



Another Good Year for Steel

But Fair-Priced Electricity Will Be Critical for Continued Success

To Our Legislators and Other Friends of Steel:

Ohio's steel industry is continuing to build on its intrinsic strengths, including a quality workforce and a technological edge in a global economy. Capital expenditures continued at a solid pace last year, with more than \$195.5 million invested in Ohio steel-producing facilities through the third-quarter of 2007.

The stability of Ohio's steel industry is a product of many years of disciplined reorganization, including an intensive period following the foreign imports crisis of 1998. Since 2003, Ohio steelmakers have maintained substantially higher levels of production and now produce steel at the same level as before the crisis, which caused 40 steel bankruptcies nationwide. Meanwhile, productivity per worker has increased due to new technology and renewed cooperation between steel companies, their employees and the United Steelworkers.

Ohio's steel industry felt the effects of slowdowns in the domestic housing and automotive sectors in 2007, which sent ripples throughout the entire economy. Steelmaking continues to be an industry that is especially sensitive to input costs, such as prices for electricity and natural gas, as well as raw materials. The steel industry is the largest energy-consuming sector in Ohio, spending \$1.6 billion on energy per year.

We applaud Gov. Ted Strickland and many members of the Ohio General Assembly for their efforts to return Ohio's electricity market to a cost-based pricing structure. The Council supports a rate-making process that is transparent and ensures fair pricing and reliability. Ohio steel companies will continue to monitor all electricity legislation for its impact on the manufacturing sector.

Imports, especially those from China, remain an important issue for the steel industry. With the help of generous government subsidies, China's steel industry now produces steel far in excess of the country's domestic needs. Ohio steelmakers can compete with their counterparts anywhere, but cannot compete against the resources of an entire government. This issue concerns steel producers, as well as manufacturers whose products are made with domestic steel and may have to compete at a disadvantage. The Council will continue to closely monitor Chinese steel production and its impact on world markets.

The Council extends a special thanks to Mark Barbash, Chief Economic Development Officer, Ohio Department of Development, for testifying before the International Trade Commission in favor of retaining anti-dumping orders for Oil Country Tubular Goods. Unfortunately, the Commission subsequently decided against retaining the orders.

In 2007, the Russian steel producer Magnitogorsk Iron and Steel Works announced it was considering locating a new production facility in Ohio. The Council supports the Strickland/Fisher administration's efforts to bring new businesses and jobs to Ohio. At the same time, we believe it is vital to maintain a level playing field within the industry. The Council is working with the Strickland/Fisher administration to ensure that any incentives offered to Magnitogorsk Iron and Steel Works or other foreign steel producers work to the benefit of the entire industry.

A major challenge facing the steel industry will be finding and training employees to replace the wave of retirements we expect will occur in the next few years. This year's annual report provides an overview of the ways Ohio Steel Council members are cultivating tomorrow's workforce. We look forward to working with you to address this challenge and others in 2008 and beyond.

Sincerely,

Lee Fisher
Co-Chairman
Ohio Steel Council
Lieutenant Governor
Director, Ohio Department of Development

Roger Lindgren
Industry Co-Chairman
Ohio Steel Council
President and CEO
V&M STAR



This year's annual report looks at workforce development in the steel industry. Ohio steel companies are preparing for a wave of retirements by implementing programs to attract new talent and by training existing employees.

Steel's Bright Future

Ohio's steel industry faces a significant challenge in the next few years. Thousands of its employees – up to 50 percent for some companies – are expected to retire. The industry is adopting a two-pronged approach for replacing them: recruiting new employees and upgrading the skills of those who remain.

Today's steel industry has been forged by two decades of restructuring, consolidation, and global competition. Extensive investment in new plants and equipment – more than \$1.2 billion just in the last five years – has enabled producers to modernize their facilities and make use of sophisticated technology such as computer-driven automation. As a result, Ohio steel production is very close to the levels achieved prior to the imports crisis of the late 1990s when measured in terms of its value-added production.

