CHAPTER 5
THE POSSIBLE FUTURE IMPACT OF CONTINUING OR TERMINATING SAFEGUARD MEASURES

Introduction

In response to the Committee's request, this chapter reviews the possible future impact of the steel safeguard measures for steel-consuming industries, and for U.S. ports and port related-service providers under two different scenarios. The first scenario involves continuation of the safeguard measures from September 2003 through March 2005, while the second scenario considers termination of the safeguard measures effective September 20, 2003. This chapter first discusses these two scenarios for steel-consuming industries and then for ports and port related-service providers. The assessment for each of these scenarios is based on information gathered from questionnaires, hearing testimony, and written submissions.[1]

In general, with the exception of a few firms, steel-consuming firms reported that, with continuation of the safeguard measures, there would be either no change or negative effects with regard to employment, profitability, and capital investment. Under the termination scenario, most steel-consuming firms reported that there would be either no change or improvements in profitability, capital investment, and employment.

Steel-Consuming Industries

This section examines the likely impact of both scenarios (continuation or termination) on employment, profitability, capital investment, and international competitiveness vis-a-vis foreign suppliers on steel-consuming industries. Firms were asked to indicate changes in these competitive factors under the two scenarios. The next section reviews the changes expected by firms if the current steel safeguard measures are continued through March 2005. The subsequent section discusses estimated changes reported by purchasers if the current safeguard measures are terminated effective September 20, 2003.

Safeguards Continuing Scenario

In the scenario in which safeguards are continued until March 2005, questionnaire responses indicate that more than one-half of steel-consuming firms reported that there would be no changes in employment levels (55 percent), capital investment (66 percent), and international competitiveness (52 percent) (table 5-1). However, regarding profitability expectations, most firms were split between

[1] As noted in Chapter 1, useable purchaser questionnaire responses were received from 485 firms. With regard to ports and related-service providers, 128 questionnaires were mailed and 21 useable responses were received. In both cases, not all firms answered all questions so the total number of firms providing information may vary from question to question.

expecting that profits would fall or remain the same (about 46 percent for each). Less than 10 percent of reporting firms expected increases in employment, profits, and capital investments.

Table 5-1
Questionnaire responses from steel-consuming firms on expected future employment, profitability, capital investment, and international competitiveness, by percent[1]

	Safeguard Measures Continued			Safeguard Measures Terminated		
	No change	Increase	Decrease	No change	Increase	Decrease
Employment	54.7	5.9	39.4	55.1	34.1	10.8
Profitability	46.1	8.1	45.9	39.0	48.5	12.5
Capital Investment	66.0	9.0	25.1	58.5	32.5	9.0
International competitiveness	52.1	15.4	32.5	50.7	37.9	11.4

[1] Note: sums may not add to 100 percent due to rounding.

Source: USITC calculations from questionnaire data.

In addition, several firms reported on the expected effects of continuation of the safeguard measures at the Commission hearings. For example, a representative from Caterpillar reported that "[i]f we are forced to continue to do business under these circumstances, we'll continue to reduce costs to offset that. It creates uncertainty for employment. We'll continue to use our offshore manufacturing sources to satisfy the demand around the world."[2] In addition, a representative from the Precision Metalforming Association reported that "if the tariffs continue, there's no question there will be fewer people employed. There will be lower profits in the industry, less equipment will [be] bought and more plants will close."[3] [4]

Employment

Of the 426 firms that responded to this question, about 55 percent (233 firms) anticipated that there would be no change in employment if the steel safeguard measures were to continue for the full term (table 5-2). One distributor indicated that pricing has no effect on its employment level.

About 39 percent of reporting firms (168 of 426) reported that employment would decrease, with 74 of these 168 firms (44 percent) stating that employment would fall by less than 5 percent (table 5-2). The two sectors reporting the greatest impacts from safeguard measures predicted sharper declines. Over one-half of fabricators (43 of 73) indicated that their employment would fall. Motor vehicle parts manufacturers (42 of 69) anticipated that their employment would drop, with 6 of 42 stating that it would fall by more than 10 percent. Another distributor reported that continued relief would force manufacturers to shift jobs overseas in order to compete more effectively. One wire manufacturer representative reported that the continuation scenario "would reduce employment as the surge of imports of finished products into the U.S. increases," and pointed out that the increased imports would be from countries both covered

[2] Testimony of Dan M. Murphy, Executive Vice President, Global Purchasing Division, Caterpillar Inc., transcript of Commission hearing, June 19, 2003, p. 298.

[3] Testimony of William E. Gaskin, CAE, President, Precision Metalforming Association, transcript of Commission hearing, June 19, 2003, pp. 466-67.

[4] See also testimony of Calman J. Cohen, President, Emergency Committee for American Trade, transcript of Commission hearing, June 19, 2003, p 298. Mr. Cohen stated that "the remaining tax . . . certainly limits their ability to grow. Even though it might be a small amount, it is still significant for many of them."

