

CHAPTER 3

PORTS AND RELATED-SERVICE PROVIDERS: RECENT CHANGES IN COMPETITIVE CONDITIONS AND THE EFFECTS OF SAFEGUARD REMEDIES

Introduction¹

U.S. port authorities and related-service providers generate significant revenues and employment income from steel imports.² The extent to which ports and related-service providers were adversely affected by the steel safeguard measures corresponds with their reliance on steel imports. In the aggregate, adverse effects related to the safeguard measures may have been somewhat offset by increased imports of raw materials (steel inputs) to produce steel, and, to a very small extent, through increases in U.S. exports of steel.

To assess the effects of the safeguard measures, the Commission sent questionnaires to 128 port authorities and related-service providers, primarily stevedoring³ and terminal operators. This survey sample consisted of the top 50 ports,⁴ ranked by tonnage, at which imports of steel of the types subject to safeguard measures were unloaded in 2002/03.⁵ These ports accounted for 85 percent of such steel imports. The sample also included the leading stevedoring firms, marine terminal operators, and barge lines in the top 10 ports, as well as a small number of related-service providers, such as trucking and other maritime services. The Commission received usable responses from 21 port authorities and related-service providers,⁶ resulting in a response rate of 16 percent. Responding port authorities accounted for approximately 27 percent of total steel imports subject to safeguard measures in 2003. The lack of

¹ The request letter asked the Commission to assess the effects of the steel safeguard measures on industries that rely on imports of steel, such as ports.

² U.S. ports authorities having steel imports had revenues from marine activities of approximately \$1.7 billion in 2000 and 2001, the most recent periods for which data were available (U.S. Department of Transportation, Maritime Administration, Office of Ports and Domestic Shipping, *Public Port Finance Survey for FY 2001*, April 2003).

One industry source estimated that in calendar year 2000, U.S. ports generated \$1.6 billion in direct and indirect revenues for ports and related service providers' revenues and more than 27,000 full-time equivalent jobs related to the handling of steel imports (Martin Associates, *The Economic Impact of Imported Iron and Steel Mill Products on the Nation's Marine Transportation System*, Exhibit 2, Dekieffer & Horgan, "Comments by the Free Trade in Steel Coalition on Section 203 Remedies (Steel) to the Trade Policy Staff Committee," Jan. 4, 2002, found at <http://www.ustr.gov/sectors/industry/steel/201/president-comments.htm>, retrieved June 4, 2003).

³ Stevedoring firms hire and manage the labor that loads or unloads a ship.

⁴ This analysis excludes inland river ports that may have benefitted from the transshipment of steel through the United States via inland waterways, as well as activity generated by U.S. exports of steel as a result of the steel safeguard measures.

⁵ Throughout this chapter, 2000/01 refers to Apr. 1, 2000 through Mar. 31, 2001; 2001/02 refers to Apr. 1, 2001 through Mar. 31, 2002; and 2002/03 refers to Apr. 1, 2002 through Mar. 31, 2003.

⁶ Eight entities provided negative responses, indicating that they did not handle, load, or unload steel of the type subject to safeguard measures.

publicly available data precludes the Commission from ascertaining the degree to which responses to the Commission questionnaire from stevedoring and terminal operators handling steel and/or deriving revenues from subject steel imports represents these segments of the U.S. maritime industry. However, responses to the Commission questionnaire appear to be consistent with the broad base of information compiled during this investigation. For example, as noted earlier in this report, at the Commission's public hearing, several maritime and transportation interests testified regarding the effects of the safeguard measures, and the Commission received a number of written statements during the investigation. Further, the Commission conducted a number of telephone interviews with maritime interests. Other than trade statistics by port district, the most current publically available data on port activities are generally for calendar year 2001.

Summary of findings

- *Steel imports*—Constitute a significant portion of port trade tonnage in the Philadelphia, PA; Chicago, IL; Houston-Galveston, TX port districts; and also at the Port of New Orleans, LA.
- *Imports*— Waterborne imports of steel of the types covered by the safeguard measures declined by 10 percent prior to the implementation of the safeguard measures (2000/01-2001/02) and by 10 percent after implementation (2002/03), for a total decline of 4.0 million short tons. However, imports by land from Canada and Mexico, countries not covered by the measures, rose by 1.1 million short tons after implementation of the safeguard measures. Overall, imports of all steel products, declined almost 7 percent in the year after the safeguards.
- *Other factors*—Other events at steel mills (fire, furnace relining, natural gas line construction), falling demand for steel imports from a weakened economy, and antidumping orders account for some shifts in imports during 2000/01-2002/03.
- *Imports of steel inputs and U.S. steel exports*—U.S. ports and related-service providers likely received modest benefits from increased imports of steel inputs and rising U.S. exports (exports are a fraction of the volume of U.S. steel imports).
- *Revenues and hours* —U.S. ports and related-service providers realized a decline of approximately 28 percent in revenues from total steel imports during 2000/01-2001/02 and a further decline of 15 percent after implementation of the safeguards. Hours worked declined by about 10 percent before and after implementation of safeguard measures.

This chapter first describes the reliance of ports on steel trade and the structure of this segment of the maritime industry. The chapter then examines the principal factors determining revenues and hours-worked (a reportedly better measure of industry health than employment), as well as the trends in imports and exports of steel and steel inputs. Concluding the chapter is a discussion of the effects of the safeguard measures based on responses to the Commission's questionnaire and publicly available information and data. Data for this chapter are principally in short tons because, unlike steel consuming industries that are concerned with the price of steel, ports and related-service providers base their revenues, and indirectly the amount of hours worked, on the tonnage of steel handled.

