228,857	217,787	170,972	248,507	47,711	76,422	8.6	-4.8	-21.5	45.3	60.2
Unit value	$1,733	$1,965	$1,716	$2,095	$2,023	$2,296	20.9	13.4	-12.7	22.1	13.5
All other sources:											
Quantity	37,527	32,223	27,798	33,165	7,428	8,730	-11.6	-14.1	-13.7	19.3	17.5
Value	117,395	92,598	82,656	102,488	23,386	27,380	-12.7	-21.1	-10.7	24.0	17.1
Unit value	$3,128	$2,874	$2,973	$3,090	$3,148	$3,136	-1.2	-8.1	3.5	3.9	-0.4
All sources:											
Quantity	169,605	143,051	127,459	151,769	31,015	42,016	-10.5	-15.7	-10.9	19.1	35.5
Value	346,251	310,384	253,628	350,995	71,096	103,801	1.4	-10.4	-18.3	38.4	46.0
Unit value	$2,042	$2,170	$1,990	$2,313	$2,292	$2,471	13.3	6.3	-8.3	16.2	7.8
U.S. producers':											
Average capacity quantity	147,005	165,579	166,539	168,602	39,000	40,017	14.7	12.6	0.6	1.2	2.6
Production quantity	91,795	93,609	87,830	110,807	24,051	30,636	20.7	2.0	-6.2	26.2	27.4
Capacity utilization (1)	62.4	56.5	52.7	65.7	61.7	76.6	3.3	-5.9	-3.8	13.0	14.9
U.S. shipments:											
Quantity	91,738	93,273	91,675	103,805	24,844	24,862	13.2	1.7	-1.7	13.2	0.1
Value	211,882	209,381	203,527	288,967	55,962	77,175	36.4	-1.2	-2.8	42.0	37.9
Unit value	$2,310	$2,245	$2,220	$2,784	$2,253	$3,104	20.5	-2.8	-1.1	25.4	37.8
Export shipments:											
Quantity	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	41,108	43,401	37,755	56,487	36,640	61,420	37.4	5.6	-13.0	49.6	67.6
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	***	***
Production workers	1,287	1,361	1,254	1,544	1,141	1,393	20.0	5.7	-7.9	23.1	22.1
Hours worked (1,000s)	3,201	3,162	2,872	3,543	702	871	10.7	-1.2	-9.2	23.4	24.1
Wages paid ($1,000s)	50,467	55,242	51,164	61,705	12,171	14,723	22.3	9.5	-7.4	20.6	21.0
Hourly wages	$15.77	$17.47	$17.81	$17.41	$17.35	$16.91	10.5	10.8	2.0	-2.2	-2.5
Productivity (tons/1,000 hours)	28.7	29.6	30.6	31.3	34.3	35.2	9.0	3.2	3.3	2.3	2.6
Unit labor costs	$549.83	$590.17	$582.64	$556.94	$506.14	$480.66	1.3	7.3	-1.3	-4.4	-5.0
Net commercial sales:											
Quantity	77,196	77,705	73,239	79,529	18,455	17,848	3.0	0.7	-5.7	8.6	-3.3
Value	170,922	167,840	159,322	201,506	41,451	52,902	17.9	-1.8	-5.1	26.5	27.6
Unit value	$2,214	$2,160	$2,175	$2,534	$2,246	$2,964	14.4	-2.4	0.7	16.5	32.0
Cost of goods sold (COGS)	139,244	137,916	132,820	154,049	33,354	39,366	10.6	-1.0	-3.7	16.0	18.0
Gross profit or (loss)	31,678	29,925	26,502	47,457	8,097	13,537	49.8	-5.5	-11.4	79.1	67.2
SG&A expenses	26,449	24,928	26,091	28,455	5,446	6,839	7.6	-5.8	4.7	9.1	25.6
Operating income or (loss)	5,229	4,997	411	19,002	2,651	6,697	263.4	-4.4	-91.8	4525.6	152.6
Capital expenditures	4,258	3,772	3,219	5,707	1,077	1,343	34.0	-11.4	-14.7	77.3	24.7
Unit COGS	$1,804	$1,775	$1,814	$1,937	$1,807	$2,206	7.4	-1.6	2.2	6.8	22.0
Unit SG&A expenses	$343	$321	$356	$358	$295	$383	4.4	-6.4	11.0	0.4	29.9
Unit operating income or (loss)	$68	$64	$6	$239	$144	$375	252.8	-5.1	-91.3	4159.8	161.2
COGS/sales (1)	81.5	82.2	83.4	76.4	80.5	74.4	-5.0	0.7	1.2	-6.9	-6.1
Operating income or (loss)/sales (1)	3.1	3.0	0.3	9.4	6.4	12.7	6.4	-0.1	-2.7	9.2	6.3

