Steel Consuming Industries: Competitive Conditions With Respect To Steel Safeguard Measures

Investigation No. TA-332-452

Hearing Exhibits for
United States Steel Corporation

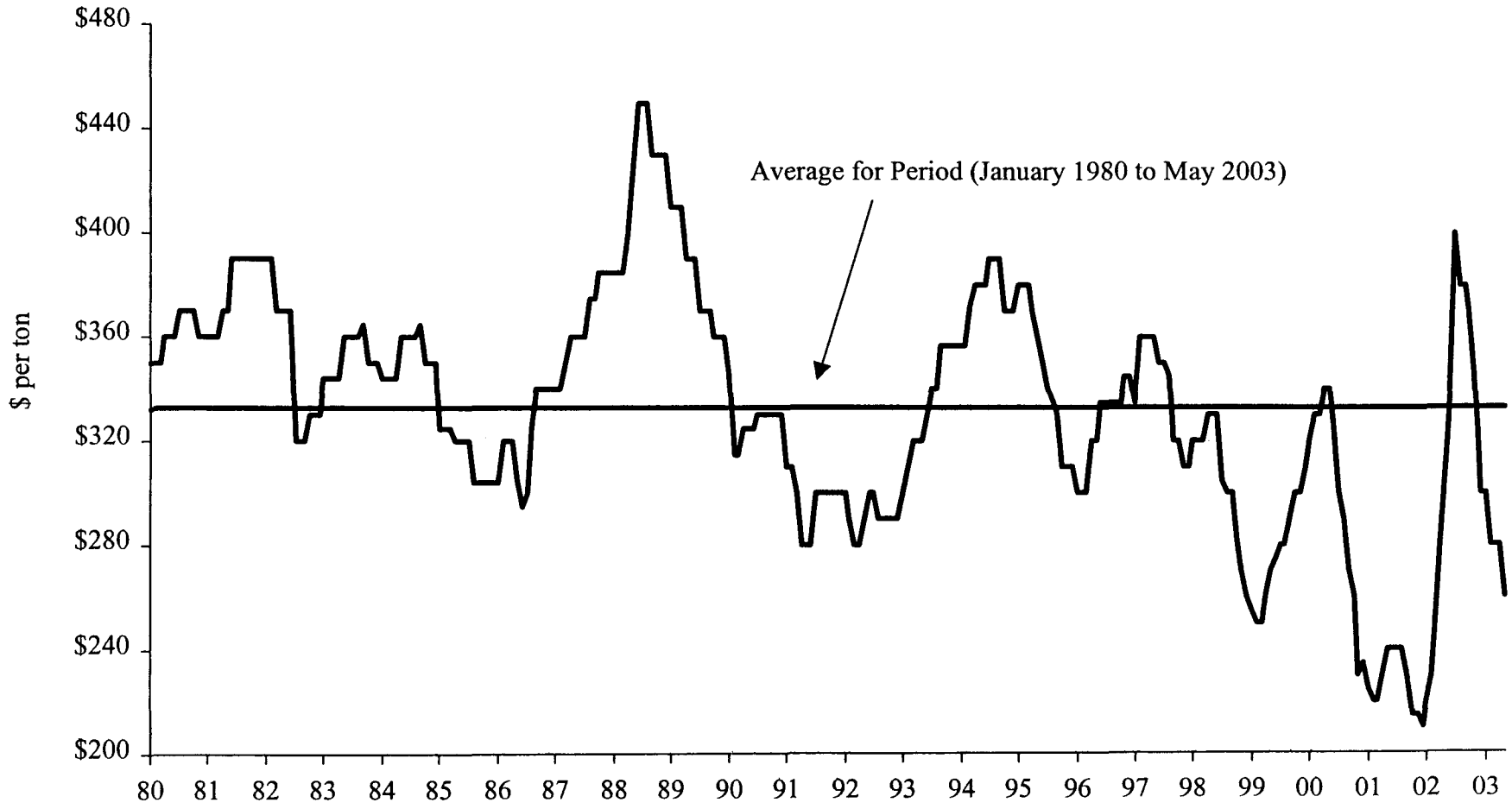
June 20, 2003

While Section 201 Relief Is Critical to Domestic Steel Producers, Its Effects on Consumers Are Modest

- U.S. prices are among the lowest in the world
- Since March 2002, prices overseas have increased much more than U.S. prices
- Supply has been abundant
- Performance of steel consumers has been solid
- Steel consumers – as well as numerous steel suppliers and communities – need a strong domestic industry

