



# Good Living with steel

Standard & Poor's Shows Steel's Substantial Economic Impact

Ohio Steel Council 1999 Annual Report

## To Our Legislators and Other Friends of Steel

1999 was a year of mixed outcomes. On the one hand, unfairly traded steel imports continued to undercut Ohio steel producers, with total shipments and production down for the year, in comparison to 1998. While we greatly appreciate the support of state and federal officials on this issue – and we recognize that some important steps have been taken – fair trade has not been restored.

On the other hand, passage of electricity restructuring legislation in the **Ohio House** and **Senate** was a milestone, holding out great promise for fair competition. Now, it is up to the Public Utilities Commission of Ohio to manage the transition to full competition, a process we will be watching with anticipation.

In other ways, too, 1999 was a year of progress, with mergers and consolidations leading to stronger Ohio companies better positioned for global competition. Ohio companies continue to invest heavily in technological advancements, while honing production for higher quality and improved energy efficiency.

Always a leader, Ohio was recognized in 1999 as the number one steel state in the nation. In a Standard & Poor's study, commissioned by the American Iron and Steel Institute, Ohio came out on top based on the total value of steel produced and processed in the state.

This 1999 Annual Report features the results of an additional study by Standard & Poor's, examining the full impact of the steel industry on the state's economy. We hope this study is useful and that you will keep it for easy reference in your day-to-day work in 2000 and beyond. We wish you the best and look forward to your continued support.



**George Manos**  
Co-Chair of the Ohio Steel Council  
Director of Administrative, Legislative  
and Legal Affairs at Republic  
Technologies International



**C. Lee Johnson**  
Co-Chair of the Ohio Steel Council  
Director of the Ohio Department of  
Development

## **Standard & Poor's Puts Steel's Economic Impact at \$8.77 Billion**

The Ohio Steel Council's 1999 Annual Report announces the results of a new Standard & Poor's study which estimates steel's total economic impact on the state at **\$8.77 billion**. This figure represents the value of all steel processed and produced in Ohio.

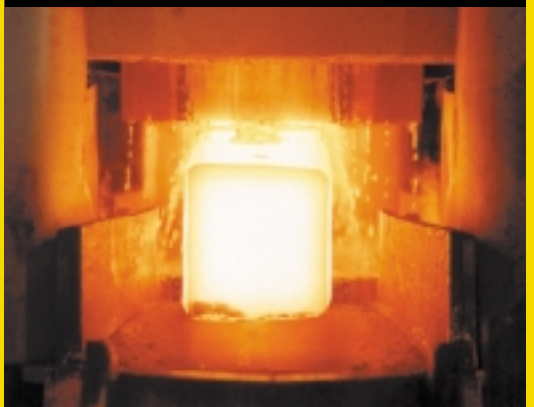
The study also makes available for the first time an estimate of the total number of jobs generated by the state's steel industry – more than **110,000**. This figure represents Ohio jobs in the steel industry and in industries tied to steel.

In addition, using standard economic models, Standard & Poor's has estimated total wages generated in Ohio by the steel industry – and by industries supplying steel – at **\$4.97 billion**. This is the first time that independent economists have calculated these figures assessing the industry's impact on Ohio.

Commissioned by the Ohio Steel Council, this Standard & Poor's study explores the full economic impact of the steel industry on the Ohio economy, as calculated by three standard measurements: direct effects, indirect effects and induced effects. For the industry's full impact, the three should be added together.

The study is based on the Annual Survey of Manufacturers, the U.S. Bureau of Economic Analysis and IMPLAN, a widely used model that calculates an industry's ripple-like effect throughout an economy.

Standard & Poor's DRI ranked Ohio #1  
in steel produced and processed.



**About the cover:** A worker with American Eagle Builders, based in Salem and Akron, assembles a roof in a steel-framed condominium development in Youngstown.



Builders prefer steel framing for its straightness, resistance to warping and ease of assembly.

