



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

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March — 2004

Casteel Commentary Highlights:

The Steel foundry industry has succeeded in large part due to the exceptional people involved. This past month on February 11, one of the instrumental people in our industry passed away after a lifetime of service, Bob Schumo. The Casteel Commentary celebrates his leadership and ongoing contributions to our industry. A copy of his obituary is available here:

www.sfsa.org/sfsa/news/2004/schumo.pdf and is attached to the PDF version of this newsletter.

Manufacturing in North America is still under pressure from global sourcing, low demand, and lack of investment. The foreign advantage over U.S. manufacturers is estimated to be 5.6% due to tax rates, 5.5% due to the cost of employee benefits, 3.2% from litigation costs, and 0.5% because of natural gas prices. A report from the National Association of Manufacturers, showing these disadvantages is available on the California Cast Metals Association website here:

www.foundryccma.org/Links/NAM2003.pdf

This places us at an 18.3% disadvantage to other manufacturers. The policies advocated by metalworking industry groups is shown in several pages attached to the PDF version of this newsletter. We need to advocate better capital equipment investment policies like the elimination of depreciation, relief from irresponsible environmental rules that provide little benefit at high costs by a refundable tax credit equal to half the cost of environmental compliance, and restoring technology development investments in DoE and DoD.

SFSA has organized larger steel foundries to work with U.S. EPA to delist steel foundries from the MACT standard. The Standard should be published in the next month. If you are interested in contributing, we have asked the smaller plants to send in \$500 to help in this effort.

SFSA is developing castings for building construction with 13 members who joined the steel casting construction consortium (SC3). Several designs have been considered and work is ongoing. SC3 will be displaying steel castings at the North America Steel Construction Conference NASCC March 24 through 27 in Long Beach, CA.

SFSA North Central Division will be hosting their annual management meeting in Milwaukee on April 23. Bernie Lashinsky will be presenting his forecast of the economy and we have a special speaker on lean cells in steel foundries. All members are invited to attend this interesting session.

OSHA record able injuries and lost workdays injuries were released for 2002. Steel foundries had a rate of 14.1 record able injuries and 7.2 lost workdays per 100 workers. This is less than the numbers for all foundries 15.8 and 7.2 but much worse than for all manufacturing, 7.2 and 4.1. We have improved but not enough. Injuries are not only tragic, they show or poor practices and inefficient processes. We need to find ways of eliminating the areas of highest injury.

Market News

Business is clearly improving for most steel foundries. Aside from some high alloy shops and supplier of valve castings, much of the industry is seeing increasing backlog and higher production levels. Prices are rising for scrap, alloys and energy. Carbon and low alloy steel castings shipments rose more than 20%. High alloy castings dipped in December. Ferrous castings and steel mills shipments continued to improve in December.

Steel mills shipments for 2003 were 105,625,000 tons compared to 99,191,000 tons in 2002. Inventories remained under control as new orders for capital goods increased. With the liquidation of more than 25% of steel foundries since 1999, capacity is becoming an issue for some customers. Railroad equipment production has been limited by steel casting supply. Improvements should continue for the balance of the year.

Casteel Commentary

People are important. In the steel casting industry, it has been the leadership of notable characters that has shaped our industry. One was the abrasive Charles Briggs with his overbearing opinions on the right way to produce steel castings. The consistent Nino Davi and Joe Emmerichs at Pacific Steel excelled at running an excellent foundry. The detailed and continuous Ed Kay developed and improved specifications within ASTM and ISO for our industry. The gracious and knowledgeable Bob Shepherd contributed to the technology of steel casting production at Harrison steel and shared this at the SFSA T&O Conference.

Bob Schumo was such a leader. He was by self-identification a steel foundryman. He ran a profitable and successful steel foundry in Pennsylvania for years. After he sold it, he continued in retirement to be active in the industry. He was the president of SFSA, served on its board, and supported its program. For his ongoing contribution to our industry, he received the Frederick A Lorenz Medal in 1964.

Bob never quit giving of himself to our industry. He continued to participate and came in 2002 to the 100th Annual Meeting, at the Broadmoor in 2002. He helped out by presenting to Burleigh Jacobs his honorary membership. Bob began attending the SFSA Annual Meeting in 1946 and did not miss a one until 2001.