Hot-Rolled Spot Price

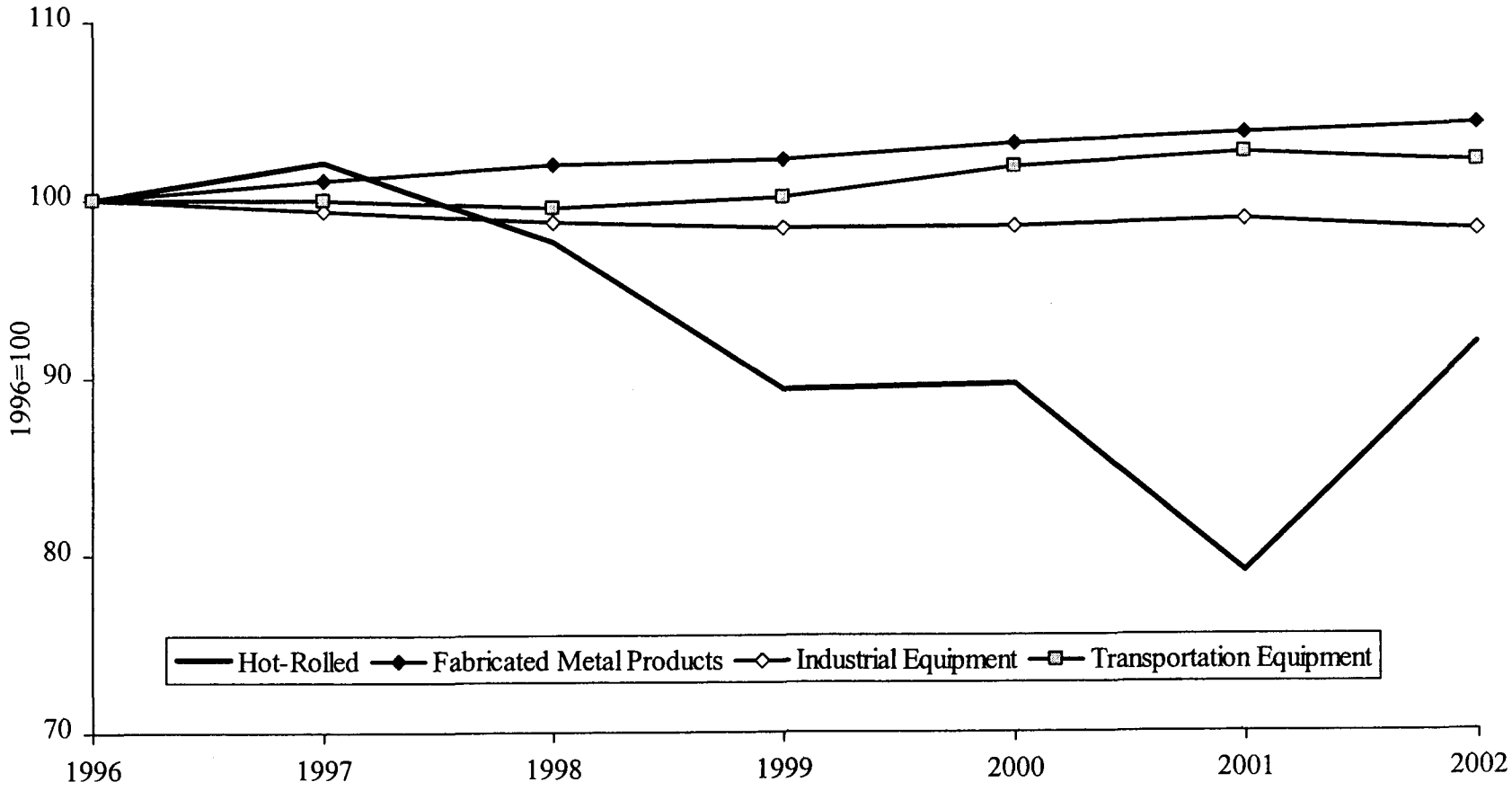
January 1980 to May 2003



Source: *Purchasing* Magazine

Producer Price Index for Hot-Rolled Steel and Steel Consuming Industries

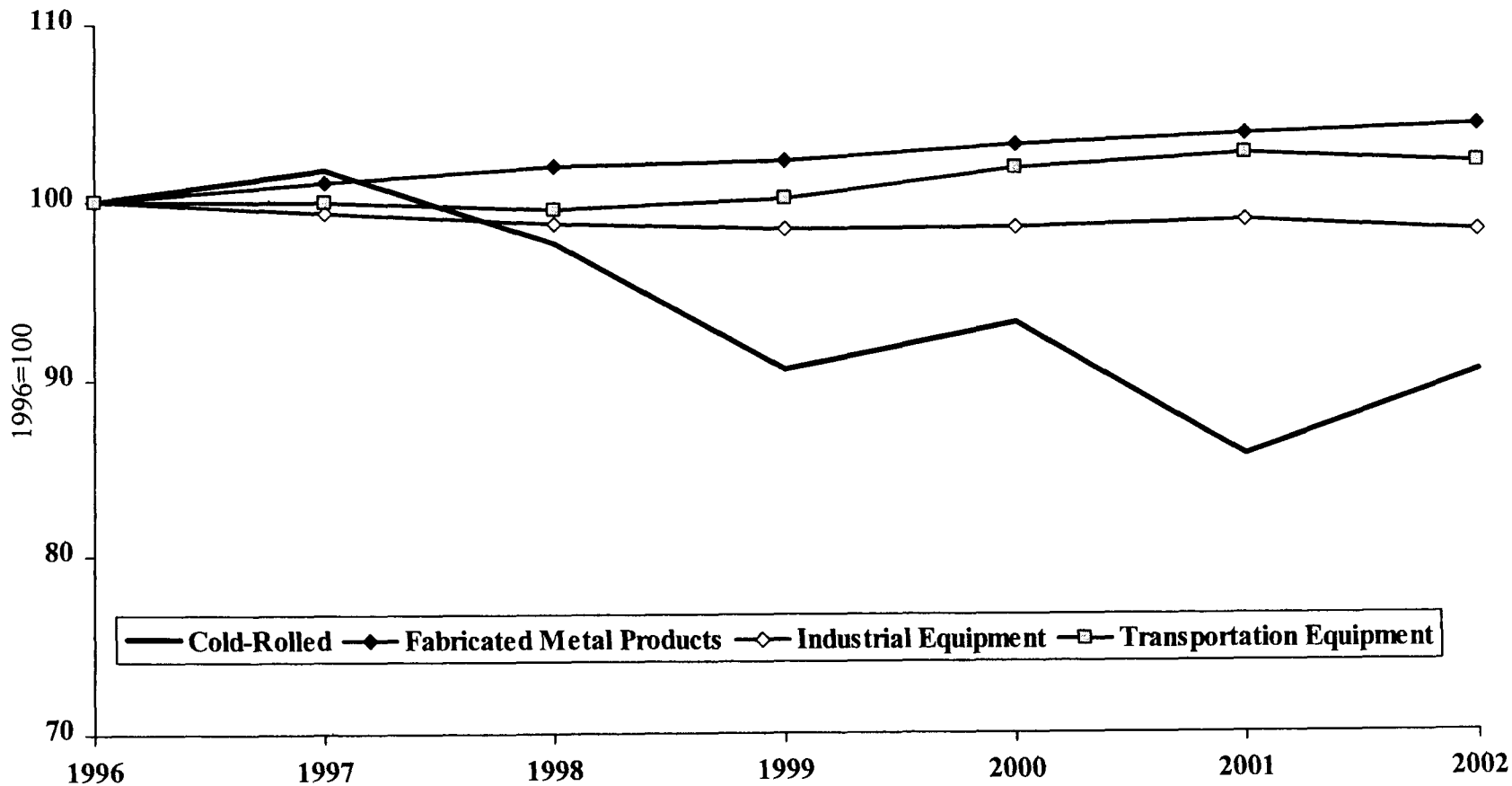
1996-2002



Source: U.S. Bureau of Labor Statistics, series PCU3312#311, PCU34__#, PCU35__#, PCU37__#.

Producer Price Index for Cold-Rolled Steel and Steel Consuming Industries

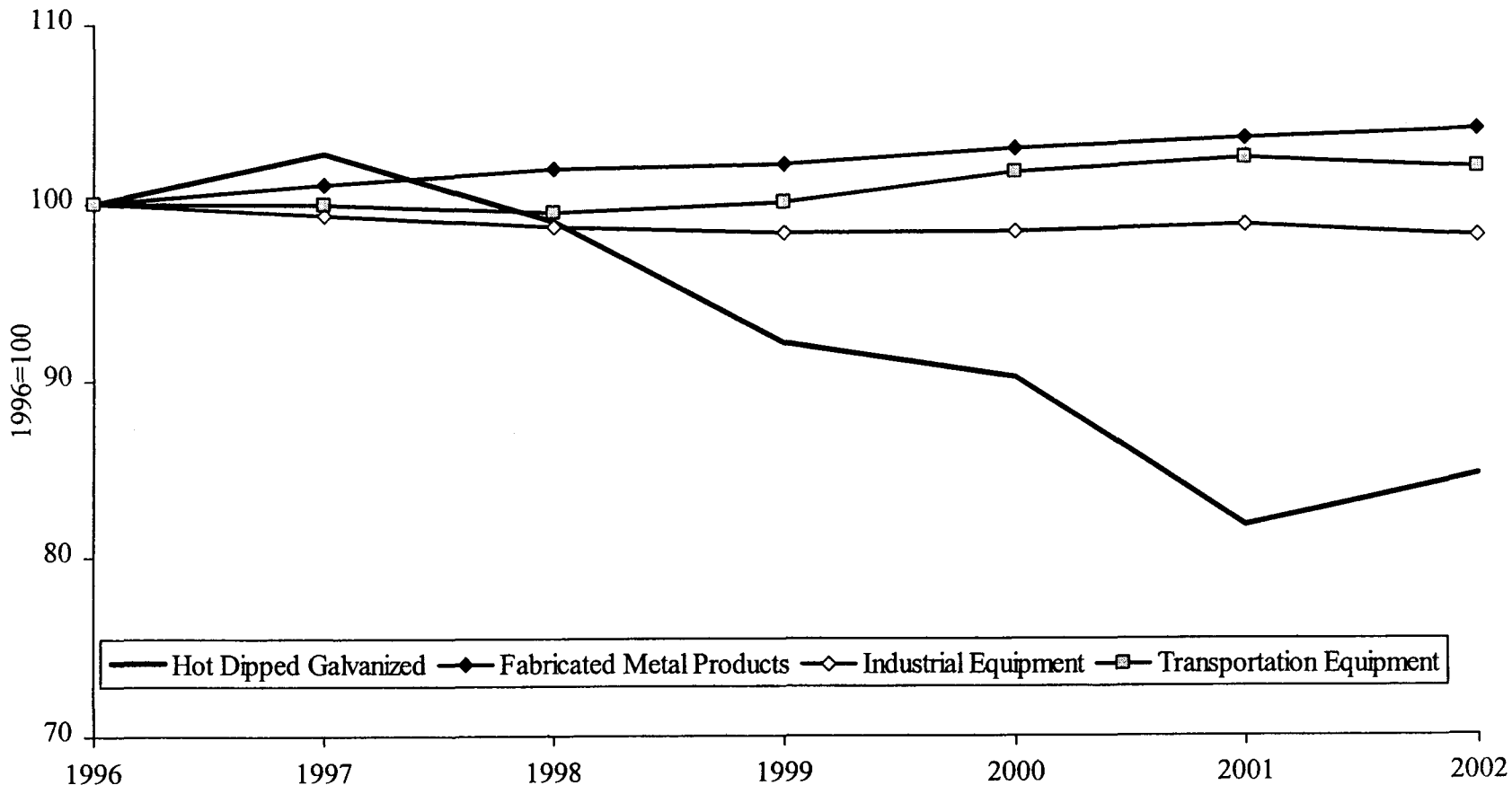
1996-2002



Source: U.S. Bureau of Labor Statistics, series PCU3312#711, PCU34__#, PCU35__#, PCU37__#.

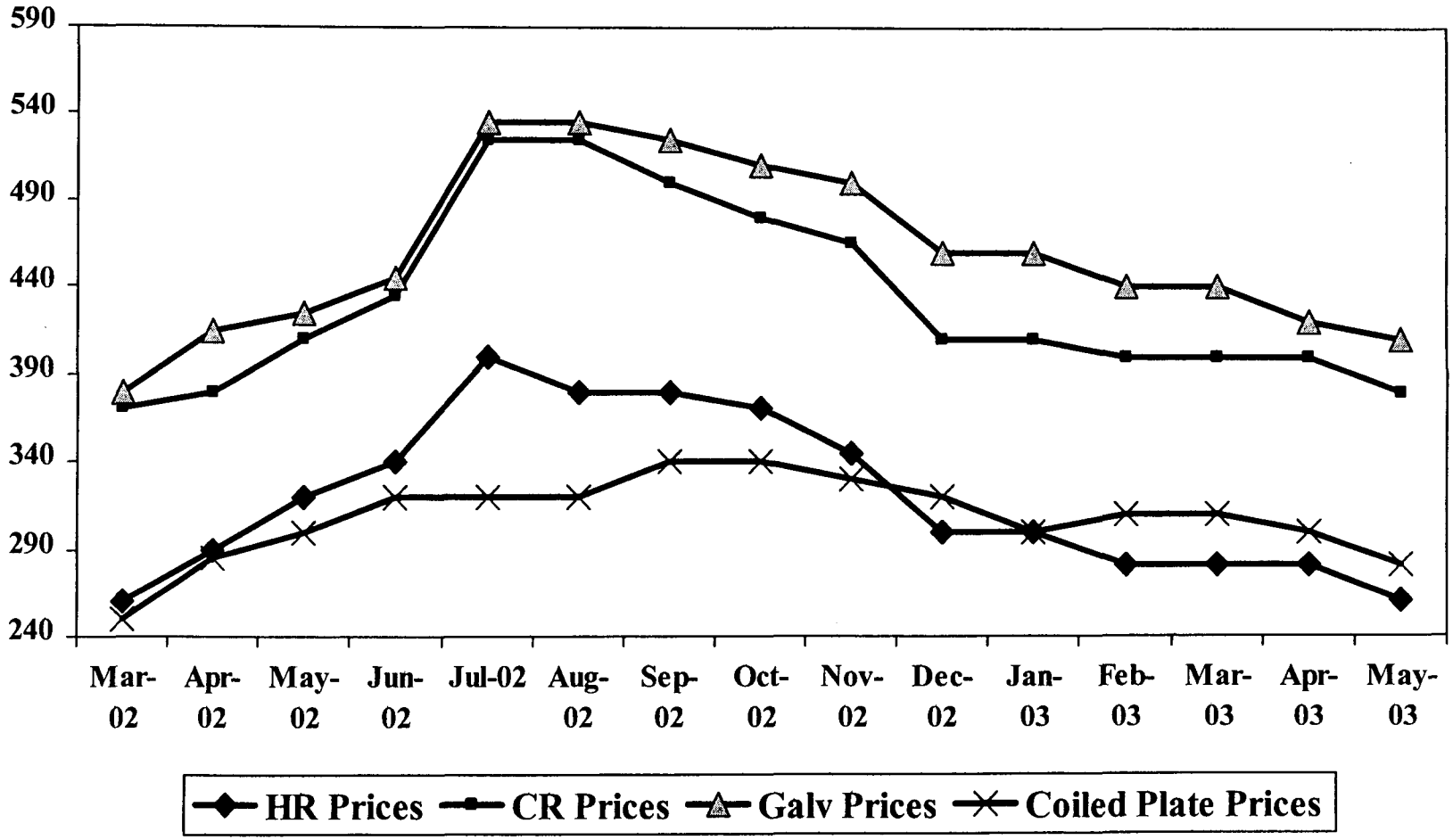
Producer Price Index for Hot Dipped Galvanized Steel and Steel Consuming Industries