Ports and the Steel Trade

In calendar year 2001, steel accounted for about 4 percent of the total tonnage of U.S. imports and exports, excluding liquids in tankers, flowing through U.S. port districts with steel trade (table 3-1). However for some port districts, steel trade and trade of the types of steel covered by the safeguard measures, represents a sizeable portion of total port district volume. The Philadelphia district had the greatest share of total trade accounted for by types of steel covered by the safeguards, with total steel trade accounting for 27 percent and steel trade of the types of steel covered by safeguard measures accounting for 24 percent. Other port districts with significant shares of total trade accounted for by subject steel include Chicago, Houston-Galveston, and San Francisco. The share for the port district of

New Orleans is low because of the large number of ports in that district that handle commodities other than steel. The Commission estimates that subject steel shipped through the Port of New Orleans amounted to 4 percent of total trade, owing to the Port's large export volume, and all types of steel accounting for approximately 6 percent of total trade. The Port of New Orleans reported that it derives over 40 percent of its revenues from trade in steel.⁷

Table 3-1
U.S. ports districts of unloading:¹ Steel trade,² by type, as a share of total trade,² calendar year 2001

| Port | Total steel as share of total | Steel of types covered by the |
|--|--|-------------------------------|
| | trade, excluding tanker trade ³ | safeguard measures as a share |
| | <i>Percent</i> | |
| Philadelphia, PA | 27.2 | 24.3 |
| Los Angeles, CA | 5.9 | 4.6 |
| Houston-Galveston, TX | 9.8 | 5.3 |
| New Orleans, LA ³ | 2.6 | 1.6 |
| Chicago, IL | 20.5 | 18.0 |
| San Francisco, CA | 6.3 | 5.8 |
| Columbia-Snake, OR | 4.7 | 4.0 |
| Tampa Total FL | 4.5 | 3.2 |
| Cleveland, OH | 2.1 | 1.7 |
| Detroit, MI | 3.2 | 2.9 |
| All others | 2.1 | 1.3 |
| Total | 4.3 | 3.1 |

¹ Excludes the district of Portland, ME, which did not have imports or exports of steel.

² Imports for consumption plus exports of domestic merchandise. Exports exclude data on certain fertilizers due to confidentiality concerns.

³ Percentages are based upon data for total port district trade for container, dry bulk, and break bulk and roll-on/roll-off, but exclude tanker trade. Liquid tanker trade is likely to occur at terminals that are either located offshore or are not under the jurisdiction of port authorities.

⁴ The percentages for the Port of New Orleans is likely substantially higher because the most of the steel trade occurs at that port, however, the New Orleans port district includes many ports that handle products other than steel.

Source: Data from U.S. Department of Transportation, Maritime Administration, and U.S. Census Bureau

Industry Structure

A diverse set of industry participants import and transport steel to the ultimate customer, including governmental bodies, maritime service firms, longshoremen hired on an as needed basis, and transportation firms and individual truckers. Figure 3-1 lists the participants involved in steel imports and shows the flow of revenue or income to these service-providers.

⁷ Testimony of David P. Schulingkamp, Chairman of the Board of Commissioners of the Port of New Orleans, before the Subcommittee on Trade, Ways and Means Committee, U.S. House of Representatives, transcript of the Hearing on the Impact of the Section 201 Safeguard Action on Certain Steel Products, Mar. 26, 2003, p. 55.

Figure 3-1
U.S. port and related-service providers: U.S. industry participants and their role

| Type of firm | Type of port ¹ | | | |
|--|---|---|--|--|
| | Administered by Port Authority | | | Privately-owned |
| | <i>Landlord</i> | <i>Operating</i> | <i>Limited operating</i> | |
| Port Authority | Builds wharves, rents or leases facilities to terminal and warehouse operators | Builds wharves; operates facilities and provides services for loading/unloading cargo | Combines landlord and operating functions, leasing some properties, operating others | |
| Private terminal owner | | | | Build wharves, invests in cargo handling equipment, and operates facilities. Alternatively, leases the facilities. |
| Terminal operator² | Leases terminal, obtains customers, invests in cargo handling equipment, and may hire longshoremen to load/unload the cargo | | Possible leasing of terminal, obtains customers, invests in cargo handling equipment, and may hire longshoremen to load/unload the cargo | Possible leasing of terminal, obtains customers, invests in cargo handling equipment, and may hire longshoremen to load/unload the cargo |
| Stevedoring firm | Hires longshoremen and provides management of cargo loading/unloading | | Possible hiring of longshoremen and provides management of cargo loading/unloading | Possible hiring of longshoremen and provides management of cargo loading/unloading |
| Other maritime services³ | Chandlers (provide ship supplies) Bunkering | | Towing Marine surveying | Piloting Medical services |
| Connecting transportation services | Barge lines ⁴ Railroads | Independent truckers and trucking firms | | |

¹ According to information from the American Association of Port Authorities, 34 public port authorities operate as landlord ports; 32 as operating ports; and 11 as limited-operating ports. The number of private port terminals handling steel is not readily available.