His legacy will never be forgotten in the industry. He recognized the challenges that faced us in 2000 and 2001 and initiated a discussion with Scott Holman, our president, on what could be done. Out of that discussion, Bob became the founding contributor to the SFSA Foundation. Due to his generosity and vision, the Foundation has now grown to more than \$100,000 in the worst of business conditions. SFSA has sponsored a student intern each year for the past two and plans to sponsor two this year.

Our condolences go out to Peg and the family. We are glad to have been able to know Bob and to count him as a friend. We will miss him.

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR

2004

April
23

North Central Technical & Operating Meeting, Milwaukee, WI

May
18

Specifications Committee, Salt Lake City, UT

September
11/15

Annual Meeting - Ritz Carlton Hotel, Amelia Island, FL

November
3/6
9

National T&O Conference - Hotel Inter-Continental, Chicago, IL
Specifications Committee, Washington, DC

**STEEL FOUNDERS' SOCIETY OF AMERICA
BUSINESS REPORT**

SFSA Trend Cards 3 Mo Avg Dec Nov
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	24.3	50.6	1.1
Bookings	9.5	0.9	5.5

High Alloy

Shipments	-14.7	-7.4	-14.9
Bookings	-3.5	26.7	-57.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,303	1,324	1,303
New Orders	1,336	1,290	1,321
Inventories	1,658	1,644	1,657

Nondefense Capital Goods (billion \$)

Shipments	58.8	59.1	58.7
New Orders	59.5	58.7	57.9
Inventories	105.4	105.3	105.3

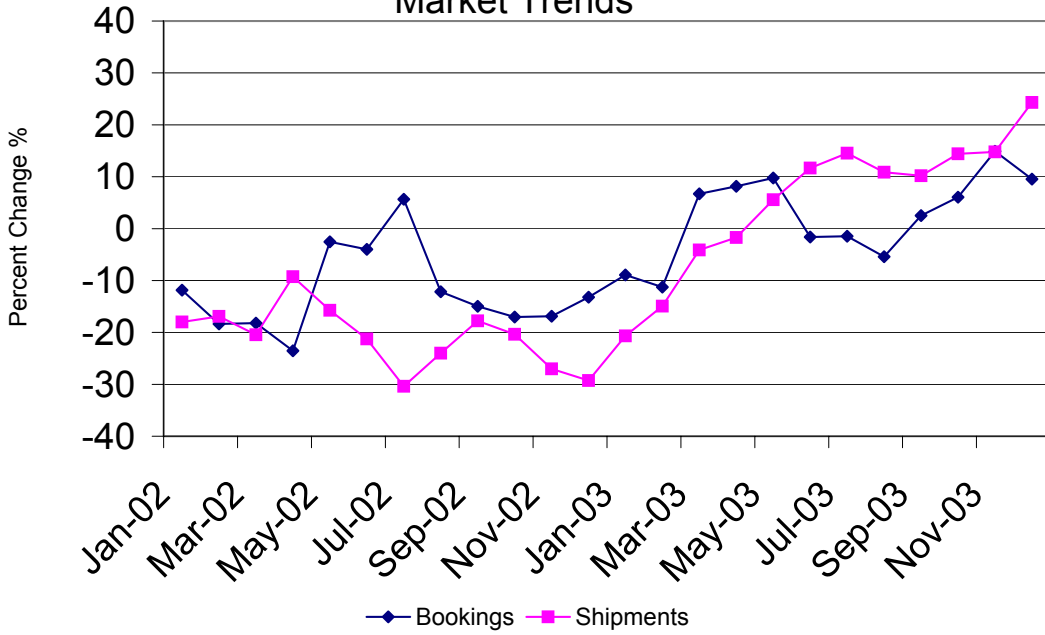
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	56.2	56.6	55.8
New Orders	56.9	56.0	55.6
Inventories	88.2	88.4	88.2
Inventory/Orders	1.55	1.58	1.59
Inventory/Shipments	1.57	1.56	1.58
Orders/Shipments	1.01	0.99	1.00