1996-2002



Source: U.S. Bureau of Labor Statistics, series PCU3312#313, PCU34__#, PCU35__#, PCU37__#.

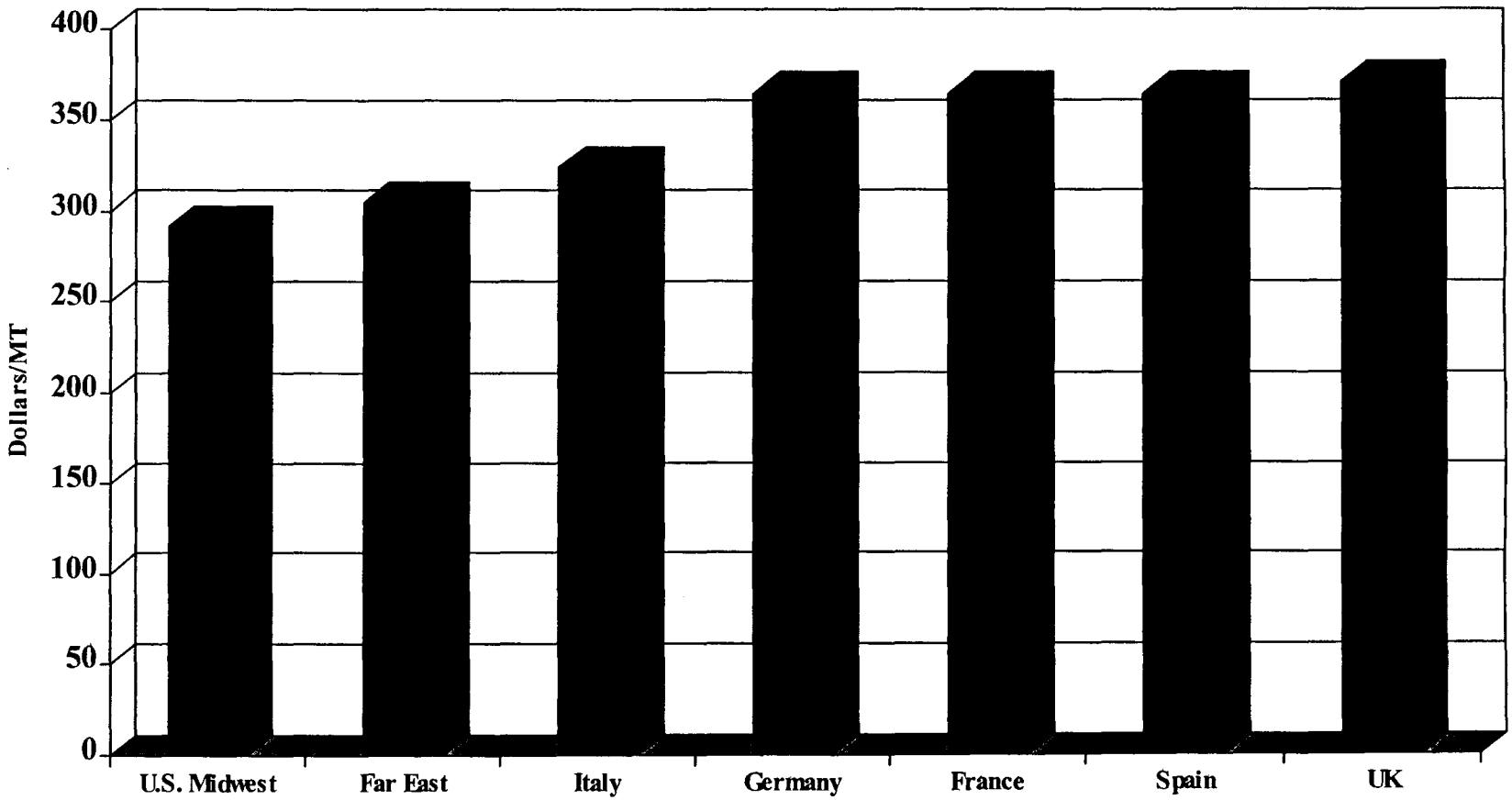
Spot Prices Have Fallen for Almost a Year



Source: *Purchasing* Magazine

Hot-Rolled Prices in the U.S. and Other Markets

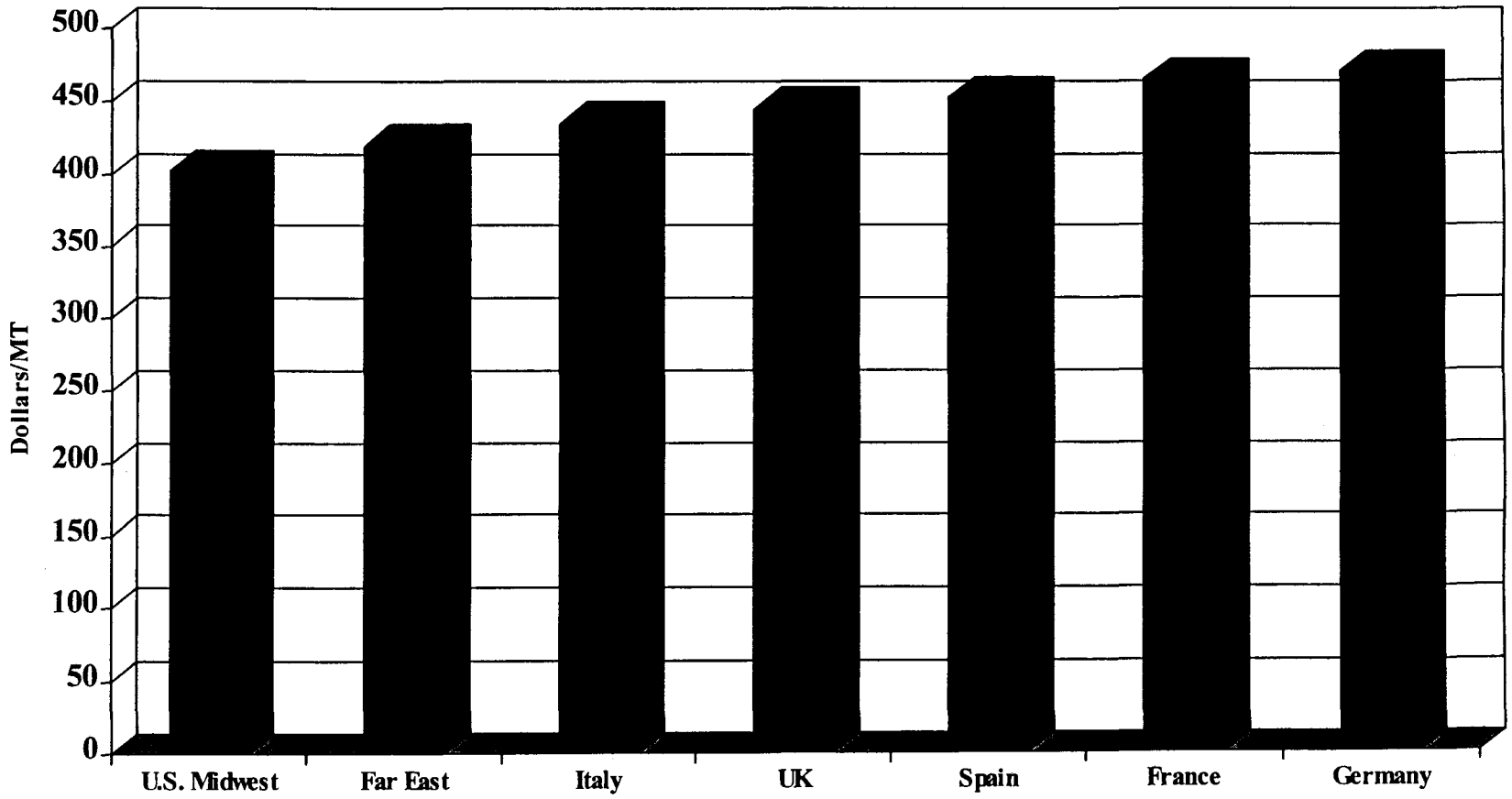
June 2003



Source: CRU *Steel Sheet Monitor*. Note: "Far East" is import price (c&f) of nonCIS material at South China/Taiwan port