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table STAINLESS-C-1

Stainless bar: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	258,556	245,393	228,322	278,028	62,057	86,485	7.5	-5.1	-7.0	21.8	39.4
Producers' share (1)	55.4	57.6	63.4	61.6	62.3	60.3	6.2	2.2	5.8	-1.8	-2.1
Importers' share (1):											
Covered sources	34.4	29.1	22.3	28.5	26.7	31.0	-5.8	-5.3	-6.7	6.2	4.4
All other sources	10.2	13.4	14.3	9.9	11.0	8.7	-0.4	3.1	0.9	-4.4	-2.3
Total imports	44.6	42.4	36.6	38.4	37.7	39.7	-6.2	-2.2	-5.8	1.8	2.1
U.S. consumption value:											
Amount	740,495	653,871	574,527	888,785	177,783	321,233	20.0	-11.7	-12.1	54.7	80.7
Producers' share (1)	62.1	63.7	66.7	64.9	66.9	61.3	2.8	1.5	3.0	-1.7	-5.6
Importers' share (1):											
Covered sources	30.0	25.8	21.8	27.5	25.0	32.2	-2.5	-4.2	-4.0	5.7	7.3
All other sources	7.8	10.5	11.6	7.6	8.1	6.5	-0.3	2.7	1.0	-4.0	-1.6
Total imports	37.9	36.3	33.3	35.1	33.1	38.7	-2.8	-1.5	-3.0	1.7	5.6
U.S. imports from:											
Covered sources:											
Quantity	88,890	71,331	50,975	79,327	16,544	26,847	-10.8	-19.8	-28.5	55.6	62.3
Value	222,223	168,574	124,989	244,255	44,413	103,540	9.9	-24.1	-25.9	95.4	133.1
Unit value	$2,500	$2,363	$2,452	$3,079	$2,685	$3,857	23.2	-5.5	3.8	25.6	43.7
All other sources:											
Quantity	26,501	32,768	32,580	27,463	6,827	7,506	3.6	23.6	-0.6	-15.7	10.0
Value	58,071	68,920	66,561	67,291	14,372	20,799	15.9	18.7	-3.4	1.1	44.7
Unit value	$2,191	$2,103	$2,043	$2,450	$2,105	$2,771	11.8	-4.0	-2.9	19.9	31.6
All sources:											
Quantity	115,392	104,099	83,555	106,790	23,370	34,354	-7.5	-9.8	-19.7	27.8	47.0
Value	280,295	237,494	191,550	311,546	58,785	124,339	11.1	-15.3	-19.3	62.6	111.5
Unit value	$2,429	$2,281	$2,293	$2,917	$2,515	$3,619	20.1	-6.1	0.5	27.3	43.9
U.S. producers':											
Average capacity quantity	234,436	242,311	253,792	238,604	56,787	68,662	1.8	3.4	4.7	-6.0	20.9
Production quantity	145,392	145,330	144,496	183,689	40,356	54,714	26.3	-0.0	-0.6	27.1	35.6
Capacity utilization (1)	62.0	60.0	56.9	77.0	71.1	79.7	15.0	-2.0	-3.0	20.0	8.6
U.S. shipments:											
Quantity	143,165	141,295	144,768	171,238	38,687	52,132	19.6	-1.3	2.5	18.3	34.8
Value	460,200	416,377	382,977	577,239	118,998	196,894	25.4	-9.5	-8.0	50.7	65.5
Unit value	$3,214	$2,947	$2,645	$3,371	$3,076	$3,777	4.9	-8.3	-10.2	27.4	22.8
Export shipments:											
Quantity	5,522	6,159	5,498	10,529	2,676	2,931	90.7	11.5	-10.7	91.5	9.5
Value	23,862	24,897	19,630	36,899	8,921	11,046	54.6	4.3	-21.2	88.0	23.8
Unit value	$4,322	$4,042	$3,570	$3,505	$3,334	$3,769	-18.9	-6.5	-11.7	-1.8	13.1
Ending inventory quantity	20,441	18,299	12,529	14,451	11,773	13,867	-29.3	-10.5	-31.5	15.3	17.8
Inventories/total shipments (1)	13.7	12.4	8.3	8.0	7.1	6.3	-5.8	-1.3	-4.1	-0.4	-0.8
Production workers	1,552	1,280	1,202	1,045	1,027	1,107	-32.7	-17.5	-6.1	-13.1	7.8
Hours worked (1,000s)	3,003	2,312	2,173	2,069	505	578	-31.1	-23.0	-6.0	-4.8	14.5
Wages paid ($1,000s)	67,648	54,479	51,284	51,565	12,717	14,568	-23.8	-19.5	-5.9	0.5	14.6
Hourly wages	$22.52	$23.56	$23.60	$24.92	$25.20	$25.22	10.6	4.6	0.2	5.6	0.1
Productivity (tons/1,000 hours)	48.4	62.9	66.5	88.8	80.0	94.7	83.4	29.8	5.8	33.5	18.4
Unit labor costs	$465.28	$374.87	$354.92	$280.72	$315.12	$266.26	-39.7	-19.4	-5.3	-20.9	-15.5
Net commercial sales:											
Quantity	153,869	143,179	114,084	174,630	40,805	54,169	13.5	-6.9	-20.3	53.1	32.8
Value	527,867	444,506	334,096	570,545	127,313	206,993	8.1	-15.8	-24.8	70.8	62.6
Unit value	$3,431	$3,105	$2,929	$3,267	$3,120	$3,821	-4.8	-9.5	-5.7	11.6	22.5
Cost of goods sold (COGS)	494,284	442,880	325,708	511,168	112,024	174,687	3.4	-10.4	-26.5	56.9	55.9
Gross profit or (loss)	33,583	1,626	8,388	59,377	15,289	32,306	76.8	-95.2	415.9	607.9	111.3
SG&A expenses	41,192	37,555	29,528	32,075	6,875	8,265	-22.1	-8.8	-21.4	8.6	20.2
Operating income or (loss)	(7,609)	(35,929)	(21,140)	27,302	8,414	24,041	(2)	-372.2	41.2	(2)	185.7
Capital expenditures	21,902	12,082	98,345	35,181	2,845	2,236	60.6	-44.8	714.0	-64.2	-21.4
Unit COGS	$3,212	$3,093	$2,855	$2,927	$2,745	$3,225	-8.9	-3.7	-7.7	2.5	17.5
Unit SG&A expenses	$268	$262	$259	$184	$168	$153	-31.4	-2.0	-1.3	-29.0	-9.4
Unit operating income or (loss)	($49)	($251)	($185)	$156	$206	$444	(2)	-407.4	26.2	(2)	115.2
COGS/sales (1)	93.6	99.6	97.5	89.6	88.0	84.4	-4.0	6.0	-2.1	-7.9	-3.6
Operating income or (loss)/sales (1)	(1.4)	(8.1)	(6.3)	4.8	6.6	11.6	6.2	-6.6	1.8	11.1	5.0

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table STAINLESS-C-2

Stainless rod: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	***	***	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***	***	***
Importers' share (1):											
Covered sources	***	***	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***	***	***
U.S. consumption value:											
Amount	***	***	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***	***	***
Importers' share (1):											
Covered sources	***	***	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***	***	***
U.S. imports from:											
Covered sources:											
Quantity	58,045	52,678	31,389	42,629	7,148	11,945	-26.6	-9.2	-40.4	35.8	67.1
Value	104,798	91,480	57,180	100,547	14,672	31,755	-4.1	-12.7	-37.5	75.8	116.4
Unit value	$1,805	$1,737	$1,822	$2,359	$2,052	$2,658	30.6	-3.8	4.9	29.5	29.5
All other sources:											
Quantity	3,554	4,391	2,129	1,284	117	97	-63.9	23.6	-51.5	-39.7	-17.6
Value	6,344	6,543	3,197	2,706	228	317	-57.3	3.1	-51.1	-15.3	38.9
Unit value	$1,785	$1,490	$1,501	$2,108	$1,943	$3,273	18.1	-16.5	0.7	40.4	68.5
All sources:											
Quantity	61,599	57,070	33,519	43,913	7,266	12,042	-28.7	-7.4	-41.3	31.0	65.7
Value	111,142	98,023	60,377	103,253	14,900	32,071	-7.1	-11.8	-38.4	71.0	115.2
Unit value	$1,804	$1,718	$1,801	$2,351	$2,051	$2,663	30.3	-4.8	4.9	30.5	29.9
U.S. producers':											
Average capacity quantity	***	***	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***	***	***
U.S. shipments:											
Quantity	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***
Export shipments:											
Quantity	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***	***	***
Productivity (tons/1,000 hours)	***	***	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***	***	***
Net commercial sales:											
Quantity	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (1)	***	***	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table STAINLESS-C-3

