Steel Industry Update/163 — January/February 2002

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The new contours of the restructured U.S. steel industry are becoming much more apparent. First and foremost, two giants, US Steel and Nucor, are emerging as the clear industry leaders, dominating the landscape in terms of current public policy and future acquisitions and mergers. These two behemoths are the only producers with sufficient balance sheet strength and political acumen to lead the current policy offensive to save the industry and foster consolidation.

This fact became all the more obvious over the last few months when senior managers from both firms forged a badly needed consensus between the integrated producers and minimills on the highly contentious issue of retiree legacy costs. While the whole industry has been united for the first time on the need for significant government intervention to stem the tide of imports, the issue of retiree legacy costs threatened to destroy the unity so essential for winning strong government intervention. The United Steelworkers pressured the integrated producers to seek support for legacy cost relief, hoping to secure some of the tariff revenues to fund retiree obligations. The minimills, lead by their vocal association, the Steel Manufacturers Association (SMA), denounced those efforts as blatant subsidies aimed at supporting only one part of the industry at the expense of another. By far, the most powerful player in the SMA is Nucor, a nonunion company with no retiree health benefits or a defined pension plan. But indicative of the changing contours of the industry, a few years ago Nucor also joined the bastion of integrated mills, the venerable American Iron and Steel Institute (AISI), in recognition of its premier status within the entire U.S. steel industry. It was that status as an *industry leader* that drove Nucor's executives to seek an industry-wide consensus on the legacy cost issue -- in the interest of preserving unity on the all-important trade question. To their credit, Nucor correctly placed the entire industry's interests above the more narrow concerns of minimills.

The compromise was worked out by USS and Nucor senior executives and then formalized in an open letter to President Bush on January 31st and signed by most major U.S. steel companies. They agreed to "work together and with the Administration and the Congress to develop and help enact legislation that removes barriers to steel industry consolidation and rationalization in the United States. Our objective is to assist the

Table 2: U.S. Steel Shipment Forecasts

Firm/Forecaster (mil tons)	'01	'02	'03	'04	'05
Grantchester/Silver	100	105	--	--	--
IISI/Holy	101	107	--	--	--
McDonald Inv/Parr	99	98	109	--	--
Metal Strat/Plummer	101	101	103	105	108
PowellWood/Lashinsky	100	110	--	--	--
Purchasing Mag/Stundza	101	103	--	--	--
S&P-DRI/Anton	100	102	113	114	115
Steelnet.org	101	107	110	--	--
TD Securities/Mackenzie	99	106	--	--	--
UBS Warburg/Graham	101	105	108	--	--
WEFA/Runiwiecz	101	110	105	108	111
World Steel Dyn/Kirsis	100	105	--	--	--
Locker Associates	100	110	111	107	113
Consensus Forecast	**100**	**105**	**108**	**109**	**111**

Compiled by Locker Associates Forecast as of 1/02

Table 1: Selected U.S. Steel Industry Data, November & Year-To-Date

(thousand tons)	Month of November			Year-to-Date		
	2001	2000	% Chg	2001	2000	% Chg
Raw Steel Production	7,226	8,054	-10.3%	92,555	103,908	-10.9
Capacity Utilization	73.5	75.1	--	80.3	87.2	--
Mill Shipments	7,791	8,337	-6.5%	92,226	101,496	-9.1%
Exports	505	590	-14.5%	5,705	6,057	-5.8%
Imports	2,831	2,295	23.3%	27,845	35,596	-21.8%
Apparent Steel Supply*	9,391	9,699	-3.2%	108,280	123,017	-12.0%
Imports as % of Supply*	22.4%	20.1%	--	20.1%	22.4%	--
Iron Ore Shipments (metric)	4,294	5,203	-17.5%	47,680	54,630	-12.7%
Average Spot Price** ($/ton)	307	323	-4.9%	314	352	-10.9%
Scrap Price+ ($/gross ton)	89	86	3.5%	104	117	-11.2%

*Source: AISI, Purchasing Mag., & US Geo. Survey *Excludes semi-finished imports **Avg price of 8 carbon products +auto bundles*

retirees and current steel workers who have been impacted by this industry restructuring, with existing government programs absorbing the cost to the maximum extent possible. Together with trade relief, this program will allow the industry to recover."

In other words, USS and Nucor recognized that consolidation was essential to stabilizing the industry and that a major obstacle to consolidation was unmanageable legacy costs. Of course they also recognized that they probably would be the biggest beneficiaries of a higher level of industry concentration. Toward that end, US Steel put additional pressure on the Bush Administration in January when it offered to takeover National Steel from NKK. In a rather shrewd political move, US Steel said the offer was contingent on federal government action to reduce the legacy cost liabilities.

All this points to a reconfigured industry which is characterized by (1) strong government trade protection, (2) federal government assumption of legacy costs for restructured firms and (3) a wave of mergers and acquisitions that sharply increases industry concentration and closes less efficient plants.

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SHIPMENT FORECAST

In our current semi-annual survey, the crew of steel experts narrowed to thirteen -- nine others refused to participate for one reason or another. The consensus U.S. shipment forecast for 2002 is 105 million tons, up from the estimated 100 million tons for this year, the lowest figure since 1994 (see Table 2). The forecast range is between 98-110 million. For 2003, the consensus forecast is 108 million tons with a range of 103-115 million tons. Chris Plummer of Metal Strategies is the pessimist while John Anton of S&P-DRI is the raging bull. As for imports, the experts see a steady rise from this years low of 30 million tons. In other words, they don't see the 201 remedies doing much for holding down imports.

TRADE CRISIS

Jockeying Intensifies as Tariff Decision Nears: As the deadline approaches for President Bush to act on the ITC recommendations imposing restrictions on 16 steel products, groups affected by the decision have been engaged in some intense maneuvering. The Dec. 5th ITC decision saw 5 of the 6 commissioners recommending either mild or strong four-year tariffs, which varied depending upon the product (the sixth commissioner recommended only quotas). This recommendation created a flurry of activity to pressure the administration pending its final action. The recommendations were sent to the president on December 19 and he has 75 days (or until March 4) to accept them in whole or in part, strengthen or weaken them, or reject them outright.

Reactions from the various sectors of the industry at home and abroad were intense but predictable. Domestic steelmakers were generally happy about the recommendations on a number of products but highly disappointed about others. Two of the commissioners voted fairly consistently for tariff levels ranging from 30 to 40%, while three voted just as consistently for tariffs of around 20%. In the most dramatic move so far domestic integrated producers and minimills spent a month putting together a unified position to present to the administration. Integrateds had pushed for 40% tariffs, while minimills had urged duties of 50% on all products under consideration. More importantly, they disagreed on the question of legacy costs, with integrated producers and the Steelworkers advocating that some of the revenue collected from the tariffs be used to pay these overly burdensome liabilities -- a position vehemently opposed by the minimills.

In December, Nucor had run full-page ads in Washington, DC newspapers denouncing government assumption of legacy costs as “a government handout at the expense of an entire industry." A month later, the steel giants buried their differences when US Steel and Nucor announced an agreement on a unified position. Without abandoning previous positions, they resolved to highlight the areas of agreement between them, calling for (a) a tariff of not less than

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Table 3: U.S. Steel Import Forecasts					
Firm/Forecaster (mil tons)	**'01**	**'02**	**'03**	**'04**	**'05**
Granchester/Silver	30	34	--	--	--
IISI/Holy	29	29	--	--	--
McDonald Inv/Parr	31	28	29	--	--
Metal Strategies/Plummer	31	31	33	35	38
PowellWood/Lashinsky	30	26	--	--	--
Purchasing Mag/Stundza	30	30	--	--	--
S&P-DRI/Anton	29	26	33	37	38
Steelnet.org	31	29	--	--	--
TD Securities/Mackenzie	32	28	--	--	--
UBS Warburg/Graham	31	33	34	--	--
WEFA/Runiwiecz	29	31	34	34	35
World Steel Dyn/Kirsis	30	28	--	--	--
Locker Associates	30	27	27	28	29
Consensus Forecast	**30**	**29**	**34**	**33**	**32**

Compiled by Locker Associates Forecast as of 1/02 Total Imports

40% and (b) government assumption of retiree obligations (i.e. retiree health insurance and pension benefits) for employees displaced in any restructuring or consolidation. The costs would be borne by the federal government without direct payments to any steel company.

The American Institute for International Steel, on the other hand, representing U.S. importers of foreign steel, charged that import restraints would be a disaster for steel users and urged the President to refrain from imposing any remedies. In the same vain the reaction from the European Union was also predictable. First, the EU denounced the ITC recommendations and claimed that the "U.S. market is already overprotected." Second, they called on President Bush to reject import curbs as unwarranted, with EU Trade Commissioner Pascal Lamy branded them "a violation of World Trade Organization rules." According to a report in *The Wall Street Journal*, the WTO was in the process of handing down a favorable finding for the EU in a trade case involving tax breaks for U.S. exporters that could result in up to $4 billion in trade sanctions. European steelmakers were pushing for the EU to use the $4 billion as a bargaining chip against the imposition of U.S. steel sanctions.

The EU's urgency was prompted by the fear that the U.S. trade restrictions could divert imports from the United States to European markets. This fact was underscored by a year-end report showing that the EU's trade balance in steel had turned negative. For the last nine months of 2001, the region had become a net importer of steel to the tune of nearly 2 million metric tons. The EU also cited a new study, *The Futility of Steel Trade Protection*, authored by the old anti-tariff warhorse, Robert Crandall, a senior fellow at the Brookings Institution. The study, sponsored by Usinor/Arcelor, the European steelmaking giant, tried to show that tariff protection would increase costs in steel consuming sectors of the economy and result in 13 jobs lost for every steel job saved. It also claimed that tariffs would not raise steel output or prices in the United States. According to Crandall, the steel crisis is nothing more than the inevitable death of the integrated mills due to competition from minimills, not imports. The fact that 46% of the capacity shutdowns has been minimills, much of it brand new capacity, seems to have eluded the good professor.

In yet another move, the European steel industry threatened, at multilateral government talks in Paris in December, not to cut its steelmaking overcapacity as previously agreed if the President decided to impose import restraints, a position one U.S. steel advocate denounced as "international blackmail." Finally, another foreign voice protesting loudly against any imposition of import restraints was the Brazilian government, which threatened to raise its tariffs on steel imports in retaliation for any U.S. actions.

U.S. service centers also got into the act by trying to stake out a "middle ground" position, which seemed to please no one. The Steel Service Center Institute, in a Jan. 2 statement, asked the President to impose tariffs of up to 20% on steel products and an offsetting flexible tariff on products that contain steel. It also proposed that the U.S. impose or eliminate tariffs based upon a country's willingness to reduce its excess steel making capacity. Even as the minimill-based Steel Manufacturers Association was denouncing the plan as "complicated, convoluted, ill-defined" and the 20% figure as too low to be effective, tariff opponents were branding it as another form of "protectionism". Trade lawyers also questioned the likelihood of the administration expanding the scope of the 201 cases to include steel-containing products that were not part of the original 201 case.

Finally, U.S. Senator Jay Rockefeller (D.-W.Va.) announced that he would not support President Bush's bid for fast-track trade authority unless the President, in turn, committed to strong protection for the steel industry. Since the President had not indicated any position, at the time of the bill's consideration in the Senate Finance Committee, Rockefeller voted against the measure (*AMM* 12/10, 12/11, 12/14, 12/17, 12/19, 12/20, 12/28, 1/2, 1/4, 1/9, 1/15, 1/16; *The Wall Street Journal* 1/11).

Sheffield Makes It 25: Another steel producer filed for Chapter 11 protection in December, the 25th firm in the United States in the past three years. Sheffield Steel, the Sand Springs, Okla. bar manufacturer was unable to meet the interest payments to its mortgage bondholders in July and has been unable to gain further support from its main lending bank, Bank of America, said a company spokesman. Market conditions for its bar products have continued to deteriorate, he said, even as energy costs in Oklahoma have nearly doubled. The bankruptcy also includes its subsidiaries, Waddell's Rebar Fabricators and Welling Industries. Sheffield turns out about 600,000 tons of special bar quality and merchant bar billets a year as well as concrete reinforcing bars and steel fence posts, employing 370 people in Sand Springs. With assets at "more than $100 million," it reportedly owed its bondholders $110 million and the bank $26 million. Sheffield runs a rolling mill in Joliet, IL. and two fabrication shops in Kansas City, MO. The company expected its operations to continue normally during the Chapter 11 proceedings (*AMM* 12/12; *Tulsa World* 12/8).

Rodmakers Charge Dumpers Rushed to Beat Trade Ruling: Even as they were attempting to put through a price boost in December, leading domestic wire rod manufacturers were seeking to impose "critical circumstance" findings against six countries in an anti-dumping and countervailing duty trade case that was filed last August. The rod makers are charging that Brazil, Germany, Mexico, Ukraine, Turkey and Moldavia flooded the market with imports last May after they learned that an anti-dumping action was being contemplated. The U.S. mills are seeking to apply duties retroactively from November under the "critical circumstance" law that allows the Commerce Dept. to impose duties from 90 days before the preliminary duty margins are announced. The $35/ton price hike attempt was announced by Co-Steel Raritan on all wire rod products beginning with April 1 shipments. This action was followed about a week later with a similar $35/ton boost by Georgetown Steel, a division of GS Industries (*AMM* 12/13, 12/24).

Xmas Stocking Yields Goodies for Dumping Victims: A week before Christmas, 130 U.S. companies received a bit of holiday cheer in the mail, in the form of checks reimbursing them for injuries as a result of dumped imports. About half of them were steelmakers or iron foundries. The money, totaling $200 million mailed out by the U.S. Treasury Dept., was part of the settlement of a number of cases involving duties imposed by the U.S. Biggest beneficiaries of this holiday greeting from Santa were Timken ($31 million), Bethlehem ($4.2 million), AK ($3.7 million), Enron ($485,000), WCI Steel ($381,000), Republic Technologies ($60,000), and North Star (between $60,000 and $70,000). Other companies such as U.S. Steel and Birmingham said they were expecting payments. Ironically, one the big recipients, AK Steel, has vigorously opposed all import restraints (*AMM* 12/17).

Imports of Slab and Iron Ore No Security Threat: Domestic buyers were cheered in January by a Commerce Dept. report that found that iron ore and slab imports posed no threat to national security under Section 232. The report was the result of an investigation of the possible national security threat posed by reliance on foreign sources initiated at the request of two members of Congress -- Rep. James Oberstar (D.-Minn.) and Rep. Bart Stupak (D.-Mich.). Although slab buyers conceded that there was no connection between the Section 232 probe on national security and the Section 201 investigations on dumping injuries, they expressed hope that the report would strengthen their arguments against import restraints (*AMM* 1/14).

Foreign Mills Searching Out Gaps in 201 Fences: Proceeding on the assumption that President Bush will issue some tariff relief on foreign imports in the wake of the December ITC decision, some overseas mills are beginning to devise strategies to get around the expected barriers. One Korean steelmaker is already offering galvanized sheet to its U.S. customers at 10% above current prices. If the galvanized sheet import tariff is higher than 10%, the steel mill, Union Steel/Seoul, will absorb the difference. The 10% figure is based upon the calculation that there will be only a 20% tariff on galvanized sheet, which would allow Union Steel to gain a price increase and continued business in the U.S. market with a good chance of avoiding further 201 litigation. With world market prices on galvanized currently very low, the Koreans feel they can afford to absorb the extra duty on the product. Chinese mills are also reportedly talking about producers and traders absorbing the increased tariffs on flat-rolled products.

Meanwhile, service centers in the U.S. have come up with a proposal for the government to institute a sophisticated import tracking system to discourage product shifting among foreign mills and prevent future import surges. Part of the

Table 4: U.S. Annual Product Spot Prices: Actual and Forecast

	Actual				Forecast							
	2001				2002				2003			
($/ton)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Hot rolled sheet..........	222	237	237	213	228	242	246	247	265	278	293	308
Cold rolled sheet.........	333	330	321	300	312	326	328	332	358	377	397	417
HD galvanized sheet...	340	350	347	327	331	341	347	351	388	408	429	451
Coiled mill plate..........	316	301	286	265	278	288	300	313	329	347	365	383
Cold-finished bars......	423	430	443	425	436	438	457	476	501	527	554	583
Wide-flange beams....	277	290	337	345	353	369	368	354	372	391	412	433
Reinforced bars #6.....	280	297	297	277	270	268	269	268	282	297	312	310
Wire rod/low carbon...	290	293	292	290	288	287	285	283	292	301	298	296
Carbon Avg Price.....	**310**	**316**	**320**	**305**	**312**	**320**	**325**	**328**	**348**	**366**	**383**	**398**
Stainless 304 sheet...	1,461	1,414	1,261	1,232	1,252	1,272	1,292	1,290	1,296	1,308	1,319	1,273
Stainless 316 sheet...	1,728	1,728	1,715	1,690	1,751	1,779	1,807	1,804	1,813	1,829	1,845	1,718

Sources: Purchasing Magazine, Buying Strategy Forecast (1/25/02)

plan would require the issuance of import licenses quickly and at a nominal cost, possibly on the Internet. The system, in use in Canada for several years, can give the government a quick and clear picture of any import surges before they are able to inflict severe damage to the domestic industry (*AMM* 1/17).

INDUSTRY CONSOLIDATION

New Wave of Consolidation In the Wings: Most industry sources are predicting a new wave of consolidation among steel companies in 2002. The Justice Department in January was reported to be gathering information in preparation for an anticipated wave of consolidations and buyouts in the steel industry to see if they conform to antitrust laws.

To kick off this new wave, US Steel confirmed that it had held talks with Bethlehem on merger possibilities and other industry sources said talks had also been held between US Steel and Wheeling-Pittsburgh. In addition, the Pittsburgh steel giant and National Steel, a subsidiary of NKK, confirmed in December that they were engaged in merger talks. In a carefully calculated move, USS made it very clear that any merger deal would be contingent upon three essential conditions: (a) government imposition of strong tariffs on imports, (b) government action to remove legacy costs and (c) the renegotiation of labor agreements to reduce manufacturing costs. While some saw these conditions as simply a "negotiating position", they seemed to indicate the direction the industry would be taking in the period just ahead (*AMM* 12/11, 1/14, 1/18; *US Steel, Nucor Press Release* 1/15).

Government Role Pushed on Legacy Costs: Pressure is building for the federal government to assume some role in solving the issue of legacy costs, in the wake of the large number of steel bankruptcies and the movement toward industry consolidation. US Steel advanced the debate in December by announcing that if the Bush administration followed the recommendations of the ITC and imposed tariffs on foreign mills for dumping, US Steel would use the money it gains to pay for a portion of the legacy costs of the weaker mills in its steel consolidation plans. Even with an anticipated use of tariff money to pay for the costs, US Steel anticipated that the assumption of legacy costs would result in the federal government spending between $10 billion and $13 billion. It said that consolidation plans would probably be abandoned if the government did not assume these costs.

The USWA, long a force pushing for government assumption of legacy costs, announced in January that it was drafting legislation for the government creation of a program to preserve intact health-care benefits jeopardized by company bankruptcies and industry consolidation. Talks were also scheduled between USWA and integrated steel companies to draft legislation on health-care costs (*AMM* 12/12, 1/9, 1/18).

Steelworkers Supports Steel Consolidation: The USWA's Basic Steel Industry Conference in December unanimously endorsed a policy statement that urged the federal government to relieve U.S. steelmakers of the burden of paying retiree health insurance costs. It said that such federal action on legacy costs would "level the playing field" between U.S. and foreign mills. The statement was seen as a message of support for industry consolidation plans. "Our local leadership committed today, as they have been throughout this crisis, to work constructively toward a solution to the crisis in the American steel industry," commented USWA President Leo Gerard. Meeting the problem of unfair trade and leveling the playing field can only be done, Gerard said, "by relieving American producers of their legacy costs, because our steel industry is the only one among the major industrialized nations in which the cost of retiree health benefits isn't subsidized in one fashion or another" (*AMM* 12/17).

PRICES AND SHIPMENTS

Price Increases Forecast for 2002 and 2003: *Purchasing Magazine's* recently published product price forecast for 2002 and 2003 (see Table 4). HR will rise 16% in 2002 (from $213/ton to $247/ton) according to *PM* while CR will move up only 11% (from $300/ton to $332/ton). Coiled plate will see a 18% hike (from 265/ton to $313/ton), CF bars 12% (from $425/ton to $476/ton) and wide-flange beams will go up during the year but fall back in the last quarter. For 2003, *PM* sees more impressive price hikes in every product except stainless sheet.

Beams: For a number of years, the production of wide-flange beams could barely keep up with demand, resulting in upward pressure on prices. New capacity built by TXI-Chaparral and Nucor, along with a flood of low-priced imports, fostered an oversupply and sharply reduced prices. Production was down between 20% and 30% in 2001 even though prices seemed to have risen by an average of $40 to $50/ton in the last six months of the year, especially for larger beams. Prices for the most popular sizes of domestic beams delivered on the West Coast are currently estimated at about $390/ton.

In December, the Commerce Dept. announced anti-dumping duty margins that ranged from 0.57% up to 177.21% against steel beam imports from eight countries. Beam industry petitioners in the case said, however, that the margins were not high enough to remedy imports from Spain, Luxembourg and Germany. The preliminary dumping margins were as follows: Germany -- 6.58% to 35.75%, Italy -- 0.57%, Luxembourg -- 2.4%, Russia -- 165%, China -- 159.6% to 177.21%, Taiwan -- 4.7% to 10.86%, Spain -- 1.21%, and South Africa -- 7.22%. The trade actions were filed last May by Nucor, Nucor-Yamato and TXI-Chaparral. While the high penalties for some countries precluded their further cheap beam imports into the U.S., others were left with some room to continue their shipments (*AMM* 12/11, 12/21, 12/27).

Sheet: A price boost in the second quarter of this year by the West's biggest producer of sheet is attempting to break through the market's resistance to higher steel prices. California Steel Industries (CSI) has announced to its customers that it would hike prices on HR, HR pickled and oiled, galvanized and CR sheet by 3 to 10%, on orders placed for shipment beginning Mar 1. The other large flat-roll mill in the West, USS-Posco, announced that it would support CSI's action.

In the East, Bethlehem said at year's end that it would try to boost prices on CR and coated sheet by at least $20/ton, starting with shipments Feb. 3. CR and coated sheet now sell for about $280 to $290/ton. Bethlehem's announcement follows the move a few weeks earlier by Nucor, which posted a $10/ton rise on HR sheet prices in January and another $10/ton jump in February. Other companies were reported to be looking favorably at the move as industry sources forecast with satisfaction that the steel pricing cycle, interrupted by the dumping of low-priced imports over the past two years, seemed to be heading back to normal. As sheet prices moved upward, one steel executive described his mood as "optimistic," not even "cautiously optimistic," about the market right now (*AMM* 12/31, 1/7).

Stainless: Turning around a 7.4% drop in prices last fall, stainless CR tags have moved up by an average of 3.6% since mid-November, say industry sources. Leading the upward swing is grade 302 -- up 7.6%, from $1,250 to $1,345/ton. Other increases were in grade 301 -- up 3.2%, from $1,240 to $1,280/ton, grade 304 -- up 3.5%, from $1,280 to $1,325/ton, grade 304L -- up 3.3%, from $1,350 to $1,395/ton, grade 316 -- up 1.2%, from $1,700 to $1,720/ton, and grade 316L -- up 2.7%, from $1,680 to $1,725/ton. "The market is still down there," said one service center executive. "We are encouraged by what we see. But there's a lot of in-fighting among service centers" (*AMM* 1/16).

CAPACITY/TECHNOLOGY

Laser Made Steel Gets Senate Nod for Ships: An amendment to a Defense Dept. appropriations bill has given the go-ahead for the development of laser-fabricated steel plate for ship construction. The amendment, sponsored by Maine Sen.

Susan Collins (R.) doubles the appropriations from $2 million to $4.3 million for the program that puts the laser-fabricated HSLA-65 steel shapes into the skeletons of aircraft carriers as stiffeners. The steel plates are manufactured by Technology Systems/Wiscasset, Maine, Bath Iron Works in Bath, Maine and Applied Thermal Sciences in Sanford, Maine. The laser processing is expected to save money and weight in the construction of ships (*AMM* 12/12).

Ford to Help Upgrade Rouge Steel Plant: Ford Motor will help another company, Rouge Steel, to upgrade its mill as part of a renovation plan for the Rouge area-manufacturing complex in Dearborn, Mich. The entire renovation is expected to cost in the neighborhood of $2 billion. The Rouge plant complex is where Ford turns out engines, frames and steel stampings, fuel tanks and other products that go into its vehicles. Some of its vehicles are also assembled in the giant complex. Ford is also expected to replace its old Dearborn plant with a new one that will turn out the next generation of small pick-up trucks. The project is going forward despite Ford's current financial problems, which has led to recent worldwide layoffs (*AMM* 12/24).

RAW MATERIALS

CVRD Makes Aggressive Acquisition Moves: Cia Vale do Rico Doce (CVRD) of Brazil, flush from a record year of iron ore exports, is moving aggressively to acquire mining companies at home and abroad. Its iron ore and pellet exports in 2001 increased over the previous year by 1.6%, setting a record level of 103.2 million metric tons. It also completed, in December, the acquisition of 50% of the voting capital of the Caemi group, a Brazilian company owned by Mitsui of Japan, for a reported $278.7 million. The transaction was completed only after it was approved by the European Commission on condition that Caemi sell its 50% holdings in Quebec Cartier of Canada. CVRD is also reported to be negotiating the purchase of Cia Minera Autian of Mexico, a manganese mining company that is currently in some financial difficulty. The Mexican acquisition would give CVRD a solid take-off point into the North American market (*AMM* 12/11, 12/20, 1/10).

Dofasco Furloughs 70 in Iron Mine Shutdown: Dofasco, the Toronto steelmaker, is shutting down its Quebec Cartier iron mining operation, a joint venture with Caemi Mineracao e Metalurgia of Brazil. It is the seventh time in two years Quebec Cartier has idled operations. Seventy workers will be furloughed by the shutdown for an indefinite time. The company locked out its workers in a labor dispute in last April and shut down for three weeks in August (*AMM* 12/18).

LABOR/MANAGEMENT

Republic's Union Ratifies New Contract: Workers at Republic Technologies' eight plants in the U.S. and one in Canada recently ratified their new labor agreement with 62% voting in favor of the concessionary agreement. The contract was negotiated last fall and finalized in December between Republic and the United Steelworkers of America. Management will slash 200 jobs and cut pay checks by 15%. There was some Union criticism of Republic for announcing that a final agreement had been reached and publicly asking that it be in place by January 1, before a final vote was taken by the locals. One newspaper, the *Repository* in Canton, Ohio, where a Republic mill is located, reported that the initial reaction among workers there was negative.

The contract delays scheduled wage increases until Jan. 1, 2003, permits consolidation of health plans, allows modification of the employment security provisions and provides for more operating flexibility. It also preserves holiday, vacation and retirement benefits, adds a second union designated director to the board and institutes new profit sharing and employee stock ownership plans (*AMM* 12/18, 12/19, 1/18).

Algoma Workers Take Pay Cut: Workers at Canada's Algoma Steel Plant in Sault Ste. Marie, Ontario, voted just before Christmas to take a 15% pay cut in a new labor contract that will help the company avoid shutting its doors. The contact covers two Canadian locals of the United Steelworkers with a combined membership of 4,000 and was ratified by a vote of 78% of the plant workers and 94% of the office workers voting. Algoma has been operating under Canada's bankruptcy laws since last April and was in the process of implementing a restructuring plan. Just prior to the union vote, a group of creditors had agreed to a restructuring plan, provided that workers agreed to the labor contract with the wage concessions. This was a change of heart for the creditors who had turned it down only days before. According to sources close to the labor talks, the worker concessions also include a reduction of 800 employees in Algoma's work force (*Toronto Globe & Mail 12/8, 12/11, 12/22).*

WORTHY OF NOTE

Ship Breaking Expected to Increase: Ship scrapping around the world will probably rise considerably in the next four years, predicted *Lloyd's List*, a leading shipping newspaper. The article cited the reports of shipbrokers that referred to the next few years as the "great age in ship demolition." A major cause is the adoption of new oil tanker regulations requiring the phasing out of single-hulled tankers in favor of dual-hulled ships to minimize the likelihood of oil leaks in case of damage. Ship brokers predict that about 80 million deadweight metric tons (dwt) of tankers will be scrapped by 2005, or an average of 20 million dwt a year, compared with an average of 12.8 million dwt annually over the past four years. Last year alone the tonnage of ships scrapped rose by about 10% to 14.4 million dwt of tankers and 10.8 million dwt of other vessels.

The ship breaking industry has long been cited as one of the most dangerous and environmentally hazardous in the world. The job has increasingly been done in third world countries with very little protection for workers or the environment. A few years ago, after news articles exposed conditions at Alang ship breaking yards on the coast of India, the Indian government began to enforce stricter standards, but recent reports indicate that many of the new regulations are being ignored. In recent years, Greenpeace, the environmental action organization, has become increasingly active around the ship breaking industry. In January, Greenpeace activists boarded a Swiss ship at a ship breaking yard in Izmir, Turkey, and unfurled a large banner that said "Stop Toxic Ship Breaking." Seventeen people were arrested after Turkish police ended the protest.

Greenpeace contends that Turkey is being used by ship owners in Western Europe to scrap their ships because Turkey, much like India and Bangladesh, has no controls on ship scrapping. Greenpeace said that Turkey, as a candidate for EU membership, has the responsibility of adopting environmental laws banning the practice but has not done so. The EU, they contend, has the political responsibility to hold ship owners accountable for cleaning up their old ships but they look the other way when the ships are sent to Turkey to get around the laws (*AMM* 11/2, 1/17).

Steel Industry May Have Ally -- The Termite: Forget 201 litigation and industry restructuring. Forget consolidation and more efficient production. The U.S. steel industry may have found the path to a new road of prosperity. Steel companies that want to expand their businesses have a new silent partner that can help them create an unlimited demand for steel -- the termite.

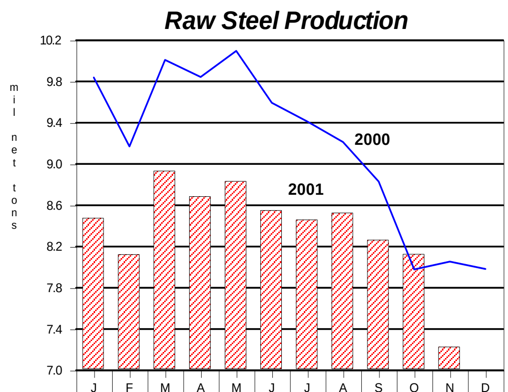
According to a recent report, homebuilders in Hawaii have increasingly been using steel-frame construction because of the plague of the Formosan termite that has caused large destruction in wood-framed housing. Industry sources say that steel-frame homes now account for 70% of all the new homes being built in Hawaii -- up from between 15 and 20% just 10 years ago. Steel framing of homes has apparently solved the problem, causing the Formosan termite to move on to fatter pickings elsewhere. The Formosa termite is now reported to have invaded the Gulf Coast states, particularly around the New Orleans area where it is inflicting great damage and has revived talk about using steel framing for home construction there.

Although steel framing had been heralded with some fanfare ten years ago as the future connection between the industry and home construction, it has developed very slowly. Its main obstacles have been engineering problems, poorer insulation quality than wood, increased time for installing the thousands of fasteners and labor training. However, one builder of steel-framed homes in Indiana, Gogolak Contractors/Crown Point, recently demonstrated its ability to build these homes competitively. At a "parade of homes" show, Gololak reportedly built steel-framed housing that came in mid-way in the price range, compared with wood. The homes were built in a time-efficient manner, and independent inspectors reportedly gave it a five-star rating in energy efficiency. Despite these developments, the use of steel for home framing has a long way to go in a market dominated by lumber (*AMM* 1/3, 1/7).

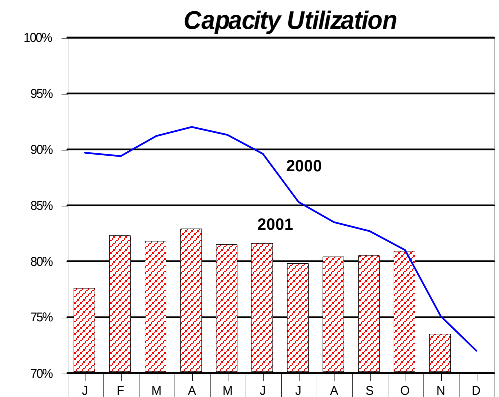
NOTES ON STEEL TRACK EXHIBITS

Performance data is from monthly AISI sources. ***Spot Prices*** (except OCTG) are from *Purchasing Magazine* and are FOB Midwest, with no extras. **Hot rolled sheet**, 48 inch, temper rolled, ASTM 569; **Cold Rolled Sheet**, 48 inch, AISI 366; **HD Galvanized Sheet,** 120 inch AISI 525, G90; **Coiled Plate**, A36, 1/2x96x240 inch; **Cold Finished Bar**, SBQ 1018; **Wide-Flange Beam**, A36, W8, 18 lbs; **Wire Rod,** low carbon; **Rebar,** carbon, no. 6. **OCTG** spot prices are from Pipe Logix, FOB Houston for J55 8REUE Seamless Tube.

Locker Associates Steel Track: Performance

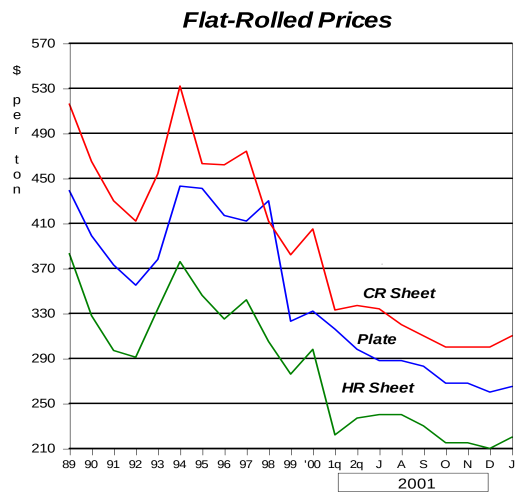


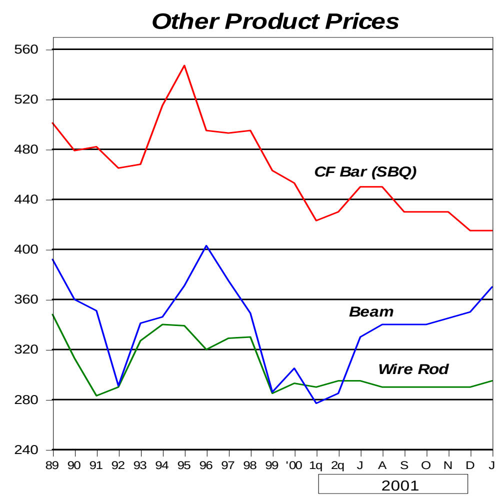
	J	F	M	A	M	J	J	A	S	O	N	D
2001	8.5	8.1	8.9	8.7	8.8	8.6	8.5	8.5	8.3	8.1	7.2	
2000	9.8	9.2	10.0	9.8	10.1	9.6	9.4	9.2	8.8	8.0	8.1	8.0



	J	F	M	A	M	J	J	A	S	O	N	D
2001	78%	82%	82%	83%	82%	82%	80%	80%	81%	81%	74%	
2000	90%	89%	91%	92%	91%	90%	85%	84%	83%	81%	75%	72%

Locker Associates Steel Track: Spot Prices





Spot Prices for Selected Steel Products, January & Year-To-Date

($ per net ton)

	Month of January			Year-to-Date		
	2002	2001	%Chg	2002	2001	%Chg
Hot Rolled Sheet..................	230	225	2.2%	230	225	2.2%
Cold Rolled Sheet.................	310	340	-8.8%	310	340	-8.8%
HD Galvanized Sheet.........	340	340	0.0%	340	340	0.0%
Coiled Plate..........................	283	312	-9.3%	283	312	-9.3%
Cold-Finished Bar (SBQ).......	450	430	4.7%	450	430	4.7%
Wide-Flange Beams.............	340	300	13.3%	340	300	13.3%
Wire Rod/Low Carbon...........	290	290	0.0%	290	290	0.0%
Rebar....................................	290	280	3.6%	290	280	3.6%
Average Spot Price+.............	317	315	0.6%	317	315	0.6%
OCTG Seamless Tube........	947	1025	-7.6%	947	1025	-7.6%
Scrap Price ($/gross ton)*......	88	107	-17.8%	88	107	-17.8%

Sources: Purchasing Magazine, Pipe Logix   + Composite price of 8 carbon products   *auto bundles

Table 5: Selected Canadian Steel Industry Data, September & Year-To-Date

(thousand tons)	Month of September			Year-to-Date		
	2001	2000	% Chg	2001	2000	% Chg
Mill Shipments	1,268	1,441	-12.0%	11,886	12,553	-5.3%
Exports	422	415	1.7%	3,832	4,308	-11.0%
Imports	460	773	-40.5%	4,569	6,833	-33.1%
Apparent Steel Supply	1,306	1,759	-25.8%	12,623	15,078	-16.3%
Imports as % of Supply	35.2	41.7	--	36.2	45.3	--

Source: CSPA 1/11/02

*"The monthly price, product, and market data keeps our negotiators well informed. We find the data very useful for our Steelworker locals. The **Update** serves as a guide for navigating through the North American steel industry and is read throughout Canada."* -- ***Leo Gerard***
President, United Steelworkers of America

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Steel Industry Update/164 *March 2002*

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After years of devastation, the federal government finally put forward some remedies to try to save what's left of the U.S. steel industry. President Bush's 201 decision offers some real protection to a severely injured industry, desperate for some relief from an avalanche of cheap imports and highly distressed prices. Steel managers and union leaders alike praised the President for his "courageous" action for imposing 8-30% tariffs on a wide variety of steel products. But Locker Associates is not certain the President's moves will prove beneficial to large portions of the domestic industry. Our skepticism primarily emanates from the following:

1. Too Late: First and foremost, a lot of damage has already been done and we're not sure that higher prices over the next several months can rescue many plants and their employees. The simple fact is a lot of companies were very badly wounded, many beyond repair. The government simply waited too long to stop the bleeding. The injured plants that survive will be scarred for life with only a fraction of their original capacity and employees intact. Table 2 lists the 21 plants idled or shut during the year 2001, with over 25 million tons of steelmaking capacity and 23,843 workers. And Table 3 presents the dismal fourth quarter financial results for major U.S. and Canadian steel mills. Thirteen of the 15 companies tracked by the *Update* generated significant losses on the operating line, the worst performance ever.

2. Too Weak: The administration imposed tariffs that only last three years (instead of four) and they decline 6% each year, reaching rather low levels. For instance, imports of HR sheet will be hit with 30% tariffs in year one, 24% in year two and 18% in year three -- probably not enough to hold back determined or desperate exporters.

Inside This Issue......

3. Too Little: The President's 201 decision provides only limited coverage for some major exporting countries and the list of "exceptions" keeps growing, putting the effectiveness of the entire program in jeopardy. The pressure mounts to keep adding more "exceptions" and we fear the President will cave in, especially when the administration needs support for some major international policy initiatives.

The sad reality is that the political-economic support for strong, sustained protection is undermined by the relentless march of international financial capital. Bush and the Republican Party's dependence on domestic industrial capital, along with an amazingly successful campaign organized by the United Steelworkers and all the major steel companies, managed to propel the 201 case to a favorable decision. Unlike the Democrats, who take labor and domestic industry for granted, the Republicans must seek the support of local businesses and working people to strengthen their electoral power.

Table 1: Selected U.S. Steel Industry Data, December & Year-To-Date

(thousand tons)	*Month of December*			*Year-to-Date*		
	2001	**2000**	**% Chg**	**2001**	**2000**	**% Chg**
Raw Steel Production	6,695	7,982	-16.1%	99,322	112,241	-11.5%
Capacity Utilization	65.9	72.0	--	79.2	86.1	--
Mill Shipments	6,872	7,559	-9.1%	99,448	109,050	-8.8%
Exports	439	472	-7.0%	6,144	6,529	-5.9%
Imports	2,235	2,361	-5.3%	30,080	37,957	-20.8%
Apparent Steel Supply*	8,314	8,909	-6.7%	116,944	131,922	-11.4%
Imports as % of Supply*	22.6%	20.5%	--	20.2%	22.3%	--
Iron Ore Shipments (metric)	3,744	5,052	-25.9%	51,424	59,682	-13.8%
Average Spot Price** ($/ton)	303	311	-2.6%	313	349	-10.3%
Scrap Price+ ($/gross ton)	85	93	-8.6%	103	115	-11.0%

*Source: AISI, Purchasing Mag., & US Geo. Survey *Excludes semi-finished imports **Avg price of 8 carbon products +auto bundles*

Table 2: 25 Million Tons of Steelmaking Capacity Has Already Been Idled or Shutdown (million net tons)						
#	Date	Company	Steelmaking Location(s)	Cap. MTPY	Employed	Retirees & Dependents
21	12/11/01	Allegheny Tech*..........	Houston, PA	0.25	220	n/a
20	12/08/01	LTV Steel..................	E Chicago/Cleveland (2)	8.70	10,800	71,400
17	11/14/01	Geneva Steel............	Vineyard, UT	2.60	1,650	500
16	10/25/01	Acme Metals.............	Riverdale & Chicago	1.20	1,781	6,300
15	9/28/01	Edgewater Steel..........	Oakmont, PA	0.04	140	200
14	8/01/01	Laclede Steel Co.........	Alton and Vandalia, IL	1.00	1,100	4,000
13	6/29/01	Empire Specialty.........	Dunkirk, NY	0.05	790	300
12	5/20/01	NW Steel & Wire.........	Sterling, IL	2.40	1,500	3,600
11	4/13/01	CSC, Ltd..................	Warren, OH	0.70	1,225	1,100
10	4/08/01	GST Steel.................	Kansas City, MO	1.10	600	600
9	3/30/01	Newport Steel*...........	Newport, KY	0.70	300	n/a
8	3/22/01	Trico Steel................	Decatur, AL	2.20	320	n/a
7	2/28/01	Austeel Lemont*..........	Lemont, IL	0.35	285	n/a
6	1/26/01	Qualitech Steel SBQ....	Pittsboro, IN	0.55	350	n/a
5	1/08/01	North Star Steel*.........	Kingman, AZ	0.50	300	n/a
4	8/21/01	Gulf States Steel.........	Gadsen, AL	1.10	1,900	400
3	8/12/01	Republic Tech............	Johnstown, PA	0.77	262	n/a
2	4/01/01	Green River Steel*.......	Owensboro, KY	0.06	70	n/a
1	1/01/01	Birmingham Steel*......	Memphis, TN	1.00	250	n/a
	Total			**25.27**	**23,843**	**88,400**

*Source: News reports as compiled by USWA (3/6/02)   * Plant shutdown without bankruptcy filing*

But the dominant player in U.S. politics is international finance capital, especially multinational banking institutions that profit the most from increased global trade and investment. This extremely powerful group supports both Democrats and Republicans, but ironically at this point in history it exercises more influence within the Democratic Party. So while President Bush was able to respond favorably to the desperate cries from U.S. steel companies and their workers, in our opinion international finance capital will slowly but surely weaken the 201 remedies, rendering them largely ineffective over the next 12 months -- all in the name of expanding trade, generating new jobs and improving living standards here in the United States.

BANKRUPTCIES AND TRADE

National Makes it 32: A day after President Bush announced tariffs of up to 30% for three years on many foreign steel imports, National Steel became the 32nd North American steel company to file for Chapter 11 protection since the current crisis began in 1998. What triggered the filing was not what the President did but what he didn't do. An industry request that $10 billion be used for legacy-cost relief was rejected by the White House, which tossed the ball to Congress instead. US Steel, which was in negotiations to acquire National Steel and other integrated mills in North America, had said that legacy-cost relief was a necessary part of its buyout plan. USS remains interested in acquiring National but still is considering what the President Bush's steel choices and National's bankruptcy will mean to its efforts (*AMM* 3/6).

Curtain Comes Down on Geneva Coke: Geneva Steel, which temporarily idled its mill in November and filed for Chapter 11 protection on January 25, has become the latest company to permanently shut down one of its operations. A few days before it announced its bankruptcy filing, the second in three years, it revealed that its coke-making operations would be closed down for good; a move the company said would save hundreds of thousands of dollars a month in maintenance costs. The move is only the latest in a string of idled and shutdown steelmaking operations -- since January 2001, some 21 facilities have met the same fate, resulting in the layoff of over 23,843 employees (see Table 2).

Some steel experts, most notably Robert

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Crandall, have asserted that the steel crisis has affected only the older, "less efficient" integrated mills, signaling the "death of integrated steelmaking." But statistics show that 46% of the capacity shutdown has been in electric furnace minimills, several of which -- North Star's Kingman, Ariz. plant, Birmingham Steel's Memphis Tenn. mill, Trico in Decatur, Ill, and Qualitech's mill in Pittsboro, Ind. were all less than five years old with highly efficient, up-to-date technologies. In fact, 46% of the shutdown capacity involved minimills using electric furnaces to produce steel (*AMM* 1/25, 1/29; *Yahoo Mail* 1/24).

Health & Pension Funds End at LTV: As bidders raced to buy out some of the shutdown assets of LTV, the company, which ceased operation in December, began notifying its 85,000 former employees and retirees that their health, life insurance, and pension plans were either ending or being transferred to the federal government. About 13,000 nonunion retirees got the news in January that their life and health insurance coverage would end at the close of February. Two weeks later, all hourly and salaried employees, most of them covered by union contracts, were told that, effective March 31, the federal government's Pension Benefit Guaranty Corp. will become the trustee of its major pension plans. PBGC guarantees about 80 cents on the dollar of those plans for which it assumes trusteeship. LTV also said that its retiree's health fund would be emptied by March 31 and that the health benefits of hourly union employee retirees would end as of that day. Unless relief from the federal government is forthcoming soon more companies will be facing similar deadlines, warned USWA union President Leo Gerard.