Table 5-2
Number of steel-consuming firms reporting predicted impact on steel-consuming industries' employment if safeguard measures are continued until March 2005, by industry

	Decrease *(Percent)*					No	Increase *(Percent)*				
Industry	**>20**	**11-20**	**6-10**	**1-5**	**Total**	**change**	**1-5**	**6-10**	**11-20**	**>20**	**Total**
Steel-product producers/processors/distributors:											
Distributors	3	1	6	9	**19**	**57**	2	1	0	0	**3**
Producers of hot/cold-rolled or coated forms	0	0	3	2	**5**	**10**	5	0	0	0	**5**
Welded pipe producers	1	1	4	1	**7**	**12**	1	1	0	0	**2**
Bar and wire finishers	2	1	2	1	**6**	**10**	2	0	0	0	**2**
Fastener producers	0	2	0	6	**8**	**11**	0	0	0	0	**0**
Steel fabricators	9	3	15	16	**43**	**27**	0	2	0	1	**3**
Transportation:											
Motor vehicles	0	0	0	2	**2**	**9**	0	0	0	0	**0**
Motor vehicle parts	3	3	17	19	**42**	**23**	3	1	0	0	**4**
Ships and shipping containers; military	0	1	0	2	**3**	**5**	0	0	0	0	**0**
Machinery and Equipment:											
Heavy machinery	0	0	2	2	**4**	**10**	0	1	0	0	**1**
Power, other machinery . . .	2	2	4	2	**10**	**19**	0	0	0	0	**0**
Construction	1	0	0	5	**6**	**23**	2	0	1	0	**3**
Containers:											
Steel barrels and cans	0	0	1	3	**4**	**4**	1	0	0	0	**1**
Consumer and commercial goods:											
Household Appliances	1	1	1	0	**3**	**4**	1	0	0	0	**1**
Furniture, hardware, cutlery	1	1	0	4	**6**	**9**	0	0	0	0	**0**
Total	23	16	55	74	**168**	**233**	17	6	1	1	**25**

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

and exempt from the safeguard measures. At the hearing, several firms' representatives indicated that they believe more steel-consuming industry jobs will be lost if the steel remedies continue.[5]

About 6 percent of steel-consuming industry firms (25 out of 426) reported that continuation of the safeguard measures would increase their employment (table 5-2). The largest groups, by percent, of those expecting an increase in employment were hot/cold roller/coated form producers (25 percent) and household appliance manufacturers (13 percent), stating that their employment would increase by less than 10 percent.[6]

Profitability

Reporting steel-consuming firms were evenly split on whether profitability would stay the same or decrease if the steel safeguard measures were to continue until 2005, with each group representing about 46 percent of the 434 reporting firms (table 5-3).[7] More than 57 percent of distributors (47 of 82) stated that they anticipated their profits would not change if the safeguard measures were to continue. Industries that had at least 50 percent of responding firms stating that there would be no change in profits

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[5] For example, testimony of Terry Bowman, Vice President, Supply Chain Management, York International, transcript of Commission hearing, June 20, 2003, p. 720; and Wes Smith, President, E&E Manufacturing Corp. Inc.; transcript of Commission hearing, June 19, 2003, pp. 106-107.

[6] Each category had three firms reporting that they expected employment to increase.

[7] Of 434 reporting steel-consuming firms, 200 reported that they expected no change in profitability and 199 reported that they expected profits would decrease.

under this scenario include heavy machinery manufacturers (73 percent); ships, shipping containers, and military products producers (62 percent); power and other machinery manufacturers (59 percent); welded pipe manufacturers (57 percent); and construction (56 percent). Another machinery and equipment manufacturer echoed those sentiments, explaining that the steel safeguard measures have minimal impact on its overall corporate business.[8]

Of the 199 responding steel-consuming firms that predicted profits would be negatively affected, 129 reported that they expect profits to decrease by 10 percent or less (table 5-3). Motor vehicle parts manufacturers more frequently reported likely changes with about 25 percent (12 of 49) reporting that they anticipated profitability would decrease between 11 percent and 20 percent if safeguard measures continue until 2005. Steel fabricators also reported likely declines in profitability, with most expecting decreases by up to 10 percent. A hot/cold rolled or coated forms producer representative reported that market conditions are hurting profitability, supporting the view that although safeguards may continue, the health of the economy is most significant among all influences affecting the industry.[9] Another steel-consuming industry representative indicated that companies are faced with reducing profit margins and potentially moving manufacturing facilities outside the United States.[10] However, about 8 percent of reporting steel-consuming firms indicated that they anticipated profits would increase if the safeguard measures were to continue until 2005.

Capital Investment

In the event that steel safeguard measures were to continue, 66 percent of reporting steel-consuming firms (278 of 423) indicated that their capital investment would experience no change (table 5-4). This trend was reflected most in the responses from heavy manufacturing, ships, shipping container and military, and fastener manufacturing, in which more than 80 percent of firms indicated there would be no change in capital investment.

About 25 percent of reporting steel-consuming firms indicated that capital investment would decrease under the continuation scenario (table 5-4). Many of the firms that reported an expected decrease were fabricators, motor vehicle parts manufacturers, and steel barrel and can manufacturing. Most of these firms reported expected falls in capital investment of less than 10 percent, while about one-third reported that they anticipated that capital investment would decrease dramatically, by more than 20 percent. A hot/cold rolled and coated forms producer representative stated that “with the continuation of relief, both volumes and margins will continue shrinking. This will not allow for a substantial capital investment plan.”[11] One fabricator representative noted that “with continued safeguards, we will need to slow capital investments,” while another fabricator representative stated that “current assets may be sold

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[8] Response to Commission questionnaire.