Stainless wire: Summary data concerning the U.S. market, 2001-04, January-March 2004, and January-March 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data						Period changes				
					January-March						Jan.-Mar.
Item	2001	2002	2003	2004	2004	2005	2001-04	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:											
Amount	59,247	62,859	63,796	75,837	18,337	17,816	28.0	6.1	1.5	18.9	-2.8
Producers' share (1)	47.5	47.3	46.2	44.6	46.1	38.3	-2.9	-0.2	-1.1	-1.6	-7.8
Importers' share (1):											
Covered sources	44.6	42.0	35.7	35.1	29.7	44.3	-9.5	-2.7	-6.2	-0.6	14.6
All other sources	7.9	10.7	18.0	20.3	24.2	17.4	12.4	2.8	7.3	2.2	-6.8
Total imports	52.5	52.7	53.8	55.4	53.9	61.7	2.9	0.2	1.1	1.6	7.8
U.S. consumption value:											
Amount	236,028	226,662	225,696	303,470	66,886	79,080	28.6	-4.0	-0.4	34.5	18.2
Producers' share (1)	55.7	55.3	53.4	51.0	53.8	45.9	-4.7	-0.4	-1.9	-2.4	-7.9
Importers' share (1):											
Covered sources	40.2	39.3	36.7	36.0	31.7	42.9	-4.3	-0.9	-2.7	-0.7	11.2
All other sources	4.0	5.4	9.9	13.0	14.5	11.2	9.0	1.4	4.5	3.1	-3.3
Total imports	44.3	44.7	46.6	49.0	46.2	54.1	4.7	0.4	1.9	2.4	7.9
U.S. imports from:											
Covered sources:											
Quantity	26,439	26,374	22,806	26,623	5,449	7,896	0.7	-0.2	-13.5	16.7	44.9
Value	94,952	89,122	82,730	109,132	21,225	33,919	14.9	-6.1	-7.2	31.9	59.8
Unit value	$3,591	$3,379	$3,628	$4,099	$3,895	$4,296	14.1	-5.9	7.3	13.0	10.3
All other sources:											
Quantity	4,662	6,729	11,500	15,359	4,443	3,098	229.4	44.3	70.9	33.6	-30.3
Value	9,511	12,197	22,392	39,509	9,670	8,840	315.4	28.2	83.6	76.4	-8.6
Unit value	$2,040	$1,813	$1,947	$2,572	$2,177	$2,853	26.1	-11.2	7.4	32.1	31.1
All sources:											
Quantity	31,101	33,103	34,306	41,982	9,892	10,995	35.0	6.4	3.6	22.4	11.2
Value	104,463	101,319	105,122	148,641	30,896	42,759	42.3	-3.0	3.8	41.4	38.4
Unit value	$3,359	$3,061	$3,064	$3,541	$3,123	$3,889	5.4	-8.9	0.1	15.5	24.5
U.S. producers':											
Average capacity quantity	58,280	59,690	57,920	58,440	14,610	12,610	0.3	2.4	-3.0	0.9	-13.7
Production quantity	29,252	32,042	30,884	36,550	9,782	7,359	24.9	9.5	-3.6	18.3	-24.8
Capacity utilization (1)	50.2	53.7	53.3	62.5	67.0	58.4	12.4	3.5	-0.4	9.2	-8.6
U.S. shipments:											
Quantity	28,146	29,756	29,490	33,856	8,445	6,821	20.3	5.7	-0.9	14.8	-19.2
Value	131,565	125,343	120,574	154,829	35,990	36,321	17.7	-4.7	-3.8	28.4	0.9
Unit value	$4,674	$4,212	$4,089	$4,573	$4,262	$5,325	-2.2	-9.9	-2.9	11.9	24.9
Export shipments:											
Quantity	792	763	757	837	238	104	5.7	-3.7	-0.8	10.6	-56.3
Value	4,848	4,100	4,885	6,120	1,596	460	26.2	-15.4	19.1	25.3	-71.2
Unit value	$6,121	$5,374	$6,453	$7,312	$6,706	$4,423	19.5	-12.2	20.1	13.3	-34.0
Ending inventory quantity	4,605	4,941	5,043	3,986	4,657	3,854	-13.5	7.3	2.1	-21.0	-17.2
Inventories/total shipments (1)	15.9	16.2	16.7	11.5	13.4	13.9	-4.4	0.3	0.5	-5.2	0.5
Production workers	536	469	412	433	420	341	-19.2	-12.5	-12.2	5.1	-18.8
Hours worked (1,000s)	965	879	773	831	193	164	-14.0	-8.9	-12.0	7.4	-15.3
Wages paid ($1,000s)	16,908	15,805	14,030	15,658	3,735	3,331	-7.4	-6.5	-11.2	11.6	-10.8
Hourly wages	$17.51	$17.98	$18.14	$18.85	$19.31	$20.33	7.6	2.6	0.9	3.9	5.3
Productivity (tons/1,000 hours)	30.3	36.4	39.9	44.0	50.6	44.9	45.2	20.3	9.6	10.2	-11.2
Unit labor costs	$578.00	$493.26	$454.28	$428.39	$381.80	$452.58	-25.9	-14.7	-7.9	-5.7	18.5
Net commercial sales:											
Quantity	30,772	29,379	29,477	33,597	8,453	6,876	9.2	-4.5	0.3	14.0	-18.7
Value	145,928	127,248	126,984	153,986	36,591	37,257	5.5	-12.8	-0.2	21.3	1.8
Unit value	$4,742	$4,331	$4,308	$4,583	$4,329	$5,418	-3.4	-8.7	-0.5	6.4	25.2
Cost of goods sold (COGS)	130,199	118,517	111,909	137,454	30,752	34,217	5.6	-9.0	-5.6	22.8	11.3
Gross profit or (loss)	15,729	8,731	15,075	16,532	5,839	3,040	5.1	-44.5	72.7	9.7	-47.9
SG&A expenses	18,473	17,353	14,630	16,584	3,927	4,208	-10.2	-6.1	-15.7	13.4	7.2
Operating income or (loss)	(2,744)	(8,622)	445	(52)	1,912	(1,168)	98.1	-214.2	(2)	(2)	(2)
Capital expenditures	6,814	3,695	4,928	3,034	1,252	1,264	-55.5	-45.8	33.4	-38.4	1.0
Unit COGS	$4,231	$4,034	$3,796	$4,091	$3,638	$4,976	-3.3	-4.7	-5.9	7.8	36.8
Unit SG&A expenses	$600	$591	$496	$494	$465	$612	-17.8	-1.6	-16.0	-0.5	31.7
Unit operating income or (loss)	($89)	($293)	$15	($2)	$226	($170)	98.3	-229.1	(2)	(2)	(2)
COGS/sales (1)	89.2	93.1	88.1	89.3	84.0	91.8	0.0	3.9	-5.0	1.1	7.8
Operating income or (loss)/sales (1)	(1.9)	(6.8)	0.4	(0.0)	5.2	(3.1)	1.8	-4.9	7.1	-0.4	-8.4

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.
Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

APPENDIX D

MANUFACTURING PROCESSES, PRODUCT DESCRIPTIONS, AND USES

MANUFACTURING PROCESS AND BROAD PRODUCT DESCRIPTIONS AND USES

Manufacturing Process and Broad Product Descriptions

The manufacturing processes for steel products are summarized below. In general, there are three distinct stages that include: (1) melting or refining raw steel, (2) casting raw steel into semi-finished forms, and (3) performing the finishing operations the produce the final product. The melting and casting processes produce and transform raw steel into a solid form ready for rolling and do not, by themselves, produce a finished product.

Melt Stage

Steel is produced either by the integrated or nonintegrated process.[1] The nonintegrated, or scrap-based (also called "minimill"), process produces molten steel by melting scrap or scrap substitutes in an electric arc furnace.[2] The integrated process typically smelts iron ore and coke in a blast furnace to produce molten iron, which is subsequently poured into a steelmaking furnace, generally a basic oxygen furnace, together with a lesser amount of scrap metal. The hot metal is processed into steel when oxygen is blown into the metal bath. Lime is added to serve as a fluxing agent; it combines with impurities to form a floating layer of slag, which is later removed. The molten steel is poured or "tapped" from the furnace to a ladle to be transported to a ladle metallurgy station and then to casting.

Whether produced by the integrated or nonintegrated process, it is now common for steelmakers to utilize a secondary steelmaking stage (also called a ladle metallurgy station). Shifting the final refining stages to the ladle metallurgy station allows shorter cycles in the primary steelmaking vessel, effectively raising steelmaking capacity. Steelmakers employ additional techniques to further refine and improve the steel.[3] Steelmakers may adjust the chemical content by adding alloying elements or by lowering the carbon content (de-carburization), or adjust the temperature of the steel for optimum casting. While carbon content may be reduced further by subsequent hydrogen annealing of the coiled steel, the steel's essential characteristics are established prior to the casting stage.