Meanwhile, in February, W.L. Ross & Co. of New York emerged as the leading bidder for LTV's steel production and finishing assets. The U.S. Bankruptcy Court in Youngstown, Ohio, Feb. 28 approved Ross' purchase of LTV assets for $327 million, of which $127.5 million was in cash and the remainder was for the assumption of all liabilities including environmental costs. Under the plan, Ross will take over the LTV mills in East Chicago and Cleveland, a finishing mill in Hennepin, Ill., and several other related facilities. It plans to produce about four million tons of flat-rolled steel annually; about half of LTV's output, using about 3,000 workers. Ross has begun discussions with the USWA on a new collective bargaining agreement (*AMM* 1/30, 2/15, 2/26, 3/1, 3/4).

EU, Mexico Launch Anti-Dumping Measures: Both the European Union and Mexico have begun their own 201-style actions to slow steel dumping into their countries. Pulling back from its initial complaints involving just CR and coated

Table 3: Performance of Major North American Steel Producers, 4Q01 & 4Q00

	Shipments (thousand tons)		*Sales* ($ millions)		*Oper Income* ($ millions)		*Sales/Ton* ($ per ton)		*Oper Inc/Ton* ($ per ton)	
U.S Integrated	4Q01	4Q00	4Q01	4Q00	4Q01	4Q00	4Q01	4Q00	4Q01	4Q00
AK Steel	1,426	1,595	$973	$1,060	$55	$46	$682	$664	$38	$29
Bethlehem	1,708	1,877	720	879	(170)	(116)	421	468	(99)	(62)
National	1,397	1,434	593	652	(171)	(76)	424	454	(123)	(53)
Rouge Steel......	619	566	224	231	(13)	(71)	361	408	(20)	(125)
U.S. Steel*........	2,204	2,315	922	878	(177)	(67)	420	454	(80)	(29)
Weirton	513	471	227	210	(40)	(50)	442	446	(78)	(106)
U.S. Totals........	**7,867**	**8,258**	**$3,657**	**$3,909**	**$(516)**	**$(334)**	**$465**	**$473**	**$(66)**	**$(40)**
Canadian Integrated (C$=US$0.63)										
Algoma	445	437	212	228	(46)	(11)	476	521	(104)	(24)
Dofasco	1,056	1,121	722	759	(1)	2	684	677	(1)	2
Stelco	1,097	1,106	600	612	(31)	(62)	547	553	(28)	(56)
Canada Totals	**2,598**	**2,664**	C$**1,534**	C$**1,599**	C$**(78)**	C$**(71)**	C$**590**	C$**600**	C$**(30)**	C$**(27)**
N.A. Minimills (US$)										
Birmingham	409	487	115	131	4	2	282	269	9	5
Co-Steel	532	574	150	168	(17)	(1)	281	293	(32)	(2)
Ipsco.................	605	560	223	232	(3)	18	368	414	(5)	32
Nucor................	2,889	2,471	980	1,010	43	120	339	409	15	49
Oregon	401	381	185	153	(3)	(10)	461	402	(8)	(26)
Steel Dynamics	465	459	139	153	(2)	15	298	332	(5)	32
N.A. Mini Totals	**5,301**	**4,931**	**$1,791**	**$1,846**	**$21**	**$144**	**$338**	**$374**	**$4**	**$29**

Source: Company documents. Note: Steel Segment, except Ipsco & Nucor. Includes profit-sharing; excludes non-recurring charges.
** Does not include Slovak operations*

flat steel, the EU is concentrating on developing a broad case for a wide variety of steel products. It appears that Eurofer, the European steel association, will ask EU member governments to impose safeguard restrictions on 22 such products. Most of the 22 products are covered in the U.S. case and the EU's action is aimed at preventing those products from being diverted from U.S. to European markets.

Mexico, meanwhile, raised its import tariff on 39 steel products in February from countries with which it does not have specific trade agreements. The tariff hikes, which were described as temporary, went from 25% to 35% and were seen mainly as barriers against imports from Ukraine and other countries of the former Soviet Union (*AMM* 2/7, 2/13).

Enron's Phantom Steel Mill Brings Down Huntco: Another one of Enron's convoluted operations has contributed to the bankruptcy of Huntco, a Missouri-based reroller. Facing a shaky financial picture, Huntco last year sold a CR mill to Enron for $27 million, $16 million in cash and the rest financed by a loan. Part of the deal was that Huntco agreed to purchase up to 600,000 tons of steel annually from Enron to be delivered to its other plants on a "just-in-time basis." What made the transaction so weird was that Enron never intended to operate the Huntco mill at all; it just wanted to keep it there as a possible hedge against any imposition of import restrictions in the future, using it for possible convoluted swaps of other facilities amid changing market conditions. With Enron's collapse, the wind has been knocked out of the sails of Huntco, which filed for Chapter 11 protection in Missouri last month (*AMM* 2/8, 2/11).

Outlook Gray for Wide Flange Beams: Despite the pullback of foreign imports after successful anti-dumping suits, the outlook does not appear good for a further rebound in wide-flange beam prices in the near future, according to industry sources. Demand has remained fairly constant but the introduction of new capacity this summer with Steel Dynamics new plant coming on line could threaten even the $40 to $50/ton increase of the past six months. According to *Purchasing Magazine*, the average price for WF beams in December was $350/ton; it went to $370 in January but dropped back in February to $355. "I'd be shocked if there was an increase," said one distributor. Some, however, saw a bit of silver lining on the cloud, saying that an economic improvement could give a boost to the construction industry, strengthening demand (*AMM* 2/20).

INDUSTRY CONSOLIDATION

Birmingham Sues Nucor, Spurns Buyout Bid: After two years of back and forth acquisition talks, Nucor pitched an offer last month to buy out Birmingham for $500 million but the bid was unlikely to even make it to first base. The offer was for Birmingham's four steel-operating facilities and would not involve any assumption of Birmingham's debt, reported to be between $500-$600 million. Birmingham officials noted immediately that there was nothing in it for Birmingham shareholders. Others also pointed out that some of the Birmingham mills may be in current competition with Nucor and the deal could pose possible anti-trust problems.

Recently Nucor has vigorously pursued consolidation, using extremely aggressive price-cutting policies in some areas to put pressure on competitors (*see items on Rebar and Merchant Bar in Prices and Shipments section below*). A few weeks before the Nucor bid, Birmingham filed a lawsuit against Nucor, alleging that it used its merger discussions with Birmingham to obtain confidential information. Birmingham claimed that Nucor used the information to "intentionally and maliciously" interfere with Birmingham's business relations, making "false and misleading statements" to Birmingham's customers, vendors and creditors. Nucor called the lawsuit "without merit" (*AMM* 2/15, 2/18, 2/25).

Stelco, Kawasaki Broaden Accord: Stelco, based in Ontario, Canada, and Kawasaki Steel of Japan, operating under a technology exchange agreement since 1990, have agreed to expand their pact. The two companies plan to move jointly into further technological areas aimed at steel use in automobiles and in oil and gas transmission. In a Feb. 11 statement, they said that they plan to strengthen their ties in manufacturing and development of automotive sheet steel and automotive-critical bar products and in technological improvements for large diameter pipe for oil and gas distribution. With industry consolidation moving into the forefront, the new agreement raised the possibility of merger talks on the agenda in the not-too-distant future (*AMM* 2/12).

Nippon, SMI Moving Toward Combination: Japan's Nippon Steel and Sumitomo Metal (SMI) appear to be getting closer to a formal combination with an announcement in late February that they would be setting up an "alliance promotion committee" to examine previously identified areas of cooperation. The areas include stainless steel production and the operations at SMI's Wakayama Works. The two integrated mills have been producing H-beams for each other for a few years (*AMM* 2/28).

PRICES AND SHIPMENTS

Stainless: Prices for stainless steel coiled plate have remained steady over the past several months. Flat plate tags have also held even with just two exceptions -- grades 309 and 310, both jumping by 9.9% in two months to $3,485 and $4,340/ton respectively. Grade 304 was down 3.3% from $1,845 to $1,785/ton, and grade 304L dropped 0.8% from $1,840 to $1,825/ton. Grades 316 and 316L were virtually unchanged. Stainless coiled plate was pretty much unchanged on all products -- grade 304 at $1,175/ton, grade 304L at $1,250/ton, grade 316 at $1,760/ton, and grade 316L at $1,730/ton.

Stainless bar product prices were off by 1.8% over the last two months, but industry sources were predicting that the final duty margins against imports from five European countries handed down by the Commerce Department in January would mark a turnaround toward recovery in the bar market. Major product price slides were in grades 416 and 17Cr4Ni, both declining 2.9% to $2,040 and $2680/ton respectively. Grade 316 was off by 1.4% to $2,740/ton, grade 303 dropped by 0.9% to $2,270/ton, and grade 304 was down by 0.9% to $2,210/ton.

Finally, in the stainless pipe market, an increase in orders has led one company, Marcegaglia USA/Munhall, Pa., to try to hike tags by 5 to 10% on all pipe products beginning with orders received March 4. Price levels are now at $2,100/ton for grade 304, 1-inch, $1,650/ton for grade 304, 4-inch, $2,750/ton for grade 316, 1-inch, and $2,150/ton for grade 316, 4-inch (*AMM* 1/21, 1/25, 2/13).

Wire Rod: While some steelmakers had announced a price hike, effective April 1, of $35/ton, Rocky Mountain Steel is implementing an increase of $20 to $40 and tailoring its prices to the volumes purchased and the extras for specialty requirements for each product. Called a "pricing matrix system," the price policies are designed to adjust prices for various tensile levels and size extras in steel down to 5 millimeters, and for copper and chrome restrictions, nitrogen control, boron treatment and ferromanganese additions (*AMM* 1/30).

Rebar: In the rebar and merchant bar markets, the big question has become, "What are Nucor's intentions?" Some industry watchers have begun to fear that the minimill giant is bent upon waging an all-out war on its competitors, using aggressive price-cutting to drive out smaller firms and further dominate the industry. In rebar, a $25/ton hike on tags for the second quarter sagged in late January as Nucor appeared to pull the rug out from under the increase. Steelmakers left hanging were Birmingham, Commercial Metals Steel Group, and AmeriSteel of Tampa, Fla. Instead, Nucor announced a more modest $15/ton hike. With Nucor's motives uncertain, the smaller wire rod producers felt that they could not compete with the industry giant and have begun lowering their own price hikes to about 15% (*AMM* 1/31).

Merchant Bar: Nucor again is the big question mark. Four months after Nucor cut merchant bar prices by $20/ton, several producers are looking to move the price back up by that amount, effective March 4. They acknowledged, however, that the success of the move depended upon whether Nucor, the market leader, would follow suit. Those seeking increases are AmeriSteel/Tampa, Fla., Bayou Steel/LaPlace, La., Co-Steel's Lasco division/Whitby, Ontario, and North Star. Birmingham Steel said it would follow the hikes.

Nucor itself made no comment on the impending hikes, saying merely that they "would review it." An AmeriSteel spokesman called the increases an attempt to reverse the situation in which "everything in merchants has been at historic lows for some time" (*AMM* 2/5).

Slab: According to California Steel Industries, the largest domestic slab buyer, prices have sagged by 9% from the fourth quarter of last year. CSI's latest negotiations for the first-quarter of this year closed with an average price below $160/metric ton delivered to Los Angeles. Last year's fourth quarter price was about $176/metric ton. CSI annually buys and converts about 1.8 million net tons of slab.

Of the variety of steel products singled out for tariff restraints by the President, slab was among those least affected. Imports of up to 5.4 million tons, about equal to the 2000 level, will be allowed tariff-free, with slab imports from Canada and Mexico excluded. The move was seen as a plus for Russia, one of the world's biggest slab producers (*AMM* 1/31; *NY Times* 3/6).

OCTG: For the last few years, OCTG products seemed immune to the declines in the steel industry as climbing energy prices pushed tube prices skyward. But, as all good things seem inevitably destined to end, so it is with OCTG, as energy prices, and consequently, drilling activity has fallen off. In February, it was reported that natural gas was now selling at $2.20/thousand cubic ft., a drop of 62.7% from its $5.90 level at that time last year, while West Texas crude oil was down 34.2%, from $30.53/barrel at this time last year to $20.08 today. The resulting price drop in OCTG was 2.2% in January and another 1.8% in February, according to Pipe Logix, the New Mexico information service that follows the OCTG market. Producers and distributors, however, have predicted that the decline is only temporary, a working off of inventory buildup, and are hoping for a rising trend in prices in the second half of this year (*AMM* 2/6, 3/4).

Plate: Despite flat demand, mills are vigorously trying to raise the prices of their products, and appear to be meeting with some degree of success. A round of plate price hikes in February appears to have held, boosting carbon cut-to-length plate to about $290/ton, carbon coiled plate to about $310/ton and HSLA plate to about $330/ton. The result has emboldened plate producers still further and a number of them have announced a second increase of about $20/ton on the three categories, effective April 7.

Meanwhile plate prices on the West Coast have defied predictions of a rise in the wake of the idling of Geneva Steel's in November. Buyers have been somewhat surprised that West Coast prices have remained flat despite the fall in supply. While plate prices in the region did inch up by about $10/ton in January, they have since eroded by half that amount as demand has not picked up. Delivered prices for A36 plate are now reportedly $310 to $325/ton and inventories have yet to be worked off. The West Coast's only remaining manufacturer of carbon plate is Oregon Steel (*AMM* 2/14, 2/27).

LABOR/MANAGEMENT

Union Steps Up AK Campaign: Over the past two months, the United Steelworkers has made several moves in its nearly three-year war with AK. Ever since the company broke off union negotiations and locked out the workers at its Mansfield, Ohio plant, in August 1999, charges, counter charges, lawsuits, violence and suspicion have replaced the normal collective bargaining process. One of the major talking points of AK has been its claim that it is one of the most profitable companies in the industry and that it has led integrated steelmakers in operating profits per ton.

Now, in a series of recently released investigative reports aimed at the investment community, titled *Inside AK Steel*, the USWA analyzes what it calls "the raw reality behind AK Steel's financial reports." In its first issue, it charges that the company's pension fund, "which has contributed significantly to operating earnings, could make a negative contribution to AK Steel's operating earnings in 2002 and beyond." This is due, the report says, to the company's continued use of a higher discount rate assumption than is warranted by SEC and Federal Accounting Standards Board guidelines.

In the second report, it challenges the company's claim that it has led the integrated steel industry in operating profit per ton for the last seven years. "In fact," the union says, "AK Steel has a legitimate claim to the number one position only for 1999" and charges that AK has used different accounting methods -- one for itself and one for its competitors to arrive at its claim. For its competitors, says USWA, AK calculates only the profit made in the steel sector, not in other enterprises the company owns. But for AK, the USWA says, all enterprises owned by the company, including its pension funds and a Houston real estate venture are included to calculate its operating profits. A third report challenges the company's use of operating profit per ton as a flawed measure of its performance.

An AK spokesman branded the USWA report as "only the latest in a long list of desperate, coercive attempts" by the union to put pressure on the company to end its lockout at Mansfield and "accede to the USWA's bargaining demands." In another development, the union proposed settling the situation at Mansfield by submitting all the unresolved issues to binding arbitration, a move rejected by AK (*AMM* 1/25, 2/1, 2/20, 3/1; *Inside AK Report #1, #2, #3 of USWA)*.

Republic Workers Ratify New Contract: By a vote of 1,864 to 1,143, workers at Republic Technology plants approved a new contract that will cut 200 jobs, decrease pay by 15% and reduce other benefits. The company, currently in bankruptcy had maintained that it could not continue its reorganization plan unless it had a new labor contract. The old one was due to run out in Oct. 2003. It will be replaced by the new one whose expiration date is April 2006. Even with the new labor contract in place, there was no guarantee that Republic's reorganization could go forward; it must still be approved by creditors and bondholders as well as the bankruptcy judge (*AMM* 1/18).

RAW MATERIALS

Scrap Slowly Coming Back: For the third month in a row, auto bundles moved upward in

March. After a low point of about $84.50/metric ton in December, the AMM Factory Bundles Index moved up about $3 in January, $5 in February and $2.50 in March to $95/metric ton. The rise, as analysts noted was uneven depending upon the region of the country with minimills in some areas anxious to assure a prompt supply of industrial steel scrap. The rise was aided by reports of tightening supplies in some locations of key steelmaking grades such as No. 1 busheling (*AMM* 2/1, 2/8, 3/1).

Nucor Sells Failed Trinidad Plant: After throwing in the towel on a new iron carbide mill in Trinidad, Nucor has sold the facility to the National Gas Co. of Trinidad & Tobago for about $20 million. The new owners are currently investigating a restart of the mill, which was designed to turn out 320,000 tons of iron carbide annually. Nucor shut down the mill after more than five years of trouble-plagued operations and closings for retrofits. It reportedly lost over $200 million on what would have been the first commercial iron carbide plant. The plant used plentiful natural gas to produce, via a new technology, high-quality iron units to substitute for more expensive low-residual scrap (*AMM* 2/20).

Pig Iron Market Slows Down: The market for merchant pig iron seems to have leveled off last month and industry sources now see a period of relative stability in demand and prices. Prices at the end of last year, particularly in the Far East were in the neighborhood of $128 per metric ton, but they now seem to have settled at a level of $120. Pig iron traders consider this price to be more sustainable. Current prices for pig iron coming into the Gulf ports are about $116 per metric ton with most of it coming from Brazil. Last year most mills in Brazil had cut their production, causing a tightening of supply that has not been completely overcome (*AMM* 2/28).

CAPACITY/TECHNOLOGY

Mozambique Slab Mill Major Casualty in Enron Saga: Enron's bankruptcy has resulted in the cancellation of one of its grand plans for the steel industry -- a $1.1 billion slab mill in Mozambique. The Mozambique News Agency reported that the mill, called the Maputo Iron and Steel Project, was to have an annual capacity of 2 million metric tons. "The project seemed like a long shot anyway," commented one executive of Midrex/Charlotte, N.C., a company that was once involved with the proposal (*AMM* 1/29).

Acerinox Adds Melt Shop in Kentucky: With the start-up of a melt shop at its Ghent, Ky. mill, North American Stainless has become the world's third biggest producer of stainless steel. North American is owned by the Acerinox SA group which now has fully integrated stainless production capabilities at three of its mills -- Ghent, Campo de Gibraltar in Spain, and Middleburg in South Africa. Combined, the three have a capacity of 2.5 million tons or 14% of 2001 world production (*AMM* 2/7).

END USE MARKETS

New High Strength Steel Vehicle Near Debut: A new midsize family automobile, at least as strong but weighing one-quarter to one-third less than current autos in its class is one of two virtual vehicles that has been developed by the UltraLight Steel Auto Body-Advanced Vehicle Concepts (ULSAB-AVC) consortium. Commissioned by the American Iron and Steel Institute to compete with lighter metals, the car uses new high-strength steels in 80% of its structure, with conventional high-strength steels making up the other 20%. The vehicle was developed with the assistance of Porsche Engineering Services, Troy, Mich. The five-passenger car weighs about 2,200 pounds, compared with current midsize autos weighing between 2,900 - 3,400 pounds. It will average 52 miles per gallon. The engines have been described by Porsche as way ahead of "their real-world counterparts" in performance and efficiency. The costs of manufacturing the cars would be between $9,500 and $10,500. All the steel industry has to do now, commented *AMM's* Al Wrigley is "to prove to automakers individually that the technology associated with its ULSAB-AVC program works, and transfer that technology to those companies and their parts suppliers" (*AMM* 2/6, 2/11).

Home Construction: Seeking to expand in the huge residential construction market, a number of steel companies are working to crack open the door to a domain traditionally dominated by wood. Worthington Industries' Dietrich Metal Framing unit has entered into a partnership with Centrex Homes of Columbus, Ohio, to build 200 homes using Dietrich's metal floor system. Last month's ***Update*** carried an item about the increased use of steel beams for homes in high termite areas. Other advantages abound in the use of steel for flooring and other home construction areas.

Among the obstacles to the use of steel are engineering problems, poorer insulation quality than wood, increased time for installation, and labor training. Nucor is reportedly looking for ways to penetrate the home construction market, recently forming a "strategic alliance" with Trustwal Systems Corp., a supplier of software design systems for the construction and building components industries. The alliance has been seen in the industry as a serious attempt to increase the use of steel in home and light commercial, low-rise construction. Steel-framed homes now account for less than 3% of the new-home construction market (*AMM* 2/7, 2/11).

WORTHY OF NOTE

Service Centers Upset by USS's Straightline: US Steel's new Straightline service, which will allow buyers to make direct online purchases from the company, has stirred deep fears in service centers because the new system of distribution could undermine their business. Straightline recently opened operations in the Florida panhandle, eastern Mississippi, and Alabama, joining the Carolinas, greater Atlanta, greater Chicago and northeastern Tennessee. It is planning to open in other areas of the United States this year, initially only selling flat-roll. If successful, the expansion of Straightline has the potential of radically changing the steel market, a prospect that is making the traditional middlemen increasingly nervous (*AMM* 1/23).

World Steel Output Fell Less than 1% in 2001: Despite the sluggish steel market, total production of crude steel fell less than 1% in 2001. The major declines were in North America (-11%), South America (-4%), European Union (-3%), and Japan (-3%). The former Soviet Union was relatively unchanged. But the declines were more than offset by production increases in Asia (4%), particularly China whose output dramatically rose by 13%. Turning out 143 million metric tons, Chinese production now accounts for 17% of the world's steel output. Without doubt, Asia is now seen as the new market for steel, replacing the more traditional markets in Europe and Japan, as newer Asian economies, particularly China, increase their industrial output (*AMM* 1/23, 2/5).

RMSM Has 60 Days to Meet Air Standards: The Colorado Air Quality Control Commission in January denied Rocky Mountain Steel a stay in the application of tougher standards in its melt shop. The problem involves an electric furnace installed in 1977 that the state says must be upgraded to comply with new performance standards in the federal Clean Air Act. Rocky Mountain now has 60 days to comply with the tougher standards. The United Steelworkers of America, which has been locked in a labor dispute with company for several years, hailed the decision and charged that Rocky Mountain had long been resisting efforts to bring it in line with standards set by both the state agency and the federal EPA. The company said it was hoping to work out a settlement with the EPA before the 60-day deadline (*AMM* 1/24).

Nickel Production Climbing in Cuba: With 34% of the global nickel ore reserves, Cuba is among the world's top 10 producers. Nickel is a key component for stainless steel production and the U.S., the EU and Japan import all of their requirements. Cuba's nickel production has been steadily increasing, due to improvements in processing, according to Niref, the European sales agency for Cuba's state owned enterprise, Cubaniquel. Output was up 7% last year to 76,600 metric tons and production this year should climb another 9 or 10% to 84,000 metric tons. But none of this production will directly reach domestic mills due to the ongoing U.S. trade embargo against Cuba.

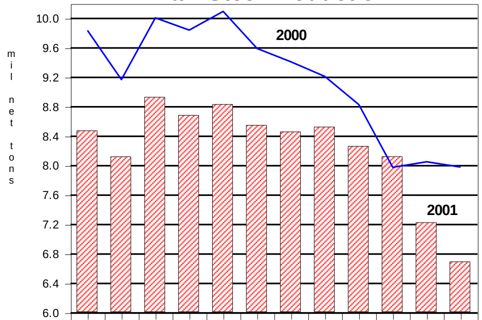
In another world nickel development, Inco, North America's largest nickel producer, has recovered from a downturn and is possibly being eyed as a potential takeover target by mining firms around the world, including Rio Tinto, Anglo American or BHP Billiton. The Toronto-based firm has rich, underdeveloped assets that could prove very attractive. Management is expected to announce soon a development partnership for the Goro Nickel project in New Caledonia in the South Pacific. And Inco is still holding in reserve the huge Voisey Bay nickel, copper and cobalt deposit in Newfoundland and Labrador. During the Cold War, the U.S. government (with CIA assistance) provided Inco with special protection due to its strategic importance to the U.S. stainless steel industry, a key defense supplier. But the U.S. government's outlook has probably changed, making Inco fair game for a powerful international mining firm on the prowl for undervalued assets (*AMM* 1/29, 2/4).

NOTES ON STEEL TRACK EXHIBITS

Performance data is from monthly AISI sources. ***Spot Prices*** (except OCTG) are from *Purchasing Magazine* and are FOB Midwest, with no extras. **Hot rolled sheet**, 48 inch, temper rolled, ASTM 569; **Cold Rolled Sheet**, 48 inch, AISI 366; **HD Galvanized Sheet,** 120 inch AISI 525, G90; **Coiled Plate**, A36, 1/2x96x240 inch; **Cold Finished Bar**, SBQ 1018; **Wide-Flange Beam**, A36, W8, 18 lbs; **Wire Rod,** low carbon; **Rebar,** carbon, no. 6. **OCTG** spot prices are from Pipe Logix, FOB Houston for J55 8REUE Seamless Tube.

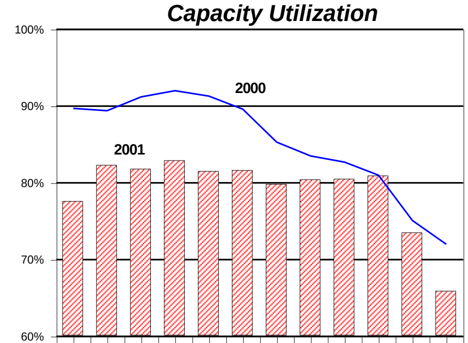
Locker Associates Steel Track: Performance

Raw Steel Production



	J	F	M	A	M	J	J	A	S	O	N	D
2001	8.5	8.1	8.9	8.7	8.8	8.6	8.5	8.5	8.3	8.1	7.2	6.7
2000	9.8	9.2	10.0	9.8	10.1	9.6	9.4	9.2	8.8	8.0	8.1	8.0

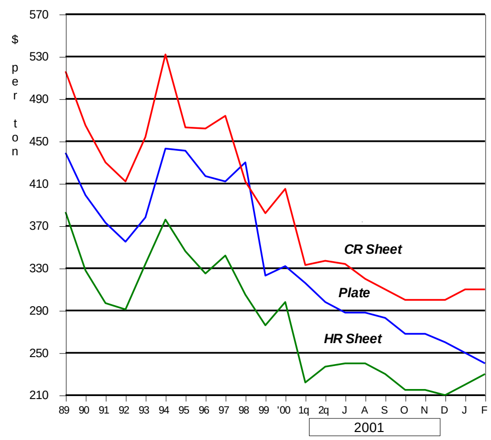
Capacity Utilization



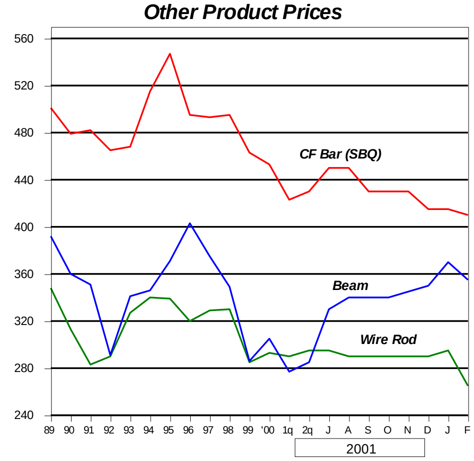
	J	F	M	A	M	J	J	A	S	O	N	D
2001	78%	82%	82%	83%	82%	82%	80%	80%	81%	81%	74%	66%
2000	90%	89%	91%	92%	91%	90%	85%	84%	83%	81%	75%	72%

Locker Associates Steel Track: Spot Prices

Flat-Rolled Prices



Other Product Prices



Spot Prices for Selected Steel Products, February & Year-To-Date

($ per net ton)

	Month of February			*Year-to-Date*		
	2002	***2001***	***%Chg***	***2002***	***2001***	***%Chg***
Hot Rolled Sheet..................	*230*	*220*	*4.5%*	*225*	*223*	*1.1%*
Cold Rolled Sheet.................	*310*	*330*	*-6.1%*	*310*	*335*	*-7.5%*
HD Galvanized Sheet.........	*330*	*340*	*-2.9%*	*330*	*340*	*-2.9%*
Coiled Plate.........................	*240*	*316*	*-24.1%*	*253*	*314*	*-19.6%*
Cold-Finished Bar (SBQ).......	*410*	*420*	*-2.4%*	*413*	*425*	*-2.9%*
Wide-Flange Beams.............	*355*	*265*	*34.0%*	*363*	*283*	*28.3%*
Wire Rod/Low Carbon...........	*265*	*290*	*-8.6%*	*280*	*290*	*-3.4%*
Rebar....................................	*280*	*280*	*0.0%*	*283*	*280*	*0.9%*
Average Spot Price+.............	*317*	*315*	*0.6%*	*307*	*311*	*-1.4%*
OCTG Seamless Tube........	*934*	*1027*	*-9.1%*	*941*	*981*	*-4.1%*
Scrap Price ($/gross ton)......*	*93*	*87*	*6.9%*	*91*	*97*	*-6.7%*

*Sources: Purchasing Magazine, Pipe Logix   + Composite price of 8 carbon products   *auto bundles*

Table 4: Selected Canadian Steel Industry Data, November & Year-To-Date

(thousand tons)	*Month of November*			*Year-to-Date*		
	2001	**2000**	**% Chg**	**2001**	**2000**	**% Chg**
Mill Shipments	1,321	1,441	-8.3%	14,616	15,350	-4.8%
Exports	433	415	4.3%	4,716	5,186	-9.1%
Imports	578	773	-25.2%	5,730	8,242	-30.5%
Apparent Steel Supply	1,466	1,759	-16.7%	15,630	18,406	-15.1%
Imports as % of Supply	39.4	41.7	--	36.7	44.8	--

Source: CSPA 3/12/02

Steel Industry Update/165 **April 2002**
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The worst crisis since the Great Depression hit the U.S. steel industry in 2001. The results were devastating as more than 20 firms filed for bankruptcy and thousands of workers lost their jobs. After an agonizing delay, the Bush Administration finally imposed 201 tariffs to help rescue what's left of the industry. This yearly Roundup issue reviews some of the main developments associated with the crisis and reflects on some of the larger issues confronting the North American steel industry.

The monumental decision to impose 201 tariffs should provide the U.S. steel industry with desperately needed breathing room. But mounting pressure to weaken the restrictions, along with a totally inadequate customs system, could undermine this badly needed relief.

♦ It is estimated that 65-75 percent of U.S. steel imports are *exempt* from the tariffs imposed under Section 201. This includes products from our NAFTA neighbors to the north and south, Canada and Mexico, representing 25 percent of the foreign steel brought into the U.S. According to Prudential Securities analyst John Tumazos there are four other exemptions that could seriously limit the impact of the 201 tariffs: (a) 5.4 million tons of semi-finished slab, (b) 5.8 million tons from the developing world, (c) 2 million tons of various products excluded from Section 201 tariffs or restraints and (d) an estimated 3 million tons of steel that will find exemptions after petitions to the USTR are reviewed. In other words, of the 30.1 million tons of steel that entered into the U.S. last year, 22.8 is likely to be exempt from the 201 tariffs.

♦ *Business Week* (5-6-02) recently noted that "The real political fight [regarding the 201 steel import tariffs] will be over who gets exemptions. Already there are signs that the Administration intends to hand out waivers liberally." In other words, there is a real danger that the Bush Administration will water-down the restrictions as pressure mounts from our allies, the financial community and powerful steel buyers.

♦ Another key consideration, which has largely been ignored, is the impact of our customs operations. First, the import value for steel products brought in the United States, contrary to common belief, is set by the importer and not the U.S. government. According to Customs officials, the declared values are rarely challenged. Now here's the catch. Tariff payments are calculated as a percent of the declared import value, providing an enormous incentive for importers to provide a low value. By paying a lower tariff, they are able to reduce the final transaction price since that figure usually includes the full value of the tariff payment. The unnoticed impact of all this is lower U.S. prices.

♦ Second, many steel products are mislabeled to lower their declared value, often downgraded from higher value products to lower value items. Importers know that U.S. Customs is woefully understaffed and poorly trained to detect mislabeling, mostly due to drastic budget cuts.

♦ Third, importers will tend to shift to exempt or lower tariff products to maintain their U.S. market presence. Japanese mills have already an-

Exhibit 1: Selected U.S. Steel Industry Data, 1997-2001p

(thousand tons)	1997	1998	1999	2000	2001p	'00/'01 % Chg
Raw Steel Production	108,561	108,752	107,395	112,241	99,322	-11.5%
Capacity Utilization	89.4%	86.8%	83.8%	86.1%	79.2%	--
Mill Shipments	105,858	102,420	106,201	109,050	99,448	-8.8%
Exports	6,036	5,520	5,426	6,529	6,144	-5.9%
Total Imports	31,157	41,520	35,731	37,957	30,080	-20.8%
Apparent Steel Supply*	124,621	131,644	127,925	131,922	116,944	-11.4%
Imports as % of Supply*	19.9	26.4	21.2	22.3	20.2	--
Iron Ore Shipments	62,737	61,253	57,871	59,684	51,424	-13.8%
Total Employment (000's)	163	160	153	151	141	-6.6%
AISI Companies (000's)	112	110	102	100	na	na
Hourly (000's)	84	82	76	74	na	na
Salaried (000's)	28	28	26	26	na	na
Hourly Emp Cost/Hour	$34.75	$34.57	$35.34	$36.33	$38.21	5.2%
Average Spot Price ($/ton)**	$415	$398	$343	$349	$313	-10.3%

*Source: AISI, Pur. Magazine & U.S. Bur. of Mines *Excludes semi-finished imports **Composite price of 8 carbon steel products*

Exhibit 2: U.S. Annual Product Spot Prices: Actual and Projected

($/ton)	Actual 1995	1996	1997	1998	1999	2000	2001	Projected 2002	2003	2004
Hot-rolled sheet	346	326	342	306	277	298	227	293	276	252
Cold-rolled sheet.............	502	463	474	412	386	405	321	412	388	354
HD galvanized sheet........	527	514	571	524	430	420	341	429	405	369
Coiled mill plate	441	417	410	431	322	313	292	305	322	316
Cold-finished bars............	547	495	493	495	461	453	430	522	549	539
Wide-flange beams..........	371	404	375	348	287	305	312	445	468	460
Reinforcing bars #6..........	290	302	327	334	301	295	291	349	367	360
Wire rod/low carbon.........	339	333	329	331	287	293	288	355	374	367
Carbon Avg Price...........	**420**	**407**	**415**	**398**	**343**	**348**	**313**	**389**	**393**	**377**
Seamless tubing J55........	931	965	1,019	995	849	983	1,004	na	na	na
Stainless 304 sheet	2,328	2,096	1,945	1,795	1,629	1,760	1,342	1,530	1,639	1,593
Stainless 316 plate	2,788	2,638	2,463	2,050	1,898	2,123	1,715	2,721	2,915	2,834
Auto bundles....................	158	149	154	136	115	115	103	na	na	na
No. 1 heavy/Chicago........	144	136	140	119	102	97	78	na	na	na
No. 1 heavy/Pittsburgh.....	141	138	133	102	98	103	74	na	na	na

Sources: Purchasing Magazine, Buying Strategy Forecast (4/8/02) and Pipe Logix na - not available

nounced that they will pursue this strategy, looking for niche markets that will allow them to circumvent the 201 restrictions.

♦ According to leading steel analysts, imports will be about 29 million in 2002 -- a drop of only 3% from 2001 level of 30 million tons (*Steel Industry Update #163* – February 2002).

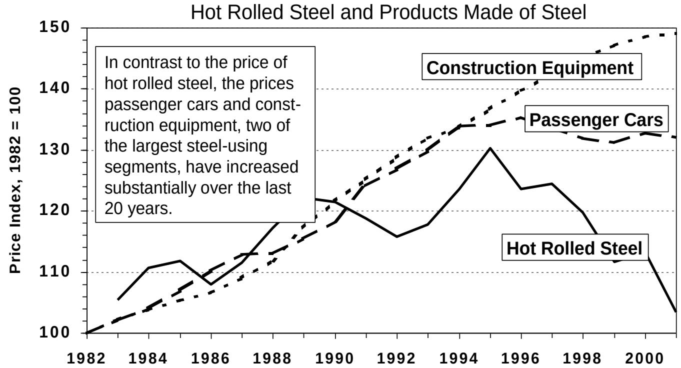
The dramatic surge in steel spot prices since the 201 decision will be blunted by a very weak economic recovery, both in the U.S. and abroad. The rise in steel prices should have little-to-no impact on the price of steel intensive products such as autos or appliances.

♦ Spot prices have jumped substantially since December 2001, especially after the 201 decision, but weakening demand during the rest of this year should undermine some of those gains (see Exhibit 2). *Purchasing Magazine* reports HR spot prices have climbed to $325 per ton, up from $237 at the beginning of the year, and CR prices have reached $456 per ton, also up $100 since January. But Locker Associates is skeptical these lofty price levels will hold through the third and fourth quarters, primarily because the recent surge in panic buying is not driven by any real growth in demand, especially in the all-important capital goods sector. This recent boost in demand is largely driven by a major swing in steel buyer inventory, with customers desperately trying to rebuild their depleted stocks at lower prices, even double ordering to protect their position.

♦ Regardless of their endurance, price increases will not drive up the cost of steel dependent goods -- as opponents of 201 restraints loudly proclaimed. As Exhibit 3 shows, steel prices have plummeted over the last five years, while the price of passenger cars and construction

Exhibit 3: Producer Prices

Hot Rolled Steel and Products Made of Steel



Note: Producer Price Indices, not seasonally adjusted.
Source: Department of Labor, Bureau of Labor Statistics. United Steelworkers of America

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equipment, two major steel using industries, were static or steadily increased (using 1982 dollars). Obviously, if prices for these industries were as dependent on steel as some purport, one would expect that such a relationship be in effect when prices decrease as well as increase.

The collapse in prices, generated by the continuing high level of low-priced imports and the overall recession, drove 33 U.S. steel companies into bankruptcy over the last four years. Canadian producers faired much better during the crisis.

♦ The devastation has been horrific; firms employing 72,567 workers and controlling almost 45 million tons of steelmaking capacity have been subject to financial collapse (see Exhibit 4). Between 1998 and 2001, average carbon spot prices dropped 21%, U.S. iron ore shipments fell 16% and apparent steel supply slipped 11% (see Exhibit 1). Throughout this four-year period, low-priced imports crushed domestic mills by remaining above 30 million tons, reaching a record-breaking 40.5 million tons in 1998.

♦ Canadian steelmakers were more resilient over the last four years despite being hit with an avalanche of non-U.S. imports (see Exhibit 9). Average spot prices also declined 20%, but unlike the U.S. flat-rolled products held up rather well with CR and galvanized remaining well above U.S. prices. As a result, far fewer Canadian firms were driven into bankruptcy and employment levels held steady.

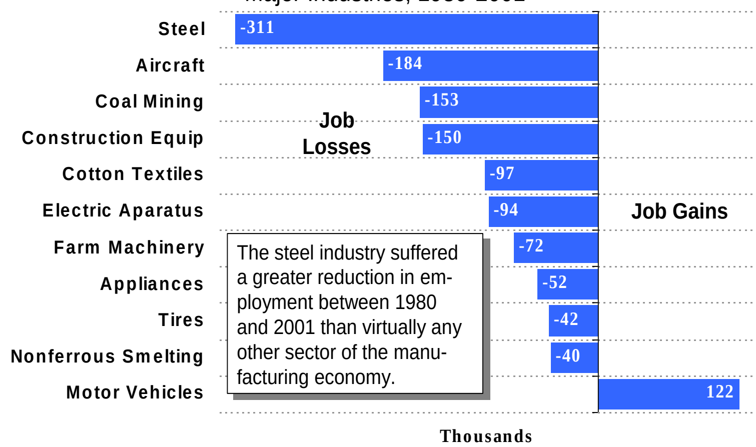
Exhibit 4: U.S. Steelmakers Filing Bankruptcy, 1997-2002

Company	Filing Date	Annual Capacity	Segment	Union	Emp.	Status
33. Calumet Steel.........	3/19/02	0.2	Steelmaking	USWA	210	Closed
32. National Steel.........	3/6/02	7.0	Steelmaking	USWA	9,283	Operating
31. Huntco, Inc............	2/4/02	--	Processing	Non-Union	553	Closed
30. Action Steel...........	12/28/01	--	Processing	Non-Union	140	Operating
29. Sheffield................	12/7/01	0.6	Steelmaking	USWA	610	Operating
28. Metals USA............	11/15/01	--	Distribution	Several	4,700	Operating
27. Bethlehem Steel......	10/15/01	11.3	Steelmaking	USWA	13,000	Operating
26. GalvPro................	8/10/01	--	Processing	Non-Union	60	Closed
25. Riverview Steel.......	8/7/01	--	Processing	USWA	60	Operating
24. Edgewater Steel......	8/6/01	--	Specialty	USWA	140	Closed
23. Laclede Steel.........	7/30/01	1.0	Steelmaking	USWA	1,475	Closed
22. Excalibur..............	7/18/01	--	Processing	USWA	800	Operating
21. Precision Specialty..	7/16/01	--	Specialty	Non-Union	200	Operating
20. Freedom Forge.......	7/13/01	0.2	Specialty	USWA	1,120	Operating
19. Great Lakes Metals..	4/11/01	--	Processing	Non-Union	40	Closed
18. Republic Tech.........	4/2/01	2.2	Steelmaking	USWA	4,600	Operating
17. Trico Steel...............	3/23/01	2.2	Steelmaking	Non-Union	320	Closed
16. Am. Iron Reduction..	3/23/01	--	DRI	Non-Union	70	Closed
15. GS Industries.........	2/7/01	2.0	Steelmaking	USWA	1,750	Operating
14. Heartland Steel.......	1/24/01	--	Processing	USWA	175	Operating
13. CSC Ltd..................	1/12/01	0.4	Steelmaking	USWA	1,225	Closed
12. LTV Corp................	12/29/00	7.6	Steelmaking	USWA	18,000	Closed
11. Erie Forge & Steel...	12/22/00	0.1	Specialty	USWA	300	Acquired
10. NWSW....................	12/20/00	2.4	Steelmaking	USWA	1,600	Closed
9. Wheeling-Pitt..........	11/16/00	2.2	Steelmaking	USWA	4,800	Operating
8. Vision Metals...........	11/13/00	--	Processing	USWA	610	Closed
7. J&L Structural.........	6/30/00	--	Processing	USWA	275	Operating
6. Gulf States Steel.....	7/1/99	1.1	Steelmaking	USWA	1,900	Closed
5. Qualitech Steel........	3/24/99	0.6	Steelmaking	Non-Union	350	Closed
4. Worldclass Proc......	3/24/99	--	Processing	USWA	80	Emerged
3. Geneva Steel..........	2/1/99	2.6	Steelmaking	USWA	1,650	Closed
2. Acme Metals...........	9/29/98	1.2	Steelmaking	USWA	1,781	Closed
1. Al Tech Specialty....	12/31/97	0.1	Specialty	USWA	790	Closed
Total..........................		**44.9**			**72,567**	

Source: United Steelworkers of America (3/20/02)   Note: Annual capacity in millions of net tons

Exhibit 5: Manufacturing Employment

Major Industries, 1980-2001



Source: Department of Labor, Bureau of Labor Statistics. United Steelworkers of America

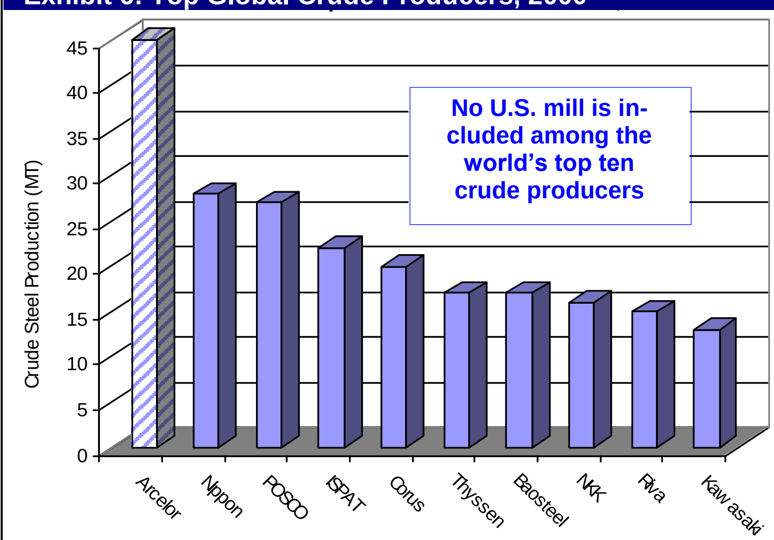
The extraordinary and continuous strength of the U.S. dollar is helping to eliminate manufacturing jobs by creating enormous cost distortions.

♦ A strong dollar over the short run is great for the average consumer as cheap imports flood our domestic markets. Tragically, it also undermines the strength of our own manufacturing sector. When combined with regional and global crises that generate surpluses destined for export, the strength of the dollar has had a tremendous impact on the decline of the U.S. steel industry. In other words, there is no way U.S. mills can compete with foreign producers under these circumstances where currency moves "lower" foreign production costs by $100-$200 per ton. The continued strength of the dollar and the focus of financial capital on developing international markets have contributed to the elimination of domestic manufacturing jobs. A look at the data shows that steel has suffered the biggest blow over the last twenty years. Between 1980 and 2000, 311,000 steel jobs were eliminated; the second most devastated industry was aircraft manufacturing with losses of 184,000 over the same period (see Exhibit 5). The impact is not merely loss of employment but the loss of quality, high paying unionized jobs with strong benefits. The wages and benefits won by unionized workers raise the living standards and buying power of all Americans. More and more workers are forced to find work in lower paying, non-unionized service jobs that do not support the standards of living to which Americans have grown accustomed. So while we may enjoy an influx of low cost products from overseas at the moment, the question we face is how many of us will be able to enjoy these riches in the years to come?