[9] Response to Commission questionnaire.

[10] Testimony of William G. Sutton, President, Air-Conditioning & Refrigeration Institute, transcript of Commission hearing, June 20, 2003, p. 715.

[11] Response to Commission questionnaire.

Table 5-3
Number of steel-consuming firms reporting predicted impact on steel-consuming industries' profitability if safeguard measures are continued until March 2005, by industry

	Decrease *(Percent)*					No	Increase *(Percent)*				
Industry	**>20**	**11-20**	**6-10**	**1-5**	**Total**	**change**	**1-5**	**6-10**	**11-20**	**>20**	**Total**
Steel-product producers/processors/distributors:											
Distributors	9	5	5	9	**28**	**47**	6	1	0	0	**7**
Producers of hot/cold-rolled or coated forms	2	0	1	2	**5**	**10**	5	1	0	0	**6**
Welded pipe producers	3	2	0	3	**8**	**12**	1	0	0	0	**1**
Bar and wire finishers	2	1	2	2	**7**	**7**	4	0	0	0	**4**
Fastener producers	1	0	3	4	**8**	**11**	0	0	0	0	**0**
Steel fabricators	9	8	11	19	**47**	**21**	2	2	0	1	**5**
Transportation:											
Motor vehicles	0	0	2	3	**5**	**5**	0	0	0	0	**0**
Motor vehicle parts	4	12	12	21	**49**	**20**	0	0	0	1	**1**
Ships and shipping containers; military	0	1	0	2	**3**	**5**	0	0	0	0	**0**
Machinery and Equipment:											
Heavy machinery	0	0	0	3	**3**	**17**	1	0	1	0	**2**
Power, other machinery . . .	5	0	2	3	**10**	**17**	1	0	1	0	**2**
Construction	0	1	2	5	**8**	**19**	6	1	0	0	**7**
Containers:											
Steel barrels and cans	2	0	1	3	**6**	**4**	1	0	0	0	**1**
Consumer and commercial goods:											
Household Appliances	0	1	2	3	**6**	**3**	0	0	0	0	**0**
Furniture, hardware, cutlery	2	0	1	3	**6**	**8**	0	0	0	0	**0**
Total	39	31	44	85	**199**	**206**	27	5	2	2	**36**

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

if safeguards are not eliminated."[12] One household appliance manufacturer representative explained that "continued distortion of market pricing will lead to preferentially invest{ing} in other countries."[13]

Of the 423 reporting steel-consuming firms, only 38 (9 percent) indicated that their firm's capital investment would indeed increase with the continuation of the steel safeguard measures (table 5-4). These were mostly bar finishing producers and hot/cold rolled or coated forms producers, 29 percent of which each indicated that under the continuation scenario, firm capital investment would increase.

[12] Responses to Commission questionnaire.

[13] Response to Commission questionnaire.

Table 5-4
Number of steel-consuming firms reporting predicted impact on steel-consuming industries' capital investment if safeguard measures are continued until March 2005, by industry

	Decrease *(Percent)*					No	Increase *(Percent)*				
Industry	**>20**	**11-20**	**6-10**	**1-5**	**Total**	**change**	**1-5**	**6-10**	**11-20**	**>20**	**Total**
Steel-product producers/processors/distributors:											
Distributors	6	0	3	2	**11**	**62**	5	3	0	0	**8**
Producers of hot/cold-rolled or coated forms	0	0	0	0	**0**	**15**	2	1	0	0	**3**
Welded pipe producers	3	1	1	0	**5**	**12**	1	1	0	0	**2**
Bar and wire finishers	2	1	1	0	**4**	**8**	4	1	0	0	**5**
Fastener producers	0	0	1	1	**2**	**16**	0	1	0	0	**1**
Steel fabricators	13	1	10	8	**32**	**34**	1	1	3	0	**5**
Transportation:											
Motor vehicles	0	0	1	1	**2**	**9**	1	0	0	0	**1**
Motor vehicle parts	8	7	8	7	**30**	**38**	0	0	0	0	**0**
Ships and shipping containers; military	0	0	0	0	**0**	**7**	0	0	0	1	**1**
Machinery and Equipment:											
Heavy machinery	0	0	0	0	**0**	**13**	0	1	0	0	**1**
Power, other machinery	3	0	1	2	**6**	**20**	1	0	0	1	**2**
Construction	0	0	2	3	**5**	**23**	3	1	0	0	**4**
Containers:											
Steel barrels and cans	0	1	2	1	**4**	**5**	1	0	0	0	**1**
Consumer and commercial goods:											
Household Appliances	2	0	0	0	**2**	**6**	0	0	0	0	**0**
Furniture, hardware, cutlery	2	0	0	1	**3**	**11**	1	0	0	0	**1**
Total	39	11	30	26	**106**	**279**	20	10	3	2	**35**

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

International Competitiveness

A majority (234 of 449 or 52 percent) of steel-consuming firm representatives reported that under a scenario of continued relief, their firms would experience no change in their international competitiveness (table 5-5). All responding ships, shipping container, and military manufacturers and more than 75 percent of hot/cold rolled manufacturers, heavy machinery, and construction firms indicated that there would be no change.