Casting Stage

Following the production of molten steel with the desired properties, the steel is cast into a semifinished form that can be further processed. The three semifinished forms are: slabs, billets and blooms. Slabs are cast in a rectangular form with a thickness from 2 to 10 inches and width between 30-80 inches. Billets are normally two to eight inches square while blooms are similar in shape to billets but typically have cross sections greater than 8 inches.[4] The industry formerly used two principal methods of casting, ingot teeming and continuous casting, but continuous casting is the preferred, lower-cost method. The vast majority of steels now produced in the United States are continuously cast.

---

[1] Carbon and many alloy steels are made using both processes, but stainless steel is almost always made using the non-integrated route.

[2] Scrap often has high levels of undesirable elements. To improve steel quality, all of the new thin-slab flat-rolled mills are making some use of scrap substitutes such as direct-reduced iron, hot-briquetted iron, and iron carbide.

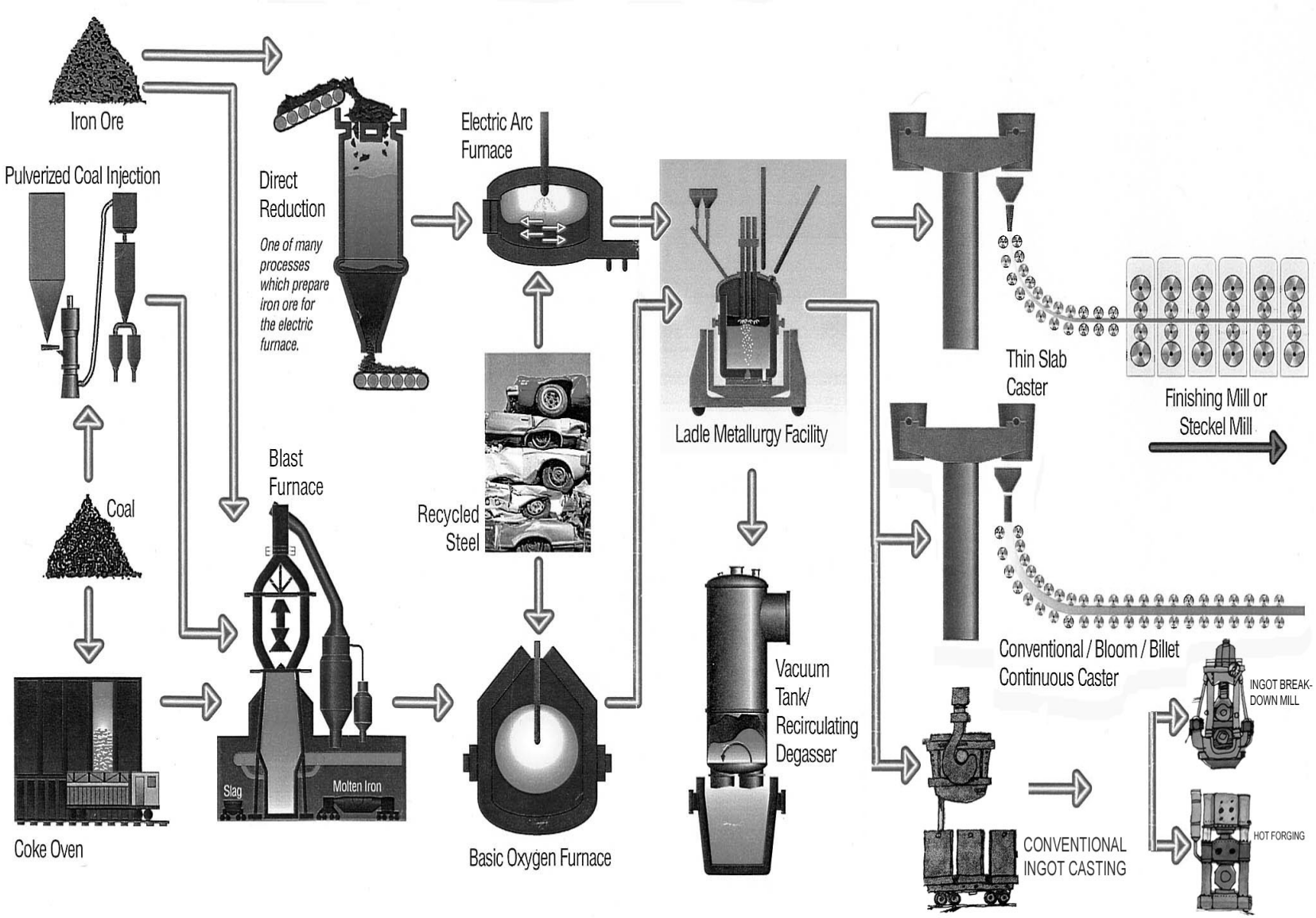
[3] The goals of secondary steelmaking include controlling gases (e.g., decreasing the concentration of oxygen, hydrogen, and nitrogen, called degassing), reducing sulfur, removing undesirable nonmetallic inclusions such as oxides and sulphides, changing the composition and/or shape of oxides and sulphides that cannot be completely removed, and improving the mechanical properties of the finished steel. *USS, The Making, Shaping, and Treating of Steel,10th edition,* p. 671.

[4] Billets and blooms may also have non-rectangular cross sections.

In continuous casting, the molten steel is poured into a mold that has the shape of the desired semifinished form. The mold is long and sloping (see figure D-1). The steel is poured continuously into the mold. As the steel solidifies at the bottom portion of the mold, the solidified steel is cut off and removed from the mold allowing more molten steel to fall to the bottom of the mold to solidify, hence the term continuous casting.

Although continuous casting is used by most steelmakers worldwide, some steel is cast into ingots before processing into semifinished forms. In the ingot process, molten steel is poured into an ingot mold where is solidifies (see figure D-1). After solidification, the ingot is removed from the mold and placed into a reheating furnace to bring the ingot to a uniformly high temperature throughout. Then the ingot is placed into a mill that shapes the ingot into a semifinished form.

Figure D-1
Steelmaking flowchart



Source: AISI

Subsequent Processing

A semifinished product is transferred to a rolling mill where it is heated prior to rolling. The form is passed through one or more sets of revolving rolls which reduce the thickness of the semifinished form and/or change its shape. Some products are allowed to cool and are then subjected to another rolling called "cold-rolling" because the steel is at ambient temperature when it is rolled. This cold-rolling reduces the thickness of the steel, and improves strength and surface quality. Other processing the steel may undergo are reheating (annealing), cleaning in a bath of hydrochloric acid (pickling), a special cold-rolling that improves the texture or imparts a certain texture to the steel (temper rolling), cutting, slitting, shearing, and using a coiler to wind the product into a coil. Some of the finished products produced from the semifinished forms are discussed below.

Slabs[5]

Slabs are used in producing flat products. Products produced from slabs include the following:

Cut-to-length plate - flat-rolled product that typically ranges between about three-sixteenths of an inch to more than a foot in thickness. A slab is reduced on a reversing rolling mill to the desired thickness.

Hot-rolled coils - flat rolled product produced on a hot strip (continuous) or steckle-type (reversing) mill and wound into coils at the end of the process. The differences between coiled sheet, strip, and plate consist of differences in thickness and width. Only the lighter thicknesses of plate can be produced in a coiled form. Sheet and strip are thinner than one quarter inch; sheet is rolled to a width of about twenty four inches or more while strip is narrower.

