



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication
serving SFSA steel casting industry Members

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www.sfsa.org

APRIL — 2003

Casteel Commentary Highlights:

Capitalism is based on the investment and growth of capital. An adequate return on capital investment is essential to a successful business and a prospering industry. Not only do we need a better return on our investment, we need more investment if our industry is to grow. This is the subject of this month's Casteel Commentary

Men Available

A954 has over twenty years of broad experience in management of manufacturing operations, including cleaning room production, quality, customer service, environment, employee health and safety, and holds a BS in Industrial Technology.

A955 is a quality assurance professional with a strong background in quality management and inspection activities including ISO 9001 registration. 25 years experience in production of Carbon, low and high alloy, and nickel-base steel castings including AOD processing. Holds a BS in Metallurgical Engineering

www.sfsa.org

Check out the SFSA website, where you can find out where Raymond Monroe and Malcolm Blair will be speaking, along with electronic publications you can download at no cost, and many other resources. Other meetings and events of interest are

also listed on the Upcoming Events page, which is kept as up-to-date as possible. Soon to be added is the Online Directory of Steel Casting Producers, to which all SFSA members will have free access; yearly subscriptions will be available for purchase by others. Watch our website for news.

North American Steel Construction Conference

As a part of the SFSA marketing Committee effort to develop the market for steel castings in building construction, SFSA is making two presentations at the North American Steel Construction Conference in Baltimore on April 2 through 5. We will also have a booth with a number of casting examples that are related or similar to construction requirements. If you are interested, SFSA has a number of passes to the exhibition and you are welcome to drop by and go through the show.

Government Affairs

SFSA is a cosponsor of the AFS Government Affairs Conference in Washington D.C., at the Marriot on March 30 through April 1. The issues that are of concern are trade especially China, the EPA proposed Iron and Steel Foundry MACT rule, and the research partnership of our industry through CMC with DOE. It is not too late to register and participate.

Market News

Business is improving. It is not yet good but many steel foundries have seen some pick up in business in the past months. While the course of the war is uncertain and the economic consequences are unclear, resolution of the conflict should allow for a renewal of capital investment that will improve demand for steel castings. The SFSA market forecast seems increasingly realistic with railroad castings up over 15% and nonrailroad castings up about 5%. Much of the improvement will be in the second half of the year and the year may end up nicely.

SFSA Trend cards show improved bookings in January. Other indicators show no improvement in January. Continued weak levels of capital investment and capacity underutilization will depress demand. The weakening of the dollar, low interest rates, and stimulative fiscal and monetary policies should accelerate capital investment when the upturn occurs.

CMC IOF Report

The Cast Metal Coalition (CMC) was formed in 1988 by metalcasting technical societies including SFSA, to promote research and development to improve energy efficiency in metal casting.

The 2002 Metal Casting Industry Of the Future Annual Report is now available online. The report gives a snap shot of the program activities throughout 2002. To view the new annual report please visit:

<http://www.oit.doe.gov/metalcast/pdfs/annual2002.pdf>

The China Problem

Are you wondering how big of a problem China is? Check out this article at the Tooling & Manufacturing Association's website:

<http://www.tmanet.com/news/archives/030321/index.htm#c>

Casteel Commentary

Marx developed his system based on the premise that all economic value was produced by labor. Because of this understanding, owners and society in general lived on the surplus value that was produced by labor but not paid to them. In contrast, capitalism is based on the premise that value is meeting the requirements of the marketplace. Value is pulled by the market not pushed by labor. Owners and society in general prosper as the marketplace stores the value created in capital. Capital formation is the source of wealth, not the surplus value of labor. The marketplace allocates capital to the highest rates of return to increase capital formation. Regulations, taxes, government policies and trade practices often distort the marketplace allocation of capital and slow prosperity or destroy it.

Manufacturing suffers a lack of capital investment. This is the most important factor in both this severe downturn and the poor returns of the past decades. Trade is a factor but smaller and is also a result of inadequate capital investment. Investing in equipment is illiquid and risky. Once a piece of equipment is purchased and installed, the value can only be realized by production for the marketplace. If the market changes or a competitor develops new products or processes, the illiquid equipment investment could be obsolete and lose its value overnight. The investment in equipment is also risky since it is subject to regulations and taxes that are not applied to other parts of the economy. Environmental, safety, and product regulations affect the investment return on the equipment. Depreciation schedules limit the capital recovery process and makes the equipment investment vulnerable to obsolescence.

