CHAPTER 3

CARBON AND ALLOY LONG STEEL

PART I: OVERVIEW (LONG STEEL)

ORGANIZATION OF THIS SECTION

Information in this carbon and alloy long steel (long steel)[1] section 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. Information collected on foreign industries producing long steel products is presented in appendix G.

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 are presented in table LONG I-1.[2] 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, by products and forms

Item	Support relief	Oppose relief	Take no position	No response	Total
Hot bar	19	0	1	0	20
Cold bar	15	2	2	0	19
Rebar	10	0	1	0	11

[1] 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: Compiled from data submitted in response to Commission questionnaires.

Table LONG I-2
Long steel: U.S. producers' production, by products, April 2002-March 2003

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[1] For purposes of this report, the term "long steel" consists of subject hot bar, cold bar, and rebar.

[2] As previously mentioned, information on U.S. producers' positions with respect to the section 203 import relief, by firms and by products, is presented in app. E. In some instances, firms have expressed positions for products they do not produce.

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.

Timelines

Figure LONG I-1 includes data on the raw steel production capability 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.[3] It shows that merger and acquisition activity, both number of instances and raw steel capacity involved,[4] was low until December 2001, then grew during the first year of the safeguard measures.

[3] Firms that have name changes as a result of takeovers of shutdown facilities by investor groups or other non-steelmaking entities are not included.

[4] 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.

Table LONG I-3
Long steel: U.S. producers of subject products that have filed for bankruptcy protection, 1999-2003

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capability *(million short tons)*	Employees affected	Comments
March 1999	Qualitech Steel *Pittsboro, IN*	Special bar quality hot-rolled round bars	Shut down January 2001	0.6	350	Wholly owned iron carbide direct reduction plant in Corpus Christi, TX also shut down. Pittsboro, IN assets purchased September 2002 by Steel Dynamics, Inc., with expected restart in the first quarter of 2004 as a producer of special quality bars, rebar, and light sections.
June 2000	J&L Structural *Aliquippa, PA*	Light structural sections	Shut down August 2002	None	275	
December 2000	Northwestern Steel & Wire *Sterling, IL*	Structural steel, hot-rolled merchant bar, wire rod, wire	Shut down May 2001	2.4	1,500	Melting equipment and wire rod mill purchased by Sterling Steel, a division of Leggett & Platt. Restarted, to produce rod primarily for own use.
January 2001	CSC *Warren, OH*	Carbon and alloy steel hot-rolled and cold-finished bar	Shut down April 2001	0.5	1,400	Privately owned by Reserve Group, Akron, OH.
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 closed; SC plant operating	2.0	800	Permanently closed Kansas City operations with 1 million tons capacity and 800 employees. Georgetown assets (rod mill) purchased by Georgetown Steel Co., LLC, August 2002 and in operation.
April 2001	Republic Technologies International *Lorain, OH* *Canton, OH* *Massillon, OH* *Lackawana, NY* *Gary, IN* *Cartersville, GA*	Carbon and alloy steel hot-rolled and cold-finished bar, billet, wire	Operating	3.2	4,600	Joint venture of Blackstone Capital Partners (***%), USX (***%) and Kobe Steel (Japan) (***%). Operating assets acquired by Gerdau AmeriSteel (Cartersville) in June 2002 and by Republic Engineered Products, LLC, August 2002. Most operations continue.
July 2001	Laclede Steel *Alton, IL* *Fairless Hills, PA*	Carbon and alloy steel hot-rolled bar, pipe, welded chain	Shut down August 2001	0.6	525	Original bankruptcy filing in November 1998. Emerged from bankruptcy January 2001. Filed for bankruptcy July 2001. Melt shop and bar mill assets in IL acquired by Alton Steel in January 2003; melt shop restarted September 11, 2003 and projected restart of rolling mill is for later in September.
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.

Table continued.

Table LONG I-3--*Continued*
Long steel: U.S. producers of subject products that have filed for bankruptcy protection, March 1999-March 2003

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capability *(million short tons)*	Employees affected	Comments
March 2002	Calumet Steel *Chicago Heights, IL*	Hot-rolled alloy steel bar and carbon steel light shapes	Shut down March 2002	0.2	210	Chapter 7 (liquidation) filing. Assets acquired by MZG Associates II, LLC, Lansing, IL, November 2002.
June 2002	Birmingham Steel, *Birmingham, AL* *Kankakee, IL* *Seattle, WA* *Jackson, MS*	Rebar and carbon and alloy steel hot-rolled merchant bar and light shapes	Operating	2.5	1,300	Assets acquired by Nucor Corp., December 2002, and operations continue.
January 2003	Bayou Steel *LaPlace, LA*	Carbon steel hot-rolled merchant bar and light structural sections	Operating	0.8	510	
February 2003	Kentucky Electric Steel *Ashland, KY*	Carbon and alloy steel hot-rolled flat and square bars	Shut down January 2003	0.4	326	Assets acquired by KES Acquisition Co., August 2003.
June 2003	Slater Steels *Fort Wayne, IN* *Lemont, IL* *Canada*	Carbon and alloy hot-rolled and cold-finished bars, stainless steel bar and light structural sections	Operating	None in the United States		Filing of Canadian parent company under Canadian law concurrent with filing in United States.

Source: Compiled from various public sources.

Table LONG I-4
Long steel: Significant steel company mergers and acquisitions, 1999-2003

Month and Year	Company	Description and capabilities
		Million short tons of raw steel[1]
August 1999	Republic Technologies	Republic Technologies (0.8 capability) acquired bar assets of USS-Kobe Steel (for a total 2.4 capability). Republic Technologies had been formed in a merger of Republic Engineered Steels and Bar Technologies in September 1998. Bar Technologies was itself the result of a merger in 1996.
September 1999	AmeriSteel	Controlling interest in AmeriSteel (2.2 capability) was acquired from Kyoei Steel by Gerdau, a Brazilian company with ownership of minimill operations in Canada and Latin America. In 2001, management of AmeriSteel and Gerdau-Courtice, a Canadian company, were merged to operate as a single entity.
April 2001	Nucor	Nucor, the largest U.S. minimill steel producer (3.8 capability), acquired Auburn Steel's Auburn minimill (0.5 capability) that produces hot-rolled bar, rebar, and light structural sections.
July 2001	International Steel & Tube Industries (Istil USA)	Istil USA (with no U.S. raw steel capability) acquired assets of the shuttered Susquehanna Steel Mill, Milton, PA (0.2 capability), that produced hot-rolled bar, rebar, and light structural sections. The minimill is in a pre-startup phase.
December 2001	Gerdau AmeriSteel	Gerdau AmeriSteel (2.2 capability) purchased Birmingham's Cartersville, GA minimill (1.0 capability) that produces light and medium structural sections and flat bars.
March 2002	Charter Steel	Charter Steel, a minimill rod producer (with no subject long-product raw steel capability) purchased Birmingham's Cleveland, OH rolling mill (0.6 capability) that produces special quality bar products, wire rod, and wire.
June 2002	Gerdau AmeriSteel	Gerdau AmeriSteel (3.2 capability) purchased Republic Technology's Cartersville, GA carbon steel cold-finished bar mill (with no raw steel capability).
August 2002	Republic Engineered Products	Newly established Republic Engineered Products acquired most of the assets of Republic Technologies International (3.2 capability), a minimill producer of hot-rolled and cold-finished bar.
September 2002	Steel Dynamics	Steel Dynamics, a minimill producer (with no subject long raw steel capability), finalized the purchase of the assets of Qualitech Steel SBQ LLC, a minimill producer (0.6 capability). Steel Dynamics will convert the unit, which produced special quality bar products, to also produce light structural sections and rebar.
September 2002	Slater Steels	Slater Steels (with no U.S. raw steel capability) purchased Auburn Steel's Lemont, IL, minimill (0.5 capability that has been shuttered since February 2001) that produced merchant quality bar and rebar. In December 2002, re-commissioned the mill with plans to ramp up production of carbon and stainless steel merchant and special quality bars, and rebar.
October 2002	Gerdau AmeriSteel	Gerdau (3.2 capability), a Brazilian steel company with both Canadian and U.S. minimills, merged with Co-Steel Inc. (1.8 capability), 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 (0.2 capability).
December 2002	Nucor	Nucor (4.3 capability) acquired the assets of Birmingham Steel Corp., a large minimill company with four mills (2.4 capability) producing hot-rolled bar, rebar, and structural sections.
January 2003	Alton Steel	Acquired Alton IL melt shop (0.6 capability) and bar mill assets of Laclede Steel.
March 2003	Nucor	Nucor (6.7 capability) acquired the assets of the Kingman, AZ, rebar and wire rod minimill (0.5 capability) from North Star Steel. The Kingman melt operation has not operated since January 2000 and the rolling mill has been idle since March 2003.
May 2003	International Steel Group	ISG, a large, integrated flat steel producer (with no long-product capability), purchased the assets of Bethlehem Steel Corp., a large, integrated producer of all flat-rolled products, including the Steelton, PA mill (1.2 capability) that produces rail, hot-rolled flat bar, forging steels, and ingots.
August 2003	KES Acquisition Co.	Acquired assets of Kentucky Electric Steel, a minimill producer (0.3 capability) of hot-rolled bars.

[1] Raw steel capabilities shown are only those for subject long-product facilities.

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, 1998-2003

Year	Company and location	Facility	Reported investment
			Million dollars[1]
1998	Qualitech Steel *Pittsboro, IN*	500,000 tons per year special bar quality products mill complex.	200
2000	Northwestern Steel & Wire *Sterling, IL*	New 415-ton AC energy-optimized EAF and continuous caster improvements to increase productivity and decrease tap-to-tap time.	10
2000	Ispat Inland *Indiana Harbor, IN*	Upgraded transformer of EAF to increase capacity at Bar Products Division.	
2000	Charter Steel *Fostoria, OH*	40,000 tons per year processing facility for bar, rod, and wire.	16
2001	Tamco *Rancho Cucamonga, CA*	Major modernization completed, including new transformer and controls for the 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
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
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
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
2002	Co-Steel *Perth Amboy, NJ*	Start-up of CoJet gas-injection system for the EAF.	
2002	Nucor *Norfolk, NE*	Upgraded the bar and light-section mill into a modern twist-free and tension-free mill with 18 new stands in a convertible arrangement for quick changes to produce a wider size range of bars and light structural sections.	
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

Table continued. See footnote at end of table.

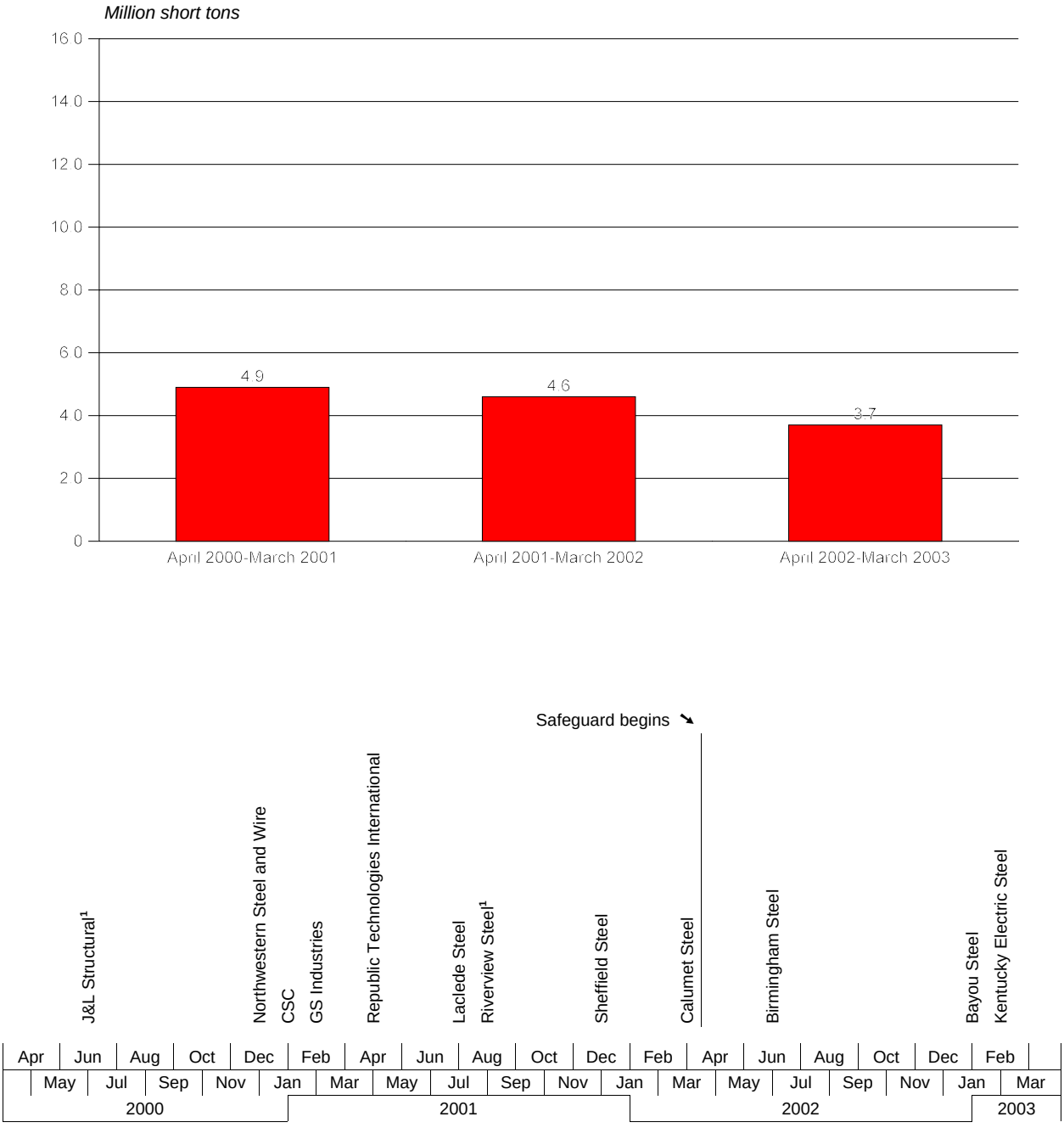
Table LONG I-5--*Continued*
Long steel: Major capital investments of U.S. steel companies, as reported in public sources, 1998-2003

Year	Company and location	Facility	Reported investment
			***Million dollars*[1]**
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
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.	
2003	Nucor *Darlington, SC*	Modernized the 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 structural 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
2003[2]	Alton Steel *Alton, IL*	Investment reportedly considered (January 2003) to restart operations of former Laclede melt shop and bar mill.	15
2004[2]	Steel Dynamics *Pittsboro, IN*	Announced (May 2003) upgrades planned to expand product capabilities of the former Qualitech special quality bar mill (idled since February 2001) to also include merchant bars, rebar, and light structural sections.	75
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 4/5 strand billet caster.	

[1] Where no value is given, data were not reported in source.
[2] Anticipated.

Source: Selected entries from annual reports titled "Developments in the North American Iron and Steel Industry," 1998 through 1999, *Iron and Steel Engineer*; 2000 through 2002, *AISE Steel Technology*; Association of Iron and Steel Engineers, *Steel News*, found at *http://www.steelnews.org*, various issues; and *American Metal Market*, found at *http://www.amm.com*, various issues.