Cold-rolled sheet and strip - hot-rolled sheet and strip is cold-rolled, improving the steel's surface quality and strength. Strip steel is made by rolling the steel on a narrow-width strip mill or by slitting sheet steel.
Grain-oriented silicon electrical steel (GOES) - GOES is a cold-rolled sheet product produced from steel that has been refined to have very low levels of carbon. Silicon is added to the molten steel to create an alloy with about 3 percent silicon. The addition of silicon creates a steel with excellent magnetic properties.

Corrosion-resistant and other coated sheet and strip - For hot dipped zinc or aluminum coatings, sheet and strip is cleaned so the coating will stick better to the steel, then the steel is put into a bath of hot zinc and/or aluminum. As the strip emerges from the bath, it is cooled and the coating solidifies. Electro-galvanized sheet is produced by passing the sheet through a solution containing dissolved zinc, which is deposited on the steel by an electro-chemical reaction. For painted sheet and strip, the steel is cleaned and the surface prepared for painting. The strip then moves to a paint coater where

[5] Nucor, at its Crawfordsville, IN facility, has developed strip casting technology which directly casts molten steel into a final shape and thickness without additional hot or cold rolling. This technology eliminates the need to produce slabs. According to information provided by Nucor's website (www.nucor.com), the Crawfordsville, Indiana facility began commercial production in 2002 and Nucor plans to build a second strip casting production facility in the United States as well as establish at least one joint venture with a partner overseas in 2005.

a primer is applied. After the strip moves to a baking oven to cure the primer, it is then cooled and conveyed to a second paint coater where the finishing coat is applied with rollers. The strip then enters another oven for curing and cooling.

Tin mill products - Frequently, the steel used for making tin mill products goes from cold-rolling through an annealing process after which it is temper rolled or cold-rolled again. The steel is cleaned in a dilute acid solution, then it is electroplated with tin in a process similar to electro-galvanizing.

Welded pipe - indirectly made from slabs in that it is formed by bending either flat-rolled sheet or plate so that the edges meet to form a cylinder. The edges are then welded together to form the pipe.

Blooms and billets

Hot-rolled bar and light shapes - A billet is reheated, then passed through a set(s) of grooved rolls to produce the desired shape for the bar or light shapes and cut into straight lengths. Bars may have a round, square, rectangular, or other solid polygonal cross section. Light shapes include I-beams, angles, etc. with no cross sectional dimension greater than about 3 inches.

Heavy shapes - the production process is similar to that of light shapes. Heavy shapes include I-beams and angles, etc. with at least one cross sectional dimension greater than 3 inches.

Cold-finished bar - Hot-rolled bars that are cold-finished undergo certain other processes after cooling to ambient temperature, including cold-rolling, cold-drawing, machining, and grinding.

Rebar - hot-rolled bar in which indentations such as grooves and ribs are rolled onto the surface.

Rails - the production process is similar to that of shapes, although rails are subject to much more restrictive quality tolerances and are often subjected to specialized heat treatment processes to improve wear characteristics.

Rods - Rods are rolled from billets reheated and coiled at the end of the process. Rods are usually of circular cross section. They are often considered a semi-finished product as they have limited uses without further processing.

Wire - Wire is drawn from rods. The rods are cleaned with acid, rinsed with water, treated with lime to neutralize the acid, then thoroughly dried. The rod is then drawn through a die to produce wire. Wire may go through subsequent processes such as heat treating, and galvanizing.

Strand, rope, cable, and cordage - Wires are twisted together to form the various products.

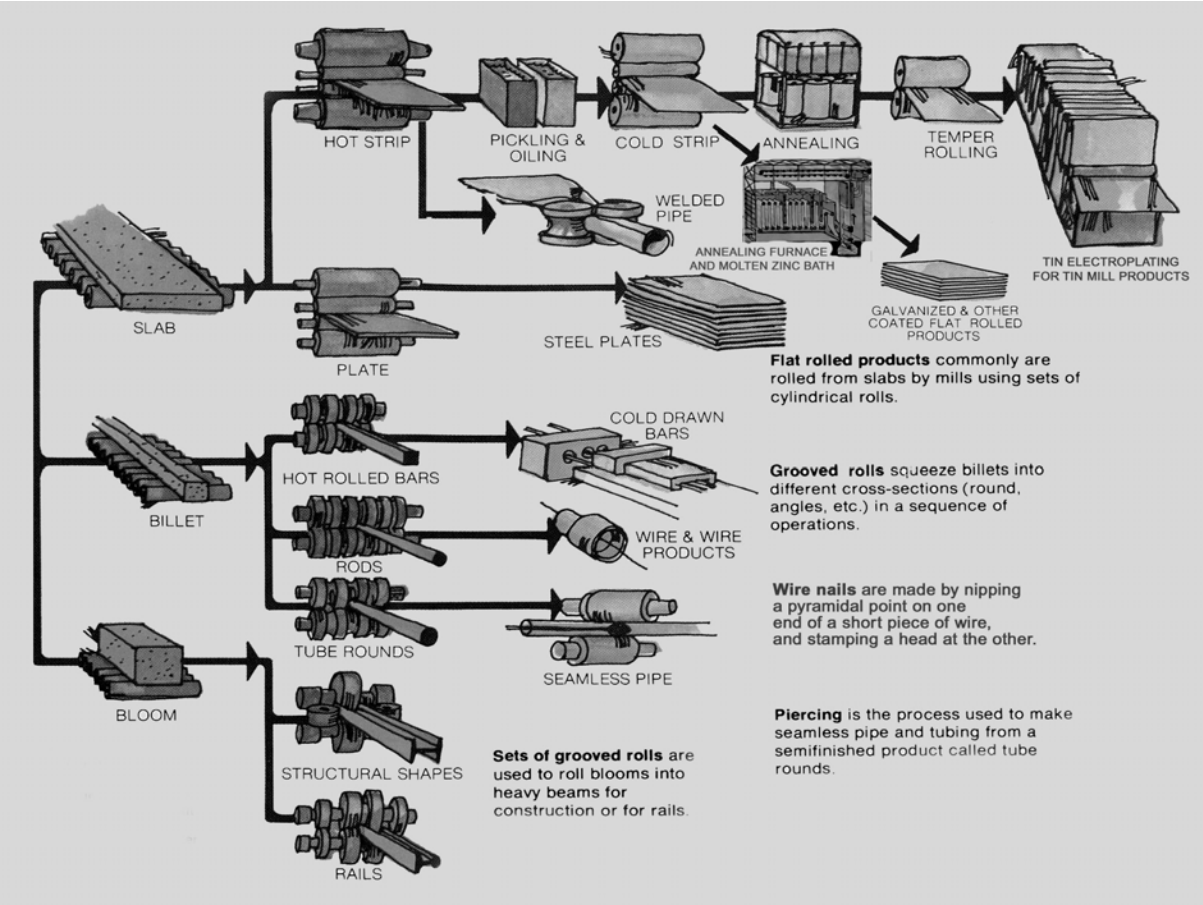
Nails - Wire nails are made by nipping a pyramidal point on one end of a short piece of wire, and stamping a head at the other.

Seamless tube - Billets or blooms with a solid circular cross section, called tube rounds, are reheated and subjected to a forming process that forms a hole through the center.

A flowchart of the steel processing for the above-mentioned products is provided in figure D2.

Figure D-2
Steel processing flowchart

Source: AISI



Uses

Table D-1 presents data on the end markets for major steel products.