Changes in tax laws in the early 1980's and changes in lending practices in the late 1980's have had a profound effect on capital formation and investment in the past decade. While the incentives of the 1970's led to an overinvestment in capital equipment, the lack of incentive coupled with the illiquid risky nature of equipment investment has left us with a lack of return and lack of investment. Our current dire market circumstances reflect this structural lack of capital investment and lack of return.

What do we do? First, the market is slow to correct structural problems but there is a growing recognition that changes are required. Some modest changes plus cyclical improvements in demand should give us some medium term relief. Second, our industry has been especially hurt by overcapacity build in the 1970's that has been slow to liquidate because it is so illiquid. This latest market downturn has probably liquidated the remaining overcapacity so we should be able to achieve profitable returns as the market improves. Third, individual companies must recognize and act to improve their rates of return, increase their capital availability and investment, and grow.

It is not enough to operate in the black with a small rate of return on a shrinking investment. We must create an expanding investment with an adequate return. Cost control will not be enough. Longterm we will need to own more of the intellectual property, more of the engineering content of our product. To do this we must have better rates of returns that will only come from adequate pricing. Unprofitable pricing sells our industry's capital to customers who will take it until we are gone and then find another supplier. Profitable pricing with increasing value to the customer is essential. Earning capital is our challenge and if we can do this creatively, our industry will grow.

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR

2003

January
16/19 Board of Directors, Technical Steering Committee, Naples, FL

February
18/19 Carbon and Low Alloy Research Committee, Iowa City, IA
21 North Central T&O, Milwaukee, WI

April
17 National T&O Committee, Rosemont, IL
22/23 *Eastern Division T&O - provisional*
25 North Central T&O, Milwaukee, WI

May
6 Specifications Committee, Kansas City, MO
21/22 Heavy Section/Operations Product Group

June
10/11 Board of Directors, Technical Steering Committee, Rosemont, IL

August
21/22 *Western Division T&O - provisional*
27/28 High Alloy Product Group - LaQue, Wrightsville Beach, NC

September
9/10 *Southern Division T&O - provisional*

November
5/8 National T&O Conference - Hotel Inter-Continental, Chicago, IL
5 Board of Directors - Hotel Inter-Continental, Chicago, IL
5 Marketing Committee - - Hotel Inter-Continental, Chicago, IL
18 Specifications Committee, Tampa, FL

2004

May
18 Specifications Committee, Salt Lake City, UT

September
11/15 Annual Meeting - Ritz Carlton Hotel, Amelia Island, FL

November
3/6 National T&O Conference - Hotel Inter-Continental, Chicago, IL
9 Specifications Committee, Washington, DC

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

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

Carbon & Low Alloy

Shipments	-20.7	-7.2	-26.8
Bookings	-8.9	6.6	-26.4

High Alloy

Shipments	41.0	14.0	109.0
Bookings	71.6	50.0	66.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,273	1,299	1,240
New Orders	1,256	1,295	1,184
Inventories	1,756	1,790	1,765

Nondefense Capital Goods (billion \$)

