



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication
serving SFSA steel casting industry Members

205 Park Avenue, Barrington, IL 60010
847-382-8240 Fax: 847-382-8287
www.sfsa.org

November— 2003

Casteel Commentary Highlights:

A strong showing in GDP growth and capital expenditures show an improving economy for manufacturing in general and steel foundries in particular. Even our informal feel from talking with members suggests that business is picking up noticeably. As demand improves, we need to be vigilant that our commercial arrangements allow us to profit and reinvest. Over the next few years, strong demand may allow us to prosper, as we have not for the past twenty years. We need to make sure that we invest in improved productivity, new market applications, and better quality so that our industry can grow.

Technical & Operating Conference

There is still time to register for the SFSA T&O conference. The Conference is held on November 5-8 at the Hotel Intercontinental in Chicago. Make sure to make your reservation now! More information is available on our website here: <http://www.sfsa.org/sfsa/toconf>

SC3

SFSA and AISC are working together to develop steel castings in steel construction. As a result of our support, Robert Fleischman at the University of Arizona has a grant to do engineering analysis and testing on our proposed designs. We need members who are interested to sign up and sponsor this work. Sponsors will contribute \$1,000 per year and an equal value in castings or engineering time. They will help design the

casting, provide the prototypes and become the first plants qualified in production of the modular designs. Call or email David Poweleit (poweleit@aticorp.org) if you are interested in participation.

Steel Foundry MACT delisting

Steel foundries are included in the final rule soon to be released by the U.S. EPA regulating the control and monitoring of hazardous air pollutants emitted from steel foundries that have the potential to be major sources. SFSA has worked with interested members to organize an effort to remove steel foundries from the regulation based on the lack of health risk. We are soliciting from the most affected steel foundries \$5,000 to support this effort. We are encouraging all other to make a contribution to help in this effort. Attached is a white paper giving more details.

Market News

Shipments are improving in steel castings by more than 10% in August. This may be an overstatement of the market since our trendcard surveys uses the median of respondents. This means that the closed plants are not counted and their work counts as an increase in surviving plants. Orders across the economy are exceeding shipments indicating expansion of the economy. As noted in the Commentary, general indicators turned up sharply in the third quarter lending support to an improvement in business conditions for the remainder of the year.

Casteel Commentary

Good News. The economic news is finally and clearly showing recovery in manufacturing. The third quarter results for Gross Domestic Product is up a dramatic 7.2%. More pertinent to steel foundries, capital expenditures increased by 11% and the important indicator for steel foundries, investment in equipment and software increased by a strong 15.5%. If the rate of investment in equipment remains above 10%, demand for steel castings will grow sharply.

While the recovery has taken longer and started slower than expected, many factors are in place that will prolong and enhanced the strength of growth in the coming months. Low interest rates will make capital investment more attractive by making funds available economically and making the return on the equipment investment more attractive. Low inventories have been maintained to avoid poor performance but this makes expansion of the economy require manufacturing increases. Poor capacity utilization has led to a lack of investment and closure of significant production capability. Increases in production will quickly improve utilization rates and force added capital investment. These will not only increase demand for manufactured goods but pricing should begin to reflect the lack of adequate capacity in some market segments.

The slow start and long delay in recovery caused great concern in Washington and most of the traditional steps to revive the economy had been taken to their limits. Deficit spending, low interest rates, tax rate reductions were all put in place to improve the manufacturing economy. Factors like inadequate reward for capital equipment investment, a slowing of investment in manufacturing technology and a naive trading policy with predatory economies like China slowed the recovery and still need to be corrected. The stimulative fiscal and monetary policies will also provide a prolonged and strong recovery.

Global supply from places like China and lack of productivity and quality may limit the recovery for steel foundries but we will likely participate in a strong demand cycle for the next three years.