Cold-Rolled Prices in the U.S. and Other Markets

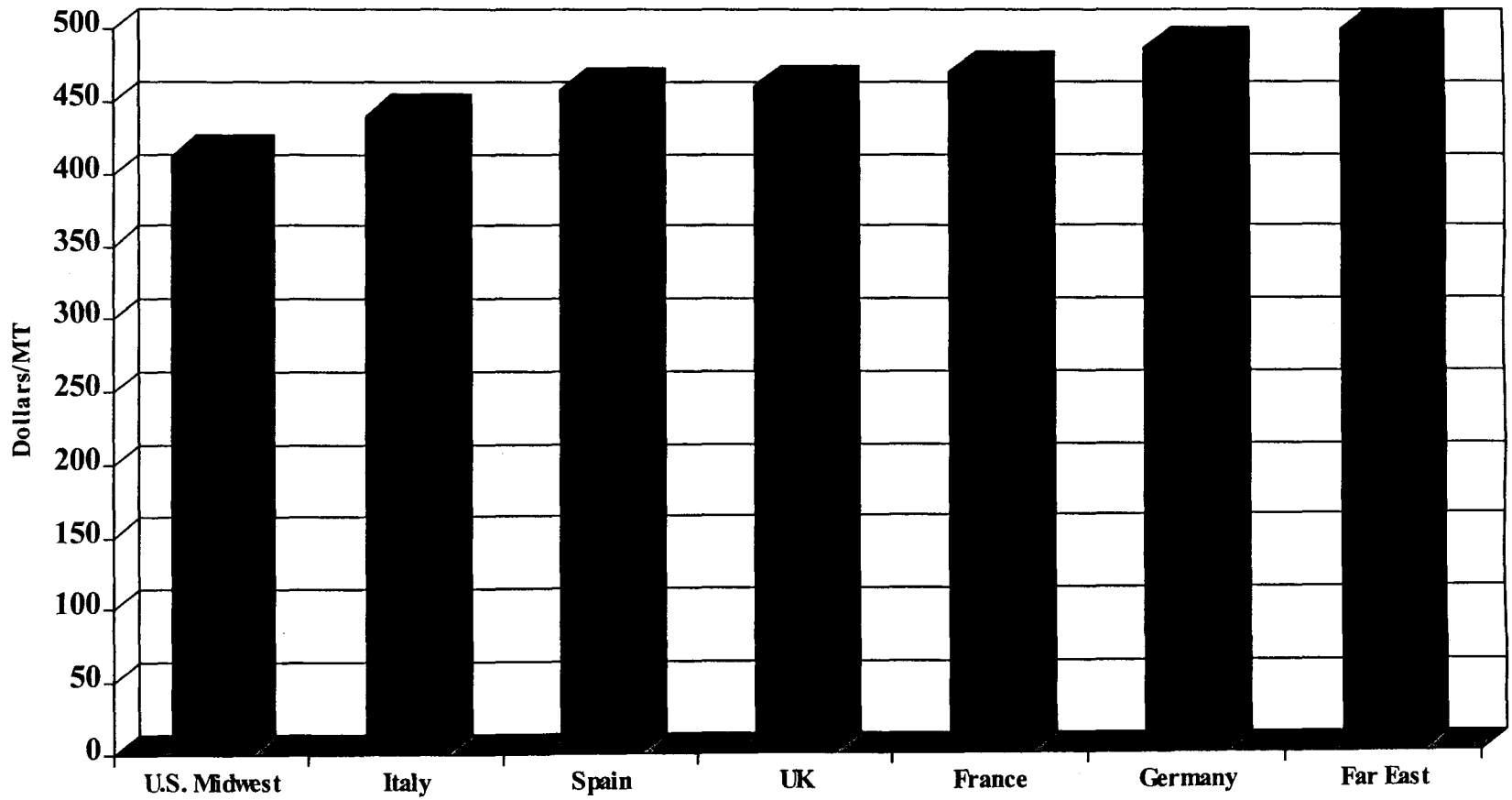
June 2003



Source: CRU *Steel Sheet Monitor*. Note: "Far East" is import price (c&f) of nonCIS material at South China/Taiwan port

Hot-Dipped Galvanized Prices in the U.S. and Other Markets

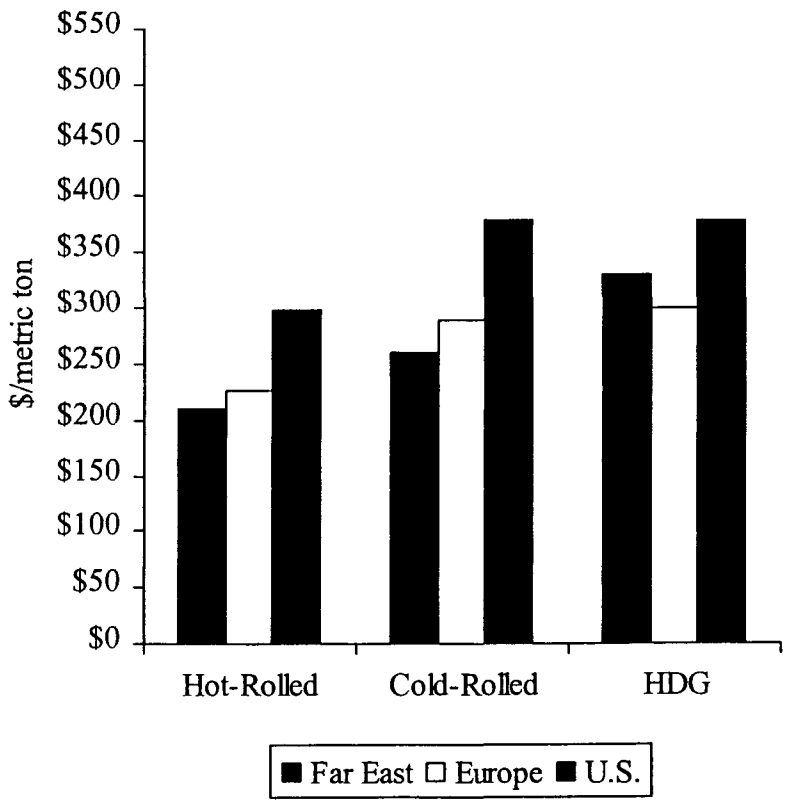
June 2003

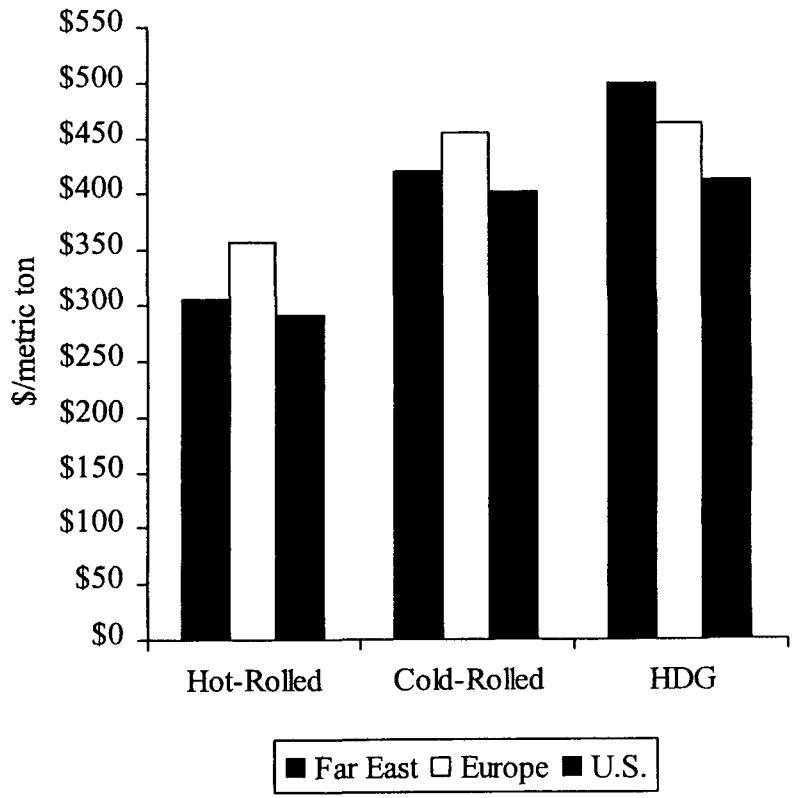


Source: CRU *Steel Sheet Monitor*. Note: "Far East" is import price (c&f) of nonCIS material at South China/Taiwan port

Flat-Rolled Steel in the United States Today Is Much Less Expensive Relative to Prices in Other Countries Than It Was Before the Section 201 Tariffs Were Imposed