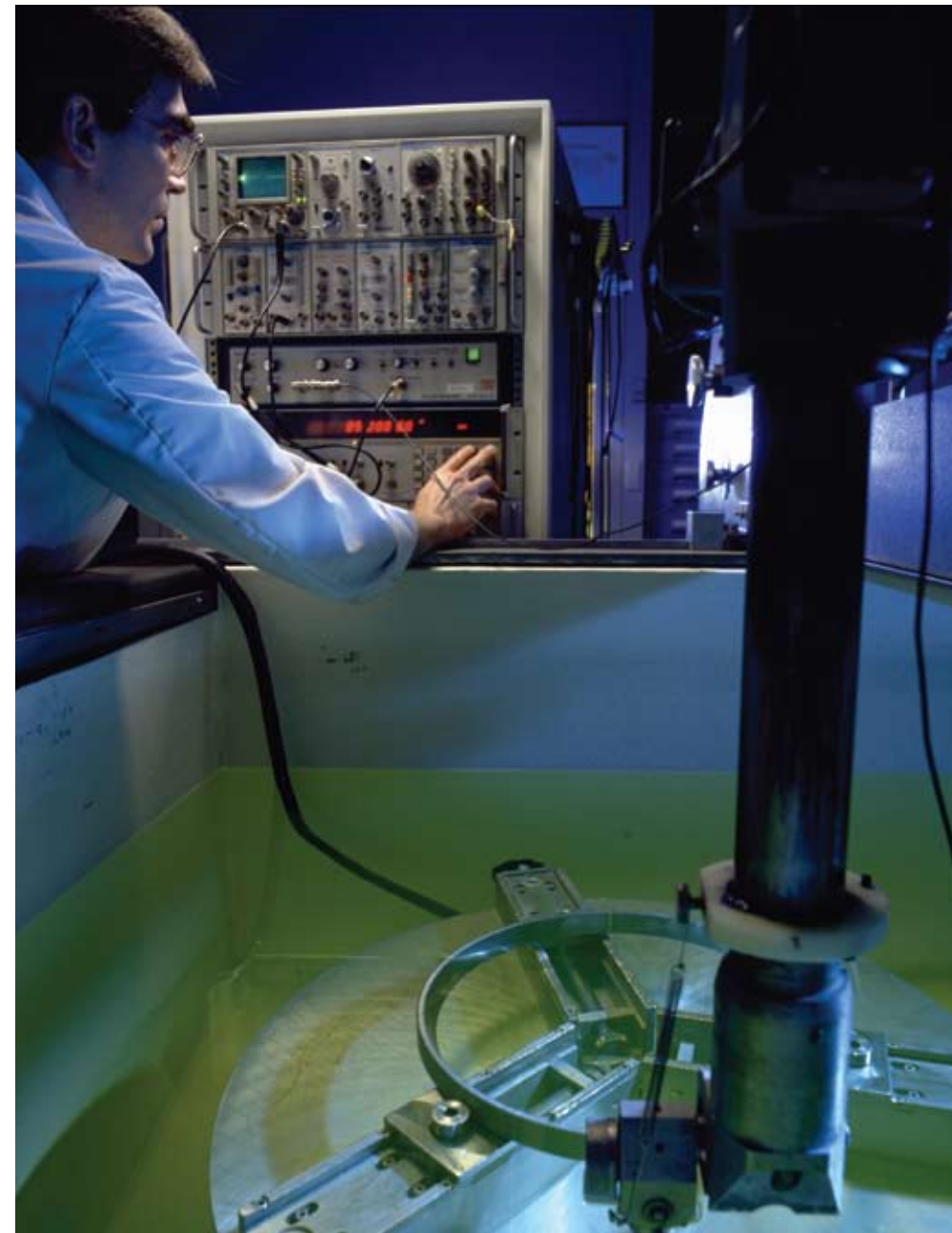
Value-Added Production per Employee

1997	\$206.53
1998	\$190.80
1999	\$160.44
2000	\$154.06
2001	\$109.13
2002	\$122.90
2003	\$104.20
2004	\$204.53
2005	\$277.52

Value-added output per employee has risen more than 150 percent since 2001. This increase is attributed to the industry's investment in training and technology, and changes in work rules developed in conjunction with United Steelworkers.

Source: U.S. Annual Survey of Manufactures

Sophisticated technology, such as this ultrasonic testing equipment, is a vital part of today's steelmaking process.



Steelmakers have spent millions of dollars to lessen their impact on the environment. They have reduced energy used per ton of steel by 29 percent since 1990, and use advanced co-generation systems to capture blast furnace gases for reuse in generating heat and electricity.

A new spirit of cooperation between the **United Steelworkers** and steel producers has led to agreements that reduce the number of job classifications and grant employees more flexibility in how they perform their jobs. These changes, combined with new technology, have resulted in a 30 percent productivity increase in the last five years and greater competitiveness in the global market.