Consolidation, both internationally and nationally, promises to change the structure of global steel markets, forcing new efficiencies through the elimination of outdated capacity, restructured organizations and the adoption of new technologies.

♦ Consolidation is taking place internationally and the first moves are underway for large-scale mergers here in the U.S. as well. Europe continued the consolidation of its mills with a major move last year involving the merger of Aceralia, Usinor and Arbed to form the giant Arcelor. In effect, this move provides a platform for restructuring the whole of Europe's steel sector and creating strategic alliances with other players in North America and beyond. The top five European producers now hold 74 percent of EU market share. The number one producer, Arcelor, predicts the production of 45 million tonnes of steel this year, employing 110,000 workers in 60 countries. Most importantly, Arcelor forecasts an out

Exhibit 6: Top Global Crude Producers, 2000



Source: IISI and First River Consulting

standing $3.5 billion EBITDA representing 12% of total revenue. Meanwhile, the top five NAFTA producers only hold 34 percent the market. In fact, there is not a single U.S. or North American firm among the world's top ten crude steel producers (see Exhibit 6).

♦ While consolidation theoretically reduces redundancies, speeds up the application of new technologies and allows for higher returns on capital, it is not clear what global consolidation will mean for the future of steel. As an experiment, steel consolidation is still nascent at best -- the top five world producers still only hold 17% of global market share for all products. The key to more consolidation must be flexibility and strategic focus and not just size and control of inputs. If Arcelor succeeds, many believe it will be due in part to the competitive advantages gained from subsidized capital, coal, iron ore and energy as well as government assumption of industry legacy costs associated with the three original European companies. Moreover, any move to consolidate American steel will surely raise the level of scrutiny of the Department of Justice regarding anti-trust regulation.

Without government support, U.S. consolidation and mergers will be hampered by the significant burden of legacy costs associated with most bankrupt or struggling integrated producers. There is a reasonable chance that Congress will provide funds for retiree health insurance -- spearheaded by Republican representatives from steel producing states.

♦ Unfortunately, the Bush Administration dodged the decision to offer relief for producers struggling with legacy costs when it imposed the 201 restraints. According to Senator Durbin (D-Ill.) "some of the companies are hanging on by a thread, and if they can't consolidate into a viable company, we're going to lose even more jobs." In the long run this will mean the continued dismantling of valuable and profitable assets for want of an equitable political solution. Clearly, finding a way around legacy costs is a prerequisite for promoting and planning for a healthy and competitive domestic steel industry.

♦ Over 220 representatives were co-sponsors of HR808 last year, a bill that addressed the need for a solution to the pressing problem of legacy costs. Meanwhile, both the House and Senate are currently considering strongly sponsored bills that could address retiree health insurance. There are currently 600,000 steelworker retirees and dependents, four times more than active steelworkers. The states that would suffer the greatest burden if steel workers, retirees and dependents are deprived of their health care due to the trade crisis are: Pennsylvania with 114,900, Ohio with 55,700, Indiana with 44,800, Illinois with 29,100, Maryland with 23,200, Alabama with 14,500, Michigan with 11,200, Florida with 11,000, Minnesota with 7,700 and West Virginia with 5,300. Not so ironically, many of these are the very states that insured President Bush's election in 2000.

♦ A strong reason for the success of the 201 campaign was the unprecedented unity among the key stakeholders. For the first time, the USWA, integrated producers and minimills were on the same side of the political fence. Unfortunately, a push for relief from legacy costs to stimulate consolidation and increased efficiency does not benefit from the same unified front. Minimills see federal help as a form of direct subsidy for which they are ineligible. However, if Nucor and others are going to entertain consolidating with integrated firms the legacy cost issue must be resolved.

The global supply-demand balance is better than most experts think. Assuming a moderate recovery and the absence of war in the Middle East, 2003 should be a strong year for steel producers around the world.

♦ According to World Steel Dynamics, effective global capacity is currently 918 million tonnes and is projected to increase to 930 million tonnes next year. Annual production is presently running at 845 million tonnes, which works out to an effective capacity operating rate of 92% -- quite a healthy figure. Pricing power shifts to the producers, according to WSD, when the operating rate hits 94%-96%, a figure well within reach for 2003. So the outlook for 2003 looks excellent with a moderate chance there could even be a steel shortage, especially if capital spending takes off.

China is emerging as a major wildcard in international steel trade projections. Rapid capacity additions could swamp the world market if the Chinese economy suffers a downturn.

♦ While experts predict that China will remain a net importer of steel and steel products for the foreseeable future, there is little doubt that the

Exhibit 7: U.S. Steel Shipments and Imports by Product, 2000 & 2001

(thousand tons)	Shipments			Imports		
Carbon Products	**2001p**	**2000**	**% Chg**	**2001p**	**2000**	**% Chg**
Semi-Finished*	864	1,050	-17.7%	5,383	7,468	-27.9%
Wire Rod	3,283	4,682	-29.9%	2,953	2,890	2.2%
Structurals & Steel Piling	6,789	6,658	2.0%	968	2,001	-51.6%
Plate (Coil & Cut-to-Length)	7,807	8,233	-5.2%	1,237	2,071	-40.3%
Rails & Accessories	630	813	-22.5%	235	269	-12.6%
All Bar	14,613	15,375	-5.0%	2,798	3,140	-10.9%
Pipe & Tube	4,205	4,197	0.2%	3,880	3,469	11.8%
Tin Mill	3,202	3,742	-14.4%	688	725	-5.1%
HR Sheet & Strip	19,389	20,417	-5.0%	2,351	5,808	-59.5%
CR Sheet & Strip	12,526	15,370	-18.5%	2,661	2,208	20.5%
Galvanized/Other Coated	19,224	20,506	-6.3%	1,552	1,634	-5.0%
Other Carbon Products	414	500	-17.2%	568	607	-6.4%
Alloy & Stainless Products						
All Alloy	4,666	5,380	-13.3%	3,873	4,487	-13.7%
All Stainless	1,836	2,126	-13.6%	934	1,179	-20.8%
Total for All Products	**99,448**	**109,049**	**-8.8%**	**30,081**	**37,956**	**-20.7%**

Source: AISI **Semi-Finished includes slabs, blooms, billets, and ingots*

dramatic growth in China's capacity will play a major role in the world's supply-demand balance. Currently China remains a net importer of steel (approximately 20 million tonnes were imported in 2000 versus exports of over 12 million tonnes). But World Steel Dynamics reports that the Chinese government has asked larger producers to increase exports to closer to 15 million tons for next year and beyond. Moreover, the steel industry in China is still extremely dependent on strict import restraints. This, in concert with national production and quality controls, creates a competitive environment where domestic prices are relatively high on a global scale.

♦ However, China's steel industry is rapidly expanding and the country's recent acceptance into the WTO promises extensive change regarding the country's policies toward import limits and trade restraints. Clearly China's appetite for national steel production is growing rapidly but so is her appetite for world trade. A severe economic downturn could easily unleash a torrent of exports that flood the global market, destabilizing established steel industries in the U.S., Europe and elsewhere.

The triumph of international financial capital over industrial capital is leading to the deindustrialization, or the decline of basic manufacturing in the United States, Canada, Western Europe and Japan.

♦ The overall demise of U.S. manufacturing is propelled in large part by the relentless drive to expand financial capital markets. Finance capital reaps profits by making loans and investments, seeking higher and more rapid rates of return

Exhibit 8: U.S. Quarterly Product Spot Prices: Actual and Projected

($/ton)	2001a		2002p			2003p				2004p			
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Hot-rolled sheet	213	237	325	308	302	293	279	272	261	257	253	247	252
Cold-rolled sheet	300	333	456	433	425	412	391	382	367	361	355	347	354
HD galvanized sheet	327	347	475	452	443	429	408	398	383	376	370	362	369
Coiled mill plate	265	247	338	321	315	316	319	324	327	322	316	309	315
Cold-finished bars	425	422	578	549	538	539	544	554	558	549	540	528	539
Wide-flange beams	345	360	493	469	459	460	464	473	476	469	461	451	460
Reinforcing bars #6	290	282	386	367	360	360	364	370	373	367	361	353	360
Wire rod/low carbon	277	287	393	374	366	367	370	377	380	374	367	359	366
Carbon Avg Price	**305**	**314**	**431**	**409**	**401**	**397**	**392**	**394**	**391**	**384**	**378**	**370**	**377**
Stainless 304 sheet	1,232	1,237	1,695	1,610	1,578	1,586	1,636	1,684	1,650	1,624	1,596	1,561	1,592
Stainless 316 plate	1,690	2,200	3,014	2,863	2,806	2,820	2,910	2,995	2,935	2,888	2,839	2,776	2,832

Sources: Purchasing Magazine, Buying Strategy Forecast (4/8/02) and Pipe Logix na - not available

Exhibit 9: Selected Canadian Steel Industry Data, 1996-2001p

(thousand net tons)	1996	1997	1998	1999	2000	2001p	'00/'01 % Chg
Raw Steel Production	16,135	17,040	17,453	17,787	18,184	16,732	-8.0%
Capacity Utilization	94%	91%	90%	91%	92%	86	--
Mill Shipments	15,576	15,981	15,496	16,482	16,446	15,657	-4.8%
Exports	5,304	5,253	5,207	5,234	5,531	5,063	-8.5%
Imports	3,972	6,291	7,425	6,748	8,708	6,132	-29.6%
Apparent Steel Supply	14,244	17,019	17,714	17,996	19,623	16,725	-14.8%
Imports as % of Supply	27.9	37.0	41.9	37.5	44.4	36.7	-17.3%
Total Employment (000s)*	28.5	28.2	28.8	29.0	na	na	na
Imports from the U.S.	2,371	3,592	3,093	3,372	3,837	3,519	-8.3%
Imports as % of Can. Supply	16.6	21.1	17.5	18.7	19.6	21.0	7.1%
Exports to the U.S.	4,911	4,429	4,598	4,653	4,898	4,461	-8.9%
Exports as % of U.S. Supply	3.9	3.6	3.5	3.7	3.7	3.8	2.7%
Spot Prices (US$/ton, Dec., East)							
HR Coil	363	353	273	324	238	261	9.7%
CR Coil	496	475	429	462	356	403	13.2%
Galvanized	607	692	648	716	488	433	-11.3%
Cut Plate	414	446	384	324	310	312	0.6%
WF Beam	414	418	390	331	317	258	-18.6%
Rebar	326	324	286	280	244	253	3.7%
Average Spot Price	$437	$451	$402	$406	$326	$320	-1.8%

Source: Canadian Steel Producers Association 4/12/02, WSD Price Track (3/19/02)
**Reflects changes in Statistics Canada classification from SIC80 to NAICS code. Data from 2000 and 2001 not yet released*

around the world, often generating a speculative fever that produces boom and bust cycles. The drive to open and expand world markets puts enormous pressure on traditional U.S. manufacturing industries, especially their employees and the communities where they reside. First, the drive for higher rates of return increasingly deprives U.S. firms of badly needed capital. Second, supply and demand imbalances in foreign, local and regional markets, fostered by aggressive lending and overbuilding, floods the world market with cheap products that zero in on the U.S. economy -- the most open and lucrative market in the world. Third, foreign lenders, desperately seeking dollars to repay their defaulting loans, are encouraged to export excess production at any cost. The resulting flood of low-priced imports quickly overwhelms U.S. manufacturers as domestic prices collapse and volume shrinks.

♦ The standard retort from mainline economists belittles the need for retaining domestic manufacturing, asserting we can satisfy all our needs from foreign suppliers and employ all the displaced workers with service and high-tech jobs. But will industrialized societies be able to maintain their living standards and their historical move toward equality if critical manufacturing sectors that serve as the bedrock for a healthy economy are eliminated?

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Inside This Issue......

Over the next ten years the Chinese steel industry will become the world's most dominant producer. According to World Steel Dynamics and various Chinese steel sources, the industry's recent restructuring, combined with an explosion in domestic demand, is making China a formidable power in the world steel industry. While already number one in the world in terms of crude steel output, China is now poised to be the global leader in terms of quality and customer demand.

China produced 143 million tonnes of steel in 2001 and is currently on a pace to produce over 152 million tonnes of crude steel this year, according to WSD. Apparent steel consumption was approximately 140 million tonnes last year with projections expected to be over 148 million tonnes in 2002. By 2010 steel output could reach an astounding 213 million tonnes and consumption 200 million tonnes (see Table 2).

While experts predict that China will remain a net importer of steel and steel products for the foreseeable future, there is little doubt the country's growing steel industry will dramatically impact world trade. Currently China is importing about 25 million tonnes of finished products and exporting only 7 million tonnes. Strict national policies for import restraints, in concert with national production and quality controls, create a competitive environment where domestic prices are relatively high on a global scale. But China's vital steel industry is rapidly expanding and the country's recent entry into the WTO should reduce restraints. Therefore the threat of Chinese exports is definitely increasing and will only grow with capacity and production expansion.

Currently this threat is dampened by the fact Chinese production is still focused on lower value products (see Table 3). Therefore, imports tend to be concentrated in higher value products where the demand is rising at dramatic rates. In all likelihood, the U.S. and other developed nations, especially Japan, will take advantage of this opportunity. In our opinion, North American mills must take steps immediately to facilitate more effective trade with China. This includes contributing to improvements in transportation, financing, warehousing, distribution, and other infrastructure critical to trade. More importantly, a consortium of top steel makers, along with the USWA, should immediately be created to explore ways to augment exports to China.

At present the steel industry includes four companies with annual capacity of nearly 10 million tonnes, 17 companies with annual capacity of over 2 million tons, and 45 companies over .5 million tons annually -- leaving nearly 250 firms throughout the country producing less than .5 million tons annually. The biggest firms are Baosteel or the Shanghai Baosteel Group (the only firm selected as a top 12 global firm by WSD), Shougang Group, Anshan Iron & Steel Group, Wuhan Iron & Steel Group, Benxi Iron & Steel Group, and Tangshan. Collectively, these

Table 1: Selected U.S. Steel Industry Data, February & Year-To-Date

(thousand tons)	*Month of February*			*Year-to-Date*		
	2002	**2001**	**% Chg**	**2002**	**2001**	**% Chg**
Raw Steel Production	8,608	8,122	6.0%	15,697	16,600	-5.4%
Capacity Utilization	88.4	82.3	--	86.6	79.8	--
Mill Shipments..........................	7,462	7,784	-4.1%	15,301	16,147	-5.2%
Exports....................................	502	514	-2.3%	989	1,085	-8.8%
Imports....................................	3,356	1,965	70.8%	6,044	4,270	41.5%
Apparent Steel Supply*.............	9,203	8,800	4.6%	18,541	18,517	0.1%
Imports as % of Supply*..........	24.4%	17.4%	--	22.8%	18.7%	--
Iron Ore Shipments (metric)..........	1,364	959	42.2%	3,891	3,416	13.9%
Average Spot Price** ($/ton)........	305	308	-0.9%	307	311	-1.4%
Scrap Price+ ($/gross ton).............	93	87	6.9%	91	97	-6.7%

*Source: AISI, Purchasing Mag., & US Geo. Survey *Excl. semi-finished imports **Avg price of 8 carbon products +auto bundles*

Table 2: Key Chinese Steel Statistics (millions of tonnes)					
Year	Crude Steel	Products Shipped	Imports of Finished Products	Exports of Finished Products	Apparent Demand
1980	37.1	27.2	5.0	0.4	31.8
1985	46.8	36.9	19.6	0.2	56.4
1990	65.4	51.5	3.7	2.1	53.1
1995	95.4	78.2	14.4	2.6	90.0
1999	123.9	105.3	17.0	5.4	116.9
2000	127.2	108.1	20.7	10.5	118.3
2001	143.3	122.5	25.4	7.4	140.5
2002e	152.0	129.2	26.0	7.0	148.2
2005e	168.0	148.0	22.0	10.0	160.0
2010e	210.0	188.0	22.0	10.0	200.0

Source: World Steel Dynamics (6/01)

six companies control over 40% of the total pig iron capacity in China. Recently there has been significant consolidation among Chinese producers and more concentration is expected. By 2005 the top 10 firms will produce 80% of the country's steel output (currently the top 11 produce just over 50%).

Efforts are also underway to streamline the industry by renovating old facilities and shutting down plants that are inefficient, environmentally unsound or poorly located. Liu Jinghai, China's Deputy Director and Senior Economist for the Metallurgical Economic R&D Center in Beijing estimates that nearly 20% of the country's production capability is out-of-date and needs to be eliminated with China's entry into the WTO. This would represent 20-25 million tons of capacity or over 100 smaller steel mills and iron makers. In addition, 22% of the nations facilities will require significant renovation or expansion in an effort to increase the industry's competitive standing.

Table 3: Steel Product Mix, China v. Developed World		
(percent of total production) **Finished Steel Product**	**China**	**Developed Countries**
Wire and Sections (lower value)......	58-60%	30-35%
Plate, Sheet & Tube (higher value)..	40%	60-65%
Alloy Products (highest value).........	5-6%	15-20%

Source: Liu Jinghai, Conference Paper; SSS XVI (June 18-20, 2001)

Finally, China's expanding steel capacity, access to capital, low production costs and rapidly modernizing facilities will inevitably lead to increased efficiencies and even lower costs per ton of steel produced. At present, China is one of the lowest cost producers of steel in the world. Slab production at Baosteel Shanghai Group (China's top steel firm) is less than $154 per tonne. Moreover, construction costs are very low and building time is quite rapid due to the fierce competition in the industry. Chinese steelworkers are highly trained and are considered a great asset to the industry. Nonetheless, labor costs are comparatively low -- $1.25-1.75 per hour in most regions and $2.75-3.00 per hour at the largest and strongest producer, Baosteel. China also benefits from a number of low-cost inputs to steelmaking, including low-grade domestic iron ore and an ample supply of high quality, low-cost coking coal. Indeed, China's coking resources have helped to create some of the lower cost integrated companies in the world.

FINANCIAL RESULTS

2001: As the financial reports rolled in from all the major mills it revealed the bloodbath that engulfed the entire industry in 2001 (see Table 5). U.S. integrated mills saw both their shipments and prices drop 8%, resulting in a 15% decline in sales. Operating income plummeted, with U.S. integrated firms losing an astounding $1.7 billion or $49/ton shipped. Canadian integrated mills faired much better, but still took a hit. Shipments dropped only 1%, prices were down 9% and sales slipped 10%, resulting in a loss of $212 million on the operating line ($19/ton). AK Steel and Dofasco were the only two profitable integrated mills in North America.

Minimills managed far better through the crisis (see Table 6). Their shipments actually rose 2% while sales and prices fell 9% and 11% respectively. Operating income came down considerably but remained positive at $252 million ($10/ton). Most importantly, their average costs actually dropped 6%. As a result, every North American minimill remained profitable on the operating line except Co-Steel.

First Quarter 2002: Some improvement in performance became evident in the first quarter of 2002 (see Table 7). For U.S. integrated mills, shipments were flat at very low levels but sales perked up as prices started to rise from their fourth quarter lows. Operating income remained negative, but the losses were reduced. Canadian integrated mills did much better than their U.S. counterparts and North American minimills further improved their results.

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Table 4: Summary Results for Steel Producers*			
U.S. Major (6 Co's)	**2001**	**2000**	**% Chg**
Shipments (000 tons)......	34,053	37,067	-8.1%
Sales ($/ton).................	15,890	18,743	-15.2%
Oper Cost ($/ton)	516	505	2.2%
Oper Income ($/ton)......	(49)	1	-5000%
Canada Major (3 Co's)			
Shipments (000 tons)......	10,990	11,116	-1.1%
Sales (C$/ton)...............	6,435	7,144	-9.9%
Oper Cost (C$/ton)	605	608	-0.5%
Oper Income (C$/ton)....	(19)	35	-154.3%
NA Mini (8 Co's)			
Shipments (000 tons)......	24,108	23,696	1.7%
Sales ($/ton).................	8,211	9,058	-9.4%
Oper Cost ($/ton)	330	351	-5.7%
Oper Income ($/ton)......	10	31	-67.7%

*Source: Company Documents *See Tables 5 & 6*

PRICES AND SHIPMENTS

Slab: An outbreak in demand for slab led California Steel Industries to suspend new orders in April, the second time it has done so since steel imports were restrained by the Bush administration in March. Meanwhile, Brazilian slabmakers say that offers to purchase their product are coming in from integrated steel mills in the U.S. at prices as high as $200/metric ton. Average second quarter export prices of slab contract and spot sales are about $170/metric ton, up from $155 in the first quarter, said a spokesman for Brazilian slab manufacturer, CST (*AMM* 4/8, 4/17).

Sheet: Rising flat-roll prices, which could go as high as $350/ton for HR and $440/ton for CR and coated sheet in this year's third quarter, are said to be attracting overseas steelmakers back to the U.S. market despite the 201 tariffs. A new demand for flat-roll, sparked more by distributors' wish to order before prices go higher than by tight supply, has created a market that domestic and foreign producers are seen as ready to fill. In March, HR carbon sheet sold for $310 to $320/ton and CR and coated went for $390 to $400/ton. One major mill, USS-Posco, declaring that its orders were 40% higher than last year at this time, is seeking a price boost of $40/ton on CR and $25/ton on galvanized in June, following a similar hike in April. Also joining the push for tag jumps were AK and Nucor, which both announced in March hikes of $50/ton on CR and $70/ton on coated sheet effective May 1. Nucor followed this up a month later with a $20/ton increase on HR beginning with its July 1 shipments and another $20/ton beginning with its August 1 shipments. Nucor's hot dip galvanized would also rise in July and August by $25/ton in each month (*AMM* 3/19, 3/29, 4/22, 2/23).

Plate: Price increases over the last few months are also hitting the plate market, industry observers' note. Joining the party in April, Corus Tuscaloosa, a unit of Corus Group announced a hike of $30/ton on strip mill plate 48, 60 and 72 inches wide beginning with orders scheduled for shipment May 4. Earlier, the West Coast, which seemed to be lagging a bit in plate increases, also moved in with Oregon Steel jumping carbon steel and high-strength, low-alloy plate as well as heat-treated and alloy plate by $20/ton. The increases raised tags on A36 warehouse grades to $330 to $350/ton (*AMM* 3/15, 4/5).

Galvanized: Tighter supplies of galvanized sheet have pushed up the prices in recent months, from $300/ton at the beginning of the year to about $360 in March. Aggravating the shortage has been the shutdown at Double Eagle

Table 5: Performance of North American Integrated Producers, 2001 & 2000

	Shipments (thousand tons)		***Sales*** ($ millions)		***Oper Income*** ($ millions)		***Sales/Ton*** ($ per ton)		***Oper Inc/Ton*** ($ per ton)	
United States	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**
AK Steel...........	5,894	6,493	$3,994	$4,612	$125	$338	$678	$710	$21	$52
Bethlehem........	7,782	8,546	3,334	4,094	(494)	(95)	428	479	(63)	(11)
National...........	5,904	6,254	2,492	2,979	(473)	(117)	422	476	(80)	(19)
Rouge Steel.....	2,440	2,570	924	1,100	(191)	(167)	378	428	(78)	(65)
U.S. Steel*	9,801	10,756	4,185	4,840	(461)	103	427	450	(47)	10
Weirton	2,231	2,448	960	1,118	(182)	(41)	430	457	(81)	(17)
U.S. Totals	**34,053**	**37,067**	**$15,890**	**$18,743**	**$(1,676)**	**$21**	**$467**	**$506**	**$(49)**	**$1**
Canada (C$=US$0.65)										
Algoma............	1,925	2,016	912	1,106	(158)	30	474	549	(82)	15
Dofasco...........	4,375	4,416	2,963	3,201	110	306	677	725	25	69
Stelco..............	4,690	4,684	2,561	2,837	(164)	50	546	606	(35)	11
Canada Totals .	**10,990**	**11,116**	C$**6,435**	C$**7,144**	C$**(212)**	C$**386**	C$**586**	C$**643**	C$**(19)**	C$**35**

*Source: Company docs Note: Includes profit-sharing & excludes non-recurring charges *Does not include Slovak operations*

Table 6: Performance of North American Minimill Producers, 2001 & 2000										
	Shipments (thousand tons)		***Sales*** (US$ millions)		***Oper Income*** (US$ millions)		***Sales/Ton*** (US$ per ton)		***Oper Inc/Ton*** (US$ per ton)	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**
Bayou Steel*.....	499	624	$140	$203	$23	$4	$281	$325	$47	$6
Birmingham*.....	2,426	2,568	700	771	10	45	289	300	4	18
Co-Steel...........	2,354	2,742	677	861	(57)	33	287	314	(24)	12
Ipsco................	2,435	2,233	904	949	38	88	371	425	16	39
Nucor...............	12,316	11,271	4,139	4,586	180	477	336	407	39	42
NS Group*........	503	710	316	359	5	(19)	627	505	11	(27)
Oregon Steel.....	1,611	1,629	729	637	26	1	453	391	16	1
Steel Dynamics.	1,964	1,919	607	693	26	105	309	361	13	55
Total.................	**24,108**	**23,696**	**$8,211**	**$9,058**	**$252**	**$734**	**$341**	**$382**	**$10**	**$31**

Source: Company documents. Note: Steel Segment, except Ipsco & Nucor. Includes profit-sharing; excludes non-recurring charges.
**Year end Bayou (9/30); Birmingham (6/30); NS Group (9/30)*

Steel Coating/Dearborn, Mich., which was knocked out of action by a fire in December. The plant, a joint operation with U.S. Steel and Rouge Industries with an annual capacity of 850,000 tons, is expected to resume operation in a few months. The tight supply has prompted AK to look around for new plant capacity. It is reported to be seeking to buy facilities that will add a million more tons of coating capability to its assets but has been frustrated by the slow pace of acquisition caused by bankruptcy proceedings.

Meanwhile, a major West Coast galvanizer, Pinole Point, has been approached by Mexico's Imsa, whose Imsa Acero plant is one of the four producers in the region. Imsa reportedly has made an undisclosed offer to buy Pinole Point, which has an annual capacity of 300,000 tons and a paint line capacity of 150,000 tons. Pinole Point was also one of those seeking galvanized sheet price boosts, amounting to $10/ton per month from April through Sept. for a cumulative total increase of $60/ton. They were also reportedly seeking a 201 tariff exemption for their supply of CR coils, which has thus far been refused by government trade officials (*AMM* 3/20, 4/23, 5/1).

Wire Rod: Prices jumped in March but not nearly as much as its producers had hoped. Mills had tried to raise prices by $35/ton beginning with April shipments but had to settle for a little more than half that amount. Beginning with the second quarter, rod prices rested at $290/ton for industrial grades and $295 to $325/ton on high-carbon rod, about $20/ton more than its previous level. In mid-April, Ivanco tried a new tack, announcing a scrap surcharge of $20/ton on its rod prices as of May 1 to offset a 43% increase of ferrous scrap prices -- $34/ton -- since January.

Also in mid-April, the government gave some good news to U.S. producers with the announcement that the Commerce Dept. had levied anti-dumping and countervailing duties of up to 375% on imports of carbon steel wire rod from eight countries. Final margins on the imports from Brazil, Canada, Germany, Indonesia, Mexico, Moldavia, Trinidad & Tobago, and Ukraine may not be set until August. Topping the list was Moldavia with an anti-dumping penalty of 375%, with the Ukraine second at 130%. Mexico's duty was placed at 25.7% (*AMM* 3/25, 4/16, 4/18).

Merchant Bar: Producers, seeking tag boosts of $20/ton, have been able to get only threequarters of that figure so far. However, some buyers were cautious about the future, pointing to the somewhat sluggish demand, warning that market activities may not really support higher prices. Prices now average $251/ton on 2 by 2 by 1/4-inch angles, $285/ton on 3 by 3 by 1/4-inch angles and 8 by 11.5 inch channels (*AMM* 3/26).

OCTG: Just a few months ago, declining energy prices were cutting into the demand for OCTG, driving down prices and creating an uncertain market. Now, with energy prices on the upswing again, OCTG producers are looking forward to a bounce in their tags. Prices flattened out in the month of March and dropped about 1% in April but there is still optimism for the upcoming period. The situation may be helped by a new petition filed with the Commerce Dept. on behalf of OCTG manufacturers that seeks 140% in duty margins against 14 countries that export the product to the U.S. A previous anti-dumping petition last October was unsuccessful when the ITC ruled, 4-2, to exclude seamless and welded OCTG from the Section 201 steel import case. The new case charges that the imports "cause, or are intended to cause, material injury" to domestic industry, a lesser standard than the previous action that alleged "a substantial cause of serious injury" (*AMM* 4/2, 4/3, 4/30).

Table 7: Performance of North American Steel Producers, 1Q02 & 1Q01

	Shipments (thousand tons)		***Sales*** ($ millions)		***Oper Income*** ($ millions)		***Sales/Ton*** ($ per ton)		***Oper Inc/Ton*** ($ per ton)	
U.S Integrated	**1Q02**	**1Q01**	**1Q02**	**1Q01**	**1Q02**	**1Q01**	**1Q02**	**1Q01**	**1Q02**	**1Q01**
AK Steel...........	1,510	1,508	$1,010	$999	$(33)	$12	$669	$662	$(22)	$8
Bethlehem........	1,880	2,021	804	878	(93)	(120)	428	434	(50)	(60)
National...........	1,395	1,414	604	589	(85)	(112)	433	417	(61)	(79)
Rouge Steel	667	581	249	230	(46)	(64)	373	396	(69)	(110)
USSteel*	2,330	2,137	1,431	1,510	(70)	(134)	420	454	(30)	(63)
Weirton............	566	587	236	252	(36)	(36)	417	430	(64)	(61)
U.S. Totals	**8,348**	**8,248**	**$4,334**	**$4,459**	**$(364)**	**$(454)**	**$519**	**$541**	**$(44)**	**$(55)**
Canadian Integrated (C$=US$.63)										
Algoma**..........	350	490	158	228	3	(53)	452	464	9	(108)
Dofasco...........	1,156	1,128	799	746	40	(12)	691	661	34	(10)
Stelco..............	1,176	1,174	638	637	(33)	(76)	543	543	(28)	(65)
Canada Totals .	**2,682**	**2,792**	C$**1,596**	C$**1,610**	C$**10**	C$**(141)**	C$**595**	C$**577**	C$**4**	C$**(50)**
N.A. Minimills (US$)										
Co-Steel...........	633	611	$179	$175	$(1)	$(32)	$282	$286	$(2)	$(52)
Ipsco	750	584	271	233	6	13	361	399	8	22
Nucor	3,272	2,980	1,028	1,028	34	50	314	345	10	17
Oregon............	429	401	199	180	8	(6)	464	449	19	(16)
Steel Dynamics	562	482	167	154	14	12	297	320	25	24
N.A Mini Totals	**5,646**	**5,058**	**$1,844**	**$1,770**	**$61**	**$36**	**$327**	**$350**	**$11**	**$7**

Source: Company documents. Note: Steel Segment, except Ipsco & Nucor. Includes profit-sharing; excludes non-recurring charges.
** Does not include Slovak operations **Algoma Q102 is for two months only*

Stainless: Allegheny Ludlum announced early in April an increase on its 60-inch wide stainless steel plate products by 4% to 6% by cutting its discounts. Prices before the increases went into effect were in the neighborhood of $1,200/ton (*AMM* 4/4).

Electrical Steel: AK Steel announced last month a price rise on flat-rolled electrical steel products of 7%, effective April 15. The rise applies to non-oriented products, both fully processed and semi processed, the company said (*AMM* 4/4).

Rebar: Yet another steel product to join the price hike ranks is rebar, which saw an announced rise by North Star last month. The jump, to take effect June 1, will raise rebar tags by $20/ton across the board. Nucor also said it would raise rebar prices by $15/ton by June 1. In Jan., after other producers tried to elevate prices by $25/ton, Nucor effectively undercut the move by hiking its tags by only $15. Before the current increases take effect, rebar prices, depending on size and grade, ranged from $275 to $300/ton (*AMM* 4/19).

STEEL CRISIS

Ross Group Buys Out LTV: After two months of maneuvering, W.L. Ross & Co., a group headed by New York financier, Wilbur L. Ross, has purchased the assets of the bankrupt LTV Corp. The new company will be known as International Steel Group, with Ross as its chairman. Ross said that he had invested $175 million in equity into the new ISG with a $200 million line of credit coming from institutional lenders to provide working capital. Sitting on the new board of directors will be Rodney Mott, ISG's new president and CEO, John S. Brinzo, chairman and CEO of Cleveland-Cliffs, William C. Bartholomay, chairman of the Atlanta Braves baseball franchise, John L. Loeb, Jr., president of John L. Loeb Associates and former ambassador to Denmark, and Ray Park, chairman of Park, Inc., a major real estate developer in the Cleveland area. Both Bartholomay and Loeb were said to be major equity investors and Cleveland-Cliffs said it had invested some $13 million in common stock in the reconstituted steel company.

Mott, ISG's new president and an ex-Nucor executive, said he planned to turn out about four million tons of steel annually. The company has hired three former Nucor executives as part of its top management team -- Bruce Pole as vice president of finance and administration, Jerry Nelson as vice president of sales and marketing, and Gordon Spelich as vice president of business development. While negotiations were going on over the past couple of months, steel industry experts were expressing mixed reactions to the renewed entry of the former LTV plants. Those who reacted positively cited the fact that the 72-inch material produced by LTV was now in short supply and that the company could fill the gap.

Others felt that the reentry would dampen the new price hikes in the aftermath of the 30% tariff penalties on foreign steel.

The Ross buyout of LTV would probably not have been possible without the intervention of the Pension Benefit Guaranty Corp., which took over the pension obligations for over 82,000 workers and retirees. The pension plans of the bankrupt company had been underfunded by about $2.2 billion. PBGC Executive Director Steven A. Kandarian said that most participants would receive their full basic pensions and that the 53,000 retirees would continue to get their pension checks without interruption. The move was a necessary precondition for the LTV sale since no purchaser was willing to assume the pension liabilities (*AMM* 3/5, 3/26, 4/1, 4/5, 4/15).

Bethlehem Seeking Joint Venture with CSN: With the desire to avoid the rock-bottom price sale of its assets a la LTV, Bethlehem Steel, now in Chapter 11, is currently negotiating a joint venture to operate its Sparrows Point mill with Brazil's CSN. The Brazilian giant is one of the largest integrated steel producers in Latin America. A joint venture to operate Sparrows Point would give it a connection to the only integrated mill on the East Coast -- one that doesn't rely on the Great Lakes shipping lanes for its ore. It would provide Bethlehem with a cheap source of ore and CSN with a foothold into U.S. integrated steelmaking. CSN would be able to maintain and modernize the mill without shutting any of its major operations. A key factor in final go-ahead for the venture would be working out an agreement with the United Steelworkers of America. CSN is reported to be interested in renegotiating work rules and job restrictions that are part of Bethlehem's labor contract. Another factor would be Bethlehem's pension fund, which is now underfunded by $2 billion and its $300 million annual health-care costs. Bethlehem indicated that it would need some federal help to close its pension fund gap (*AMM* 3/27).

Geneva Considers Becoming Minimill: Geneva Steel, the Utah steelmaker that went into bankruptcy in January, is seeking a $140 million loan to build an electric furnace and become a minimill, even as it looks for a potential buyer. The West's only integrated mill, which shuttered its operations last November, two months before it filed for Chapter 11 protection, is already a recipient of a $110 million guaranteed loan under the federal government's Emergency Steel Loan Guarantee Program. It said that it would try to obtain the additional $140 million loan for the minimill under the loan guarantee program. Although many steel observers saw last November's shutdown as permanent, the company felt it could resume production as early as next fall with an anticipated rise in prices and demand in the wake of the 30% 201 tariff levy.

In another development, Geneva and the USWA reached an agreement on a modification of their labor contract that allowed the company some room for recovery and averted a possible strike. The new agreement replaces the old one that expired April 30.

A second integrated mill that is considering conversion to a minimill is the Rouge Industries. The mill, currently on the verge of bankruptcy has applied for an emergency federal guaranteed loan of up to $250 million to install electric furnaces for the changeover (*AMM* 3/12, 3/27, 4/1).

Republic Technologies Sold?: Republic Technologies, another of the 30-plus steel companies currently in bankruptcy, has been sold to a newly formed company for a price reportedly approaching $450 million. The buyer is RTI Acquisition Corp., formed by two equity funds, KPS Special Situations Fund and Pegasus Partners. But the deal started to unwind in early May when Pegasus Partners backed out, leaving KPS looking for a new partner. Republic, a major producer of special bar quality steel, has set a deadline of May 31 for court approval of the sale. Republic's workers, represented by the USWA, made the final deal possible only after the approval of a new labor contract, which was OK'd in Jan. by a 62% affirmative vote (*AMM* 4/26).

FALLOUT FROM 201

Legacy Cost Issue Taken Up in Congress: With the legacy cost issue coming to the forefront as companies prepare to consolidate their operations, several bills have been introduced in Congress to meet the issue. On April 17, Sen. Jay Rockefeller (D.-W.Va.) introduced a bill that would guarantee the health benefits of steelworkers if their companies are merged with others. The bill, drafted in consultation with integrated producers like U.S. Steel and Bethlehem, as well as the United Steelworkers, sets up a federal trust fund to assume the health care and life insurance costs for steel industry retirees. The fund would be paid for by tariffs collected through the 201 actions, a $5/ton fee from companies that acquire steelmaking assets, and government funds if necessary. It would cover benefits for about 125,000 steelworkers who have already lost company-paid health care as a result of shutdowns since January 1, 2000, as well as those who will lose benefits in the future due to bankruptcy filings.

A few days later, Rep. Phil English (R.-Pa.) introduced a more limited bill. This legislation would limit health coverage to retirees from those companies acquired by domestic steel firms, a factor that would exclude workers at Bethlehem's Sparrows Point if it were acquired by CSN, a Brazilian firm. English's bill has not picked up any Democratic support. Rep. Peter Visclosky (D.-Ind.) has also promised to introduce his own bill in the House.

Earlier, there were reports that Republicans would attempt to push through a proposal coupling oil drilling in Alaska's Arctic National Wildlife Refuge with the issue of legacy costs, thereby gaining Democratic support for a key Bush administration goal. Many Democratic supporters of legacy costs, however, felt that such a proposal would get mired down in environmental concerns and would take momentum away from the Rockefeller bill, which the steelworkers and others are supporting (*AMM* 4/8, 4/19, 4/26).

Latin America: Brazilian steelmakers said they would stand to lose some $118 million in business from the tariffs, which they said would effectively end Brazilian exports of flat products to the U.S. Brazil last year shipped over 317,000 metric tons of flat-rolled products to U.S. markets. The president of the country's biggest steel producer predicted that the tariffs would eventually collapse because they could not work in practice. "We don't believe these measures will last long because the U.S. economy won't be able to stand them," said CSN President Maria Silvia Bastos Marques. Contending that "U.S. industry needs more steel imports", she vowed that the Brazilians would fight the restrictions. Among some ideas they have been floated: (a) try to enlarge the current annual 2.5 million metric ton quota on slab from Brazil to the U.S., (b) raising tariffs on steel coming into Brazil, (c) entering a complaint before the World Trade Organization on the legality of the 201 action, and (d) switching from U.S. coking coal to feedstock from other countries for Brazilian steel mills.

As if to highlight the point, the Brazilian steel federation, IBS, asked its government in March to impose a 30% tariff on all steel imports except those products that Brazil's mills cannot produce. The government, however, rejected immediate action, drawing sharp criticism from the industry. Citing a chain reaction from raising import tariffs on 180 different steel products, Brazil's foreign trade council called the hikes unjustified, a position IBS found "unacceptable".

Meanwhile, citing the 538,000 metric tons of steel now entering the country because they have been diverted from the U.S. market by tariffs,

Table 8: N. American Raw Steel Production

(thousand tons)	2001	2000
Nucor………………	12,316	11,271
USS………………...	10,093	11,362
Bethlehem…………	8,790	10,020
LTV…………………	6,540	8,154
AK*…………………	6,100	6,500
National……………	5,993	6,138
Stelco………………	4,959	5,594
Dofasco……………	4,505	4,546
Ahmsa……………..	3,333	3,685
Rouge……………..	2,829	2,929
Birmingham……….	2,500	3,070
Hysla……………..…	2,453	3,091
Ipsco………………	2,415	2,030
North Star…………	2,406	2,864
Weirton…………..…	2,393	2,518
Villacero…………..	2,365	2,365
Co-Steel…………..	2,300	2,900
Wheeling-Pitt……..	2,267	2,350
Algoma……………	2,163	2,354
Steel Dynamics…..	2,016	2,031

Source: AMM 3/11/02 **estimate*

Venezuela raised its tariff levels on steel to between 25 and 30% effective the first week in April. The measure affects semi-finished, flat, long, pipe and other downstream products (*AMM* 3/11, 3/13, 3/20, 4/3, 4/4).

Europe: The EU has also taken some steps to counter the effects of the U.S. tariffs. Foremost on its list is the enactment of tariffs of 14.9% to 26% on imports of 15 steel products into any EU country, a measure designed to protect against imports being diverted from the United States into the European market. The product-by-product quota, based on a first-come/first-served basis, is being sharply protested by European companies that import steel. The mills argue that importers will not bring in steel when the import level reaches about three-quarters of the quota allotment for fear that the quota will have been reached by the time the shipment arrives. Orders placed when the tariff is lower that reach their destination after the quota has been met, they say, will wind up paying an unexpectedly heavy tariff under the system. High on its tariff list is stainless steel from the U.S., a clear retaliation for the tariffs imposed by the Bush administration. The Europeans have also said that they will lodge a formal complaint against the United States with the World Trade Organization and will seek compensation from the U.S. for lost steel export business (*AMM* 3/19, 3/26, 3/27, 3/28, 4/25).

Japan: After waiting for about two weeks to see if Washington was contemplating any change in its policy, Japan has reportedly teamed up with the EU to conduct a joint attack on the U.S. tariffs through an appeal to the World Trade Organization. Japanese foreign minister Junichiro Koizumi endorsed a proposal in late March to file the WTO complaint and take retaliatory tariff action against imports of U.S. products. The Japanese were also reported to be considering seeking compensation for damages caused by the 201 actions (*AMM* 3/20, 3/21).

China: Demanding exemption from the 201 tariffs, Chinese trade representatives held talks at the end of March with their U.S. counterparts. The talks resulted in some "modest progress", it was reported. The Chinese were seeking compensation for losses to their export industry. Taiwan, for its part, responded by requiring that special licenses be obtained from the government to import more than 470 different steel products from any country. The licenses must be renewed every three months. The action was met with a shrug by most Taiwanese traders who doubted that it would mean any practical change in the island's trade (*AMM* 3/27, 4/12, 4/25)

Russia: The Russian minister of economic development has raised the possibility that it would pull out of the bilateral agreement setting voluntarily restraints on its steel exports to the U.S. that have been in force for three years. The prospect of an end to the pact was raised in the minister's talks with Commerce Secretary Donald Evans in mid-April (*AMM* 4/17).

201 Loophole Seekers Crowd In at Commerce: U.S. officials have revealed that, as of mid-April, the Department of Commerce has received more than 1,200 requests for "exemptions" from overseas steelmakers looking to avoid the tariffs imposed by the White House on steel products. They have told those applying that they must be very specific and comprehensive in filling out the new government questionnaires that were due to be returned by April 23. The Commerce Dept. said it anticipates that no more than 300 or 400 requests for exemptions to the new regulations will be honored.

Another aspect to the enforcement of the new tariffs surfaced a week or two after the President's announcement that the U.S. Customs Service was taking special steps to guard against the illegal entry of designated goods. Two years ago, after President Clinton imposed a tariff-rate quota on wire rod imports, there were massive attempts to violate it. Suddenly customs officials were confronted by a deluge of wire rod products from countries with no history of exporting the product to the U.S. The goods had obviously been mislabeled as to country of origin but it took a while for customs to catch on. This time, they said, they will be alert for this and other devices used to circumvent the new rules. The agency says that it now has about 25 steel import teams, each with two or three officials, at U.S. ports to monitor the situation (*AMM* 3/18, 4/15).

CR Duties Hit 153%: Steel producers in twenty countries have had duties placed on their CR sheet imports that go as high as 153% in an action taken by the Commerce Dept. at the end of April. Some, though not all of the penalties, will be levied in lieu of the 30% tariff announced by the White House in March, while in other cases, they will be attached to the earlier penalty. Heading the list is Ispat of India with a duty of 154%. Others at the top include Thai Cold Rolled of Thailand with 143%, all other Thai CR with 127%, Russia with 137%, Kawasaki and Nippon Steel of Japan with 115%, all other Japanese producers with 113%, Sidor of Venezuela with 73% and Siderar of Argentina with 71%. These CR duties were upheld, after two previously unsuccessful anti-dumping actions, in a case filed before the Commerce Department last fall by several domestic mills. The margins are subject to review by the Commerce Department and may be adjusted upward or downward.

Meanwhile, steel imports surged in the month of February, although it was seen as a temporary flash as importers, suppliers and customers sought to get their goods into the U.S. before the anticipated tariffs were announced (*AMM* 3/27, 5/1).

RAW MATERIALS

Scrap Moving Up Again: Ferrous scrap is now rebounding, climbing back by about $20/tonne after hitting a low point in December. April's $10 rise on average around the country for factory bundles, closing at $105/tonne, left it at the highest level since last October, just before it took a nosedive during the winter months. Industry sources were attributing the new scrap market to higher demand and tight supplies, sparked by a reborn confidence among steel companies after the imposition of the 201 tariffs. Exports were also bouncing back. Figures for January showed ferrous scrap exports at 739,630 tonnes, compared with 602,028 tonnes in January 2001 (*AMM* 3/11, 3/22, 4/2, 4/8).