Shipments	55.7	55.9	55.2
New Orders	55.2	56.5	56.0
Inventories	112.2	112.4	112.6

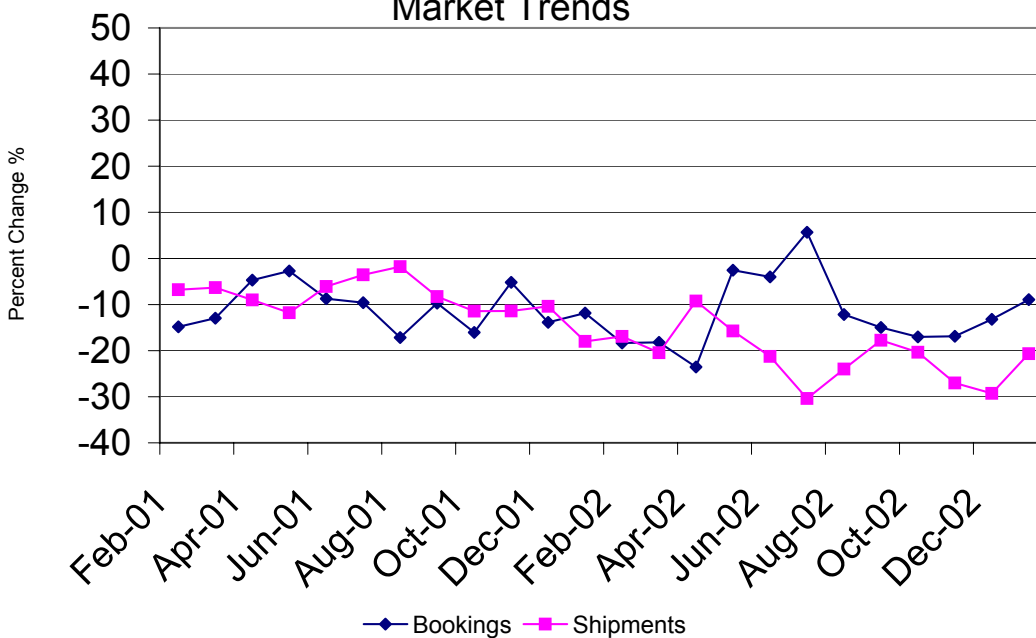
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	53.3	54.2	52.5
New Orders	53.0	53.9	51.7
Inventories	89.6	89.3	89.8
Inventory/Orders	1.69	1.66	1.74
Inventory/Shipments	1.68	1.65	1.71
Orders/Shipments	0.99	1.00	0.99

American Iron and Steel Institute

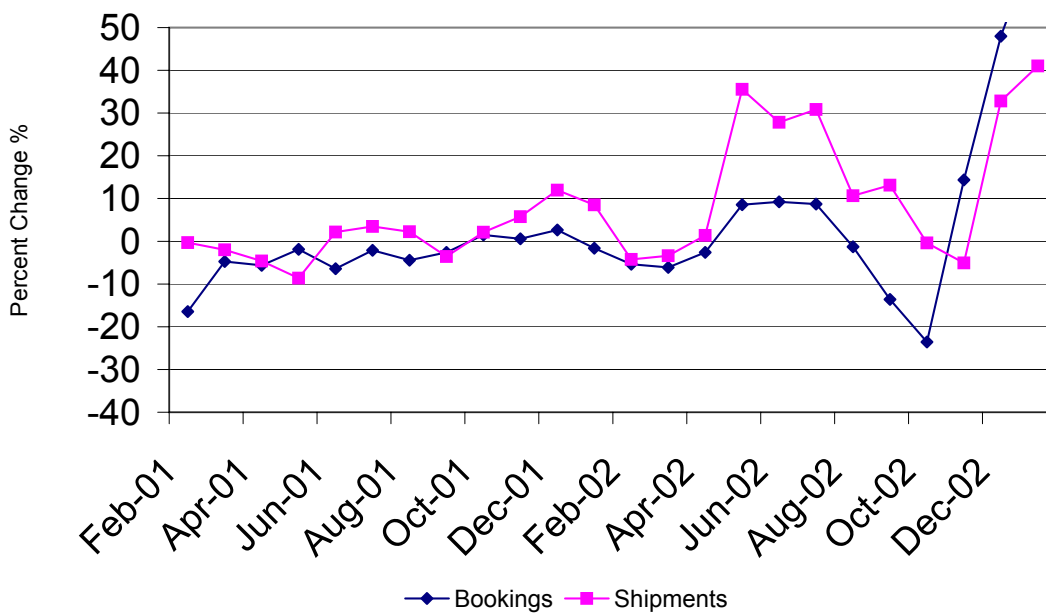
Raw Steel Shipments (million net tons)	7.9	8.4	7.6
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