American Iron and Steel Institute

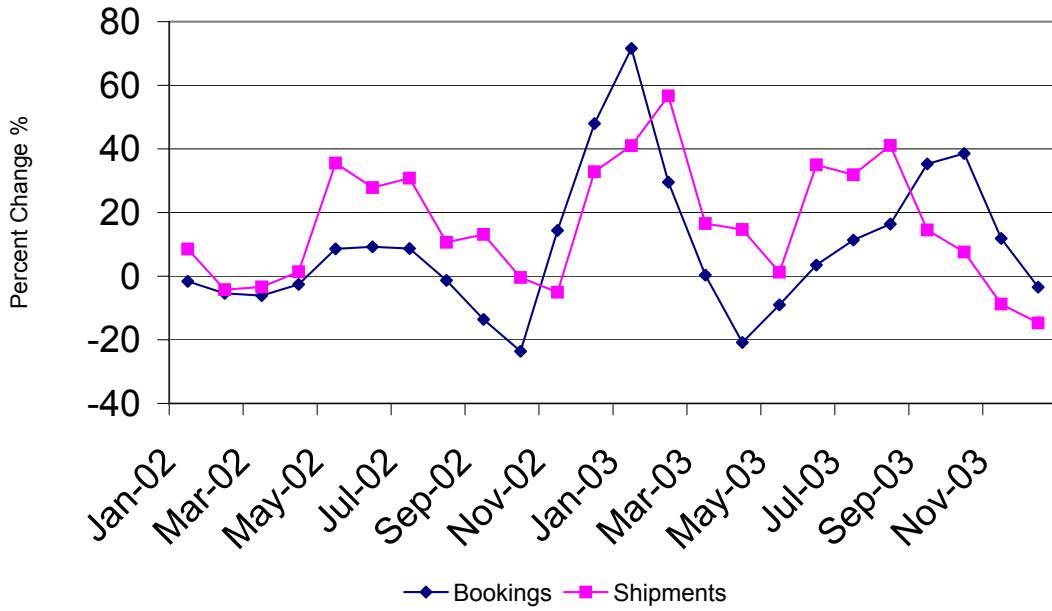
Raw Steel Shipments (million net tons)	8.9	9.0	8.5
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

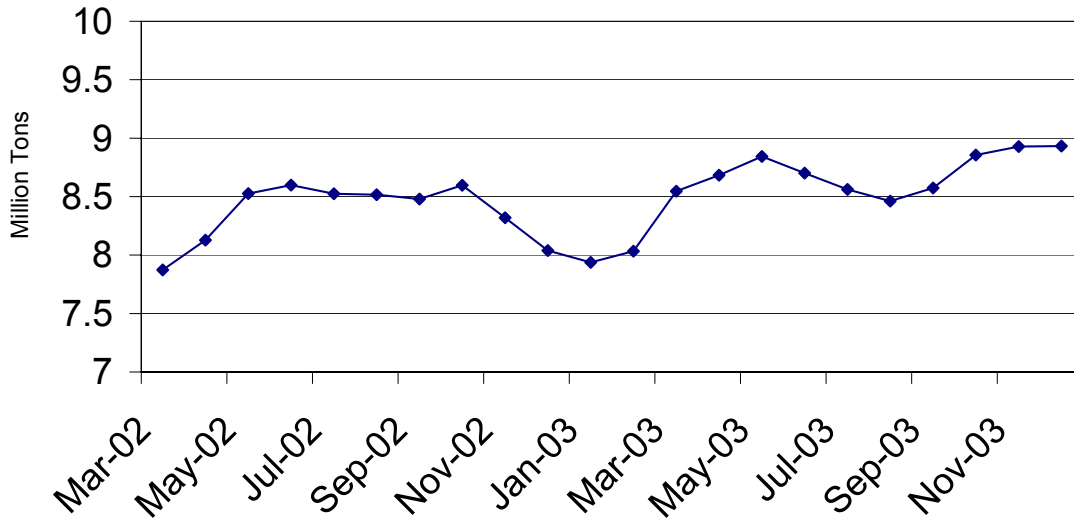
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