² The major firms are P&O Ports North America, Inc.; Cooper/T. Smith Stevedoring Co.; Ceres Terminals; SSA Marine; and Pasha Stevedoring & Terminals, L.P.

³ Chandlers provide vessels with ship supplies, such as food, clothing, and spare parts; towing firms provide tug boat services to guide the vessel to and from the port; pilots assist in navigating the vessels through channels and harbors to and from the marine terminals; bunkering firms provide vessels with fuel; marine surveyors inspect the vessels and the cargo; and medical services tend to the medical needs of vessel crew members.

⁴ The major domestic lines handling steel are American Commercial Barge Lines, Ingram Barge Company, and TECO Barge Line.

Source: Based upon interviews by USITC staff with industry sources and submissions to the USITC for Investigation No. 332-452.

In the United States, ports handling steel imports are administered principally by port authorities. A few small ports are administered by private marine terminal operators or steel companies. Port authorities may be local governmental bodies, such as municipalities or counties, or state agencies. For example, the Port of Los Angeles is a department of the City of Los Angeles, and several states, such as Alabama, Georgia, North Carolina, and South Carolina, have state port authorities. Marine terminal operators are firms that manage and/or own marine terminals at ports, and they may also provide stevedoring services. In the United States, a few large marine terminal firms handle most steel imports, but there are numerous smaller firms.⁸ There are a number of related-service providers involved in the transportation of imported steel on waterborne vessels, including Chandler, towing, piloting, bunkering, marine surveying, and medical services. Trucking firms, barge lines, and railroads convey steel from the docks to the ultimate customers. Barges operate on the inland waterways, primarily along the Mississippi River.

Employees involved in handling steel imports may work for either state, county, or municipal entities, as well as for private-sector firms. In addition, many workers loading and unloading steel are members of unions such as the International Longshore and Warehouse Union (ILWU), which represents longshoremen on the West Coast, or the International Longshoremen's Association (ILA), which represents workers in the Great Lakes region and on the Gulf and East Coasts.⁹ Other major unions representing longshoremen are the United Steelworkers of America and the Teamsters Union. Navigation pilots at ports may also be represented under organized labor arrangements.

Because precise employment estimates for persons engaged in handling steel imports of the types covered by safeguard measures are unknown, an approximate level of employment may be deduced. Based upon statistics from the U.S. Bureau of Labor Statistics, average annual employment for support activities for water transportation (NAICS industry group 4883)¹⁰ totaled 95,000 persons, ranging from 90,200 to 100,900 persons on a monthly basis, during 2000/01-2002/03. Average annual employment for solely marine cargo handling (NAICS industry 48832) was about 40,400 persons during the same 3-year period, ranging from 37,700 to 39,400 persons on a monthly basis. While employment did not change

⁸ P&O Ports North America, Inc. is owned by the P&O Group, headquartered in London, and operates in numerous ports throughout the United States. Cooper T. Smith is present at 38 U.S. ports, as well as ports in Canada, Mexico, and South America. SSA Marine operates on the West, Gulf, and East Coasts, as well as internationally, and encompasses the former Stevedoring Services of America based in Seattle, WA. Ceres Terminals, which has annual revenues of \$150 million and operations in nine U.S. ports, as well as in Canada and Amsterdam, was purchased in Oct. 2002 by NYK Line of Japan, one of the world's leading vessel operators. *See* NYK Line, press release, "NYK to Purchase Ceres Terminals," Sept. 12, 2002, found at <http://www.nykline.co.jp/english/what/2002/0912/index.htm>, retrieved May 7, 2003; and "Big News in 2002 for NYK Group," found at <http://www.nykline.co.jp/english/2002/1217/index.htm>, retrieved May 7, 2003.

⁹ Maritime service providers on the West Coast and Texas have specific organizations to negotiate agreements with unions. The Pacific Maritime Association (PMA) is an association that negotiates and administers maritime labor agreements with the International Longshore and Warehouse Union. The Pacific Maritime Association's membership consists of U.S. flag and foreign flag steamship operators, and stevedore and terminal operator companies that operate in California, Oregon, and Washington ports. The West Gulf Maritime Association is a Texas nonprofit corporation that negotiates and administers maritime labor agreements with the International Longshoremen's Association in all Texas ports and the Port of Lake Charles, Louisiana. The West Gulf Maritime Association membership consists of steamship owners, operators, agents, stevedoring and/or terminal operators.

¹⁰ Data pertain to employees designated under North American Industrial Classification System (NAICS) industry group 4883, Support Activities for Water Transportation. This industry group includes NAICS industries 488310, Port and Harbor Operations; 48832, Marine Cargo Handling; 48833, Navigational Services to Shipping; and 48839, Other Support Activities for Water Transportation. Other relevant employment data are classified under NAICS national industries 483113, Coastal and Great Lakes Freight Transportation and 483211, Inland Water Freight Transportation.

much annually, average hourly wages for production workers in marine cargo handling rose by 16 percent during 2000/01-2002/03, from \$18.37 to \$21.30 per hour.

According to an estimate by Martin Associates¹¹ made prior to implementation of safeguard measures on steel, the 36.4 million short tons of iron and steel imported in calendar year 2000 generated 38,800 direct, induced, and indirect jobs that resulted in \$1.7 billion of direct, induced, and indirect wages and salaries.¹² Martin Associates estimated that 1,100 jobs are created for every 1 million short tons of steel imported. Direct employment was estimated at 27,148 persons and direct personal income at \$466 million. Based upon the data provided above, employment estimates for persons directly handling imported steel of the types covered by the safeguard measures is likely to range from 17,000 to 19,000 persons in 2002/03, based upon the share of steel imports covered by the safeguards to total steel imports and responses to the Commission's questionnaire regarding employment.