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR

2003

November

5/6 101st SFSA Annual Meeting - Hotel Inter-Continental, Chicago, IL
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

Feb

27 North Central Technical & Operating Meeting, Milwaukee, WI

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 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 Aug July
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	10.9	0.0	8.6
Bookings	-5.4	-21.0	11.5

High Alloy

Shipments	41.1	34.3	-1.0
Bookings	16.4	23.3	10.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,242	1,226	1,265
New Orders	1,252	1,235	1,284
Inventories	1,728	1,697	1,718

Nondefense Capital Goods (billion \$)

Shipments	57.3	56.3	58.1
New Orders	56.6	56.9	55.3
Inventories	106.7	106.2	105.9

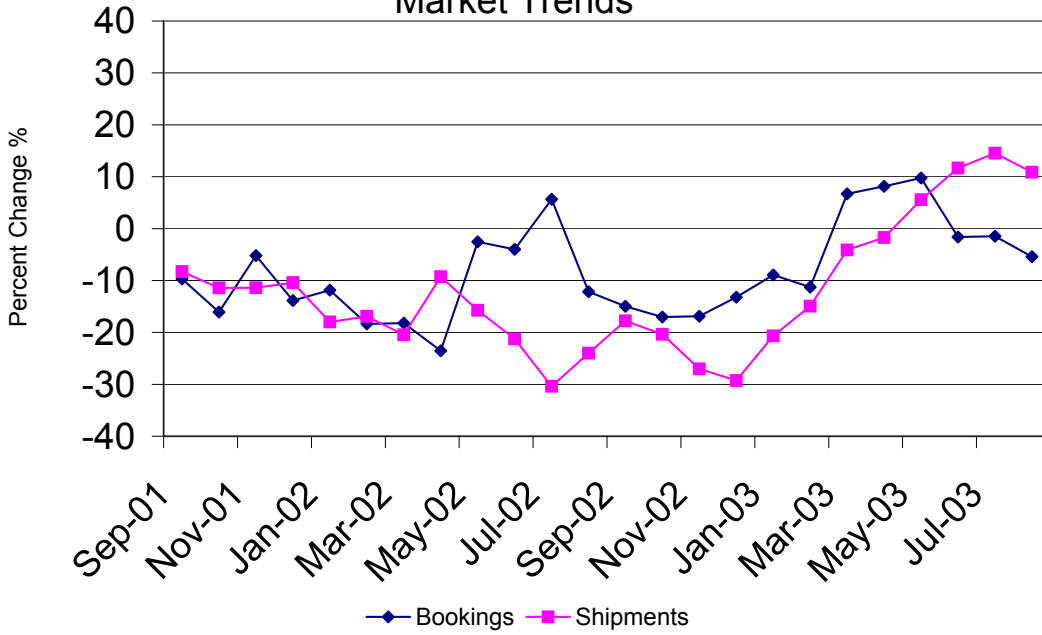
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	54.5	53.9	55.3
New Orders	54.8	54.4	54.7
Inventories	85.2	88.5	80.9
Inventory/Orders	1.55	1.63	1.48
Inventory/Shipments	1.56	1.64	1.46
Orders/Shipments	1.01	1.01	0.99

American Iron and Steel Institute

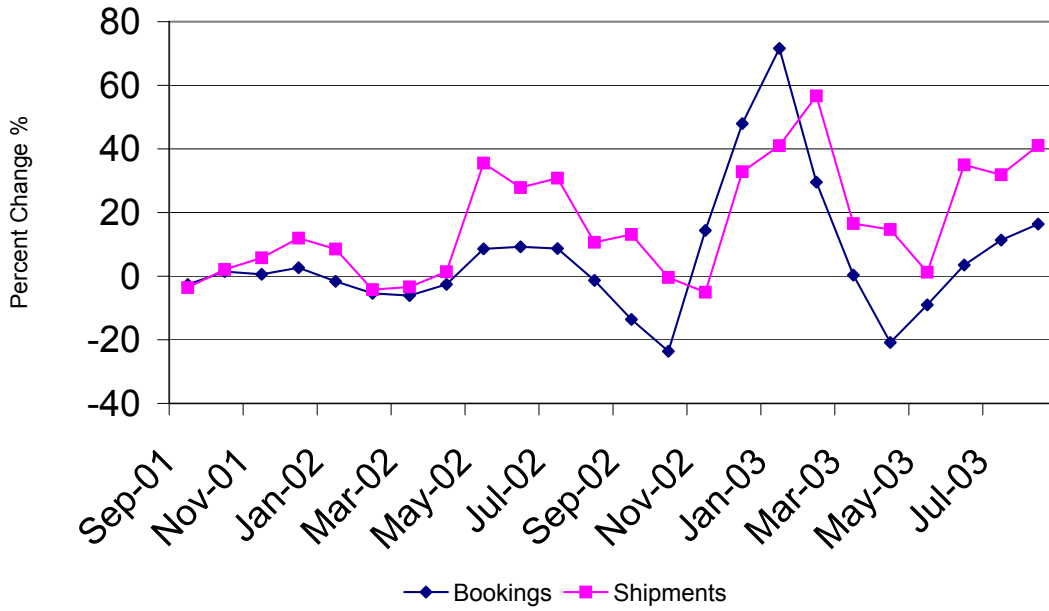
Raw Steel Shipments (million net tons)	8.5	8.3	8.4
---	-----	-----	-----