Brazil Pig Iron Reaps Benefits from 201: An indirect beneficiary of the Bush 201 tariffs is likely to be Brazilian pig iron producers. With the U.S. as the biggest market for exports from that country, increases in U.S. steel production will inevitably call for more pig iron feedstock. Brazil's prices fell in the second half of last year but this is now expected to reverse itself. Already in mid-March, Minas Metals, an export consortium of 13 pig iron producers said that 70,000 tonnes of the iron destined for steel mills in the U.S. had been sold for $112/tonne, compared with the previous price of $110. Back in November, Nucor had bought pig iron at a reverse auction for $105/tonne. In February, the same consortium sealed a deal with Taiwan for 50,000 tonnes of foundry pig iron at $124/tonne, compared with a sale to Taiwan in November at $99 (*AMM* 3/21).

DRI Output Drops 7.5% in 2001: For the first time in almost 20 years, production of directly reduced iron fell last year. Output declined by 7.5% to 40.5 million tonnes for the year 2001. Adjusted for inflation, only in the depression year of 1933 and the year of the big economic recession of 1982-83, has the price of scrap fallen so low, with the inevitable following of price and production declines of other feedstock items such as DRI and hot-briquetted iron (*AMM* 4/12).

Mills Face High Imported Coke Cost: Mills that now rely on imported coke may see shortages and stiff price hikes, say some industry analysts. "Everyone says they will get coke from China," said one New York-based steel analyst, "but China is reducing its coke exports." China, which puts out about 60% of the world's coke supply, has been using more of its own coke and now faces some serious environmental problems that is forcing it to revamp its use of antiquated beehive coke ovens (*AMM* 4/15).

LABOR/MANAGEMENT

Grupo Mexico Hit By Series of Strikes: As of early April, strikes at three facilities of Grupo Mexico had been settled but one, Mexico's largest copper mine at La Caridad in the Sonora state, remained shut down by the labor action. The strikes were precipitated by management's cutback of a pay increase specified in its contract with the National Miners and Metalworkers Union. The contract called for an 8% to 10% pay rise but the company cut it back to only 5%. Three units -- La Caridad, the San Martin unit in Zactecas, and the Nueva Rosita coal and coke facility in northern Mexico -- walked out on March 6. They were followed a day later by the San Luis Potosi electrolytic zinc refinery. At its peak, the strike involved about 4,000 workers. Subsequent negotiations settled strikes at three of the facilities with pay raises of 5.25 to 5.75% and a pledge by senior officials of the Mexican Labor Ministry to study allegations of management abuses. Each section of the National Miners and Metalworkers Union negotiates its own contract, unlike other Mexican unions that negotiate for the entire industry. A senior official of the union warned that strikes at other plants of Grupo Mexico could not be ruled out (*AMM* 3/8, 3/11, 3/15, 3/22, 4/8).

Oregon Steel Settles Emissions Suit: A final settlement in the action brought by the state of Colorado against Rocky Mountain Steel Mills, a subsidiary of Oregon Steel, will cost the company $22.2 million, $6 million more than it would have if Oregon had settled it last year. It will also result in a cutback in the capacity of the plant to turn out raw steel. Under the agreement, one of the two electric-arc furnaces of Rocky Mountain will be shut down and replaced with a single, rebuilt furnace. Just a year ago, a $16 million settlement between the state and the company collapsed amid state charges that Rocky Mountain was backpedaling on the previously negotiated deal. Under the agreement, Oregon will spend $20 million on an emissions-control system, and will pay a $1.8 million fine and $400,000 for an on-site independent environmental consultant picked by the state to monitor the plant. About $1.5 million of the fine will go towards community environmental projects. The settlement has resulted in a restatement of Oregon's earnings, with a fourth quarter net profit of only $554,000 instead of its originally reported $1.8 million. On a full-year basis, it widened Oregon's loss for the current year from $4.7 million to $5.9 million (*AMM* 4/25, 4/28).

CAPACITY/TECHNOLOGY

New Mill in Kentucky Aided by Tax Breaks: The Kentucky Economic Development Finance Authority approved $17 million in tax breaks to Leo, Inc. of Pittsburgh to build a new slab conversion plant on the Ohio River in either northern Kentucky or northern Indiana. The tax breaks will be spread out over a 10-year period. The new mill, with an annual capacity of 1.2 million tons, will specialize in converting steel slabs into hot-rolled coils and is expected to begin operations in January 2005 (*AMM* 4/1).

Cliffs Sinks $4.5 Mil into Iron Technology: The second phase of the Mesabe Nugget Project will receive a $4.5 million investment from Cleveland-Cliffs, the biggest domestic iron ore supplier, it was announced in April. In the project, Cliffs is expected to help further develop the iron-making 1TMK3 technology of Kobe Steel which converts iron ore into a nearly pure iron in nugget form. The 25,000 ton-a-year plant at Cliffs' Northshore

Table 9: Selected Canadian Steel Industry Data, January & Year-To-Date

(thousand tons)	Month of January			Year-to-Date		
	2002	2001	% Chg	2002	2001	% Chg
Mill Shipments	1,344	1,346	-0.1%	1,344	1,346	-0.1%
Exports	483	420	15.0%	483	420	15.0%
Imports	558	631	-11.6%	558	631	-11.6%
Apparent Steel Supply	1,419	1,557	-8.9%	1,419	1,557	-8.9%
Imports as % of Supply	39.3	40.5	--	39.3	40.5	--

Source: CSPA 5/8/02

Mine near Silver Bay, Minn. is expected to be in operation next year (*AMM* 4/5).

New SDI Mill Pronounced a Success: The first tests on melting and casting at the new SDI mill in Columbia City, Ind., have been successful, the company said, enabling it to begin the pre-production phase that prepares for the start of rolling operations. The mill is expected to turn out limited shipments of structural beams beginning in June. It will have a capacity, when fully operational, of 1 million to 1.3 million tons a year. SDI says it will increase the mill's operations gradually, turning out 200,000 tons in the second half of this year and 800,000 tons next year (*AMM* 4/25).

WORTHY OF NOTE

Nucor Signs Pacts with CVRD and Rio Tinto: Nucor has teamed up with two overseas iron and steel giants to help it take advantage of international investment opportunities. A non-binding memorandum of cooperation was signed with CVRD of Brazil to explore further avenues of investment, concentrating on enterprises that are low-cost and environmentally sound with strategic positions in both North and South America. One such project in discussion is a $400 million pig iron plant using charcoal derived from eucalyptus trees. A Nucor spokesman said that if the plant were built, Nucor would use the pig iron to supply all of its sheet mills.

At the same time, Nucor and Rio Tinto of Australia have agreed to build a HIsmelt mill in Australia with Rio Tinto holding a 60% interest, Nucor a 25% interest and the remainder held by Japanese interests. HIsmelt technology converts iron ore to liquid metal without coke or sinter plants (*AMM* 4/19, 5/1).

Ispat Sidex in Romania: The investment program negotiated between Ispat and Romania's Sidex was scheduled to begin in April after four months of preparations that included the new management's securing supplies of raw materials and stabilizing operations. The investment program of LNM Holdings, an investment company associated with Ispat, will focus on cost reductions, environmental improvements and improvements in the quality of goods manufactured (*AMM* 3/15).

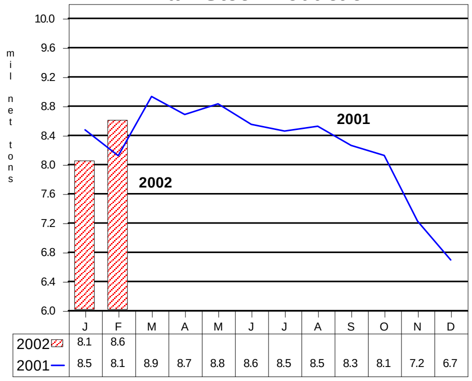
Push for Cheaper Dollar: As part of a push to aid U.S. products in international trade, the steel lobbying groups have joined with other organizations in the business community to urge that the Bush administration take steps to cut the value of the dollar. These groups, including the American Iron & Steel Institute, the Steel Manufacturers Association, and the Nonferrous Founders' Society have joined some 30 groups from other industries in the Coalition for a Sound Dollar to pursue their aim of dollar devaluation. According to the National Association of Manufacturers, some 500,000 jobs have been lost because of what they say is an overvalued dollar that makes U.S. goods more expensive in international markets and cuts sharply into our exports. So far, the administration has shown little interest in lowering the value of U.S. currency (*AMM* 3/26)

NOTES ON STEEL TRACK EXHIBITS

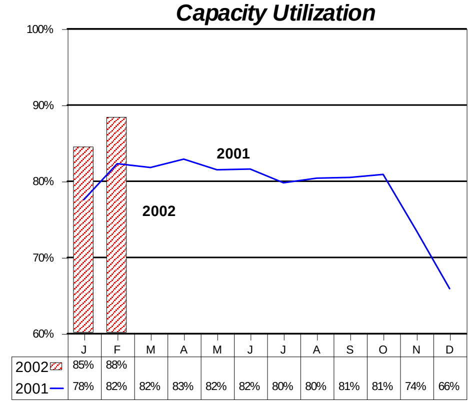
Performance data is from monthly AISI sources. ***Spot Prices*** (except OCTG) are from *Purchasing Magazine* and are FOB Midwest, with no extras. **Hot rolled sheet**, 48 inch, temper rolled, ASTM 569; **Cold Rolled Sheet**, 48 inch, AISI 366; **HD Galvanized Sheet,** 120 inch AISI 525, G90; **Coiled Plate**, A36, 1/2x96x240 inch; **Cold Finished Bar**, SBQ 1018; **Wide-Flange Beam**, A36, W8, 18 lbs; **Wire Rod,** low carbon; **Rebar,** carbon, no. 6. **OCTG** spot prices are from Pipe Logix, FOB Houston for J55 8REUE Seamless Tube.

Locker Associates Steel Track: Performance

Raw Steel Production

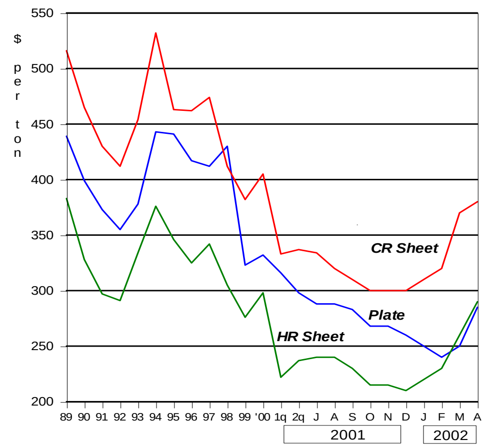


Capacity Utilization

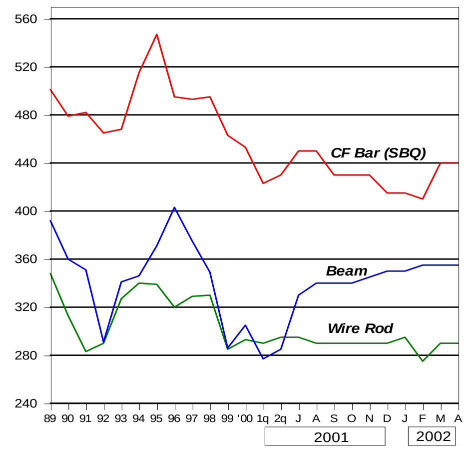


Locker Associates Steel Track: Spot Prices

Flat-Rolled Prices



Other Product Prices



Spot Prices for Selected Steel Products, April & Year-To-Date

($ per net ton)

	Month of April			Year-to-Date		
	2002	**2001**	**%Chg**	**2002**	**2001**	**%Chg**
Hot Rolled Sheet……………….	290	230	26.1%	250	223	12.4%
Cold Rolled Sheet……………..	380	330	15.2%	343	335	2.2%
HD Galvanized Sheet………	415	340	22.1%	364	340	7.0%
Coiled Plate……………………..	285	319	-10.7%	260	314	-17.2%
Cold-Finished Bar (SBQ)…….	440	420	4.8%	426	425	0.3%
Wide-Flange Beams………….	355	265	34.0%	359	283	27.0%
Wire Rod/Low Carbon………..	290	290	0.0%	285	290	-1.7%
Rebar……………………………….	280	280	0.0%	281	280	0.4%
Average Spot Price+………….	342	309	10.5%	321	311	3.2%
OCTG Seamless Tube……..	919	1011	-9.1%	934	1021	-8.5%
Scrap Price ($/gross ton)……*	105	99	6.1%	95	97	-1.8%

*Sources: Purchasing Magazine, Pipe Logix   + Composite price of 8 carbon products   *auto bundles*

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President, E&E Corporation

*"The monthly price, product, and market data keeps our negotiators well informed. We find the data very useful for our Steelworker locals. The **Update** serves as a guide for navigating through the North American steel industry and is read throughout Canada."* -- ***Leo Gerard***
President, United Steelworkers of America

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Steel Industry Update/167 June 2002

Locker Associates, 225 Broadway, NY NY 10007 Tel: 212-962-2980 Fax: 212-608-3077

The seventeenth Steel Success Conference, held in New York between June 18-19th, attracted 575 attendees from around the world. World Steel Dynamics (WSD) and American Metal Market sponsor the annual event which features speakers from every segment of the global steel industry. Some of the most important themes emanating from the conference were the following:

♦ USWA President Leo Gerard offered a keynote address that made it abundantly clear the Steelworkers are anxious to be active and creative partners in restructuring North American integrated producers so the mills can be cost competitive with minimills and imports. "We are willing to work with the steel companies and will be the best partner to work with. Consolidation has to occur." He offered a vision of one large North American steel company that could produce 40-50 million tons annually. Moreover, he clearly recognized the need for a new kind of collective bargaining agreement that covered value-added manufacturing and distribution, recognizing it had to be different from the basic steel agreement. But Gerard stressed that this type of approach could only work if management sought "human solutions" to downsizing and labor reduction efforts, meaning they must try to protect the jobs, basic living standards and benefits of those affected, as well as try to create new jobs through down-stream production.

♦ Peter Marcus of WSD proclaimed that the world steel industry was entering a boom period where steel shortages could push prices to stratospheric levels. But most company executives were much more cautious, stressing that (a) recent flat-rolled price hikes were driven by U.S. supply reductions, not new demand, (b) higher domestic prices are making it possible for imports to come in at a profit despite the tariffs and (c) much of the shutdown capacity should return in the second half of 2002, along with a rise in imports, placing renewed downward pressure on prices by the end of this year.

Inside This Issue......

♦ The resurrection of LTV as the International Steel Group will only succeed if a highly innovative labor agreement is instituted, drastically reducing unit labor costs by lowering manhours per ton. The new management hopes to produce between 5-6 million tons of sheet annually, employing only 3000 people. This means they would use on average a little over one manhour per ton shipped -- down from the 2-3 manhours under LTV. This, combined with the elimination of legacy costs, could reduce production expenses by about $75 per ton.

♦ Foreign producers who have far more access to much needed capital will drive North American consolidation.

♦ The 201 tariffs will be upheld for three years by the Bush Administration, offering U.S. producers a real chance to restructure, improving their cost

Table 1: Selected U.S. Steel Industry Data, March & Year-To-Date

(thousand tons)	*Month of March*			*Year-to-Date*		
	2002	2001	% Chg	2002	2001	% Chg
Raw Steel Production	8,261	8,932	-7.5%	23,937	25,627	-6.6%
Capacity Utilization	86.7	81.8	--	86.6	80.8	--
Mill Shipments	8,313	8,547	-2.7%	23,938	24,678	-3.0%
Exports....................................	483	565	-14.6%	1,472	1,650	-10.8%
Imports....................................	2,179	2,589	-15.9%	8,223	6,859	19.9%
Apparent Steel Supply*	9,451	9,931	-4.8%	28,317	28,431	-0.4%
Imports as % of Supply*	17.1%	19.6%	--	20.7%	19.0%	--
Iron Ore Shipments (metric)	2,199	2,492	-11.8%	6,090	5,908	3.1%
Average Spot Price** ($/ton)	328	308	6.5%	314	310	1.2%
Scrap Price+ ($/gross ton)..............	95	95	0.0%	92	96	-4.5%

*Source: AISI, Purchasing Mag., & US Geo. Survey *Excludes semi-finished imports **Avg price of 8 carbon products +auto bundles*

Table 2: Executive Compensation, 2001 ($000s)

	Salary/Bonus 2001	Salary/Bonus % Chg	LTerm Comp	Total Comp
U.S. Integrated Mills (US$)				
AK STEEL				
Wardrop, Chm/CEO	2,000	-38%	4,016	6,016
Top Officers Total	3,989	-37%	7,075	11,064
ROUGE STEEL				
Valdiserri, Chm/CEO	69	-75%	64	133
Top Officers Total	751	-32%	143	894
USX				
Usher, Chm/CEO	4,412	15%	2,845	7,257
Top Officers Total	9,406	-6%	3,295	12,701
WHX				
Bradley/LeBlanc, VP	845	-16%	0	845
Top Officers	2,195	-7%	0	2,195
Canadian Integrated (C$)				
ALGOMA				
Adam, CEO/Stephen*	1,108	122%	0	1,108
Top Officers Total	1,869	32%	0	1,869
DOFASCO				
Mayberry, Pres/CEO	807	-26%	2,875	3,682
Top Officers Total	2,782	-9%	5,668	8,450
STELCO				
Alfano, Pres/CEO	744	6%	1,679	2,423
Top Officers Total	1,806	-4%	2,686	4,492
Steel Related Companies (US$)				
CLEVELAND CLIFFS				
Brinzo, Chm/CEO	632	7%	72	704
Top Officers Total	1,906	3%	186	2,092
North American Minis (US$)				
BAYOU STEEL				
Meyers, Chm/CEO	546	3%	6	552
Top Officers	1,440	2%	64	1,504
BIRMINGHAM STEEL				
Correnti, CEO	807	37%	0	807
Top Officers Total	1,801	20%	0	1,801
COMMERCIAL METALS				
Rabin, Chm/Pres/CEO	770	-29%	182	952
Top Officers Total	3,176	-24%	182	3,358
CO-STEEL				
Newman, Pres/CEO	355	-28%	5	360
Top Officers Total	1,253	-9%	32	1,285
IPSCO				
Phillips, Pres/CEO	427	-3%	0	427
Top Officers Total	1,489	-2%	193	1,681
NUCOR				
DiMicco, Pres/CEO**	423	-70%	790	1,213
Top Officers Total	1,552	-60%	2,334	3,886
OREGON STEEL				
Boklund, Fmr Chm	351	-37%	0	351
Top Officers Total	1,619	-7%	179	1,798
STEEL DYNAMICS				
Busse, Pres/CEO	400	-65%	44	444
Top Officers Total	1,320	-64%	168	1,488
GRAFTECH *(Steel Related)*				
Playford, Chm/CEO/Pres	851	-1%	1,525	2,376
Top Officers Total	2,085	-2%	3,233	5,318

*Source: Company Docs 2000-2001 %Change LTerm: Long-Term C$=US$.65 *Stephen, CRO **Two people held position in 2000*

competitiveness and product-mix. Those mills that take full advantage of this opportunity will be strong enough to survive the next downturn and those that don't will die. Most importantly, when the next downturn comes in 2-3 years the steel industry probably won't have sufficient political clout to get another 201 time-out.

♦ U.S. integrated sheet producers are currently the highest cost mills in the world when it comes to making a cold-rolled coil, according to WSD (see Table 3). The extraordinarily high dollar is a major reason for this condition, so the recent decline in the dollar, if it continues, will improve the cost competitiveness of U.S. mills as well as make it more difficult for imports, direct and indirect, to flood the U.S. market.

EXECUTIVE COMPENSATION

The horrendous performance of most North American steel producers drastically reduced steel executive compensation in 2001, including salary and bonuses (see Table 2). But two highly distressed companies, Algoma and Birmingham Steel bucked the trend, providing significant raises to their top executives by 32% and 20% respectively. The rest of the industry either took major cuts or held steady. The top five executives at Steel Dynamics saw their salary and bonuses drop 64% while at Nucor it went down 60%, AK 37% and Rouge 32%.

Despite the overall drop in salary and bonuses, most integrated execs still "earned" very hefty sums in 2001. The average U.S integrated CEO "earned" $1.8 million, easily outpacing their Canadian integrated and minimill counterparts. USX's Tom Usher received $4.4 million in salary and bonuses and another $2.8 million in long-term compensation (stock, stock options and long-term incentives). AK Steel's Richard Wardrop followed Usher by hauling in $2 million in salary and bonuses and another $4 million in long-term compensation.

Meanwhile, the sizeable gap between integrated and minimill executives remained quite apparent in 2001. The highest paid minimill executive, Stanley Rabin of Commercial Metals, "earned" $770,000 in salary and bonuses and another $182,000 in long-term compensation -- rather modest sums compared to most integrated executives. The average minimill CEO "earned" only

$510,000 in salary and bonuses and received just $126,000 in long-term compensation.

TRADE CRISIS

'Don't Weaken 201' USWA Warns Bush: The United Steelworkers of America union reacted sharply earlier this month to talk in the media and press editorials that the Bush administration is considering wholesale exclusions from its 201 tariff policy announced in March. "If the administration does not back these tariffs up, it will be a political disaster (for the GOP) in the steel states," warned Bill Klinefelter, legislative and political director of the USWA. At a joint press conference with Terry Straub, U.S. Steel's vice president for public affairs, and two Washington trade lawyers, Klinefelter said that steel state voters, who went for President Bush in 2000, would desert him and his party if he now reneged on his protection of the steel industry. The USWA stressed that the tariffs were beginning to have a positive effect on the prices of some products, particularly flat roll. They also pointed out that the dire predictions of opponents of the 201 actions, regarding what effects they would have on world steel markets, had not come to pass. There are now about 500 to 600 requests pending for exclusions, including about 300 for flat-rolled products, and the government must act before the deadline of July 3. In addition, a new round of exclusion requests has come in that may total 800 more. The government has not yet set a deadline for action on the second wave (*AMM* 6/7).

Legacy Cost Vote Loses in Senate: While a majority of Senators favored federal funding of legacy costs, a minority, using Senate rules, was able to short circuit the measure last month. The attempt to fund the legacy costs was attached as an amendment to the Trade Adjustment Act -- the so-called Fast Track now before Congress. The amendment received 56 votes, but most Senate Republicans, some from steel states, relied on a parliamentary procedure that required 60 votes for the measure to go forward. United Steelworkers of America President Leo Gerard charged that "the Bush administration chose to throw its weight behind a minority of extremists in the Senate rather than come to the aid of the victims of what it has acknowledged is unfair trade in steel." (*USWA Press Release* 5/21).

Despite April Decline, Imports Are Up: Even though steel imports showed a 13.7% decline in April, imports were actually up by 6.2% for the first four months of this year, according to recently released statistics from the Department of Commerce. From January through April, imports totaled just over 10 million tons, compared with 9.5 million tons for the same period last year.

In another development, the new import licensing program designed to detect surges of steel dumping that was supposed to be in place by July has been moved back. Steel monitors have been advised, however, that there is another way of checking on the problem. Beginning this month, the U.S. Customs Bureau, along with its regular posting of monthly steel imports, is doing a breakdown of the statistics, including the 14 categories of steel covered by the President's tariff orders in March. The data also includes a country-by-country breakdown of imports. It can be found on the Customs Bureau website -- www.census.gov/foreign-trade/Press-Release/steel_index.html (*AMM* 5/30, 5/31, 6/5).

Early Lifting of 201 Tariffs Possible: If the current rise in steel prices on most products continues and global capacity is reduced, the U.S. is considering a review of its 201 tariffs and could possibly lift them before they expire in 2005, according to a Commerce Dept. official. Grant Aldonas, Commerce Dept. Undersecretary for International Trade, told a meeting in Brussels a few weeks ago that the Bush administration is carefully monitoring the price levels of the 14 products on which it levied a 30% average tariff penalty from a number of countries (*AMM* 5/31).

Japan's Exports Soar: Statistics released last month by the Japan Iron and Steel Federation show steel exports from Japan hitting their highest level in 18 years, thanks to the shipment of low-end goods like slabs, bars and billets to China and other nearby markets. Japan's steel industry exports, including pig iron, ferroalloys and semis, jumped 14.9% in the fiscal year ending March 31, hitting 32.7 million metric tonnes. Even as their domestic demand for finished steel remained flat, exports of pig iron were up by four times their previous level. In semis, shipments to Taiwan soared by seven times to 1 million tonnes, shipments to China jumped 360% to 751,981 tonnes, and exports to South Korea dou-

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Table 3: International Steelmaking Cost Comparison for Cold-Rolled Coil (May 2002)

($/ton CRC)	USA	Japan	Germany	U.K.	Canada	South Korea	Taiwan	Brazil	Mexico	C.I.S.	China	Thin Slab*
Exchange Rate	1.00	133	2.22	0.68	1.60	1319	35.00	2.30	9.04	31.20	8.28	1.00
Emp. Cost ($/hr)	38.25	33.00	33.00	27.50	24.00	13.25	16.45	10.50	11.20	2.00	1.40	38.25
MH/Ton	3.5	3.5	3.5	3.5	3.9	4.2	4.4	4.7	6.2	12.4	16.1	1.6
Labor Cost	133	113	116	97	94	55	71	49	69	25	23	63
Coking Coal	25	25	24	23	33	25	25	35	29	20	24	--
Iron Ore, etc.	49	50	55	52	49	53	54	35	35	51	60	--
Scrap (prior credits)	30	20	19	22	26	24	24	25	33	22	28	118
Material Cost	104	95	98	95	108	102	103	95	97	93	112	118
Other Costs	145	126	126	134	139	120	121	122	154	130	125	121
Operating Costs	**382**	**333**	**341**	**327**	**341**	**277**	**295**	**266**	**319**	**247**	**260**	**302**
Depreciation	23	34	27	25	19	25	31	29	31	13	27	17
Interest	12	14	9	5	7	8	7	32	24	10	14	5
Financial Costs	35	47	36	30	26	33	38	61	55	23	41	22
Pretax Costs	**416**	**380**	**377**	**357**	**367**	**310**	**333**	**327**	**374**	**270**	**301**	**324**
Cumulative Process Costs												
Coke ovens	102	82	97	89	93	81	82	95	91	53	52	--
Blast furnace	133	105	108	107	115	99	100	94	105	90	95	--
Liquid steel	177	144	144	140	158	138	140	132	148	120	135	168
Slab	206	165	168	164	184	156	162	149	168	141	155	179
HRC (P&O)	275	223	229	222	244	198	208	190	224	179	194	224
CRC	359	300	310	304	319	254	273	245	297	230	243	284
SG&A and Taxes	382	333	341	327	341	277	295	266	319	247	260	302

Source: WSD *World Cost Curve* (May 2002) Note: Medium-high-cost integrated reference plant *U.S. minimill

bled to 929,923 tonnes. The figures reflected a vigorous drive by Japanese steelmakers to keep their mills operating at high levels by expanding new markets abroad (*AMM* 5/10).

Rising Imports/Weak Demand Hurt Beams: Most beams were excluded from the 201 tariffs so U.S. mills were hoping for a favorable anti-dumping decision to cut imports. But in May, the Dept. of Commerce imposed minimal duties giving foreign producers a strong incentive to raise their shipments to the U.S. market. Only one German company, Salzgitter AG, received a penalty of 35.8%, a margin it reportedly can easily handle due to its linkage with SDI and the opening of a new section mill in Indiana. Other duty margins ranged from almost nil (0.33%) for Duferdofin of Italy to 15.2% for ProfilArbed of Luxembourg. Aceralia of Spain got a tariff penalty of only 5.2%, and all other German beam companies named in the action were hit with 8.1%. The Far East fared worse with duties ranging from 15.3% for Kuei Yi of Taiwan to 89.2% for most Chinese companies. The low tariffs on Europeans are expected to have the effect of a resumption of large-scale exports to the U.S., reducing the beam supply in Europe and shoring up prices. Recent price increases in Europe of 10 euros (US$9.17) per ton have held fast despite several months of slow sales earlier this year.

Meanwhile, domestic beam producers are complaining that an oversupply and sluggish demand have put their sales in the doldrums. The U.S. beam market is described by one distributor as not “horrible” but not “that good either.” Mill prices range from $345 to $360/ton with little expectation of any upward movement soon (*AMM* 5/16, 5/20, 5/24).

OCTG Mills Lose ITC Decision: Domestic OCTG producers were reported “staggered” last month by the ITC decision that their industry has not been “materially injured or threatened with material injury” from imports. A spokesman for U.S. Steel called the 4-1 decision “a mistake” and said that the commissioners “weren’t focused on the current state of the market.” The expectation is that it will get worse, he said, “and if it does, we’ll re-file our cases.” The CEO of another company, NS Group, said that the ruling “boggles the mind.” Citing the fact that “all domestic mills are losing money from their U.S. sales,” the executive, Rene J. Robichaud, declared that the second-quarter forecast will be “another losing quarter.” The finding, so inconsistent with other ITC rulings on steel imports, has left some wondering if the decision wasn’t influenced in some degree by the oil connections of the Bush administration and the desire of the energy industry to keep OCTG prices low.

In a related development, the rig count in the U.S., an indicator of future OCTG activity, has increased by 13.4% since March, according to industry statistics. Although declining by 0.6% in April, it resumed its upward climb in May, gaining 0.7%. There are now 854 rigs operating in the U.S. Canadian operating rigs are also increasing, moving up to 164 as of the end of May (*AMM* 5/14, 5/17, 6/4).

Bidding War for Republic Heats Up: The sale of bankrupt Republic Technology took interesting twists over the past month as two sets of suitors took turns wooing the maiden and a federal Bankruptcy Court judge reversed herself on who had the inside track. In mid-May, KPS Special Situations Fund, a New York investment firm, announced a partnership with Dallas-based Hunt Investment Fund to buy 60% of Republic's assets for $450 million. The Hunt group is operated by Dallas' Hunt family, with extensive interests in oil and gas production and a long history of support for right-wing causes. Within a few days, another group, Renaissance Partners of Pittsburgh, in association with Niagara Corp. and Sidenour of Spain, had notified the court of its own interest in a Republic buyout and requested time to evaluate the bankrupt firm.

On May 28, U.S. Bankruptcy Court Judge Marilyn Shea-Stonum denied a motion to grant lead bidder status to KPS, which would have made them the so-called "stalking horse" in the projected sale. The judge declared that KPS had not met the threshold for a "stalking horse" in which other bidders would have to follow its lead. But just days later, the judge reversed herself and granted lead bidder status to KPS. No explanation for the reversal was readily available. Harry Schaefer, president of USWA Local 1200, expressed reservations about the KPS-Hunt acquisition, saying that it did not secure enough jobs. The judge has set July 2 as a date for bids to be submitted and a hearing on the sale of the company is set for July 9 (*AMM* 5/20, 5/24, 5/30, 6/3).

Georgetown Sold to NY Group: GS Industries announced last month that it had accepted an offer from Midcoast Industries of New York to buy its Georgetown Steel subsidiary in South Carolina for $53 million in cash. In giving the nod to Midcoast, GSI passed up an offer from Florida's Liberty Acquisitions to buy the mill for $32.8 million in cash and $40 million in loans that had not been secured (*AMM* 5/23).

Bill Seeks Controls on Ex-Im Loans: A Senate-House conference committee in May approved a measure that would prevent the Export-Import Bank from granting loans to any foreign companies involved in unfair trade cases. The provision was contained in an amendment to a bank reauthorization bill. It now goes back to both houses of Congress for final passage.

It would bar Ex-Im loans to companies with pending anti-dumping, countervailing duty or trade penalty actions under Section 201. The bank will also be required to do an in-depth analysis before granting loan guarantees to any company named in unfair trade cases. The action was prompted by the bank's approval of a $20 million loan guarantee to Benxi Iron & Steel of China two years ago despite the request from the Clinton administration that the loan be turned down because it would be used to increase steel production in an already glutted world market (*AMM* 5/24).

PRICES AND SHIPMENTS

Sheet: HR sheet is moving upward rapidly and appears to be nearing the record peak set in 1994, according to the latest data. In mid-May, U.S. Steel announced another price hike on carbon HR sheet of $20/ton with its August shipments, bringing it to about $380/ton. The high point eight years ago for HR sheet was $400/ton. U.S. Steel was also hiking its tags on CR sheet by $30/ton and hot-dip galvanized sheet by $40/ton for all orders shipped from August 4. Beginning with the Asian crisis of a few years ago and exacerbated by the foreign dumping problem, HR slumped to a low of about $210/ton just six months ago. The rapid jump in prices has been brought about by the slowdown in imports and a reduction in steel capacity since the beginning of the year. One negative note was sounded by a Midwest service center which pointed out that the rapidly rising prices of flat roll was going to make it more attractive for low priced imports (*AMM* 5/17).

Wire Rod: Short supplies have been pushing wire rod prices rapidly upward over the past few months. Several weeks ago, GSI told its customers that it would institute a $25/ton tag increase effective May 13. This was the latest in a series of moves by wire rod producers. In April, Co-Steel and Ivaco announced the imposition of scrap surcharges of $20/ton on rod beginning May 1. A couple of weeks later, Co-Steel announced another price increase beginning July 1 of $30/ton, a price move followed by Ivaco on its shipments beginning Aug 1. All these increases come after an attempt to get a $35/ton tag hike in April resulted in an actual increase of about $20/ton. Current f.o.b. rod prices are $280/ton for mesh quality, $290/ton for industrial quality and $295 to $325/ton for high carbon (*AMM* 5/2, 5/20).

Slab: Revising its earlier estimates upward, CST, the Brazilian slab giant, now sees its average price for the year topping the $175 to $180/metric tonne it had predicted just a few of months ago. As of mid-May, the company was selling its slabs for $190 to $210/tonne f.o.b. for second-quarter delivery and had concluded sales agreements for third-quarter shipment to the U.S. at $210 to $230/tonne. Upward price pressures have been reported strong since the March imposition of import restrictions. Although the slab quota for the U.S. will be small, CST expressed the hope that the U.S. will approve Brazil's request for exemptions. Slab demand is also reported to be strong in other parts of the world.

In a related development, DSC, a CR mill in Trenton, Mich, is discussing a partnership with Russia's Magnitogorsk Iron & Steel Works to give the Russian slab maker greater access to the U.S. market. DSC, formerly part of McLouth Steel, was bought in 1996 by British steel investor Michael Wilkinson. Later joined by Arkady Orkin of Russia, it underwent a $60 million upgrading of its CR facilities. Russia's slab quota for the U.S. is 1.2 million metric tonnes annually, a sum that will increase by 100,000 tonnes a year until the Section 201 quota expires in 2005. Both DSC and the Russian firm are currently lobbying for a relaxation of the quota to allow additional slab imports into the U.S. (*AMM* 5/3, 5/20).

Merchant Bar: Seeking to test the market, merchant bar producers attempted a price rise last month and are anxiously waiting to see if it will hold. With an increase in business activity and mounting raw material costs, Nucor led the way with a $15/ton tag hike beginning with its June shipments. The move was followed quickly by AmeriSteel. Bayou Steel also informed its customers that it would raise prices on rounds, squares, angles, flats and channels by $25/ton, beginning June 3, an action that received backing from Kentucky Electric Steel on all its merchant bar and SBQ flats (*AMM* 5/14).

CAPACITY/TECHNOLOGY

Acquisition Moves Spur USX to Raise Cash: In a drive to acquire facilities and speedup industry consolidation, U.S. Steel has embarked on a big drive to raise cash. The move sent U.S. Steel Chairman Thomas Usher on a "road show", speaking at fund-raising meetings from coast-to-coast. As part of its drive, it recently put forth a stock issue of 9.5 million shares, worth about $176 million, to fund acquisition bids over the next six to nine months. The company has expressed an interest in buying out a controlling interest in National Steel from NKK/Tokyo and in acquiring steel mills in Slovakia and Serbia. Even as Usher was expressing optimism about next year fueled by the Section 201 tariff protections, one analyst, Peter Marcus of World Steel Dynamics, was warning that steel opportunities could be short-lived if the government hands out a lot of exemptions by July 3.

One project in which U.S. Steel already has moved vigorously is the upgrade of its Minntac iron ore operations in Minnesota at a cost of $50 million. The giant facility, which came online 35 years ago, has now been overhauled with its processing equipment refurbished, its lubricating system modernized and its computer process control systems updated. The upgrade was aided by $6.4 million from the Taconite Economic Development Fund and by grant programs from the state of Minnesota. The operation employs 1,550 workers with a capacity to turn out 16 million tons of iron pellets annually (*AMM* 5/8, 5/9, 5/16).

Geneva Moves to Restart Mill: Geneva Steel, the Utah steelmaker whose operations have been shut down for about six months, has begun to take strong steps to renew its flat-rolled operations "well before" the year's end, according to its president and CEO. The company's efforts to transform itself from the West's only integrated steelmaker into a minimill were underscored by the retainage of a NY investment banker to find a potential buyer and raise $140 million for the new electric furnace, although Geneva officials would not supply details. The push to restart the mill has gained impetus from the recent increase in steel prices in the aftermath of the 201 tariffs.

Geneva's efforts have also sparked some local controversy. At its urging, the state of Utah has passed a bill guaranteeing the local utility company, Utah Power, the recovery of its costs for building a $20 million substation to supply power for Geneva's proposed electric-arc furnace. Geneva would pay the power company $8 million over a seven-year period. According to reports, one of those companies raising sharp questions about the state legislature's action is Nucor, which has a plant in Plymouth, Utah, and is protesting that it incurred the expense of building its own substation. A Nucor executive complained that his company would now be competing for scrap with Geneva, raising its costs of production (*AMM* 5/9, 6/4).

SDI Moves Into Coil Coating: Seeking to gain entrance into value-added steel products in which there are few competitors, SDI has given the green light to construction of a coil-coating plant capable of painting all of the company's current sheet products -- HRPO, CR and HR/CR galvanized. The plant, which would cost $25 to $30 million to build, could annually turn out 240,000 tons of pre-painted sheet coils using new coil-coating technology. SDI envisions a market for its product, which commands a nice price premium, in the manufacture of cars, trucks, garage doors, home roofing, siding and large household appliances. The company said the new mill would employ about 40 people (*AMM* 5/21).

Nucor's New Castrip Mill Starts Test Run: Castrip technology, the much-heralded system that can roll sheet to 1/16 inch using 90% less energy than traditional rolling methods, began its trial run at Nucor's Crawfordsville mill last month. The company announced that the initial trials were successful and that it was turning out coil within a few days. Nucor is the first firm to hold a license on the technology and, along with BHP Billiton, Ltd., owns 47.5% of the process. IHI of Japan owns the rest. The plant has two internally water-cooled copper rolls 20 inches in diameter turning out a hybrid flat-rolled product characterized as somewhere in-between HR and CR but capable of functioning as CR steel. It takes only three 11-man crews, including metallurgy, maintenance, and management, to operate the entire mill. Changing the copper rolls, which occurs only after turning out 100,000 tons of liquid steel, takes no more than one-half hour (*AMM* 5/24).

LTV/ISG Starts Up Under New Management: International Steel Group, the consortium that bought the bankrupt assets of LTV, has started operations at the Cleveland plant with one of the two blast furnaces, the basic oxygen furnace and continuous-slab caster fully operational. CR and finishing operations are expected to begin this month and the mill's second blast furnace is scheduled to start up within three months, says a company spokesman. The plant currently employs about 750 with the number of workers expected to reach 1,200 by late summer (*AMM* 5/24).

END USE MARKETS

Bethlehem Gets Exclusive to Supply Saturn: General Motors will obtain virtually all the steel used in its new Saturn Ion Sedan and Quad coupe from Bethlehem Steel under a multi-year contract. The small cars will begin coming off the production line in 2003. Because the Ions will use more steel than the previous S-Series Saturns, Bethlehem can expect to supply some 100,000 tons of steel annually if car sales hit at least 220,000. This comes as good news to the steelmaker, now in bankruptcy, which relies on automobiles for about 25% of its orders. Saturn has been an important purchaser of Bethlehem products, whose previous supply of steel for the S-Series ranged between 60,000 and 80,000 tons (*AMM* 4/29).

Canadians to Build Three Joist Plants: Canam Manac, a steelmaker in Saint-Georges de Beauce, Quebec, has announced plans to build three mills in the U.S. to turn out steel joists and decks. The new facilities will add about 200,000 tons to the company's capacity. Currently, Canam Manac, the largest steel fabricator in Canada and the second largest in North America, turns out 825,000 tons at 16 mills. About C$200 million (USD $128 million) in sales are expected to result from the three plants when they are completed (*AMM* 5/3).

Steel is Answer to Hawaii's Termites: Haseko Homes, a Hawaiian homebuilder, is using steel flooring and joist products to foil one of the state's most troublesome problems for homeowners -- termites. The pesky creatures, who thrive in the warm, damp climate, are increasingly running into homes constructed with metal frames and floors. More than 60% of Hawaii's new home construction now uses metal. Haseko will build 650 of its houses this year using steel products supplied by Dietrich Metal Framing, a subsidiary of Worthington Industries. Last year, Dietrich provided Haseko with steel joists for 240 homes (*AMM* 5/3).

RAW MATERIALS

Scrap Keeps Going Higher: Since hitting a low point last December, ferrous scrap has zoomed up by about $40/metric ton, hitting $122 this month, the highest level it's been in two years. The AMM Factory Bundles Index showed a jump of about $12/metric ton in May and another rise of about $5/metric ton this month. The spectacular upward climb is being attributed to strong demand from some steel mills, which is a good sign for the immediate future in the steel industry, and possible fear of seasonal drops in industrial scrap output during the summer.

Meanwhile, some watchers are reporting danger signals in the large amounts of scrap piling up in Chinese ports, as the nation continues switching to electric furnaces to increase output. While U.S. scrap exporters have greatly benefited from the emerging Chinese market, there is a sense of uneasiness, particularly with the huge buildup of scrap now taking place (*AMM* 5/10, 5/31, 6/3).

LABOR/MANAGEMENT

Nucor's Plans Don't Include Unionized Plants: Nucor, fresh from its buyout of Birmingham Steel, is now considering further buyouts and has been rumored for some time to be interested in integrated mills. This has led to speculation about whether Nucor, a leading nonunion employer, would reconsider its attitude toward unions since most integrateds are union shops. Nucor Vice-Chairman, President and CEO Daniel R. DiMicco recently settled the speculation when he affirmed at a recent meeting of the American Iron and Steel Institute that his company was, indeed, interested in the possibility of acquiring an integrated mill. However, DiMicco declared that it will never become a union shop. "We have no intention to buy a unionized facility now or in the future," he declared (*AMM* 5/28).

Steel Union OKs Timken Latrobe Contract: Local 1537 of the United Steelworkers of America narrowly approved a six-year contract with Timken Latrobe last month that will increase pay by $1.50/hour over the life of the agreement. There will be no increase the first year, but pay will rise by 25 cents/hour for the next four years and 50 cents the last year. Changes in the employee's health plan will require workers to contribute to the cost of premiums and make co-payments. The contract was approved by a margin of only 157-138 after a previous contract negotiated earlier was rejected by a 136-132 vote of the membership (*AMM* 5/16).

WORTHY OF NOTE

Nucor Buys Birmingham: Birmingham Steel filed for bankruptcy June 3, just two business days after the announcement that it had sold virtually all its assets to Nucor for $615 million in cash. The move protects it from its creditors during the implementation of the sale. Birmingham's CEO John Correnti, formerly CEO of Nucor, will reportedly remain at Birmingham until the deal is closed. With the acquisition of Birmingham, Nucor becomes a national leader in the manufacture of steel reinforcing bar, a gap in its holdings until now. Birmingham's four mills will add two million tons of capacity, mostly in rebar and merchant bar products, to Nucor's empire (*AMM* 6/3, 6/5).

U.S. Steel on Straightline -- It's Here to Stay: Although peppered with hostile questions from steel distributors last month, U.S. Steel Chairman Thomas Usher firmly maintained his company's position that its new Straightline Source division was a fact of life that was not going away. "This is here," he said of the online steel marketing plan that was brought out by U.S. Steel last October and now operates in most major markets in the eastern half of the country. It was a part of the future in technological and marketing trends, he said, and his company would not repeat past mistakes by ignoring those trends.

Usher's remarks came at a meeting of the Metals Service Center Institute in Tempe, Ariz. He suggested that Straightline and the traditional service centers find ways to work together, a message that the audience of steel service center distributors who view the new Straightline division as essentially an electronic competitor received with great skepticism. Straightline now fills small volume orders for U.S. Steel online that it previously left to service centers. Many of the questions reflected the concern of MSCI members that Straightline obscures the lines between producers, processors and distributors in the steel market. Questions also led Usher to try to differentiate between Straightline and previous unsuccessful attempts at electronic distribution of steel products. In the end, Usher's message to the service centers essentially was that "competition is not bad" (*AMM* 5/9).

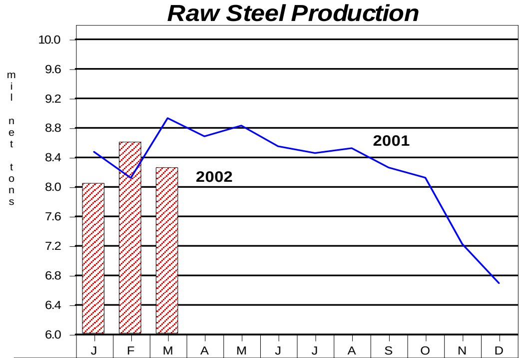
Beth's Dropped Handkerchief Arouses Arcelor's Interest: Responding to press reports, Bethlehem acknowledged in May that it was looking around both at home and abroad for a joint-venture partner to run its Burns Harbor facility. A spokesperson for the steelmaker, now in Chapter 11, would not comment on the story that the European steel conglomerate, Arcelor, had actually begun talking to Bethlehem about the venture. Arcelor's CEO, Guy Dolle, has already told London's *Financial Times* that his company was "interested" in the proposition, which would mean putting up about $300 million for a controlling interest and future investments in the joint operation. Arcelor, the world's biggest steel producer, was formed from a merger of Usinor of France, Aceralia of Spain, and Arbed of Luxembourg. It is not the only joint-venture Bethlehem has talked about since declaring Chapter 11. CSN of Brazil has also been named as a possible partner in Bethlehem's Sparrows Point plant (*AMM* 5/9, 5/10).