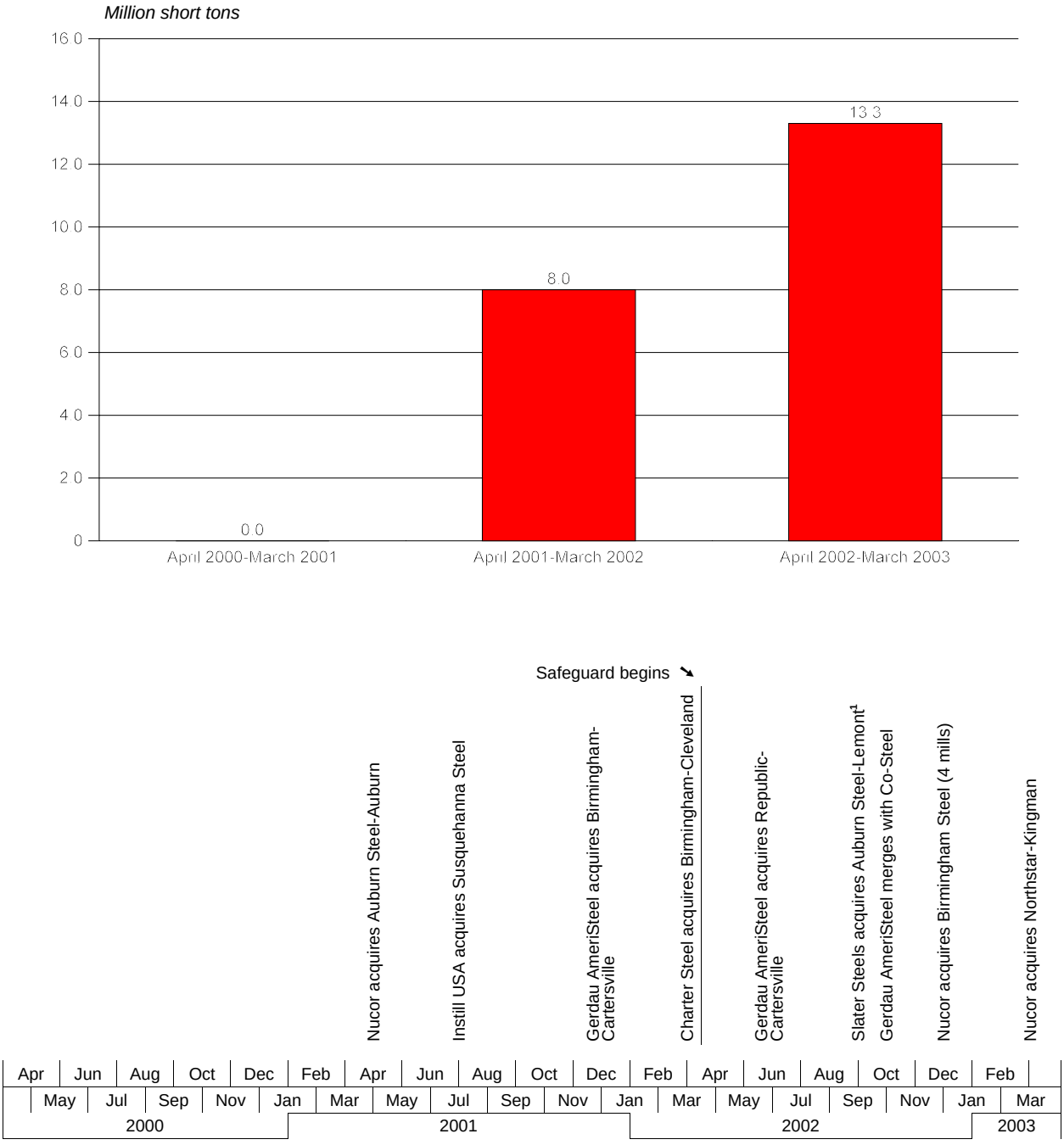
Figure LONG I-1
Long steel: Firms filing for bankruptcy protection and related raw steel capability, April 2000-March 2003



[1] Firm without raw steel capability.

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

Figure LONG I-2
Long steel: Mergers and acquisitions and related raw steel capability, April 2000-March 2003[1]



[1] Additionally, in September 2002 Steel Dynamics acquires Qualitech.

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 section OVERVIEW II, the value of U.S. manufacturers' shipments of transportation equipment increased slightly, by 0.7 percent, between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1). The value of U.S. nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003. The value of U.S. manufacturers' shipments of carbon steel forgings decreased by 1.9 percent between the first quarter of 2002 and the first quarter of 2003.

The data collected by the Commission (which do not include 100 percent of U.S. production) indicate that apparent U.S. consumption of hot bar decreased by 9.4 percent from April 2000-March 2001 to April 2001-March 2002, then increased by 2.8 percent in April 2002-March 2003.

In contrast to the increase shown in the data, thirteen of 19 responding U.S. hot bar producers and 33 of 47 responding hot bar importers reported that U.S. demand for steel has decreased since March 20, 2002. 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, while

[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	7214.99.0030	7216.21.0000	7227.20.0090	7228.40.0000
	7213.99.0060	7214.99.0045	7216.22.0000	7227.20.0095	7228.60.6000
	7213.99.0090	7214.99.0060	7216.50.0000	7227.90.6005	7228.70.3020
	7214.10.0000	7214.99.0075	7216.61.0000	7227.90.6051	7228.70.3040
	7214.30.0000	7214.99.0090	7216.69.0000	7227.90.6058	7228.70.3060
	7214.91.0015	7215.90.1000	7216.91.0000	7227.90.6059	7228.70.3080
	7214.91.0060	7215.90.5000	7216.99.0000	7228.20.1000	7228.70.6000
	7214.91.0090	7216.10.0010	7227.20.0000	7228.30.8005	7228.80.0000
	7214.99.0015	7216.10.0050	7227.20.0010	7228.30.8050	

[1] The temporary HTS subheadings for hot bar established by proclamation or delegated authority pursuant to trade legislation are:

(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, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.

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).

hot bar importers cited the slowing U.S. economy and the loss of downstream manufacturing facilities to other countries, including in the aerospace, power generation, capital goods, automotive, construction, vehicle parts, and appliance sectors.[2] [3]

Most U.S. hot bar producers and importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.[4]

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.[5]

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[2] Several representatives of domestic producers testified as to demand and expected demand. One domestic producer testified that he anticipated a stronger economy, particularly in terms of construction and industrial activity. He maintained that total demand for long products continues to decline. Testimony of Robert Mulhan, Vice-President, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at pp. 113-114. A second domestic producer testified that demand for long products has not increased. He maintained that demand in both the commercial and industrial construction sectors has been off, although CMC anticipates that it will pick up. Testimony of Clyde Selig, Steel Group President and CEO, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at p. 18. A third domestic producer testified that Timken has had to slow its steel associated capital expenditures because of the economy, particularly the manufacturing sector. Testimony of Michael Haidet, Senior Government Affairs Specialist, Timken, transcript of Commission hearing (July 24, 2003) at p. 119.

[3] A respondent importer testified that, during the year following the 203 tariff relief, demand for hot- and cold-rolled bar was pretty strong until quite recently, and was driven primarily by the automotive industry. He noted that production in the automotive industry has risen over the past several years from 15 million units a year to 18 million units a year. He acknowledged that automotive demand seems to be slowing down, and anticipates that bar business will slow down in the second half of this year. Jeff Hoye, President, Corus America, transcript of Commission hearing (July 24, 2003) at pp. 214, 237-238. However, an auto parts producer testified that automotive SBQ steel capacity has decreased nearly 30 percent since January 2000 while auto production has stayed at the same level. Testimony of Doug Grimm, General Manager of Forging Operations, Metaldyne, transcript of the Commission hearing (July 24) at 281.

[4] Eighteen of 19 responding U.S. hot bar producers reported that there have been no changes in the types or prices of substitute products since March 20, 2002. Thirty-seven of 40 responding hot bar importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

[5] *See* table LONG I-3.

Following imposition of the section 203 relief, three of these firms were acquired by other steel producing firms and are expected to restart their operations. Qualitech's assets were purchased by Steel Dynamics in September 2002, with an expected restart in the first quarter of 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 are to be restarted at an unspecified date. 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), and re-commissioned the mill in December 2002 to ramp up production of merchant and special quality bars and rebar. Finally, 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.[6] [7]

As shown in the table LONG II-2, with the exception of efforts to increase product availability and decreasing order backlogs, the majority of hot bar producers reported no changes in their marketing practices since March 20, 2002.

Fifty-four of 162 responding hot bar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. 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 asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[8] 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 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.[9]

Based on data compiled in this investigation, U.S. hot bar producers' capacity utilization was 72.3 percent during April 2002-March 2003 and their inventories as a percentage of total shipments were 10.4 percent. Exports accounted for 3.8 percent of total shipments.

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[6] Counsel for the Long Producers Coalition maintained that there has been substantial capacity rationalization in the U.S. long products industry. Republic Technologies removed over one million tons of hot bar capacity. Under Nucor's ownership, Birmingham's Fuller Memphis facility and Joliet rolling mill closed. Kentucky Electric and Calumet are closed. Testimony of Alan Price, attorney, Wiley Rein & Fielding, transcript of Commission hearing (July 24, 2003) at 41.

[7] Some respondent importers argued that the U.S. hot and cold bar producers suffer from chronic overcapacity. For example, one respondent importer maintained that U.S. hot and cold bar producers' aggregate capacity is far higher than U.S. total consumption. He claimed that U.S. hot and cold bar producers' aggregate capacity is higher today than it was when the President ordered 203 relief. He argued that the constant pressure of low prices offered by uneconomic U.S. producers keeps prices from rising and deprives well-run companies of the benefit that they should be getting from their adjustment efforts. Testimony of Jeff Hoye, President, Corus America, transcript of Commission hearing (July 24, 2003) at pp. 215-217.

[8] 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.

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

Table LONG II-2
Hot bar: U.S. producer responses to questions regarding firms' activities and market conditions since March 20, 2002

Marketing practice/market conditions	Number of producers reporting	
	No	Yes
Efforts to increase product availability	7	14
Change in geographic market	17	4
Change in channels of distribution	17	4
Change in share of sales from inventory	18	3
Change in average lead times from inventory	16	0
Change in average lead times from production	12	5
Change in product range	15	6
Change in demand for or production of alternate products	18	3

	Increased	Decreased	Stayed same
Change in order backlogs	5	10	5
Change in on-time shipping percentage	6	1	14

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

Changes in Import Supply

Total imports of hot bar fell by 4.1 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of hot bar from covered countries fell by 32.2 percent; and imports of hot bar from noncovered countries increased by 11.3 percent. The U.S. market share accounted for by imports of hot bar from covered countries fell from 7.2 percent in April 2001-March 2002 to 4.8 percent in April 2002-March 2003. The U.S. market share accounted for by imports of hot bar from noncovered countries increased from 13.1 percent in April 2001-March 2002 to 14.2 percent in April 2002-March 2003.[10]

As shown in table LONG II-3, the majority of hot bar importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table LONG II-4.

[10] *See* tables LONG II-7 and LONG II-10.

Table LONG II-3
Hot bar: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	34	22
Change in geographic market	54	2
Change in channels of distribution	48	3
Change in share of sales from inventory	47	4
Change in average lead times from inventory	33	1
Change in average lead times from production	37	10
Change in product range	48	9
Change in demand for or production of alternate products	44	7
Importing of steel from foreign producers from which previously have not imported	38	15

	Increased	Decreased	Stayed same
Change in order backlogs	4	24	26
Change in on-time shipping percentage	6	11	40

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

Table LONG II-4
Hot bar: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

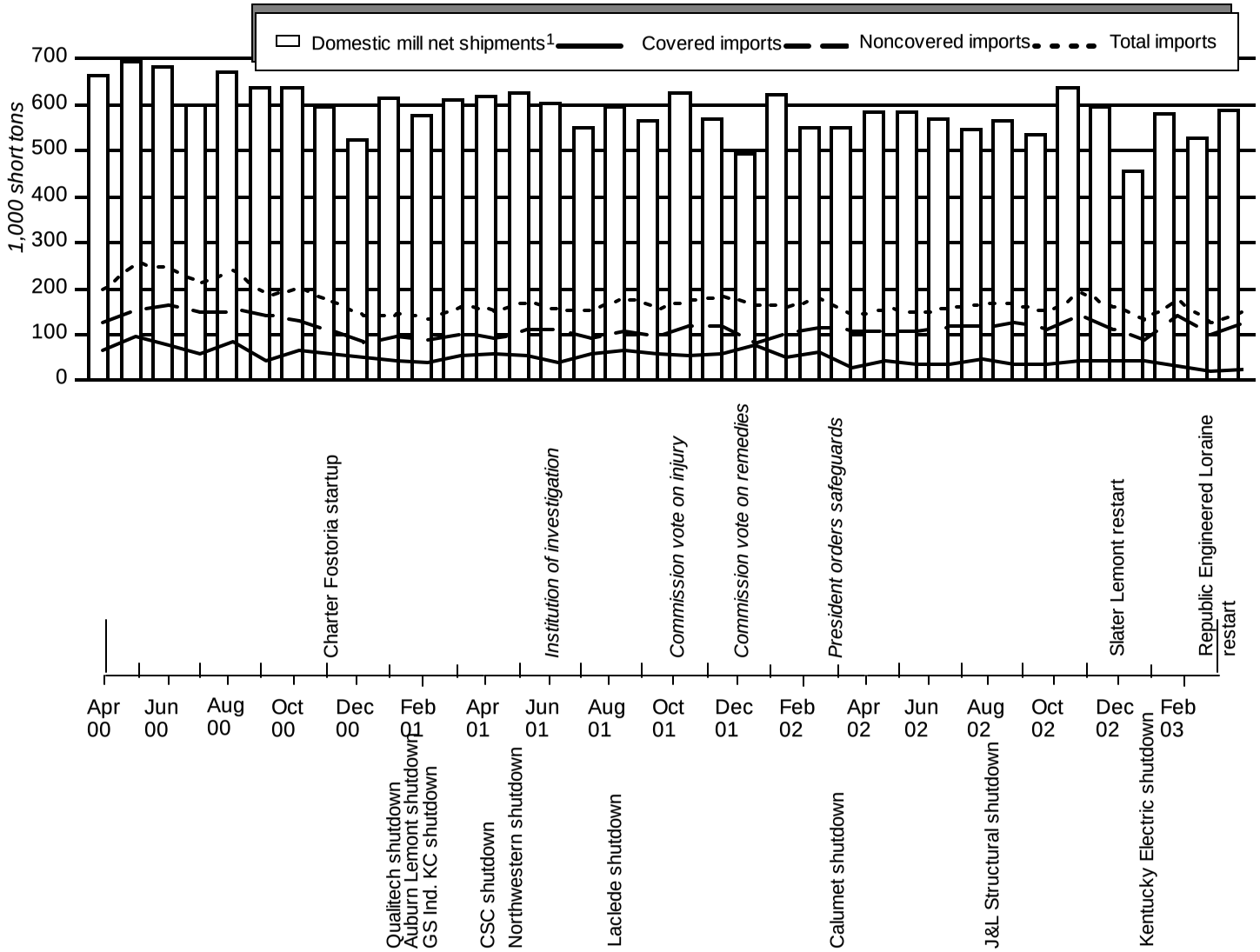
Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons		*Percent*	
Covered	7,414,106	85.3	3.5	3.2
Noncovered	3,429,366	65.8	32.5	14.8

Source: Compiled from data submitted in response to Commission questionnaires

Timeline

Figure LONG-II-1 shows monthly 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 monthly 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 shut downs (shown below the line) and start ups and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard dates.

Figure LONG II-1
Hot-rolled bar: Monthly imports and monthly domestic mill net shipments, facility shutdowns and startups or restarts, and investigation milestones, April 2000-March 2003



[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-5 presents information on U.S. hot bar producers' capacity, production, shipments, inventories, and employment. The responding U.S. producers are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003. The following firms reported the indicated calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation: ***.

As presented in Table LONG II-5, reporting U.S. producers' aggregate output-related indicators rose modestly in the period April 2002 to March 2003. In the first 12 months of the section 203 safeguard measure, the domestic industry's capacity increased by 3.4 percent, production increased by 4.4 percent, and U.S. shipments increased by 4.6 percent.[11] Each of these indicators was, however, lower than in the period from April 2000 to March 2001.[12] Capacity utilization increased modestly from 71.6 percent to 72.3 percent in the period April 2002 to March 2003, but was below the 77.0 percent level of the period from April 2000 to March 2001. The number of production and related workers employed declined by 2.2 percent in the period April 2002 to March 2003, and was 9.6 percent lower than in the period from April 2000 to March 2001. Productivity, however, increased by *** percent; productivity gains, combined with a relatively stable hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

FINANCIAL DATA

Financial data provided by U.S. producers concerning hot bar are presented in table LONG II-6.[13] Only one firm reported the receipt of CDSOA (Byrd Amendment) funds during the period examined. These CDSOA funds are classified as "other income" in the following table.

The majority of firms that provided usable financial data for long products reported pension expense and/or other post-employment benefits during the period examined, with 13 firms reporting such expenses for hot-bar. All pension expense and other post-employment benefits are classified as COGS and/or SG&A expenses in table LONG II-6.

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[11] The value of the domestic industry's U.S. shipments increased by 6.4 percent, reflecting an increase in the average unit value of such shipments. Both the value and the average unit value of such shipments were lower than in the period April 2000 to March 2001.

[12] As noted in Table LONG I-3, a number of hot bar mills closed over the period examined. The closure of mills such as J&L Structural, Qualitech, Northwestern, CSC, Laclede Steel, Calumet Steel, and Kentucky Electric Steel, and their corresponding absence from the data collected, would tend to overstate a trend of increasing shipments, capacity, or production, or understate a trend of declining shipments, capacity, or production over the period examined.

[13] Three firms, ***, did not provide usable financial data.

