

## Historic Tax Reform Will Encourage Industry Growth, Capital Investment



Ohio steel companies shipped  
15.3 million tons of steel in  
2004, up 8.8 percent over 2003.  
Shipments were the highest  
since 2000.

### To Our Legislators and Other Friends of Steel:

At the printing of this annual report, the **Ohio House of Representatives** and **Ohio Senate** had just passed — and Governor Bob Taft had just signed into law — historic tax reform legislation that will phase out the Tangible Personal Property Tax, which for decades has unfairly burdened capital-intensive industries.

Governor Taft and the state legislature deserve commendation for undertaking this ambitious legislation, which will more fairly distribute the tax burden among all businesses. The new tax structure will set the stage for business growth, capital investment and job creation.

The tax reform package is just one example of the effective working relationship between the steel industry and the state government. Ohio is surely moving in the right direction, and we congratulate you.

The steel industry looks forward to working with the state toward legislation that may address other areas of concern, including the rising costs of healthcare, natural gas and electricity. The steel industry remains one of the largest consumers of energy in the state, so the availability of energy sources is particularly important to us.

Due in large measure to your strong support through a challenging period of industry restructuring, Ohio's steel industry has emerged strong and vibrant. We remain the No. 1 state for steel producing and processing in the United States.

We are pleased to report that 2004 was a banner year, and the outlook for the balance of 2005 is positive. The **Ohio Department of Development** has been instrumental in providing training funds that assist the industry in bringing about important changes in workforce organization.

We invite you to read more about these workforce developments and our investments in the Ohio economy in our Annual Report 2004. We greatly appreciate your continued support.

Respectfully,

**Bill Brake**  
Co-Chairman  
Ohio Steel Council  
Executive VP, Operations East  
Mittal Steel USA

**Bruce Johnson**  
Co-Chairman  
Ohio Steel Council  
Lieutenant Governor  
Director, Ohio Department  
of Development

### Ohio Steel Council Members

AK Steel Corp.

Lorain Tubular Operations,  
U.S. Steel Corp.

Mittal Steel USA

Ohio Department of Development

Ohio House of Representatives

Ohio Senate

PRO-TEC Coating Company,  
U.S. Steel Corp.

Republic Engineered Products, Inc.

The Timken Company

United Steelworkers

V&M STAR

WCI Steel, Inc.

Wheeling-Pittsburgh Steel Corp.

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# Ohio Steel Council

## ANNUAL REPORT 2004



# Ohio Steel Industry Heats Up

The Ohio steel industry turned up the heat in 2004, with steel production, shipping and capital expenditures reaching four- to five-year highs.

The turnaround can be attributed to a resurgence in worldwide steel markets, growth in the world economy, improvements in the domestic manufacturing sector, and the federal government's Steel Import Monitoring Program, which was implemented as part of Section 201.

Ohio's steelmakers managed the turnaround despite historically high prices for energy and raw materials, including scrap, coke, iron ore and alloys.

Ohio's steel industry has improved its standing in the global steel market through consolidation and capital investments in technology, as well as innovations in workforce direction and organization.

In April 2005, Ohio's International Steel Group (ISG) merged with Mittal Steel Company N.V. to form the largest steel company in the world. **Mittal Steel USA** Operations East has headquarters in Richfield, Ohio.

Ohio steel producers invested \$351.5 million in Ohio facilities in 2004, a 143 percent increase over 2003. The largest portion of this figure went to improvements in quality control, productivity, environmental controls and new product innovation.

In conjunction with the **United Steelworkers**, Ohio steel companies have implemented innovative workforce paradigms in which individual workers are granted more latitude for decision-making and more accountability for outcomes. These workforce developments are being held up as models nationwide. The **Ohio Department of Development's** Ohio Industrial Training Program, which provides guidance for workforce training, has been instrumental in advancing the capabilities of Ohio steelworkers.

As the industry emerges from a challenging period of reorganization, Ohio remains the No. 1 state in steel production and processing and employment, ahead of Pennsylvania, Michigan and Illinois, according to the latest Global Insight study, which is based on the Annual Survey of Manufactures. More than 35,700 people are directly employed in the production and processing of steel in Ohio.

Historic tax reform legislation, passed by the **Ohio House** and **Ohio Senate** and signed into law by Governor Bob Taft in June 2005, phases out the Tangible Personal Property Tax and clears the way for even greater investment in the years ahead.