Information from the Port of Houston Authority illustrates employment levels and income at a large steel handling port. For its port facilities alone, the Authority estimates (also based on the Martin Associates study) that 0.43 jobs are created for each 1,000 short tons of steel handled at its public facilities, and \$31 in business revenue is generated per short ton of handled steel.¹³ Such parameters would result in 1,776 jobs and \$128 million in business revenue created for the 4,130,456 short tons of steel handled in 2000. Personal income for employees directly handling steel at the Port of Houston was estimated at \$46.5 million in calendar year 2000.¹⁴

Although the most recent publicly available data on port revenues and capital expenditures are for calendar year 2001, such information provides a perspective regarding port operations. According to statistics published by the U.S. Maritime Administration, profitability at U.S. public ports varied widely in calendar year 2001, with a number of ports in the Northeast United States incurring losses; however, the report did not provide reasons for the profitability trends.¹⁵ Ports face additional costs related to homeland security following the terrorist attacks of September 11, 2001. According to an estimate by the U.S. Coast Guard, if ports are to comply with the Maritime Transportation Security Act,¹⁶ \$4.4 billion will be required over the next 10 years to cover the costs associated with acquiring new equipment and hiring new personnel.¹⁷

U.S. ports make a variety of capital investments for either maintenance or new construction each year. According to U.S. Maritime Administration data, U.S. public port capital expenditures declined from \$1.5 billion in calendar year 1997 to \$1.0 billion in calendar year 2000, before rising to \$1.7 billion

¹¹ Martin Associates, *The Economic Impact of Imported Iron and Steel Mill Products on the Nation's Marine Transportation System*, Exhibit 2, Dekieffer & Horgan, Comments by the Free Trade in Steel Coalition on Section 203 Remedies (Steel) to the Trade Policy Staff Committee, Jan. 4, 2002, found at <http://www.ustr.gov/sectors/industry/steel/201/president-comments.htm>, retrieved June 4, 2003.

¹² Direct employment include those jobs directly related to handling steel. Induced employment are those jobs that are created as a result of income spending by those persons directly handling steel. Indirect employment is generated by the expenditures of firms directly handling steel on goods and services. *Ibid.*, pp. 4-5.

¹³ Testimony of Wade Battles, Managing Director, Port of Houston Authority, transcript of Commission hearing, June 19, 2003, p. 323.

¹⁴ PPS Consult, written submission to the USITC, for Investigation No. 332-452, July 17, 2003, p. 3.

¹⁵ U.S. Department of Transportation, Maritime Administration, Office of Ports and Domestic Shipping, *Public Port Finance Survey for FY 2001*, April 2003.

¹⁶ The Port and Maritime Security Act (S. 1214) was passed by Congress in November 2002.

¹⁷ AAPA, position paper, Seaport Security, found at http://www.aapa-ports.org/govrelations/aapa_security_position.pdf, retrieved June 6, 2003.

in calendar year 2001.¹⁸ In that year, the top 10 ports in terms of volume of imported steel accounted for almost 80 percent of total capital expenditures. For example, the Port of Los Angeles had capital expenditures of \$550.7 million in calendar year 2001, and the Port of Houston Authority had capital expenditures of \$45.2 million.¹⁹ U.S. public ports rely significantly on port revenues and revenue bonds to finance capital expenditures. In calendar year 2001, port revenues accounted for 51 percent of overall financing; revenue bonds for almost 29 percent; general obligation bonds for 9 percent; grants for 7 percent; loans for 4 percent; and other methods for 11 percent.²⁰

Determinants of Revenues and Hours Worked

The principal determinants affecting ports and related-providers' levels of revenue, income, and hours-worked related to steel trade are steel tonnage, the length of time a vessel is at dock or cargo is on the wharf, and the type of steel that is being unloaded or loaded (table 3-2). Landlord ports account for much of the volume of imported steel, with the exception of the Port of Houston, which is a limited operating port. These ports²¹ derive their income principally from dockage and wharfage fees and the leasing of property to terminal operators and warehousing firms. Terminal operators that lease facilities charge customers the port's tariff for dockage and wharfage and, in turn, remit a percentage of revenues to the landlord port. Within a customs port district, private terminal operators may own facilities at which ships discharge imported steel and charge their own fees. For example, in the Philadelphia port district, one of the largest points of unloading for steel imports is Novolog USA, Inc., a private terminal north of the Port of Philadelphia, that handles only steel.²²

Dockage fees are charged either on the net registered tons of cargo carried by the vessel or the length of the vessel. For example, a fully loaded ship carrying 18,000 metric tons of semi-finished or finished steel and docked for 3 to 4 days for unloading would generate approximately \$5,000 in daily dockage fees for a total of \$15,000 to \$20,000 for the duration.²³ An alternative to docking is mid-stream anchorage; the fees for mid-stream anchorage are negligible compared to docking. At Gulf Coast ports, approximately 60 percent of imported steel is discharged through midstream operations²⁴ for transport by barge through the inland waterway system to ports in the Midwest. Regardless of whether the vessel is docked or at anchorage, a stevedoring firm would likely be employed to load or unload the cargo. According to industry officials, wharfage fees for such a ship at dock, charged on a metric ton basis, could generate between \$25,000 to \$30,000.²⁵ Generally, wharfage fees are based upon the type of commodity. For example, the Port of Houston Authority maintains a wharfage charge of \$1.65 per short ton for all steel products except steel slabs, for which the charge is \$1.16 per short ton.

