

Ohio Steel Council Commends President Bush for Tariffs on Imported Steel; Applauds Ohio Officials for Sending Strong Message to Washington

The Ohio Steel Council is applauding Ohio Governor Bob Taft and other state officials for their success in sending a clear, consistent message to Washington on the issue of unfairly traded steel imports.

On March 6, President George Bush announced tariffs of up to 30 percent on most imported steel products, an appropriate and fair response to an inequitable trading situation.

“Ohio Governor Bob Taft, the Ohio Congressional delegation, the Ohio General Assembly and state government should be credited for their effective work on this issue. Acting as responsible leaders, they gathered information, formed educated perspectives, and made those perspectives known in Washington. We are very grateful,” said James Cowan, co-chair of the Ohio Steel Council and general manager of **North Star Steel Ohio**.

The Ohio Steel Council believes the president’s plan is a good one, even if it may not go far enough in some areas.

“The president’s plan for trade remedies contains a mixture of positives and negatives, with positives outweighing the negatives. While we cannot expect that the plan will bring about dramatic or immediate improvements in all steel markets, it will send a clear message to our trading partners around the world,” Cowan explained. “Exporters cannot act with impunity. They know now that the U.S. will enforce its trade laws and there will be consequences for unfair or illegal trade.”

Unfairly traded steel imports have driven down steel prices, with some products at 20-year lows. Any price increases brought about by the tariffs will be modest and in keeping with the actual value of steel products.

The imposed tariffs range from 8 to 30 percent on most imported steel products, excluding products from Canada and Mexico and some countries struggling economically. The tariffs apply to many steel products produced by Ohio companies, including flat-rolled steel, bar, stainless steel and tin

mill products. (See chart for details.)

The tariffs will be imposed over a three-year period, with the tariff percentage decreasing each year, a measure expressly allowed in the World Trade Organization’s rules. Section 201 permits a country to impose short-term tariffs in response to a sudden and large increase in imports. Twenty-one other countries, including Japan and those in the European Union, have imposed measures under Section 201.

After 18 months, the Bush Administration will review market conditions and progress in the U.S. steel industry.

“We’re fortunate to have government leaders whom we can count on to communicate with Washington about market conditions in steel. We will stay in close touch with our leaders as the 18-month review approaches,” Cowan said.

In addition, the president’s plan introduces a licensing system that will require importers to announce in advance what products they are shipping to the U.S. The

system should allow U.S. officials to monitor imports with greater accuracy and speed – a much-needed improvement.

Ohio steel producers will be watching how the U.S. Commerce Department enforces the new trade tariffs and licensing system.

Tariffs by Product Category

Tariff	Product/Usage
30 percent the first year 24 percent the second year 18 percent the third year	Hot-rolled, cold-rolled, coated steel sheet (automobiles, appliances) Tin mill (food, beverage, oil filters and other containers) Hot-rolled and cold-finished bar (valves, fittings, bearings, farm equipment, manufacturing equipment, machined parts for automobiles and airplanes)
15 percent the first year 12 percent the second year 9 percent the third year	Rebar (highway building construction) Welded tubular (pipes) Stainless rod (stainless fasteners) Stainless bar (automobile and airplanes parts)
8 percent for three years	Stainless wire (medical products, airplanes and fasteners)
15 percent	Stainless steel bar and rod (parts for sanitary markets, such as biopharmaceutical and medical)
No tariff	Tool steel (tools and dies) Stainless flange (pipe fittings)
30 percent after 5.4 million-ton quota	Slab (rolled for use as other steel products, such as flat-rolled sheet)

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Steel Companies Call for Revised Depreciation Schedule, Relief from Strong Dollar, Legacy Costs, Healthcare Mandates

The Ohio Steel Council continues to monitor progress on a number of issues important to the steel industry on the state and federal level, including the following:

S.B. 105 and S.B. 120 clarify Ohio's code regarding liability and penalties relating to civil actions. S.B. 105 is on its way to Governor Bob Taft for his signature. S.B. 120 was passed by the Senate and is in the House Civil and Commercial Law Committee.

The Ohio Steel Council would like to see both of these bills become law.

Ohio's depreciation schedule for personal property tax places a disproportionate and unfair burden on the steel industry. In Ohio, steelmaking equipment depreciates at the slowest rate possible (over the course of 18 years). The slow-moving schedule places steel companies at a competitive disadvantage, both in comparison to other industries in the state, like plastics, and in comparison to steel companies in other states. Indiana recently revised its depreciation tables so steel companies can now depreciate capital over seven years. Most steelmaking equipment today is high-tech and requires replacement more frequently than the industry's traditional industrial equipment.

A strong U.S. dollar works to the advantage of importers and to the disadvantage of domestic manufacturers. With a strong dollar, imported goods are cheaper, while domestic goods are more expensive. The Ohio Steel Council is looking for a dollar better balanced with the value of other currencies.

Asbestos-related lawsuits and workers' compensation claims are putting a great burden on many companies and industries, often without due cause. The Ohio Steel Council would like to see parameters in place for lawsuits, with the plaintiffs having to establish that they have been injured.

Legacy costs are preventing the steel industry from consolidating and reorganizing. Such costs consist of retiree pensions and

benefits that steel companies have been accumulating for many decades, even through successive consolidations and company name changes. In many cases, they are disproportionate to the size of the existing company. The Ohio Steel Council and the **United Steelworkers of America** are interested in exploring options to eliminate or reduce these costs.

Healthcare mandates make it difficult for steel companies to negotiate cost-effective health insurance programs for their employees. More mandates mean less latitude and discretion for employers trying to provide health benefits to their employees. Between 2000 and 2002, health insurance premiums increased by approximately 40 percent.

OHIO STEEL DATA REPORT Fourth-Quarter and Year-End 2001

Item	Quarter Ended December 31			Year Ended December 31		
	2001	2000	% chg	2001	2000	% chg
Steel Production (tons)	2,678,764	3,736,174	-28.3	13,101,539	17,351,702	-24.5
Shipments (tons)	2,630,254	3,706,735	-29.0	12,744,404	15,988,939	-20.3
Payroll	\$214,032,981	\$314,287,739	-31.9	\$1,000,245,852	\$1,312,460,571	-23.8
Average Employment	16,050	22,285	-28.0	18,841	23,404	-19.5
Capital Investment Spending	\$56,408,018	\$87,915,505	-35.8	\$147,251,681	\$303,506,158	-51.5

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is published by the Ohio Steel Industry
Advisory Council.