Carbon & Low Alloy Casting Market Trends



SFSA Postcards

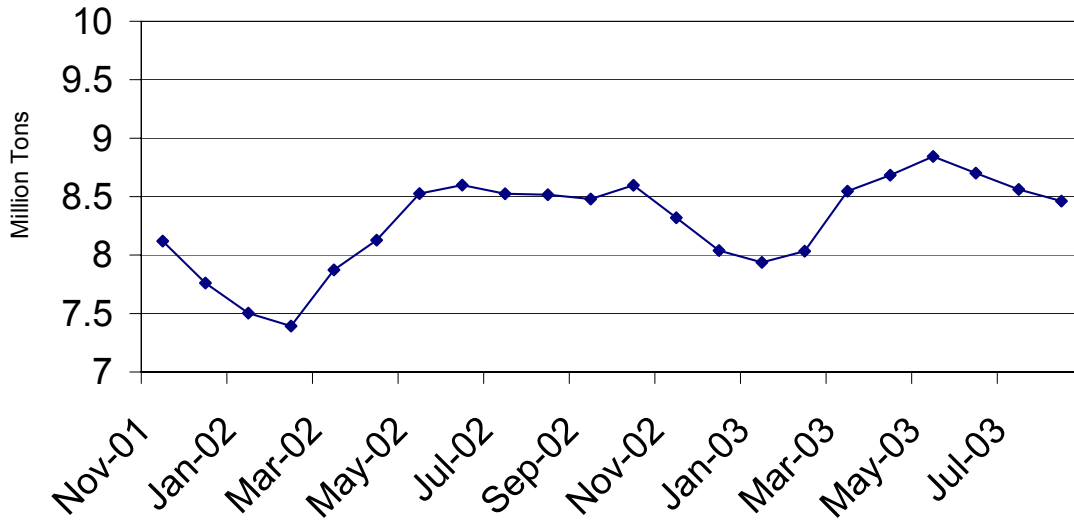
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