¹⁸ Approximately 79 percent of the capital expenditures in 2001 were for cargo facilities; 13 percent for expenditures on terminals; and 8 percent for dredging. Of total port capital expenditures in 2001, 56 percent was for new construction; 29 percent for modernization or rehabilitation; and 14 percent for other miscellaneous construction. U.S. Department of Transportation, Maritime Administration, Office of Ports and Domestic Shipping, *United States Port Development Expenditure Report*, Mar. 2003, p. 4.

¹⁹ *Ibid.*, p. 16.

²⁰ *Ibid.*, p. 18.

²¹ Port authorities at landlord and limited-operating ports may also oversee the operation of airports and other transportation terminals, as well as bridges and other infrastructure that generate revenues.

²² Official of the Port of Philadelphia, telephone interview with USITC staff, June 20, 2003.

²³ Free Trade in Steel Coalition, written submission to the USITC, for Investigation No. 332-452, June 27, 2003, pp. 1-2.

²⁴ DeKieffer & Horgan, on behalf of the Free Trade in Steel Coalition, written submission to the USITC, for Investigation No. TA-201-73, Nov. 13, 2001, p. 5.

²⁵ *Ibid.*, p. 2.

Table 3-2

U.S. port and related-service providers: Sources of and determinants affecting revenue and income

Steel imports

participants/revenue or income

| source | Determinants |
|---|--|
| Ports | |
| Lease port property to terminal operators and warehousing firms | Volume of cargo handled by the terminal operator; high cargo volume results in higher lease revenue, lower cargo volume results in lower lease revenue |
| Dockage fees | Net tonnage of cargo carried by ship or vessel length; length of time vessel remains at dock |
| Wharfage fees | Commodity type and tonnage crossing the wharf, and length of time cargo remains on wharf |
| Terminal operators | |
| Dockage fees | Net tonnage of cargo carried by ship or vessel length; length of time vessel remains at dock |
| Wharfage fees | Commodity type and tonnage crossing the wharf; length of time cargo remains on wharf |
| Equipment usage fees | Length of time equipment used to load/unload cargo |
| Stevedoring firms and longshoremen | |
| Management fees | Size of project and hours worked |
| Hours worked | 1. Tonnage: large cargos result in more hours until the next job 2. Type of steel: higher value added steel shipped as breakbulk ¹ cargo requires careful handling and therefore requires more hours to load or unload |

¹ Breakbulk cargo is noncontainerized cargo that is stored in bales or other discretely packaged units.

Source: Compiled by the Commission from various maritime industry sources.

Steel is principally imported as breakbulk cargo, that is, noncontainerized general cargo that is stored in bales or other discretely packaged units. For example, approximately 88 to 91 percent of hot-rolled, cold-rolled, and corrosion-resistant, plate, and rebar was shipped as breakbulk cargo into U.S. ports from 2001/02 through 2002/03, while the remainder was shipped in containers.²⁶ Containers are used either to protect the product from corrosion or for faster handling.²⁷ Between 85 to 97 percent of stainless steel bar and light shapes, rod, and wire, as well as flanges and fittings was shipped in containers during this period. Approximately 27 to 32 percent of slab was shipped in containers from 2000/01 through 2002/03. Steel shipped as breakbulk cargo requires special handling and is thus labor intensive to load onto and unload from vessels.²⁸

Industry participants contend that for the maritime industry, man-hours worked and resultant wages and fringe benefits lost or gained are more relevant to assessing the effects of the steel safeguards than a measure such as employment in the manufacturing industry.²⁹ The cost in terms of wages and

²⁶ Based upon analysis of the Customs Net Import File.

²⁷ Containers generally come in standard units. A 20-foot equivalent unit is 20 feet by 8 feet by 6 inches high, and has a maximum payload of 23.9 short tons; a 40-foot equivalent unit is 40 feet by 8 feet by 6 inches, and has a maximum payload of 29.4 short tons.

²⁸ Industry representative, telephone interview with USITC staff, May 6, 2003.

²⁹ Testimony of Dennis Rochford, Coordinator, Free Trade in Steel Coalition; Walter A. Niemand, President, West Gulf Maritime Association; and Michael Dickens, District Representative, South Atlantic and Gulf

(continued...)

fringe benefits to discharge a ship of steel imports ranges between \$30,000 and \$76,000.³⁰ Steel is typically unloaded from a vessel by a team of workers, known as a “gang.”³¹ At the Port of Houston, a steel unloading gang would likely work a 12-hour shift, and take 1.5 to 7 days to unload a ship’s steel cargo.³²

Hours worked depend on the type of steel to be discharged. Higher value-added steel products made to exacting tolerances and finishes require more careful handling to avoid damage during discharge from the vessel and placement on the next mode of transportation. The number of tons of steel that can be moved per hour from a vessel with a 14-person gang is much lower for higher value-added steel than for lower value-added steel, such as slab. For example, 250 to 400 short tons of slab can be unloaded in an hour by a 14-person gang, whereas the gang would only be able to unload 125 short tons of cold-rolled, corrosion-resistant, tin-mill, or rebar in the same amount of time. Thus, a shift in the composition of steel imports at a port to slab or steel types that typically are shipped in containers would result in fewer hours for steel gangs.