Table 5-5
Number of steel-consuming firms reporting predicted impact on steel-consuming industries' international competitiveness if safeguard measures are continued until March 2005, by industry

Industry	Increased	Decreased	Unchanged
Steel-product producers/processors/distributors:			
Distributors	5	16	58
Producers of hot/cold-rolled or coated forms	3	3	14
Welded pipe producers	3	8	9
Bar and wire finishers	2	7	8
Fastener producers	1	5	13
Steel fabricators	9	44	23
Transportation:			
Motor vehicles	0	4	6
Motor vehicle parts	9	35	24
Ships and shipping containers; military	0	0	7
Machinery and equipment:			
Heavy machinery	1	2	12
Power, other machinery	1	7	19
Construction	2	3	25
Containers:			
Steel barrels and cans	0	5	6
Consumer and commercial goods:			
Household appliances	2	4	3
Furniture, hardware, cutlery	5	3	7
Total	43	146	234

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

About one-third of reporting steel-consuming firm representatives (146 of 449) indicated that if the steel safeguard measures were continued, their international competitiveness would fall (table 5-5). This view was most prevalent among fabricators and motor vehicle parts manufacturers, with about 58 percent (44 of 76) of fabricators and 52 percent of vehicle parts manufacturers (35 of 68) indicating that their international competitiveness would decline. Two fastener manufacturers explained the relationship between safeguard measure continuation and international competitiveness. One fastener producer representative stated: "If we continue with [the steel safeguard] surcharges, our customers will receive more favorable pricing from offshore competitors." Another stated that "we cannot compete with foreign suppliers with continued relief."[14]

Slightly more than 15 percent of reporting steel-consuming firms (69 of 449) anticipated that their international competitiveness would increase under a continuation scenario (table 5-5). These firms were mostly furniture and hardware and cutlery industry firms, 75 percent of which indicated that their international competitiveness would increase if the safeguard measures continued.

Safeguards Termination Scenario

Questionnaire responses indicate that more than one-half of steel-consuming firms expected no change in employment (55 percent), capital investment, and international competitiveness in the event the safeguard measures are terminated (table 5-1). However, almost one-half of the steel-consuming firms reported that they expect profitability to increase should safeguards be terminated at the mid-point.[15]

In addition, several firms reported on the expected effects of continuation of the safeguard measures at the Commission hearings. For example, a representative from Acuity Brands Lighting

[14] Responses to Commission questionnaire.
[15] Almost 49 percent of reporting steel-consuming firms indicated that they would expect profits to increase under the termination scenario.

discussed the likely effects if the safeguards are terminated. According to this official, “Three things [would occur], first of all, the pendulum would probably swing back on our use of U.S. steel in our Mexican plants. We would slow down the migration over to Mexican suppliers, if not reverse it. Secondly, we would probably end the discussions with the Chinese suppliers, at least for imported steel as a raw material. Thirdly, our company is carrying a huge amount of debt right now. It would help us pay down some of that debt, which would make us a healthier company.”[16] In addition, a representative from the tool and die industry reported that “the elimination of the tariff will definitely give us a reprieve to get the costs, get the process improvements, get the capital going that we purchased in the last six to nine months at these auctions to try to drive down costs. So yes, it would make a huge impact whether that business – it has about 80 employees, would be viable for the future or not.”[17]

Employment

Of the 425 firms that responded to this question, 55 percent (234 firms) reported that they expected there would be no change in employment if the steel safeguard measures were to be terminated (table 5-6). This result was consistent with findings from the same group under the continuing relief scenario.

However, more than 34 percent of the reporting steel-consuming industry firms (145 out of 425) reported that terminating the safeguard measures would increase their employment (table 5-6). Specifically, 42 of 74 fabricators and 35 of 70 motor vehicle parts manufacturers anticipated that their direct employment numbers would increase. Of these 145 steel-consuming firms, 88 percent anticipated that employment would increase by less than 10 percent. Distributors also reported that employment would increase under this scenario, 52 percent of which reported expected increases of up to 5 percent. Less than 5 percent (7 of 145) of reporting firms indicated that the termination of the steel safeguard measures would cause significant increases in employment of more than 20 percent.[18] A hot/cold rolled or coated forms producer representative summed up the relationship between employment and the safeguard measures: “Termination of relief will result in lower manufacturing costs and increased sales, thus creating more employment due to higher production levels.”[19] Similarly, a fabricator representative stated that “[t]ermination of relief would allow us to be more competitive overall in a world market thus contributing to sales and employment.”[20]

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[16] Testimony of Tom Naramoore, Senior Vice President of Global Sourcing, Acuity Lighting, transcript of Commission hearing, June 19, 2003, pp. 307-08.

[17] Testimony of Chris Dowding, President, Dowding Industries, Inc., transcript of Commission hearing, June 19, 2003, p. 464.

[18] USITC calculations from Commission questionnaire data.

[19] Response to Commission questionnaire.

[20] Response to Commission questionnaire.