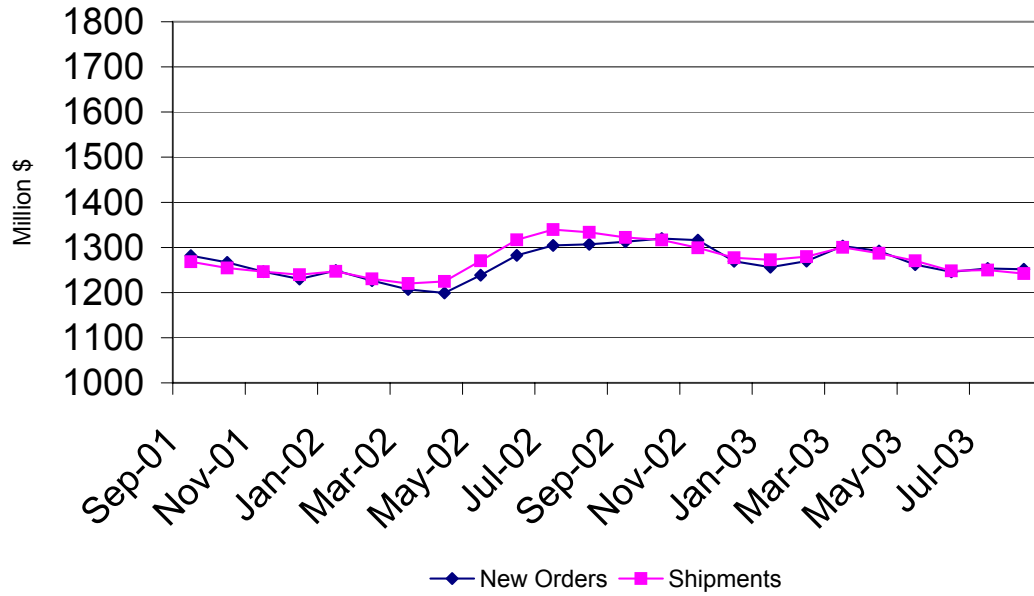
3 month average



AISI Data

Iron and Steel Castings

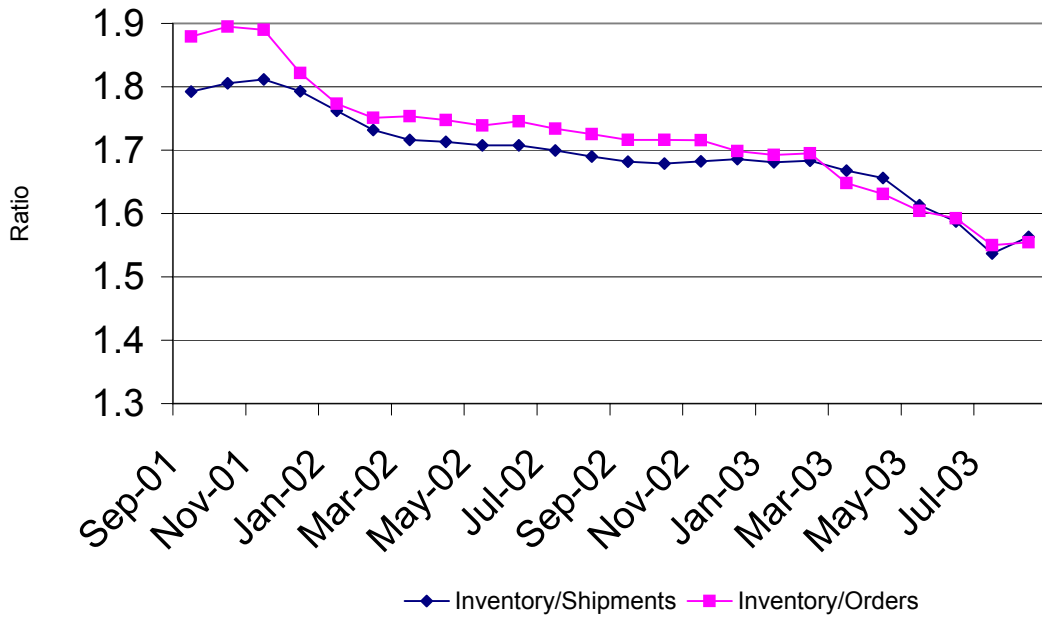
3 month average



SFSA

Nondefense Capital Goods less Aircraft

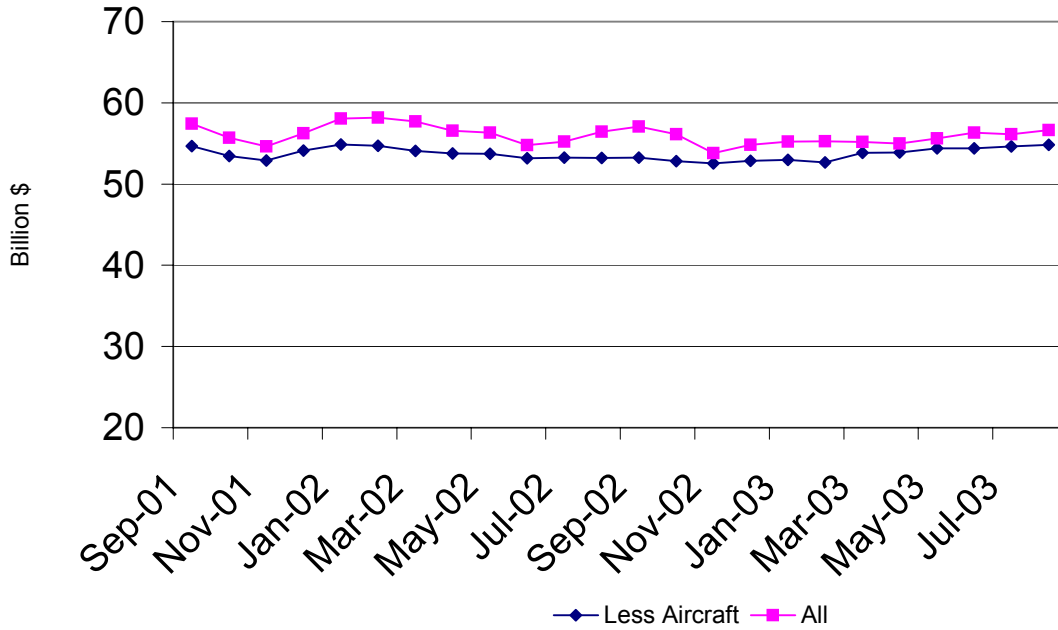
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce

Steel Founders' Society of America Effort to Delist Steel Foundries from MACT

The Clean Air Act Amendments of 1990 require U.S. EPA to issue regulations covering all "major" sources of hazardous air pollutants (HAPs). Steel foundries were identified as major sources of HAPs. For a plant to be a major source, it must have the potential to emit 10 tons a year of any individual HAP or 25 tons of any combination of HAPs. By statute, HAP standards must be based on maximum achievable control technology ("MACT"), which is based on the best performing existing sources within each source category. The agency has developed and recently issued the Iron and Steel Foundry MACT Standard.

Steel foundries are relatively minor sources of HAP emissions. Several steel foundries, however, do exceed the major source threshold based on their potential to emit. Over the last couple of years, AFS and SFSA have been working to get EPA to remove steel foundries from the agency's "major source" list. The agency cannot delist the steel foundry industry since there are a few major sources within the industry. It is possible, however, for EPA to delist a source category, like steel foundries, if it can be shown that the industry does not pose an unacceptable risk to human health or the environment. Alternatively, EPA's final MACT rule can be revised to be less onerous for steel foundries. SFSA is seeking your support to do both.