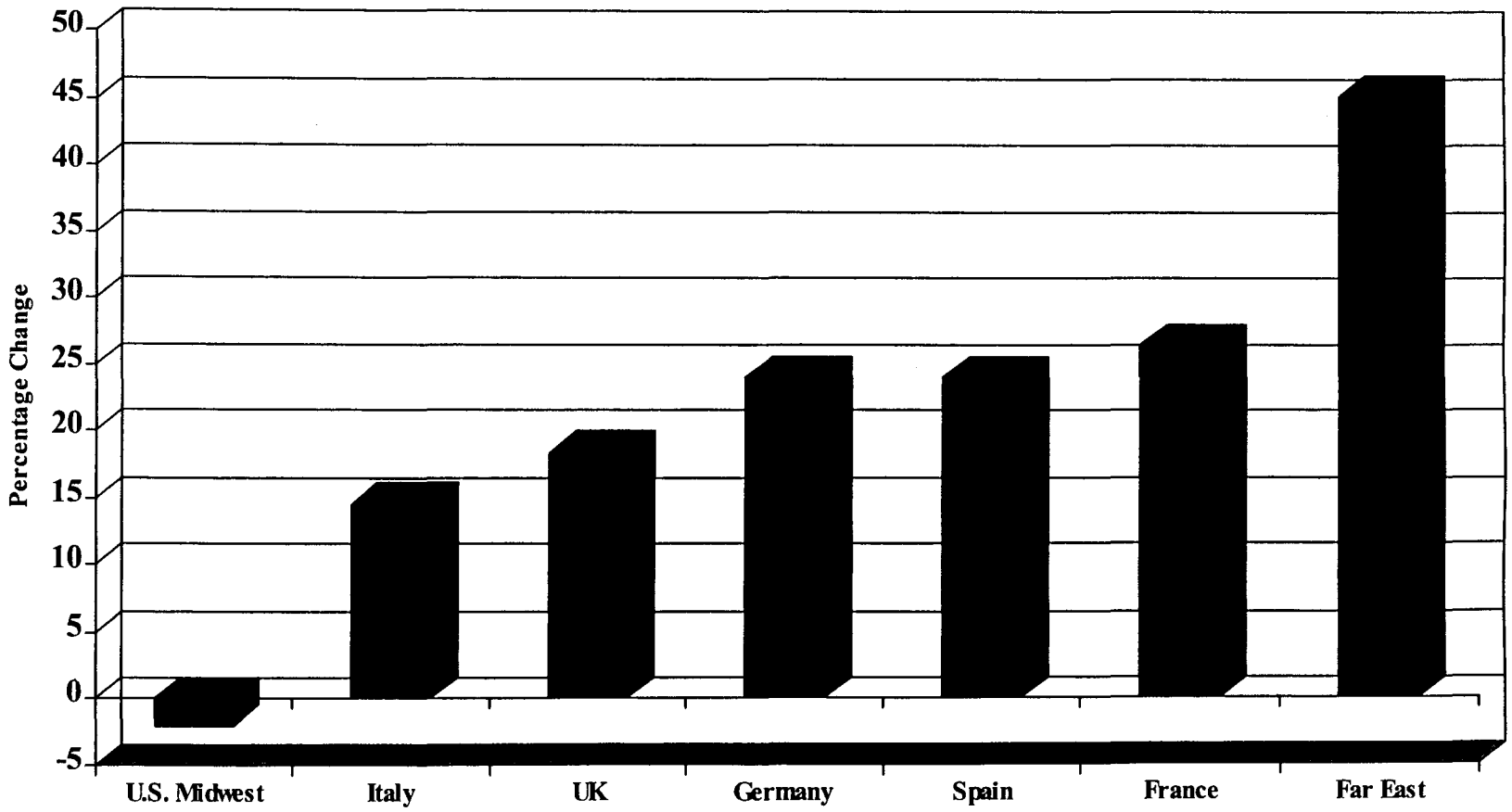
($/metric ton)





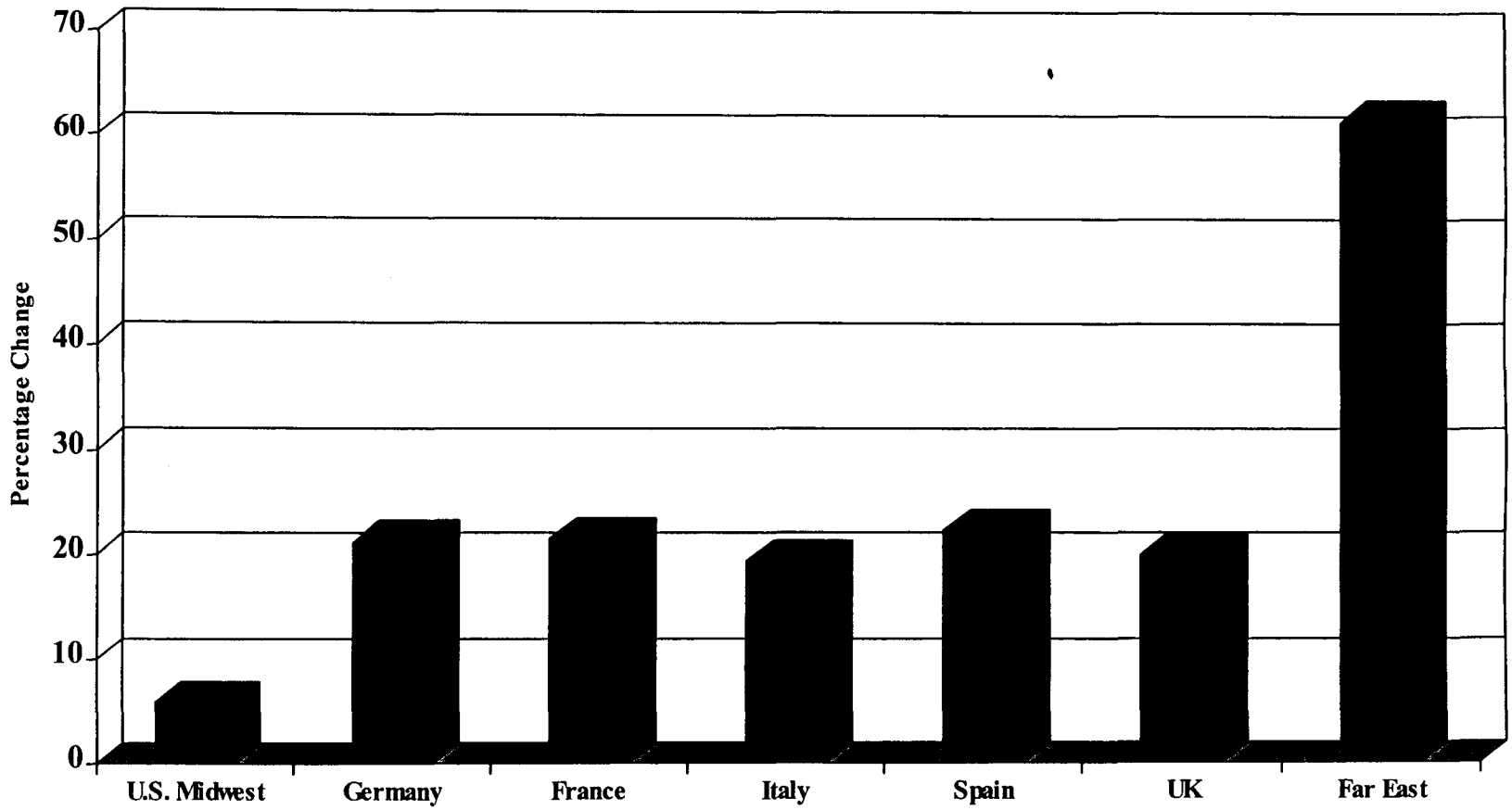
Source: CRU International Ltd.
Note: Europe is simple average of price in Germany, France, Italy, Spain and U.K. Far East is import price (c&f) of non-CIS material at South China/Taiwan port. U.S. is Midwest price.

Changes in Hot-Rolled Prices from March 2002 to June 2003



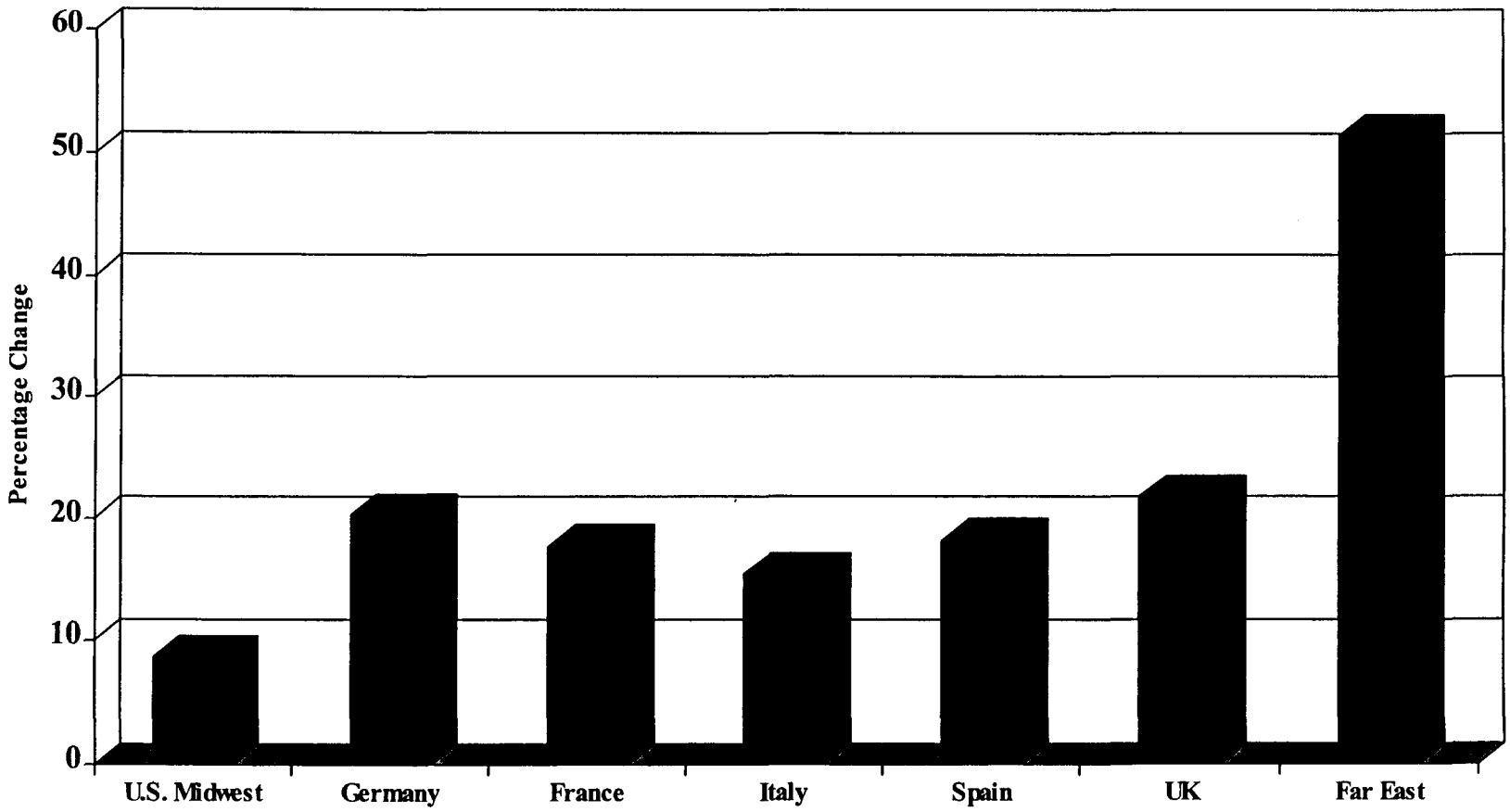
Source: CRU *Steel Sheet Monitor*. Note: "Far East" is import price (c&f) of nonCIS material at South China/Taiwan port; changes in European prices reflect changes as measured in local currency.