## Steel Makes for a Good Home

Steel is all around us, making life better. In the refrigerator, where foods are kept cool and crisp. In the washing machine, providing bright colors and whites. In the front yard for drainage. On our highways for strength and longevity. And in the automobile for safety. Now, many homes, as well as commercial buildings, are being made of steel – framed in steel for improved damage resistance and heating and cooling efficiency and covered in standing-seam metal roofing for lower maintenance costs and longer lifecycles.

Producing quality products in plants across the state, thousands of Ohioans derive their livelihood from steel. Steel provides life's necessities and comforts, generating the personal income and tax revenue for quality homes, first-rate schools, balanced nutrition and family vacations. Through partnerships with United Way, Habitat for Humanity and others, Ohio steel producers make charitable contributions totalling more than \$2.5 million per year, according to **Youngstown State University's** Center for Urban Studies. In the last three years, **LTV Steel Company** has contributed steel framing for 45 new Habitat houses, along with engineering, tools, fastening and training. In 1999, **WCI Steel, Inc.**, donated Trumbull County's first steel-framed house.

Nine-inch-thick walls provide for superior insulation, reducing heating and cooling costs. Steel framing provides better resistance to storm, water and fire damage.



## The Direct Effects

The direct effects on Ohio's economy can be measured by the number of people employed by steel companies, the personal income earned by steelworkers and value-added steel production. In the case of a primary steel producer, "value added" refers to the value of a steel slab, hot-rolled coil, bar or tube *minus* the cost of raw materials like iron ore, sinter, coke, limestone and steel scrap.

| Direct Effects          |                |
|-------------------------|----------------|
| Employment              | 35,400 Ohioans |
| Labor Income            | \$2.84 billion |
| *Value-Added Production | \$5.3 billion  |

\* This figure is based on the Annual Survey of Manufacturers, while other value-added figures in this study come from the U.S. Bureau of Economic Analysis.

**AK Steel Corp.** was named Supplier of the Year by General Motors in 1999, an honor accorded to less than .5 percent of GM's 30,000 suppliers worldwide.



| Tax Revenue     |                |
|-----------------|----------------|
| Federal         | \$1.34 billion |
| State and Local | \$861 million  |

Steel companies and steelworkers generate substantial tax revenue for the betterment of their communities.

## Strength through Consolidation

In the past year, several consolidations have led to better leverage for Ohio's world-class products. **AK Steel Corp.** bolstered its stainless division through its acquisition of Armco Inc. Meanwhile, **Republic Technologies International**, acquired in 1998 by Bar Technologies, merged with USS/KOBE Steel Company under the Republic name. Now headquartered in Fairlawn, the three companies are one – the largest domestic producer of steel bar products.

A continuous caster allows for more efficient production of steel slabs at **WCI Steel, Inc.**



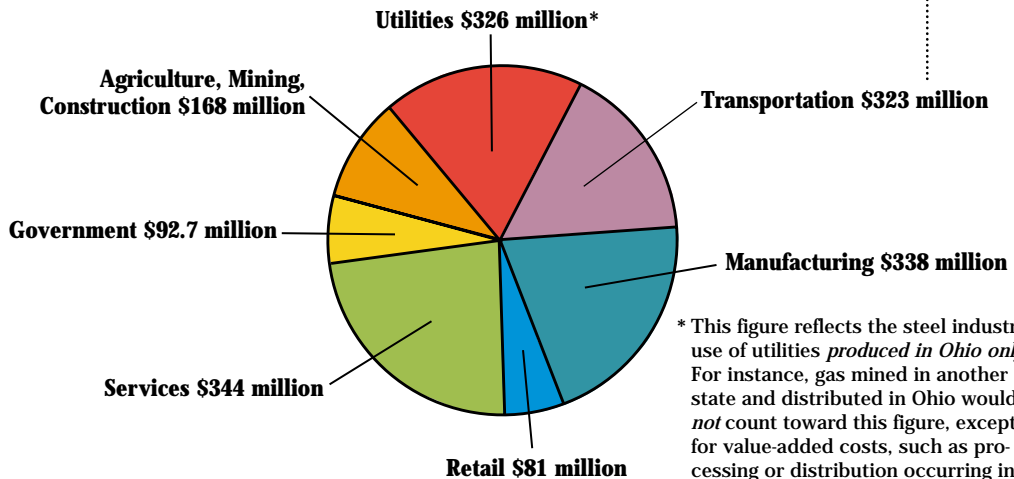
## The Indirect Effects

Dozens of Ohio industries derive a significant portion of their business from steel, including real estate, construction, insurance, industrial machinery, health care and utilities. The indirect effect measures just that portion of these businesses that can be tied to the Ohio steel industry. Added to the direct effect, the indirect effect provides a truer picture of steel's full economic impact.