Table LONG II-5
Hot bar: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Capacity	11,332,255	11,132,284	11,512,310
Production	8,729,681	7,967,962	8,322,046
Internal consumption/transfers	1,050,627	943,225	1,035,908
U.S. commercial shipments	7,426,906	6,839,699	7,101,506
U.S. shipments	8,477,533	7,782,923	8,137,414
Export shipments	329,826	295,345	324,392
Total shipments	8,807,360	8,078,268	8,461,806
Ending inventories	1,140,231	1,023,422	881,743
		Value *($1,000)*	
Internal consumption/transfers	412,051	346,251	392,191
U.S. commercial shipments	3,026,108	2,632,280	2,778,426
U.S. shipments	3,438,159	2,978,530	3,170,617
Export shipments	128,014	115,160	132,697
Total shipments	3,566,172	3,093,690	3,303,314
		Unit value *(per short ton)*	
Internal consumption/transfers	392	367	379
U.S. commercial shipments	407	385	391
U.S. shipments	406	383	390
Export shipments	388	390	409
Total shipments	405	383	390
		Ratios and shares *(percent)*	
Capacity utilization	77.0	71.6	72.3
U.S. shipments to distributors	32.2	32.6	32.3
U.S. shipments to end users	67.8	67.4	67.7
Inventories/total shipments	12.9	12.7	10.4
		Employment data[1]	
PRWs[2] *(number)*	8,701	8,037	7,862
Hours worked *(1,000)*	17,833	15,803	15,662
Wages paid *($1,000)*	463,527	410,299	410,851
Hourly wages	$25.99	$25.96	$26.23
Productivity *(short tons/1,000 hours)*	***	***	***
Unit labor costs *(per short ton)*	$***	$***	$***

[1] *** did not provide employment data. Productivity and unit labor costs are calculated using data of firms providing both numerator and denominator information.
[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.

Table LONG II-6
Hot bar: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity (*short tons*)	
Net commercial sales	6,884,052	6,203,548	6,553,814
		Value *($1,000)*	
Net commercial sales	2,814,098	2,381,838	2,562,683
COGS	2,525,138	2,195,090	2,335,869
Gross profit or (loss)	288,961	186,749	226,814
SG&A expenses	166,357	147,681	149,302
Operating income or (loss)	122,604	39,068	77,512
Interest expense	99,733	66,052	38,982
Other (income)/expenses, net	50,167	(1,119)	6,046
Net income or (loss)	(27,297)	(25,865)	32,484
Depreciation/amortization	155,308	142,603	146,729
Cash flow	128,011	116,738	179,213
CDSOA funds received	0	54	0
Pension (credit)/expense	16,776	15,209	16,345
Other post-employment benefits	9,157	7,832	10,090
Capital expenditures	82,700	55,005	97,337
R&D expenses	3,558	3,261	3,366
		Ratio to net commercial sales (*percent*)	
COGS	89.7	92.2	91.1
Gross profit or (loss)	10.3	7.8	8.9
SG&A expenses	5.9	6.2	5.8
Operating income or (loss)	4.4	1.6	3.0
Net income or (loss)	(1.0)	(1.1)	1.3
		Unit value (*per short ton*)	
Net commercial sales	$409	$384	$391
COGS total	367	354	356
Raw materials	134	122	144
Direct labor	57	56	52
Other factory costs	175	175	161
Gross profit or (loss)	42	30	35
SG&A expenses	24	24	23
Operating income or (loss)	18	6	12
		Number of firms reporting	
Operating losses	8	8	7
Data	17	17	17

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 II-6, reporting U.S. producers' net commercial sales increased on both a quantity and a value basis in the period April 2002 to March 2003, following steep declines in the previous 12-month period, but did not return to the levels reported in the period April 2000 to March 2001. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales increased from $384 to $391, but were still below the $409 average unit value for the period from April 2000 to March 2001.

COGS increased less on a unit basis than did average unit values. In the period April 2002 to March 2003, unit raw materials costs increased sharply, but unit labor and other factory costs declined.[14] Because unit revenues increased at a greater rate than unit costs, and net sales increased, the industry's financial performance improved in the period April 2002 to March 2003. Its operating margin increased from 1.6 percent to 3.0 percent. The latter margin, however, was below the industry's 4.4 percent operating margin in the period from April 2000 to March 2001.

U.S. IMPORTS

Table LONG II-7 presents data on U.S. imports of hot bar by sources for the period April 2000-March 2003.[15] Table LONG II-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table LONG II-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in Table LONG II-7, in the period April 2002 to March 2003, total imports, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 1,989,880 short tons to 1,907,404 short tons. Imports from countries covered by the safeguard measure declined from 708,271 short tons to 480,517 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 1,281,609 short tons to 1,426,887 short tons.[16]

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[14] Per-unit raw material costs for hot-bar declined 9.0 percent in the period April 2001 to March 2002 as compared to the prior period, then increased 18.0 percent in the period April 2002 to March 2003. The principal raw material used in the production of hot bar is steel scrap. The average steel scrap price was $85.75 per ton during the April 2000-March 2001 period but decreased to $69.09 per ton during April 2001-March 2002 and increased to $96.07 per ton during the period from April 2002 to March 2003. Source: American Metal Market (AMM) average price of #1 Heavy Melting Steel for each period at Chicago, Philadelphia, and Pittsburgh (also referred to as the AMM Composite Price).

[15] Noncovered sources accounting for 3 percent or more during April 2002-March 2003 are presented in table LONG II-4. At the hearing, the domestic long products industry stated that the President should "revoke developing country exclusions for Argentina and Turkey, whose exports have surged above the program's threshold, a three percent share of total imports." Testimony of Joseph Alvarado, Vice President, Commercial, Ispat North America, transcript of Commission hearing (July 24, 2003) at p. 84.

[16] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 5.9 percent in the first 12 months of the section 203 safeguard measure. Similarly, the value of U.S. imports from noncovered sources increased more steeply than the quantity, as the average unit value of such imports increased by 7.4 percent. The average unit values of all imports increased by 2.9 percent in the first 12 months of the section 203 safeguard measure, and was 0.6 percent higher than in the period April 2000 to March 2001.

Table LONG II-7
Hot bar: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
		Quantity *(short tons)*		***Percent***
Covered sources	777,921	708,271	480,517	-32.2
Noncovered sources:[1]				
Argentina	47,705	12,167	61,314	403.9
Canada	1,079,996	947,508	984,960	4.0
Mexico	143,516	172,596	197,467	14.4
Turkey	137,307	57,226	66,198	15.7
Subtotal	1,408,524	1,189,497	1,309,939	10.1
All others	119,230	92,112	116,948	27.0
Subtotal (noncovered)	1,527,754	1,281,609	1,426,887	11.3
Total (all imports)	2,305,675	1,989,880	1,907,404	-4.1
		Landed, duty paid value *($1,000)*		
Covered sources	406,022	370,519	266,106	-28.2
Noncovered sources:[1]				
Argentina	18,020	4,261	19,178	350.1
Canada	435,002	363,865	414,658	14.0
Mexico	51,880	55,354	68,704	24.1
Turkey	40,556	15,910	22,244	39.8
Subtotal	545,458	439,390	524,784	19.4
All others	51,429	36,559	44,135	20.7
Subtotal (noncovered)	596,887	475,949	568,919	19.5
Total (all imports)	1,002,909	846,468	835,025	-1.4
		Unit value *(per short ton)*		
Covered sources	$522	$523	$554	5.9
Noncovered sources:[1]				
Argentina	378	350	313	-10.7
Canada	403	384	421	9.6
Mexico	361	321	348	8.5
Turkey	295	278	336	20.9
Average	387	369	401	8.5
All others	431	397	377	-4.9
Average (noncovered)	391	371	399	7.4
Average (all imports)	435	425	438	2.9
		Share of total imports based on quantity *(percent)*		***Percentage point***
Covered sources	33.7	35.6	25.2	-10.4
Noncovered sources:[1]				
Argentina	2.1	0.6	3.2	2.6
Canada	46.8	47.6	51.6	4.0
Mexico	6.2	8.7	10.4	1.7
Turkey	6.0	2.9	3.5	0.6
Subtotal	61.1	59.8	68.7	8.9
All others	5.2	4.6	6.1	1.5
Subtotal (noncovered)	66.3	64.4	74.8	10.4
Total (all imports)	100.0	100.0	100.0	0.0
		Ratio of imports to production *(percent)*		
Covered sources	8.9	8.9	5.8	-3.1
Noncovered sources[1]	17.5	16.1	17.1	1.1
Total	26.4	25.0	22.9	-2.1

[1] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are itemized.

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

Source: Compiled from official statistics of Commerce.

Table LONG II-8
Hot bar: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

* * * * * * *

Table LONG II-9
Hot bar: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:			
U.S. shipments of imports	388,928	382,394	549,586
End-of-period inventories	44,690	37,480	36,190
Noncovered sources:			
U.S. shipments of imports	578,902	515,078	690,506
End-of-period inventories	53,379	63,588	89,457
Total:			
U.S. shipments of imports	967,830	897,472	1,240,092
End-of-period inventories	98,069	101,068	125,647
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	11.5	9.8	6.6
Noncovered sources	9.2	12.3	13.0
Average	10.1	11.3	10.1

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

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

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of hot bar are presented in table LONG II-10 and figure LONG II-2. As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for hot bar either rose very modestly or declined, and most of the responding U.S. hot bar producers and importers agreed that demand for steel has decreased since March 2002. As presented in Table LONG II-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of hot bar increased by 2.8 percent in the period April 2002 to March 2003, in contrast to the view of the producers and importers, but at the conclusion of this period was 6.8 percent below the level of the period from April 2000 to March 2001.[17]

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 79.6 percent to 81.0 percent. Imports from covered countries saw their market share decrease from 7.2 percent to 4.8 percent, while imports from noncovered countries saw their market share increase from 13.1 percent to 14.2 percent.

[17] As noted in Table LONG I-3, a number of hot bar mills closed over the period examined. The closure of mills such as J&L Structural, Qualitech, Northwestern, CSC, Laclede Steel, Calumet Steel, and Kentucky Electric Steel, and their corresponding absence from the data collected, would tend to overstate a trend of increasing shipments, or understate a trend of declining shipments, over the period examined.

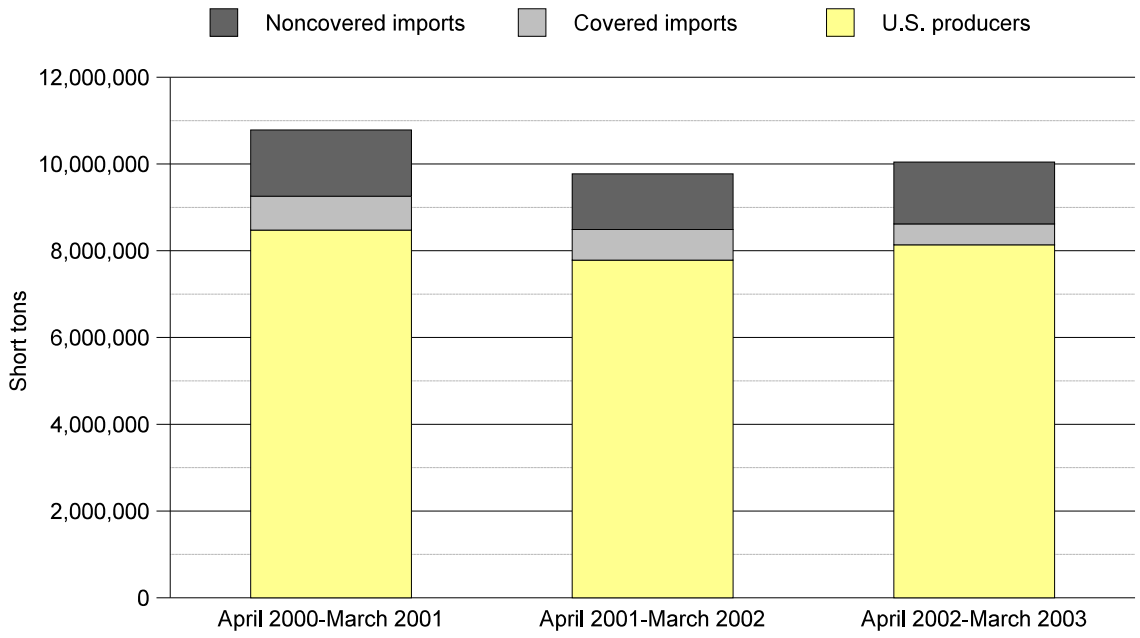
Table LONG II-10
Hot bar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
U.S. producers' U.S. shipments	8,477,533	7,782,923	8,137,414
U.S. imports from:			
Covered sources	777,921	708,271	480,517
Noncovered sources	1,527,754	1,281,609	1,426,887
Total U.S. imports	2,305,675	1,989,880	1,907,404
Apparent U.S. consumption	10,783,208	9,772,803	10,044,818
		Value *($1,000)*	
U.S. producers' U.S. shipments	3,438,159	2,978,530	3,170,617
U.S. imports from:			
Covered sources	406,022	370,519	266,106
Noncovered sources	596,887	475,949	568,919
Total U.S. imports	1,002,909	846,468	835,025
Apparent U.S. consumption	4,441,068	3,824,998	4,005,642
		U.S. market share based on quantity *(percent)*	
U.S. producers' U.S. shipments	78.6	79.6	81.0
U.S. imports from:			
Covered sources	7.2	7.2	4.8
Noncovered sources	14.2	13.1	14.2
Total U.S. imports	21.4	20.4	19.0
		U.S. market share based on value *(percent)*	
U.S. producers' U.S. shipments	77.4	77.9	79.2
U.S. imports from:			
Covered sources	9.1	9.7	6.6
Noncovered sources	13.4	12.4	14.2
Total U.S. imports	22.6	22.1	20.8

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.

Figure LONG II-2
Hot bar: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table LONG II-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. hot bar 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 since March 20, 2002 (table LONG II-11 and LONG II-12). U.S. hot bar purchasers were also asked to report the importance of these factors that have influenced the price of steel in the U.S. market, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG II-13).

The three factors rated most important by U.S. hot bar producers were: changes in the cost of raw materials; changes in competition between U.S. producers; and changes in the level of competition from imports from non-excluded countries. The three factors rated most important by hot bar importers were: changes in U.S. production capacity; changes in demand for steel; and changes in competition between U.S. producers. The three factors rated most important by hot bar purchasers were: changes in the cost of raw materials; changes in demand for steel within the United States; and changes in competition between U.S. producers.[18]

[18] Available information concerning U.S. demand for hot bar products is mixed. Most U.S. producers and importers reported that U.S. demand for hot bar products decreased since March 20, 2002. However, data show that apparent U.S. consumption of hot bar products increased by 2.8 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG II-10). The industrial production index showed little change since April 2002, whereas the durable goods production index increased by 3.2 percent during the same time frame (figure OVERVIEW II-2). As previously mentioned manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003, while non-residential construction put in place decreased by 4.8 percent, and manufacturers' shipments of carbon steel forgings fell by 1.9 percent during the same time frame (table OVERVIEW II-1).

Unit raw materials costs for hot bar products increased by 18.0 percent between April 2001-March 2002 and April 2002-March 2003. Prices for steel scrap increased by 30.8 percent since April 2002 (figure OVERVIEW II-11). Imports of hot bar products from covered sources decreased sharply, by 32.2 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG II-7). U.S. hot bar producer's capacity and capacity utilization showed little change between April 2001-March 2002 and April 2002-March 2003 (table LONG II-5).

Table LONG II-11
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 since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.5	20	1	0
Changes in competition between U.S. producers	1.5	4	6	11
Changes in the level of competition from imports from non-excluded countries	1.8	7	6	8
Changes in the level of competition from imports from excluded countries	1.9	6	6	9
Changes in U.S. production capacity	1.9	2	10	9
Changes in energy costs	1.9	19	2	0
Changes in demand for steel within the United States	2.0	1	5	15
Changes in transportation/delivery cost changes	2.3	17	3	1
Changes in labor agreements, contracts, etc.	2.6	4	12	5
Changes in demand for steel outside the United States	2.6	9	9	2
Changes in the productivity of domestic producers	2.7	6	12	3
Changing market patterns	2.8	3	15	3
Changes in the allocation of production capacity to alternate products	3.3	0	20	1
Changes in the level of competition from substitute products	3.4	0	18	3

[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 with the most important at the top.

[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 since March 20, 2002.

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

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

Table LONG II-12
Hot bar: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in U.S. production capacity	1.6	26	17	11
Changes in demand for steel	1.7	9	16	28
Changes in competition between U.S. producers	1.7	27	18	11
Changes in the cost of raw materials	2.0	46	10	2
Changes in the level of competition by imports	2.1	16	23	18
Changes in energy costs	2.3	40	16	0
Changes in the productivity of domestic producers	2.5	7	36	11
Changes in labor agreements, contracts, etc.	2.5	16	31	7
Changes in transportation/delivery cost changes	2.6	28	24	1
Changing market patterns	2.6	8	36	9
Changes in the allocation of production capacity to alternate products	3.0	9	44	1
Changes in the level of competition from substitute products	3.1	5	44	8

[1] The numbers in this column represent the average ranking of each factor by responding importers, 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 with the most important at the top.