Gallatin Takes Over Huntco: Ghent Steel Industries, a subsidiary of Gallatin Steel, has acquired the Huntco Steel mill two months after Huntco Steel's parent company, Huntco Inc., declared bankruptcy. Gallatin is a joint venture of two Canadian companies, Dofasco and Co-Steel.

The Huntco acquisition gives Gallatin a major in-road into the U.S. CR market. Huntco had finan-

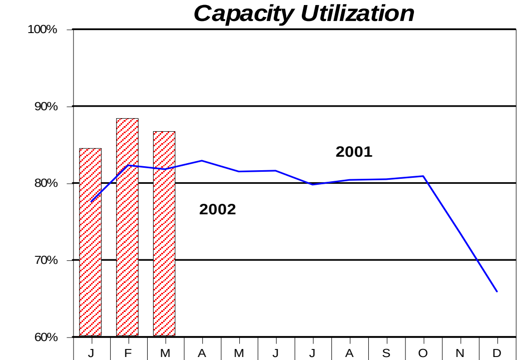
Locker Associates Steel Track: Performance

Raw Steel Production



	J	F	M	A	M	J	J	A	S	O	N	D
2002	8.1	8.6	8.3									
2001	8.5	8.1	8.9	8.7	8.8	8.6	8.5	8.5	8.3	8.1	7.2	6.7

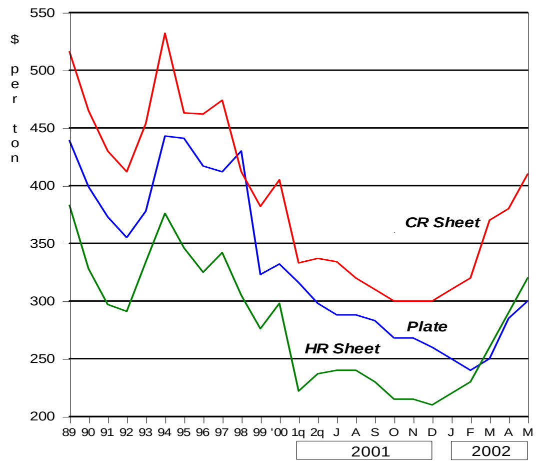
Capacity Utilization



	J	F	M	A	M	J	J	A	S	O	N	D
2002	85%	88%	87%									
2001	78%	82%	82%	83%	82%	82%	80%	80%	81%	81%	74%	66%

Locker Associates Steel Track: Spot Prices

Flat-Rolled Prices



Other Product Prices

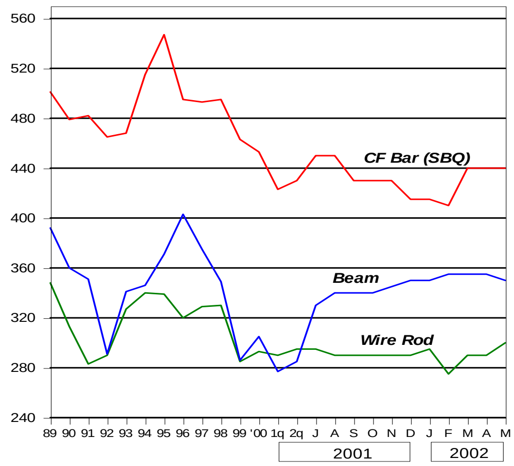


Table 4: Selected Canadian Steel Industry Data, February & Year-To-Date

(thousand tons)	Month of February			Year-to-Date		
	2002	2001	% Chg	2002	2001	% Chg
Mill Shipments	1,313	1,194	10.0%	2,540	2,814	-9.7%
Exports	464	382	21.5%	802	930	-13.8%
Imports	439	461	-4.8%	1,094	1,331	-17.8%
Apparent Steel Supply	1,289	1,273	1.3%	2,831	3,215	-11.9%
Imports as % of Supply	34.1	36.2	--	38.6	41.4	--

Source: CSPA 6/4/02

Spot Prices for Selected Steel Products, May & Year-To-Date

($ per net ton)	Month of May			Year-to-Date		
	2002	2001	%Chg	2002	2001	%Chg
Hot Rolled Sheet	320	240	33.3%	264	227	16.3%
Cold Rolled Sheet	410	340	20.6%	356	334	6.6%
HD Galvanized Sheet	425	350	21.4%	376	342	9.9%
Coiled Plate	300	287	4.5%	268	311	-13.7%
Cold-Finished Bar (SBQ)	440	420	4.8%	429	422	1.7%
Wide-Flange Beams	350	265	32.1%	357	272	31.3%
Wire Rod/Low Carbon	300	290	3.4%	288	290	-0.7%
Rebar	280	300	-6.7%	281	284	-1.1%
Average Spot Price+	358	312	14.9%	327	310	5.5%
OCTG Seamless Tube	931	1016	-8.4%	933	1020	-8.5%
Scrap Price ($/gross ton)*	105	101	4.0%	97	98	-0.6%

*Sources: Purchasing Magazine, Pipe Logix   + Composite price of 8 carbon products   *auto bundles*

cial problems but its bankruptcy was triggered largely by its dealings with Enron (*AMM* 5/17).

Two Foreign Firms Buy North Star Tube: Sumitomo of Japan has joined Vallourec & Mannesmann, a joint German-French tube manufacturer, in purchasing 80% of the tube division of North Star Steel, it was announced late last month. The parent company of North Star is Cargill, Inc. The price of the sale is a reported $380 million, financed with $135 million by two V&M shareholders, a bank loan of $80 million and the rest in existing cash. The deal comes after another purchase attempt by Maverick Tube and Lone Star Technologies fell through. North Star is a major manufacturer of high-quality alloy seamless pipe products used in oil and gas exploration and transmission. Its Youngstown mill, annually turning out 650,000 tons of steel blooms and 550,000 tons of seamless pipe, employs 430 workers. Its Houston plant, which handles the end-finishing -- heat treating, threading, and coupling -- employs 130 (*AMM* 5/29).

LMN, With Strong Foothold in E. Europe, Buys Nova Hut: LNM Holdings, the British-based giant owned by Lakshmi Mittal, is moving still further into Eastern Europe with its recent purchase of Nova Hut, the large steel mill in the Czech Republic. The sale, for a reported sum of

$810 million, includes a two-thirds share in VPO, the pig iron producer, and is the latest in a series of forays into the region. Last year, Mittal bought out Sidex, Romania's giant complex that produces five million tons of steel annually. In 1995, he acquired the Karmet Works in Kazakhstan. Also lined up are prospects for his purchase of the Czech Vitkovice Steel and its related operations, which would give LNM ownership a major portion of the Czech steel industry.

The Nova Hut sale was not without its critics. One steelmaker, Trinecke Zelezarny, which had formed a joint venture with Dallas-based Commercial Metals, accused the Czech government of negotiating a deal after "non-transparent exclusive talks given to an offshore based company." Trinecke Zelezarny was also highly critical of the inside track LNM appears to have on the Vitkovice negotiations, saying they were "disappointed but not surprised" by the same closed process that allegedly took place with Nova Hut (*AMM* 5/31, 6/7).

NOTES ON STEEL TRACK EXHIBITS

Performance data is from monthly AISI sources. ***Spot Prices*** (except OCTG) are from *Purchasing Magazine* and are FOB Midwest, with no extras. **Hot rolled sheet**, 48 inch, temper rolled, ASTM 569; **Cold Rolled Sheet**, 48 inch, AISI 366; **HD Galvanized Sheet,** 120 inch AISI 525, G90; **Coiled Plate**, A36, 1/2x96x240 inch; **Cold Finished Bar**, SBQ 1018; **Wide-Flange Beam**, A36, W8, 18 lbs; **Wire Rod,** low carbon; **Rebar,** carbon, no. 6. **OCTG** spot prices are from Pipe Logix, FOB Houston for J55 8REUE Seamless Tube.

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Two issues at the top of the North American steel industry agenda are consolidation and the overall economic direction of the U.S. economy. The dramatic upturn in prices over the last four months has confused many observers and obscured some basic, underlying trends that will determine the industry's near-term future.

Steel company consolidation around the world is moving forward at a record pace, but in North America things are still dragging, especially for integrated mills. In Europe, mammoth mergers have occurred, leading to the formation of Corus and Arcelor. In Japan, NKK and Kawasaki Steel are in the process of combining their four plants, reducing overhead and cutting other costs -- a process that will save them an estimated $590 million annually or $23 per metric ton of crude steel. And in Russia, two of their largest mills are exploring a merger. All of these newly formed companies can ship close to 20 million metric tonnes annually of finished steel products. Moreover, most are seeking additional acquisitions in other parts of the world, particularly in North America, China and Brazil. Among North American mills, only US Steel and Nucor have demonstrated a real interest in foreign acquisitions.

But the situation inside North America remains very cloudy, especially with regard to integrated producers. None of the bankrupt integrated mills have merged or seem close to consolidating, largely due to the enormous legacy costs that repeal possible suitors. Bethlehem has been exploring joint venturing its two main plants, Burns Harbor with Arcelor and Sparrows Point with the Brazilian giant, CSN. And US Steel has shown strong interest in National Steel, but only if the legacy costs are eliminated or at least drastically reduced. And what is going to happen to Wheeling-Pitt, WCI, Algoma, Geneva, Weirton and ISG? The chances are very slim that they can remain stand-alone firms and survive the next economic downturn.

Table 2: U.S. Steel Shipment Forecasts

Firm/Forecaster (mil tons)	'02	'03	'04	'05
Bear Stearns/Klein	105	106	--	--
Fordham/Koelble	102	109	--	--
DRI-WEFA/Anton	102	112	114	115
IISI/Holy	101	107	--	--
Lehman/Ward	101	108	--	--
Metal Strat/Plummer	104	107	--	--
Prudential Sec/Tumazos	100	106	111	113
Purchasing Mag/Stundza	101	104	--	--
Steelnet.org	101	107	110	--
World Steel Dyn/Kirsis	102	107	--	--
Locker Associates	103	106	110	112
Consensus Forecast	**102**	**107**	**111**	**113**

Compiled by Locker Associates Forecast as of 7/02

On the other hand, North American minimills have witnessed significant consolidation over the last year, with Nucor clearly leading the charge with the takeover of Birmingham Steel, Trico, Auburn and Qualitech. Most importantly, this trend will continue, directly affecting the remaining stand-alones like Keystone, Bayou, Oregon Steel, Roanoke, NS Group and Georgetown Steel. It is interesting to note that in the first four months of this year EAF steelmaking in the United States actually surpassed BOF production for the first time, comprising 51% of total output.

Ironically, while steel firms are consolidating auto producers are proliferating, especially in North America. Several foreign carmakers have setup transplants over the past twenty years, capturing about 25% of U.S. production with

Table 1: Selected U.S. Steel Industry Data, April & Year-To-Date

(thousand tons)	Month of April			Year-to-Date		
	2002	2001	% Chg	2002	2001	% Chg
Raw Steel Production	8,213	8,685	-5.4%	32,334	34,159	-5.3%
Capacity Utilization	90.3	82.9	--	87.3	81.0	--
Mill Shipments	8,610	8,281	4.0%	32,528	33,458	-2.8%
Exports	488	470	3.7%	1,960	2,120	-7.6%
Imports	1,991	2,590	-23.1%	10,214	9,449	8.1%
Apparent Steel Supply*	9,652	9,888	-2.4%	37,948	38,819	-2.2%
Imports as % of Supply*	15.8%	21.0%	--	19.4%	19.3%	--
Iron Ore Shipments (metric)	4,359	5,751	-24.2%	10,449	11,659	-10.4%
Average Spot Price** ($/ton)	328	308	6.5%	321	310	3.6%
Scrap Price+ ($/gross ton)	105	99	6.1%	95	97	-1.8%

*Source: AISI, Purchasing Mag., & US Geo. Survey *Excl's semi-finished imports **Avg price of 8 carbon products +auto bundles*

Inside This Issue......

plans for significant growth. This trend will continue to provide major support for North American steel producers, especially those selling high quality sheet and bar.

What about the overall direction of the U.S. economy? Simply put, the basics still look lousy. Manufacturing, which constitutes only 17% of the GDP, is nonetheless critical for a strong recovery, especially for steel. While a rebound has occurred from last year's low, manufacturing remains, as *BusinessWeek* puts it, "week and uneven." Through the first five months of the year, industrial production has grown by a paltry half-percent per month -- about half the typical pace of past recoveries. While steel and chemicals are increasing their output, "others, such as telecom and aerospace, remained depressed. What's more, the manufacturing rebound…has yet to translate into the stepped-up hiring and increased capital outlays that every economist concedes is necessary for full-fledged expansion."

Steel has benefited from relatively strong auto and appliance production, along with ongoing construction activity. But the overall outlook for strong economic growth remains bleak. If prices should falter and/or imports surge the steel industry could easily experience a double dip by the end of the year.

PRICES AND SHIPMENTS

SBQ: Ispat announced last month that it was boosting its prices on special bar quality steel in carbon and alloy grades by $20/ton as of July 1 shipments. The leading move by Ispat also raised the price of injected grades of SBQ by $30/ton. This brings the total increases in SBQ thus far this year to $60/ton in carbon grades, $70/ton in alloy grades, and $80/ton in injected grades. The company was reportedly still uncertain on the extent to which previous price increases this year had succeeded (*AMM* 6/10).

Slab: Industry sources are speculating that a recent surge in domestic shipments of sheet and plate, caused by the administration's 201 tariff actions, may well push slab prices up over the next few months and could well lead to a race for U.S. markets by foreign slabmakers. Thus far, however, slab imports are falling short even of the Section 201 quotas and there doesn't seem to be any crush of offshore producers to move slab over here before the quotas are filled. The import quota set by the Bush administration in March totals 5.4 million tons. With slab imports from Canada and Mexico, currently exempt from the quota, total slab shipments to the U.S. comes to about 7 million tons. There are no significant domestic suppliers so foreign producers are expected to satisfy most of the demand.

Slab prices last year slid to a low of $160 per metric tonne f.o.b. but have since increased by nearly 50% to between $225 and $240/tonne. And while it was anticipated earlier in the year that there would be a big rush to beat the quota, thus far this has not happened. Only Brazil, which maintained its slab production level despite last year's drop in prices, has sought to move slab into the U.S. at a pace designed to meet its quota allocation. As of June 10, slab from Brazil totaled 512,180 tons or 18% of its quota of 2,799,364 tons for the year ending March 2003 (*AMM* 6/13, 6/17).

Table 3: U.S. Steel Import Forecasts

Firm/Forecaster (mil tons)	'02	'03	'04	'05
Bear Stearns/Klein	29	29	--	--
Fordham/Koelble	28	32	--	--
DRI-WEFA/Anton	28	33	37	38
Lehman/Ward	31	33	--	--
Metal Strat/Plummer	30	32	--	--
Prudential Sec/Tumazos	29	32	32	32
World Steel Dyn/Kirsis	31	33	--	--
Locker Associates	30	31	32	34
Consensus Forecast	**30**	**32**	**34**	**35**

Compiled by Locker Associates   Forecast as of 7/02   Total Imports

Beams: With demand for wide-flange beams slowing down and end users already overstocked, beam prices on average have declined $20/ton since April. On the West Coast, delivered beam prices now range from $345 to $360/ton in popular sizes. One industry analyst calls the beam market a case of "too much product, not enough end user activity, and stalled prices" with wide-flange distributors now just "treading water."

In early July, the ITC shocked the beam market

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Table 4: U.S. Annual Product Spot Prices: Actual and Forecast

	Actual				Forecast							
	2002				2003				2004			
($/ton)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Hot rolled sheet..........	237	317	396	426	391	376	373	371	356	356	345	335
Cold rolled sheet.........	333	408	510	548	503	484	480	478	459	458	444	431
HD galvanized sheet...	347	428	535	575	527	508	504	501	481	480	465	452
Coiled mill plate..........	247	302	347	359	330	379	392	360	345	345	334	325
Cold-finished bars......	422	447	473	469	463	452	461	468	467	453	441	438
Wide-flange beams....	360	352	373	369	364	356	363	369	368	357	347	345
Reinforced bars #6.....	282	292	309	306	302	296	301	306	305	296	288	286
Wire rod/low carbon...	287	302	320	317	313	306	311	316	315	306	298	296
Carbon Avg Price.....	**314**	**356**	**408**	**421**	**399**	**395**	**398**	**396**	**387**	**381**	**370**	**364**
Stainless 304 sheet...	1,237	1,241	1,301	1,349	1,405	1,440	1,481	1,506	1,501	1,452	1,397	1,330
Stainless 316 sheet...	1,748	1,777	1,862	1,931	2,012	2,063	2,120	2,156	2,150	2,079	2,000	1,904

Sources: Purchasing Magazine, Buying Strategy Forecast (7/15/02)

when it decided in a 4-1 decision that foreign imports did not materially injure or threaten to materially injure the U.S. beam industry. The case was brought by leading domestic beam producers, including Nucor and Chaparrel. The ruling came despite the Commerce Department's earlier finding that offshore beams had been sold in the U.S. at below the fair market value (*AMM* 6/19, 7/9; *Metal Center News* 6/2002).

Plate: After realizing that a previous hike, scheduled by several companies for July 1, would only partially hold, US Steel announced that it would raise its tags on carbon and high-strength plate by $20/ton effective Sept. 1. Plate products between 1 1/2 and 2 inches thick would rise by $30/ton. U.S. Steel did not participate in the scheduled July 1 attempt that sought to boost prices by $20/ton. Carbon plate prices are currently in the range of $320 to $330/ton with high strength plate enjoying a $20/ton premium. Plate manufacturers are reportedly attempting to get the price of carbon plate up to $340 or $350/ton (*AMM* 6/24).

Pipe: Another major blow was dealt to the domestic steel pipe industry by the ITC in late June when it ruled that imports from China of circular welded non-alloy steel pipe did not cause or threaten to cause material injury to U.S. producers. The 5-0 decision marked the third time in the past few weeks that the body had ruled against domestic steelmakers. Its previous two decisions were against beam manufacturers and OCTG producers. Chinese mills already have duties, tacked on by the Commerce Department in earlier rulings, of up to 36.4%. Closely watched by the industry will be an expected ITC decision in August in a case on CR imports from 20 countries, most of which are already subject to a 30% tariff rate under Section 201 (*AMM* 6/25).

END-USE MARKETS

Transplants Transform U.S. Auto Industry: A decision by Honda, expected in the near future, on constructing another auto plant in the U.S. signals the continued growth of transplants -- foreign-owned auto plants in the U.S. Honda can't build cars in the U.S. fast enough to meet demand. Its new plant in Lincoln, Ala., turning out minivans, and its factory in East Liberty, Ohio, that will run two new SUV's off its assembly lines, attest to the growing number of foreign auto producers that find the U.S. increasingly attractive.

In fact the latest forecast shows foreign-based companies are planning to increase their U.S. production capacity by 40% over the next four years. This comes on top of the fact that today, more than 50% of all passenger sedans sold in the U.S. are foreign nameplate brands and more than half of these are built at U.S. factories. This shift is having a profound effect on the entire U.S. auto industry. Most of the new plants are located in the South, where labor is cheaper and unions are weak. In fact, the foreign automakers are united in their desire to be as far away from union influence as possible. Mercedes, for instance, raised the pay of workers in its Vance, Ala. plant to as high as $25/hour after the United Auto Workers tried to organize that facility. Industry experts recently told *BusinessWeek* they wouldn't be paying $12 or $13/hour if they didn't want to discourage their workers from joining the UAW. Among the most popular U.S.-made foreign-owned cars are Nissan, Toyota, Honda, Hyundai, Mercedes and BMW.

For the U.S. steel industry, however, the transplant trend is extremely favorable. The foreign auto companies tend to reduce imports as they build U.S. plants, raising the consumption of U.S. produced steel (*AMM* 6/11, *Business Week* 6/15).

WHX Cutting Loose from Steel, Sells Unimast: Seeking to abandon the steel industry, WHX Corp. has agreed to sell its Unimast subsidiary to Worthington Industries for a reported $95 million in cash and the assumption of $25 million of Unimast's debt. WHX is the parent company of Wheeling-Pittsburgh Steel, currently in bankruptcy. Unimast manufactures construction steel products like light-gauge steel framing and trim accessories for the residential construction market. Worthington plans to incorporate Unimast into its Dietrich Metal Framing Business, a major producer of these type of products.

The use of steel frames in residential construction has been growing slowly over the past few years, spurred in part as a means of combating the termite problem in places like Hawaii and the Gulf Coast. It is increasingly being featured by large suppliers of homebuilding materials like Home Depot. Currently, about 7% of new home construction includes some form of steel framing with 2% framed completely in steel. Steel stud manufacturers are trying to reach the goal of 25% but growth has been slow. Problems like builder's custom and tradition, the need for worker training and extra time required for steel framing are all factors in the slow growth (*AMM* 6/26, 7/8).

CAPACITY/TECHNOLOGY

Brazilian-Arcelor Connection?: Rumors have been flying recently that Brazil's Usiminas, one of the country's largest producers of flat steel products, is involved in discussions for a merger, joint-venture, or other international tie-up with European giant Arcelor, the world's biggest steel company. However, no one at this stage is confirming the story -- nor are they denying it. Usiminas already includes such international players as Brazil's Cia Vale do Rio Doce and Japan's Nippon Steel. Arcelor holds shares in the largest Brazilian slab manufacturer, CST, as well as Cia Acos Especiais Itabira, the largest specialty steelmaker in Latin America and Cia Siderurgica Belgo-Mineira, a major producer of long steel products.

Brazil's leading steel producer, CSN is also discussing links to Corus, another European steel giant, as well as purchasing majority ownership in Bethlehem's Sparrow Point plant. Moreover, Arcelor is also rumored to be interested in forming a joint partnership to run Beth's Burns Harbor mill. But all the U.S. moves may be put on hold until the Brazilian-European deals are worked out (*AMM* 6/27).

Russians Getting Into the Merger Act: Russian steelmakers are also catching merger fever. Two of Russia's largest steel mills, Novolipetsk Iron & Steel Works (NLMK) and EvraziHolding are talking about coming together into one big steel holding company. The two, along with the Belon Group, a major metals trader, and a number of raw materials suppliers, are already part of the Russian Steel association that act in concert on many issues before the industry. Spokespersons for the Russian companies did not comment on when the merger between NLMK and EvraziHolding would come about saying only that such an event could take as long as a year or two to iron out details (*AMM* 6/28).

Ispat Inland Spending $15 Mil to Reline BF: Ispat Inland last month opted for a $15 million mini reline of the No. 5 furnace at its East Chicago mill. Management claims the upgrade will maintain the furnace's output of a million tons of iron a year for seven to ten years. The furnace will be idled for about 15 days from late July to mid-August for the work. The company also plans to reline its mammoth No. 7 blast furnace, whose annual capacity of 4 million tons is the highest in North America, some time next year. Plans for replacing the No. 5 and 6 furnaces with electric facilities were shelved last year due to current market conditions and Ispat's cash resources. The parent company, Ispat International, Netherlands, lost $39 million in the first quarter of this year, while last year it lost $59 million in the same period (*AMM* 6/13).

Japanese Mills Merge Stainless Operations: The drive for steel mergers keeps moving forward in Japan. Last month, two major Japanese steelmakers, Nippon Steel and Sumitomo Metal Industries (SMI) signed a letter of intent to merge their stainless steel facilities. The two companies appear to be in the process of creating a bloc to compete with another recently formed conglomerate, Kawasaki and NKK, known as JFE Steel. A final contract is scheduled to be signed in September, and if all goes on schedule, full integration of the two companies will be completed next April (*AMM* 6/14).

ISG Breathing Life Into Former LTV Operation: In yet another step toward resuscitating the former LTV steelmaking facilities, International Steel Group, the new company formed to take over LTV, started up production at the Indiana Harbor mill two months ago. Fired up on May 13 were the H-4 blast furnace, the basic oxygen furnaces and the continuous caster. ISG began shipping HR coils to customers a week later. This marks the second successful restarting of an LTV facility. Just about a week earlier, the former LTV C-5 blast furnace in Cleveland came on line. ISG, headed by Rodney Mott, obtained LTV's operations from bankruptcy in February and plans to eventually turn out 4 million tons of steel annually (*AMM* 6/18).

In Big SBQ Move, Nucor Buying Qualitech: Nucor said "yes" last month to an agreement to buy out bankrupt Qualitech Steel, whose currently idled special bar quality facility will eventually make the minimill giant a major player in the SBQ market. The reported price paid by Nucor is $37 million. It is reported to be discussing an equity stake in the operation with Mitsubishi Corp. in which the Japanese company would help to provide technology to turn out 500,000 tons a year of high-end SBQ products. When the Qualitech plant at Pittsboro, Ind., would startup depends upon how quickly regulatory approvals for the purchase could be obtained. Nucor is also currently in the process of buying out Birmingham Steel, a major producer of merchant and rebar products (*AMM* 6/19; *Nucor Press Release* 6/17).

German Firm Buys North Star Tube: Along with Japan's Sumitomo, the German steel manufacturer, Salzgitter, has purchased through a subsidiary the OCTG business of North Star. The German purchaser, Vallourec & Mannesmann (V&M) Tubes, reportedly laid out 80% of the $380 million transaction price with Sumitomo financing the remaining 20%. The deal will give V&M facilities in Ohio and Texas and increase its OCTG production capacity by about 25% (*AMM* 6/26).

Re-Rolling Mill Planned for Kentucky: Plans to build a new carbon and stainless steel slab conversion mill near Louisville, Kentucky, were reported on track last week. Leo Inc. reports that it will break ground on its new mill in August and expects to have it completed a year from October. When completed, the mill will process and re-roll 1.2 million tons a year of carbon and stainless steel, converting slabs into HR coil for use in automobiles, appliances and other finished steel products. The total cost of the mill is projected at $176 million. It is based on the work done at a similar type mill, Nova Hut, in the Czech Republic and a second one under construction in China's Kunming province (*AMM* 7/08).

RAW MATERIALS

Scrap Rises Again Despite Predictions: In the face of predictions last month that the scrap market was cooling off and that scrap prices were likely to become sluggish over the next couple of months, factory auto bundles rose $6/metric tonne by the end of June. The jump brought the AMM Factory Bundles Index to $128/tonne, the highest it's been in a long time and marked the seventh month that prices have gone up. The earlier skeptical predictions about the scrap market came after overseas sales of scrap had begun to decline. Exported scrap had accounted for a good portion of the price boosts in the industry over the past half-year. Others pointed to the excessive number of wrecked and junked cars, the industry's feedstock, that were on their way to shredder plants. But industry pundits ascribed most of the boost to a seasonal reduction in prime scrap from auto plants shut down by summer vacations.

In early July figures showed a $3/ton rise in the price No. 1 busheling, but a corresponding drop of $3/ton in shredded scrap prices. Other grades like No. 1 heavy melting were unchanged. At the same time, Chinese demand for shredded scrap was reported to have rebounded in April, jumping by 92% to the highest total in six months. The big rise in Chinese consumption was the major reason prices rose sharply in April, moving up by 21% over the prior month (*AMM* 6/11, 6/27, 6/28, 7/8).

CVRD Holds Forest Land for Nucor JV: Cia Vale do Rio Doce (CVRD), currently planning a joint iron and steel venture with Nucor, has decided to retain some of its forest land after selling off most of its pulp and paper interests. The Brazilian giant is retaining about 74,100 acres of forestland after selling off about 69,200 acres. It plans to use the land for its development of pig iron manufacturing using eucalyptus trees as part of its venture with Nucor (*AMM* 6/13).

LABOR/MANAGEMENT

OSHA Probes Fatal WCI Accident: A fatal accident in June at the WCI mill in Warren, Ohio, is currently under investigation by OSHA. The accident occurred when a plant worker, Franklin G. Zimmerman, 62, was pinned and crushed by a piece of plant equipment. No further details were available pending the OSHA investigation. Zimmerman, a mechanical technician at the hot-strip mill, had worked for WCI for 15 years and had been in the steel industry since 1969 (*AMM* 6/12).

BHP Strike Ends: A 24-day strike at Australia's BHP mill in West Port, Victoria ended in June with a new agreement negotiated between the plant's management and the union. The new agreement covers wages, bargaining procedures, and work rules. BHP agreed to drop legal proceedings against the union and individual members as part of the settlement. Materials had stopped moving in and out of the West Port plant during the strike, virtually halting auto production in southern Australia. Normally, the West Port facility annually produces 1.5 million metric tonnes or HR coil, 1.1 million tonnes of CR, 850,000 tonnes of coated products and 330,000 tonnes of painted products (*AMM* 6/14).

WORTHY OF NOTE

Republic Buyout Faces New Challenge: Just a few weeks after Republic Technologies, currently in bankruptcy, finalized an agreement with KPS Special Situations Fund for the New York firm to purchase Republic's assets, the deal was challenged in court by ten other bidders. The KPS bid is being backed by the Dallas-based Hunt Investment Fund.

While news of Nucor's attempt to purchase Qualitech threw some cold water on the deal, lots of new buyers came forward to challenge KPS's bid. Leading the charge was Renaissance Partners, a Pittsburgh firm that had originally sought to obtain lead status in the bidding. Others included GEM North America of New York, Sidenour LLC of Spain, and Credit Suisse Global Opportunities Fund, a subsidiary of the multinational bank Credit Suisse. An auction and hearing on approval of the sale was set to take place July 8 with a decision coming down July 9. But the legal wrangling at the hearing was so intense that no decision had been rendered by the time ***Update*** went to press. The KPS bid says it would save 2,500 jobs out of the 4,000 current employees but Renaissance Partners contends that its bid would save even more jobs. The USWA, which has negotiated a new labor agreement with KPS, favors the KPS bid.

The awarding of lead bidder status to KPS in early June aroused more than the normal share of interest. On May 28, U.S. Bankruptcy Court Judge Marilyn Shea-Stonum denied a motion to grant lead bidder status to KPS, which would have made them the so-called "stalking horse" in the projected sale of Republic's assets. The judge declared that KPS had not met the threshold for a "stalking horse" in which other bidders would have to follow its lead. But just days later, the judge reversed herself and granted lead status to KPS. No explanation of the reason for the reversal was available.

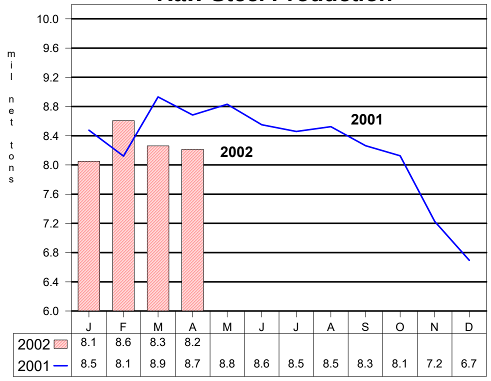
PBGC Seizes Republic's Pension Plans: In another action related to the Republic bankruptcy, the USWA, representing Republic's workers, has brought legal action against the decision of the Pension Benefit Guarantee Corp. to take over the company's four pension plans. The PBGC's surprise move, which was met with outrage by USWA, could cost the nearly 1,600 employees slated to be laid off about $170 million in future pension benefits. The June 19 announcement by the federal agency came as a shock to both the union and Republic, neither of whom had received any advance warning of the action. The agency claimed it was acting because the Republic pension plans were underfunded by almost $310 million. Terminating the plans will mean that workers will get no shutdown pension benefits and will have to wait until they are 62 years old before they can collect any retirement payments. It will also ultimately reduce pension benefits for the 4,000 workers and 2,000 retirees currently under the plans. The United Steelworkers of America is challenging the PBGC's action and is being supported in its response by Republic, which has filed a memorandum backing the union's position in the litigation (*AMM* 6/11, 6/19, 6/27, 7/1, 7/5; *The Canton Repository* 7/10).

U.S., Canadian Mills Join to Process CR Strip: Symbolizing the growing closer interrelationship between U.S. and Canadian steelmakers, a U.S. and a Canadian company have joined forces to process and distribute cold-rolled strip. Pittsburgh's Cold Metal Products has formed an alliance with Samuel, Son & Co. of Mississauga, Ontario, in what was described by a Samuel spokesperson as a strategic move "to enhance the competitive position of both companies in a very demanding marketplace." As part of the alliance, the Samuel-Wittar operation in Detroit, a U.S. subsidiary of the Canadian company, will be idled and its work moved to Cold Metal's Hamilton, Ontario plant, which will become a joint processing plant for the two companies. Samuel will also have access to Cold Metal's Ohio processing mill and another facility in Indiana (*AMM* 6/13).

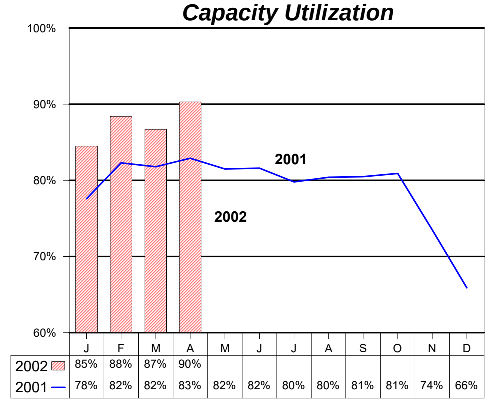
Weirton Completes Financial Restructuring: Completing a series of exchange offers whereby it put its ailing finances on firmer ground, Weirton announced last month that its financial restructuring has been successful. The exchange offers, which closed June 18, involved about $300 million of three issues of its publicly held long-term

Locker Associates Steel Track: Performance

Raw Steel Production

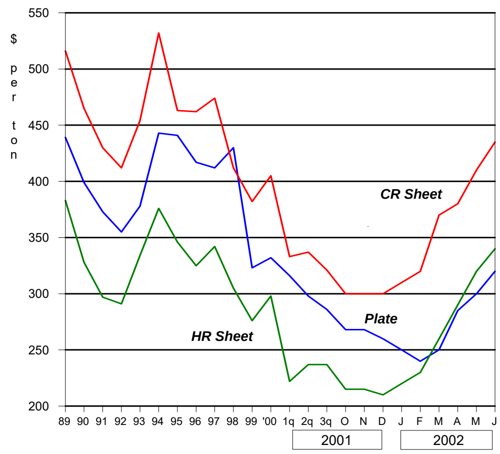


Capacity Utilization

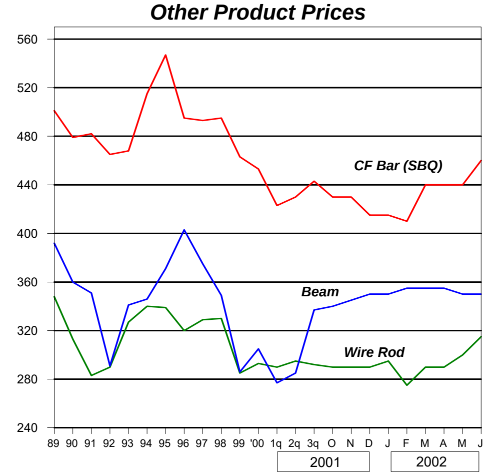


Locker Associates Steel Track: Spot Prices

Flat-Rolled Prices



Other Product Prices



Spot Prices for Selected Steel Products, June & Year-To-Date

($ per net ton)

	Month of June			Year-to-Date		
	2002	**2001**	**%Chg**	**2002**	**2001**	**%Chg**
Hot Rolled Sheet..................	340	240	41.7%	277	229	20.7%
Cold Rolled Sheet.................	435	340	27.9%	369	335	10.2%
HD Galvanized Sheet.........	445	360	23.6%	388	345	12.3%
Coiled Plate..........................	320	297	7.7%	277	308	-10.3%
Cold-Finished Bar (SBQ).......	460	440	4.5%	434	425	2.2%
Wide-Flange Beams.............	350	325	7.7%	356	281	26.7%
Wire Rod/Low Carbon...........	315	305	3.3%	293	293	0.0%
Rebar....................................	307	320	-4.1%	287	290	-1.1%
Average Spot Price+.............	372	328	13.1%	335	313	6.9%
OCTG Seamless Tube........	932	1006	-7.4%	933	1017	-8.3%
Scrap Price ($/gross ton)*......	110	110	0.0%	99	100	-0.5%

Sources: Purchasing Magazine, Pipe Logix   + Composite price of 8 carbon products   *auto bundles debt. This concluded a year-long restructuring effort in which Weirton avoided bankruptcy and emerged stronger financially despite suffering first quarter losses of $44.6 million this year (versus $75.3 million last year). The restructuring plan, the company said, has significantly improved its liquidity by renegotiating collective bargaining contracts, reducing annual operating costs, and changing operating practices, saving the company some $51 million annually. It also improved its vendor-supplier operation, which will save $40 million and reduced the interest on its long-term debt for the next three years by about $27 million. The exchange offers will enable Weirton to swap $261 million of its outstanding debt for $146 million in new secured notes and shares of non-dividend paying preferred stock (*AMM* 6/14).

SDI Announces New Stock Offering: In yet another sign of improving market conditions, Steel Dynamics, Inc. announced it will tender a new common stock offering of $175 million to finance general corporate expenses, capital expenditures and repay debts. The company filed its intention with the SEC June 17. The sale of the undisclosed number of SDI shares is being handled by the NY investment banking houses of Morgan Stanley and J.P. Morgan (*AMM* 6/18)

NOTES ON STEEL TRACK EXHIBITS

Performance data is from monthly AISI sources. ***Spot Prices*** (except OCTG) are from *Purchasing Magazine* and are FOB Midwest, with no extras. **Hot rolled sheet**, 48 inch, temper rolled, ASTM 569; **Cold Rolled Sheet**, 48 inch, AISI 366; **HD Galvanized Sheet,** 120 inch AISI 525, G90; **Coiled Plate**, A36, 1/2x96x240 inch; **Cold Finished Bar**, SBQ 1018; **Wide-Flange Beam**, A36, W8, 18 lbs; **Wire Rod,** low carbon; **Rebar,** carbon, no. 6. **OCTG** spot prices are from Pipe Logix, FOB Houston for J55 8REUE Seamless Tube.

Steel Industry Update/169 August/September 2002

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Where is the U.S. economy -- and the steel industry -- heading? The economic recovery has certainly slowed if not stalled, especially for manufacturing. Business remains very jittery about the immediate outlook given the possibility of another terrorist attack and/or a war in the Middle East. This, in turn, has restrained inventory accumulation. As *BusinessWeek* recently noted (7/22), "the manufacturing rebound…has yet to translate into the stepped-up hiring and increased capital outlays that every economist concedes is necessary for a full-fledged expansion. Although it's now only 17% of the economy, manufacturing is still critical because it's the swing factor, rising and falling while the service sector remains relatively stable."

The steel market has held up better than most other manufacturing sectors, largely due to significant price increases (especially for flat-rolled products) and relatively strong demand. First, a significant amount of steelmaking capacity -- over 16 million tons -- got shut down in the last two years, largely because of bankruptcies. Although part of this capacity has been restarted -- about 5 million tons so far -- the elimination of capacity, combined with the 201 tariffs, cut back supply enough to drive up prices, particularly for flat-rolled products. In addition, consumption held up largely because auto and appliance producers offered attractive incentives that "pulled ahead" some consumer demand.

Looking forward, the chance of another terrorist attack inside the U.S. is declining but the possibility of war in the Middle East is growing. A short war wouldn't do much damage to the U.S. recovery but a drawn-out affair would send the economy into another recession. Moreover, the fact auto and appliance makers have "pulled ahead" demand will hurt sales in 2003. Most importantly, lower tariffs will take effect in March 2003 (24% versus this year's 30%), encouraging more imports and bringing more shut down capacity back online -- all of which will generate excess supply. As a result, prices will be pushed back to $320/ton for HR and $420/ton for CR by the second quarter of next year, a level that should keep most producers out of bankruptcy. Finally, the legacy cost issue, which has been the major obstacle to consolidation among integrated mills, will get "resolved" in bankruptcy court, opening the way for mergers and acquisitions.

Inside This Issue......

SECOND QUARTER RESULTS

Compared to last year, most North American steel companies turned in better operating and financial results in the second quarter (see Table 2). The six major U.S. integrated mills tracked by Locker Associates cut their operating losses by $245 million, but only AK Steel generated positive results. Shipments were up only slightly but

Table 1: Selected U.S. Steel Industry Data, June & Year-To-Date

(thousand tons)	*Month of June*			*Year-to-Date*		
	2002	**2001**	**% Chg**	**2002**	**2001**	**% Chg**
Raw Steel Production	8,414	8,550	-1.6%	49,314	51,579	-4.4%
Capacity Utilization	92.5	81.6	--	89.3	81.2	--
Mill Shipments	8,532	8,691	-2.9%	49,548	51,038	-2.9%
Exports	458	500	-8.4%	2,918	3,125	-6.6%
Imports	2,806	2,519	11.4%	14,917	14,321	4.2%
Apparent Steel Supply*	10,008	10,287	-2.7%	57,370	59,493	-3.6%
Imports as % of Supply*	19.3%	20.4%	--	18.7%	19.5%	--
Iron Ore Shipments (metric)	5,810	5,306	9.5%	21,580	23,002	-6.2%
Average Spot Price** ($/ton)	372	328	13.4%	335	313	6.9%
Scrap Price+ ($/gross ton)	122	110	10.9%	103	100	3.5%

*Source: AISI, Purchasing Mag., & US Geo. Survey *Excludes semi-finished imports **Avg price of 8 carbon products +auto bundles*

Table 2: Performance of Major North American Steel Producers, 2Q02 & 2Q01										
	Shipments (thousand tons)		***Sales*** ($ millions)		***Oper Income*** ($ millions)		***Sales/Ton*** ($ per ton)		***Oper Inc/Ton*** ($ per ton)	
U.S Integrated	**2Q02**	**2Q01**	**2Q02**	**2Q01**	**2Q02**	**2Q01**	**2Q02**	**2Q01**	**2Q02**	**2Q01**
AK Steel	1,505	1,440	$1,142	$984	$36	$46	$759	$684	$24	$32
Bethlehem	2,028	2,124	934	911	(82)	(96)	460	429	(41)	(45)
National	1,337	1,582	658	673	(25)	(84)	492	426	(19)	(53)
Rouge Steel......	804	759	289	252	(20)	(64)	360	332	(25)	(85)
USSteel*...........	2,571	2,296	1,034	907	(26)	(143)	402	395	(10)	(62)
Weirton	579	575	251	240	(33)	(54)	433	417	(58)	(95)
U.S. Totals........	**8,824**	**8,776**	**$4,307**	**$3,968**	**$(150)**	**$(395)**	**$488**	**$452**	**$(17)**	**$(45)**
Canadian Integrated (C$=US$.64)										
Algoma	576	484	287	231	22	(43)	499	477	37	(89)
Dofasco	1,295	1,148	923	775	117	42	713	675	90	36
Stelco	1,320	1,243	759	679	21	(42)	575	546	16	(34)
Canada Totals..	**3,191**	**2,875**	C$**1,969**	C$**1,685**	C$**159**	C$ **(43)**	C$**617**	C$**586**	C$**50**	C$**(15)**
N.A. Minimills (US$)										
Co-Steel...........	664	621	201	179	8	(1)	303	289	13	(2)
Ipsco................	811	588	288	220	11	10	355	374	14	17
Nucor...............	3,393	3,183	1,142	1,079	64	54	336	339	19	17
Oregon	468	412	231	204	17	9	494	496	36	22
Steel Dynamics.	628	516	214	158	33	7	340	305	53	14
N.A Mini Totals.	**5,964**	**5,320**	**$2,076**	**$1,839**	**$134**	**$79**	**$348**	**$346**	**$23**	**$15**

Source: Company documents. Note: Steel Segment, except Ipsco & Nucor. Includes profit-sharing; excludes non-recurring charges.
** Does not include Slovak operations*

sales improved as average prices rose from $452 to $488 per ton. Canadian integrated mills faired much better. Shipments actually dropped, but rising prices drove up sales, yielding a significant improvement in operating income.

Once again, North American minimills outperformed the rest of the industry. Shipments and sales grew 13%, sending operating income up 70% to $23/ton (from $15/ton a year ago). But average prices remained flat, most likely due to weak long product prices and a downward shift in the flat product mix. But unlike the U.S. integrated mills, all the minimills tracked by Locker Associates generated positive operating income.

TRADE ISSUES

Europeans Play Poker with Tariff 'Retaliation' Threats: As Europeans alternate threats with postponements of "retaliatory action" for the Section 201 steel tariffs, a giant poker game seems to be developing. The EU's objective is to undermine the 201 tariffs by forcing the U.S. government to grant so many exemptions that the tariffs become meaningless. In the aftermath of the March announcement by the White House, the EU loudly threatened immediate retaliation against a wide range of U.S. products. By July, however, they were toning down their warnings as the list of exemptions to the Bush tariffs continued to grow. After a July 19 announcement of additional exemptions from Washington, the EU declared that it was postponing the Aug. 1 deadline and would wait until Aug. 30 to consider taking any action. It called the July 19 announcement that exempted 14 HR and bar products from the 201 tariffs, amounting to an estimated 76,000 metric tonnes, a "positive" step by the U.S.