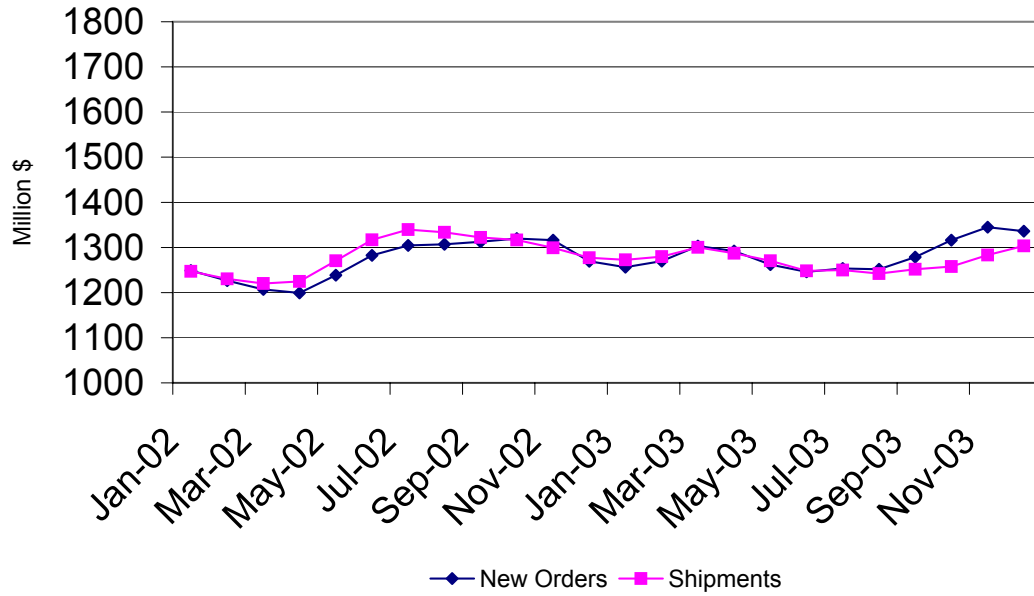
3 month average



AISI Data

Iron and Steel Castings

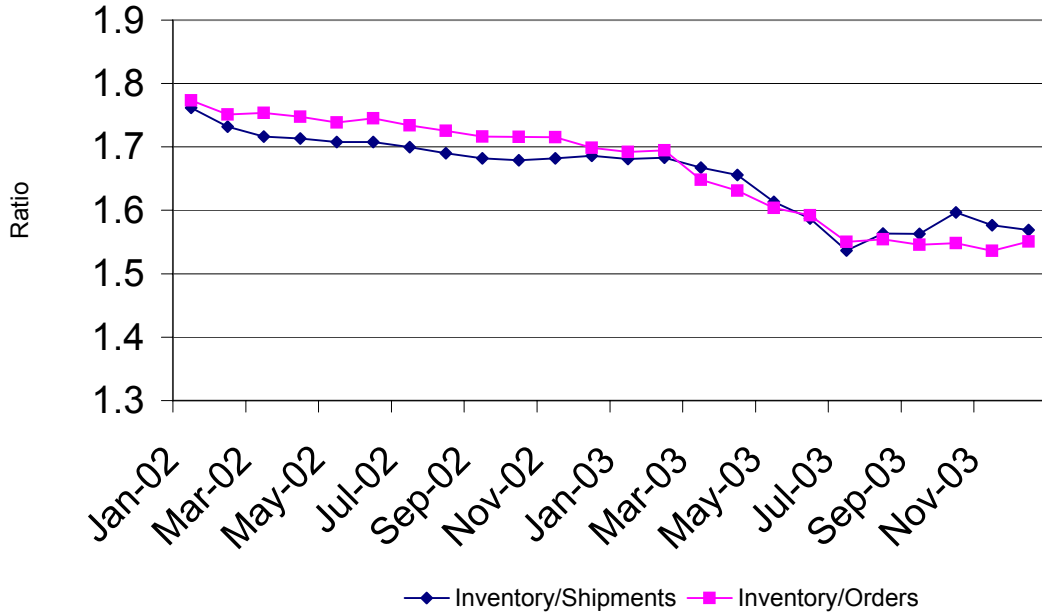
3 month average



SFSA

Nondefense Capital Goods less Aircraft

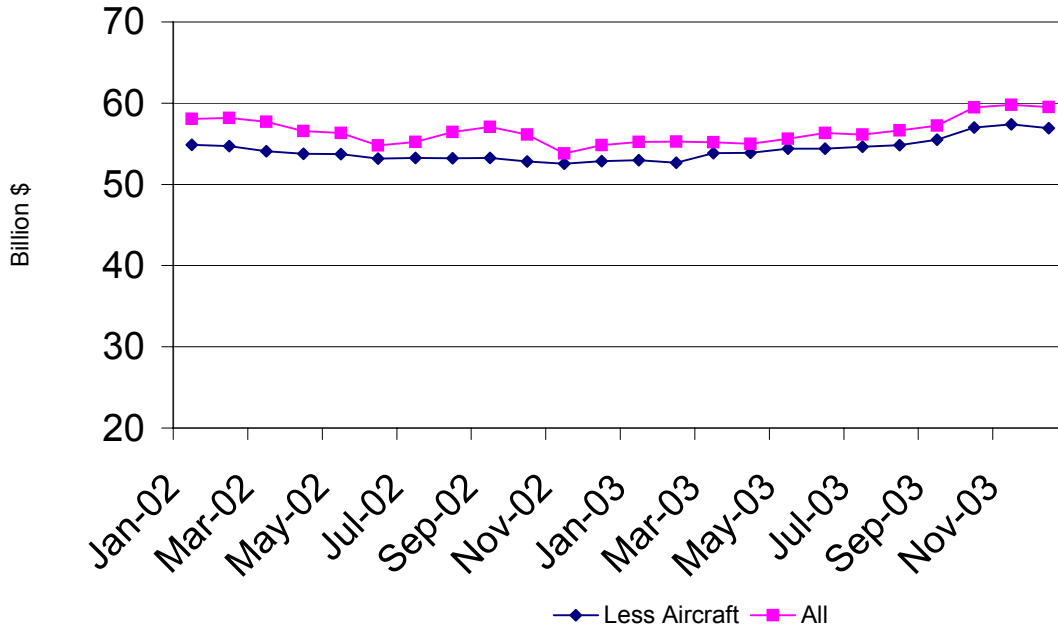
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce

Metalworking Manufacturing Coalition

Industrial Fasteners Institute – Forging Industry Association – Metals Service Centers Institute – National Tooling & Machining Association – Precision Machined Products Association – Precision Metalforming Association – Spring Manufacturers Institute – Steel Founders Society of America

The Metalworking Manufacturing Coalition (MMC) is comprised of manufacturing trade associations focused on the future of manufacturing in the United States and its importance to our vitality, economy and national security. Collectively, we represent more than 10,000 manufacturing companies with more than 1 million employees.

Some basic facts about manufacturing: Productivity in manufacturing has increased at double the rate of productivity in other economic sectors over the past 20 years, enabling American manufacturers to pay employees higher wages and at the same time to compete in a world market. Manufacturing employees are paid an average of more than \$54,000 annually, the highest average compensation level in the private sector. Every dollar in manufactured goods sold generates an additional \$1.43 in intermediate economic activity, an output higher than that of any other economic sector.

Manufacturers are responsible for almost 2/3 of all private-sector research and development conducted in the United States, which benefits other manufacturers and industries. Manufactured goods make up 62 percent of products exported from the United States, a number that is double the percentage of 10 years ago. Manufacturing contributes to economic growth and tax receipts at all levels of government, paying 1.3 percent of all corporate taxes collected by state and local governments.

MMC Policy Positions:

FSC/ETI – MMC supports passing legislation to repeal FSC that emphasizes tax benefits for domestic manufacturers, rather than multinational corporations who are closing their businesses in the United States and moving American jobs overseas. Reduction of corporate tax rates should be extended to sub-s corporations and LLCs as proposed in H.R. 1769. The MMC opposes H.R. 2896 in its current form, believing that S. 1637 is a more favorable approach for domestic manufacturers.

