FREE TRADE IN STEEL

FTSC

TESTIMONY

before the

UNITED STATES INTERNATIONAL TRADE COMMISSION

Steel Consuming Industries:
Competitive Conditions with Respect to Steel Safeguard Measures

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by:

DENNIS ROCHFORD

FREE TRADE IN STEEL COALITION

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Testimony of Dennis Rochford, Free Trade in Steel Coalition

The Free Trade in Steel Coalition (FTSC), formed in response to the Section 201 Steel Investigation Remedy Hearings in 2001, represents over 40 United States port authorities, port terminal operators, stevedoring companies, longshore labor unions, customhouse brokers, truckers and other transportation industry organizations who are deeply concerned by the Section 201 tariffs and quotas imposed by the President in March 2002.

On behalf of the Coalition, allow me to thank the Commission and express my appreciation for the opportunity to present specific examples of how these tariffs and quotas have adversely impacted the maritime and transportation industries.

By way of background, the FTSC testified before the ITC during the remedy phase of the Section 201 Global Safeguard Investigation. At that hearing, the Coalition submitted for the record a comprehensive economic study prepared by Martin Associates, an internationally-renowned specialist in port economics, entitled "The Economic Impact of Imported Iron and Steel Mill Products on the Nation's Marine Transportation System" (Martin Study). A summary of the economic impacts of iron and steel imports at five major steel ports is presented in Attachment A.

These data were based on the 36.4 million net tons of iron and steel mill products imported into the United States in 2000. The five port regions listed in the table above handled 70% of the total tonnage imported. Since these port regions handled the majority of steel imports, it is possible to extrapolate these figures to estimate the economic impact of the total amount of iron and steel products imported into the United States in 2000. The Martin Study estimated these totals as follows:

- 38,800 direct, induced and indirect jobs;
- $1.7 billion of direct, induced and indirect wages and salaries;
- $1.6 billion in direct business revenues to those providing the port and inland transportation services to move the imported iron and steel products; and
- $576.3 million of federal, state and local taxes, of which $407 million is federal tax revenues.

The Martin Study clearly demonstrated the substantial contribution the importation of iron and steel products provided to our national economy – and the significant contribution this trade makes to the regional economies of Houston, New Orleans, Los Angeles/Long Beach, the Great Lakes, and the Delaware River port complex to include Philadelphia, Pennsylvania, Camden, New Jersey, and Wilmington, Delaware.

As we look at the economics of steel cargoes imported through these areas subsequent to the imposition of the Section 201 tariffs and quotas, it difficult to neatly segregate the impact of the weakened economy from the reduction in volumes of steel handled at port facilities throughout the country. However, it is clear that the imposition of these Section 201 remedies have exacerbated an already poor situation.

You will hear today from officials of two other ports who are members of the FTSC - - the Ports of Houston and Los Angeles/Long Beach -- who will speak to the precipitous decline in steel tonnage and the commensurate loss of jobs and business revenues. Let me now briefly highlight some sobering statistics from other FTSC member ports who are unable to participate in today's hearings.

The Port of New Orleans, for example, has seen actual steel tonnage moving through the Port decrease from 1,925,000 tons in 2001 to 1,361,000 tons last year – a loss of over 500,000 tons, or 26% of the tonnage during the period. Their review shows that local International Longshoreman's Association members have suffered a reduction of approximately 25% in hours worked handling general cargo, the majority of which involves steel shipments. Since over 40% of the Port's revenue is derived from the steel trade, the ripple effect has been devastating to terminal operators, customhouse brokers, tug companies and the host of other businesses whose economic livelihoods are dependent upon this trade.

One terminal operator at the Port of Tampa has seen vessel calls decrease by 33% as a result of the decline in steel imports -- from 325,000 tons to 283,000 tons between 2001 and 2002.

A terminal operator/stevedore who operates throughout the three major Delaware River ports has experienced similar difficulties in the aftermath of the imposition of these trade remedies. In the port complex as a whole, the number of steel ships declined from 247 in 2001 to 207 in 2002.

One measure of the economic impact of reduced import steel shipments to terminals throughout the tri-state port complex is the reduction in union manhours and wages. To accurately calculate the economic multiplier effect associated with these lost cargos, it is necessary to measure the cost of handling finished and semi-finished steel cargos versus steel slabs and billets.

The company referenced above has seen high-value steel import cargos coming to its facilities reduced by almost 50% following the imposition of the Section 201 penalties. On a per vessel basis, this results in a loss of over $75,000 in union wages, benefits, insurance and taxes.

For lower value slab and billet cargos, the loss per ship in wages and benefits is approximately $30,000. When these costs estimates are applied against the loss of 40 vessel calls throughout the regional port over the past year, it is estimated that almost 52,000 ILA manhours were lost, at a cost of $2,310,000.

In the mid-west, to cite another example, the Port of Milwaukee has witnessed an astounding 70% decrease in import steel cargoes: tonnage there declined from 139,000 in 2000 to 41,300 in 2002. Again, while some portion of this reduction may be attributed to the general state of the U.S. economy, there is no doubt that the Section 201 tariffs have largely contributed to the economic weakness in that region, as well.

Given the above examples, there are two additional points worth mentioning here. First, while the total number of dockworkers for a particular local union might remain the same, a reduction in the number of hours worked will result in each worker taking home a smaller paycheck.

Assuredly the possibility exists that certain dockworkers might no longer qualify for the various benefits, such as health insurance, as their hours decline. Second, with a significant reduction in steel cargos, the contractual costs to provide health insurance coverage, vacation and other fringe benefits will of necessity be charged to other import and export cargos being handled by the terminal operator/stevedoring company. This translates into an overall increase in costs associated with handling all cargoes imported at these U.S. ports, which leads to higher costs for the U.S. manufacturers and in due course the ultimate consumer.

In summary, it can be demonstrated that the 201 action has, in fact, caused economic harm to the port and transportation industry. Simply stated, artificial reductions in steel imports has had a pernicious effect on American workers, maritime and transportation businesses, and the state, local and federal governments.

Attachment A

Summary of Economic Impacts of Imported Iron and Steel Products In the Five Key Port Regions 2000

	DELAWARE RIVER	HOUSTON	NEW ORLEANS	GREAT LAKES	LOS ANGELES	TOTAL
JOBS						
Direct	1,916	3,208	3,663	858	2,031	11,676
Induced	1,270	2,394	2,459	581	1,535	8,239
Indirect	1,224	1,854	2,496	522	1,137	7,233
Total Jobs	4,410	7,456	8,618	1,961	4,703	27,148
PERSONAL INCOME (MILLIONS)						
Direct	$76.5	$132.5	$120.6	$33.7	$102.4	$465.7
Induced/consumption	$76.3	$163.9	$141.9	$39.5	$106.8	$528.4
Indirect	$22.0	$48.5	$65.3	$16.0	$29.7	$181.5
Total Personal Income	$174.8	$344.9	$327.8	$89.3	$238.9	$1,175.7
BUSINESS REVENUE (MILLIONS)						
	$303.3	$228.8	$312.0	$116.7	$140.3	$1,101.1
TAXES (MILLIONS)						
State and Local	$21.3	$31.0	$33.8	$8.9	$23.4	$118.4
Federal	$48.7	$81.4	$77.4	$21.1	$56.4	$285.0
Total Taxes	$70.0	$112.4	$111.2	$30.0	$79.8	$403.4