| Indirect Effects       |                |
|------------------------|----------------|
| Employment             | 28,619 Ohioans |
| Labor Income           | \$976 million  |
| Value-Added Production | \$1.67 billion |

**Pittsburgh Logistics Systems**, an associate member of the Council, services many Ohio steel companies.

**Pie chart shows the impact of Ohio's steel industry on its suppliers, with a total impact of \$1.67 billion.**



\* This figure reflects the steel industry's use of utilities *produced in Ohio only*. For instance, gas mined in another state and distributed in Ohio would *not* count toward this figure, except for value-added costs, such as processing or distribution occurring in Ohio. Ohio Steel Council member companies report total utility expenditures - consisting of water, gas and electricity - of about \$468 million per year, according to **Youngstown State University**.

## Growth through Capital Expenditures

Ohio steel producers spend an average of \$560 million on capital improvements each year, according to **Youngstown State University**. Among the successes of 1999 was the start-up of **North Star Steel Ohio's** new electric arc furnace at the Youngstown facility. The company's \$38 million upgrade is nearly finished, with the new ladle metallurgy furnace due for completion in 2000.



**CSC Ltd.'s** new electric arc furnace was powered up in 1999, along with a new ladle refining furnace, a vacuum degasser and a roughing mill. A new continuous caster, the final component in a \$100 million modernization, is due for completion in 2000.

## The Induced Effects

The induced effects look at the economic impact of wages spent. In spending wages, steelworkers – as well as workers in industries supplying steel – generate thousands of jobs and millions of dollars in income for other Ohio workers.

| Induced Effects        |                | + Direct Effects<br>+ Indirect Effects = | Total Economic Effects |
|------------------------|----------------|--|------------------------|
| Employment             | 46,494 Ohioans |  |                        |
| Labor Income           | \$1.16 billion |  | \$4.97 billion         |
| Value-Added Production | \$1.8 billion  |  | \$8.77 billion         |

## A Strong Workforce through Education

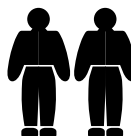
Ohio steel companies spend thousands of dollars annually building their workforces through educational and career development programs. **The Timken Company**, for instance, funds vocational academies in Canton, while the **United Steelworkers of America** operates the Institute for Career Development, with 12 locations in Ohio, the newest being at **Wheeling-Pittsburgh Steel Co.** in Steubenville. In 1999, the Council's Education Committee, chaired by a faculty member of **The Ohio State University**, created the *Careers in Steel* section of the Ohio Steel Council Web site. In 2000, the committee will begin publication of *Forging Knowledge*, a newsletter for Ohio teachers containing steel-related ideas for the classroom.



Many young people, such as this maintenance supervisor at **Wheeling-Pittsburgh Steel Co.**, are finding that steel offers unique opportunities for advancement.



For every one job in the steel industry,  
another two jobs are generated.



Ohio's steel industry provides high-tech jobs, requiring the use of sophisticated computer control systems.



## **Ohio Steel Council Members**

AK Steel Corp.

CSC Ltd.

LTV Steel Company

North Star Steel Ohio

Ohio Department of Development

Ohio House of Representatives

Ohio Senate

The Ohio State University

Pittsburgh Logistics Systems, Inc. (associate member)

Republic Technologies International

The Timken Company

United Steelworkers of America

Washington Steel (associate member)

WCI Steel, Inc.

Wheeling-Pittsburgh Steel Corp.

Youngstown State University



### **Ohio Steel Industry Advisory Council**

c/o Ohio Department of Development

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