Changes in Cold-Rolled Prices from March 2002 to June 2003



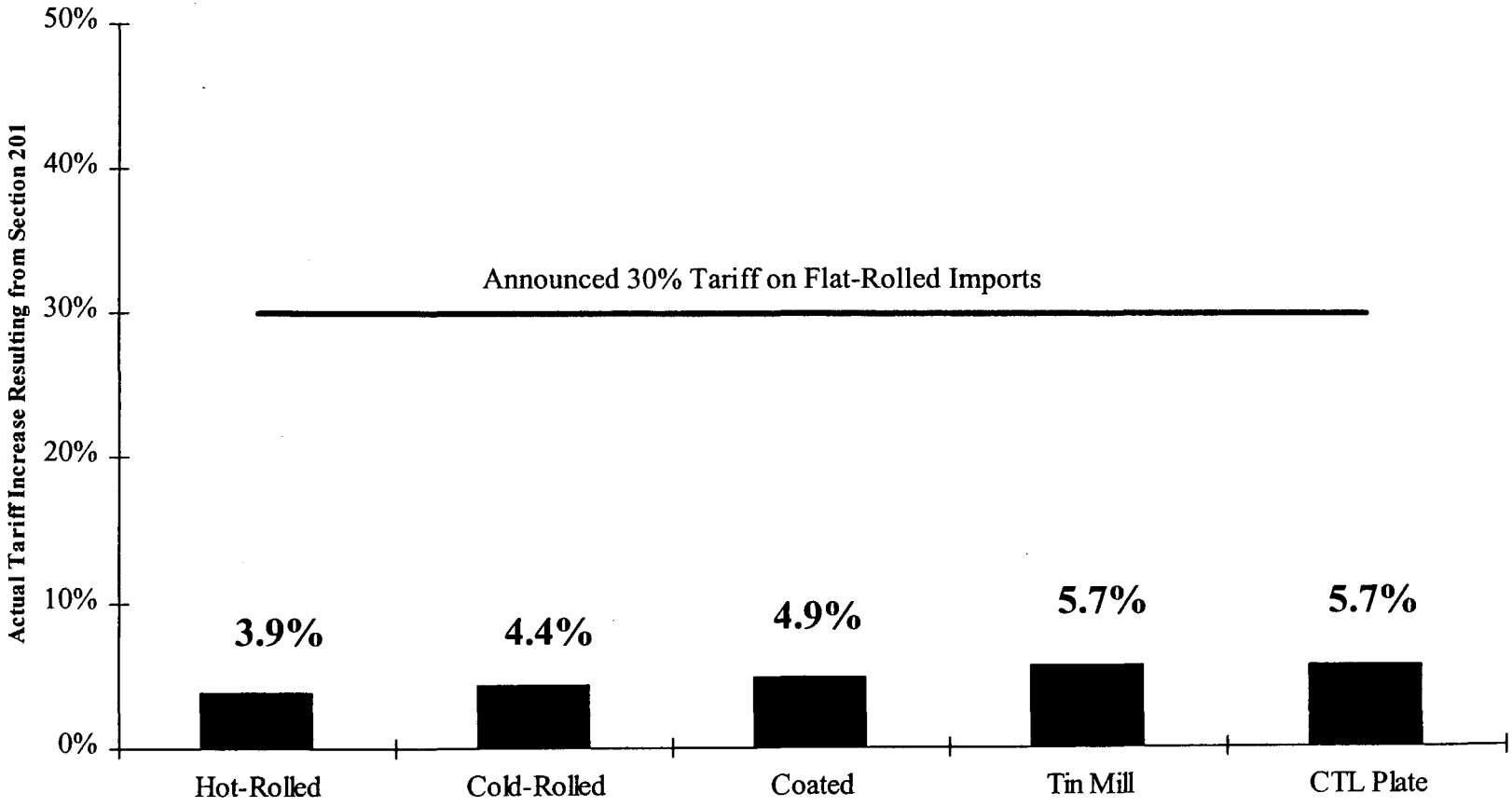
Source: CRU *Steel Sheet Monitor*. Note: "Far East" is import price (c&f) of nonCIS material at South China/Taiwan port; changes in European prices reflect changes as measured in local currency.

Changes in Hot-Dipped Galvanized Prices from March 2002 to June 2003



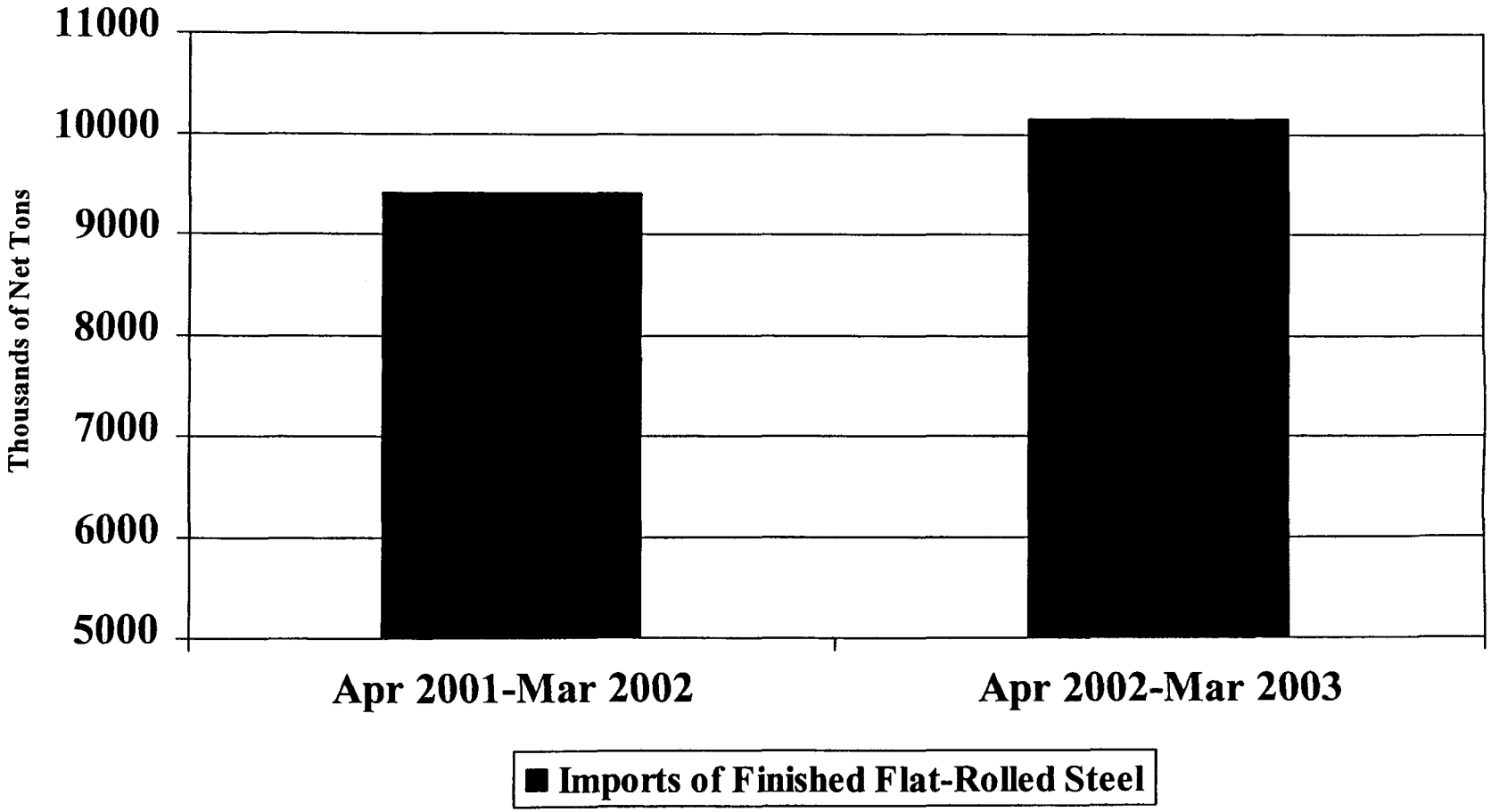
Source: CRU *Steel Sheet Monitor*. Note: "Far East" is import price (c&f) of nonCIS material at South China/Taiwan port; changes in European prices reflect changes as measured in local currency.