In the first half of 2005, Ohio steel companies were challenged by high raw material prices and escalating energy and healthcare costs. Nevertheless, the Ohio steel industry continues to forge ahead. The outlook for the second half of 2005 is promising, even with some short-term adjustments in demand.

## Empowering Labor

An innovative collective bargaining agreement fostered by management of the former ISG, now **Mittal Steel USA**, and union representatives provides greater flexibility and increased productivity through a lean management structure and a "flat" organization. Mittal grants workers five- or six-year terms in five job classifications with broad job descriptions. With less management supervision, workers are empowered to make decisions. Procedures become streamlined as individuals take accountability for their jobs.



**Torch-cutters cut slabs as they are turned out at Mittal Steel USA.**

## Investing in Quality and Efficiency

**Republic Engineered Products, Inc.**, invested in its Lorain and Canton plants in 2004. A new \$800,000 Quality Verification System at the 20-inch mill in Lorain is capable of straightening and surface-inspecting round bar at a rate of 6,000 tons per month. At its Canton facility, Republic is investing \$50 million in a new caster and steel refining and processing equipment.

To streamline the process of quoting custom processing at its pipe mill, **V&M STAR** developed a computer data-base-driven tool named *Provisio*. This program determines

### OHIO STEEL DATA REPORT:

Fourth Quarter and Year-End 2004\*

Item	Quarter Ended December 31			Year Ended December 31		
	2004	2003	% chg	2004	2003	% chg
Steel Production (tons)	3,852,122	3,500,047	10.06%	14,907,108	13,116,338	13.65%
Shipments (tons)	3,881,082	3,993,956	-2.83%	15,368,579	14,118,500	8.85%
Capital Investment Spending	\$175,029,980	\$45,479,573	284.85%	\$351,533,398	\$144,077,152	143.99%

\*Statistics compiled by Youngstown State University's Center for Urban Studies.

**A new saw line for bars produced at Republic Engineered Products' Canton plant boosts the company's annual cutting capacity by 40,000 tons.**



the viability and cost of custom processing – a procedure known as provisioning. *Provisio* tests billet and shell dimensions against actual mill constraints, determines if a product can be manufactured, and provides a reliable quote.

## Committed to the Environment

**AK Steel Corp.** completed phase one of a \$66 million air emission control installation at its Middletown facility. The investment allows the facility to meet the Maximum Achievable Control Technology standards of the federal Clean Air Act. Phase one consists of a new system on the blast furnace that captures approximately 90 percent of fugitive air emissions at the blast furnace cast house, or about 300 tons of non-hazardous dust per year.



**New blast furnace air emission controls at AK Steel Corp.'s Middletown facility capture fugitive air emissions.**

## Maintaining World-Class Steelmaking

Integrated steelmaker **WCI Steel, Inc.**, completed a \$15.3 million relining of its blast furnace in 2004 to ensure that the furnace continues supplying high-quality iron for WCI's steelmaking operations. The 42-day relining project entailed replacing the furnace's brick and refractory lining; installing a new tuyere jacket; replacing copper mantle plates and copper stack cooling plates; improving the water distribution system; and repairing the gas cleaning system. WCI completed numerous other maintenance projects throughout its Warren plant during the relining.

**Wheeling-Pittsburgh Steel Corp.** made first heat in its continuous electric arc furnace (EAF) in November 2004, less than 16 months after the project was authorized. Located at the company's Mingo Junction plant, the Consteel® EAF is a continuous steelmaking furnace that has been integrated into the traditional blast furnace's hot end. It represents a \$120 million investment.

## Developing Innovative Products

For the automotive industry, **The Timken Company's** Steel Component Group secured an order for a transmission program that makes available more than 35 gear applications in several versions of six-speed transmissions. Timken also expanded the steel supply to foreign companies on automotive crankshaft and hub applications that are being produced in North America.



**The inspection head on Timken's laser ultrasonic system measures the wall thickness of steel tubing as it is manufactured at the company's Gambrinus Steel Plant in Canton.**

**PRO-TEC Coating Company, U.S. Steel Corp.**, provides world-class coated steel products and service to the quality-critical automotive, appliance and construction industries. PRO-TEC received the Governor's Award for Excellence in 2004.

**Lorain Tubular Operations, U.S. Steel Corp.**, manufactures 675,000 tons of high-quality seamless pipe annually for customers in the construction, oil and gas exploration and production industries. Major company product lines include oil country tubing, casing and drill pipe, standard and line pipe, and coupling stock.