[2] The numbers in these columns represent the number of responding importers 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 since March 20, 2002.

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

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

Table LONG II-13
Hot bar: As reported by *purchasers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1] Ranking	Influence of factors[2] I	N	D
Changes in the cost of raw materials	1.7	95	50	6
Changes in demand for steel within the United States	1.8	26	56	68
Changes in competition between U.S. producers	1.9	56	70	26
Changes in U.S. production capacity	1.9	58	58	35
Changes in energy costs	2.1	109	45	0
Changes in the level of competition from imports from non-excluded countries	2.2	42	58	42
Changes in transportation/delivery cost changes	2.3	96	57	1
Changes in demand for steel outside the United States	2.3	51	67	13
Changing market patterns	2.4	33	84	25
Changes in the productivity of domestic producers	2.5	28	91	27
Changes in the level of competition from imports from excluded countries	2.6	32	96	19
Changes in labor agreements, contracts, etc.	2.7	22	101	14
Changes in the allocation of production capacity to alternate products	3.2	15	122	5
Changes in the level of competition from substitute products	3.3	6	135	7

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, 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 with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers 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 since March 20, 2002.

Note–Not all purchasers answered for each factor.

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

Pricing Practices

Nearly all responding U.S. hot bar producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Seventeen of 19 responding U.S. hot bar producers and 45 of 51 responding hot bar importers 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. Eight of 16 U.S. hot bar producers and 22 of 34 hot bar importers 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.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following hot bar product during April 2000-March 2003:

> ***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 61.9 percent of the quantity of U.S. producers' U.S. commercial shipments of hot bar, 8.5 percent of the quantity of total imports, and 16.8 percent and 4.7 percent, respectively, of the quantity of covered and noncovered imports of hot bar.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported hot bar product 7 are shown in table LONG II-14. Weighted-average prices of U.S.-produced, covered imported, and noncovered imported hot bar product 7 are also shown in figure LONG II-3.[19] A summary of the price data is shown in table LONG II-15 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables LONG II-16 and LONG II-17, respectively.

Quarterly prices for the domestically produced hot bar product for which the Commission collected pricing data rose by 8.1 percent from the first quarter of 2002 to the first quarter of 2003, but the first quarter 2003 price was 5.1 percent below that of the second quarter of 2000. Prices increased from the first quarter of 2002 to the first quarter of 2003 for imports of this product from sources covered by the safeguard measure as well as sources not covered, rising by 12.7 percent and 5.2 percent, respectively. In the period April 2002 to March 2003, imports from sources covered by the safeguard measure and from sources not covered oversold the domestically produced product in every quarterly comparison.

[19] Public price data for hot bar products are shown in figure H-6 of app. H.

Table LONG II-14
Hot bar: Weighted-average price and quantity data for U.S.-produced and imported product 7[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$384.50	1,287,963	$415.44	37,020	(8.0)	$345.28	16,830	10.2
July-September	375.82	1,175,211	439.73	37,779	(17.0)	353.80	15,815	5.9
October-December	367.98	1,039,254	431.75	35,301	(17.3)	341.95	15,314	7.1
2001:								
January-March	354.92	1,122,912	454.02	20,340	(27.9)	356.45	14,351	(0.4)
April-June	352.72	1,133,696	459.53	28,140	(30.3)	***	***	***
July-September	346.53	1,026,446	459.65	27,535	(32.6)	***	***	***
October-December	343.55	947,426	450.67	24,236	(31.2)	***	***	***
2002:								
January-March	337.33	1,087,081	444.97	20,119	(31.9)	***	***	***
April-June	342.11	1,166,560	526.79	23,945	(54.0)	***	***	***
July-September	352.76	1,105,884	501.07	26,768	(42.0)	***	***	***
October-December	360.65	995,155	507.05	24,997	(40.6)	371.50	24,349	(3.0)
2003:								
January-March	364.73	1,141,826	501.33	24,290	(37.5)	***	***	***

[1] Hot-rolled 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-3
Hot bar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 7, April 2000-March 2003

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Table LONG II-15
Hot bar: Change in quarterly prices of U.S. product, imports from covered sources and imports from noncovered sources

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
7	-5.1	8.1	20.7	12.7	***	5.2

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

Table LONG II-16
Hot bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
7	0	([1])	([1])	12	54.0	8.0

[1] Not applicable.

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

Table LONG II-17
Hot bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
7	3	10.2	5.9	9	15.5	0.4

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	7215.50.0060	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 rebar established by proclamation or delegated authority pursuant to trade legislation are:
(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, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.
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).

MARKET ENVIRONMENT

Changes in U.S. Demand

Major markets for cold bar products are in automotive and construction applications. As shown in section OVERVIEW II, the value of U.S. manufacturers' shipments of transportation equipment increased slightly, by 0.7 percent, between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1). The value of U.S. nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003. The value of U.S. manufacturers' shipments of carbon steel forgings decreased by 1.9 percent between the first quarter of 2002 and the first quarter of 2003.

The data collected by the Commission (which do not include 100 percent of domestic production) indicate that apparent U.S. consumption of cold bar decreased by 14.8 percent from April 2000-March 2001 to April 2001-March 2002, then increased by 1.2 percent in April 2002-March 2003.

[1] Cold-finished 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-finished bar category for purposes of this investigation.

In contrast to what the data show, sixteen of 18 responding U.S. cold bar producers and 20 of 32 responding cold bar importers reported that U.S. demand for steel has decreased since March 20, 2002.[2] U.S. cold bar producers that reported decreased demand 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.[3] Cold bar importers that reported decreased demand generally cited the slowing U.S. economy and the loss of manufacturing facilities to other countries. Declining market sectors cited by cold bar importers include aerospace, power generation, capital goods, construction, and automotive.

Most responding U.S. cold bar producers and importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.[4]

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] [6]

As shown in table LONG III-2, with the exceptions of efforts to increase product availability, changes in average lead times from production, and decreasing order backlogs, the majority of cold bar producers reported no changes in their marketing practices since March 20, 2002.

Forty-two of 115 responding cold bar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. 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 asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[7] 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 of reported that domestic producers had expanded marketing efforts, 13 reported that

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[2] Ten cold bar importers reported that demand has remained the same, and two reported that demand has increased.

[3] A domestic producer testified that domestic demand for cold bar remains weak. He maintained that dumped imports of manufactured finished parts and assemblies from Asia are slowly wiping out the domestic cold bar producers' customer base. Testimony of Paul Darling, President and CEO, Corey Steel Co., transcript of Commission hearing (July 24, 2003) at p. 76.

[4] Fifteen of 16 responding U.S. cold bar producers and 38 of 41 responding cold bar importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

[5] *See* table LONG I-3.

[6] Counsel to the Long Products Coalition testified that Republic Technologies removed over 150,000 tons of cold-finished bar capacity. Testimony of Alan Price, counsel to the Long Products Coalition, transcript of Commission hearing (July 24, 2003) at 41.

[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.

Table LONG III-2
Cold bar: U.S. producer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of producers reporting	
	No	Yes
Efforts to increase product availability	5	14
Change in geographic market	16	4
Change in channels of distribution	15	3
Change in share of sales from inventory	16	4
Change in average lead times from inventory	16	2
Change in average lead times from production	8	11
Change in product range	13	7
Change in demand for or production of alternate products	16	4

	Increased	Decreased	Stayed same
Change in order backlogs	6	10	4
Change in on-time shipping percentage	8	3	9

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

domestic producers had improved customer service, and 16 reported that domestic producers had made other positive adjustment efforts.[8]

Based on data compiled in this investigation, U.S. cold bar producers' capacity utilization was 55.1 percent during April 2002-March 2003, and their inventories as a percentage of total shipments were 18.8 percent. Exports accounted for 1.6 percent of total shipments.

Changes in Import Supply

Total imports of cold bar fell by 21.3 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of cold bar from covered countries fell by 45.4 percent andimports of cold bar from noncovered countries increased by 30.3 percent. The U.S. market share accounted for by imports of cold bar from covered countries fell from 10.7 percent in April 2001-March 2002 to 5.8 percent in April 2002-March 2003. The U.S. market share accounted for by imports of cold bar from noncovered countries increased from 5.0 percent in April 2001-March 2002 to 6.4 percent in April 2002-March 2003.[9]

As shown in the table LONG III-3, the majority of cold bar importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table LONG III-4.

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

[9] *See* tables LONG III-7 and LONG III-10.

Table LONG III-3
Cold bar: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	20	15
Change in geographic market	35	1
Change in channels of distribution	30	2
Change in share of sales from inventory	29	1
Change in average lead times from inventory	19	2
Change in average lead times from production	23	7
Change in product range	32	5
Change in demand for or production of alternate products	27	5
Importing of steel from foreign producers from which previously have not imported	23	12

	Increased	Decreased	Stayed same
Change in order backlogs	2	15	17
Change in on-time shipping percentage	4	6	26

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

Table LONG III-4
Cold bar: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons		*Percent*	
Covered	776,016	86.6	4.8	1.5
Noncovered[1]	***	***	***	***

[1] With respect to export shipments to the United States as a share of total shipments, responding noncovered foreign producers tended to be either developing countries with relatively high export shipments, or Canada or Mexico with a close proximity to the United States.

Source: Compiled from data submitted in response to Commission questionnaires

Timeline

Figure LONG-III-1 shows monthly 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 monthly 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 shut downs (shown below the line); shown above the line are significant safeguard dates.

U.S. INDUSTRY DATA

Table LONG III-5 presents information on U.S. cold bar producers' capacity, production, shipments, inventories, and employment. The responding U.S. producers are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003. The following firms reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation: ***.

As presented in Table LONG III-5, reporting U.S. producers' aggregate output-related indicators rose in the period April 2002 to March 2003. In the first 12 months of the section 203 safeguard measure, the domestic industry's capacity increased by 7.3 percent, production increased by 8.4 percent, and U.S. shipments increased by 5.4 percent.[10] While capacity was higher than in the period from April 2000 to March 2001, production and U.S. shipments were lower.[11] Capacity utilization increased slightly from 54.5 percent to 55.1 percent in the period April 2002 to March 2003. The latter level was considerably below the 67.2 percent capacity utilization for the period from April 2000 to March 2001. The number of production and related workers employed declined by 11.0 percent in the period April 2002 to March 2003, and was 20.7 percent lower than in the period from April 2000 to March 2001, as one major producer of cold bar, Republic, reduced capacity and employment to avoid even greater job loss and supply disruption.[12] Productivity, however, increased by *** percent; productivity gains, combined with more moderate increases in the hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

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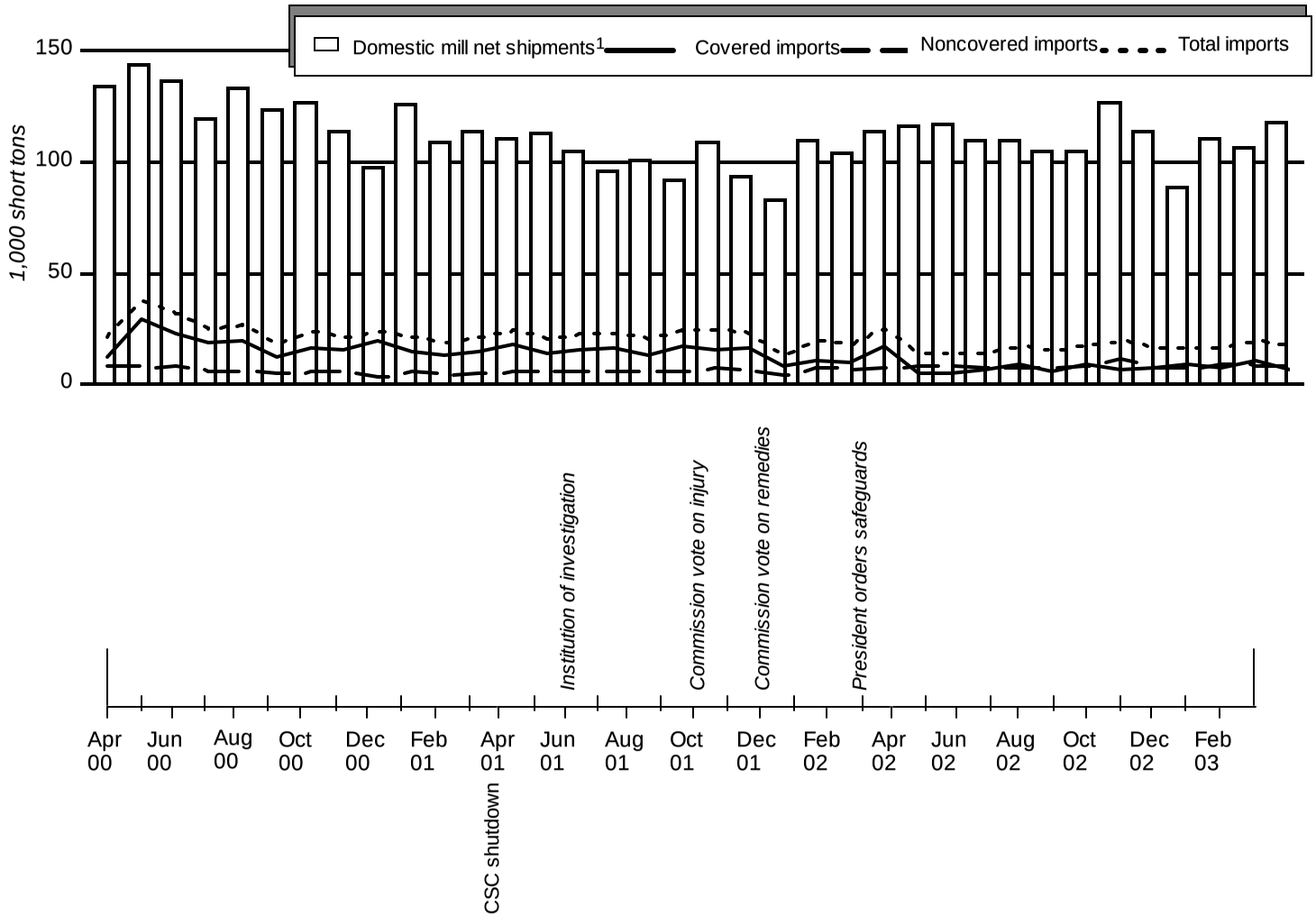
[10] The value of the domestic industry's U.S. shipments increased by 6.2 percent, reflecting an increase in the average unit value of such shipments. Both the value and the average unit value of such shipments were lower than in the period April 2000 to March 2001.

[11] As noted in Table LONG I-3, CSC shut down during the period examined. The closure of a mill such as CSC, and its corresponding absence from the data collected, would tend to overstate a trend of increasing shipments (or other volume related measures), or understate a trend of declining shipments (or other volume related measures), over the period examined.

[12] "Following the President's proclamation, our company bought selected assets of Republic Technologies in August 2002, eliminating over one million tons of capacity, but saving 2,400 jobs and assuring that there would be sufficient supply of high quality, price competitive SBQ steel in the United States." Testimony of Ted Thielens, Vice President of Marketing, Republic Engineered Products, transcript of Commission hearing (July 24, 2003) at 51.

Figure LONG III-1
Cold-finished bar: Monthly imports and monthly domestic mill net shipments, facility shutdowns, and investigation milestones, April 2000-March 2003



[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-5
Cold bar: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Capacity	2,542,755	2,546,230	2,731,288
Production	1,707,553	1,388,878	1,505,558
Internal consumption/transfers	13,131	10,895	13,524
U.S. commercial shipments	1,678,088	1,417,615	1,492,523
U.S. shipments	1,691,219	1,428,510	1,506,047
Export shipments	19,907	15,313	16,781
Total shipments	1,711,125	1,443,823	1,522,829
Ending inventories	332,232	274,705	286,962
		Value *($1,000)*	
Internal consumption/transfers	9,362	7,546	9,150
U.S. commercial shipments	1,183,661	970,885	1,030,385
U.S. shipments	1,193,022	978,430	1,039,535
Export shipments	14,200	10,444	11,271
Total shipments	1,207,222	988,874	1,050,806
		Unit value *(per short ton)*	
Internal consumption/transfers	713	693	677
U.S. commercial shipments	705	685	690
U.S. shipments	705	685	690
Export shipments	713	682	672
Total shipments	706	685	690
		Ratios and shares *(percent)*	
Capacity utilization	67.2	54.5	55.1
U.S. shipments to distributors	38.1	38.0	36.9
U.S. shipments to end users	61.9	62.0	63.1
Inventories/total shipments	19.4	19.0	18.8
		Employment data[1]	
PRWs[2] *(number)*	2,373	2,114	1,882
Hours worked *(1,000)*	5,221	4,430	4,090
Wages paid *($1,000)*	84,038	70,994	68,802
Hourly wages	$16.10	$16.02	$16.82
Productivity *(short tons/1,000 hours)*	***	***	***
Unit labor costs *(per short ton)*	$***	$***	$***

[1] ***. Productivity and unit labor costs are calculated using data of firms providing both numerator and denominator information.
[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 provided by U.S. producers concerning cold bar are presented in table LONG III-6.[13] No firms reported the receipt of CDSOA (Byrd Amendment) funds during the period examined.