The first step in this effort would be to challenge EPA's final MACT rule and file an administrative petition to revise the final standard. Then we would need to meet with EPA to gain its support to try to make a case for delisting. This first step would require legal counsel. Chet Thompson of Collier Shannon Scott has been selected to represent our interest. They were successful at delisting steel minimills from EPA's source category list. Mr. Thompson was also successful in representing the interests of aluminum foundries in the secondary aluminum MACT. This first step would cost \$15,000 to \$20,000.

The next step would be to conduct a risk assessment to determine what, if any, risk a steel foundry poses to human health and the environment. If the assessment is favorable, we then could petition EPA to delist steel foundries. This second step would cost \$30,000 to \$40,000. If a favorable determination is granted, then we would be done for a total cost of \$45,000 to \$60,000.

If unsuccessful, we could continue to litigate the rule to obtain a final rule appropriate for our industry. This could be twice as expensive as the delisting effort.

On the next page is a list of the steel foundries most affected by the rule due to their size, process, or other factors. We are seeking \$5,000 to support the delisting effort from these foundries as well as contributions from other. While this is an expensive undertaking, it is considerably less expensive than complying with the rule.

Supporting foundries will form the steering committee to direct the effort and make the decisions as to how to proceed. We need your support.

Raymond Monroe
Executive Vice President
Steel Founders' Society of America