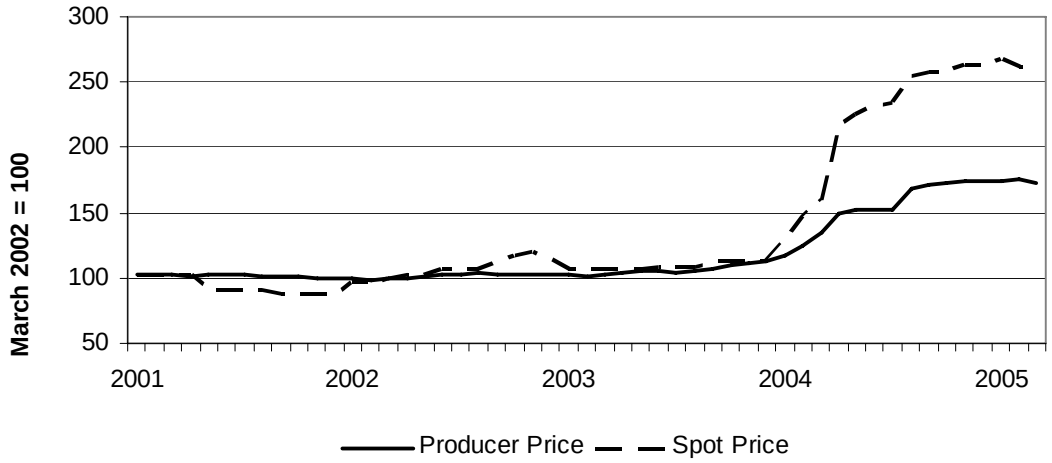
Table D-1
Major markets for various steel products in the year 2004

Product	End Markets
Carbon and alloy steel:	
Flat	
Plates (uncoated)	Pipes and tubes, construction, automotive, rail transportation, oil and gas industry, agricultural machinery, machinery, electrical equipment, home appliances
Tin plate	Cans, automotive, electrical equipment, table flatware
Tin coated sheets	Cans, automotive, table flatware
Sheets, hot-rolled	Pipes and tubes, automotive, construction, rail transportation, oil and gas industry, electrical equipment, machinery, home appliances, packaging and shipping materials
Sheets, cold-rolled	Pipes and tubes, automotive, construction, machinery, rail transportation, electrical equipment, home appliances, containers
Sheets, galvanized	Automotive, construction, rail transportation, machinery, electrical equipment, home appliances
Long	
Wire rods	Wire and wire products
Bars	Construction, automotive
Wire (drawn)	Wire and wire products
Tubular	
Standard pipe	Oil and gas industry, electrical equipment, construction
Line pipe	Oil and gas industry
Source: AISI	

APPENDIX E

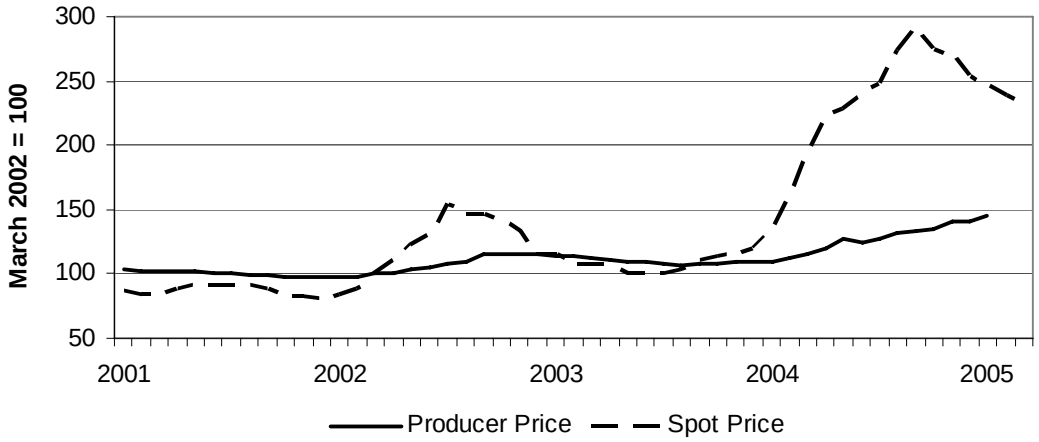
PUBLIC PRICE DATA

Figure E-1
Carbon steel plates: Index of U.S. prices, monthly, January 2001-March 2005



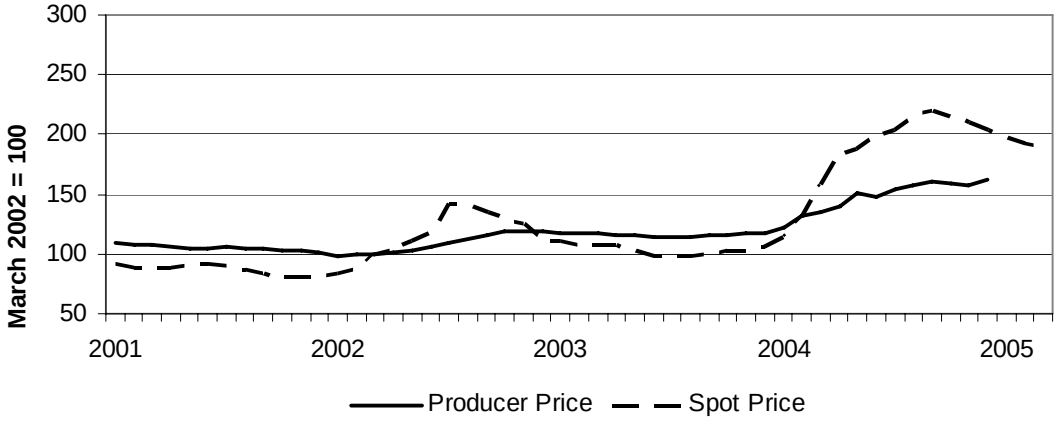
Source: Official Statistics of the Bureau of Labor Statistics, Producer Price Index, Series PCU3311113311117 (Hot Rolled Steel Bars, Plates, and Structural Shapes), and Purchasing Magazine Steel Transaction Price Report.

Figure E-2
Hot-rolled carbon sheet: Index of U.S. prices, monthly, January 2001-March 2005



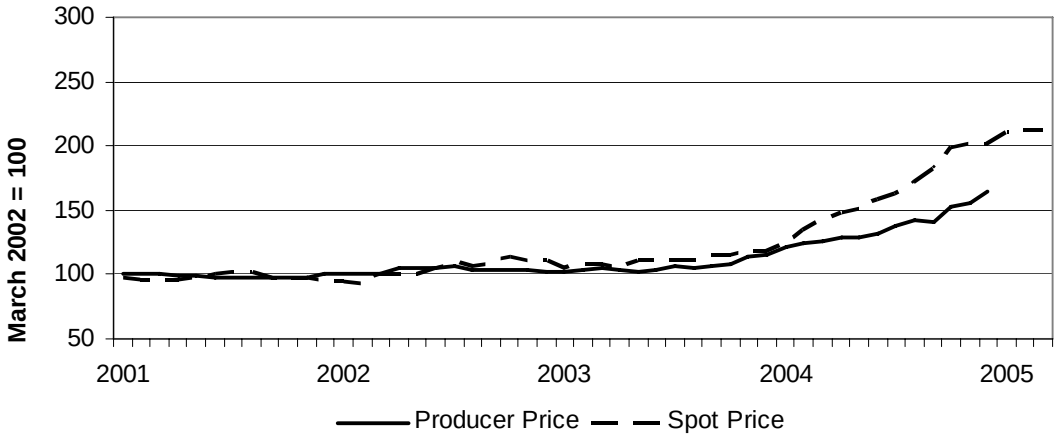
Source: Official Statistics of the Bureau of Labor Statistics, Producer Price Index, Series PCU3311113311115 (Hot-Rolled Steel Sheet and Strip, Including Tin Mill Products), and Purchasing Magazine Steel Transaction Price Report.