The majority of firms that provided usable financial data for long products reported pension expense and/or other post-employment benefits during the period examined, with six firms reporting such expenses for cold bar. All pension expense and other post-employment benefits are classified as COGS and/or SG&A expenses in the following table.

As presented in Table LONG III-6, reporting U.S. producers' net commercial sales decreased modestly on both a quantity and a value basis in the period April 2002 to March 2003, following steep declines in the previous 12-month period. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales increased only modestly, from $646 to $649 . These values were well below the $670 average unit value for the period from April 2000 to March 2001.

Unit COGS declined in the period April 2002 to March 2003, notwithstanding an increase in unit raw materials costs, but unit labor and other factory costs declined.[14] Because unit revenues increased while unit COGS declined, the cold bar industry's financial performance improved in the period April 2002 to March 2003. Its operating margins increased from negative 0.4 percent to positive 1.5 percent. The latter figure was still below the 2.5 percent operating margin the industry recorded in the period from April 2000 to March 2001.

[13] Nine firms, ***, did not provide usable financial data.

[14] Per-unit raw material costs for cold bar declined 1.6 percent in the period April 2001 to March 2002 as compared to the prior period, then increased 3.1 percent in the period April 2002 to March 2003. The principal raw material used in the production of cold bar is steel scrap. The average steel scrap price was $85.75 per ton during the April 2000-March 2001 period but decreased to $69.09 per ton during April 2001-March 2002 and increased to $96.07 per ton during the period from April 2002 to March 2003. Source: American Metal Market (AMM) average price of #1 Heavy Melting Steel for each period at Chicago, Philadelphia, and Pittsburgh (also referred to as the AMM Composite Price).

Table LONG III-6
Cold bar: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity (*short tons*)	
Net commercial sales	929,831	746,519	737,133
		Value *($1,000)*	
Net commercial sales	623,405	482,049	478,072
COGS	565,860	449,121	438,050
Gross profit or (loss)	57,545	32,928	40,023
SG&A expenses	42,037	34,807	32,878
Operating income or (loss)	15,508	(1,878)	7,145
Interest expense	27,735	14,112	8,042
Other (income)/expenses, net	23,177	4,828	2,364
Net income or (loss)	(35,404)	(20,819)	(3,261)
Depreciation/amortization	16,510	13,206	10,570
Cash flow	(18,895)	(7,613)	7,309
CDSOA funds received	0	0	0
Pension (credit)/expense	4,541	3,906	3,171
Other post-employment benefits	397	219	357
Capital expenditures	13,771	24,033	10,091
R&D expenses	270	254	228
		Ratio to net commercial sales (*percent*)	
COGS	90.8	93.2	91.6
Gross profit or (loss)	9.2	6.8	8.4
SG&A expenses	6.7	7.2	6.9
Operating income or (loss)	2.5	(0.4)	1.5
Net income or (loss)	(5.7)	(4.3)	(0.7)
		Unit value (*per short ton*)	
Net commercial sales	$670	$646	$649
COGS total	609	602	594
Raw materials	433	426	439
Direct labor	54	53	48
Other factory costs	122	122	108
Gross profit or (loss)	62	44	54
SG&A expenses	45	47	45
Operating income or (loss)	17	(3)	10
		Number of firms reporting	
Operating losses	4	4	5
Data	10	10	11

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

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

U.S. IMPORTS

Table LONG III-7 presents data on U.S. imports of cold bar by sources for the period April 2000-March 2003. Table LONG III-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table LONG III-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in Table LONG III-7, in the period April 2002 to March 2003, total imports declined, as did imports from covered sources, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 266,423 short tons to 209,607 short tons, while imports from countries covered by the safeguard measure declined from 181,738 short tons to 99,304 short tons, and the quantity of U.S. imports from countries not covered by the safeguard measure increased from 84,685 short tons to 110,302 short tons.[15]

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of cold bar are presented in table LONG III-10 and figure LONG III-2. As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for cold bar was weak at best, and most of the responding U.S. cold bar producers and importers agreed that demand for steel has decreased since March 2002. As presented in Table LONG III-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of cold bar increased by 1.2 percent in the period April 2002 to March 2003, but at the conclusion of this period was 13.8 percent below the level of the period from April 2000 to March 2001.[16]

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 84.3 percent to 87.8 percent. Imports from covered countries saw their market share decrease from 10.7 percent to 5.8 percent, while imports from noncovered countries saw their market share increase from 5.0 percent to 6.4 percent.

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[15] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 7.2 percent in the first 12 months of the section 203 safeguard measure. The value of U.S. imports from noncovered sources increased less steeply than the quantity, as the average unit value of such imports decreased by 1.8 percent. The average unit values of all imports increased by 2.4 percent in the first 12 months of the section 203 safeguard measure, and was 0.2 percent higher than in the period April 2000 to March 2001.

[16] As noted in Table LONG I-3, CSC Steel shut down during the period examined. The closure of a mill such as CSC, and its corresponding absence from the data collected, would tend to overstate a trend of increasing shipments, or understate a trend of declining shipments, over the period examined.

Table LONG III-7
Cold bar: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
	Quantity *(short tons)*			*Percent*
Covered sources	217,227	181,738	99,304	-45.4
Noncovered sources:[1]				
Canada	73,371	79,076	99,886	26.3
All others	7,895	5,609	10,416	85.7
Subtotal (noncovered)	81,266	84,685	110,302	30.3
Total (all imports)	298,493	266,423	209,607	-21.3
	Landed, duty paid value *($1,000)*			
Covered sources	167,241	138,502	81,146	-41.4
Noncovered sources:[1]				
Canada	59,946	60,671	76,086	25.4
All others	5,222	3,736	6,291	68.4
Subtotal (noncovered)	65,168	64,407	82,377	27.9
Total (all imports)	232,409	202,908	163,523	-19.4
	Unit value *(per short ton)*			
Covered sources	$770	$762	$817	7.2
Noncovered sources:[1]				
Canada	817	767	762	-0.7
All others	661	666	604	-9.3
Average (noncovered)	802	761	747	-1.8
Average (all imports)	779	762	780	2.4
	Share of total imports based on quantity *(percent)*			*Percentage point*
Covered sources	72.8	68.2	47.4	-20.8
Noncovered sources:[1]				
Canada	24.6	29.7	47.7	18.0
All others	2.6	2.1	5.0	2.9
Subtotal (noncovered)	27.2	31.8	52.6	20.8
Total (all imports)	100.0	100.0	100.0	0.0
	Ratio of imports to production *(percent)*			
Covered sources[1]	12.7	13.1	6.6	-6.5
Noncovered sources	4.8	6.1	7.3	1.2
Total	17.5	19.2	13.9	-5.3

[1] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are itemized.

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

Source: Compiled from official statistics of Commerce.

Table LONG III-8
Cold bar: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

* * * * * * *

Table LONG III-9
Cold bar: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:			
U.S. shipments of imports	189,735	138,322	75,688
End-of-period inventories	13,911	24,024	19,183
Noncovered sources:			
U.S. shipments of imports	80,867	93,544	124,395
End-of-period inventories	646	581	568
Total:			
U.S. shipments of imports	270,602	231,866	200,083
End-of-period inventories	14,557	24,605	19,751
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	7.3	17.4	25.3
Noncovered sources	0.8	0.6	0.5
Average	5.4	10.6	9.9

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

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

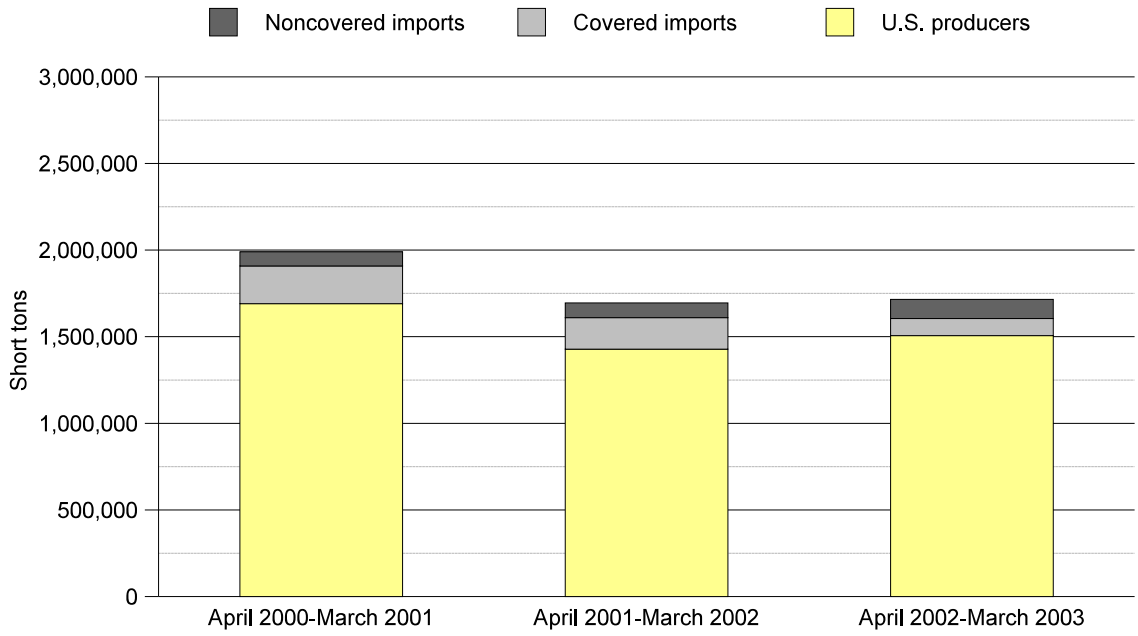
Table LONG III-10
Cold bar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
U.S. producers' U.S. shipments	1,691,219	1,428,510	1,506,047
U.S. imports from:			
Covered sources	217,227	181,738	99,304
Noncovered sources	81,266	84,685	110,302
Total U.S. imports	298,493	266,423	209,607
Apparent U.S. consumption	1,989,711	1,694,932	1,715,654
		Value *($1,000)*	
U.S. producers' U.S. shipments	1,193,022	978,430	1,039,535
U.S. imports from:			
Covered sources	167,241	138,502	81,146
Noncovered sources	65,168	64,407	82,377
Total U.S. imports	232,409	202,908	163,523
Apparent U.S. consumption	1,425,432	1,181,339	1,203,058
		U.S. market share based on quantity *(percent)*	
U.S. producers' U.S. shipments	85.0	84.3	87.8
U.S. imports from:			
Covered sources	10.9	10.7	5.8
Noncovered sources	4.1	5.0	6.4
Total U.S. imports	15.0	15.7	12.2
		U.S. market share based on value *(percent)*	
U.S. producers' U.S. shipments	83.7	82.8	86.4
U.S. imports from:			
Covered sources	11.7	11.7	6.7
Noncovered sources	4.6	5.5	6.8
Total U.S. imports	16.3	17.2	13.6

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.

Figure LONG III-2
Cold bar: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table LONG III-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. cold bar 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 since March 20, 2002 (table LONG III-11 and LONG III-12). U.S. cold bar purchasers were also asked to report the importance of these factors that have influenced the price of steel in the U.S. market, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG III-13).

The three factors rated most important by U.S. cold bar producers were: changes in the cost of raw materials; changes in competition between U.S. producers; and changes demand for steel within the United States. The three factors rated most important by cold bar importers were: changes in U.S. production capacity; changes in demand for steel; and changes in the level of competition by imports. The three factors rated most important by cold bar purchasers were: changes in the cost of raw materials; changes in demand for steel within the United States; and changes in U.S. production capacity.[17]

[17] Available information concerning U.S. demand for cold bar products is mixed. Most U.S. producers and importers reported that U.S. demand for cold bar products decreased since March 20, 2002. However, apparent consumption of cold bar products increased by 1.2 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG III-10). The industrial production index showed little change since April 2002, whereas the durable goods production index increased by 3.2 percent during the same time frame (figure OVERVIEW II-2). Manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003, while non-residential construction put in place decreased by 4.8 percent during the same time frame (table OVERVIEW II-1). As previously mentioned, manufacturers' shipments of carbon steel forgings fell by 1.9 percent between the first quarter of 2002 and the first quarter of 2003.

Unit raw materials costs for cold bar products increased by 3.1 percent between April 2001-March 2002 and April 2002-March 2003. 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 between the first quarter of 2002 and the first quarter of 2003 (table LONG II-14). Prices for steel scrap increased by 30.8 percent since April 2002 (figure OVERVIEW II-11). Imports of cold bar products decreased by 21.3 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG III-4). U.S. cold bar producer's capacity increased by 7.3 percent, and capacity utilization showed little change between April 2001-March 2002 and April 2002-March 2003 (table LONG III-5).

Table LONG III-11
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 since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.3	16	3	1
Changes in competition between U.S. producers	1.4	6	5	9
Changes in demand for steel within the United States	1.5	1	5	13
Changes in the level of competition from imports from excluded countries	1.6	4	7	6
Changes in the level of competition from imports from non-excluded countries	1.6	6	7	7
Changes in U.S. production capacity	1.9	2	11	7
Changes in energy costs	2.1	14	6	0
Changes in demand for steel outside the United States	2.3	6	10	3
Changes in transportation/delivery cost changes	2.3	14	5	1
Changes in the productivity of domestic producers	2.3	5	11	4
Changing market patterns	2.5	3	12	4
Changes in labor agreements, contracts, etc.	2.6	2	16	2
Changes in the allocation of production capacity to alternate products	3.4	1	18	1
Changes in the level of competition from substitute products	3.7	0	18	2

[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 with the most important at the top.

[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 since March 20, 2002.

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

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

Table LONG III-12
Cold bar: As reported by importers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in U.S. production capacity	1.7	12	15	9
Changes in demand for steel	1.8	7	10	15
Changes in the level of competition by imports	1.8	13	16	8
Changes in competition between U.S. producers	1.9	13	18	5
Changes in the cost of raw materials	2.0	27	11	0
Changes in the productivity of domestic producers	2.4	5	26	5
Changes in transportation/delivery cost changes	2.5	20	13	0
Changes in energy costs	2.5	25	12	0
Changing market patterns	2.6	7	24	2
Changes in labor agreements, contracts, etc.	2.7	8	26	1
Changes in the level of competition from substitute products	3.1	3	32	3
Changes in the allocation of production capacity to alternate products	3.2	4	31	1

[1] The numbers in this column represent the average ranking of each factor by responding importers, 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 with the most important at the top.

[2] The numbers in these columns represent the number of responding importers 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 since March 20, 2002.

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

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

Table LONG III-13
Cold bar: As reported by purchasers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.8	60	42	3
Changes in demand for steel within the United States	1.8	21	41	46
Changes in U.S. production capacity	1.8	34	40	30
Changes in competition between U.S. producers	1.9	44	46	16
Changes in energy costs	2.1	76	32	1
Changes in transportation/delivery cost changes	2.3	71	35	1
Changes in demand for steel outside the United States	2.3	37	51	10
Changes in the level of competition from imports from non-excluded countries	2.3	30	47	23
Changes in the productivity of domestic producers	2.4	20	64	20
Changing market patterns	2.4	24	60	18
Changes in labor agreements, contracts, etc.	2.6	17	68	12
Changes in the level of competition from imports from excluded countries	2.7	23	69	11
Changes in the allocation of production capacity to alternate products	3.1	13	84	4
Changes in the level of competition from substitute products	3.2	7	91	6

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, 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 with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers 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 since March 20, 2002.

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

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

Pricing Practices

Nearly all responding U.S. cold bar producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Twelve of 19 responding U.S. cold bar producers and 30 of 34 responding cold bar importers 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. Ten of 19 U.S. cold bar producers and 15 of 21 cold bar importers 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.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following two cold bar products during April 2000-March 2003:

> ***Product 8A*--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.
>
> ***Product 8B*–C12L14, one inch round**. This specialty product, known as "free machining" steel, contains controlled amounts of evenly dispersed lead particles. Designed for high-speed machining, this product is used to produce automatic screw machine parts.