The exemption list continued to grow in August with the addition of 178 more steel products on the list, making nearly 25% of all foreign imports free to enter the U.S. without restrictions. The growing list of exemptions has alarmed domestic producers who saw the initial presidential action as a hopeful move for reviving the U.S. steel industry. Sen. Jay Rockefeller (D.-W. Va.) described himself as "extremely disappointed" that the administration had "buckled under" to foreign pressure and said that the President had "turned his back" on the steel industry and steelworkers. Other reports indicated that disillusionment is rapidly setting in among blue-collar steelworkers in states like Pennsylvania, Ohio, and West Virginia, which had previously hailed President Bush's action on behalf of steel.

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The EU raised the stakes when a separate trade action went their way. On August 30, the World Trade Organization ruled that an American tax program that tended to promote U.S. exports is illegal under its rules and that the EU could impose a penalty of up to $4 billion to recoup the losses. The penalty is the largest ever handed down against any country since the founding of the WTO in 1995 and could impact very negatively on such giants as GE, Boeing, and Caterpillar that have relied on the tax break for promoting their foreign trade. Speculation immediately surfaced on trading this sizeable chip in part for a further reduction in 201 steel tariffs (*AMM* 7/22, 8/27; *NY Times* 8/23, 8/31; *Washington Post* 8/29).

ITC Reverses Commerce CR Ruling: It was thumbs-up, then thumbs-down for domestic CR producers this summer. After the Dept. of Commerce in July ruled that foreign CR mills in five countries had been guilty of dumping their goods into the U.S. and set duty margins ranging from 24% to nearly 154%, the ITC put the kibosh on the whole case a month later. In late August, the ITC, by a 4-1 vote, held that domestic steelmakers did not suffer material injury from the lower cost CR imports. Although the case involved steelmakers from only Japan, Sweden, Australia, India and Thailand, it affected CR imports from about 20 countries, six of which were previously exempted from President Bush's Section 201 tariffs. With its decision, the fourth consecutive one that domestic steel has lost at the ITC since 201 tariffs were announced in March, the ITC sent a clear message that there would be no further relief for the domestic industry. The lawyer representing three of the leading plaintiffs called it "one of the strongest cases to come before the ITC" and blamed the "press campaign" against tariffs and the threat of European Union retaliation for the decision.

Meanwhile, domestic wire rod producers were making their third attempt to get trade relief from imports in the past 25 years. A day before the ITC was to hold its final hearing on a case involving wire rod imports from nine countries, the Department of Commerce on August 26 set anti-dumping and countervailing duty margins on wire rod of up to 369%. The countries involved were Germany, Brazil, Canada, Mexico, Indonesia, Moldavia, Trinidad and Tobago, Ukraine and Turkey (*AMM* 7/15, 8/28, 8/30).

Despite 201 Restraints, Slab Imports Soar: Foreign slab has been moving into U.S. markets at an accelerated pace despite the imposition of Section 201 quotas in March, according to statistics from the U.S. Customs Service released this summer. From March 20, when the quota year began, until early July, only about 19.1% of the annual slab quota of 5,399,946 tons had come through U.S. ports from countries covered under the quota. Six weeks later in mid-August however, the slab import total registered 1,847,407 tons or 34.2% of the annual quota, with no sign that the accelerated pace would slow down. The figures do not include imports from countries like Mexico that are exempt from the quota. Large slab shipments came from Russia (400,992 tons), Ukraine (44,067 tons), Australia (390,933 tons) and the European Union (164,750 tons).

At the same time, it was reported that Brazilian iron ore producer CVRD, anticipating a sharp growth potential in the world's slab market, was looking to expand its association with companies around the world and invest some $6 billion in slab production. CVRD executives foresee a growth in demand for slab from the current annual level of 22 million to 40 million metric tonnes by the end of the decade (*AMM* 7/16, 8/12, 8/28).

PRICES AND SHIPMENTS

Sheet: After a number of U.S. producers began to raise sheet prices earlier this year, industry observers are seeing a slowdown in the market that may pose trouble over the next few months. Sheet prices are about $170/ton higher than they were at the beginning of the year, currently in the neighborhood of $360 to $390/ton. But even though the market tightened after a number of sheet mills had closed down and after the administration imposed the Section 201 tariffs in March, capacity has begun to come back and the big price increases of the first six months of this year seem to be softening. One industry source even opined that the price could drop to $300/ton by the second quarter of next year (*AMM* 8/22).

Plate: Following the lead of U.S. Steel six weeks earlier, Bethlehem announced last month that it would hike the price on plate products from 3/16 to 4 inches thick by $20/ton, effective with shipments beginning Sept. 29. Currently prices are in the area of $320 to $330/ton for carbon plate and about $20/ton more for high strength low-alloy products (*AMM* 8/5).

Beams: Prices were moving downward again in the beam market this summer. Between May and July, domestic beam prices fell by $20/ton, caused according to some analysts, by the 201 exemption, domestic mills dropping their prices to fight foreign competition and a soft U.S. market. On the West Coast, delivered beam prices were in the neighborhood of $345 to $360/ton and moving toward the lower end of the range. In the wake of a recent ITC ruling that there was no injury from foreign beam imports, and therefore, no anti-dumping penalties on beams, imports are expected to jump again. It's only "a matter of time," predicts one distributor. Acominas, the giant Brazilian mill, was reported in July ready to begin exporting structural steel to the U.S. from its newly opened heavy sections mill. The Brazilian steelmaker, controlled by the Gerdau Group, anticipates production of 70,000 tons this year, with 40,000 tons for Brazilian use, 5,000 for use in Central and South America, and 25,000 tons going to the U.S.

In a related move, Nucor-Yamato dropped prices on several of its 8-inch beams by about $40/ton, from $350 to $310. The move was clearly an attempt to counter the entrance of SDI into the beam market. The new SDI mill, located in Columbia City, Ind., started up in April and is expected to turn out 200,000 tons of structural steel this year. SDI's eventual goal is between 1 and 1.3 million tons annually (*AMM* 7/9, 7/18, 7/20).

OCTG: For a while, it looked as if the OCTG market would heat up again in the second half of this year -- at least that's what the industry projection was. Now the pundits are not so sure. The recent slowdown in business activity has resulted in a dampening of the original optimism. The handwriting was there in June when, despite a 1.1% price rise over May, natural gas prices were still significantly lower than they were in June of last year. At $2.815/mcf, spot prices in early July were still 10.6% below the $3.150 level in July 2001. Most importantly, operating oil rigs in the U.S. totaled 847 at the end of August, down 32.3% from this time last year.

Whatever improvement there was in OCTG demand over a sluggish first half of the year did not translate itself into higher prices in July, and by the end of August prices for all OCTG products had slipped by 0.5%. Leading the decline was carbon seamless tubing that was down 2.6% from $924 to $900/ton. Carbon ERW casing was down 1.9% from $822 to $806/ton, alloy seamless casing was off 1.6% from $828 to $815/ton, alloy ERW casing dropped 1.3% from $791 to $781/ton, and alloy ERW tubing was down by 1.1% from $1,001 to $990/ton. The only price increases came in carbon seamless casing -- up 3% from $762 to $785/ton, alloy seamless tubing -- up 1.5% from $1,081 to $1,097/ton, and carbon ERW casing -- up 0.7% from $611 to $615/ton (*AMM* 7/16, 8/1, 9/4).

Stainless Sheet: Price increases on CR stainless sheet products, up 1.2% over the summer seem to have held firm even as the same increases on HR have not, according to figures available in September. Current cold-rolled prices have gone from $1,325 to $1,345/ton for grade 302 since June. Grade 301 went from $1,245 to $1,260/ton, grade 304 from $1,290 to $1,305/ton, and grade 316 went from $1,720 to $1,740/ton in the same period with other grades also showing commensurate hikes (*AMM* 8/30).

END USE MARKETS

Typical U.S. Vehicle Contains 54% Steel: The latest data on the material content of a typical

Table 3: Material Content of a Typical U.S. Family Vehicle, 1977-2002

(weight in lbs)	- 1977 -		- 1987 -		- 2001 -		- 2002 -		'77-'02
Sheet/strip/bar	1,995.0	54.4%	1,459.0	45.9%	1373.0	41.8%	1,351.5	40.5%	-32.3%
High Strength	125.0	3.4%	228.0	7.2%	339.0	10.3%	364.0	10.9%	191.2%
Stainless	26.0	0.7%	32.0	1.0%	53.0	1.6%	56.0	1.7%	115.4%
Other Steel	56.0	1.5%	55.5	1.7%	22.5	0.7%	28.0	0.8%	-50.0%
Total Steel	**2,202.0**	**60.1%**	**1,774.5**	**55.8%**	**1,787.5**	**54.4%**	**1,799.5**	**53.9%**	**-18.3%**
Iron	540.0	14.7%	460.0	14.5%	352.5	10.7%	342.0	10.2%	-36.7%
Fluids	200.0	5.5%	183.0	5.8%	198.0	6.0%	198.5	5.9%	-0.8%
Plastic & Comp.	168.0	4.6%	221.5	7.0%	248.5	7.6%	255.5	7.7%	52.1%
Rubber	150.0	4.1%	135.5	4.3%	144.0	4.4%	146.5	4.4%	-2.3%
Aluminum	97.0	2.6%	146.0	4.6%	245.5	7.5%	268.0	8.0%	176.3%
Glass	87.5	2.4%	86.0	2.7%	98.5	3.0%	99.0	3.0%	13.1%
Copper & Brass	38.5	1.1%	46.0	1.4%	46.0	1.4%	48.0	1.4%	24.7%
Zinc Die Castings	38.0	1.0%	18.0	0.6%	11.5	0.3%	10.5	0.3%	-72.4%
Powder Metal	15.5	0.4%	19.5	0.6%	36.0	1.1%	39.0	1.2%	151.6%
Mag. Castings	1.0	0.0%	2.5	0.1%	8.0	0.2%	9.0	0.3%	800.0%
Other Material	128.0	3.5%	85.5	2.7%	110.0	3.3%	124.0	3.7%	-3.1%
Total Non-steel	**1,463.5**	**39.9%**	**1,403.5**	**44.2%**	**1498.5**	**45.6%**	**1,540.0**	**46.1%**	**5.2%**
Total Weight	**3,665.5**	**100.0%**	**3,178.0**	**100.0%**	**3,286.0**	**100.0%**	**3,339.5**	**100.0%**	**-8.9%**

Source: American Metal Market (8/12/02)

U.S. family vehicle, released last month, showed steel holding its own (see Table 3). The average U.S. vehicle contains 1,800 pounds of steel in 2002, up from 1,775 pounds in 1987. Carbon steel has declined about 107 pounds in that same period, while high strength and stainless together increased 160 pounds. Iron dropped 118 pounds while aluminum and plastic gained 122 and 34 pounds respectively. Overall, the average vehicle weighs 3,340 pounds today, up from 3,178 pounds in 1987.

GM Switching to Forged Steel Crankshafts: Taking a leaf from foreign automakers, General Motors has finally decided to use forged steel instead of iron in the crankshafts of two of its engines. One of the engines, the Northstar V-8, is now being developed for the new Cadillac SRX Crossover auto, scheduled to roll off the assembly lines next year. The other engine is a high-output model of the new 3.5 liter High Value V-6, also scheduled for use in some vehicles next year. Engineers believe that forged steel crankshafts, made from SBQ bar, are superior to iron in durability and resistance to vibration. But for years U.S automakers have resisted this move because SBQ cranks are more expensive than iron. Word in the industry is that two companies, Louisville Forge and Gear and Timken, appear favored to obtain the crankshaft forging and metal supply contracts (AMM 7/9).

LABOR/MANAGEMENT

Record Number Killed in Accidents: A series of accidents has taken four lives and injured two others, one critically, in steel mills in the United States this summer, making it possibly the highest two month total in many years. Two of the fatalities took place at Nucor mills. The first, on July 4, was Steven D. Brock, 34, who was killed at Nucor's Crawfordsville, Ind., mill after being hit by a rail car transporting scrap to the melt shop. The second Nucor accident occurred July 29 when 30-year old Jerry Hicks was killed as he was pinned between a shear and a welder at the Hickman, Ark., mill.

On July 16, two men were injured, one critically, as they were removing inactive electric cables from the roof of a building at Bethlehem's Pennsylvania Steel Technologies plant in Steelton, Pa. The cables were strung on a series of support towers, one of which collapsed, injuring the men. Perry Heath, 50, was later listed in critical condition at Hershey Medical Center in Hershey, Pa., while the second man, Keith Flynn, 47, was reported in fair condition. A few days later, 46-year old Melvin Woods was killed at Republic Technologies mill in Canton, Ohio, when a steel door weighing 1,000 pounds came off its hinges and fell on him as he was cleaning a waste bin. Finally, on Aug. 8, a 53 year-old worker at International Steel Group in Cleveland died from injuries he received in an accident at the railyard. The worker, whose name was not released by the company, had 34 years of experience as a rail worker and was employed by ISG-Cleveland railroad, an ISG subsidiary that provides workers for its rail operations (*AMM* 7/11, 7/18, 7/22, 8/2, 8/12).

After Three Years, AK/Union Battle Rages On: Three years after it took over the Armco plant at Mansfield, Ohio, AK Steel broke off negotiations for a new contract with the United Steelworkers of America and locked out union workers, the battle still rages on the picket lines, in the courts and in the political halls. After the union offer to continue working under the old contract while negotiations were in progress was rebuffed, the company began running the plant with replacement workers and management personnel. Tempers have been high and charges and counter-charges have continued to replace normal management-labor relations. The latest round of acrimony accompanied the third anniversary of the dispute this month.

Attempting to prove union misconduct on the picket line, AK released a second videotape since May that it says shows union pickets in inappropriate and lewd behavior. It also says that Union members made racial remarks to security guards and replacement workers. The union has countered with its own allegations of misconduct and intimidating behavior on the part of replacement workers and company personnel. Then in July, the company rejected a plea from seven Ohio congressmen to submit the entire issue to binding arbitration. AK had previously turned down a similar offer from USWA.

On another front, the union welcomed a decision from the Richland County Board of Supervisors that reduced by one-third AK's tax abatement because the company was not meeting the employment requirement of an enterprise agreement made by its predecessor, Armco, in 1994. The agreement committed the company to maintaining at least 700 full-time workers at the plant. The union estimated that the decision would cost AK about $300,000.

In still another development, a federal judge granted a summary judgment to the union regarding company statements three years ago that the union had conspired with local officials to keep replacement workers out of the Mansfield mill. The judge ruled that a decision by Richland County Common Pleas Judge James Henson forbidding replacement workers from entering the plant was not based on "fraud, deception, accident or mistake," or that public officials had conspired with the union to block the entrance to the plant, as AK had charged (*AMM* 7/9, 7/25, 7/29, 8/9, 9/5; *Cleveland Plain Dealer* 8/26).

Gerard: New Militancy in USWA Bargaining: In a rousing speech to the United Steelworkers of America convention last month, union President Leo Gerard signaled a new militancy in the union's dealings with management in the wake of the corporate scandals of the past year and the general steel crisis of recent years. Warning of the increasing likelihood of confrontations with management after the recent corporate scandals, Gerard declared, "These corporate collapses and Wall Street thievery are going to lead many employers to try to recoup their losses through the collective bargaining process." Indicating that the union intended to vigorously protect its pension and welfare plans, the convention, whose theme was "Fighting to Win", approved the use of 4% of union dues for its strike and defense fund over the next two years. Gerard also called for consolidation of the American steel marketplace without layoffs. "America does not have too many steelworkers," he said, "it has too many steel companies." He said that the union wanted to be an active participant in the consolidation of integrated producers. He also called for streamlining many of the collective bargaining agreements, which suffered from the presence of too many management lawyers at the bargaining table. The convention brought together 2,500 delegates and 1,000 observers in Las Vegas, representing about 1.2 million active and retired workers in the U.S., Canada, Puerto Rico, and the Virgin Islands (*AMM* 8/6).

RAW MATERIALS

Greenpeace Sues to Stop Breakup of Asbestos-Laden Ship: The environmentalist organization, Greenpeace, has filed suit against the French government to prevent a ship from being broken up at a Turkish shipyard. The ship, *Sea Beirut*, was reportedly abandoned at a French port two years ago and French authorities then sold it to a Turkish owner for breakup. The cargo vessel allegedly contains high levels of asbestos which would classify it's scrapping as hazardous to the environment and human health. Greenpeace claims that the French failed to notify Turkish officials of the toxic waste on the vessel or classify the ship as hazardous, in violation of European regulations on movement of waste products. The ship is now beached at a shipbreaking yard in the city of Aliaga (*AMM* 7/25).

Scrap Prices Continue To Climb: The scrap market continues to leave sellers with the feeling that they have arrived in traders' heaven, with August prices up again for the ninth straight month, the longest steady rise in the past decade. The *AMM* Factory Bundles Index registered gains of $6.50/metric tonne in July and $3.50 in August to rest for the moment at $138/tonne. Just last December, the bundles index stood at $84.50/tonne. The price climb is said to be propelled by a strong demand for prime ferrous scrap from sheet producers -- both integrated and mini-mills (*AMM* 7/31, 8/12, 8/29).

WORTHY OF NOTE

Giant Corus-CSN Merger Set for Early 2003: For a price of $2.1 billion in stock, the Corus Group, the British/Dutch conglomerate, has acquired CSN of Brazil, one of the premier steelmakers in Latin America and the world. Corus, already the world's seventh largest steel producer, will assume $2.1 billion in CSN debts. The merger will make the new company the fifth ranking steel manufacturer in the world with an annual capacity of about 20 million metric tonnes. Subject to ratification by stockholders in both companies and to approval by both British and Brazilian regulators, it is scheduled to come to close early next year. Under the agreement, Corus shareholders will own 62% of the new company and CSN shareholders will own the other 38%. The company will probably realize substantial savings in production costs, partly through the expansion of a CSN iron ore mine in Brazil that will supply Corus' European mills. The annual cost savings, according to Corus executives, should total about $250 million (*AMM* 7/18, 7/22; *NY Times* 7/18).

Gerdau and Co-Steel Merge, Form Second Biggest NA Minimill: An agreement between Gerdau North America, the Brazilian giant, and Co-Steel will create a new firm that is second only to Nucor in North America. Under the terms of the transaction, which is expected to be completed within the next few months, Co-Steel will be renamed Gerdau AmeriSteel Corp. Co-Steel's stockholders will own 26% of the Gerdau AmeriSteel stock with Gerdau shareholders getting the remaining 74%. The deal will give the new company a chain of 11 mills with a combined annual capacity of 8.8 million tons of steel along with 26 downstream processors. No changes are anticipated in the current labor staff of the steel mills, which now employ some 4,800 workers, 1,200 of whom are unionized.

The merger will also likely result in heightened competition between an ever-expanding Nucor and Gerdau AmeriSteel. Nucor has recently been strengthened by its acquisition of Birmingham Steel and Auburn Steel and is currently locked in a battle with SDI to obtain the assets of Qualitech, a producer of SBQ (*AMM* 7/23, 8/14).

AK Buys Sumitomo's L-S Galvanizing Mill: With the purchase of L-S Electrogalvanizing, AK has now become the biggest producer of electrogalvanized steel in the country. The product is largely destined for auto and appliance manufacturers. The deal, consummated last month, saw Sumitomo of Tokyo sell its 40% stake to AK, a move that takes Sumitomo out of the U.S. market. AK now owns 60% of L-S, with the other 40% in the hands of ISG through its acquisition of LTV assets last winter. The AK-Sumitomo sale reportedly amounted to $10 million. AK has long had a strategy to increase its value-added products, especially coated sheet (AMM 8/27).

Leggett & Platt Buys Bankrupt NWSW Mill: The rod mill owned by Northwestern Steel & Wire, a company now in bankruptcy, has been purchased by Leggett & Platt which plans to recondition and open it next year. The Sterling, Ill., facility will turn out 430,000 tons of steel rod annually to supply about half of Leggett's needs for its wire manufacturing mills. Leggett manufactures about 900,000 tons of wire a year. Its rod needs are currently furnished by a number of small suppliers around the country, said a company spokesperson, and the Sterling rod mill will help to centralize and provide a consistent supply of high quality rod. The company will reportedly spend about $30 million to recondition the rod mill, which includes a billet caster and an electric furnace capable of annually producing a million tons. The mill has been idle for a year (*AMM* 7/19).

Deal to Buy Bankrupt J&L Structural Fizzles: A buyout arrangement that would have bought J&L out of its current bankruptcy state fell through this summer, just when it seemed on the verge of fruition. In July, the U.S. Bankruptcy Court in Western Pennsylvania approved a plan for reorganization of the company and the sale of its assets to JLS Acquisition LLC, a company headed by Mark Breedlove, the son of the original founder of J&L Structural, Howard Breedlove. The agreement would have allowed the company to continue to operate under its original name.

J&L's financial troubles stem from a modernization upgrade to its Aliquippa, Pa. plant three years ago, for which it borrowed heavily to finance. The financial burden, along with a troubled start-up of new equipment and a softening market, sent the structural producer into bankruptcy. The new Breedlove group would have laid out $3 million to improve working capital needs along with a loan from Congress Financial. However, in late August the deal evaporated. "I think it means an orderly liquidation is in the cards," said Michael Locker of Locker Associates, the chief restructuring officer for J&L. "We will wind down operations and go through legal proceedings involved in a liquidation" (*AMM* 7/31, 8/12).

Looking Toward East Europe, USS Seeks to Expand: Fresh from its acquisition of a Slovakian subsidiary in Kosice, US Steel has begun talks with the Polish government to acquire the state-owned Polish steel works, PHS. Currently, the Polish facility is being sought by Lakshmi Mittal's LNM Group and Acelor. PHS is a combination of Poland's biggest beam producer, Huta Katowice, its biggest manufacturer of flat products, Huta Sendzimira, and other steel mills. A USS spokesperson said that its strategy is to expand in central Europe and "Poland is certainly a part of that strategy." USS is also reported to be looking at possible investments in Serbia and Hungary as well as future investments in Slovakia (*AMM* 8/1, 8/30).

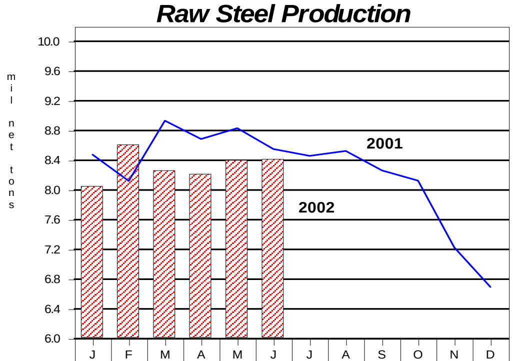
SDI Wins Court Battle for Qualitech but Nucor Plans Appeal: After a legal battle with Nucor that has lasted months, SDI appears to have emerged victorious in its takeover bid for Qualitech's SBQ mill in Pittsboro, Ind. Judge Robert Freese of Superior Court in Hendricks County, Indiana ruled in favor of SDI on August 20, but it's not completely over yet. Nucor said it was planning to appeal the decision.

In June, Nucor looked like it was the winning bidder with an offer to buy out Qualitech for $37 million, but did not close the deal on time, according to the ruling of Judge Freese last month. SDI countered with a $45 million bid, which has now been upheld as the valid offer. The SDI bid was delayed on Aug. 6 by Judge Freese to give him time to schedule a hearing on the case on Aug. 19, a day before the SDI bid was set to expire. The judge's subsequent decision gave the green light to SDI which was "very pleased" with the decision. If it finally goes through, it will mark SDI's first venture into the special bar quality market (AMM 8/8, 8/21).

ISG Moves to Rapidly Expand Capacity: The International Steel Group, wafting on the success of its buyout of bankrupt LTV earlier this year,

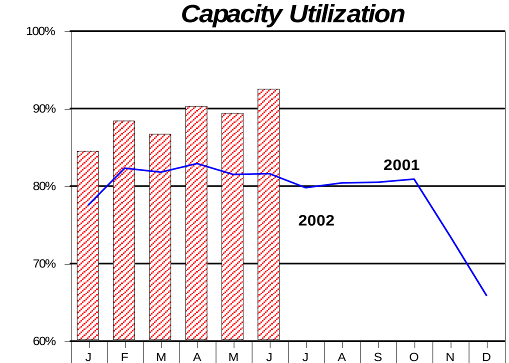
Locker Associates Steel Track: Performance

Raw Steel Production



	J	F	M	A	M	J	J	A	S	O	N	D
2002	8.1	8.6	8.3	8.2	8.4	8.4						
2001	8.5	8.1	8.9	8.7	8.8	8.6	8.5	8.5	8.3	8.1	7.2	6.7

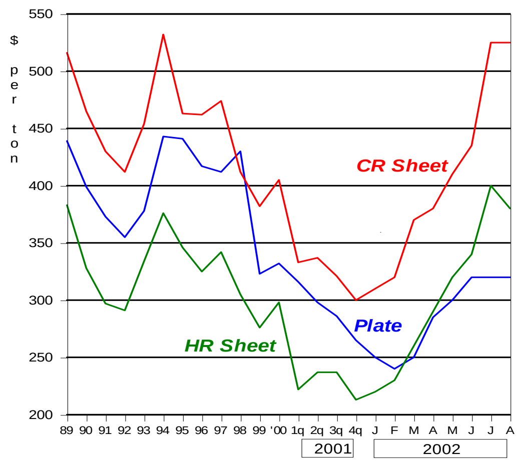
Capacity Utilization



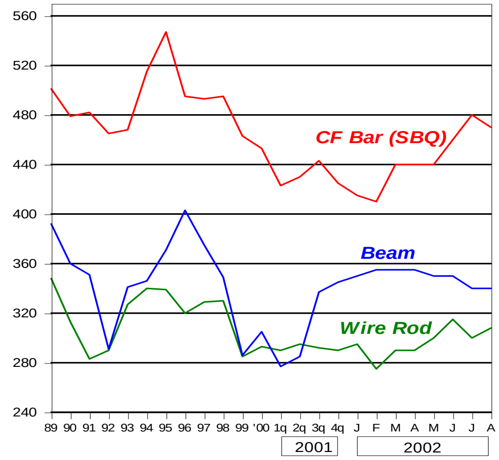
	J	F	M	A	M	J	J	A	S	O	N	D
2002	85%	88%	87%	90%	89%	93%						
2001	78%	82%	82%	83%	82%	82%	80%	80%	81%	81%	74%	66%

Locker Associates Steel Track: Spot Prices

Flat-Rolled Prices



Other Product Prices



Spot Prices for Selected Steel Products, August & Year-To-Date

($ per net ton)

	Month of August			Year-to-Date		
	2002	2001	%Chg	2002	2001	%Chg
Hot Rolled Sheet..................	380	240	58.3%	305	232	31.5%
Cold Rolled Sheet.................	525	320	64.1%	408	333	22.6%
HD Galvanized Sheet.........	535	340	57.4%	424	346	22.6%
Coiled Plate.........................	320	288	11.1%	288	303	-5.2%
Cold-Finished Bar (SBQ).......	470	450	4.4%	444	431	3.0%
Wide-Flange Beams..............	340	340	0.0%	352	294	19.5%
Wire Rod/Low Carbon...........	308	290	6.2%	295	293	1.0%
Rebar....................................	300	300	0.0%	291	293	-0.6%
Average Spot Price+.............	**397**	**321**	**23.8%**	**351**	**316**	**11.2%**
OCTG Seamless Tube...........	900	994	-9.5%	928	1014	-8.5%
Stainless Steel (304, $/cwt)...	62	64	-2.3%	62	70	-10.9%
Scrap Price ($/gross ton)......*	135	116	16.4%	110	104	6.1%

Sources: Purchasing Magazine, Pipe Logix *+ Composite price of 8 carbon products* **auto bundles* appears to be expanding rapidly on several fronts. Although the restarting of LTV's former facility at Cleveland West was not even on the radar screen when the group bought out LTV several months ago, ISG President Rodney Mott now says it is considering a start-up of the facility. Originally, he said, ISG was not planning to run the mill because of its tie to an old blast furnace and strip mill, but now in the wake of ISG's success with the East Cleveland plant in the past few months, it has decided it may use the basic oxygen furnace and caster that is currently idle at Cleveland West. From the onset, the company had planned to turn out about 4 million tons of steel a year, but ISG has grown more optimistic in recent months and has begun to revise its plans upward, probably closer to the 6-8 million ton level.

In a related development, ISG is now the "stalking horse" in a bid to buy Acme's compact strip caster and hot strip mill in Riverdale, Ill. If the offer is successful, ISG plans to supply steel to the Acme mill from its Indiana Harper plant. ISG is a New York investment group headed by Wilbur Ross (*AMM* 8/14, 8/21).

One Up, One Down in Bankruptcy Saga: Two steel firms moved in opposite directions last month in the bankruptcy picture. On Aug. 14, Sheffield Steel emerged from Chapter 11 after they came up with a blueprint that included significant sources of new financing and use of the corporation's assets to reduce its debt. The bar producer, with a capacity of 600,000 tons a year, had been in Chapter 11 since last December.

Two days later, another company hit the news but this one was not so fortunate. Cold Metal Products, a medium-sized company that makes strip steel products for parts manufacturers, filed for bankruptcy protection under Chapter 11 in a Youngstown, Ohio, court. The company also announced that it was idling its unprofitable mills in Youngstown and Indianapolis, laying off 184 employees. CMP closed its strip mill plant in New Britain, Conn., last year. The idled plants in Indianapolis and Youngstown were said to be operating at very low levels of capacity as the company seeks to downsize into a smaller but more competitive player in the market (*AMM* 8/16, 8/19).

NOTES ON STEEL TRACK EXHIBITS

Performance data is from monthly AISI sources. ***Spot Prices*** (except OCTG) are from *Purchasing Magazine* and are FOB Midwest, with no extras. **Hot rolled sheet**, 48 inch, temper rolled, ASTM 569; **Cold Rolled Sheet**, 48 inch, AISI 366; **HD Galvanized Sheet,** 120 inch AISI 525, G90; **Coiled Plate**, A36, 1/2x96x240 inch; **Cold Finished Bar**, SBQ 1018; **Wide-Flange Beam**, A36, W8, 18 lbs; **Wire Rod,** low carbon; **Rebar,** carbon, no. 6. **OCTG** spot prices are from Pipe Logix, FOB Houston for J55 8REUE Seamless Tube.

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-- ***Barry Rhody***
President, E&E Corporation

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-- ***Leo Gerard***
President, United Steelworkers of America

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Steel Industry Update/170 October 2002

Locker Associates, 225 Broadway, NY NY 10007 Tel: 212-962-2980 Fax: 212-608-3077

Locker Associates recently had the opportunity to address the Institute of Scrap Recycling Industries' 2002 Commodities Roundtable Forum in Chicago. With the enormous growth of minimills, which currently produce almost 50% of the steel manufactured in the United States, the recycling industry has taken on added importance. In 2001, U.S. minimills consumed 51.7 million gross tons of ferrous scrap (integrated mills used 13.6 million gross tons); 12.1 million gross tons were home generated (i.e., produced by the mills themselves), meaning 53.2 million gross tons were purchased by domestic steel producers. Another 7.5 million gross tons were exported while 2.7 million gross tons were imported. Without doubt, the ferrous scrap recycling industry plays an absolutely crucial role in the domestic steel industry.

The industry is composed of thousands of firms throughout the United States. But a recent report, listing the largest dealers ranked by volume (see Table 2), showed that only 20 firms processed over 34.3 million gross tons in 2001, or just about two-thirds of all the ferrous scrap purchased. In other words, the industry, over the last decade, has become far more concentrated. If this trend continues, and we think it will, it presents minimills with the dangerous prospect of far less price competition. Keep in mind that scrap constitutes about 55% of a minimill's total cost, making it the key component for maintaining healthy profit margins. In other words, as competition is reduced by concentration, upward price pressure could threaten minimill profit margins. The obvious minimill response is the further development of a captive scrap business and/or installation of alternative technologies that convert iron ore into a direct EAF input.

Inside This Issue......

Our presentation at the ISRI forum focused on some major trends that we felt could trigger significant changes throughout the U.S. ferrous scrap industry.

1. Decline in U.S. manufacturing: The relentless shift of basic manufacturing to offshore locations is reducing the availability of low residual scrap, much of it collected from manufacturing sites. Steel containing goods are increasingly being imported and while their retirement contributes to the scrap supply, this material often contains higher levels of residuals that are difficult and expensive to remove.

2. Growing importance of environmental concerns: The environmental movement's power is more clearly visible in Western Europe where new regulations are redesigning manufactured goods, forcing producers to incorporate changes that facilitate easy recycling. Those same regulations will come to the United States in the next 5-10 years, requiring recycling firms to upgrade their operations. Unfortunately, at the conference we detected very little attention to this major trend, as well as other environ-

Table 1: Selected U.S. Steel Industry Data, July & Year-To-Date

(thousand tons)	*Month of July*			*Year-to-Date*		
	2002	**2001**	**% Chg**	**2002**	**2001**	**% Chg**
Raw Steel Production.....................	8,510	8,459	0.6%	57,890	60,096	-3.7%
Capacity Utilization......................	86.8	79.8	--	89.0	81.1	--
Mill Shipments...............................	8,386	8,108	3.4%	57,966	59,153	-2.0%
Exports..	478	466	2.5%	3,396	3,591	-5.4%
Total Imports	3,080	2,554	20.6%	17,997	16,875	6.6%
Apparent Steel Supply*	10,050	9,555	5.2%	67,451	69,056	-2.3%
Imports as % of Supply*	21.3	20.0	--	19.1	19.5	--
Iron Ore Shipments (metric)...........	5,720	5,290	8.1%	27,299	28,292	-3.5%
Average Spot Price** ($/ton)..........	401	325	23.4%	344	315	9.3%
Scrap Price+ ($/gross ton)	128	117	9.4%	107	102	4.5%

*Source: AISI, Purchasing Mag., US Geo. Survey *Excl. semi-finished imports **Avg price of 8 carbon products +auto bundles*

Table 2: 20 Largest U.S Ferrous Scrap Producers

Company	2001 Volume (000 gross tons)	No of Facilities	No. of Shredders	Deep-water Port
1. Metal Management	4,100	40	12	Yes
2. Omnisource Corp.	4,000	32	6	No
3. Tube City, Inc #	3,990*	6	1	No
4. Philip Metals	3,600	18	9	No
5. HugoNeu Corp	3,100**	16	7	Yes
6. Ferrous Proc. & Trading	2,800**	10	6	No
7. Commercial Metals	2,200**	42	6	Yes
8. David J. Joseph	2,100**	20	10	Yes
9. Schnitzer Steel Products	1,500	10	3	Yes
10 AMG Resources Corp.	1,450	11	3	Yes
11 Miller Compressing Co	1,000	6	2	Yes
12 Simsmetal America	850*	12	3	Yes
13 Southern Scrap Recycling	800**	16	3	River
14 Alter Scrap Processing	480**	16	3	River
15 Samuels Recycling Co	475**	8	2	No
16 TXI Chaparral Steel	460**	2	1	No
17 North Star Recycling	406	5	4	Yes
18 Galamet Inc	370	9	2	No
19 Camden Iron & Metal	350+*	4	2	Yes
20 Gershow Recycling	300+*	5	4	Yes

Source: Recyclingtoday.com (03/02) * Estimate provided by company ** Estimate based on industry sources + Amount doesn't include mill services scrap handling # Tube City has 13 mill locations

mental moves that will impact the scrap industry.

3. Minimill production higher value products: as EAF technology has improved, minimills are able to produce more demanding products that in turn require better grades of scrap. This means dealers must process the scrap much more, carefully segmenting it by chemistry and size. The result is higher costs, both in terms of equipment capital and operations, which dealers will try to recoup through higher prices.

4. Decline in BF pig iron production: as capital costs and environmental regulations squeeze the traditional steelmakers, using the blast furnace to make pig iron, their output will continue to drop. Without a steady flow of pig iron-based steel, the domestic scrap chain will eventually shrink, putting enormous pressure on scrap prices as well as alternative supplies of useable metallics.

RESTRUCTURING EFFORTS

The 201 tariffs were imposed with the clear intention of providing U.S. steelmakers with some breathing room to further restructure and become more competitive. The upcoming one-year presidential review in March 2003 will evaluate whether this is occurring to help determine if the 201 tariffs should remain in effect for at least another year. The anti-201 forces have already launched a high profile campaign claiming this has not happened and calling for an end to the tariffs in March 2003.

But some interesting data has just emerged that demonstrates otherwise. In September, World Steel Dynamics published figures comparing costs at LTV in 2001, prior to restructuring, with projected costs in 2003 after restructuring under the new owner, International Steel Group (ISG). Using the same plants and equipment, the data shows a stunning 32% projected reduction in cost for manufacturing a cold-rolled coil, which adds up to $156 per ton (see Exhibit 1). In other words, under the old LTV, the fully loaded cost for producing a CR coil was $491 per ton, including SG&A, depreciation and interest. Under the new owners and managers, with productivity and efficiency improvements as well as the elimination of legacy costs and lower interest expenses, the same coil will be produced for $335 per ton. If this is true, and we have every reason to believe it is, changes at LTV clearly demonstrate that major restructuring is possible for U.S. integrated mills. Moreover, it is highly unlikely that the investment group that bought LTV under the bankruptcy proceedings would have gone forward without the 201 tariffs.

USWA Offers New Bargaining Plan to Aid Restructuring: In a new initiative on collective bargaining in a troubled industry, USWA's Basic Steel Industry Conference, consisting of local USWA presidents, voted last month to bargain with ailing companies over "ways to more efficiently operate our plants, provided it is done with fewer supervisors, protecting seniority, safety" and in concert with the union. "Our

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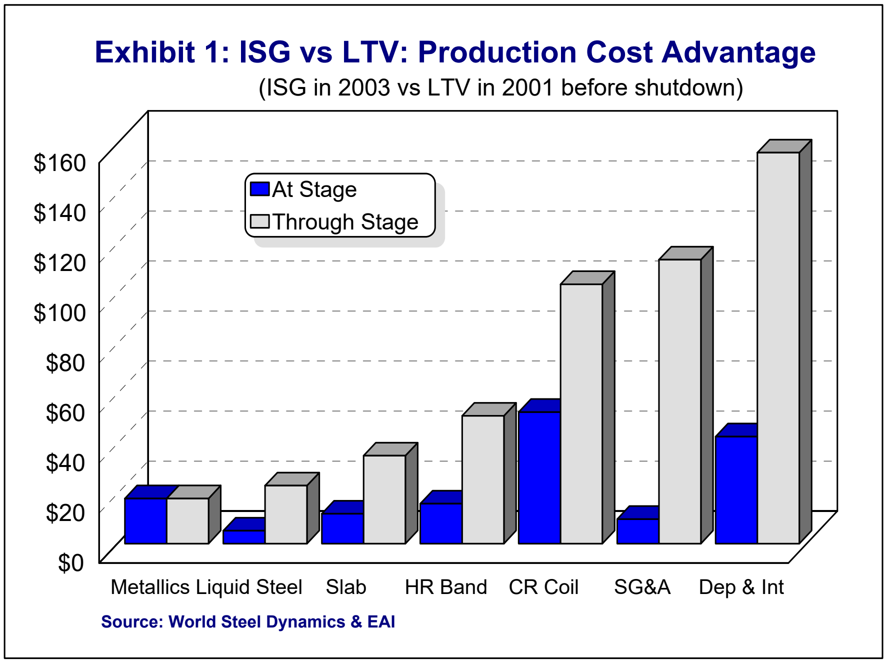


members cannot have job security without successful companies and we will do our part," the BSIC statement said. "But we will be equally sure that our members and retirees are not scapegoated for problems that they did not create and that if the company does do well, they get their full share of that success." The union called for simplified collective bargaining contracts that preserve the existing level of wages and benefits, protect workers' pensions, provide an enhanced voice for the union, guarantee the maximum level of health care for retirees, and put "restrictions on the ability of management and owners to line their pockets at our members' expense." Reactions from steel company executives were muted with some successful companies saying that any concessions the union gives to distressed steelmakers should also be given to them (*AMM* 9/23, 9/24; *USWA Website* 10/5).

TRADE ISSUES

Japan, EU Put Off Tariff Retaliation: Amid indications that the Bush administration is softening its tough stand on steel tariffs, both Japan and the European Union have drawn back from plans to impose retaliatory tariffs on U.S. goods. The European Commission announced late last month that it would not go ahead with its threat to impose sanctions on imports from the United States. The threat from Europe and Japan was voiced after President Bush imposed tariffs averaging 30% on imports of certain steel products from a number of countries. The EU acted only a few weeks after the Japanese government also backed down on its threat to impose sanctions against the U.S.

Prompting their actions has been a partial retreat from the tariffs the U.S. had imposed. To date, the Bush administration has granted more than 700 exemptions on imported steel products, causing a great deal of concern in the domestic industry. These exclusions "have been very harmful to the U.S. steel industry," according to Terrence Straub, vice president for public affairs at U.S. Steel. Both Japan and the EU still have complaints against the U.S. tariffs pending before the World Trade Organization.

In a related development last month, the WTO ruled against the United States in the case of the Byrd amendment, concluding that the amendment to the U.S. trade law sponsored by Senator Robert Byrd (D.-W.Va.) was a violation of trade regulations. The law requires that import duties collected from foreign companies under U.S. antidumping regulations should be distributed among domestic companies adversely affected by the dumping. The WTO called for the abolition of the amendment. An enraged Senator Byrd branded the ruling "appalling", declaring that it "flies in the face of the authority of Congress to determine how funds that are collected under the laws of the U.S. should be used." The WTO ruling was just the latest in a series of setbacks it has handed to the U.S. steel industry (*AMM* 9/5, 9/18; *BBC NEWS, Business* 9/26).

Bush Steel Tariffs in Jeopardy, Exec Warns: Steel industry executives are worried that the much-touted 201 tariffs, set by President Bush last March, may have a very short life. "Exclusion requests are punching holes in the program," warned Bethlehem's Chairman Robert Miller on Sept. 30. The tariffs come up for review next March and "the tariffs might not be around for very long" if the administration "doesn't see some improvement" from the steel industry, Miller said. According to *AMM,* "It's fair to say that the brief, uneasy romance between the steel industry and Bush Administration has drawn to a close." Once the elections are over in November, Bush will use the steel tariffs as a bargaining chip with foreign countries, especially Europe, Japan and Brazil.

Meanwhile, Montana Sen. Max Baucus (D.) lashed out at the recent WTO rulings against the Byrd Amendment and other actions taken to safeguard the U.S. steel industry. The decisions, said Baucus, demonstrate a need for WTO accountability and an overhaul in the process by which international trade disputes are settled (*AMM* 10/1, 10/7).

New Legislation Targets Ex-Im Bank Loans: An amendment, enacted by congressional lawmakers last month, requires the Export-Import Bank to report to Congress any loans it is considering to foreign steel companies. The amendment, sponsored by two Indiana Democrats, Sen. Evan Bayh and Rep. Pete Visclosky, comes in the wake of a series of foreign loans that have had the effect, in the view of the Congressional Steel Caucus, of creating unfair competition with domestic industry. The latest action came after lawmakers learned this summer that the Ex-Im had a loan pending to a Turkish steel mill and a pickling line supplier in Texas. The loan would have violated a law, enacted in June that forbade Ex-Im Bank loans in cases where the ITC had made final anti-dumping determinations against the parties involved. Under pressure, the bank rejected the loan in August but the Texas company, DBI, voiced confidence that the loan would eventually be approved. The new Bayh-Visclosky amendment was enacted to monitor such transactions that possibly violate rules governing foreign loans (*AMM* 9/17).

Semi-Finished Imports Soaring: While imports of finished steel products declined in the first eight months of this year, semi-finished steel imports jumped a whopping 43%, according to data released last month by the Department of Commerce. Imports of blooms, billets and slabs totaled 5,334,741 million metric tonnes from January through August 2002, compared to 3,740,989 million tonnes in the same period last year. At the same time, finished steel imports were down 6%, from 14,217,338 tonnes last year to 13,354,438 tonnes this year. The biggest increases in semi-finished imports came from Canada and Mexico, where combined imports accounted for 31% of all steel imported into the U.S. in this period (*AMM* 9/25).

Commerce Dept. Sets CR Duty Margins: The Commerce Department announced last month that it was setting anti-dumping and countervailing duty margins on cold-rolled steel against steelmakers in 15 countries. Recent decisions of the ITC, however, make it appear unlikely that the margins will be upheld when it hears the case on Nov. 7. In August, the ITC held, by a vote of 4-1, that CR imports from 5 countries -- Japan, Sweden, Thailand, Australia and India -- did not cause injury to domestic steelmakers. Industry analysts were in general agreement that the August case was a harbinger for subsequent CR cases. Plaintiffs in the August case plan to appeal the ITC decision to the U.S. Court of International Trade. In the latest case, the 15 countries hit by the Commerce Department with anti-dumping margins were Argentina, Belgium, Brazil, China, France, Germany, Netherlands, New Zealand, Russia, South Africa, S. Korea, Spain, Taiwan, Turkey and Venezuela. Five of them -- Turkey, Venezuela, S. Africa, Brazil and Argentina -- were exempt from the Bush administration's 30% tariffs levied in March because of their status as "developing countries" (*AMM* 9/27).

Steel Caucus Warns Canada on Restricting U.S. Imports: Even though Canada, as a member of NAFTA, was exempt from the 201 trade restrictions imposed earlier this year, the Canadian government has been considering restrictions on U.S. steel imports. This possibility is drawing a sharp rebuke from the Congressional Steel Caucus, which has warned that it would press for an end to Canadian exclusion from the tariffs if they acted to limit U.S. imports. The Canadians have been reacting to the surge in overseas steel imports into Canada after the imposition of U.S. tariffs and have claimed that the tariffs are hurting their industry. While Canadian mills are said to be divided on the question, a government decision is expected soon (*AMM* 10/2).