Because of Country and Product Exclusions, the Actual Tariff Increase in the First Year of Relief Was Much Less Than 30 Percent



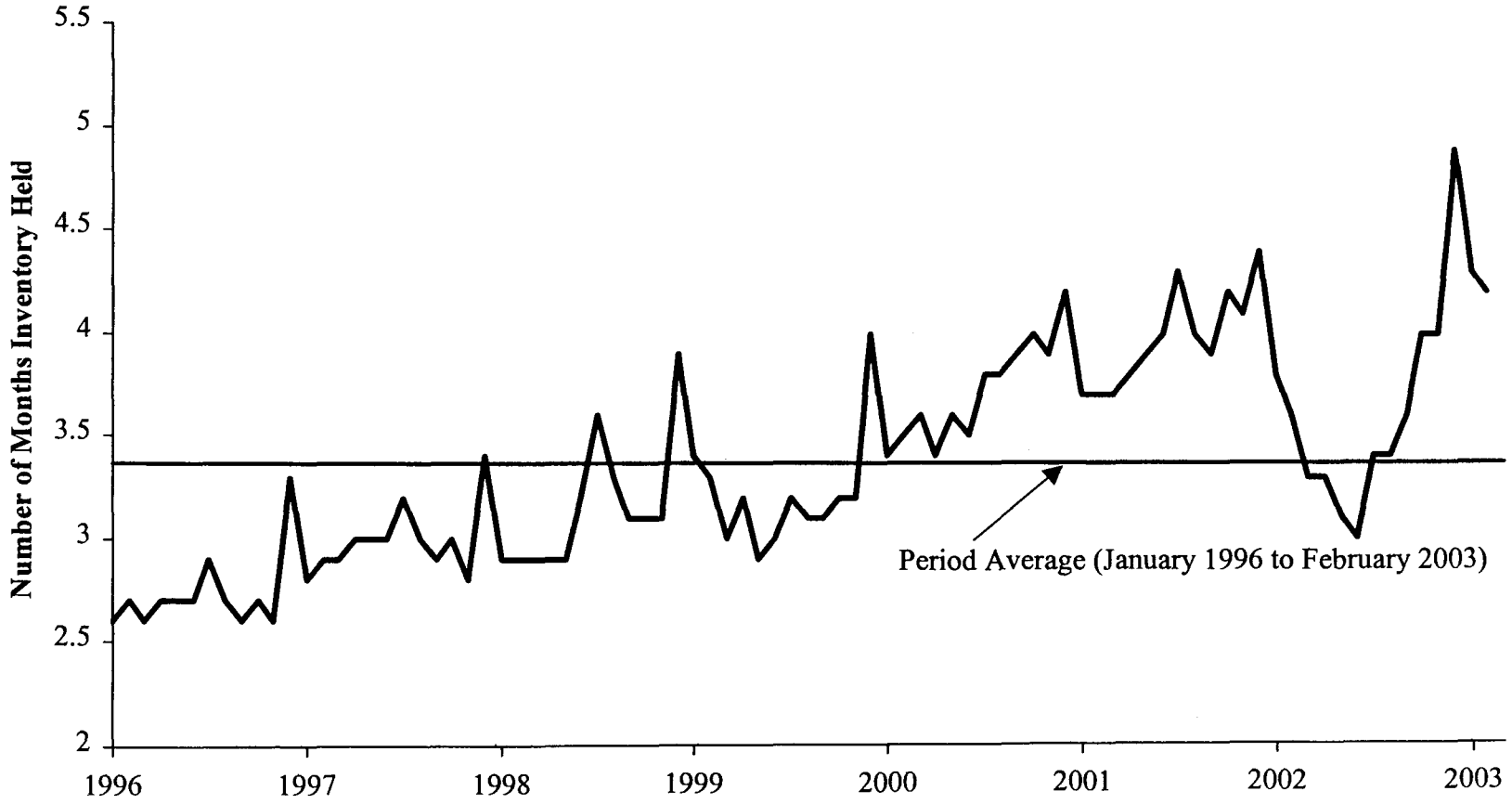
Source: Prehearing Brief at 10.

Finished Flat-Rolled Imports Increased After Relief Was Implemented



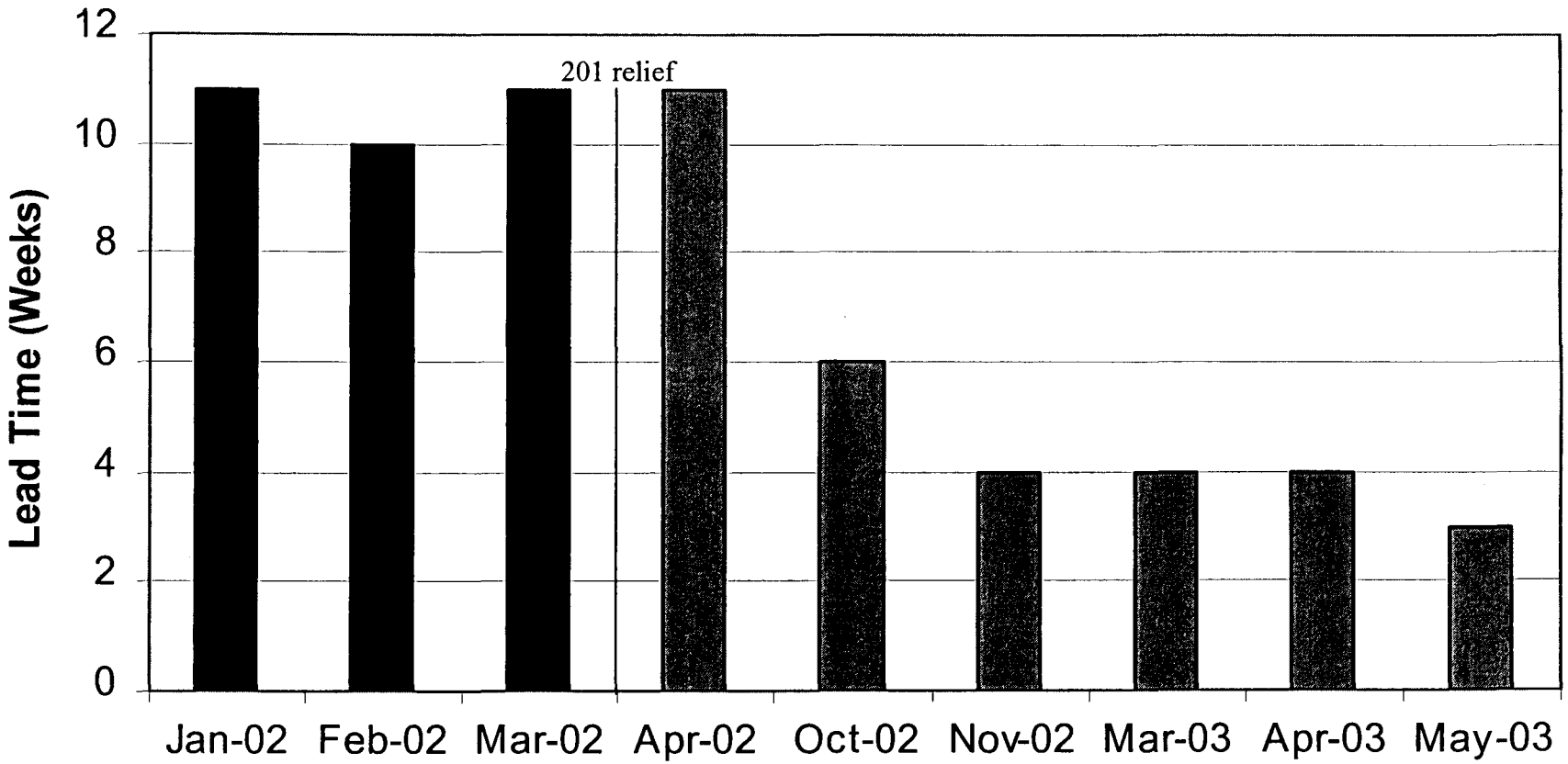
Inventories of Carbon Flat-Rolled Steel Held at Service Centers Reached Historic Levels After Relief Was Implemented

January 1996 to February 2003



Source: Metals Service Center Institute.