Table 5-6
Number of steel-consuming firms reporting predicted impact on steel-consuming industries' employment if safeguard measures are terminated after September 20, 2003, by industry

	Decrease *(Percent)*					No	Increase *(Percent)*				
Industry	>20	11-20	6-10	1-5	Total	change	1-5	6-10	11-20	>20	Total
Steel-product producers/processors/distributors:											
Distributors	1	0	3	1	**5**	**56**	11	3	2	3	**19**
Producers of hot/cold-rolled or coated forms	1	1	0	4	**6**	**9**	2	1	0	0	**3**
Welded pipe producers	0	1	1	2	**4**	**11**	4	2	0	0	**6**
Bar and wire finishers	0	0	3	2	**5**	**7**	2	4	0	1	**7**
Fastener producers	0	0	0	1	**1**	**12**	4	1	0	0	**5**
Steel fabricators	0	1	0	3	**4**	**28**	15	19	5	3	**42**
Transportation:											
Motor vehicles	0	0	0	0	**0**	**8**	2	0	0	0	**2**
Motor vehicle parts	0	1	1	2	**4**	**31**	19	14	2	0	**35**
Ships and shipping containers; military	0	0	0	0	**0**	**5**	2	1	0	0	**3**
Machinery and Equipment:											
Heavy machinery	0	0	1	2	**3**	**9**	3	0	1	0	**4**
Power, other machinery	1	2	2	0	**5**	**18**	3	2	0	0	**5**
Construction	0	0	1	5	**6**	**20**	3	2	1	0	**6**
Containers:											
Steel barrels and cans	0	0	0	0	**0**	**6**	2	2	0	0	**4**
Consumer and commercial goods:											
Household Appliances	0	0	0	1	**1**	**5**	2	0	0	0	**2**
Furniture, hardware, cutlery	0	0	1	1	**2**	**9**	2	0	0	0	**2**
Total	3	6	13	24	**46**	**234**	76	51	11	7	**145**

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

Of the reporting firms, 46 (around 11 percent) indicated that they expect employment to decrease anywhere from 1 to more than 20 percent, with most (24 of 46) stating that they anticipated employment would decrease by less than 5 percent (table 5-6). This trend was particularly consistent with the reporting hot/cold rolled and coated forms producers and construction firms, which generally indicated that they expect employment would fall by less than 5 percent.

Profitability

If the safeguard measures were to be terminated, almost one-half of steel-consuming firms (210 of 433 firms) indicated that profits would increase (table 5-7). Fabricators, motor vehicle parts manufacturers, and distributors made up the bulk of these 210 firms. Exactly one-half of those steel-consuming firms that expected likely increases in profits reported that they expect profits to increase by up to 5 percent; another 32 percent expect that profits would increase between 6 percent and 10 percent. Comments such as "there is a better possibility of profit with termination" of the steel measures and "more business opportunities" were noted throughout many of the questionnaires, especially from producers of hot/cold rolled and coated forms.[21]

[21] Responses to Commission questionnaire.

Table 5-7
Number of steel-consuming firms reporting predicted impact on steel-consuming industries' profitability if safeguard measures are terminated after September 20, 2003, by industry

Industry	Decrease *(Percent)* >20	11-20	6-10	1-5	Total	No change	Increase *(Percent)* 1-5	6-10	11-20	>20	Total
Steel-product producers/processors/distributors:											
Distributors	2	0	3	5	**10**	**43**	10	7	5	7	**29**
Producers of hot/cold-rolled or coated forms	2	3	0	4	**9**	**5**	2	3	0	2	**7**
Welded pipe producers	1	2	1	2	**6**	**7**	3	1	3	0	**7**
Bar and wire finishers	2	1	1	1	**5**	**7**	1	3	2	1	**7**
Fastener producers	0	0	0	1	**1**	**13**	2	1	1	0	**4**
Steel fabricators	0	2	2	2	**6**	**23**	19	19	6	3	**47**
Transportation:											
Motor vehicles	0	0	0	0	**0**	**6**	3	1	0	0	**4**
Motor vehicle parts	0	0	1	3	**4**	**18**	23	20	4	0	**47**
Ships and shipping containers; military	0	0	0	0	**0**	**4**	2	2	0	0	**4**
Machinery and Equipment:											
Heavy machinery	0	0	0	0	**0**	**7**	7	0	0	0	**7**
Power, other machinery	3	0	0	0	**3**	**10**	12	3	0	0	**15**
Construction	0	0	1	6	**7**	**13**	8	4	1	0	**13**
Containers:											
Steel barrels and cans	0	0	0	1	**1**	**3**	4	2	1	0	**7**
Consumer and commercial goods:											
Household Appliances	0	0	0	0	**0**	**2**	5	2	0	0	**7**
Furniture, hardware, cutlery	1	0	0	1	**2**	**8**	4	0	1	0	**5**
Total	11	8	9	26	**54**	**169**	105	68	24	13	**210**

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

More than 39 percent of reporting steel-consuming firms (169 of 433) indicated that if the steel safeguard measures were discontinued, their firms would not experience any change in profitability. Most fastener (72 percent); motor vehicle (60 percent); distributors (52 percent); and furniture, hardware, and cutlery (53 percent) manufacturers fell into this category.