The number of hours worked is particularly important to unionized workers, because these workers need a set number of hours to qualify for fringe benefits, including paid holidays, vacation time, pensions, and health care.³³ Most of the unionized longshoremen are casual workers, not employed full time but hired at union halls on an as-needed basis.³⁴

Trade Trends and Ports

Steel Imports and Ports

Although waterborne transport has been the principal mode of transport during 2000/01-2002/03, a shift to imports over land began prior to the implementation of the safeguard measures, and accelerated after implementation. Waterborne shipments accounted for 74 to 80 percent of all imports of steel during 2000/01-2002/03 (based on tonnage), while land transport accounted for 20 to 26 percent and air transport for 0.1 percent of such imports. Waterborne imports as a share of total imports of steel of the types subject to safeguard measures declined in 2002/03, the first year in which the safeguard measures were in effect, falling from 79 percent to 73 percent of imports (table 3-3). The decline in waterborne imports is likely attributable to both a decline in U.S. demand for steel in 2001/02, and in part, corresponds to likely

²⁹ (...continued)

Coast District, International Longshoremen’s Association, transcript of Commission hearing, June 19, 2003, pp. 378-380.

³⁰ Testimony of Dennis Rochford, Coordinator, Free Trade In Steel Coalition, transcript of Commission hearing, June 19, 2003, p. 325.

³¹ A gang typically has 12 to 14 persons, including a supervisor, persons for checking the load, a group of four men to work in the hold of the ship, and possibly a forklift truck operator. The gang works in conjunction with the crane operators assigned to unload the ship. *See* testimony of Walter A. Nieman, President, West Gulf Maritime Association, before the USITC, hearing transcript, June 19, 2003, p. 318, and PPS Consult, on behalf of the Texas Free Trade Coalition, written submission, for Investigation No. 332-452, June 27, 2003, Exhibit 1.

³² Testimony of Walter A. Nieman, President, West Gulf Maritime Association, transcript of Commission hearing, June 19, 2003, pp. 319-320.

³³ Testimony of Walter A. Nieman, President, West Gulf Maritime Association, transcript of Commission hearing, June 19, 2003, p. 320.

³⁴ Testimony of Dennis Rochford, Coordinator, Free Trade In Steel Coalition, transcript of Commission hearing, June 19, 2003, p. 315.

effects of preliminary antidumping duties assessed on imports of hot-rolled steel from certain countries.³⁵ During 2000/01-2002/03, there was an overall decline in waterborne imports of 4 million short tons, but an increase of 937,140 tons over land. Non-waterborne imports rose by 1.1 million short tons between 2001/02 and 2002/03, with virtually all the increase being steel imported from Canada and Mexico, which are exempt from safeguard measures. Most of the increase of such imports was of hot-rolled, cold-rolled, and corrosion-resistant steel. Between 2001/02 and 2002/03, the largest declines in waterborne import tonnage of subject steel were from Japan, the EU, Russia, Korea, Taiwan, Brazil, China, Ukraine, and Malaysia. The largest increases were for imports from countries exempt from the safeguard measures, such as Mexico, India, Egypt, Romania, Thailand, and Canada.

Table 3-3
Share of U.S. imports of steel of the types subject to safeguards transported by waterborne vessels vs. other modes of transport, 2000/01,¹ 2001/02,¹ and 2002/03¹

| Mode | 2000/01 | 2001/02 | 2002/03 | Change | | |
|----------------------|-------------------|------------|------------|--------------------|--------------------|--------------------|
| | | | | 2000/01 to 2002/03 | 2000/01 to 2001/02 | 2001/02 to 2002/03 |
| | <i>Short tons</i> | | | <i>Percent</i> | | |
| Waterborne | 21,134,680 | 18,968,467 | 17,071,583 | -19.2 | -10.3 | -10.0 |
| Other | 5,273,081 | 5,086,908 | 6,210,221 | 17.8 | -3.5 | 22.1 |
| Total | 26,407,761 | 24,055,374 | 23,281,804 | -11.8 | -8.9 | -3.2 |
| | <i>Percent</i> | | | <i>Percent</i> | | |
| Waterborne | 80.0 | 78.9 | 73.3 | -8.4 | -1.4 | -7.1 |
| Other | 20.0 | 21.1 | 26.7 | 33.5 | 5.5 | 26.5 |
| Total | 100.0 | 100.0 | 100.0 | 0.0 | 0.0 | 0.0 |

¹ April 1-March 31.

Source: U.S. Census Bureau.

Together, U.S. ports had a 19-percent decline in imports of steel of the types subject to safeguard measures and an 18-percent decline in total steel import tonnage during 2000/01-2002/03 (table 3-4). Comparing 2001/02 with 2002/03, the first year after the implementation of the safeguard measures, steel imports of the types covered by the safeguard measures fell by 10 percent, and total steel import tonnage for all U.S. ports declined by almost 7 percent. During 2000/01-2002/03, imports of safeguard steel in tons was only partially offset by steel imports from exempt countries.