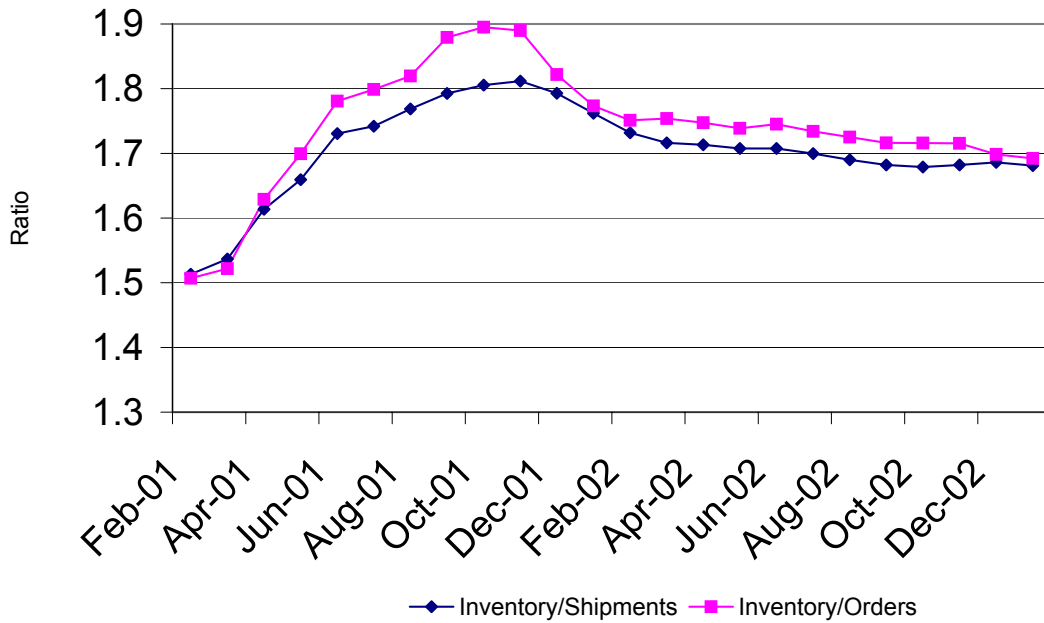
High Alloy Casting Market Trends



SFSA Postcards

Nondefense Capital Goods less Aircraft

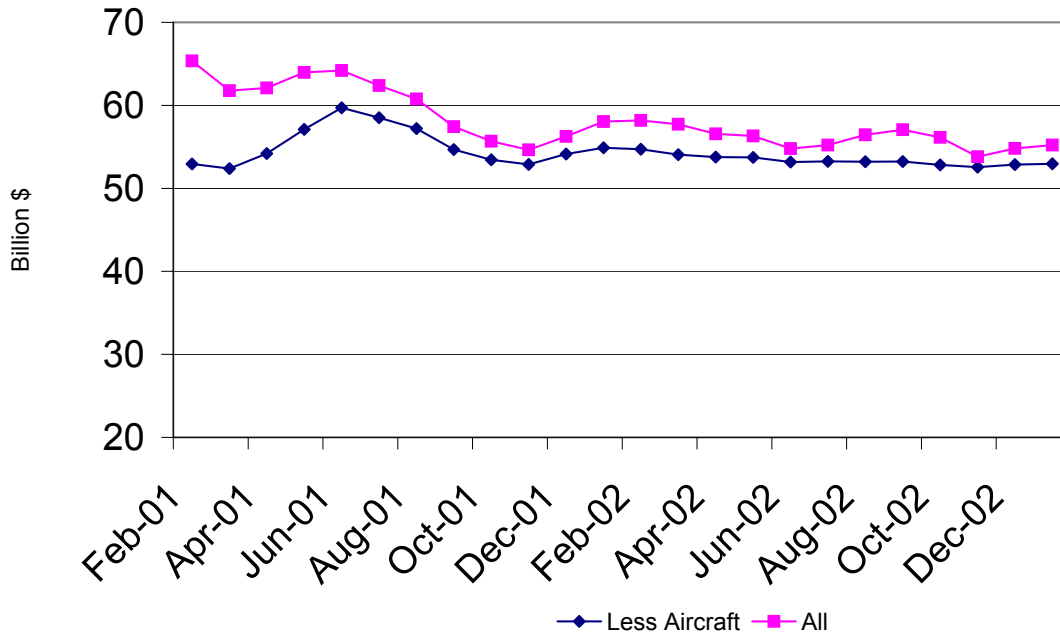
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

