

Small Manufacturers Seek Steel-Price Relief

Costs Continue to Rise Despite End of Tariffs; Companies Say Jobs Are in Danger

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Small manufacturers yesterday asked Congress for relief from rising steel prices, which several said threaten to drive them out of business.

"We need your help, and we need it fast, or we will lose manufacturing in the United States permanently," Barbara Hemme of Youngberg Industries Inc. in Belvidere, Ill., told the House Committee on Small Business.

Representatives of bigger steel industries, led by International Steel Group Chairman Wilbur L. Ross Jr., told the committee that prices should ease soon with the resolution of several unusual factors, such as a hiccup in the availability of coke for running blast furnaces and the volume of scrap metal available for processing into steel.

Ross defended domestic steel mills against charges that they are profiteering at the expense of small manufacturers. But he agreed that there is one aspect of the crisis where the government could help: getting tough on cheap competition from China.

"The evil is China. The evil is not the domestic mills," Ross said. "The real reason [small manufacturers] are feeling pressure is that China subsidizes its industry. . . . That's illegal and they shouldn't get away with it."

Prices for several types of steel have risen sharply this year. Steel users say the increases caught



Wilbur L. Ross Jr. of International Steel Group predicted that steel prices soon will go down.

them off guard, because they expected prices to ease or at least hold steady after President Bush lifted tariffs on imported steel in December.

Lester Trilla, president of Trilla Steel Drum Corp. in Chicago, testified yesterday that he is paying \$530 a ton for cold-rolled steel, up from \$390 a ton in December, and expects to pay \$800 a ton by April. He called the increase "devastating to our business."

Trilla has told his customers that he'll have to pass the increase to them on orders placed after March 15, but fears losing their business. "We can only hope that our customers understand the squeeze that we are in and will not go to alternative suppliers or alternative containers," he said.

Even manufacturers who have

signed long-term agreements with steel providers are being forced to pay surcharges beyond their agreed-on price. Several asked members of Congress to lift all remaining trade barriers on imports to help lower prices.

Some steel users also have asked for emergency limits on the export of scrap metal, forcing domestic scrap suppliers to provide the raw material to U.S. mills. The United States sends scrap to China while countries such as Russia, Ukraine and South Korea either decline to export scrap or impose surcharges on it. The combined result is an increase in scrap prices, topping \$300 a ton last month after averaging \$110 per ton in 2002, according to Morgan Stanley industry analyst Wayne Atwell.

Robert J. Stevens, chief executive of Impact Forge Inc. in Columbus, Ind., told the committee that his 530-employee business has been paying steel surcharges of \$10,000 a day since January because of the rise in scrap prices,

and he said that could double by April.

But Atwell and Ross said they expect the price of scrap to drop over the summer, as better weather makes it easier to gather and process. Ross suggested that Congress consider an insurance program to protect small businesses against swings in steel prices.

Atwell said he believes the market will correct itself and bring prices down in six to 12 months, and he warned manufacturers against building up surplus inventory of high-priced steel. "We think if this committee convenes in six months people will be talking about the sharp decline in steel prices," Atwell said.

Rep. Donald Manzullo (R-Ill.), the committee chairman, said after the hearing that he hopes Atwell is correct. "My hope is that the situation will right itself, though I'm not prepared to make that conclusion. I'm also not prepared to make the conclusion that there ought to be government intervention," he said.