Reversing Trend, ITC Upholds Rod Duties: In a decision that reversed its recent trend of throwing out anti-dumping cases, the U.S. International Trade Commission on Oct. 2 upheld duty margins of 360% and subsidy rates of 18% on wire rod imports from eight countries. The case was the third one in which the wire rod industry had sought relief. Its last one, in 1997, was lost. The eight countries affected are Mexico, Canada, Brazil, Turkey, Ukraine, Moldava, Trinidad and Tobago and Indonesia. Although the ITC had recently ruled against U.S. claimants in a number of decisions, some in the industry said the latest decision was not really a surprise. With several mills being liquidated and one on the brink of bankruptcy, the ITC would have been hard-pressed to hold that there was no injury, they said (*AMM* 10/3; *SteelVillage.com* 10/2).

PRICES AND SHIPMENTS

OCTG: Just a year ago, rising energy prices were pushing OCTG prices upward in a market full of optimism. But those days are only a memory now with lagging demand and prices that have remained flat for a while. What is frustrating producers here, however, is that energy prices have remained high, with oil selling last month at $30.43/barrel, about 36% higher than the $22.38/barrel it sold for just last year. Natural gas sold for $3.765/thousand cubic feet, or double its level of $1.885/thousand cubic feet last year. Nevertheless, instead of following energy prices as they usually do, September's OCTG prices continued to remain flat. Only alloy ERW tubing and carbon seamless tubing rose above 1%, ERW selling at $1,004/ton or 1.4% above the August price of $990, and carbon seamless going from $900/ton to $910/ton, a 1.1% rise. Three other products, carbon seamless casing, alloy ERW casing, and alloy seamless tubing all showed minuscule increases of below 1%, while three others fell. Alloy seamless casing was down 1.1% from $815/ton to $806/ton. ERW tubing and carbon ERW casing dropped by less than 1%.

Reflecting this market, earnings of companies producing OCTG are not looking so rosy this quarter. Last month, four of them -- Ipsco, Lone Star Technologies, Maverick Tube and NS Group -- said that their earnings for the third quarter would be less than expected. Citing falling demand, primarily in Canada, Maverick now expects its third quarter revenue to be somewhere between $110 million and $115 million, up from the $103 million in the second quarter, but well below its original projection of $136 million in the third quarter of last year. Stockholders should come out between breaking even and earnings of three cents a share. One Texas distributor said that he didn't expect much improvement until early next year (*AMM* 9/20, 9/27).

SBQ: Timkin, the Canton, Ohio, manufacturer of special bar quality products, opened the month of October by announcing a $20/ton price increase on all sizes and grades of alloy steel bar products. The increase will go into effect January 1. The company further said it would charge an additional $15/ton on bar orders less than 20 tons. At ***Update*** press time, it was still unclear if other SBQ producers would go along with the Timken hike (*AMM* 10/2).

END USE MARKETS

Honda Pioneers Use of High Strength Steel: The 2003 Honda Accord has been redesigned to use more high-strength steel in its body parts than any other car ever designed in North America, according to industry sources. The new design is recognition that aluminum, used for achieving lighter weight, has its limitations, both because of its relatively high cost and lack of strength. More than half the body of the new Accords will now be made of high-strength, lightweight steel, company sources said, allowing a stronger body while minimizing the weight of the vehicle. The new steel will be used in stampings for front structures, body sides, pillars and underbodies, as well as doors and deck lids. Use of the new steel is expected to place the Accord in the top position of mid-sized cars in crash tests run by the National Highway Traffic Safety Administration (*AMM* 9/23).

Boost in Freight Car Output Predicted: Substantial increases in the manufacture and delivery of railroad cars have been predicted for 2003 and 2004 by the American Railway Car Institute. Based on a survey of North American freight car builders, the ARCI forecast increased freight car orders to 17,440 new cars this year, 28,600 next year and 36,800 in 2004. Railroad car production declined this year for the fourth straight year, making 2002 the worst year in 15 years (*Railroad Progress Institute Press Release* 9/9).

CAPACITY/TECHNOLOGY

SDI Seeks Lion's Share of Midwest Beam Market: Currently locked in competition with Nucor-Yamato for the U.S. beam market, an executive of Steel Dynamics Inc. told a Chicago conference last month that its aim was to capture a 60% share of the entire Midwest market. James Wroble, manager of sales and marketing at the company's Structural Division, said that SDI's structural operation is currently running at only 15 of capacity and could turn out 200,000 tons in the fourth quarter of this year. If it can gain an upgrade in its environmental operating permit, Wroble said, SDI could produce 2.4 million tons of beams a year.

In other beam-related news, Nucor-Yamato said it would appeal the ITC's 4-1 decision, rendered in June, that said imports of beams from seven countries did not cause injury to domestic beam manufacturers (*AMM* 9/12, 9/16).

Algoma Tubes Will Hire 100 Workers: Algoma Tubes, Canada's only manufacturer of seamless steel tube, is expanding its operations in Canada after its consolidation with the Tenaris Group, which represents tube makers in South America, Italy and Japan. The Sault Ste. Marie, Ontario, company said it would hire 100 more workers in Canada. Algoma has a current annual capacity of 250,000 tons of seamless tube and employs 326 workers (*AMM* 9/11).

One Stainless Mill Expands, Another is Idled: Allegheny Technologies, whose Brackenridge, Pa., plant turns out flat-rolled specialty materials products, is doing an extensive upgrade at the mill. Slated for installation are two high-powered electric furnaces and related equipment for a total cost of $35 million. Among the specialty products manufactured at Brackenridge are series 200, 300 and 400 grades of stainless steel, nickel based alloys and tool steel. The company expects that the upgrade will reduce costs and yield a high return on capital investment.

At the same time, Massillon Stainless, an Ohio based re-roller, has decided to idle its mill. Citing slow market conditions and difficulties in sourcing hot band, Massillon is attempting to restructure its business operations and secure new capital. The company said that 92 workers -- 72 hourly and 20 salaried employees -- would be laid off during the idling period (*AMM* 9/13, 10/2).

Dofasco Buys Mill Making Hydroforming Tube: In anticipation of an expanding market, Canadian steelmaker Dofasco has purchased the former LTV tube mill in Marion, Ohio. The Marion facility makes advanced tubular products used in the hydroforming process for the auto industry. "The market for tubes for automotive applications is growing quickly," said Dofasco Chair and CEO John Mayberry, "and we see great potential to capitalize on emerging opportunities." Dofasco also operates a tube mill in its home base, Hamilton, Ontario, and another one in Monterey, Mex. The new acquisition will bring its total tubular output to 550,000 tons annually.

LTV, which formerly owned the Marion plant, is currently weighing the advisability of selling off all of its Copperweld pipe and tube assets. Copperweld is the largest N.A. pipe and tube manufacturer (*AMM* 9/13, 9/20; *Dofasco Press Release* 9/12).

LABOR/MANAGEMENT

UAW Organizes Steel Plants: The United Auto Workers has staged a semi-coup by managing to organize AK Steel's Coshocton Ohio plant. The representation election, which was voted on by plant workers on September 19, passed by a vote of 257 to 193. This represents a huge step both for the workers and the UAW as it tries to expand its base beyond its traditional industries. The United Steelworkers had failed on four previous occasions to organize the plant.

The vote came amid strong AK pressure urging workers to reject union representation. Management and workers have been debating such issues as retirement benefits, grievance and termination procedures as well as the role of seniority in determining promotions. Many workers had begun to voice their concerns about the conditions after comparing Coshocton with other unionized AK plants. Coshocton along with the Rockport Ind. plant were the only remaining AK plants that had not been organized.

This move by the UAW could signal a push by a powerful union for gaining recognition at minimill plants. In fact, it marks the second time in eighteen months that the union has managed to organize a minimill. Workers at North Star Steel's Monroe Michigan plant voted for UAW recognition last year but have yet to reach a contract agreement with management. The UAW has also represented the hourly employees at Rouge Steel for many years, a medium-size integrated mill that produces HR, CR and galvanized sheet.

AK-Union Battle Still Drags On: For an instant, it looked as though the three-year lockout of union workers at the AK steel mill in Mansfield, Ohio, might just be resolved. As September came to a close, the United Steelworkers of America announced that it would accept AK's latest offer, and that its members were ready to return to work under the contract. But no sooner was the offer accepted by the USWA, when talks snagged on one issue -- AK's refusal to allow 29 workers whom, they say, were involved in picket line misconduct to return to work. Branding this condition a demand that the union give up its rights to defend its members and a demand that the union agree that AK "has the sole right to act as judge and jury in a labor dispute that the company created by locking us out," the USWA flatly rejected the condition.

In other AK labor developments last month, the company filed two charges of bad-faith bargaining and unfair labor practices with the National Labor Relations Board. The union responded a few days later with a series of similar charges against the company. Earlier in September, a U.S. District Court judge dismissed a complaint brought against the USWA by the company, charging that union officials had conspired with Mansfield city officials to keep replacement workers out of the plant at the beginning of the lockout. And in another action, the union and the Sierra Club, the national environmental group, joined forces to call upon the U.S. Environmental Protection Agency to investigate potential health and safety conditions at a site in Hamilton, Ohio, owned by AK (*AMM* 9/5, 9/17, 9/30, 10/3; *USWA Press Release* 9/26, 10/1, 10/4).

Retiree Health Plan Bill Gets 171 Sponsors: A bill to set up a health care plan for retired employees of bankrupt steel companies have picked up 171 co-sponsors since it was introduced earlier this year. In September, hearings on the bill were heated as minimill operators objected that it would, in effect, be a subsidy to integrated steel producers. The legislation would establish a health care trust fund for qualified steelworkers of bankrupt mills or those taken over in mergers or buyouts as of Jan 1, 2000. Most of the companies affected are integrated mills. The issue of legacy costs has been a major stumbling block to the sale of these mills, since most new owners are reluctant to assume them. It is an issue that generally does not affect European mills since retiree costs there are generally borne by national plans (*AMM* 9/12).

Republic's Owners Misreading Labor Pact?: Earlier this year, USWA workers at Republic Engineered Products in Fairlawn, Ohio, took pay cuts and made other concessions to keep the company operating during bankruptcy proceedings. The contract also included an agreement to go into effect after the company was sold. On August 20, a deal was closed selling Republic to KPS Special Situations Fund in New York and the Dallas-based Hunt Investment Group for $463 million. Now, the union is contending that the new owners are misinterpreting the new labor contract and have used a device that cuts incentives by 25% to, in effect, put in place a 7% wage cut. The company says it is not violating the contract because the base pay of the workers is the same. In a related matter, a U.S. judge will rule soon on a USWA petition challenging the Pension Benefit Guaranty Corp.'s denial of shutdown benefits to the 1,500 workers who lost their jobs in the bankruptcy and sale of Republic. The federal agency took over Republic's pension funds two months prior to the sale of the company (*AMM* 9/16).

RAW MATERIALS

Scrap Prices Slide after Nine-Month Climb: It was inevitable but there finally had to be a break in the long upward march of scrap prices. After a nine month zoom that saw prices go from about $85/ton last December to $138/ton last month, the *AMM* Auto Bundle Index dropped by $3/metric ton at the end of September. Scrap brokers and traders saw the decline as only a price adjustment and not a general slide. Underscoring this was a report in Sept. that ferrous scrap exports from the U.S. were still strong, particularly to China. Shredded scrap was being delivered to Chinese ports for about $130/metric ton, according to reports (*AMM* 9/24, 9/30).

EU Steel Packaging Recycling Tops Targets: Last year, 1.9 million metric tons of steel packaging was recycled in Europe, constituting about 55% of the total packaging produced and three times the target for the year, said European industry sources. In ten years steel packaging recycling in Europe has increased ten times. Leading the countries in packaging recycling is Belgium, which recycles 88% of its material. Second is Germany with 78%, followed by Netherlands and Austria with 77%, Sweden with 71%, Switzerland with 70%, Norway, Denmark and France each with 55%, UK with 37%, Portugal with 28% and Finland with 25%. Outside the EU, other countries have followed Europe in recycling steel packaging. Japan recycles 85%, South Africa 64%, the U.S. 59%, Korea 53%, Australia 42% and Brazil 40% (*Edie.net/News* 9/21).

WORTHY OF NOTE

Gulf States Steel May Be Dismantled: The sale of bankrupt Gulf States Steel to an international used mill equipment broker was approved by a U.S. Bankruptcy Court judge earlier this month. The decision approved the sale of the Gadsden, Ala., mill to Casey Equipment for $6.3 million for the purpose of dismantling it and selling the equipment abroad, most likely in China. Casey, a late entrant in the bankruptcy proceedings, had outbid the other leading contender, Virginia investor Hank Williams, Jr., who had planned to re-start the plate and hot-strip mills, initially saving 300 steel jobs and another 200 if plans for an additional electric furnace were implemented later on. Williams top bid was $7 million, but several million was in bondholder credit and the Casey bid was all cash. A third bidder, the Italian plate maker Palini e Bertoli, who wanted to restart only the plate mill had dropped out of the bidding earlier.

Some observes speculated that Casey was really working for Nucor in an effort to remove a possible competitor to that company's newly installed southern plate mill. Those that wanted to save the mill pointed to a number of government claims, many from the U.S. Environmental Protection Agency, against the property. These claims need to be settled, they said, before Casey could go ahead with its dismantling. They were hopeful that Casey would change its mind and choose not to close the deal if it recognized the costs of those claims (*AMM* 9/6, 9/19, 10/4).

Weirton: Changes to Aid Acquisitions: In a gambit to make it easier to acquire assets and invest in other companies, Weirton Steel is moving to change its by-laws. The West Virginia mill is looking to acquire facilities that would get it into more value-added steelmaking like tin mill and other products with higher profitability in order to "ensure long-term survival." The by-law changes would reduce from 90% to a simple majority of its 14-member board, the margin it needs to make acquisitions and investments. It would also reduce the margin it needs in stockholders votes for acquisition and investment from 80% to a simple majority. The changes will be acted upon in a proxy vote at Weirton's annual meeting in November (*AMM* 9/20).

Replacement of National Head Stirs Merger Rumors: Rumors are again flying in the aftermath of Hisashi Tanaka's resignation last month as chair and CEO of National Steel. Tanaka has been succeeded by Mineo Shimura. Although speculation was immediately rampant of an impending merger between National and U.S. Steel, none of the parties was talking. Speaking at a annual convention of the Association of Iron and Steel Engineers in Nashville, Thomas J. Usher, Chair, President and CEO of U.S. Steel, offered no direct comment aside from the general statement that his company was "in discussions" with National that were interrupted by National's filing for bankruptcy in March. "We are still interested in National and we are in discussions with them," he said (*AMM* 10/3).

Nucor: Earnings Not What They Expected: "Continued and increasing weakness in non-residential construction markets" have led Nucor to reduce its earnings expectations for this year's third quarter, according to the company's Vice Chairman, President and CEO Dan DiMicco. Earnings anticipation have also been reduced by the accelerated pace in the start-up of its new mill in Decatur, Ala., DiMicco said. The company expects that its third-quarter earnings will be between 45 and 50 cents a share, nearly twice the 26 cents a share it saw in the same period last year, but 40% less that the 77 cents it had earlier anticipated.

In another move, Nucor issued bonds on Sept. 16 totaling $350 million to raise cash for the $615 million purchase of Birmingham Steel. The offering of 10-year bonds was increased from $300 million to $350 million to take advantage of the current low interest rates. Standard & Poors has given the bond offering a single-'A'-plus rating (*AMM* 9/24, 9/30).

ISG Gets OK to Buy Acme Assets: A U.S. Bankruptcy Court has granted approval for ISG to buy the steel manufacturing assets of Acme Steel for a reported $65 million. After reaching an agreement with the United Steelworkers of America, ISG plans to start up the Riverdale, Ill., mill early next year. The purchase did not involve Acme's iron making facilities since ISG plans to supply the mill with liquid iron from its recently restarted Indiana Harbor plant in East Chicago, Ind. Initial plans for the Acme mill involve the annual production of 800,000 tons of steel with 200 employees. Acme has been in bankruptcy for three years (*AMM* 9/25).

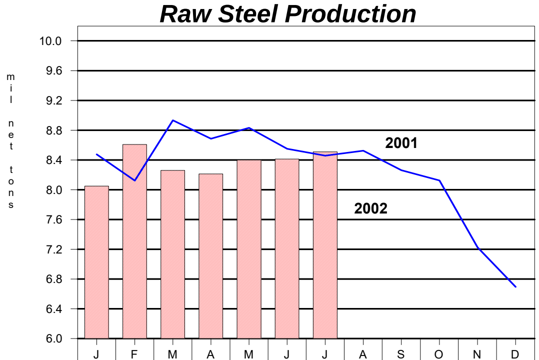
Bethlehem Volunteers to Reduce Emissions: Bethlehem Steel has voluntarily set a target for reducing its greenhouse gases by 12% over a 10-year period. The announcement was made at a Chicago meeting of the U.S. EPA's Climate Leaders program, of which Bethlehem is a charter member (*AMM* 10/3).

NOTES ON STEEL TRACK EXHIBITS

Performance data is from monthly AISI sources. ***Spot Prices*** (except OCTG) are from *Purchasing Magazine* and are FOB Midwest, with no extras. **Hot rolled sheet**, 48 inch, temper rolled, ASTM 569; **Cold Rolled Sheet**, 48 inch, AISI 366; **HD Galvanized Sheet,** 120 inch AISI 525, G90; **Coiled Plate**, A36, 1/2x96x240 inch; **Cold Finished Bar**, SBQ 1018; **Wide-Flange Beam**, A36, W8, 18 lbs; **Wire Rod,** low carbon; **Rebar,** carbon, no. 6. **OCTG** spot prices are from Pipe Logix, FOB Houston for J55 8REUE Seamless Tube.

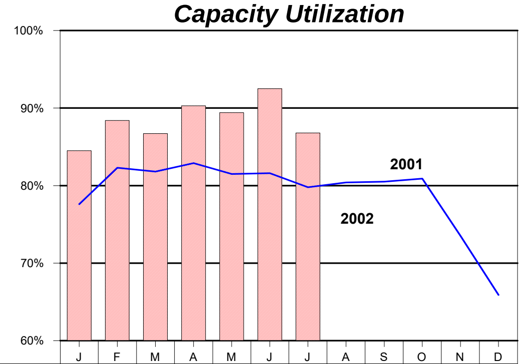
Locker Associates Steel Track: Performance

Raw Steel Production



	J	F	M	A	M	J	J	A	S	O	N	D
2002	8.1	8.6	8.3	8.2	8.4	8.4	8.5					
2001	8.5	8.1	8.9	8.7	8.8	8.6	8.5	8.5	8.3	8.1	7.2	6.7

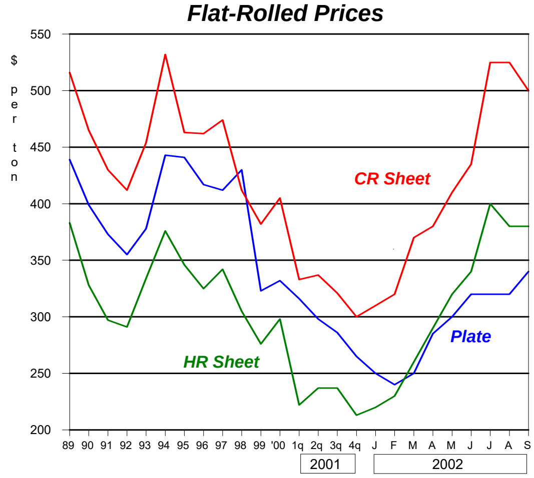
Capacity Utilization



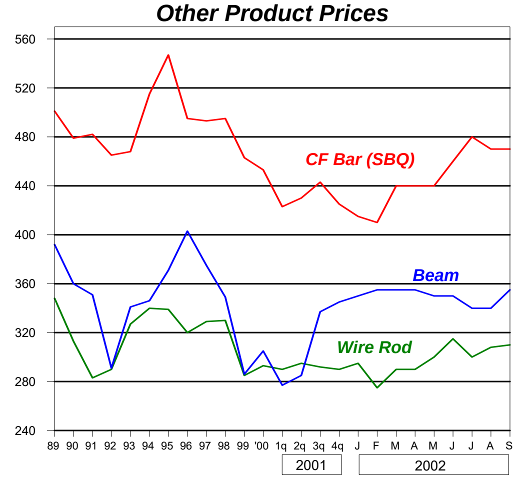
	J	F	M	A	M	J	J	A	S	O	N	D
2002	85%	88%	87%	90%	89%	93%	87%					
2001	78%	82%	82%	83%	82%	82%	80%	80%	81%	81%	74%	66%

Locker Associates Steel Track: Spot Prices

Flat-Rolled Prices



Other Product Prices



Spot Prices for Selected Steel Products, September & Year-To-Date						
($ per net ton)	Month of September			Year-To-Date		
	2002	2001	%Chg	2002	2001	%Chg
Hot Rolled Sheet………..	380	230	65.2%	313	232	35.3%
Cold Rolled Sheet.......…	500	310	61.3%	418	330	26.6%
HD Galvanized Sheet.....	525	340	54.4%	436	346	26.0%
Coiled Plate...................…	340	283	20.1%	293	301	-2.5%
Cold-Finished Bar (SBQ)..	470	450	4.4%	447	433	3.2%
Wide-Flange Beams......	355	340	4.4%	352	299	17.6%
Wire Rod/Low Carbon.…	310	290	6.9%	297	292	1.6%
Rebar..........................…	300	290	3.4%	292	292	0.0%
Average Spot Price+….	**398**	**317**	**25.5%**	**356**	**316**	**12.8%**
OCTG Seamless Tube...	910	991	-8.2%	926	1012	-8.5%
Scrap ($/gross ton)*.……	138	116	19.0%	113	105	7.6%

Sources: Purchasing Magazine, Pipe Logix +Composite price of 8 carbon products *auto bundles

Steel Update/170

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Steel Industry Update/171 November 2002

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A major hidden factor in the U.S. steel industry's demise has been the overvalued dollar. A recently released research report by American University economist Robert Blecker documents the "massive damage to the U.S. manufacturing sector as a whole" and to the domestic steel industry in particular.

The crisis of rising steel imports and the ensuing trade disputes are important examples of the damage to U.S. domestic industries and trade relations that have resulted, at least in part, from the high dollar. Exchange rates have a significant impact on cost competitiveness in the steel industry, and U.S. steel producers have borne the brunt of the artificially cheap imports due to the high dollar in the form of lower prices that have slashed profit margins and reduced sales that have lower capacity utilization. The over valued dollar has also led to indirect damage in the form of increased imports of steel-containing goods and decreased exports of steel-containing goods.

According to Blecker, the domestic steel industry has been struggling for seven years with an overvalued dollar, which rose by over thirty percent in real terms between 1995 and 2002. Blecker notes that in spite of huge investments in new technologies and vast improvements in their productivity, steelmakers "have been unable to make those achievements pay off in the face of foreign products that are roughly 30% cheaper as a result of the overvalued dollar". The thirty percent hurdle is just too big to overcome, no matter how much domestic mills improve efficiency and quality.

This study points out that the increased volume of low priced steel imports led to a flood of financial losses, resulting in numerous bankruptcies affecting roughly one third of all steel employees. Moreover, the high dollar "reduced investment in the domestic manufacturing sector by discouraging firms from increasing production at U.S. sites as well as tightening financial constraints on current investment spending." The report estimates that investment in domestic manufacturing was reduced by $37 billion in 2001 alone as a result of the rise in the dollar.

Blecker concludes that to remedy the problem, it is time for the monetary and fiscal authorities to abandon the flawed policy of supporting a high dollar. In our opinion, the U.S. steel industry, as recent import data suggests, will not be able to fully recover until the dollar is devalued to a much more reasonable exchange rate. And that will not happen as long as financial forces remain in full control of U.S. government policies.

Inside This Issue......

THIRD QUARTER RESULTS

Financial results showed dramatic improvement in the third quarter for most major North American steel producers. (Among U.S. integrated mills, the companies tracked by *Steel Industry Update* were reduced since National and Wheeling-Pitt both failed to file in a timely fashion). Shipments

Table 1: Selected U.S. Steel Industry Data, August & Year-To-Date

(thousand tons)	*Month of August*			*Year-to-Date*		
	2002	**2001**	**% Chg**	**2002**	**2001**	**% Chg**
Raw Steel Production................	8,918	8,525	4.6%	66,857	68,621	-2.6%
Capacity Utilization..................	91.0	80.4	--	89.3	81.0	--
Mill Shipments..........................	8,631	8,762	-1.5%	66,662	68,120	-2.1%
Exports....................................	511	528	-3.2%	3,907	4,119	-5.1%
Total Imports............................	2,777	2,851	-2.6%	20,774	19,727	5.3%
Apparent Steel Supply*	10,081	10,300	-2.1%	77,597	79,560	-2.5%
Imports as % of Supply*..........	19.4%	20.1%	--	19.4%	19.6%	--
Iron Ore Shipments (metric)..........	na	na	--	na	na	--
Average Spot Price** ($/ton)	397	321	23.8%	351	316	11.2%
Scrap Price+ ($/gross ton)	135	116	16.4%	110	104	6.1%

*Source: AISI, Purchasing Mag., US Geo. Survey *Excl. semi-finished imports **Avg price of 8 carbon products +auto bundles* for U.S. integrated mills rose almost 7% while sales jumped almost 19% and sales/ton up 11%. But three of the five companies still lost money on the operating line -- Bethlehem, Rouge and Weirton. AK Steel and USS turned in very positive performances with operating income per ton of $40 and $23 respectively.

The Canadian integrated mills blew out the numbers with a spectacular third quarter. Dofasco led all N.A. integrated producers by generating an operating income per ton of C$111 (US$71), a 113% improvement over the same quarter last year. In line with this result, Dofasco's management just announced a C$700 million capital improvement program for the Hamilton finishing operations -- all of which will be financed through internal cash flow! The sharp rise in HR prices returned Algoma to profitability generating a respectable C$85 (US$54) operating income/ton. Stelco was the laggard with only a C$35 (US$22) operating profit/ton.

Finally, the five N.A. minimills tracked by the *Update* all demonstrated improvement in their performance. (Among N.A. minimills, Co-Steel was taken over by Gerdau-Ameristeel, which released figures for the first time for the combined new company). Shipments, sales and operating income all showed real gains with Steel Dynamics clearly leading the pack. SDI produced a remarkable gain in operating income, driving that figure to $96/ton.

PRICES AND SHIPMENTS

Sheet: Market prices on flat-rolled carbon sheet are presenting a mixed picture these days. While CR and coated prices remain strong and steady, HR appears to be weakening. Buyers ascribe the softness in the hot-rolled market to the fact that HR mills were too assertive in raising their prices earlier this year and prospective buyers are now working off older inventories. Hot rolled was going for $360 to $380/ton last month, where it's been for several months now. It moved up sharply in the first few months of 2002 from the $220/ton it was getting at the beginning of the year. Cold-rolled is now priced at $460 to $470 per ton and coated sheet is in the area of $500 per ton. One company, ISG, is reported to be offering lower prices than other companies to build market share (*AMM* 10/15).

Merchant Bar: Weak prices have producers in a gloomy state these days, the result of a general softening of the economy, especially a slowdown in construction. Events in the merchant bar market seem to promise an even more pessimistic picture in the upcoming period. With prices low, and not, in the words of one buyer "showing any signs of moving up," SDI complicated the picture" last month when it bought out the assets of Qualitech Steel. It plans to convert the mill, at a cost of $60 to $70 million to manufacture merchant shapes and reinforcing bar products. The restarted mill will have the capacity to produce 500,000 to 600,000 tons of bar annually after it's conversion is completed next year. SDI is also not ruling out the possibility of also turning out SBQ products in the future. Rebar grade 60, No. 5 currently sells for around $312/ton, 2x2x1/4 inch wide angles are $266/ton, 4-inch flats go for $275/ton, 3x3x1/4 inch angles are selling for $280/ton, and 8x11½ inch channels are priced at $300/ton (*AMM* 10/18).

Rebar: World consumption of rebar is booming and is expected to be up 10% this year, a much higher increase than finished steel consumption in general, according to the International Rebar Producers and Exporters Association. Last year, rebar consumption stood at 120 million metric tonnes, but the figure is expected to hit 132 million metric tonnes this year and is likely to go up to 137 million metric tonnes next year (*AMM* 10/31).

Slab: California Steel Industries (CSI), the nation's biggest importer of slab, is moving away from its traditional Brazilian supplier, CST, and is looking toward Ispat Mexicana (Imexsa) as its major new source. CST is California's parent company but Brazilian slab is currently selling for $240 to $250/tonne f.o.b., and California is looking to do much better on the price. In addition, CST has decided to produce more hot bands for the Brazilian market, leaving less and less slab for the California mill. CSI President and CEO C. Lourenco Goncalves told an interviewer in Mexico last month that his company was seeking slab in the neighborhood of $205/tonne, a price they feel they can get from Imexsa. The Mexican company reportedly expects to raise its slab output to full capacity at 3.6 to 3.8 million metric tonnes next year. CSI also ordered several boatloads of hot band coils from Thailand for conversion into galvanized coils (*AMM* 10/18, 10/23, 10/31).

Tinplate: The fall agricultural harvest traditionally sees a call for the manufacture of more cans for

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Table 2: Performance of Major North American Steel Producers, 3Q02 & 3Q01

	Shipments (thousand tons)		*Sales* ($ millions)		*Oper Income* ($ millions)		*Sales/Ton* ($ per ton)		*Oper Inc/Ton* ($ per ton)	
U.S Integrated	3Q02	3Q01	3Q02	3Q01	3Q02	3Q01	3Q02	3Q01	3Q02	3Q01
AK Steel..........	1,435	1,387	$1,118	$961	$57	$23	$779	$693	$40	$17
Bethlehem	1,913	1,929	939	825	(33)	(108)	491	428	(17)	(56)
Rouge Steel.....	692	576	304	218	(6)	(50)	439	378	(9)	(87)
US Steel*	2,598	2,322	1,112	915	61	(97)	428	394	23	(42)
Weirton………...	579	556	274	242	(11)	(51)	473	434	(19)	(91)
U.S. Totals.......	**7,218**	**6,770**	$**3,745**	$**3,160**	$**68**	$**(282)**	$**519**	$**467**	$**9**	$ **(42)**
Canadian Integrated (C$=US$.64)										
Algoma	552	506	313	242	47	(14)	566	478	85	(28)
Dofasco	1,209	1,043	931	719	134	54	770	690	111	52
Stelco..............	1,101	1,176	705	645	39	(15)	640	548	35	(13)
Canada Totals.	**2,862**	**2,725**	C$**1,949**	C$**1,606**	C$**220**	C$**25**	C$**681**	C$**589**	C$**77**	C$**9**
N.A. Minimills (US$)										
Gerdau-Amerst	1,283	na	442	na	22	na	345	na	17	na
Ipsco...............	698	659	267	229	13	18	382	348	19	27
Nucor..............	3,279	3,056	1,166	1,053	75	58	355	345	23	19
Oregon............	447	397	235	199	20	15	524	503	44	39
Steel Dynamics	598	500	241	157	57	9	403	314	96	18
N.A Mini Totals	**6,305**	**4,612**	$**2,350**	$**1,638**	$**187**	$**101**	$**373**	$**355**	$**30**	$**22**

*Source: Company documents. Note: Steel Segment, except Gerdau Ameristeel, Ipsco & Nucor; AK Steel includes stainless products. Includes profit-sharing; excludes non-recurring charges. * Does not include Slovak operations*

food preservation and that usually means a hike in the price of tinplate. This year, U.S. Steel has taken the lead, announcing a 4.8% jump in tinplate prices beginning with Jan. 2 shipments. National Steel also said it would raise its price but was not specific. Other tinplate producers -- Weirton, Wheeling-Pitt and Bethlehem -- were all expected to follow U.S. Steel's lead (*AMM* 11/1).

RESTRUCTURING

U.S. Steel Selling Raw Material Assets: In a major industry development, U.S. Steel has inked an agreement to sell its coke, iron and transportation operations for a reported $500 million. The buyer is a private equity fund, Apollo Management, New York. U.S. Steel will retain a 20% stake in the raw materials operations, run by a newly-formed company as yet to be named. The new firm will take over all collective bargaining agreements, liabilities and employee benefit obligations. According to observers, U.S. Steel is selling off its raw materials operations to better position itself to make major new acquisitions, reduce its debt and strengthen its employee benefit plans (*AMM* 10/17).

Nucor Gets Nod on Birmingham Buyout: The anti-trust division of the U.S. Department of Justice last month gave the go-ahead for Nucor to acquire virtually all the assets of Birmingham Steel. The action granting an early termination of the waiting period required by law clears the way for the nation's number one steelmaker to further its lead in the industry. It further symbolized how much political and economic clout the company now has on the national scene. Nucor last year shipped 12.1 million tons of steel, 2.3 million tons more than the nation's second largest producer, U.S. Steel. Total U.S. steel shipments for 2002 are projected at about 102 million tons. With the acquisition of Birmingham, which turned out 2.25 million tons last year, Nucor will probably sell nearly 14.5 million tons next year, or more than 14% of total U.S. shipments (*AMM* 10/31; *AMM Metal Statistics 2002; Locker Associates Survey* Oct. 2002).

Casey Wins Gulf States, But It's Not Over: The Gadsden, Ala., Bankruptcy Court judge that awarded the assets of Gulf States Steel to Casey Equipment has refused to reconsider his decision, setting the stage for an appeal by the losing bidder. The Gulf States Reorganization Group had bid for the plant, which was in bankruptcy for over three years and finally closed down two years ago. GSRG hoped to obtain the stricken steel company's assets and restart the mill. At the height of its operations, Gulf States employed 1,900 people. Judge James Sledge, however, stuck by his earlier decision to award Gulf States' assets to Casey for its bid of $6.3 million. Casey plans to sell off the assets -- word has it that China is high on the destination list -- and start an industrial park on the plant grounds.

The losers, however, are not finished. Shortly before the judge's rejection to reconsider his opinion, GSRG filed a civil suit under the Sherman Anti-Trust Act against Nucor, charging that company was quietly financing Casey's bid to take over Gulf States' assets, sell them off, and thereby eliminate Gulf States forever as a competitor in the southeastern region of the U.S. The Sherman Act case, which seeks monetary damages as well as injunctive relief from Nucor, is based on the provision of the famous 1890 law that prohibits conspiracies or trusts in restraint of trade (*AMM* 10/4, 10/9, 10/24, 10/25).

Table 3: Top 20 N. American Steel Companies

(shipments in 000 tons)	1995	2001	% chg
Nucor………………	6,745	12,141	80%
US Steel…………..	11,378	9,801	-14%
Bethlehem…………	8,907	7,800	-12%
National……………	5,564	5,904	6%
AK Steel……………	4,051	5,894	46%
Ispat Inland……….	5,117	5,400	6%
Stelco………………	4,380	4,690	7%
Dofasco……………	3,181	4,375	38%
North Star…………	na	2,614	--
Rouge……………..	2,542	2,440	-4%
Ipsco………………	1,011	2,435	141%
Co-Steel……………	2,381	2,354	-1%
Birmingham………..	2,346	2,250	-4%
Weirton…………….	2,718	2,231	-18%
CMC-SMI…………..	1,622	1,978	22%
Steel Dynamics…...	na	1,964	--
Algoma…………….	2,009	1,925	-4%
Ameristeel…………	566	1,904	236%
TXI Chaparral……..	1,317	1,779	35%
Oregon……………..	1,404	1,611	15%

Source: AMM, Metal Statistics 2002; Locker Associates

Legacy Costs Chill Bethlehem Partner Search: Bethlehem Steel's search for foreign joint-venture partners to run some of its operations has apparently ended, buried under the heavy weight of its pension and health care costs. Bethlehem has been in bankruptcy since Oct. 2001. Talks with Luxembourg-based Arcelor, Europe's largest steelmaker to run the Burns Harbor mill broke down last month as did approaches from Brazil's CSN for the Sparrows Point facility. In both cases the offshore company cited the heavy legacy costs as the major bar to its proceeding further. Bethlehem President Robert Miller said last month that the steelmaker would attempt to overcome its legacy cost problem over the next six months. Talks have begun with the United Steelworkers on changes in the current labor contract, which expires in August 2004, which can go before the bankruptcy court for approval (*AMM* 10/8).

Locker Explores Ways to Save Massillon: Heading a feasibility study on ways to idle Massillon Stainless, Locker Associates, publisher of *Steel Industry Update*, has concluded that the mill cannot be salvaged without a competitive feedstock contract from a major stainless producer. Among the possible domestic suppliers for the beleaguered Ohio facility are AK Steel, Allegheny Technologies, North American Stainless or J&L Specialty Steel, any of which could easily supply white-hot band for conversion at Massillon. Purchased two years ago by Jindal Strips, an Indian steel company, the mill has operated unprofitably at a low production level due to poor economic conditions over the past 18 months as well as a lack of an adequate supply of hot band.

At a meeting with Massillon management, representatives of the United Steelworkers and public officials in Massillon, Ohio, last month, Michael Locker, President of Locker Associates, supported idling the plant until a competitive band contract can be secured and a new investor/partner identified. He also recommended that employees should own only a minority stake in any reorganized company, since a restart will require an infusion of $2-3 million in equity from a new investor (*AMM* 10/10, 10/16).

Geneva May Shut Its Doors Forever: Geneva Steel, the Vineyard, Utah, firm founded during World War II, may shut down for good after a key lender ended its support last month. Geneva filed for Chapter 11 protection a couple of years ago, emerged from bankruptcy in January 2001, then temporarily shut down operations last November and re-filed for Chapter 11 this past January. It permanently closed its coke operations and reached agreement with lenders for some cash access through July 1. However, time is now running out for the company which has been trying to obtain a $250 million U.S. loan to repay a $108 million debt and finance the building of an electric arc facility. But even Geneva's officers don't give the company much chance of success and are saying that liquidation is now likely (*AMM* 10/24).

TRADE ISSUES

After Numerous ITC Setbacks, Wire Rod Wins: After pursuing trade cases for five years, domestic wire rod producers won a victory from the U.S. International Trade Commission. The ITC ruled Oct. 2 that the U.S. wire rod industry had suffered injury from the dumping of subsidized foreign imports. Affected by the ruling were imports from seven countries -- Brazil, Canada, Indonesia, Mexico, Moldavia, Trinidad & Tobago and Ukraine. Domestic wire rod manufacturers hailed the decision as one that will save the industry from certain demise by restoring "fair pricing to the marketplace." Domestic petitioners in the case were Co-Steel/Raritan (now part of Gerdau-Ameristeel), GS Industries, Keystone Consolidated Industries and North Star Steel (*AMM* 10/4).

The ITC Giveth, the ITC Taketh...: Lest anyone think that the ITC was going soft for domestic steel producers in the wake of its wire rod decision, two weeks later the Commission shot down the bid by cold rolled producers for anti-dumping relief. The commission voted Oct. 16 against anti-dumping and subsidy duties on CR sheet imports from 15 countries, bringing to an end a case filed a year ago. The final ruling was a foregone conclusion following a negative injury finding by the ITC in August, a decision that is already being appealed to the U.S. Court of International Trade. The case was brought by a number of domestic CR manufacturers including Nucor, U.S. Steel, Bethlehem, National, Weirton, Steel Dynamics, and WCI, against steelmakers in Argentina, Brazil, Belgium, China, Germany, France, Russia, Netherlands, Spain, New Zealand, South Africa, South Korea, Taiwan, Turkey and Venezuela (*AMM* 10/17).

Despite WTO Ruling, Customs Will Distribute Fines: In the face of a decision by a World Trade Organization panel of judges that the distribution of anti-dumping fines under the Byrd Amendment was illegal under WTO rules, the U.S. Customs Service is going ahead anyway, at least for now. The Customs Service said last month that it will distribute about $330 million in collected duties to domestic companies that successfully brought the trade cases against the dumped and subsidized foreign steel. The Customs Service already paid out $217 million last year to injured steel companies under the Byrd Amendment, which was challenged before the WTO by 17 governments which claimed that it amounted to government subsidization of U.S. steel companies and was an incentive for them to file anti-dumping cases. In September, a WTO three-judge panel ruled in favor of the complaining parties and held the Byrd Amendment illegal. The U.S. has appealed the ruling (*AMM* 10/22).

LABOR/MANAGEMENT

Oregon, USWA May Be Close to Settlement: Oregon Steel and the United Steelworkers of America may be close to settling a five year labor dispute, one of the longest in the industry, according to both company and union sources. Joe Corvin, Oregon Steel president acknowledged the reports and was optimistic that a settlement would come soon. A spokesperson for USWA was "cautiously optimistic." Since the fall of 1997, when workers at Rocky Mountain Steel, formerly CF&I, the Pueblo, Colo., subsidiary of Oregon went on strike, the two have been locked in an acrimonious battle. The union claimed that Oregon, having acquired CF&I, also assumed its obligations, including the contractual benefits it had before the previous owners put the company in bankruptcy.

After striking for several weeks, the union members called off the strike, and under federal labor laws, were entitled to reclaim their jobs. But CF&I refused to rehire the union workers and have continued to operate the mill with replacement workers, hiring back only a few at a time. The union responded with a full-blown campaign, taking the case to Oregon's creditors and bringing pressure for action against the company on environmental and safety violations. The union has also lobbied against the awarding of contracts to Oregon on some municipal rail projects. However, in recent months, the company has been rehiring the former strikers at a quicker pace and the USWA local now has more than 500 of its workers back on the job (*AMM* 10/30).

USWA War with AK Heats Up: The three-year conflict between AK Steel and the United Steelworkers of America has heated up again following the breakdown of a near-agreement between the two sides in September. The union announced last month that it was launching a new website, InsideAK.org, to provide "investors and other stakeholders" with information about the company's operations, "such as management credibility, customer and supplier developments, environmental and litigation risks, earnings quality and executive compensation." The USWA also publishes a newsletter, *Inside AK Steel*.

In a recent edition of the newsletter, the USWA charges the company with "committing fundamental errors in calculating the profits of a competitor (Nucor) and then misusing pro-forma accounting to justify a record pay out of bonus money to senior executives and managers of AK Steel while the company reported a $92 million loss." According to the newsletter, AK excluded the earnings of a Nucor subsidiary in calculating Nucor's total earnings, allowing AK executives "to falsely qualify for the maximum amount payable in performance bonuses." The USWA has also charged that "looming pension fund losses" will seriously impact on the company's earnings this year but that AK Steel has used a "unique approach" to pension accounting that has exacerbated the situation.

A week after the union's charge, AK admitted that it expects to suffer a major charge related to its pension plans in the fourth quarter of this year that could amount to $400 million to $500 million. The company reportedly uses a method of accounting for its pension funds that is different from all other steel companies and most U.S. publicly held companies. The pension plan charge will have a negative impact on its shareholders' equity value, AK has acknowledged.

AK has also run into trouble on another front -- environmental violations. Complaints filed by the U.S. Justice Dept. on behalf of the EPA two years ago charge the company's Middletown mill with illegal discharge of PCBs into Dicks Creek, a tributary of the Ohio River, as well as numerous chemical spills, failure to control emissions and the discharge of hazardous waste like lead, cyanide, waste acid and other toxic materials into the environment. AK has countered by hiring an outside firm to do a study that claimed other sources were responsible for the pollution problems and has charged that the EPA was engaged in selectively "prosecuting and penalizing AK Steel." The USWA has also charged that the company has made public health claims for its antimicrobial coated stainless products that violated the allowable standards of the EPA. A union rally protesting the public health claims made for AK's allegedly germ-fighting steels featured signs asking, "Can a dirty company make clean steel?"

The three-year dispute began when AK bought out Armco Steel in 1999. At the Mansfield plant, the Armco-USWA contract was due to expire Aug. 31 of that year, but AK cut off negotiations on a new contract, locked out the union workers and has been running the plant with replacement workers and management personnel. The clash was nearly resolved in Sept. of this year when the union offered to accept AK's last offer and return to work. But the agreement became snagged on one issue -- management's refusal to allow 29 workers to return to work -- whom, they say, were involved in picket line misconduct. Branding this condition a demand that the union give up its rights to defend its members and a demand that the union agree that AK "has the sole right to act as judge and jury in a labor dispute that the company created by locking us out," the USWA rejected the agreement (*AMM* 10/10, 10/15, 10/24, 10/29; *USWA Press Release* 10/10, 10/17, 10/22).

Machine Worker Killed in AK Accident: A 42-year old worker was killed at AK Steel's Butler, Pa., mill Oct. 29 when a machine he was servicing became active and pinned him against its housing. No one apparently saw the accident. Another employee found the worker some time after it happened. The federal Occupational Safety and Health Administration is investigating. AK Steel says it is also conducting its own investigation of the accident (*AMM* 10/31).

Two Accidents Hit Republic, 10 Injured: Two accidents in one month have hit the recently bought out Republic Engineered Products. On Oct. 28, 10 workers were injured at the Lorain, Ohio, mill, one seriously, when a worker's blowtorch apparently ignited gases in a 180-foot furnace, blowing a door off the furnace and releasing heat. The plant had been shut down for a week for maintenance, which was being done on the furnace when the accident occurred. Nine of the workers were treated at a local hospital and released. The tenth, whose condition was initially listed as serious, was later described as in stable condition. Two of the workers were Republic employees; the other eight were employees of outside contractors. Two weeks earlier, a malfunction in a ladle sent a cascade of more than 100,000 pounds of molten steel to the floor of Republic's Canton, Ohio, facility. No one was injured but the area was put out of commission for several days (*AMM* 10/11, 10/30, 10/31).

Worker Dies in Rouge Accident: Two men working on a blast furnace steam pipe at Rouge Steel's Dearborn, Mich. plant Oct. 15 were doused with steam, killing one and critically injuring the other. Steven Ford, 21, an employee of an outside contractor, died hours after the accident, while another contractor employee, Michael McDonald, 25, was in critical condition at the local hospital with burns over 30% of his body. State officials are investigating. The contractor, Metro Industrial Contracting, was fined $82,000 by the state of Michigan for five serious safety violations three years ago after one of its employees died of carbon monoxide poisoning at the Rouge plant. That same year, a powerhouse explosion at the Rouge complex killed six workers and injured 14 others (*AMM* 10/18).