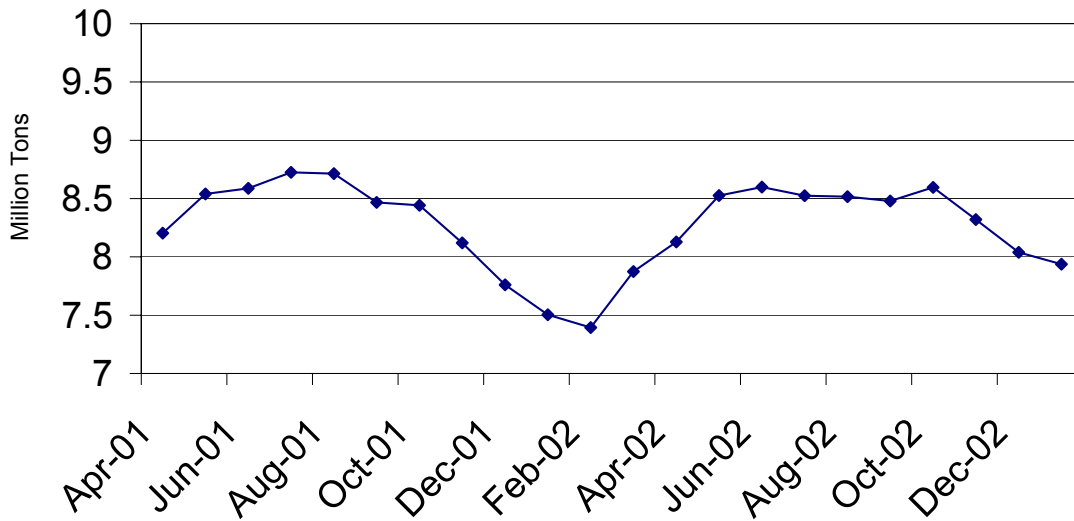
3 month average



Department of Commerce

Raw Steel Shipments

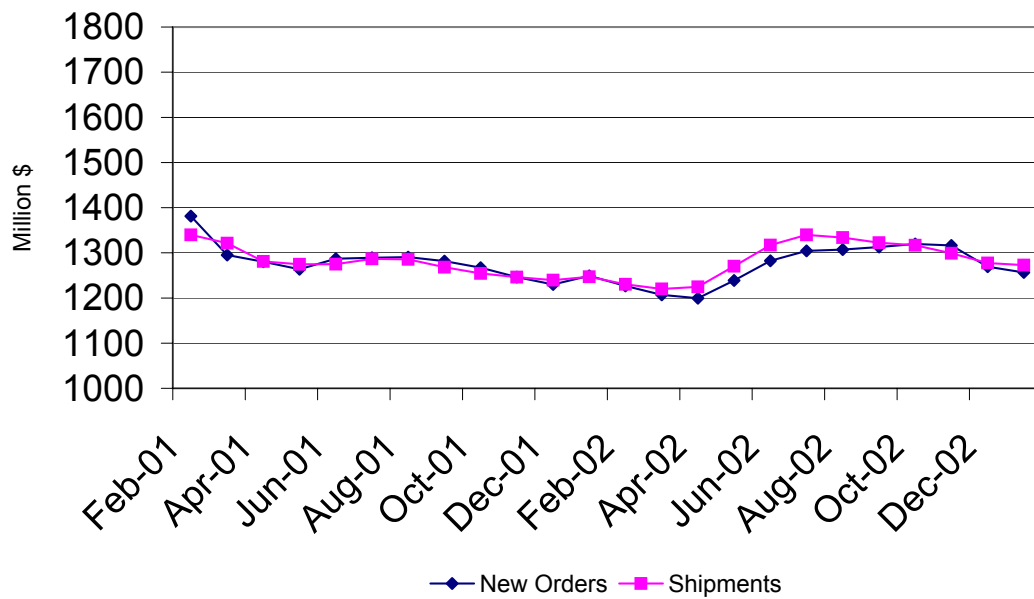
3 month average



AISI Data

Iron and Steel Castings

3 month average



SFSA

Metalcasting: America's Foundation and Future

Sponsored by the
American Foundry Society



March 30–April 1, 2003
J.W. Marriott Hotel Washington, D.C.
Metalcasting Government Affairs Conference

**Act Now to
Protect Your Future**

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Metalcasting Industry Government Affairs Conference

March 30–April 1, 2003 ▼ J.W. Marriott Hotel ▼ Washington, D.C.