Reported pricing data accounted for 15.8 percent of the quantity of U.S. producers' U.S. commercial shipments of cold bar, 29.3 percent of the quantity of total imports, and 45.5 percent and less than 0.05 percent, respectively, of the quantity of covered and noncovered imports of cold bar during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported cold bar products are shown in tables LONG III-14 and LONG III-15. Weighted average prices of U.S.-produced, covered imported, and noncovered imported cold bar products are also shown in figures LONG III-3 and LONG III-4.[18] A summary of the price data, by product, is shown in table LONG III-16 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables LONG III-17 and LONG III-18, respectively.

Table LONG III-14
Cold bar: Weighted-average price and quantity data for U.S.-produced and imported product 8A from covered sources and noncovered sources, and margins of underselling, by quarters, April 2000-March 2003

* * * * * * *

The Commission collected quarterly pricing data for two cold bar products. Domestic producers' prices for the first product increased by 1.2 percent from the first quarter of 2002 to the first quarter of 2003, and their prices for the second product increased by 3.6 percent over the same period. Prices for both products were lower in the first quarter of 2003 than they were in the second quarter of 2000, however, by 2.0 percent and 1.9 percent, respectively. Prices of imports of both products from sources covered by the safeguard measure increased from the first quarter of 2002 to the first quarter of 2003, rising by 4.3 percent and 9.7 percent, respectively. In this period, there were only isolated pricing observations of imports from sources not covered by the safeguard measure. In the period April 2002 to March 2003, imports from sources covered by the measure undersold the domestically produced product in 5 of 8 quarterly comparisons.[19]

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[18] Public price data for cold bar products are shown in figure H-7 of app. H

[19] Weighted-average prices for product 8A imported from covered sources were substantially lower than weighted-average prices for U.S.-produced product 8A. Low product 8A prices reported by *** were primarily responsible for the substantially lower weighted-average prices.

Table LONG III-15
Cold bar: Weighted-average price and quantity data for U.S.-produced and imported product 8B[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$622.40	3,563	$***	***	***	$***	***	***
July-September	622.14	2,879	***	***	***	***	***	***
October-December	605.87	2,612	***	***	***	***	***	***
2001:								
January-March	597.15	2,433	***	***	***	***	***	***
April-June	582.46	2,146	***	***	***	***	***	***
July-September	591.39	1,905	***	***	***	***	***	***
October-December	587.89	1,881	***	***	***	***	***	***
2002:								
January-March	589.54	1,942	***	***	***	***	***	***
April-June	592.10	2,264	***	***	***	***	***	***
July-September	616.49	1,751	***	***	***	***	***	***
October-December	610.69	1,855	***	***	***	***	***	***
2003:								
January-March	610.71	2,077	***	***	***	***	***	***

[1] C12L14, one inch round.

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

Figure LONG III-3
Cold bar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 8A, April 2000-March 2003

* * * * * * *

Figure LONG III-4
Cold bar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 8B, April 2000-March 2003

* * * * * * *

Table LONG III-16
Cold bar: Change in quarterly prices of U.S. product, imports from covered sources and imports from noncovered sources, by product

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
8A	-2.0	1.2	12.4	4.3	([1])	([1])
8B	-1.9	3.6	3.6	9.7	-16.1	([1])

[1] Not applicable.

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

Table LONG III-17
Cold bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
8A	12	63.4	57.9[1]	0	([2])	([2])
8B	9	6.2	0.4	3	1.9	0.3

[1] Weighted-average prices for product 8A imported from covered sources were substantially lower than weighted-average prices for U.S.-produced product 8A. Low product 8A prices reported by *** were primarily responsible for the substantially lower weighted-average prices.
[2] Not applicable.

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

Table LONG III-18
Cold bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, by product, April 2000-March 2003.

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
8A	0	([1])	([1])	0	([1])	([1])
8B	4	22.1	7.3	0	([1])	([1])

[1] Not applicable.

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

PART IV: INDUSTRY AND MARKET DATA (REBAR)

DESCRIPTION AND USES

Carbon steel reinforcing bar (rebar) are hot-rolled steel products that have a solid cross-section (as described for hot bars) and contain indentations, ribs, grooves, or other deformations produced during the rolling process or by twisting after rolling, 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 are:
(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, 12 percent additional tariffs through March 19, 2004, and 9 percent additional tariffs through March 20, 2005.

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

MARKET ENVIRONMENT

Changes in U.S. Demand

Rebar is used for structural reinforcement within cast concrete structures. As shown in section OVERVIEW II, the value of U.S. nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1).

The data collected by the Commission (which do not include 100 percent of U.S. production) indicates that apparent U.S. consumption of rebar increased by 9.7 percent from April 2000-March 2001 to April 2001-March 2002, then decreased by 6.6 percent in April 2002-March 2003.

Seven of nine responding U.S. rebar producers and 12 of 14 responding rebar importers reported that U.S. demand for steel has decreased since March 20, 2002. U.S. rebar producers that reported decreased demand generally cited the slowing U.S. economy, particularly weakness in the construction market sector and reduced government spending on transportation projects. Rebar importers that reported decreased demand generally cited the slowing U.S. economy, particularly decreased capital spending and lower construction rates.[1]

All eight responding U.S. rebar producers and 9 of 11 responding rebar importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

[1] Counsel to the Long Producers Coalition testified that U.S. rebar producers, in contrast to U.S. hot and cold bar producers, have suffered operating losses despite increased volume due to weak demand for non-residential construction and higher raw material costs. Testimony of Alan Price, counsel to the Long Producers Coalition, transcript of Commission hearing (July 24, 2003) at 35.

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 Steel in March 2003, but the rolling assets have remained idle. Also, 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. Additionally, in September 2002, Steel Dynamics purchased the hot bar assets of Qualitech (shut down since January 2001) and has announced its expected start up in the first quarter of 2004 as a producer of special quality bars, rebar, and light sections.[2] [3]

As shown in the table LONG IV-2, with the exceptions of efforts to increase product availability and increasing order backlogs, the majority of rebar producers reported no changes in their marketing practices since March 20, 2002.

Table LONG IV-2
Rebar: U.S. producer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of producers reporting	
	No	Yes
Efforts to increase product availability	4	5
Change in geographic market	7	2
Change in channels of distribution	6	2
Change in share of sales from inventory	8	1
Change in average lead times from inventory	7	0
Change in average lead times from production	5	1
Change in product range	6	3
Change in demand for or production of alternate products	8	1

	Increased	Decreased	Stayed same
Change in order backlogs	5	1	3
Change in on-time shipping percentage	0	1	8

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

[2] *See* table LONG I-3.

[3] Counsel to the Long Producers Coalition testified that the North Star Steel-Kingman rebar facility remains closed under Nucor's ownership. Testimony of Alan Price, counsel to the Long Producers Coalition, transcript of Commission hearing (July 24, 2003) at 41.

Thirteen of 43 responding rebar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. 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 asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[4] 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.[5]

Based on data compiled in this investigation, U.S. rebar producers' capacity utilization was 82.6 percent during April 2002-March 2003, and their inventories as a percentage of total shipments were 7.4 percent. Exports accounted for 3.0 percent of total shipments.

Changes in Import Supply

Total imports of rebar fell by 44.2 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of rebar from covered countries fell by 77.7 percent and imports of rebar from noncovered countries increased by 50.5 percent during the same period. The U.S. market share accounted for by imports of rebar from covered countries fell from 16.6 percent in April 2001-March 2002 to 4.0 percent in April 2002-March 2003. The U.S. market share accounted for by imports of rebar from noncovered countries increased from 5.9 percent in April 2001-March 2002 to 9.5 percent in April 2002-March 2003.[6]

As shown in the table LONG IV-3, with the exceptions of efforts to increase product availability and decreasing order backlogs, the majority of rebar importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table LONG IV-4.

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[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.

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

[6] *See* tables LONG IV-7 and LONG IV-10.

Table LONG IV-3
Rebar: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	7	8
Change in geographic market	15	1
Change in channels of distribution	12	1
Change in share of sales from inventory	14	1
Change in average lead times from inventory	6	0
Change in average lead times from production	8	5
Change in product range	14	2
Change in demand for or production of alternate products	14	0
Importing of steel from foreign producers from which previously have not imported	8	7

	Increased	Decreased	Stayed same
Change in order backlogs	3	6	5
Change in on-time shipping percentage	0	5	11

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

Table LONG IV-4
Rebar: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons		*Percent*	
Covered	5,912,143	90.3	2.2	6.1
Noncovered	4,379,962	48.3	***	***

Source: Compiled from data submitted in response to Commission questionnaires

Timeline

Figure LONG-IV-1 shows monthly 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 monthly 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 shut downs (shown below the line) and start ups 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.[7]

U.S. INDUSTRY DATA

Table LONG IV-5 presents information on U.S. rebar producers' capacity, production, shipments, inventories, and employment. The responding U.S. producers are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003. The following firms reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation: ***.

As presented in Table LONG IV-5, reporting U.S. producers' aggregate output-related indicators rose in the period April 2002 to March 2003. In the first 12 months of the section 203 safeguard measure, the domestic industry's capacity increased by 0.5 percent, production increased by 4.6 percent, and U.S. shipments increased by 4.2 percent.[8] Each of these indicators was higher than in the period from April 2000 to March 2001.[9] Because production increased while capacity changed only slightly, capacity utilization increased from 79.4 percent to 82.6 percent in the period April 2002 to March 2003. By contrast, in the period from April 2000 to March 2001, capacity utilization was 75.6 percent. The number of production and related workers employed declined by 2.7 percent in the period April 2002 to March 2003, and was 1.0 percent lower than in the period from April 2000 to March 2001. Productivity, however, increased by 5.7 percent; productivity gains, combined with a more moderate increase in the hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

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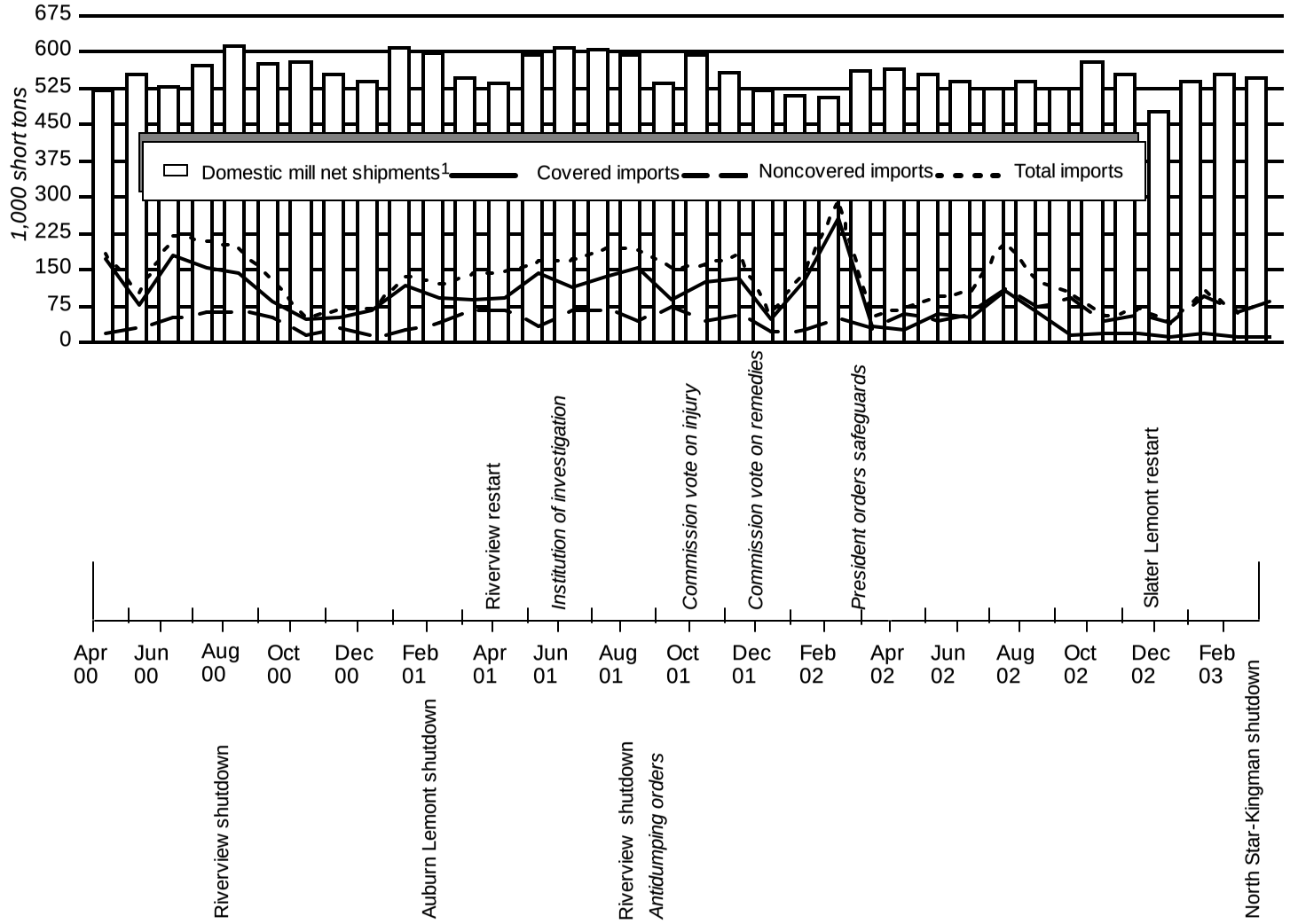
[7] On September 7, 2001, Commerce imposed antidumping duty orders on rebar from Belarus, China, Indonesia, Korea, Latvia, Moldova, Poland and Ukraine (66 FR 46777).

[8] The value of the domestic industry's U.S. shipments increased by only 2.3 percent, reflecting a decrease in the average unit value of such shipments. While the value of such shipments was higher than in the period April 2000 to March 2001, the average unit value was lower.

[9] As noted in table LONG I-3, Riverview Steel shut down over the period examined. The closure of a mill such as Riverview Steel, and its corresponding absence from the data collected, would tend to overstate a trend of increasing shipments (or other volume related measures), or understate a trend of declining shipments (or other volume related measures), over the period examined.

Figure LONG IV-1
Rebar: Monthly imports and monthly domestic net shipments, antidumping duty orders, facility shutdowns and restarts, and investigation milestones, April 2000-March 2003



[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 IV-5
Rebar: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Capacity	8,034,167	8,011,725	8,053,328
Production	6,076,360	6,360,706	6,651,831
Internal consumption/transfers	1,137,544	1,236,078	1,223,237
U.S. commercial shipments	4,825,538	5,157,119	5,440,055
U.S. shipments	5,963,083	6,393,196	6,663,292
Export shipments	156,267	107,001	206,036
Total shipments	6,119,350	6,500,197	6,869,328
Ending inventories	660,058	632,503	508,353
		Value *($1,000)*	
Internal consumption/transfers	300,814	319,200	312,209
U.S. commercial shipments	1,303,236	1,370,077	1,415,923
U.S. shipments	1,604,050	1,689,277	1,728,132
Export shipments	39,406	26,957	50,207
Total shipments	1,643,456	1,716,234	1,778,340
		Unit value *(per short ton)*	
Internal consumption/transfers	264	258	255
U.S. commercial shipments	270	266	260
U.S. shipments	269	264	259
Export shipments	252	252	244
Total shipments	269	264	259
		Ratios and shares *(percent)*	
Capacity utilization	75.6	79.4	82.6
U.S. shipments to distributors	38.4	38.9	40.4
U.S. shipments to end users	61.6	61.1	59.6
Inventories/total shipments	10.8	9.7	7.4
		Employment data	
PRWs[1] *(number)*	3,672	3,736	3,636
Hours worked *(1,000)*	7,919	8,021	7,937
Wages paid *($1,000)*	191,534	206,937	212,950
Hourly wages	$24.19	$25.80	$26.83
Productivity *(short tons/1,000 hours)*	767.3	793.0	838.1
Unit labor costs *(per short ton)*	$31.52	$32.53	$32.01

[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 concerning rebar are presented in table LONG IV-6.[10] Only two firms reported the receipt of CDSOA (Byrd Amendment) funds during the period examined. All CDSOA funds are classified as "other income" in the following table.

The majority of firms that provided usable financial data for long products reported pension expense and/or other post-employment benefits during the period examined, with six firms reporting such expenses for rebar. All pension expense and other post-employment benefits are classified as COGS and/or SG&A expenses in the following table.