About 12 percent of reporting steel-consuming firms expected profitability would indeed decrease if the steel safeguard measures were to be discontinued. Of these 54 firms, most steel-consuming industries were represented to some limited extent. Most notably, 42 percent of hot/cold rolled or coated forms producers and 30 percent of bar finishers and wire producers reported expected declines in profitability. Of the 54 reporting steel-consuming firms, almost 48 percent anticipated that their profitability would fall by 1 percent to 5 percent. About 20 percent of the reporting firms indicated that they expect profits to fall by more than 20 percent. The remaining steel-consuming firms were evenly distributed within these two extremes. One producer of hot/cold rolled or coated forms stated that "termination of relief will negatively impact prices and profitability."[22]

Capital Investment

Almost 59 percent of reporting steel-consuming firms (248 of 424) indicated that under a termination scenario, there would be no change in their capital investment (table 5-8). One heavy

[22] Response to Commission questionnaire.

machinery producer explained that "tariffs will have no impact on our capital investment. Only increased demand will have an impact."[23]

Table 5-8
Number of steel-consuming firms reporting predicted impact on steel-consuming industries' capital investment if safeguard measures are terminated after September 20, 2003, by industry

	Decrease *(Percent)*					No	Increase *(Percent)*				
Industry	**>20**	**11-20**	**6-10**	**1-5**	**Total**	**change**	**1-5**	**6-10**	**11-20**	**>20**	**Total**
Steel-product producers/processors/distributors:											
Distributors	1	1	1	0	**3**	**60**	5	6	4	2	**17**
Producers of hot/cold-rolled or coated forms	4	0	2	3	**9**	**11**	1	0	0	0	**1**
Welded pipe producers	1	3	0	0	**4**	**11**	0	3	1	1	**5**
Bar and wire finishers	1	1	2	0	**4**	**8**	0	1	2	3	**6**
Fastener producers	0	1	0	0	**1**	**15**	2	0	0	0	**2**
Steel fabricators	1	1	1	2	**5**	**28**	14	15	5	7	**41**
Transportation:											
Motor vehicles	0	0	0	0	**0**	**10**	1	0	0	0	**1**
Motor vehicle parts	0	0	1	1	**2**	**33**	13	15	5	1	**34**
Ships and shipping containers; military	0	0	0	0	**0**	**6**	1	1	0	0	**2**
Machinery and Equipment:											
Heavy machinery	0	0	0	0	**0**	**10**	2	3	0	0	**5**
Power, other machinery . . .	2	1	0	0	**3**	**17**	3	2	1	0	**6**
Construction	0	0	3	2	**5**	**19**	3	3	0	0	**6**
Containers:											
Steel barrels and cans	0	0	0	0	**0**	**2**	4	2	1	0	**7**
Consumer and commercial goods:											
Household Appliances	0	0	0	0	**0**	**7**	0	1	0	0	**1**
Furniture, hardware, cutlery	2	0	0	0	**2**	**11**	3	1	0	0	**4**
Total	12	8	10	8	**38**	**248**	52	53	19	14	**138**

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

Roughly one-third of firms (138 of 424) reported that capital investment would increase with the termination of the steel safeguard measures. More than 77 percent of steel barrel and can manufacturers and more than 55 percent of fabricators reported that capital investment would likely increase; most indicated an increase of up to 10 percent was likely.

Only 9 percent of reporting steel-consuming firms (38 of 424) indicated that termination of steel safeguard measures would lead to a reduction in capital investment (table 5-8). About 43 percent of hot/cold rolled or coated forms manufacturers and 22 percent of bar finishers indicated that if the safeguard measures were to end, their capital investments would fall.

International Competitiveness

Under the terminated safeguard measures scenario, 51 percent of reporting steel-consuming firms (209 of 412) indicated that there would be no change in their international competitiveness (table 5-9). This result was particularly applicable for ships, shipping container and military manufacturers, furniture, and hardware and cutlery manufacturers, with more than 80 percent of both groups reporting that there would be no change in their competitiveness if safeguard measures were terminated in September 2003.

[23] Response to Commission questionnaire.

Table 5-9
Number of steel-consuming firms reporting predicted impact on steel-consuming industries' international competitiveness if safeguard measures are terminated after September 20, 2003, by industry

Industry	Increased	Decreased	Unchanged
Steel-product producers/processors/distributors:			
Distributors	25	6	44
Producers of hot/cold-rolled or coated forms	4	7	8
Welded pipe producers	10	3	6
Bar and wire finishers	8	1	11
Fastener producers	5	0	11
Steel fabricators	40	12	21
Transportation:			
Motor vehicles	2	1	7
Motor vehicle parts	36	6	25
Ships and shipping containers; military	0	1	5
Machinery and equipment:			
Heavy machinery	5	0	11
Power, other machinery	7	2	18
Construction	3	5	22
Containers:			
Steel barrels and cans	5	0	4
Consumer and commercial goods:			
Household appliances	5	1	3
Furniture, hardware, cutlery	1	2	13
Total	156	47	209

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

Almost 38 percent of reporting steel-consuming firms (156 of 412) indicated that if the safeguard measures were terminated in September 2003, their international competitiveness would increase. For several industries, most firms indicated that their international competitiveness would increase, including steel barrel and can manufacturers and household appliance manufacturers (both 56 percent), fabricators (55 percent), motor vehicle parts manufacturers (54 percent), and welded pipe manufacturers (53 percent). One motor vehicle producer representative explained that "lower material costs resulting from termination of relief could be passed onto potential customers, therefore making us more competitive."