“Politics ought to be the part-time profession of every citizen”
– Dwight D. Eisenhower

Sponsored by the American Foundry Society



With the start of a new Republican-controlled Congress and new legislative priorities, the American Foundry Society is gearing up for the 2003 *Metalcasting Industry Government Affairs Conference* in Washington, D.C., March 30–April 1, 2003. Don't miss this opportunity to learn what you need to know to help your business meet the challenges and seize the opportunities presented by the current governmental environment.

Topics to be addressed in the two-and-a-half day forum include:

- ▼ White House Briefing from top Administration officials
- ▼ Impact of EPA's New Iron & Steel MACT Proposal
- ▼ Competing in the Global Economy & Succeeding
- ▼ AFS Trade Initiative
- ▼ OSHA Challenges
- ▼ New Congress, New Landscape

The conference offers a rare opportunity for you to learn about the White House agenda first-hand from senior administration officials in a unique briefing at the Old Executive Office Building. On the legislative front, you will be addressed by a key member of Congress and various congressional staff whose job it is to make or break bills that are sure to impact your business.

You are encouraged to meet with your members of Congress to discuss specific issues affecting our industry in the coming year. This year's meetings are especially critical because of the many challenges facing our industry, including the newly-released proposal for the Iron & Steel MACT and the enduring effects of the economic slowdown.

This year's conference *“Metalcasting: America's Foundation and Future”* will also draw the attention of policymakers to the critical relationship between our industry and the American economy.

Cohosts

Non-Ferrous Founders' Society,
Steel Founders Society of America

State Groups

Alabama, California, Georgia, Illinois, Indiana, Michigan,
Minnesota, New England, Ohio, Pennsylvania,
South Carolina, Texas and Wisconsin



Tony Snow, commentator for FOX News, will give the dinner address, entitled “The New Partisan Balance: What Does It Mean for Business.”

We are confident you will leave with new information and strategies for protecting and building your business. REGISTER TODAY for AFS' Metalcasting Industry Government Affairs Conference – it's your opportunity to discuss key issues affecting the future of the metalcasting industry and make your voice heard on Capitol Hill!

SCHEDULE OF EVENTS

Metalcasting Industry Government Affairs Conference

Sunday, March 30

2:30 – 5:30 pm

Opening Session

2:30 – 2:40 pm

Welcoming Remarks

2:40 – 3:40 pm

AFS Action on Trade

*Speaker: Chuck Kurtti, AFS Trade Commission Chairman
International Trade Commission's Section 332
Fact Finding Investigation*

*Speaker: Paul Rosenthal, Managing Partner,
Collier Shannon*

AFS Message to the Hill on Trade

Speaker: Stephanie Salmon, AFS Washington Office

3:45 – 4:30 pm

Competing Globally

*Panel: Paul Mikkola, Executive Vice President, Hitchiner
Manufacturing, John Keough, CEO, Applied Process, Inc.
Mike Schwartzlander, Vice President and General Manager
Ashland Casting Solutions*

4:45 – 5:30 pm

State Group Breakout Session

5:30 – 6:30 pm

Industry Welcome Reception

Monday, March 31

7:30 – 9:00 am

Breakfast Session: Energy Outlook 2003

Speaker: Guy Caruso, Administrator, Energy Information Agency

9:00 – Noon

Business Sessions

9:00 – 9:15 am

Getting Your Congressman's Attention: What You Need to Know to Deliver the Foundry Message

9:20 – 10:30 am

U.S. EPA MACT Rule: Part of Your Future?

*Panel: Gary Thoe, Chair, AFS MACT Ad-Hoc Committee
Sally Shaver, Director of Emission Standards
Division, (EPA), (invited)*

AFS Message to the Hill on Iron & Steel MACT

Speaker: Amy Blankenbiller, AFS Washington Office

10:30 - 10:45 am

Break

10:45 – 11:30 am

Federal Research Partnerships: What do the AMC & CMC Programs Mean to Your Foundry?

