



Administration's Steel Tariffs Hamstring Manufacturers

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08/15/2002

Chicago Daily Herald

The Bush administration's **steel** tariffs of as much as 30 percent, while giving beleaguered U.S. **steel** mills a chance to regain their footing, have hamstrung **steel**-using manufacturers.

They say they're stuck with rising prices and shortages as **imports** fall. In May, total **steel imports** dropped by 11 percent, according to the American Iron and **Steel** Institute. **Imports** from Europe, Brazil and China all declined more than 60 percent compared with May 2001.

At Perfection Spring and Stamping Corp. in Mount Prospect, which uses about 2.5 million pounds of **steel** a year, the price of **steel** has jumped 10 percent to 40 percent since March, and the lead time for getting **steel** delivered has quadrupled, said Joshua Kahn, vice president of operations. As a result Perfection's late shipments to clients have increased 6 percent.

Kahn, whose grandfather founded the company 47 years ago, said in some cases, he simply cannot get the **steel** his business requires because of shortages in certain product lines.

He's had to turn to different suppliers that cost more and provide **steel** of less consistent quality.

"Every time I get a different coil, I have to adjust the machine and get a different tool, so my internal operating costs from using all these different types of **steel** has increased dramatically," he said.

Purchasing Manager Ken Sein said the situation is bleak. "They've got carte blanche to charge at whatever they want," he said. "I have a gun to my head to use poor quality **steel** because I have no options."

Nels Leutwiler, chief executive of Parkview Metal Products Inc., a second-generation parts-manufacturing business in Chicago, said his business requires 50 million pounds of **steel** a year.

"Our customers are telling us that they're not going to pay higher prices for our product," Leutwiler said. "They'll go with suppliers in China or Mexico or wherever their suppliers don't have to pay the **steel** tariff."

Perfection and Parkview are considering cutting staff.

"I can't afford to keep the people I have," Kahn said. "We're going to be forced to make some serious decisions here in the future to cut costs, and the most obvious choice is labor." The company employs 115 workers.

In a sense manufacturers using **steel** are being stuck with the bill run up by poor mill management reaching back 20 to 30 years. Burdened with the costs of high pensions and skyrocketing health care, costs that many of their foreign competitors do not directly bear, U.S. **steel** mills are in bad shape.

As a result, 31 U.S. **steel** firms have filed for bankruptcy since 1997, companies accounting for more than 30 percent of U.S. **steel** - making capacity.

The Emergency Committee For American Trade, a lobbying coalition whose most active members have included **steel** users like Caterpillar Inc. and Illinois Tool Works Inc., estimated that the tariffs would cost U.S. **steel** purchasers \$12 billion over four years, and cost foreign **steel** suppliers \$22 billion in lost sales, while adding \$21 billion additional revenue to U.S. **steel** producers.

According to Laura Baughman, an economist and president of Trade Partnership Worldwide, workers at **steel** -using companies outnumber those in the **steel** industry 59 to one.

John Kalkwarf, vice president for finance and administration at the Metal Service Center Institute, thinks prices will come down as some mills resume production in coming months.

Meanwhile, Perfection Spring and Stamping wants to standardize product specifications with its clients so it can leverage its buying power with higher volume orders. And it is trying to fix long-term quantity agreements with its clients, so it can be better prepared to fill orders. It's also tinkering with prices. However, many customers are not bending.

"If you start taking cost savings away, he'll just find someone to do it in China," Sein said.

Kahn believes higher costs exacerbated by the tariffs will eventually be passed down the line.

"All we want to do is maintain our price margin as best we can," Kahn said. "In the end someone is going to pay for it, and in the end that someone is going to be the consumer."