The top five leading port districts³⁶ for imports of steel subject to safeguard measures were Philadelphia, Los Angeles, Houston-Galveston, New Orleans, and Chicago during 2000/01-2002/03 (table 3-4). These port districts together accounted for 66 to 68 percent of total imports of steel subject to

³⁵ U.S. imports of hot-rolled steel from Argentina, China, India, Indonesia, Kazakhstan, Taiwan, and the Ukraine virtually dropped out of the U.S. market in 2001/02 and 2002/03 probably as a result of preliminary antidumping duties assessed in May and June 2001. Imports from Romania, South Africa, and Thailand dropped almost out of the market in 2001/02, but rebounded significantly in 2002/03. Imports from the Netherlands dropped by only 20 percent between 2000/01 and 2001/02, and remained constant in 2002/03. See preliminary antidumping duty margins assessed, 66 F.R. 22146-22204, May 3, 2001; 66 F.R. 30411, June 6, 2001; final antidumping duty orders 66 F.R. 48424, Sept. 19, 2001; 66 F.R. 58435, Nov. 21, 2001; 66 F.R. 59559-59566, Nov. 29, 2001; and 66 F.R. 60192-60194, Dec. 3, 2001. See also statistics on hot-rolled steel and strip in regards to USITC Investigation No. TA-204-9, on the USITC Dataweb, found at http://dataweb.usitc.gov/scripts/steel_204/steel.asp, retrieved Aug. 19, 2003.

³⁶ The U.S. Census Bureau provides data to the public by U.S. Customs Service port district, with each district consisting of a number of ports of entry, some of which may be seaports. Census aggregates data on the operations of individual ports or marine terminals so as not to expose confidential business data.

safeguard measures.³⁷ The Houston-Galveston port district exhibited the largest decline in quantity (598,504 short tons or 24 percent), of subject steel from subject and exempt sources between 2001/02 and 2002/03. The Philadelphia district had a decline of almost 13 percent (or 458,350 short tons), and the Los Angeles district had a decline of 10 percent (332,958 short tons) between 2001/02 and 2002/03.³⁸

Table 3-4
U.S. imports of steel, by vessel: Port district of unloading, by status, 2000/01,¹ 2001/02,¹ and 2002/03,¹ ranked by subject imports in 2001/02¹

| Port district of unloading/status | 2000/01 | 2001/02 | 2002/03 | Change | | |
|-----------------------------------|-------------------|-----------|-----------|--------------------|--------------------|--------------------|
| | | | | 2000/01 to 2002/03 | 2000/01 to 2001/02 | 2001/02 to 2002/03 |
| | <i>Short tons</i> | | | <i>Percent</i> | | |
| Philadelphia, PA: | | | | | | |
| Subject ² | 3,206,006 | 3,291,373 | 2,400,997 | -25.1 | 2.7 | -27.1 |
| Exempt ³ | 418,767 | 287,007 | 719,034 | 71.7 | -31.5 | 150.5 |
| Subtotal | 3,624,772 | 3,578,381 | 3,120,031 | -13.9 | -1.3 | -12.8 |
| Nonsubject ⁴ | 429,955 | 324,957 | 282,507 | -34.3 | -24.4 | -13.1 |
| Total | 4,054,727 | 3,903,338 | 3,402,538 | -16.1 | -3.7 | -12.8 |
| Los Angeles, CA: | | | | | | |
| Subject ² | 2,352,644 | 2,872,853 | 2,068,354 | -12.1 | 22.1 | -28.0 |
| Exempt ³ | 801,197 | 480,413 | 951,954 | 18.8 | -40.0 | 98.2 |
| Subtotal | 3,153,842 | 3,353,266 | 3,020,305 | -4.2 | 6.3 | -9.9 |
| Nonsubject ⁴ | 852,811 | 762,278 | 760,720 | -10.8 | -10.6 | -0.2 |
| Total | 4,006,653 | 4,115,544 | 3,781,028 | -5.6 | 2.7 | -8.1 |
| Houston-Galveston, TX: | | | | | | |
| Subject ² | 2,123,150 | 1,819,570 | 707,704 | -66.7 | -14.3 | -61.1 |
| Exempt ³ | 828,766 | 665,935 | 1,179,297 | 42.3 | -19.6 | 77.1 |
| Subtotal | 2,951,916 | 2,485,505 | 1,887,001 | -36.1 | -15.8 | -24.1 |
| Nonsubject ⁴ | 1,943,948 | 1,781,410 | 1,447,853 | -25.5 | -8.4 | -18.7 |
| Total | 4,895,863 | 4,266,915 | 3,334,854 | -31.9 | -12.8 | -21.8 |
| New Orleans, LA: | | | | | | |
| Subject ² | 2,049,492 | 1,552,357 | 1,013,194 | -50.6 | -24.3 | -34.7 |
| Exempt ³ | 1,420,649 | 738,739 | 1,685,778 | 18.7 | -48.0 | 128.2 |
| Subtotal | 3,470,140 | 2,291,096 | 2,698,972 | -22.2 | -34.0 | 17.8 |
| Nonsubject ⁴ | 1,488,112 | 1,379,341 | 1,550,780 | 4.2 | -7.3 | 12.4 |
| Total | 4,958,252 | 3,670,437 | 4,249,752 | -14.3 | -26.0 | 15.8 |
| Chicago, IL: | | | | | | |
| Subject ² | 814,808 | 884,716 | 647,688 | -20.5 | 8.6 | -26.8 |
| Exempt ³ | 100,487 | 21,462 | 204,903 | 103.9 | -78.6 | 854.7 |
| Subtotal | 915,295 | 906,178 | 852,591 | -6.9 | -1.0 | -5.9 |
| Nonsubject ⁴ | 242,404 | 129,860 | 253,021 | 4.4 | -46.4 | 94.8 |
| Total | 1,157,699 | 1,036,038 | 1,105,612 | -4.5 | -10.5 | 6.7 |