*Speaker: Mike Gwyn, Director, Metals Technology,
Advanced Technology Institute*

AFS Message to the Hill on Promoting AMC & CMC

Speaker: Mike Hollon, AFS Washington Office

11:30 – Noon

Future Directions for OSHA

Speaker: Baruch Fellner, Partner, Gibson, Dunn & Crutcher

Noon – 1:30 pm

Luncheon Session: The Future of U.S. Manufacturing

*Speaker: Dr. Joel Popkin, President, Joel Popkin & Company
- Author of white paper on "The Importance of Manufacturing
to the U.S. Economy and to Our Society"*

3:00 – 4:00 pm

White House Briefing

High level Bush administration officials share insights on the White House agenda on key manufacturing issues at the Old Executive Office Building.

6:00 – 7:00 pm

Reception

7:00 – 9:30 pm

Dinner Session:

The New Partisan Balance – What Does it Mean for Business?

*Speaker: Tony Snow, nationally syndicated columnist,
host of "FOX News Sunday" and political analyst on the
FOX News Channel*

Tuesday, April 1

7:30 – 8:45 am

Breakfast Briefing

The 108th Congress: Priorities and Prospects

Member of Congress (invited)

9:00 – 5:00 pm

Capitol Hill Visits

Get involved! Take advantage of this opportunity to visit your U.S. senators and representatives and discuss the importance of metalcasting to our country.

7:30 am – 5:00 pm

Debriefing Room

Before you depart, stop by and report on your congressional meetings.

CONGRESSIONAL APPOINTMENTS:

We urge you to meet with your lawmakers and their staff to educate them on the foundry industry. This year AFS will not be scheduling individual congressional meetings. State Group Leaders will be coordinating the appointments for their foundry delegation. Individuals from states without metalcasting state groups should arrange for their own appointments. A sample "Congressional Appointment Request Letter" and step-by-step instructions are on the AFS web site – www.afsinc.org. If you have questions or need assistance, you may wish to contact Sarah Starr, AFS Washington Office, at 202/842-4864.

Metalcasting Industry Government Affairs Conference

March 30-April 1, 2003 ▼ J.W. Marriott Hotel ▼ Washington, D.C.

Mail to: American Foundry Society, Inc.
35169 Eagle Way
Chicago, IL 60678-1351

Fax: 847/824-7848

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip/Postal Code _____

Phone _____ Fax _____

Email _____

Name as it appears on your driver's license _____

Social Security # _____ Date of Birth _____

(Name on driver's license, SS # and date of birth are required for security clearance to attend Monday's White House Briefing.)

Registration Fees:

AFS Corporate Affiliate Member \$625

AFS Personal Member \$725

Nonmember \$825

Additional tickets:

Registrants meals are included in the registration fee. Tickets for spouses and congressional guest are available for individual meal functions and receptions. Please mark below to order in advance.

	# of tickets	Amount
Reception, March 30	_____	x \$45
Breakfast, March 31	_____	x \$30
Luncheon, March 31	_____	x \$46
Reception/Dinner, March 31	_____	x \$95
Breakfast, April 1	_____	x \$30
Additional tickets	_____	
Registration fee	_____	
TOTAL	_____	

Check Enclosed

The following information is required to charge:

American Express MasterCard VISA

Account# _____ Exp. Date _____ Authorized Signature _____

Registration Information

Conference Fees: Conference registration is \$625 for AFS Corporate Affiliate Members, \$725 for AFS Personal Members and \$825 for nonmembers. Fee includes conference registration, materials, breakfasts, luncheon, receptions, dinner and coffee breaks. If you are planning on bringing guests to any meal function, additional tickets may be purchased through AFS.

Cancellations and Substitutions: Substitutes will be accepted at any time. However, cancellations of confirmed registrants with full refund of fees cannot be accepted unless received one week prior to conference date. In the unlikely event the conference is canceled for any reason, AFS liability is limited to the return of the registration fee.

Housing Information: Hotel reservations must be made directly with the J.W. Marriott Hotel, 1331 Pennsylvania Ave., NW, Washington D.C. Phone: 202/393-2000 or 800/228-9290. Ask for "AFS Conference" room block. A room rate of \$225 single and \$235 double is available to conference participants. Room reservations must be made March 1. Any reservations made after this date will be confirmed on a space-available basis.

Travel Savings: If you want assistance booking flights or with reservations call Travel Matters at 800/733-4180 or 847/397-4488.