A much smaller group of about 11 percent (47 of 412 firms) indicated that, with termination of the safeguard measures, their international competitiveness would actually decrease. Most notably, 7 of 19 producers of hot/cold-rolled or coated forms indicated that termination would reduce their international competitiveness.

Ports and Related-Service Providers

Five types of ports and related-service providers responded to relevant questions discussed here.[24] The Commission received 21 usable port and related-service provider questionnaire responses regarding the continuation and termination of safeguard measures. Similar to steel-consuming firms, ports and related-service firms were asked to indicate changes in steel import volumes, revenues, capital investment, wages, and other factors under the two scenarios.

[24] The five categories are (1) port authority, (2) private terminal operator, (3) stevedoring firm, (4) towing firm, and (5) warehouse.

Safeguards Continuing Scenario

More than 65 percent of reporting port and related-service firms indicated that there would be no change in wages and capital investment if safeguards were continued (table 5-10). However, more than 60 percent indicated that the volume of steel imports and associated revenues would decrease.

Table 5-10
Summary table for ports and port-related services providers on expected future volume, revenue, capital investment and wages, by percent[1]

	Safeguards Continued			Safeguards Terminated		
	No change	Increase	Decrease	No change	Increase	Decrease
Volume	31.6	5.2	63.2	27.8	72.2	0
Revenue	27.8	5.5	66.7	29.4	70.6	0
Capital Investment	70.6	0	29.4	52.9	47.1	0
Wages	64.7	12.0	23.5	58.8	35.3	5.9

[1] Note: sums may not add to 100 percent due to rounding error.

Source: USITC calculations from questionnaire data.

Steel Import Volume

About 63 percent (12 of 19) of reporting port and related-services firms indicated that they expected steel import volumes to decrease if safeguard measures were to continue until March 2005 (table 5-11). One port-related services firm representative stated that “continuation of tariffs will result in intense pressure on margins and diminution of cargo handling opportunities” especially for “higher value steel products.”[25] One-third of those reporting likely decreases (4 of 12) reported that import volumes would decrease dramatically, by more than 20 percent. About 25 percent (3 of 12) indicated that they expect steel imports to decrease significantly, between 11 percent and 20 percent. Another 25 percent (3 of 12) reported under the continuation scenario, they would expect steel import volumes to decrease between 6 percent and 10 percent. The remaining 2 firms indicated that they would expect steel import volumes to decline by 5 percent or less.

Table 5-11
Number of ports and related-services firms reporting predicted impact on steel import volume, revenues, capital investment, and wages if safeguard measures are continued until March 2005

	Decrease *(Percent)*					No	Increase *(Percent)*				
Industry	>20	11-20	6-10	1-5	Total	change	1-5	6-10	11-20	>20	Total
Steel import volume	4	3	3	2	**12**	**6**	0	1	0	0	**1**
Revenues	3	2	3	4	**12**	**5**	0	0	1	0	**1**
Capital investment	0	2	1	2	**5**	**12**	0	0	0	0	**0**
Wages	1	2	1	0	**4**	**11**	1	0	1	0	**2**

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

More than 31 percent (6 of 19) of port and related services representatives indicated that if steel safeguard measures were to continue, they would expect no changes in the level of steel import volumes (table 5-11). This result was particularly reflected in responses by port authority firms, representing almost 42 percent of all port authorities reporting. One port authority representative stated that “to keep the tariff will continue to hurt these industries to the point they may leave (go overseas or declare

[25] Response to Commission questionnaire.

bankruptcy protection)."[26] Only one firm reported that it expected import volumes to increase, between 6 percent and 10 percent (table 5-11).

Revenues

Almost 67 percent of reporting port and related-service firms (12 of 18) expected that under the continuation scenario, revenues would decrease (table 5-11). For example, one terminal firm indicated that "revenues in both the terminal and trucking industry will continue to decline if relief continues."[27] More than 58 percent of these firms (7 of 12) expected that revenue would decrease by 10 percent or less (table 5-11). About 25 percent expected revenues to fall by over 20 percent if safeguard measures were to continue.

About 28 percent of firms (all of which are port authorities) indicated that they expect no change in revenues under the continuation scenario. One firm reported that it expects revenues to increase under the continuation scenario between 11 percent and 20 percent.

Capital Investment

About 70 percent of reporting port and related-services firms (12 of 17) indicated that they expect no changes in capital investment if the steel safeguard measures were to continue until March 2005 (table 5-11). This trend was most prevalent among port authorities, with 90 percent indicating that there would be no changes in capital investment; 40 percent of reporting stevedoring firms also indicated that there would be no change. One terminal operator representative reported that "steel is a small commodity, for which we make no capital investments."[28]

The remaining 29 percent of reporting port and related-services firms indicated that there would be some decrease in capital investment if safeguard measures were to continue. Most seem evenly split in their expectations, some indicating that capital investment would likely decrease slightly, up to perhaps 5 percent; others indicated that the decrease would be more significant, expecting the fall in capital investment to be between 11 percent and 20 percent; others would put the decrease in capital investment somewhere in between. One terminal operator representative spoke to the long-run implications of the safeguard measures, reporting that "lengthy tariffs will eventually impact ports' ability to generate capital due to leasers going bankrupt and not paying leases."[29] Another port authority representative concurred on the impact of the steel measures, stating that "steel is the principal commodity handled by {this} port."[30]

Wages

Almost 65 percent of reporting port and related-services firms (11 of 17) estimated that there would be no changes in wages if the steel safeguard measures were to continue through March 2005 (table 5-11). These firms were made up of primarily port authorities, plus a few stevedoring and towing firms.