Lead Times of Domestic Mills Have Decreased Since Implementation of 201 Relief



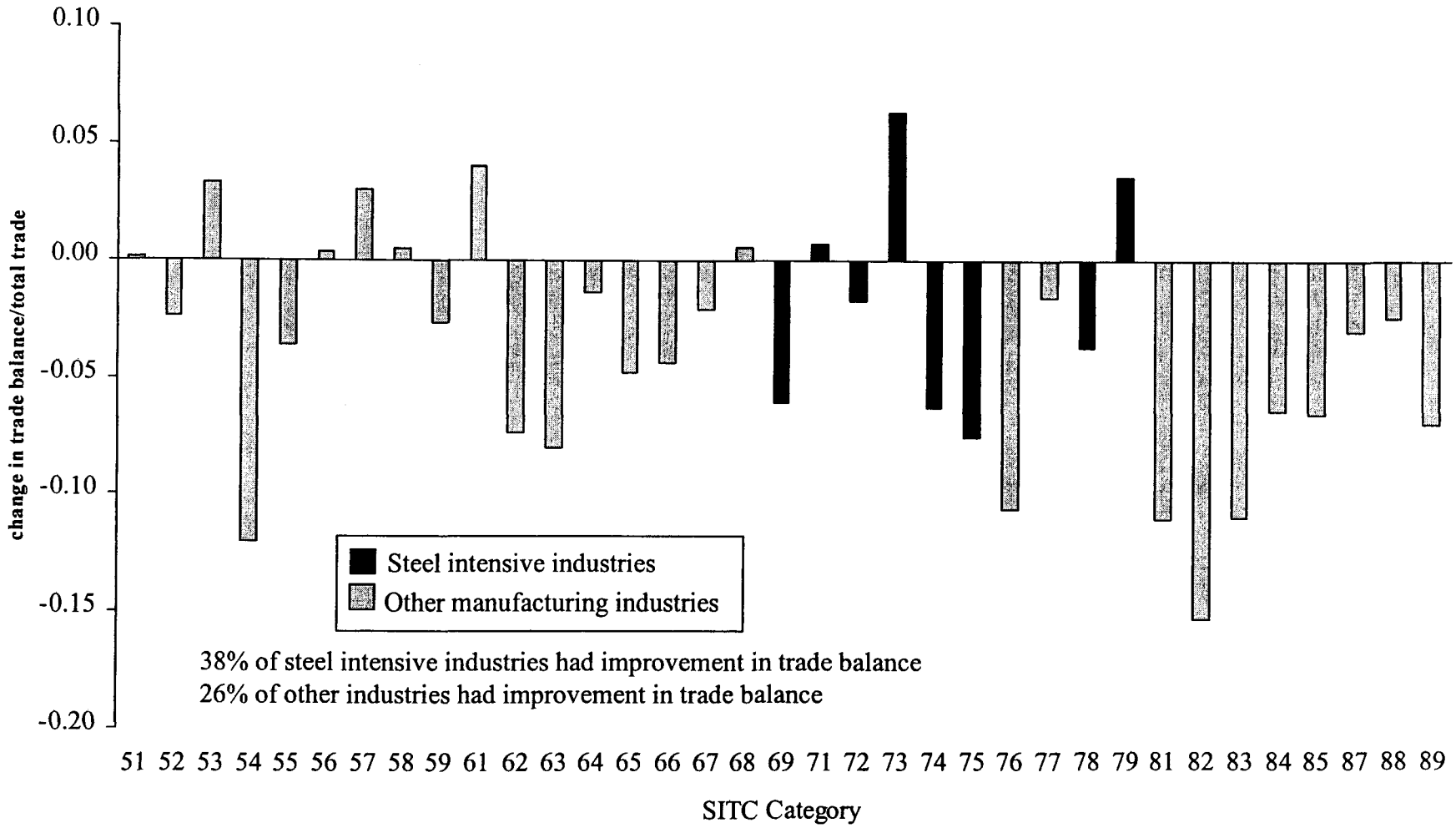
Source: CRU, *Purchasing* Magazine

CITAC'S "Study" Regarding Job Losses Has No Value in this Investigation

- Report was issued in February, and does not consider the effect of recent price declines
- Report measures changes in price, not effect of tariff
- Report uses December 2001 price – an all-time low – as its "benchmark" price
- Report fails to explain the fact that the biggest job loss in steel consuming industries occurred when steel prices were the lowest

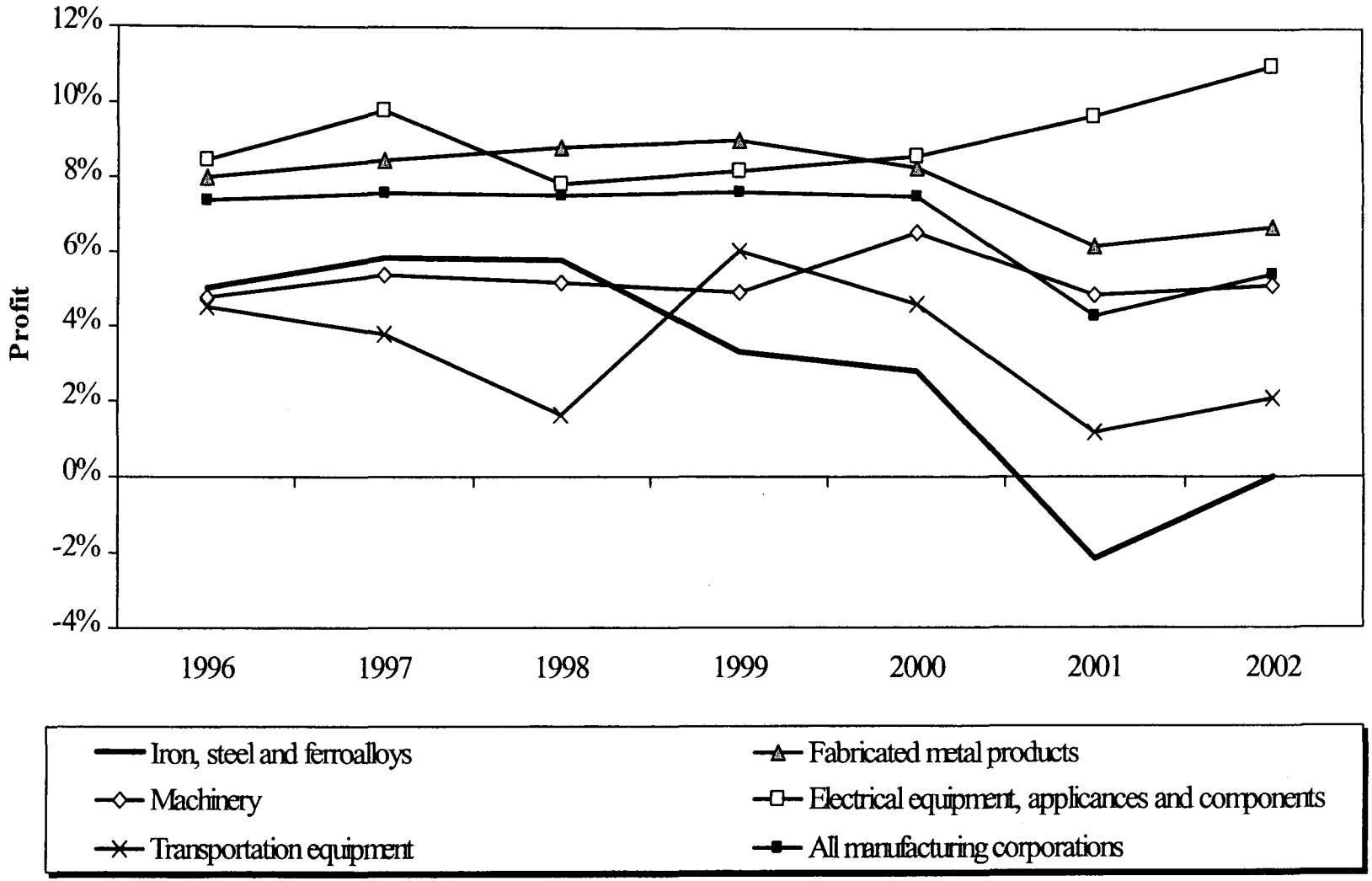
Section 201 Relief Did Not Cause the Trade Balance of Steel Intensive Industries to Differ Significantly from Other Manufacturing Industries

April 2001-March 2002 to April 2002-March 2003



Source: U.S. Department of Commerce, Office of Trade and Economic Analysis

Even in 2002, Steel Consuming Industries Were More Profitable than Domestic Steel Producers

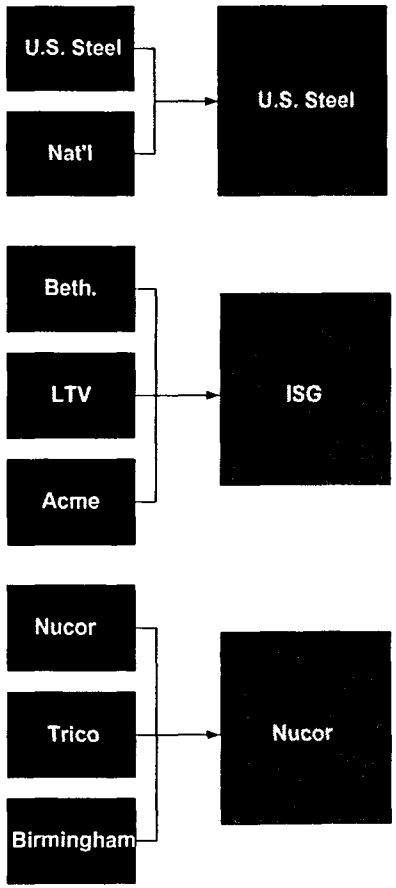


Source: Quarterly Financial Report for Manufacturing, Mining, and Trade Corporations -U.S. Census Bureau, April 2003.
http://www.census.gov/csd/qfr/view/press.htm
Note: Data for fourth quarter 2000 through 2002 are stated on the NAICS basis. All prior quarters are stated on the Standard Industrial Classification System.

Domestic Consumers Need a Healthy Domestic Steel Industry

- Allows adequate supply without fear of shut-downs
- Allows access to latest in steel-making technology
- Prevents dependence on foreign steel producers

In the Last 14 Months, Domestic Producers Have Invested Billions to Consolidate and Improve Productivity



$1.05 billion invested

$1.827 billion invested

$766.5 million invested

Total: $3.6 billion

Consumers Will Benefit from Productivity Gains in the Domestic Industry

- **U.S. Steel:** expects synergies resulting in cost savings of ***$200 million per year*** within two years, and a ***20% increase in productivity***

- **ISG:** has ***reduced*** time needed at former LTV mills to produce a ton of steel from 2.5 man-hours ***to less than one***; has cut the cost of hot-rolled steel production ***in half***