Figure E-3
Cold-rolled carbon sheet: Index of U.S. prices, monthly, January 2001-March 2005



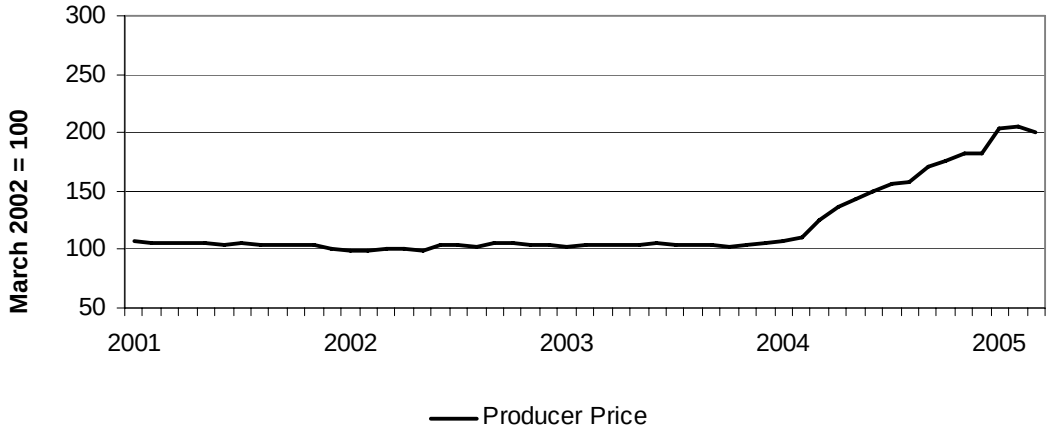
Source: Official Statistics of the Bureau of Labor Statistics, Producer Price Index, Series PCU331111331111D (Cold-Rolled Steel Sheet and Strip), and Purchasing Magazine Steel Transaction Price Report.

Figure E-4
Cold-finished steel bar: Index of U.S. prices, monthly, January 2001-March 2005



Source: Official Statistics of the Bureau of Labor Statistics, Producer Price Index, Series PCU331111331111F (Cold Finished Steel Bars), and Purchasing Magazine Steel Transaction Price Report.

Figure E-5
Tubular steel and pipe: Index of U.S. prices, monthly, January 2001-March 2005



Source: Official Statistics of the Bureau of Labor Statistics, Producer Price Index, Series PCU331111331111B (Steel Pipe and Tube).

APPENDIX F

PRESIDENT'S REPORT TO THE U.S. CONGRESS

REPORT SUBMITTED TO THE UNITED STATES CONGRESS

PURSUANT TO SECTION 203(B)(1) OF THE TRADE ACT OF 1974, AS AMENDED

INTRODUCTION

Free trade is a cornerstone of President George W. Bush's agenda to help generate jobs for American workers, open markets to American products and services, and spur economic growth. While free trade is an engine of economic growth, sometimes changes in global economic conditions and large increases in imports can have dramatic consequences on industries, and this has been the case with America's steel industry.

Foreign steel producers, often nurtured by government subsidies that have allowed them to build huge amounts of excess capacity, have flooded the U.S. market with imports. The Asian financial crisis further compounded distortions in global steel markets and precipitated a massive surge of imports. This combination of factors seriously affected U.S. steel producers, workers and communities.

Since 1998, firms accounting for thirty percent of U.S. steel-making capacity have filed for bankruptcy. Domestic steel prices in the last quarter of 2001 were at their lowest levels in 20 years, and a number of integrated and mini-mill producers posted significant fourth-quarter financial losses last year.

World Trade Organization (WTO) rules recognize that sudden and large increases of imports can overwhelm even the most competitive domestic industries, and that countries may need to take temporary actions to provide relief. Last June President Bush asked the International Trade Commission (ITC) to investigate the effects of imports on America's steel industry and its workers. The ITC found that imports were a substantial cause of serious injury to the U.S. steel industry.

PRESIDENTIAL ACTION

President Bush has decided to impose temporary safeguard measures on key steel products to provide appropriate relief to those parts of the U.S. steel industry that have been most damaged by import surges. This relief is being provided in response to the injury findings of the ITC and is consistent with the President's free trade agenda and his commitment to enforcing U.S. trade laws to help maintain the competitiveness of the U.S. economy.

America's steel industry has long been a key component of the U.S. economy, and the relief that the President is announcing today will give the U.S. steel industry the breathing space it needs to restructure and adjust. The President has taken care to craft this relief to minimize the impact on steel consumers.

These types of temporary safeguard measures are expressly allowed by WTO rules -- in fact, international trade rules have provided such relief for more than 50 years. Many of our major trading partners -- including the European Union, Japan, Korea, Brazil, and India -- have imposed safeguard measures covering a wide range of products.

This relief does not end the Section 201 process. The President will impose an import licensing system to allow the U.S. government to obtain more timely information about changes in steel trade trends for products covered by this action. The President will monitor the extent to which other nations are eliminating global excess steel capacity. The President will also monitor economic conditions and the state of the U.S. steel industry to ensure that the industry is taking steps to restructure and increase its competitiveness. The President retains the right to modify or terminate the safeguard measures as appropriate.

The relief is intended to last for three years. Consistent with America's free trade obligations and WTO rules, the Administration is excluding our free trade agreement partners. In addition, consistent with WTO rules, we are excluding developing countries that ship relatively small quantities of imports.

This relief represents just the latest in a series of actions President Bush has taken to help the U.S. steel industry in its efforts to meet the challenges of the global marketplace. Last June the President announced a comprehensive, three-pronged plan to reduce global excess steel-making capacity; to eliminate subsidies and market distorting practices globally; and to request the initiation of a Section 201 investigation.

RELIEF COMPONENTS

Products

Consistent with U.S. international trade obligations, the Administration is announcing temporary safeguard measures on key steel products. As required by U.S. law and international trade rules, the level of relief is reduced periodically throughout the duration of the measure:

- **Flat Products**: A tariff of 30% will be imposed on imports of plate, hot-rolled sheet, cold-rolled sheet, and coated sheet. This remedy provides substantial relief for the sector of the industry that has been hardest hit by imports and which is the anchor for many struggling U.S. companies. This tariff is higher than the 20% tariff recommended by the plurality of ITC commissioners. The higher tariff enhances the ability of U.S. producers to adjust to import competition without placing an undue burden on U.S. steel consumers or on the country as a whole.

- **Tin Mill Products**: A tariff of 30% will be imposed on imports of tin mill products. The ITC commissioners were evenly divided as to whether imports were a substantial cause of serious injury to the domestic industry. As permitted by the statute, the President has decided to treat the commissioners' findings as an affirmative determination, and has therefore decided that relief is appropriate. A tariff of 30% is appropriate for the same reasons that such a tariff is appropriate for other flat products.