Currency Under-valuation – The Administration must continue to address currency under-valuation by China, Japan, Korea, Taiwan and others. MMC supports the filing of a 301 trade action by the Fair Currency Alliance. Market-based currency valuations are the only satisfactory approach to equitable trade between nations. MMC supports H.R. 3716 which would allow antidumping actions against countries with non-market economies.

Enforcement of Trade Laws – Enforcement of existing trade laws and trade agreements are essential to the competitiveness of U.S. manufacturers. Modifications of current trade agreements to “level the playing field” should be considered on a case-by-case basis if trading partners are not following negotiated agreements. Rules-based trading is important to our economic future and the enforcement of existing WTO and IMF agreements.

Cost Issues – Legal/tort reform, regulatory reform and health care reform to ease unnecessary burdens on metalworking companies are essential if the United States is to compete in the global economy. In particular, the MMC supports Association Health Plan (AHP) legislation and urges the Senate to pass S. 545 as H.R. 660 has already been approved by the House. MMC also urges the Senate to end the extended debate on tort reform that has prevented action.

MEPs – The MMC supports full funding for Manufacturing Extension Partnerships (MEPs) for their role in supporting SMMs. The coalition urges that they become part of the portfolio of the new Assistant Secretary for Manufacturing and Services.

Assistant Secretary for Manufacturing and Services – MMC emphasizes the importance of this new position within the Department of Commerce. The coalition supports the activities of this office and the policy recommendations outlined in the Commerce Department’s report entitled, “Manufacturing in America: A Comprehensive Strategy to Address the Challenges to U.S. Manufacturers.”

TALKING POINTS FOR TEAM LEADERS

1) Introduction

- Thank you for meeting with us today.
- Introduction of other meeting attendees.
- [Acknowledge voting record for last session?] Alternative language for good, striking distance and bad records
- Before we get into specific issues, I want to give you an overview of why 250 manufacturers came to Capitol Hill today to meet with you and your colleagues.
- We come from different industries/companies, and have different concerns, but we all agree on this overriding message: Manufacturing is critical to America's standard of living, and Congress must stop ignoring the impact on manufacturing of the policies it enacts – or does not enact.

2) Importance of Manufacturing

A) Manufacturing Matters

- Manufacturing has an enormous **multiplier effect** -- every \$1 in goods made in this country generates an additional \$1.43 in other economic activity here.
- Manufacturers are the driving force behind **innovation**, conducting 2/3 of all of the R&D in this country.
- Manufacturing is the chief contributor to **productivity** gains in this country, allowing Americans to do more with less and raising our living standards
- Manufacturers are the largest **exporters** in this country, accounting for 2/3 of everything we sell overseas
- The 15 million **manufacturing jobs** in the U.S. are better compensated than non-manufacturing jobs and generate another 8 million jobs in other sectors

B) Manufacturing in Crisis

- Considering how important manufacturing is to this country, legislators should care that U.S. manufacturers face their greatest challenges ever.
- While the economy improves and we experience a cyclical recovery, U.S. manufacturing is still faced with structural challenges that must be addressed.
- First, we must **reduce the cost of doing business** in the United States.
 - A new study finds that when you add non-productions costs (health care, regulations, taxes, energy), U.S. manufacturers are spending on average 22 percent more to make things than its 8 biggest competitors.
 - [Ask for examples from attendees of high legal, regulatory, health care costs.]
- Second, we must **level the international playing field** to ensure free and fair trade.
 - Asian countries stop manipulating their currencies to make their goods cheaper and boost their exports. Free trade is not a one way street – it only works when all trading partners lower their barriers and allow access to their markets.

- Congress must also demand enforcement of intellectual property protections. Innovation is our comparative advantages – and it's being stolen from us.
- [Ask for examples from attendees of unfair trade.]
- Third, we need policies that **promote innovation and investment** in this country. We are in serious trouble if the next generation of research and innovation occurs overseas.
- Finally, we must ensure an **adequate supply of skilled workers** for modern manufacturers. Congress can encourage renewed interest in science and engineering in our secondary schools, community colleges and universities.

