



SFSA CASTEEL REPORTER

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Hurricane Katrina was a devastating disaster. It was a human tragedy, an economic shock, and may affect our ability to succeed in producing steel castings. If we are to provide needed help including castings needed in equipment for reconstruction, we must try to anticipate some possible consequences of this unexpected event.

As the effects of the disastrous hurricane became clear, the natural disaster became a human tragedy. Unexpected heroism and charity did much to save lives and mitigate the destruction of the storm. The expected leadership and support of government agencies and entities was absent. Communications, planning, resources, and decisive action are all clearly roles of government. This tragic lack of leadership shows our lack of governmental competence to handle a large crisis.

As an industry each plant should think about a plant crisis. Do we have an evacuation plan that is known and practiced? Are there regional risks that we should consider like snowstorms, tornados, earthquakes, etc.? Would we be prepared if we lost power, phone lines, water, gas, transportation? What resources do we need if there were a local crisis that affected our workforce and our neighborhood?

The economic impact of the storm is likely to be modest. The current estimates are that it will reduce the growth of GDP by one half to one percent for the next quarter. The strong recent growth will slow but the economy will not contract. The major effect economically is on oil and gas production in the Gulf, some disruption in refining and in shipping at the Port. Of these, the loss of gas production may have the most significant impact. Some analysis suggests that a one percent change in the supply of gas has a three to five percent change in the price. If the storm removes three percent of the supply, we can expect an ongoing increase in price of about ten percent.

A bigger economic consequence may be the large sustained federal spending to aid and rebuild. The current spend rate is about two billion dollars a day. This stimulus is likely to not only avoid an economic contraction but will increase demand for the equipment and materials needed. This is likely to add demand for oil and gas production, construction and transportation equipment.

We need to think about our customers and their markets to anticipate opportunities and challenges. This demand will attract people and equipment to help rebuild and earn some of that money.

Finally, the storm may have unexpected effects. In steel making the major hydrogen production in North America was shut down limiting availability in heat-treating. One possible outcome is a shortage of phenol as production is diverted to plywood manufacturing for rebuilding. If the winter is cold, gas could not only be expensive but might not be available as residential heating gets priority access. Existing shortages in alloys and scrap may become more acute as steel makers bid up existing supplies to provide the material needed to rebuild.

It is easy to criticize the poor planning and leadership in response to the known risks of the storm. It is more difficult to think through what we need to do to be prepared ourselves. It is also difficult to anticipate the likely effects of the storm on our business, but we must.

Raymond