- **Hot-Rolled Bar and Cold-Finished Bar**: A tariff of 30% will be imposed on imports of hot-rolled bar and cold-finished bar. This tariff is higher than the 20% tariff recommended by the plurality of ITC commissioners. The higher tariff enhances the ability of U.S. producers to adjust to import competition without placing an undue burden on U.S. steel consumers or on the country as a whole.

- **Rebar**: A tariff of 15% will be imposed on imports of rebar. This tariff is higher than the 10% tariff recommended by the plurality of ITC commissioners. The higher tariff enhances the ability of U.S. producers to adjust to import competition without placing an undue burden on U.S. steel consumers or on the country as a whole.

- **Certain Tubular Products**: A tariff of 15% will be imposed on imports of certain welded tubular products. This tariff will provide a higher level of relief than the tariff-rate quota recommended by a majority of ITC commissioners.

- **Carbon and Alloy Fittings and Flanges**: A tariff of 13% will be imposed on imports of carbon and alloy fittings and flanges. This tariff is equal to the tariff recommended by the plurality of ITC commissioners. This tariff is sufficient to facilitate industry restructuring without unduly burdening U.S. steel consumers or the country as a whole.

- **Stainless Steel Bar**: A tariff of 15% will be imposed on imports of stainless steel bar. This tariff is equal to the tariff recommended

by the plurality of ITC commissioners. This tariff is sufficient to facilitate industry restructuring without unduly burdening U.S. steel consumers or the country as a whole.

- **Stainless Steel Rod**: A tariff of 15% will be imposed on imports of stainless steel rod. This tariff is lower than the tariff recommended by the three commissioner plurality. Given the conditions prevailing in the domestic stainless steel market, this tariff is sufficient to facilitate industry restructuring without unduly burdening U.S. steel consumers or the country as a whole.

- **Stainless Steel Wire**: A tariff of 8% will be imposed on imports of stainless steel wire. The commissioners were evenly divided as to whether imports were a substantial cause of serious injury to the domestic industry. As permitted by the statute, the President has decided to treat the commissioners' findings as an affirmative determination, and has therefore decided that relief is appropriate. This tariff is sufficient to facilitate industry restructuring without unduly burdening U.S. steel consumers or the country as a whole.

- **Slab**: Imports of slab will be subject to a tariff rate quota (TRQ). The in-quota volume will be set at 5.4 million short tons. The out-of-quota tariff will be 30%. A majority of ITC commissioners recommended a tariff-rate quota on slab, with an in-quota volume roughly equivalent to imports in 2000 and an out-of-quota tariff of 20%. Slab is an input for a key segment of the domestic industry. Given market circumstances, including the level of current demand, the TRQ announced today is sufficient to ensure continued access to slab without undermining the relief applied to other flat products.

Other Provisions

FTA partners. For those products where the ITC recommended the inclusion of a NAFTA partner, or reached a tie decision on whether NAFTA imports should be excluded, the Administration asked for supplemental information on whether imports from countries besides Canada and Mexico were by themselves a substantial cause of serious injury to the domestic industry or threat thereof. The ITC found in each case that they were. Based on these findings and the specific factors enumerated in the statute, and consistent with the obligations of the United States under its free trade agreements and the WTO, the President has determined that our FTA partners should be excluded from the relief on all products.

Imports from developing countries. Consistent with WTO rules, the Administration will exclude from the relief imports from developing countries that exported only small amounts of steel to the United States and that are WTO members.

Import licensing and surge protection. The President will impose an import licensing system to allow the U.S. government to obtain more timely information about changes in steel trade trends for products covered by the relief. The President will closely monitor imports to ensure that the purpose of the 201 remedy is not undermined, and retains the discretion to impose safeguard measures on products from excluded countries should imports of such products surge during the duration of the relief. This system will also help guard against transshipment.

Duration. The safeguard measures will remain in place for three years, rather than the four years recommended by the ITC. In light of the strength of the relief imposed, the President has determined that a remedy of three years is appropriate.

Product exclusions. The President retains the discretion to consider requests for product exclusions within 120 days after the date of the Proclamation and will consider requests for product exclusions each year thereafter. This will help ensure that U.S. consumers have access to needed products.

Trade remedy laws. The Administration will continue to enforce vigorously our anti-dumping, countervailing duty and other trade remedy laws.

THE PRESIDENT'S COMPREHENSIVE AGENDA TO HELP THE STEEL INDUSTRY MEET THE CHALLENGES OF THE GLOBAL MARKETPLACE

Last June the President announced a comprehensive, three-pronged plan to:

- **Reduce global excess steel-making capacity;**
- **Eliminate subsidies and market-distorting practices globally; and**
- **Initiate an investigation by the ITC (a Section 201 investigation) into the injury to the domestic steel industry caused by increased imports.**

Reducing global excess steel-making capacity. During ground-breaking multilateral discussions on steel in the Organisation for Economic Co-Operation and Development (OECD), the United States brought together

the major steel-producing countries of the world for a series of high-level meetings aimed at reducing inefficient excess capacity in the global steel industry. The nearly 40 countries participating in this process -– including the European Union, Korea, Japan, China, Russia, Ukraine, Mexico, Brazil, and the United States -- recognized that excess steel capacity is perhaps the central underlying problem plaguing the global steel industry today. Most importantly, the countries have:

- Committed to work to facilitate the market-based reduction of excess capacity;

- Identified 117 million tons of cuts in global excess capacity, which represents nearly half of the estimated excess capacity;

- Agreed to establish mechanisms for reviewing current and future reductions; and

- Urged multilateral lending institutions to take account of the current situation regarding excess global steel capacity when considering any loans that might expand such capacity.

Eliminating subsidies and market-distorting practices globally. Many governments have long believed the development of a domestic steel industry is the cornerstone of industrial development, and most countries' steel industries have benefited from direct or indirect subsidies and other assistance. Longstanding and far-reaching government intervention by other nations in the steel market has subsidized capacity expansion, and distorted competition to such an extent that the international market no longer works as it should. Eliminating these foreign market-distorting practices is perhaps the single most important step in addressing the long-term problems of America's steel industry. Consequently the U.S. has launched international talks with nearly 40 major steel-producing countries aimed at eliminating subsidies and developing greater disciplines on market-distorting practices in the global steel industry. Meeting under the auspices of the OECD, countries have agreed to work toward:

- Halting further subsidies aimed at expanding steel production while talks proceed to establish additional disciplines;

- Developing an inventory of subsidies and other market-distorting practices in steel trade;

- Examining existing multilateral disciplines on subsidies and other market-distorting practices; and

- Determining what additional disciplines are needed that might be the subject of trade negotiations in the recently launched Doha Development Agenda in the WTO.

Initiating a Section 201 investigation. The President chose in June to initiate a Section 201 action to determine whether steel was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic steel industry.

HELPING WORKERS & COMMUNITIES

Meeting the challenges and opportunities of the global steel marketplace will also require adjustment and restructuring of the American steel industry, to ensure its long-term competitiveness.

Restructuring will impact workers and the communities in which they live and we must help hard-working Americans adapt to changing economic circumstances. The President has proposed a major expansion of the National Emergency Grants program to assist workers affected by restructuring with effective job training and assistance. The President has also proposed direct assistance with health insurance costs that will be available to workers and retirees who lose their employer-provided coverage. And the President supports coordinated assistance for communities and a strengthened and expanded trade adjustment assistance program. America's workers are the most highly skilled in the world, and with effective training and adjustment assistance we will help them find better, higher paying jobs to support their families and boost our economy.

-end-