Ohio's government, through the **Ohio Department of Development**, continues to support steel and other manufacturers with programs such as the Ohio Investment in Training Program, which have helped provide the skills employees need to take on expanded responsibilities.



Classroom instruction helps students learn the latest technology in steel production.

A supervisory trainee, left, examines tensiles in The Timken Company's metallurgy lab.

On the Cover

An apprentice learns to troubleshoot a ladle preheater control in the melt shop of The Timken Company's Harrison Steel Plant. Timken's apprenticeship program is an example of the methods Ohio's steelmakers are using to recruit the new employees they will need to replace the thousands expected to retire in the next few years.

Recruiting the Talented

With a wave of retirements on the horizon, Ohio's steelmakers are casting a wide net to find talented and energetic new employees. The Ohio Steel Council has formed a workforce development committee to explore ways of finding the next generation of steelworkers.

Co-op and internship programs are an especially effective means of introducing young people to careers in steel. **AK Steel, ArcelorMittal, The Timken Company, V&M STAR, Republic Engineered Products, Inc.** and **WCI Steel, Inc.** are among those who use them.

Timken's Steel Business Associate Program grooms future managers by rotating them through corporate departments over a span of two years. Individuals enter the program with experience in fields such as electrical engineering, metallurgical engineering, and supply chain management.

Nucor Corporation piques young people's interest in steel by sponsoring a summer camp with an engineering focus for middle school students. The camp is part of the Society of Manufacturing Engineers' Science, Technology and Engineering Program (STEP). Nucor also partners with V&M STAR in sponsoring a "materials camp" where high school teachers can learn about teaching materials designed to interest students in the materials field.

Investing in Our Own

Developing employee skills is key to steel's success. Ohio steel companies use a variety of approaches, from in-house training to partnerships with colleges and universities, to provide their employees with the expertise they need to compete in the global economy.

The Ohio Department of Development plays an important role in skills development through programs such as the Ohio Investment in Training Program, which reimburses up to 50 percent for costs of training programs. Several Ohio steel companies use the program to help offset their training expenses.

The United Steelworkers and steel producers have created joint training committees to assess skill needs and develop programs to meet them. At ArcelorMittal-Cleveland the result has been a one- to two-year-program for Master Technician-Electrical (MTE) and Master Technician-Mechanical (MTM) certification and Boiler Engineer license training. **Wheeling-Pittsburgh Steel Corp.** obtained a \$3 million grant from the Ohio Department of Jobs and Family Services for MTM and MTE certification, along with training in areas such as basic electricity and hydraulics.

PRO-TEC Coating Company, U. S. Steel, offers its employees a generous tuition reimbursement program. Partly as a result, about two-thirds of the company's employees now have a degree beyond high school.

Kent State University's Trumbull campus partners with WCI Steel, Inc., V&M STAR and **Thomas Steel Strip Corp.** Currently, KSU-Trumbull is seeking a \$2.1-million grant from the U.S. Department of Labor that will enable it to provide classes at little or no cost to manufacturers. Similarly, AK Steel frequently turns to area colleges for help in developing training programs.

Timken enables qualified employees to become supervisors through its supervisory development program, which includes a classroom curriculum and rotation through its production departments. WCI works with the Manufacturing Advocacy and Growth Network (MAGNET) to determine the training needs of its employees. The result has been programs of training for MTM and MTE certification.



Students at Kent State University-Trumbull County learn valued skills for the steel industry, such as hydraulics.

An employee at ArcelorMittal-Cleveland prepares for Maintenance Technician-Electrical certification.





Ohio Steel Council Members

AK Steel
ArcelorMittal
Cleveland State University
Lorain Tubular Operations, U. S. Steel
Ohio Department of Development
Ohio House of Representatives
Ohio Senate
The Ohio State University
PRO-TEC Coating Company, U. S. Steel
Republic Engineered Products, Inc.
The Timken Company
Thomas Steel Strip Corp.
United Steelworkers
V&M STAR
WCI Steel, Inc.
Wheeling-Pittsburgh Steel Corp.

Associate Members

Cleveland-Cliffs Inc.
Nucor Corporation
Precision Strip, Inc.
Stein, Inc.
Tube City IMS
Wheeling & Lake Erie Railway

Ohio Steel Industry Advisory Council
c/o Ohio Department of Development
77 S. High Street, 28th Floor
Columbus, Ohio 43216
Phone: (614) 466-4551
Fax: (614) 644-1789

Ohio Steel Information Line:
1-800-OHIOSTL (1-800-644-6785)
www.ohiosteel.org