As presented in table LONG IV-6, reporting U.S. producers' net commercial sales increased on both a quantity and a value basis in the period April 2002 to March 2003, following more modest increases in the previous 12-month period, and surpassed the levels reported in the period April 2000 to March 2001. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales decreased from $265 to $260, and below the $270 average unit value for the period from April 2000 to March 2001.

Unit COGS increased on a unit basis from $237 to $247. This reflected a sharp increase in unit raw materials costs; by contrast, unit labor and other factory costs declined in the period April 2002 to March 2003.[11] Although the industry's total sales revenues increased in the period April 2002 to March 2003 because of its increase in shipments, the concurrent declines in unit revenues and increases in unit costs adversely affected the industry's operating margins. The operating margin declined from positive 3.8 percent to negative 0.7 percent in the period April 2002 to March 2003. Additionally, the number of firms reporting operating losses increased.

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[10] ***.

[11] Per-unit raw material costs for rebar declined 2.5 percent in the period April 2001 to March 2002 as compared to the prior period, then increased 12.6 percent in the period April 2002 to March 2003. The principal raw material used in the production of rebar is steel scrap. The average steel scrap price was $85.75 per ton during the April 2000-March 2001 period but decreased to $69.09 per ton during April 2001-March 2002 and increased to $96.07 per ton during the period from April 2002 to March 2003. Source: American Metal Market (AMM) average price of #1 Heavy Melting Steel for each period at Chicago, Philadelphia, and Pittsburgh (also referred to as the AMM Composite Price).

Table LONG IV-6
Rebar: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity (*short tons*)	
Net commercial sales	4,981,806	5,264,120	5,646,092
		Value *($1,000)*	
Net commercial sales	1,346,644	1,397,034	1,466,120
COGS	1,208,510	1,248,056	1,392,801
Gross profit or (loss)	138,134	148,979	73,320
SG&A expenses	95,578	95,318	82,870
Operating income or (loss)	42,555	53,660	(9,550)
Interest expense	36,824	43,383	22,665
Other (income)/expenses, net	(10,764)	(1,275)	1,413
Net income or (loss)	16,495	11,552	(33,628)
Depreciation/amortization	71,274	75,282	72,029
Cash flow	87,769	86,834	38,401
CDSOA funds received	0	0	1,409
Pension (credit)/expense	2,242	3,000	3,769
Other post-employment benefits	4,392	5,260	5,369
Capital expenditures	44,923	27,013	34,952
R&D expenses	459	487	570
		Ratio to net commercial sales (*percent*)	
COGS	89.7	89.3	95.0
Gross profit or (loss)	10.3	10.7	5.0
SG&A expenses	7.1	6.8	5.7
Operating income or (loss)	3.2	3.8	(0.7)
Net income or (loss)	1.2	0.8	(2.3)
		Unit value (*per short ton*)	
Net commercial sales	$270	$265	$260
COGS total	243	237	247
Raw materials	122	119	134
Direct labor	25	25	24
Other factory costs	96	93	89
Gross profit or (loss)	28	28	13
SG&A expenses	19	18	15
Operating income or (loss)	9	10	(2)
		Number of firms reporting	
Operating losses	4	3	5
Data	10	10	10

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

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

U.S. IMPORTS

Table LONG IV-7 presents data on U.S. imports of rebar by sources for the period April 2000-March 2003. Table LONG IV-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table LONG IV-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in Table LONG IV-7, in the period April 2002 to March 2003, total imports declined, imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 1,851,865 short tons to 1,034,251 short tons. Imports from countries covered by the safeguard measure declined from 1,367,171 short tons to 304,938 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 484,694 short tons to 729,313 short tons.[12] Imports from Brazil, the Dominican Republic, and Egypt more than doubled in quantity.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of rebar are presented in table LONG IV-10 and figure LONG IV-2. As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for rebar declined, and most of the responding U.S. rebar producers and importers agreed that demand for steel has decreased since March 2002. As presented in Table LONG IV-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of rebar decreased by 6.6 percent in the period April 2002 to March 2003, but at the conclusion of this period was 2.4 percent above the level of the period from April 2000 to March 2001.[13]

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 77.5 percent to 86.6 percent. Imports from covered countries saw their market share decrease from 16.6 percent to 4.0 percent, while imports from noncovered countries saw their market share increase from 5.9 percent to 9.5 percent.

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[12] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 10.2 percent in the first 12 months of the section 203 safeguard measure. Similarly, the value of U.S. imports from noncovered sources increased more steeply than the quantity, as the average unit value of such imports increased by 3.1 percent. The average unit values of all imports increased by 8.3 percent in the first 12 months of the section 203 safeguard measure, and was 5.4 percent higher than in the period April 2000 to March 2001.

[13] As noted in Table LONG I-3, Riverview Steel shut down over the period examined. The closure of a mill such as Riverview Steel, and its corresponding absence from the data collected, would tend to overstate a trend of increasing shipments, or understate a trend of declining shipments, over the period examined.

Table LONG IV-7
Rebar: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
		Quantity *(short tons)*		*Percent*
Covered sources[1]	1,192,597	1,367,171	304,938	-77.7
Noncovered sources:[2]				
Brazil	48,823	36,535	85,367	133.7
Czech Republic	44,274	57,705	44,238	-23.3
Dominican Republic	0	18,420	76,683	316.3
Egypt	0	39,155	136,773	249.3
Latvia	124,575	33,662	34,858	3.6
Mexico	67,941	202,771	210,563	3.8
Romania	18,809	38,751	53,802	38.8
Subtotal	304,422	426,999	642,284	50.4
All others	56,953	57,695	87,029	50.8
Subtotal (noncovered)	361,375	484,694	729,313	50.5
Total (all imports)	1,553,972	1,851,865	1,034,251	-44.2
		Landed, duty paid value *($1,000)*		
Covered sources[1]	264,805	293,263	72,087	-75.4
Noncovered sources:[2]				
Brazil	10,382	7,663	19,507	154.6
Czech Republic	10,567	12,299	9,904	-19.5
Dominican Republic	0	4,377	19,807	352.5
Egypt	0	8,983	32,434	261.1
Latvia	26,739	6,761	8,139	20.4
Mexico	17,667	46,520	50,241	8.0
Romania	5,108	9,919	12,622	27.3
Subtotal	70,463	96,522	152,654	58.2
All others	13,458	14,783	19,989	35.2
Subtotal (noncovered)	83,921	111,305	172,643	55.1
Total (all imports)	348,726	404,568	244,730	-39.5
		Unit value *(per short ton)*		
Covered sources[1]	$222	$215	$236	10.2
Noncovered sources:[2]				
Brazil	213	210	229	8.9
Czech Republic	239	213	224	5.0
Dominican Republic	([3])	238	258	8.7
Egypt	([3])	229	237	3.4
Latvia	215	201	233	16.3
Mexico	260	229	239	4.0
Romania	272	256	235	-8.3
Average	231	226	238	5.1
All others	236	256	230	-10.4
Average (noncovered)	232	230	237	3.1
Average (all imports)	224	218	237	8.3
		Share of total imports based on quantity *(percent)*		*Percentage point*
Covered sources[1]	76.7	73.8	29.5	-44.3
Noncovered sources:[2]				
Brazil	3.1	2.0	8.3	6.3
Czech Republic	2.8	3.1	4.3	1.2
Dominican Republic	0.0	1.0	7.4	6.4
Egypt	0.0	2.1	13.2	11.1
Latvia	8.0	1.8	3.4	1.6
Mexico	4.4	11.0	20.4	9.4
Romania	1.2	2.1	5.2	3.1
Subtotal	19.6	23.1	62.1	39.0
All others	3.7	3.1	8.4	5.3
Subtotal (noncovered)	23.3	26.2	70.5	44.3
Total (all imports)	100.0	100.0	100.0	0.0
		Ratio of imports to production *(percent)*		
Covered sources[1]	19.6	21.5	4.6	-16.9
Noncovered sources	5.9	7.6	11.0	3.3
Total	25.6	29.1	15.5	-13.6

[1] Although Moldova, Turkey, and Venezuela are generally exempt from the section 203 relief, they are covered sources with respect to imports of rebar.

[2] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are itemized.

[3] Not applicable.

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

Source: Compiled from official statistics of Commerce.

Table LONG IV-8
Rebar: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

* * * * * * *

Table LONG IV-9
Rebar: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:			
U.S. shipments of imports	713,593	693,674	328,484
End-of-period inventories	0	1,340	0
Noncovered sources:			
U.S. shipments of imports	193,217	344,720	287,639
End-of-period inventories	671	1,615	3,676
Total:			
U.S. shipments of imports	906,810	1,038,394	616,123
End-of-period inventories	671	2,955	3,676
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	0.0	0.2	0.0
Noncovered sources	0.3	0.5	1.3
Average	0.1	0.3	0.6

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

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

Table LONG IV-10
Rebar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

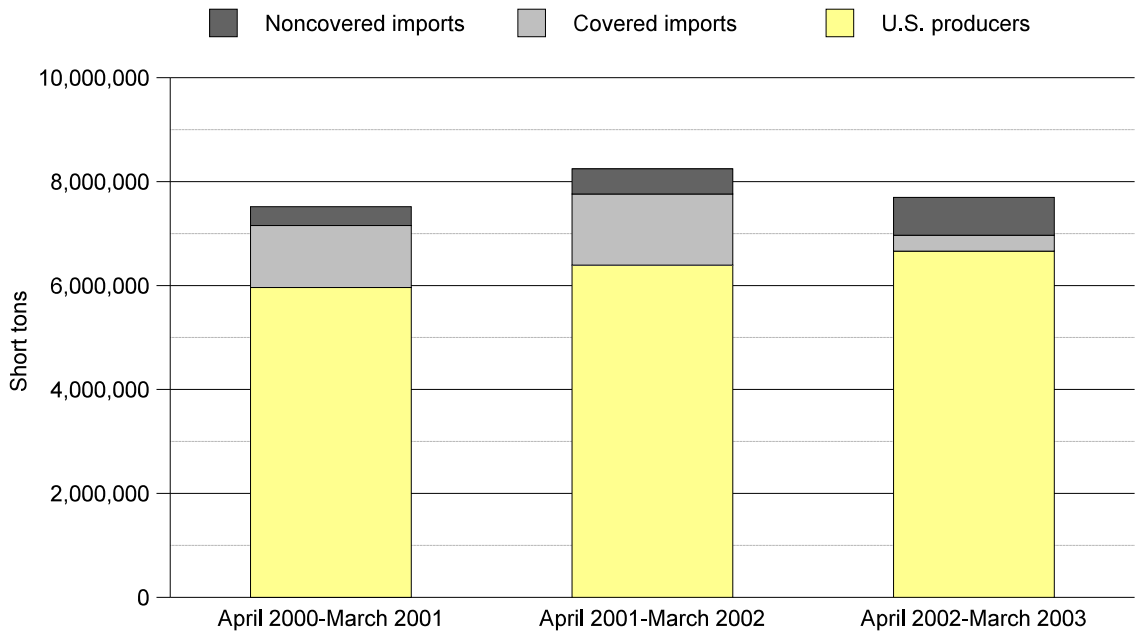
Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
U.S. producers' U.S. shipments	5,963,083	6,393,196	6,663,292
U.S. imports from:			
Covered sources[1]	1,192,597	1,367,171	304,938
Noncovered sources	361,375	484,694	729,313
Total U.S. imports	1,553,972	1,851,865	1,034,251
Apparent U.S. consumption	7,517,055	8,245,062	7,697,542
		Value *($1,000)*	
U.S. producers' U.S. shipments	1,604,050	1,689,277	1,728,132
U.S. imports from:			
Covered sources[1]	264,805	293,263	72,087
Noncovered sources	83,921	111,305	172,643
Total U.S. imports	348,726	404,568	244,730
Apparent U.S. consumption	1,952,776	2,093,845	1,972,862
		U.S. market share based on quantity *(percent)*	
U.S. producers' U.S. shipments	79.3	77.5	86.6
U.S. imports from:			
Covered sources[1]	15.9	16.6	4.0
Noncovered sources	4.8	5.9	9.5
Total U.S. imports	20.7	22.5	13.4
		U.S. market share based on value *(percent)*	
U.S. producers' U.S. shipments	82.1	80.7	87.6
U.S. imports from:			
Covered sources[1]	13.6	14.0	3.7
Noncovered sources	4.3	5.3	8.8
Total U.S. imports	17.9	19.3	12.4

[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.

Figure LONG IV-2
Rebar: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table LONG IV-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. rebar 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 since March 20, 2002 (table LONG IV-11 and LONG IV-12). U.S. rebar purchasers were also asked to report the importance of these factors that have influenced the price of steel in the U.S. market, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG IV-13).

The three factors rated most important by U.S. rebar producers were: changes in the cost of raw materials; changes in the level of competition from imports from excluded countries; and changes in competition between U.S. producers. The three factors rated most important by rebar importers were: changes in demand for steel; changes in competition between U.S. producers; and changes in U.S. production capacity. The three factors rated most important by rebar purchasers were: changes in the cost of raw materials; changes in demand for steel within the United States; and changes in the level of competition from imports from non-excluded countries.[14]

[14] Available information indicates that U.S. demand for rebar has declined since March 20, 2002. Most U.S. producers and importers reported that U.S. demand for rebar has decreased since March 20, 2002. Apparent consumption of rebar decreased by 6.6 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG IV-10). Manufacturers' shipments of non-residential construction put in place decreased by 4.8 percent since April 2002 (table OVERVIEW II-1).

Unit raw materials costs for rebar increased by 12.6 percent between April 2001-March 2002 and April 2002-March 2003. Prices for steel scrap increased by 30.8 percent since April 2002 (figure OVERVIEW II-11). Imports of rebar from covered sources fell sharply by 77.7 percent between April 2001-March 2002 and April 2002-March 2003, whereas rebar imports from noncovered sources increased sharply by 50.5 percent during the same time frame (table LONG IV-7). U.S. rebar producers' capacity and capacity utilization showed relatively little change between April 2001-March 2002 and April 2002-March 2003 (table LONG IV-5).

Table LONG IV-11
Rebar 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 since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.3	9	0	0
Changes in the level of competition from imports from excluded countries	1.4	4	4	1
Changes in competition between U.S. producers	1.4	1	5	3
Changes in the level of competition from imports from non-excluded countries	1.7	0	2	6
Changes in U.S. production capacity	1.7	1	6	2
Changes in demand for steel within the United States	1.8	0	2	7
Changes in energy costs	2.0	8	1	0
Changes in the productivity of domestic producers	2.6	3	6	0
Changes in demand for steel outside the United States	2.8	4	3	0
Changes in transportation/delivery cost changes	2.8	9	0	0
Changes in the allocation of production capacity to alternate products	3.2	0	9	0
Changing market patterns	3.2	2	7	0
Changes in labor agreements, contracts, etc.	3.3	0	7	2
Changes in the level of competition from substitute products	3.7	0	9	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 with the most important at the top.

[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 since March 20, 2002.

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

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

Table LONG IV-12
Rebar: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in demand for steel	1.3	3	1	11
Changes in competition between U.S. producers	1.5	8	3	4
Changes in U.S. production capacity	1.7	5	4	4
Changes in the level of competition by imports	1.9	5	6	4
Changes in the cost of raw materials	2.1	11	3	1
Changes in the productivity of domestic producers	2.4	3	8	3
Changes in energy costs	2.5	10	5	0
Changing market patterns	2.6	3	8	3
Changes in transportation/delivery cost changes	2.7	7	8	0
Changes in labor agreements, contracts, etc.	2.9	5	8	2
Changes in the level of competition from substitute products	3.0	1	12	2
Changes in the allocation of production capacity to alternate products	3.1	3	11	0

[1] The numbers in this column represent the average ranking of each factor by responding importers, 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 with the most important at the top.

[2] The numbers in these columns represent the number of responding importers 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 since March 20, 2002.

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

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

Table LONG IV-13
Rebar: As reported by *purchasers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.5	29	12	0
Changes in demand for steel within the United States	1.8	5	17	19
Changes in the level of competition from imports from non-excluded countries	2.0	9	12	20
Changes in competition between U.S. producers	2.0	17	17	7
Changes in U.S. production capacity	2.0	15	21	7
Changing market patterns	2.1	11	20	9
Changes in energy costs	2.1	26	15	0
Changes in transportation/delivery cost changes	2.3	32	10	0
Changes in the level of competition from imports from excluded countries	2.5	8	20	12
Changes in demand for steel outside the United States	2.5	15	18	3
Changes in the productivity of domestic producers	2.6	5	26	9
Changes in labor agreements, contracts, etc.	3.1	4	34	1
Changes in the allocation of production capacity to alternate products	3.3	2	36	1
Changes in the level of competition from substitute products	3.4	0	41	0

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, 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 with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers 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 since March 20, 2002.