Just less than 24 percent of the responding firms reported they expected under the continuation scenario that wages would fall. Three out of four firms claimed that wages would fall on average between 11 percent and 20 percent. One terminal operator representative reported that "less business equals less

[26] Response to Commission questionnaire.
[27] Response to Commission questionnaire.
[28] Response to Commission questionnaire.
[29] Response to Commission questionnaire.
[30] Response to Commission questionnaire.

wages. Continuation of {the steel safeguard measures} will cause further staff reductions."[31] Another stevedoring firm representative reported that "wages are part of collective bargaining agreements and are increased independently of steel volume. However, work opportunities diminish, so overall man-hours decrease."[32] About 12 percent of port or related-service providers reported that they anticipated volumes would decrease if steel safeguard measures were to continue.

Safeguards Termination Scenario

More than 70 percent of port and related-service providers indicated that under a termination scenario, they expected steel import volumes and revenues to increase (table 5-10). For capital investment and wages, almost 60 percent of reporting port and related services firms expected no changes. No ports and port-related service providers reported that they expect declines in steel import volume, revenues, or capital investment.

Steel Import Volume

If the safeguard measures are terminated, more than 72 percent of the reporting port and related service providers (13 of 18) indicated that steel import volumes would increase (table 5-12). Magnitudes varied greatly, where more than 65 percent of firms reported that they anticipated volumes would increase by at least 11 percent and possibly more than 20 percent. One port authority representative reported that "termination is expected to result in {a} rebound in steel tonnages within 6 months."[33]

Table 5-12
Number of ports and related-services firms reporting predicted impact on steel import volume, revenues, capital investment, and wages if safeguard measures are terminated after September 2003

	Decrease *(Percent)*					No	Increase *(Percent)*				
Industry	>20	11-20	6-10	1-5	Total	change	1-5	6-10	11-20	>20	Total
Steel import volume	0	0	0	0	**0**	**5**	1	3	4	5	**13**
Revenues	0	0	0	0	**0**	**5**	1	4	3	4	**12**
Capital investment	0	0	0	0	**0**	**9**	3	4	1	0	**8**
Wages	0	0	0	1	**1**	**10**	1	3	2	0	**6**

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

The remaining 28 percent of the port and related-service providers indicated that there would be no change in the steel volumes if steel safeguard measures were to be terminated. This response was most prevalent among port authorities. For example, one port representative indicated that if steel safeguard measures were terminated, "there will be no measurable increase in steel tonnage, {mainly} due to sanctioned countries' newly acquired trading partners (i.e., Intra-Asia Market)."[34]

Revenues

Almost 71 percent of the port and related-services providers (12 of 17) indicated that under a termination scenario, they expect their revenues to increase (table 5-12). About one-third of those firms reporting increases indicated that they thought revenues would increase between 6 percent and 10 percent. Approximately one-third of firms reporting increases stated that revenues would increase by more than 20

[31] Response to Commission questionnaire.
[32] Response to Commission questionnaire.
[33] Response to Commission questionnaire.
[34] Response to Commission questionnaire.

percent. About 25 percent of reporting firms indicated that expect revenues would increase between 11 percent and 20 percent.

The remaining 29 percent of reporting port and related-services firms (5 of 17) indicated that, under the termination scenario, there would be no changes in their revenue. This response was most prevalent among port authorities; 40 percent of the reporting port authorities indicated that their revenues would remain the same.

Capital Investment

Almost 53 percent of port and related-services firms (9 of 17) reported that under the termination scenario, the level of capital investment would not change (table 5-12).[35] All towing firms and 80 percent of port authorities indicated similarly.

The remaining port and related-services firms indicated that capital investment would increase under the termination scenario. More than 85 percent of reporting port and related-services firms reported that they expected increases not exceeding 10 percent.

Wages

Almost 59 percent of reporting port and related-service firms (10 of 17) indicated that they expected no change in wages if safeguard measures were to end in September 2003 (table 5-12). Port authorities reported that they felt most strongly about this expectation, with 80 percent agreeing that wages would remain constant.

However, more than 35 percent disagreed and indicated that wages are expected to increase. One-half of those reporting that wages would increase under the termination scenario indicated that they expected wages to increase between 6 percent and 10 percent. A few others indicated that wage increases could be more, possibly between 11 percent and 20 percent. One stevedoring firm indicated that wages would increase modestly, around 5 percent or less. Only one firm reported expectations that wages would decrease under the termination scenario.

[35] Almost 59 percent (248 of 424 steel-consuming firms) reported that they expect no change in capital investment under the termination scenario.