

Steel Still In Crisis

STEEL

As expected, the current gas shortages are taking their toll against steelmakers across the country. Of the American Iron and Steel Institute's 11 steelmaking districts, seven reported drops in production from the previous week and four managed slight improvements. Hardest hit was the Pittsburgh district where production declined by 48,000 tons and layoffs were widespread. The Youngstown district was hit almost as hard, with production falling 25.6 per cent. Mills in this area are being forced to operate at around their Christmas-time levels when many furnaces were shut down.

For the industry as a whole, the week ending Jan. 22 saw production decline by 6.3 per cent, or below 2 million tons. Capacity utilization, which has failed to climb over the 70 per cent mark for quite some time, fell to the dismal level of 64.2 per cent down from 68.5 per cent the previous week.

At this point, the only mitigating factor is the dismal state of the industry itself. In figures just released, U.S. Steel Corp., and Bethlehem Steel Corp., the nation's two largest producers announced reduced earnings of 26.7 per cent and 30.6 per cent respectively in 1976. Had these shortages occurred during times of "normal" steel demand they would have created havoc both in terms of massive layoffs and increased costs due to the switch-over to costly alternative fuels.

While the effects of the gas curtailments cannot be minimized, 1977 has gotten off to such a slow and disappointing start that steelmakers are not making it their sole excuse. They have chosen instead to step up their attacks on importers, especially the Japanese. In the Gulf region, Armco Steel Corp., U.S. Steel Corp., and other domestic suppliers have apparently regained the structural steel market from importers through their announced price reductions of \$40 per ton. This, combined with the fact that the Japanese had been with-

drawing from that market for some time in an attempt to gain higher prices and lessen criticism, has returned this market to the domestic producers although at a substantially reduced price level. It remains to be seen how long these price reduction will remain and whether they will have any effect on steel production levels. Another area in which increased pressure is being put on importers is the West Coast, where the newly created Labor-Management Committee for Fair Foreign Competition is seeking a full investigation of foreign marketing practices in that area.

While this futile practice of attacking the competition continues, signs of a positive approach to their problems is emerging from steelmakers, and industrialists generally. These signs have surfaced in the January edition of *Iron Age* magazine in the form of a direct attack against zero-growth Naderite groups and the spending schemes of the Carter Administration. In the lead editorial, editor-in-chief Gene Beaudet states, "It (the free market system) is imperiled not only by the costly failure of special policies but also by an array of new demands and restrictions on business brought on by new environmentalists and consumer constraints, and a growing public bureaucracy whose rules, regulations and restrictions keep the private economy from reaching its outer limits of growth." The special edition stresses the needs for greatly increased capital formation, reduced governmental welfare hand out programs, and sane environmental policies which will not sacrifice industrial expansion and the creation of new jobs. These themes and their urgency are spelled out in detail in large advertisements taken out by Republic Steel Corp., Wean United, and others. William J. DeLancy Jr., president of Republic Steel specifically attacks "over-zealous bureaucrats" and "puritanical environmentalism" and notes the existing potential for government misuse of powers. R.J. Wean Jr. of Wean United, which owns a steel foundry in Vandergrift, Pa. states that while the economic stranglehold placed on the Vandergrift foundry are his company's problem, the future of America's steel industry is everyone's.