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

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

Pricing Practices

Nearly all responding U.S. rebar producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Seven of eight responding U.S. rebar producers and 14 of 15 responding rebar importers 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. Four of five U.S. rebar producers and four of 10 rebar importers 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.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following rebar product during April 2000-March 2003:

> ***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 51.9 percent of the quantity of U.S. producers' U.S. commercial shipments of rebar, 38.7 percent of the quantity of total imports, and 45.2 percent and 26.7 percent, respectively, of the quantity of covered and noncovered U.S. imports of rebar during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported rebar are shown in table LONG IV-14. Weighted average prices of U.S.-produced, covered imported, and noncovered imported rebar are also shown in figure LONG IV-3.[15] A summary of the price data is shown in table LONG IV-15 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables LONG IV-16 and LONG IV-17, respectively.

Quarterly prices for the domestically produced rebar product for which the Commission collected pricing data increased by 0.2 percent from the first quarter of 2002 to the first quarter of 2003, but was 6.1 percent below its level in the second quarter of 2000. Prices of imports of this product from both sources covered by the safeguard measure and those not covered by the safeguard measure increased from the first quarter of 2002 to the first quarter of 2003, rising by 11.6 percent and *** percent, respectively. In the period April 2002 to March 2003, imports from sources covered by the section 203 safeguard measure undersold the domestically produced product in all 4 quarterly comparisons. Imports from sources not covered by the measure undersold the domestically produced product in 3 of 4 quarterly comparisons.

[15] Public price data for rebar are shown in figure H-8 of app. H.

Table LONG IV-14
Rebar: Weighted-average price and quantity data for U.S.-produced and imported product 9[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$***	***	$223.94	201,633	***	$226.61	8,696	***
July-September	***	***	237.07	165,616	***	***	***	***
October-December	***	***	209.07	50,969	***	220.14	5,591	***
2001:								
January-March	***	***	269.29	108,960	***	217.30	26,448	***
April-June	***	***	251.90	136,655	***	230.80	15,180	***
July-September	***	***	250.81	162,829	***	227.08	73,630	***
October-December	***	***	247.44	129,091	***	252.42	21,062	***
2002:								
January-March	***	***	230.12	132,363	***	***	***	***
April-June	***	***	***	***	***	244.49	45,699	***
July-September	***	***	243.53	49,797	***	252.50	62,486	***
October-December	***	***	***	***	***	250.64	56,168	***
2003:								
January-March	***	***	256.85	37,780	***	261.27	49,190	***

[1] Straight ASTM A615, Nos. 4 and 5, grade 60 rebar.

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

Figure LONG IV-3
Rebar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 9, April 2000-March 2003

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Table LONG IV-15
Rebar: Change in quarterly prices of U.S. product, imports from covered sources, and imports from noncovered sources

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
9	-6.1	0.2	14.7	11.6	15.3	***

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

Table LONG IV-16
Rebar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
9	11	21.8	0.6	1	2.0	2.0

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

Table LONG IV-17
Rebar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
9	11	19.0	3.1	1	1.1	1.1

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

PART V: ADJUSTMENT EFFORTS

Section 204 requires the Commission to monitor and report on the progress and specific efforts made by workers and firms to adjust to import competition. 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. The 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 current monitoring proceeding, the Commission asked U.S. producrs whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that, if their firm were granted relief 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 LONG V-4.

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.

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[1] Also included in the table is the number of firms that stated 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 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 Pub. 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 before and after the imposition of the relief. 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 at the end of this chapter in table LONG V-4 (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 LONG V-4 (Part A).

Domestic long producers described several factors that hindered their adjustment efforts:[3] the cost of energy and raw materials, predominantly scrap, rising steadily, leading to a decrease in profits;[4] a weak demand for non-residential construction and higher raw material costs;[5] automotive demand being essentially flat; cold-finished bar prices remaining weak;[6] and prices rising only moderately for hot-rolled bar and light shapes, and even less for rebar.[7]

POST-RELIEF EFFORTS

The Commission asked U.S. producers to indicate whether they had undertaken any efforts since the implementation of relief to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:[8]

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.).

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[3] Posthearing brief of Long Product Producers Coalition at 6 and 8-9.

[4] Testimony of Clyde Selig, Steel Group President and Chief Operating Officer, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at 56.

[5] Prehearing brief of Long Product Producers Coalition at 1.

[6] Testimony of Paul J. Darling, II, President and CEO, The Corey Steel Company, transcript of Commission hearing (July 24, 2003) at 75.

[7] Testimony of Robert Muhlhan, Vice President, Material Procurement, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at 48-49.

[8] 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; 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.

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 the chapter in table LONG V-4 (Part C).

Since March 2002, several trends have emerged from the domestic long industry. First, there has been substantial restructuring and consolidation. Second, a new competitive labor agreement was negotiated by a major producer. Finally, several companies have invested in new technologies and made capital improvements.

Established producers of long products have spent more than $700 million to acquire assets from other producers.[9] Nucor became the largest long steel producer in the United States after it purchased Birmingham Steel (December 2002) and North Star Steel's Kingman, AZ, rebar facility (March 2003). By acquiring Birmingham, Nucor acquired 2 million tons of hot-rolled bar and rebar capacity, but declined to bring back online another 1.5 million tons of Birmingham's capacity.[10] The North Star facility currently remains closed.[11] Nucor states that it has enhanced its product mix and geographic range, and is in the process of optimizing integration of its new operations, including implementing new management systems, developing on-line ordering capabilities, and coordinating sales, marketing and production.[12] Nucor also states that, after acquiring Birmingham, it was able to reduce overhead costs by eliminating Birmingham corporate employees with virtually no increase in personnel at its corporate office.[13] Republic, the largest supplier of SBQ bar, restructured and emerged from bankruptcy with 1 million tons of hot bar capacity eliminated.[14] Republic has also closed five of its eight cold-finished bar plants, three of which have been permanently shuttered.[15] Republic entered into a new competitive labor agreement with its steelworkers (who are represented by the United Steelworkers of America) that included significant changes to work rules and incentive plans.[16] The North American operations of Gerdau combined with Co-Steel, Courtice Steel, and MRM Steel to form Gerdau Ameristeel in October 2002, making it the second largest minimill producer in North America. Gerdau Ameristeel acquired a

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[9] Testimony of Charles H. Blum, U.S. Representative, European Confederation of Iron and Steel Industries (EUROFER), transcript of Commission hearing (July 24, 2003) at 200.

[10] Testimony of Daniel DiMicco, Vice Chairman, President, and Chief Executive Officer, Nucor Corp., transcript of Commission hearing (July 24, 2003) at 43-44.

[11] Nucor's (old North Star) Kingman, AZ, mill has a melt capacity of 650,000 tons which has not operated since January 2000 and a rolling capacity of 500,000 tons which has not operated since March 2003. Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing (July 24, 2003) at 201- 202.

[12] Testimony of Daniel R. DiMicco, Vice Chairman, President and Chief Executive Officer, Nucor Corp., transcript of Commission hearing (July 24, 2003) at 44.

[13] Testimony of Bob Johns, Director, Marketing, Nucor Corp., transcript of Commission hearing (July 24, 2003) at 106-107. *See also* posthearing brief of Long Products Producers Coalition at 4.

[14] Posthearing brief of Long Product Producers Coalition at 3.

[15] Prehearing brief of Cold Finished Steel Bar Institute at 13.

[16] Testimony of James T. Thielens, Jr., Vice President, Republic Engineered Products, transcript of Commission hearing (July 24, 2003) at 102.

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		
16	17	7
Investments made		
10	13	2
Capacity reductions		
3	5	1
Cost reductions with existing equipment		
6	7	3
Diversifications/expansions		
0	3	1
Mergers and consolidations		
4	2	2
New products developed or new applications for existing equipment		
5	6	3
Organizational changes		
5	6	1
Changes in production practices		
5	7	3
Marketing changes (U.S. and foreign markets)		
3	3	1
Employee reductions		
8	10	4
Changes in pension liabilities, healthcare, and union contracts		
7	7	3
All other efforts made by firm or workers		
4	3	3

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

60,000 ton cold finished steel bar facility previously owned by Republic Engineered Products in Cartersville, Georgia.[17] In June 2003, Gerdau Ameristeel completed a massive debt restructuring involving $405 million of senior unsecured notes and $350 million in senior secured notes.[18] Gerdau Ameristeel reports that, as a result of the consolidation, it has expanded product lines, geographic reach, and mill capabilities, and expects at least $35 million in efficiency gains.[19] Steel Dynamics acquired Qualitech and has spent $70 million in new investment to convert it from an SBQ products facility to a merchant bar and shapes and rebar facility.[20] In July 2003, BVV Acquisition announced a merger between a former Republic cold finished bar plant in Beaver Falls, PA and Pittsburgh Tool Steel based in Monaca, PA; the new company, Keystone Profiles Ltd., will concentrate on larger size bars with high tolerances.[21] Kentucky Electric and Calumet, with a combined capacity of 600,000 tons, are two producers that have been shut down and remain closed.[22] Bayou Steel and Slater Steels have filed for protection under the bankruptcy code.

Several domestic producers have made or authorized a number of capital investments. Nucor has committed to investments ranging from $10 million to $100 million at its bar mills, the largest being the total revamp of its Texas melt shop.[23] Nucor has also improved finishing areas in several of its mills. Republic has invested approximately $30 million in its business, primarily to upgrade its Lorain, OH plant to replace an inefficient facility in Massillon, which has now been closed.[24] North Star has installed new rolling mill drivers at its St. Paul facility and has completed the first phase of a caster upgrade there; has installed new burners in the reheat furnace at its Iowa facility and is upgrading the casting machine and has installed oxygen and carbon injectors on the furnace there; and is installing a straightener in its Kentucky facility.[25] Ispat Inland has completed a DRIC system and is completing the installation of a harmonic filtering system and electric furnace billet caster.[26] Corey is in the process of completing an entirely new manufacturing center.[27] CMC is in the process of installing a larger high

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[17] Posthearing brief of Cold Finished Steel Bar Institute at 9.

[18] Testimony of Robert Muhlhan, Vice President, Material Procurement, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at 49. *See also* posthearing brief of Cold Finished Steel Bar Institute at 4.

[19] Testimony of Robert Muhlhan, Vice President, Material Procurement, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at 48.

[20] Testimony of Jim Fritsch, Vice President, Strategic Planning, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at 154.

[21] Posthearing brief of Cold Finished Steel Bar Institute at 9.

[22] Testimony of Jim Fritsch, Vice President, Strategic Planning, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at 154.

[23] Posthearing brief of Cold Finished Bar Institute at 15. *See also* testimony of Bob Johns, Director, Marketing, Nucor Corp., transcript of Commission hearing (July 24, 2003) at 45 & 106.

[24] Testimony of James T. Thielens, Jr., Vice President, Republic Engineered Products, transcript of Commission haring (July 24, 2003) at 102. *See also* posthearing brief of Long Product Producers Coalition at 5.

[25] Testimony of Jon Ruth, President, North Star Steel, transcript of Commission hearing (July 24, 2003) at 136-137. *See also* posthearing brief of Long Products Producers Coalition, 5.

[26] Testimony of Joseph Alvarado, Vice President, Commercial, Ispat North America, transcript of Commission hearing (July 24, 2003) at 105.

[27] Testimony of Paul J. Darling, II, President and CEO, Corey Steel Co., transcript of Commission hearing (July 24, 2003) at 103-104. *See also* posthearing brief of Long Product Producers Coalition, 7.

voltage transformer in its South Carolina plant, and has also made significant investments in its shredders in several of its plants.[28] Timken has invested in capital equipment improvements to ensure high quality and to pursue new products.[29]

Respondent European Confederation of Iron & Steel Industries (EUROFER) argues that the long products industry, which is dominated by minimills, is efficient, profitable, flexible, and competitive.[30] It notes that, since the relief took affect, U.S. producers of all three long products have achieved a strong gain in productivity.[31] It also acknowledges that a significant degree of consolidation has taken place.[32] However, it believes these closures are too few and too temporary, and that potential efforts to restart uneconomic capacity would be counterproductive to the goal of industry competitiveness.[33] EUROFER points to several instances in which currently closed facilities, might be restarted and suggests that permanent closures are the most meaningful.[34] Respondent Corus agrees that there is chronic overcapacity in the hot-rolled and cold-rolled U.S. market.[35] However, respondent Metaldyne has argued that there is not enough bar capacity in the U.S. industry to meet demand.[36]

Domestic producers argue that the industry has seen significant capacity reductions.[37] They also argue that the potential future capacity additions cited by respondents are simply plans that may or may not be implemented.[38] Domestic producers also point to possible "survivor bias" in the Commission's data set; that is, several producers that have ceased operations did not submit data, so the removal of their

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[28] Testimony of Clyde Selig, Steel Group President and Chief Operating Officer, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at 100-101. *See also* posthearing brief of Long Product Producers Coalition, at 9.

[29] Testimony of Michael K. Haidet, Senior Government Affairs Specialist, Trade, The Timken Company, transcript of Commission hearing (July 24, 2003) at 64.

[30] Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing (July 24, 2003) at 195-198. Posthearing brief of EUROFER at 3-4.

[31] Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing (July 24, 2003) at 200.

[32] Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing (July 24, 2003) at 200-203. EUROFER states that consolidation is a great long-run benefit to the industry, eliminating hypercompetitiveness, creating larger companies with enhanced financial strength and ability to raise capital, and allowing companies to concentrate production on the most efficient mills.

[33] Posthearing brief of EUROFER at 6-9.

[34] Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing of (July 24, 2003) at 204-208. *See also* posthearing brief of EUROFER at 6-10. For example, EUROFER points to potential future restarts of currently idled or shutdown capacity at Calumet, KES, Laclede, and Lemont.

[35] Testimony of Jeff Hoye, President, Corus America, Inc., transcript of Commission hearing (July 24, 2003) at 215.

[36] Post hearing brief of Metaldyne Corp. at 4.

[37] Posthearing brief of Long Products Producers Coalition at 15 and exh. 6; *see also* posthearing brief of Cold Finished Steel Bar Institute at 11-13. The domestic industry cites closures and capacity shutdowns at Kentucky Electric, Calumet, Laclede, Qualitech, Auburn Steel, Ispat Inland, Republic Engineered Products, Birmingham Steel, and North Star Steel.

[38] Posthearing brief of Long Products Producers Coalition at 16.

capacity is not reflected in the Commission's data.[39] Finally, domestic producers assert that, with the recent industry consolidation, available capacity is more cost-effective and efficient.[40]

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) any adjustment plans their firms submitted during the section 201 investigation, (2) the significance of the section 203 relief on their firm's operations, and (3) the efforts they have undertaken to compete more effectively in the U.S. market. The responses of firms are presented in the following table LONG V-4.

At its public hearing, the Commission requested domestic producers to provide information regarding adjustment efforts in a public format, to the extent possible.[41] To the extent that domestic producers complied with this request, the information is presented below, in table LONG V-3.

Table LONG V-3
Long steel: Comments of U.S. producers (public)

Firm/products/comments
Ispat Inland (hot bar)
Ispat was able to proceed with the reline of its No. 7 Blast Furnace, which will be completed in the third quarter of 2003 and improve the company's cost competitiveness. Increased iron output will reduce reliance on higher-priced imported slabs and allow for the shutdown of the less efficient No. 6 blast furnace. Reductions in operating cost per ton through a variety of programs, including increased employee production per ton. Initially, the President's Section 201 program allowed Ispat Inland to raise the price of injected free-machining long products - pioneered by Inland Steel at the start of the 20th century - to a fair and reasonable level. However, the exclusions granted for 12L14 allowed importers to keep their prices at the relatively low levels existing prior to Section 201 relief. For that reason, Ispat Inland's 12L14 production and sales were severely limited during the past twelve months. Because exclusions for 12L14, one of Ispat Inland's most profitable product lines, was granted, Ispat Inland has struggled to earn sufficient return on investment to generate capital to modernize facilities and equipment. Ispat Inland has also been unable to fund research and development activities for products that would increase customer efficiency and company profits. Although Ispat Inland idled its 21" bar mill at the end of 2001, the Bar Division has continued to compete in the high-end bloom-cast leaded bar and free-machining bar markets by importing bloom-cast billets from its sister company.

Source: Compiled from posthearing briefs.

Table LONG V-4
Long steel: Comments of U.S. producers (confidential)

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[39] Id. at exh. 6.

[40] *E.g.*, testimony of Robert Muhlhan, Vice President, Material Procurement, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at 152-153; Testimony of Jim Fritsch, Vice President, Strategic Planning, CMC Steel Group, *id*. at 153-155.

[41] *See* requests of Chairman Okun and Commissioner Koplan, transcript of Commission hearing (July 24, 2003) at 102 and 140