3) Specific Issues

- We may have differing agendas, and in some cases may even have differences of opinion on certain issues. But we do know that certain issues coming up this year.
- Refer to “2004 Congressional Action Needed”
- Solicit discussion from attendees about these issues
- Ask where he/she stands on these issues

4) Wrap Up

- Thank you for your time and for hearing us out.
- Remember: Manufacturing matters to America, and manufacturers are challenged like never before.
- The United States cannot risk losing its manufacturing sector. If that happens, American standards of living will fall. Please consider the impact of your vote on manufacturing.

BUSINESSMAN, COMMUNITY LEADER
Wyomissing, PA / North Palm Beach, FL

Robert M. Schumo, 85, died peacefully, February 11, 2004, the day after he was admitted to Hospice of Palm Beach.

Mr. Schumo was born in Easton PA, the son of Elmer Mansfield Schumo and Anna Kulp Schumo on April 15, 1918 – “the least celebratory day of the year – Income Tax Day,” he would have added.

He is survived by his wife of 55 years, Margaret Kaufman Schumo, of Wyomissing, PA and North Palm Beach, FL, his daughter, Cynthia Schumo Lynn and granddaughter, Hillary Scott Lynn, both of St. Albans VT. His son, Robert Mansfield Schumo, Jr., predeceased him in 1980.

Mr. Schumo was graduated, with top honors, from: the Hamburg School System, the Hill School, Williams College, Georgetown University School of Law, and the Wyomissing Polytechnic Institute (Degree in Ferrous Metallurgy.)

The Williams College track coach spirited him away from the baseball team and Mr. Schumo went on to achieve and maintain the Williams record for the 100-yard dash – competing with the likes of Jesse Owens in 1940, the year in which he would have participated in the Olympics had they not been cancelled.

Mr. Schumo served as a US Naval Lieutenant during WWII from 1942-6 as a code breaker and maker – first in Newfoundland, then in Bermuda.

Rather than accepting the federal Circuit Court clerkship offered in DC, he went into business with his father - advancing to President of Pennsylvania Electric Steel Casting Company in Hamburg PA. He sold the company in 1961, retired to the golf course for a year, managed Crucible Steel in Lansdowne PA for yet another then bought back his prior company and changed its name to Pennsylvania Steel Foundry and Machine Company, serving as President and CEO from 1964-1979. From 1981-6, he owned Vermont Publishing Corporation, d/b/a the St. Albans Messenger but left all decision-making authority to his daughter and son-in-law. He also served as President and CEO of Smith Engineering Company from 1967-present as well as President of Spruce Lane Associates from 1979-present.

He was awarded the Frederick A. Lorenz Medal for outstanding service to the Steel Casting Industry in 1964.

Mr. Schumo was actively involved in community affairs. He was a member of the Wyomissing Borough Council from 1970-84, Past President of the Rotary Club of Hamburg, Past President of the Steel Founders Society of America, Past Director of the Manufacturers Association of Berks County, Past Director of the Chamber of Commerce of Berks County, Past President of the Cast Metals Federation, former Berks County Chairman of the Republican Party, and former member of the Governor’s Task Force for Driving Under the Influence of Alcohol and Other Controlled Substances (PA.)



He was a 32nd degree mason and a member of the Rajah Shrine for 50 years. Other affiliations include: First United Church of Christ, First Presbyterian Church, Beta Theta Pi, Delta Theta Phi, Union League of Philadelphia, Berkshire Country Club, Moselem Springs Club, Skytop Club, Lost Tree Club, Jupiter Hills Club, American Foundrymen's Society, Newcomen Society, and the Old Goats Club.

His purposeful 85 years came with decrees that he would never: stop driving, be confined to a wheelchair, live in a nursing home, or go on a cruise. He died peacefully with all wishes granted.

In lieu of flowers, contributions in memory of Robert M. Schumo may be made to:
The Shriner's Hospital for Children, 3551 N. Broad Street, Philadelphia PA 19140 or
First Presbyterian Church.

Online condolences and stories celebrating Robert Schumo's life may be directed to the family by e-mail: schu@surfglobal.net. Services will be at the convenience of the family. A memorial service will be held in Wyomissing, PA mid-May.