RAW MATERIALS

Mesabe Nugget Mill Gets Federal Funds: The plan to build a pilot facility in Minnesota that will use a special process to turn out iron nuggets has attracted the interest of the U.S. Department of Energy. The federal agency has signed an agreement with Mesabe Nugget LLC to share in the costs of the pilot plant's operation over the first two years. The Energy Department will contribute $2 million the first year and $3 million the second year to run the facility, provided that Mesabe Nugget matches 50% of the cost. The deal does not cover the $15 million cost of constructing the plant. The plant was developed by the Mesabe Nugget Research Program, a two-year project to test the feasibility of producing iron nuggets using the Itmk3 process to generate a feedstock for the North American steel industry. The technology was first developed by Japanese steelmaker Kobe Steel. Mesabe Nugget LLC is owned by subsidiaries of Steel Dynamics (SDI), Cleveland-Cliffs, Kobe and Ferronomics, Inc, a Chicago reduced iron consulting firm. Construction of the pilot plant began in September and is expected to be completed next year (*AMM* 10/8).

Scrap Prices Begin to Dip: Prices on ferrous scrap began to soften early in October, steady in some markets but off by up to $5/gross tonne in others. By the end of the month, however, auto bundle prices had declined more sharply. The *AMM* Factory Bundles Index, down $3/gross tonne at the beginning of the month, tumbled another $10/tonne by Nov. 1. Average bundle prices are now at about $125/tonne. The decline has apparently been uneven, with a drop of less that $6/tonne in the Chicago area and about $15/tonne in Cleveland.

While brokers were inclined to be uneasy, long term prospects for the scrap market seem to be buoyed by one big factor, a rising demand for scrap from Asian and Turkish steel mills that is boosting export prices. Demand for scrap from China declined recently, under pressure from Chinese reluctance to pay more than $130/tonne, but this situation is seen as temporary. Chinese demand for scrap is rapidly increasing, spurred by their construction of electric furnaces and their lack of a domestic supply of feedstock. Industry sources expect that this will boost scrap prices in the long run in the U.S., Europe and East Asia (*AMM* 10/23, 10/30).

$20 Million to Scrap Navy's 'Ghost Fleet': After ignoring the problem for some time, the House of Representatives voted $20 million last month to scrap some of the U.S. Navy's most environmentally dangerous old ships moored in Virginia's St. James River. The funds will cover scrapping eight to ten ships of the so-called "Ghost Fleet" that have been classed as immediate environmental threats. Eleven more ships are in critical condition and would need additional funds later on. The Senate is expected to pass the measure, spearheaded by Virginia lawmakers, Senators John Warner (R.), George Allan (R.) and Rep. Jo Ann Davis (R.). Domestic ship scrapping was ended several years ago because of the extremely hazardous nature of the work and the environmental problems it caused. It was resumed last year on a pilot basis for some Navy vessels with controls on environmental and working conditions. The ships in the "Ghost Fleet," built between 1950 and 1970, contain materials like PCBs, lead and asbestos, long labeled as hazardous. There is also reported to be some seven million gallons of oil sludge in the rusting hulls below the waterline, threatening a major environmental disaster if not remedied (*AMM* 10/18).

DRI Prices Move Up Spurring Rise in Venezuelan Output: With prices for direct-reduced iron (DRI) in a five-year state of decline, there has been little incentive to increase output. Five years ago, DRI from Venezuela, the chief supplier to the Western Hemisphere brought in $135 to $140/metric tonne. But the Asian financial crisis led to a collapse in demand and the price sank by some 40% to the neighborhood of $80/tonne. However, recent upward moves, while nowhere near the peak prices of 1997, are encouraging producers like Venezuela to increase production. Venezuelan DRI manufacturers last month confirmed that there had been a partial price recovery. One company, Comsigua, said that they were now turning out about 25% more than their previous one million tonnes of hot-briquetted iron at about $100/tonne, allowing them to about break even. Another Venezuelan firm, Orinoco Iron, says it is getting $105 to $107/tonne, up about $25/tonne from last year and $15/tonne from the beginning of this year, and there is still lots of demand. "We are basically sold out through January," said the company's president (*AMM* 10/29).

CAPACITY/TECHNOLOGY

Nucor's Trico Running Ahead of Schedule: The former Trico mill in Decatur, Ala., began turning out its first slabs in mid-September, less than two months after Nucor acquired the facility, putting it well ahead of schedule. The company expects to start shipping coils later this month from Nucor Steel Decatur, the new wholly owned subsidiary, about two months ahead of its original timetable. Nucor acquired the assets of Trico Steel in July (*AMM* 10/8).

Table 4: Selected Canadian Steel Industry Data, April & Year-To-Date						
(thousand tons)	*Month of April*			*Year-to-Date*		
	2002	**2001**	**% Chg**	**2002**	**2001**	**% Chg**
Mill Shipments	1,531	1,256	21.9%	5,637	5,178	8.9%
Exports	594	434	36.9%	2,065	1,649	25.2%
Imports	571	525	8.8%	1,998	2,122	-5.8%
Apparent Steel Supply	1,510	1,347	12.1%	5,570	5,651	-1.4%
Imports as % of Supply	37.8	39.0	--	35.9	37.6	--

Source: CSPA 10/30/02

Nucor Plans Wider Use of Caststrip Process: Pleased with the results of its use of the newly-developed Caststrip technology for producing carbon steels, Nucor now plans to develop the process to turn out electrical and stainless steels as well. Nucor recently said that significant progress continues to be made toward the full commercialization of the Caststrip process. The technology, which turns out steel in ultra-thin strips at Nucor's Crawfordsville mill, is the product of a joint venture of Nucor, BHP of Australia and Ishikawajima-Harima of Japan (*AMM* 10/15).

WORTHY OF NOTE

McDonald Lays Off Citing Soft Economy: Blaming the general economic slowdown and a weakening construction market, McDonald Steel/Pittsburgh, has laid off 32 workers, or about 17% of its work force. The company has also been forced to delay its plans to replace its two 76-year old furnaces with a new reheat furnace, an upgrade that would have cost about $6 million. McDonald Steel produces tooling for different custom asymmetrical hot-rolled shaped steel. "We've just finished our second year of losses," noted a company spokesperson, discussing the shelving of its modernization plans. "It doesn't make financial sense to go forward with a $6 million plan like that" (*AMM* 10/7).

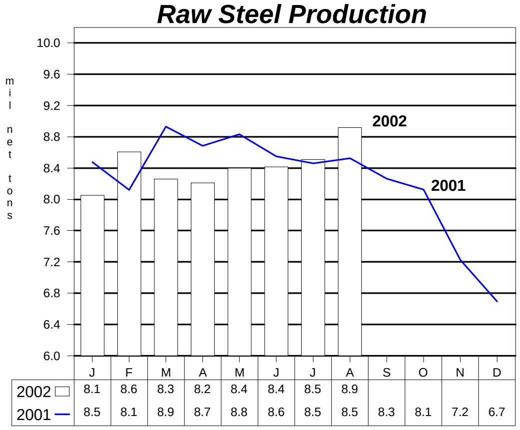
Gallatin Held Liable in Pollution Case: A federal judge in Kentucky has awarded $750,000 in punitive damages to two Kentucky families after ruling that Gallatin Steel and Harsco Corp. were guilty of violating the federal Clean Air Act. The families had gone ahead with their own lawsuits after the companies had reached a settlement with the U.S. Environmental Protection Agency for $1.5 million. Gallatin and Harsco were held liable for dumping slag from the steel plant, creating big dust clouds in the area that affected the families' health. Under the judge's ruling, Gallatin will pay 20% of the punitive damages and Harsco the other eighty percent. The ruling will be monitored by a court-appointed special master to assure compliance (*AMM* 10/7).

World Mining Employment Shrinks While Output Soars: Labor productivity in the mining industry has so increased that mining jobs have steadily declined even as global mining output has grown at a spectacular rate. Mining jobs now make up less than 1% of the world work force, according to a recent report by the United Nations International Labor Organization. In 29 countries where data is available, there was a net loss of 5.5 million jobs between 1985 and 2000, a drop of 45%. About 3.2 million of those jobs were lost between 1995 and 2000. In South Africa alone, mine production output increased by 250% in this 15-year period while mine employment fell by 50%. Technology is a major factor in this trend, but not the only one. "The overall industry trend," noted Norman Jennings, the author of the ILO report, "is one where increasingly skilled miners are working longer hours in a much more capital-intensive industry" (*AMM* 10/9).

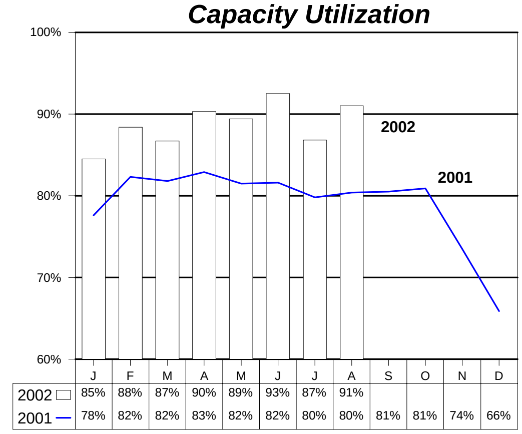
Instead of Dropping, Japanese Steel Output Booming: Earlier this year, the forecast for Japanese steel was very pessimistic. All the predictions were for a steep decline in Japan's steel production. But it hasn't happened that way. Instead, this is turning into the best year for Japanese steel output in more than a decade. The revised forecast of the Ministry of Economy Trade and Industry now says that output for the fourth quarter will hit over 27million metric tonnes, almost 700,000 tonnes more than its previous estimate, issued just two months ago. The figure also represents an 11% increase, or 3 million tonnes, over the fourth quarter of 2001 and a 235,000 tonne jump over this year's third quarter production. Total steel output for the year in Japan is now expected to be over 107 million tonnes, the highest since the 110 million tonnes it hit in 1991. Key to this unexpected upturn is a big surge in exports that more than makes up for the downturn in domestic steel demand. Japanese exports to China soared by 66% in the first nine months of this year to 5.3 million tonnes, while shipments to Korea surged 47% to 6.9 million tonnes (*AMM* 11/1).

Locker Associates Steel Track: Performance

Raw Steel Production

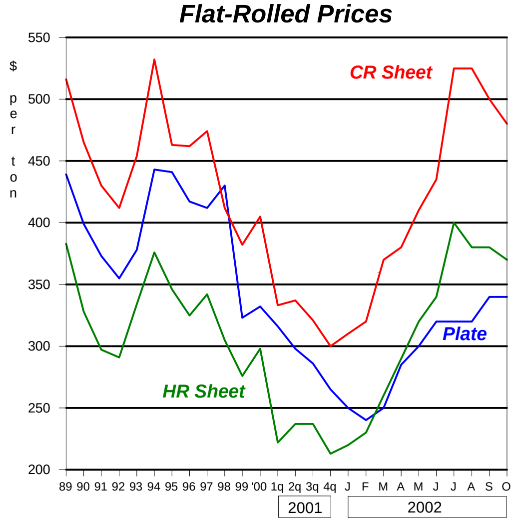


Capacity Utilization

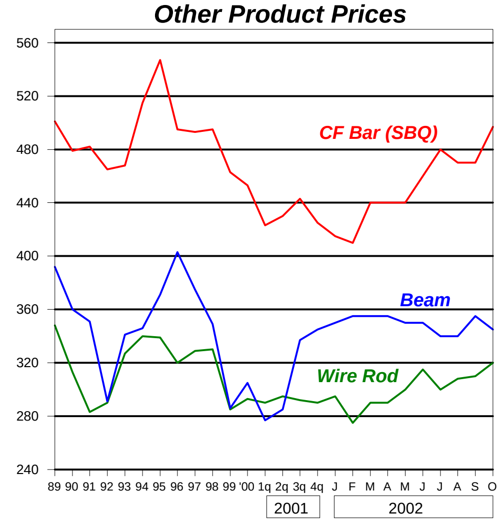


Locker Associates Steel Track: Spot Prices

Flat-Rolled Prices



Other Product Prices



Spot Prices for Selected Steel Products, September & Year-To-Date

($ per net ton)	*Month of September*			*Year-To-Date*		
	2002	**2001**	**%Chg**	**2002**	**2001**	**%Chg**
Hot Rolled Sheet………..	370	215	72%	319	230	39%
Cold Rolled Sheet.......….	480	300	60%	425	327	30%
HD Galvanized Sheet.....	510	330	55%	443	344	29%
Coiled Plate................….	340	268	27%	298	298	0%
Cold-Finished Bar (SBQ)..	497	430	16%	452	433	4%
Wide-Flange Beams......	345	340	2%	352	304	16%
Wire Rod/Low Carbon.…	320	290	10%	299	292	3%
Rebar.........................…	306	280	9%	293	291	1%
Average Spot Price+….	**396**	**307**	**29%**	**360**	**315**	**14%**
OCTG Seamless Tube...	892	991	-10%	923	1010	-9%
Scrap ($/gross ton)*…..….	135	107	26%	116	106	10%

*Sources: Purchasing Magazine, Pipe Logix +Composite price of 8 carbon products *auto bundles*

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Steel Industry Update/172 December 2002

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The dramatic growth of the Chinese economy -- especially manufacturing -- is already having a profound negative impact on the standard of living of American workers. In fact, the current long-term U.S. economic slump is a direct consequence of China's enormous growth. In product after product, including higher-end technology goods, what was previously produced in the United States is being manufactured in China and exported to the U.S. The inevitable result is the shrinkage and shutdown of more and more plants, loss of millions of better paying jobs and the elimination of essential benefits. The clear consequence of this relentless march is the reduction in U.S. living standards, especially among working people. In other words, China's spectacular growth, strongly supported by foreign investment, is a major challenge to the U.S. standard of living.

Take for example Volkert Precision Technologies Inc., a small New York-based firm that manufactures lightning surge protectors for phone lines, a relatively high-end precision product. To cut costs, Volkert's major customer transplanted the assembly of the final products to Taiwan, Puerto Rico and the Dominican Republic. Eventually the customer decided to move the entire operation to China, despite the fact that the process is highly automated and the cost of labor is not a big issue. According to Volkert, the big customer can "get hold of the right people [in China] and in a month have a factory up and running. Obviously, the word is that the quality of the products coming out of China is improving, the infrastructure is improving, and yet their prices still have a terrific advantage."

What's interesting about this example is the fact that even Taiwan, Puerto Rico or the Dominican Republic could not compete with China. In the last five years Mexico has lost more than 200,000 manufacturing jobs to China. And it's not primarily about wages, though that plays a role. With their strong infrastructure, impressive output of skilled engineers and scientists and strong entrepreneurial bent, the Chinese are effectively taking on every aspect of manufacturing, including the most high tech operations.

China originally followed Japan's example of mass-producing low-end products while paying wages that were a fraction of those in the U.S. But over the last 20 years China has been able to produce far more sophisticated products while still paying employees on average about 20-25 cents per hour. In fact, China is now close to overtaking Japan as the largest exporter to the U.S. With customers focusing on cutting costs and the internet allowing buyers to easily post specs for whatever they need online, buyers need only sit back to see who comes up with the lowest bid. Most importantly, U.S., European and Japanese firms are investing lots of money in China, which is turbo charging that country's technological leap forward.

All of this is just dandy for multinational corporations who reap huge profits from global expansion. The Chinese economy should also benefit

Inside This Issue……

Table 1: Selected U.S. Steel Industry Data, September & Year-To-Date

(thousand tons)	Month of September			Year-to-Date		
	2002	2001	% Chg	2002	2001	% Chg
Raw Steel Production	8,916	8,263	7.9%	76,047	76,659	-0.8%
Capacity Utilization	94.0	80.5	--	90.2	80.9	--
Mill Shipments	8,420	7,948	5.9%	74,833	75,893	-1.4%
Exports	521	500	4.3%	4,428	4,619	-4.1%
Total Imports	3,236	2,371	36.5%	24,010	22,097	8.7%
Apparent Steel Supply*	10,481	9,372	11.8%	87,829	88,758	-1.0%
Imports as % of Supply*	24.6%	20.5%	--	19.8%	19.7%	--
Iron Ore Shipments (metric)	4,270	4,822	-11.4%	36,149	38,537	-6.2%
Average Spot Price** ($/ton)	398	317	25.5%	356	316	12.8%
Scrap Price+ ($/gross ton)	138	116	19.0%	113	105	7.6%

*Source: AISI, Purchasing Magazine, & US Geological Survey *Excludes semi-finished imports **Avg price of 8 carbon products +auto bundles* from this process as employment grows, especially for skilled workers. On the other hand, the resulting unequal development will leave a large portion of the society in degrading poverty, worse off then they were just a few years ago, threatening the country with massive political instability. The biggest loser by far are American workers. While they initially benefit from lower consumer prices of imported products, they find their standard of living undermined as better paying jobs slowly but surely disappear and investment in new businesses, infrastructure, education, health care and housing decline.

All this inevitably comes down to one basic question: can the American economic system, or better yet, U.S. multinational corporations, generate and distribute enough productive wealth to provide Americans with decent, well paying jobs as well as essential benefits? In other words, will U.S. companies get away with abandoning the U.S. economy? If the political system allows the drive for higher corporate profits to undermine our standard of living, then more and more people will be forced to question the viability of the current system.

Finally, the hidden danger in all this is a possible military confrontation between China and the U.S. Historically, the rise of a new economic power and the resulting attempt to realign world political relations has led to war. The rapid emergence of China as a world power could easily threaten U.S. hegemony, sparking a conflagration far more deadly and destructive than World War II

TRADE ISSUES

Brazil & Egypt to 201 List, Say Rebar Makers: Pointing out that rebar from Brazil and Egypt constitute about 20% of all imports, a group of rebar manufacturers has filed an action under Section 201 asking that the two countries be included in President Bush's steel tariffs. Low priced imports "are undermining the 201 remedy on rebar," charged attorneys for the industry. Egypt, which exported no rebar to the U.S. until 2001, now accounts for about 12% of all U.S. imports. U.S. imports from Brazil, less than 2% before the March imposition of tariffs, have gone up to 9%. The two countries, as developing nations, were excluded from the tariffs. The domestic rebar industry has seen only a slender 3.4% recovery in price since March. Plaintiffs in the action say they are also monitoring other countries not subject to the March 201 restrictions, like the Czech Republic and Latvia (*AMM* 11/5).

New Import Hikes Chill Plate Market: A sudden rise in plate imports, coupled with a general stagnation in prices since the summer, has blunted the initial optimism of plate manufacturers that the March tariffs under Section 201 would restrain the flood of imported plate and raise prices. For a few months, platemakers did see a general improvement in the price situation, with tags rising to about $330/ton. But subsequent hikes did not stick and the price has remained at about that level since August. A Nucor executive asserted that the strength of the market had receded due to a lack of demand. But imports are being blamed again, particularly from Canada. Figures released by the American Iron and Steel Institute show imports from January through September were 607,000 tons compared with 642,000 tons in the same period for 2001, before the imposition of tariffs (*AMM* 11/14).

Russians Pushing Slab Exports, Cutting Plate: A new accord signed in Moscow last month will lift Russian slab exports to the U.S. by nearly 300,000 tons per year. The agreement lays aside the five-year executive steel agreement of 1999, under which Russia agreed to limit its slab imports to a million tons, lifting the limit to 1.3 million tons. In another sign that Russia is interested in boosting its slab shipments to the U.S., a Russian steelmaker, Severstal JSC is reported to have shown an interest in purchasing Rouge Steel, a major supplier to the domestic auto industry. Rouge, whose workers are represented by the United Auto Workers, has been hurt by a series of accidents in the past few years that have caused shutdowns in its production. The most damaging accident was an exploding boiler in Feb. 1999 that killed six workers, injured 30 others and cost about $1 billion in damages, one of the costliest in U.S. industrial history.

Almost as if it were trading off something for its pickup in slab exports to the U.S., three Russian plate manufacturers -- Magnitogorsk Iron & Steel Works, Severstal JSC and Orsk-Khalilovsk Iron & Steel -- are agreeing voluntarily to forego their exports of HR plate to the U.S. for the first eight months of next year. In exchange, a U.S. antidumping investigation against the three will be suspended. A formal agreement between the Russian plate makers and the U.S. Department of

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Commerce was expected to be signed this month (*AMM* 11/20, 12/5).

OECD Gets Appeal for Code on Subsidies: Western Hemisphere steel companies have appealed to the Organization for Economic Cooperation and Development for trade officials to renew their efforts to negotiate a code on governmental subsidies for steel industries worldwide. In a Dec. 2 letter, steelmakers in the U.S., Mexico, Brazil, Argentina, Canada, Venezuela, and Columbia urged substantial progress in the negotiations, which have been going on for the past 15 months. The fifth in a series of high-level meetings on the subject is scheduled to be held in Paris later this month (*AMM* 12/4).

PRICES AND SHIPMENTS

OCTG: Prices have slumped in the past two months, driven downward by a drop in demand and the uncertainty of war in the Middle East that have had a chilling effect on orders. Prices dropped by an average of 1.5% on all OCTG products in October and another 0.9% in November. Leading the November slide was a 3.6% drop in carbon ERW tubing from $800 to $772/ton. However, despite the uncertainty arising from the prospect of a Middle East war, industry figures remain optimistic about the future of OCTG demand, due largely to the rise in oil prices. In early December, oil prices were nearly 38% higher than they were at the same time last year, which has produced some guarded optimism that OCTG prices will pick up again next year (*AMM* 11/7, 12/4).

Sheet: There was some good news and bad news in the sheet market last month. The good news was that major domestic suppliers of the U.S. auto market were getting an approximate 10% increase in their *contract* prices in the first year of their three-year pacts. Some analysts, like Charles Bradford of Bradford Research, are warning against steel expecting that figure to be matched in the last two years. The 10% increase could result in a $60/ton hike in some cases, said another analyst, a figure that would substantially increase the earnings of companies like Ispat Inland, Bethlehem, Rouge, Dofasco, AK and USS. At the same time, automakers are making no secret of the fact that they are very unhappy about the tariffs on imported sheet and are making an effort to entice foreign steelmakers into the domestic market. GM, for example, was reported by Bradford to be using the threat of foreign competition to "force (domes-tic steelmakers) to back down on price increases."

The bad news is that spot prices in the past month have been on a big slide, especially HR which fell about $30 to $40/ton to $340/ton in November -- although they still remained well above the low point last year of $220/ton. The declines last month have a lot of industry people worried that the bottom has not been reached. CR and coated sheet have fared somewhat better, with CR off by $35 to about $465/ton and galvanized down to $500/ton, a drop of about $25. The West Coast in early December also saw declines in HR sheet prices, although West Coast prices had held up longer than in other regions (*AMM* 11/13, 11/21, 12/3; *Automotive News* 11/18).

Tube: Prompted by shaky economic conditions, a number of temporary shutdowns are expected for the holiday season in the tube industry, according to industry spokesmen last month. The shutdowns are expected to start in mid-December and last through the end of the year. One industry source described tube companies as "living hand to mouth" with many now eyeing future production schedules and planning future production cuts. While some see an improvement in business prospects in the first quarter of next year, others say it is more realistic not to project an upturn until the second quarter at least (*AMM* 11/15).

END USE MARKETS

GM Plans Future Wide-Use of Aluminum: Under growing pressure from lawmakers and environmental groups to make its autos more fuel efficient, but not willing to surrender sales of profitable but gas-guzzling SUVs, General Motors is planning to use more aluminum in future autos to lighten the vehicles. The automaker announced last month that a new line of aluminum-intensive 6-speed automatic transmissions is currently being developed for use in 2005 autos. When fully developed, GM expects to turn out 500,000 such transmissions a year, using an annual total of 35 million pounds of aluminum. The new cars are also expected to use considerable amounts of steel components made from steel bar, rod, as well as iron and steel powders.

The automaker is also making plans to produce a line of all-aluminum V-8 engines for some cars beginning in 2006 using a new precision sand-casting system. It expects to turn out 480,000 engine blocks annually using 100 million pounds of aluminum. In addition, all Big Three auto manufacturers are now looking seriously at changing the axle carriers in both the front and rear of their SUVs, vans and pickup trucks from ferrous metal to aluminum. The move would be a big setback to the iron foundry industry, which produces the iron castings in the axle carriers. It would affect some three million vehicles a year whose axle carrier weight would be reduced by 40% with the use of aluminum (*AMM* 11/18, 11/21).

Chrysler: Hydroforming and Advanced Steel: Chrysler was the first U.S. automaker to have cars roll off the assembly line using hydroformed steel to shape some of their components. The 2002 Dodge Ram pickup trucks used the process for their tubular steel subassemblies. Now, they will be joined by the 2004 Dodge Durango SUVs, slated to use lightweight tubular steel front structures shaped by the hydroform process. Hydroforming, or shaping auto parts using highly pressurized water instead of stamping and welding, helps to shape the structures more exactly, cutting waste to a minimum and significantly reducing the weight of the vehicle. The front structures of the car include the engine compartment cages that support its shell components in front of the dash panel and provide protection for parts under the hood.

According to *Business Week*, GM is also on its way to employing the new process. Earlier this year, it unveiled several very stylish prototype Buick, Pontiac and Saturn models whose production costs were still considered too expensive to be turned out *en masse*. It is reported to be solving the cost problem with a combination of technologies that include using hydroforming.

Chrysler will also reportedly be using advanced high-strength steels in weld assembly components of its 2004 cars. These steels, developed over a period of years, are lightweight enough to compete with aluminum, but ultra-strong, a feature that, in the opinion of some in the steel industry, puts them far ahead of aluminum as the automotive metal of the future. The mills that are expected to produce most of the high strength steels for Chrysler's 2004 cars are Dofasco and Stelco, both in Hamilton, Ontario, Canada (*AMM* 11/8, 11/11; *Business Week* 11/11).

LABOR/MANAGEMENT

After More than Three Years, AK Settles Mansfield Lockout: Three years and three months after it cut off negotiations and locked out 600 union workers at its Mansfield, Ohio, mill, AK Steel has ended its lockout. The United Steelworkers of America, whose Local 169 represents the plants unionized workers, welcomed the company's Dec. 10 decision. "The tragedy is that this company took three years to realize it needs the skilled and experienced work of our members to operate its Mansfield facility," said USWA President Leo W. Gerard. The bitter battle dates back to Aug. 31, 1999 when AK, having just acquired Armco, broke off negotiations for a new contract at its Mansfield facility with USWA Local 169, locked out union workers and began running the plant with replacement workers and supervisory personnel. Several months ago, the union, in a move to end the standoff, agreed to AK's original contract proposal but balked when AK insisted that it would not take back 29 workers it said were guilty of misconduct on the picket line. The union called this a case of the company asserting that it "has the sole right to act as judge and jury in a labor dispute that the company created by locking us out," and flatly rejected the condition. The status of these workers remained uncertain as this ***Update*** went to press.

Also unknown at press time was the status of a lawsuit filed by Armco in July 1999 in which a jury last month awarded nearly $4.4 million in damages to AK -- $3 million for the union's refusal to work overtime that summer and $1.4 million for its charge that union members and supporters had staged a "riot" outside company headquarters on Sept. 10, 1999. The union had immediately vowed that it would appeal the decision.

USWA District 1 Director David McCall said the Union now expects an orderly return to work that "respects the rights of our members in the contract that they have accepted and ratified." McCall said the Union would urge AK to recall USWA members as rapidly as possible and "trusts that AK management will instruct the replacement workers now in the plant to avoid antagonizing our returning members as they have throughout the lockout." The Union also said that it would urge its returning members not to react to any antagonistic behavior directed toward them by remaining replacement workers

USWA had maintained steady pressure on AK during the bitter dispute. Last month, in the latest of a steady barrage of ongoing charges and counter charges, several environmental groups and the Steelworkers issued a report sharply denouncing the environmental record at the company's new mill in Rockport, Ind. Coming on the heels of the selection of the Rockport facility to participate in Indiana Department of Labor's Voluntary Protection Program (VPP), the report presented a picture of the mill from a completely different perspective. The selection of the Rockport Works for the VPP was based upon its recordable injury rate and lost time injury frequency, which was reported to be many times better than the national average. The program coordinator for the Indiana VPP called it "the best safety program of employee involvement I've ever seen."

But the environmental groups and the USWA examined another aspect of the Rockwell plant, its record of environmental pollution. Citing official documents of the Indiana Department of Environmental Management and the Indiana EPA, as well as press reports and other sources, the report, called *"State of the Art" Has Never Been So Toxic*, charged that "according to the federal Toxics Release Inventory, Rockport Works was Indiana's top water polluter and, among 21,344 manufacturing facilities in the U.S., the nation's 20th largest releaser of toxic chemicals and water in the year 2000." The Rockport plant began in 1996 with $71 million in tax cuts and subsidies to build "what it claimed would be a 'state of the art' facility," the report said. Instead, it charged, in the year 2000 alone, the mill has released 13 million pounds of toxins into the environment.

The Rockport plant is the second AK mill commended for its good safety record. The first one at Butler, Pa., was named a VPP participant last year. However, some dispute over the Butler plant's safety record was raised after a plant worker was killed in an accident last month, the first fatality at the facility in 10 years. The union representing the workers at the mill, the Butler Armco Independent Union, demonstrated outside the plant on November 11 to protest the firing of nine supervisors in the aftermath of the worker's death. The independent union charged that AK had unfairly dismissed the supervisors as scapegoats because they failed to report workers for alleged safety violations when they were injured on the job. Under AK's disciplinary system, the union declared, workers were "afraid to go to the plant hospital with a scratch or a bump because suspension is sure to follow," a factor which has led to the under reporting of accidents. An AK Steel spokesman denied that the company has ever suspended a worker for being injured but has taken disciplinary action against not reporting safety violations (*USWA* Press Release 12/3, 12/10; *AMM* 11/5, 11/6, 11/12, 11/20, 12/6; *"State of the Art" Has Never Been So Toxic* Report Dec. 2002).

Ipsco Strike Narrowly Averted in Canada: After both sides seemed headed for a strike at two Canadian steel mills, Ipsco and the USWA reached a tentative agreement Dec. 4. The narrowly-averted strike would have affected two Ipsco plants in western Canada, one in Calgary, Alberta, with 230 workers and the other in Regina, Saskatchewan, with 800 workers. The employees had been working since July 31 under an extension of their old contract. Early in Nov., strike votes were approved at the two mills after negotiations had bogged down. Workers at the Regina mill approved a strike by a 99% vote, while Calgary workers OK'd a strike action by 96%. The strike seemed imminent on Dec. 1 after Ipsco made what it said was a "final offer" that the union found unacceptable. The company threatened a lockout if the offer was rejected, a development the USWA charged was an "ultimatum." With a Dec. 5th strike date, a last-minute effort by a mediator avoided the action, got the two sides back to the table and an agreement came within a few days (*AMM* 11/7, 12/2, 12/3, 12/6).

Fatal Accidents Hit Gallatin and Bethlehem: Two accidents resulting in the death of workers were reported last month. A maintenance worker, Charles Hinton, 47, was killed Nov. 21 at the Gallatin Steel mill in Ghent, Ky, when he fell 30 feet from a manlift as he worked outside the melt shop. He suffered massive head injuries and was pronounced dead at the University of Cincinnati Hospital to which he was transferred by helicopter. Eight days later, a worker at Bethlehem's Burns Harbor, Ind., mill was found dead in the hot metal area near the basic oxygen furnace. Randy Moehl, a 29-year veteran at Bethlehem, was operating a remote controlled switch engine guiding enclosed railroad cars that transported hot metal from the blast furnace to the basic oxygen furnace. Moehl apparently was killed when he fell under the wheels of one of the railroad cars (*AMM* 11/26, 12/3).

National Protests PBGC Takeover of Funds: The Pension Benefits Guarantee Corp. (PBGC) has assumed responsibility for seven pension plans of National Steel, a move that was denounced by the company. The move means that current National employees who retire will receive their basic pension benefits but at a reduced rate of their normal pension plans. National is currently in negotiations with USS, which is seeking to buy out the assets of National, currently in Chapter 11 bankruptcy. National's current pension liabilities, according to a recent filing with the U.S. Securities and Exchange Commission, and subject to revision under the Chapter 11 reorganization proceedings, included $204 million in "pension liabilities" and $502 million in "minimum pension liabilities" (*AMM* 12/9).

Auto Worker and Philanthropist Dies: The auto worker who amassed a fortune by working overtime 12-hour shifts at Ford for more than 60 years without ever taking a vacation, then giving away over a million dollars to universities, scholarships and other charities, died Nov. 2 at the age of 81. Matt Dawson, a UAW forklift operator at Ford's Dearborn, Mich., Rouge complex succumbed to a heart attack in his modest one-bedroom apartment in Highland Park, Mich. Among the beneficiaries of his generosity were the United Negro College Fund, to which he donated $240,000, Wayne State University, to which he gave $680,000, and Louisiana State University, to which he donated $300,000. He also gave thousands of dollars to churches, community colleges and civil rights organizations. For his humanitarianism, he was honored by President Clinton at the White House, was a guest on Oprah and other television shows, and received numerous awards, including two honorary doctorates. Never earning more than $26 an hour, he lived frugally and began buying Ford stock in 1956. He began making his charitable donations in 1991. "It makes me happy to give money away," he once told an interviewer. "It gives me a good feeling" (*NY Times* 11/13).

RAW MATERIALS

Scrap Prices Down Again: Scrap prices continued to fall last month with auto factory bundles now about $18/gross tonne less than they were in Sept. December 1 factory bundles stood at $120.50/tonne, a drop of $4.50/tonne from Nov. Supplies generally decline in the winter months and will be further reduced by Christmas holiday shutdowns at many auto plants. Ferrous scrap prices were also down by as much as $15/gross tonne, with demand from the mills weakening as the end of the year approached (*AMM* 11/11, 12/2).

Posco Quits at Venezuelan HBI Venture: Five years of difficulties and Posco has said, "Enough." The South Korean company's board of directors decided Nov. 20 to give up on its joint venture to produce hot-briquetted iron in Venezuela. Posco, the largest shareholder, with 40% of the ownership in Posco Venezuela Cia Anonima (Posven) has decided to relinquish its interest in the enterprise. Other shareholders include Hyundai/Korea, Raytheon/U.S.A., CVG Ferrominera del Orinoco/Venezuela and Hylamex/Venezuela. The ultimate fate of Posven will be decided at a board meeting this month but with Posco's withdrawal, the venture is probably headed for liquidation (*AMM* 11/21).

Auto Union Calls for New Recycling Law: In a groundbreaking move, the Canadian Auto Workers union is urging legislation to require automakers to plan for end-of-life recycling for vehicles manufactured in that country. It will require that autos sold in Canada be dismantled and recycled in Canada and that all vehicles, at the end of their useful lives, be taken back for recycling directly by the automaker or through a third party. The law would encourage car manufacturers to design their automobiles so that very little, if any, materials would be left for landfills. The union is asking its 260,000 members to petition their legislators to enact the recycling law (*AMM* 12/6).

WORTHY OF NOTE

ISG, Bethlehem Deal Moves Ahead: The International Steel Group headed by New York financier Wilbur Ross, which bought out control of bankrupt LTV, is now in negotiations to purchase the assets of another company in Chapter 11, Bethlehem. Bethlehem has granted ISG exclusive rights to begin "due diligence" toward acquiring its assets but all sides express caution. The major hurdle is the financial burden of legacy costs associated with pensions and benefits. Robert S. Miller, Bethlehem chairman and CEO, said that his company is now in negotiations with the USWA with an eye to drawing up a new labor contract that will enable the company to stand alone, if the ISG deal falls through.

ISG President and CEO Rodney Mott meanwhile revealed that his company is trying "to determine quickly the extent to which Bethlehem's facilities complement ours as well as the potential for cost saving and cross selling." ISG Chairman Ross also expressed the view that Bethlehem presented several interesting opportunities for his company, notably the fact that the Burns Harbor mill is near ISG's eastern Ohio facilities making "a good geographic fit" and that Sparrows Point "is a very modern plant and one of the few American steel plants with a nice deep-water harbor."

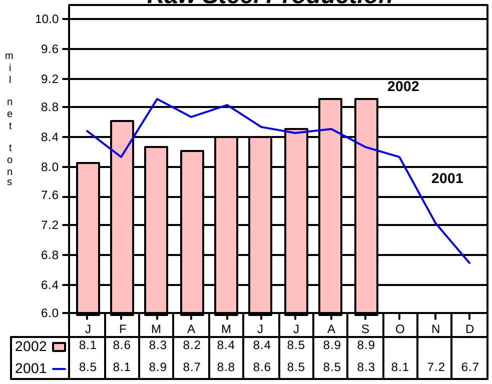
The Steelworkers union meanwhile said last month that it was "encouraged" by ISG's interest in Bethlehem. "Our union has always supported a strong, consolidated American steel industry," said USWA President Leo Gerard, "and we're hopeful that the combination of ISG and Bethlehem could be an important step in the right direction" (*AMM* 11/6, 11/7).

CSN-Corus Deal Falls Through: The attempt to merge Corus, the Anglo-Dutch steel giant, with Brazil's CSN has evaporated, the victim of slow market conditions, falling values for each of the two companies and a tighter credit market. Both companies posted big losses this year. If the merger had taken place, it would have resulted in a steel combine worth $4.8 billion (*AMM* 11/14).

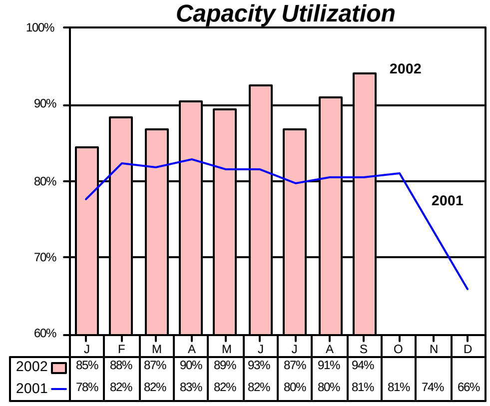
US Steel's Gary Mill Gets Excellence Award: U.S. Steel and Primary Energy, Inc., have both been cited for excellence in energy efficiency and pollution reduction this year. The Environmental Protection Agency has given its Energy Star Award to the two companies for the Lakeside Energy combined heat and power facility at U.S. Steel's Gary, Ind., plant. The 161-megawatt

Locker Associates Steel Track: Performance

Raw Steel Production

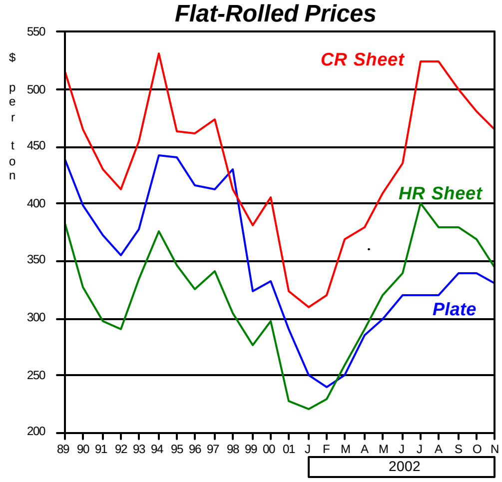


Capacity Utilization

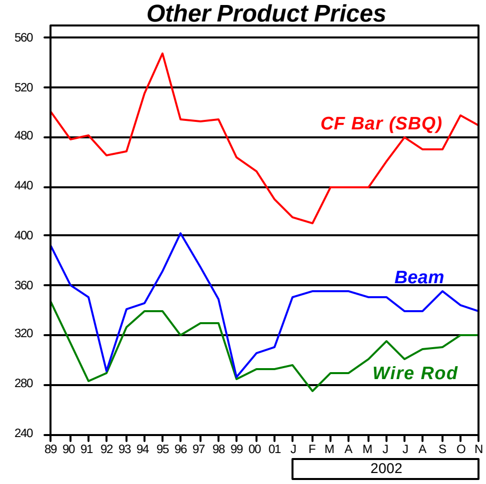


Locker Associates Steel Track: Spot Prices

Flat-Rolled Prices



Other Product Prices



Spot Prices for Selected Steel Products, November & Year-To-Date

($ per net ton)	*Month of November* 2002	2001	%Chg	*Year-To-Date* 2002	2001	%Chg
Hot Rolled Sheet…………….	345	215	61%	321	229	41%
Cold Rolled Sheet…………..	465	300	55%	428	325	32%
HD Galvanized Sheet……..	500	330	52%	448	343	31%
Coiled Plate…………………..	330	268	23%	301	295	2%
Cold-Finished Bar (SBQ)….	489	430	14%	456	433	5%
Wide-Flange Beams……….	340	345	-1%	350	307	14%
Wire Rod/Low Carbon……..	320	290	10%	301	292	3%
Rebar………………………….	300	275	9%	294	290	1%
Average Spot Price+……..	**386**	**307**	**26%**	**362**	**314**	**15%**
Stainless Sheet 304……….	1,246	1,232	1%	1,243	1,339	-7%
OCTG Seamless Tube…….	892	982	-9%	920	1,007	-9%
Scrap ($/gross ton)*……….	125	89	40%	116	104	12%

*Sources: Purchasing Magazine, Pipe Logix   +Composite price of 8 carbon products   *auto bundles*

Table 2: Selected Canadian Steel Industry Data, August & Year-To-Date						
(thousand tons)	Month of August			Year-to-Date		
	2001	2000	% Chg	2001	2000	% Chg
Mill Shipments.....................	1,291	1,370	-5.8%	11,386	10,618	7.2%
Exports...............................	525	423	24.1%	4,238	3,410	24.3%
Imports	688	559	23.1%	4,612	4,107	12.3%
Apparent Steel Supply..........	1,454	1,507	-3.5%	11,760	11,315	3.9%
Imports as % of Supply	47.3	37.1	--	39.2	36.3	--

Source: CSPA 11/22/02

Lakeside facility produces steam and more than 40% of the electricity at the Gary mill from by-product fuels, including previously fired blast furnace gas. Primary Energy built and manages the Lakeside facility for U.S. Steel (*AMM* 11/15).

Bayou Bankruptcy, Geneva Liquidation?: With Geneva Steel on the way to shutting down forever and liquidating its assets, the company is engaged in a last-minute scramble to find a buyer willing to acquire the plant. The alternative will be breaking it up and selling its assets off piece-by-piece. Once employing 2,000 workers, only 29 are left at the plant. Of deep concern to former Geneva employees is the status of their pensions. Between 400 and 500 employees retired under a 1998 benefit plan to which Geneva stopped making payments last October. These retirees could face the prospect that their pensions will be reduced by 30 to 40%.

Another company in trouble last month was Bayou Steel of LaPlace, La., which decided to take a grace period of 30 days instead of making a $6 million interest payment due Nov. 15. In the interim period, Bayou will decide whether it will make future payments. If Bayou fails to make the payments, it would be in default on its notes -- in effect, a declaration of bankruptcy. The company's most recent financial report recorded a loss of $22.2 million for the fiscal third quarter of this year, caused it said by rising scrap costs and low selling prices. Last year in the same period Bayou lost $7.5 million (*AMM* 11/19, 11/20).

Gerdau Eyeing North American Plants: With its eyes on strengthening its operations in North America, the Gerdau Group, Brazil's manufacturer of long products, is seeking to link up with others who share the same desire. One such company is CSN, whose merger with Anglo-Dutch steelmaker Corus collapsed last month. CSN has also been attempting to build links to the North American steel industry. "Nothing is ruled out," said Gerdau's Senior Vice President Frederico Gerdau Johannpeter. "We are always open to opportunities, which seem to arise virtually every week now in the U.S. We have comfortable capitalization and cash positions. But our policy is to be cautious." Such an approach aided the firm, he said, in its merger earlier this year with Canada's Co-Steel. The combined company is now known as Gerdau AmeriSteel. Gerdau intends to invest $60 million next year in the 11 AmeriSteel mills it now owns in the U.S. and Canada. Gerdau annually produces 14.1 metric tonnes of raw steel worldwide, about half in Brazil and the other half elsewhere, mainly in the U.S., most of it for long products (*AMM* 11/21).

Easing of Clean-Air Rules Makes Mills Happy: The Bush administration's easing up on clean-air rules has most metals industry executives smiling. Despite a court challenge from states like New York and Connecticut, whose downwind position puts them in the direct path of smokestack pollution from Midwest plants, steel companies hailed what they called "a more realistic interpretation" of the anti-pollution rules. Congress has been lobbied for years by industry groups seeking to ease the anti-pollution regulations that require installation of stronger pollution controls when new plant and equipment is installed. The American Iron and Steel Institute called the administration action "a positive step" toward the goal of greater energy efficiency that would encourage companies to improve "the reliability, environmental efficiency and safety of industrial facilities." However, Connecticut Sen. Joseph Lieberman (D.) denounced the new rules as helping to extend the life of the dirtiest industrial plants to the detriment of people who breathe the pollution from the smokestacks. New York Attorney General Eliot Spitzer blasted the Bush administration for putting the financial interests of the oil, gas and coal companies above the right of the public to breathe clean air (*AMM* 11/26)

NOTES ON STEEL TRACK EXHIBITS

Performance data is from monthly AISI sources. ***Spot Prices*** (except OCTG) are from *Purchasing Magazine* and are FOB Midwest, with no extras. **Hot rolled sheet**, 48 inch, temper rolled, ASTM 569; **Cold Rolled Sheet**, 48 inch, AISI 366; **HD Galvanized Sheet,** 120 inch AISI 525, G90; **Coiled Plate**, A36, 1/2x96x240 inch; **Cold Finished Bar**, SBQ 1018; **Wide-Flange Beam**, A36, W8, 18 lbs; **Wire Rod,** low carbon; **Rebar,** carbon, no. 6. **OCTG** spot prices are from Pipe Logix, FOB Houston for J55 8REUE Seamless Tube.