³⁷ Within various regions (e.g., along the Gulf Coast, within the Great Lakes, in the Mid-Atlantic) there is competition among ports for steel imports. Such competition is based upon facilities, wharfage and dockage fees, and land transportation costs to the ultimate customer.

³⁸ The 10-day long labor strike in Los Angeles in Sept. 2002 did not adversely effect imports of steel. Shipments of steel destined for Los Angeles were not diverted to other ports. Steel that arrived at the port in Sept. during the strike was subsequently unloaded in Oct. Testimony of Tim Tess, Vice President Administration, Pasha Stevedoring and Terminals, transcript of Commission hearing, June 19, 2003, pp. 343-344.

Table 3-4

U.S. imports of steel, by vessel: Port district of unloading, by status, 2000/01,¹ 2001/02,¹ and 2002/03,¹ ranked by subject imports in 2001/02¹

| Port district of unloading/status | 2000/01 | 2001/02 | 2002/03 | Change | | |
|-----------------------------------|-------------------|------------|------------|--------------------|--------------------|--------------------|
| | | | | 2000/01 to 2002/03 | 2000/01 to 2001/02 | 2001/02 to 2002/03 |
| | <i>Short tons</i> | | | <i>Percent</i> | | |
| San Francisco, CA: | | | | | | |
| Subject ² | 1,182,878 | 829,245 | 930,514 | -21.3 | -29.9 | 12.2 |
| Exempt ³ | 128,408 | 18,954 | 99,296 | -22.7 | -85.2 | 423.9 |
| Subtotal | 1,311,284 | 848,199 | 1,029,810 | -21.5 | -35.3 | 21.4 |
| Nonsubject ⁴ | 110,808 | 57,669 | 44,266 | -60.1 | -48.0 | -23.2 |
| Total | 1,422,092 | 905,868 | 1,074,075 | -24.5 | -36.3 | 18.6 |
| Columbia-Snake, OR: | | | | | | |
| Subject ² | 667,510 | 695,822 | 505,717 | -24.2 | 4.2 | -27.3 |
| Exempt ³ | 243,667 | 641,861 | 514,677 | 111.2 | 163.4 | -19.8 |
| Subtotal | 911,177 | 1,337,683 | 1,020,394 | 12.0 | 46.8 | -23.7 |
| Nonsubject ⁴ | 255,610 | 172,285 | 181,646 | -28.9 | -32.6 | 5.4 |
| Total | 1,166,787 | 1,509,967 | 1,202,040 | 3.0 | 29.4 | -20.4 |
| Tampa, FL: | | | | | | |
| Subject ² | 251,806 | 486,906 | 109,727 | -56.4 | 93.4 | -77.5 |
| Exempt ³ | 87,291 | 101,889 | 140,458 | 60.9 | 16.7 | 37.9 |
| Subtotal | 339,097 | 588,765 | 250,186 | -26.2 | 73.6 | -57.5 |
| Nonsubject ⁴ | 251,807 | 191,916 | 220,182 | -12.6 | -23.8 | 14.7 |
| Total | 590,903 | 780,711 | 470,368 | -20.4 | 32.1 | -39.8 |
| Cleveland, OH: | | | | | | |
| Subject ² | 618,613 | 389,818 | 401,869 | -35.0 | -37.0 | 3.1 |
| Exempt ³ | 22,362 | 669 | 32,099 | 43.5 | -97.0 | 4,698.1 |
| Subtotal | 640,975 | 390,487 | 433,968 | -32.3 | -39.1 | 11.1 |
| Nonsubject ⁴ | 207,353 | 95,058 | 151,199 | -27.1 | -54.2 | 59.1 |
| Total | 848,328 | 485,545 | 585,167 | -31.0 | -42.8 | 20.5 |
| Detroit, MI: | | | | | | |
| Subject ² | 643,765 | 364,694 | 477,446 | -25.8 | -43.3 | 30.9 |
| Exempt ³ | 93,458 | 23,178 | 183,999 | 96.9 | -75.2 | 693.9 |
| Subtotal | 737,223 | 387,871 | 561,445 | -23.8 | -47.4 | 44.8 |
| Nonsubject ⁴ | 36,531 | 29,828 | 42,675 | 16.8 | -18.3 | 43.1 |
| Total | 773,754 | 417,700 | 704,120 | -9.0 | -46.0 | 68.6 |
| All others: | | | | | | |
| Subject ² | 2,088,829 | 2,056,014 | 966,978 | -53.7 | -1.6 | -53.0 |
| Exempt ³ | 990,130 | 744,992 | 1,129,900 | 14.1 | -24.8 | 51.7 |
| Subtotal | 3,078,959 | 2,801,005 | 2,096,878 | -31.9 | -9.0 | -25.1 |
| Nonsubject ⁴ | 2,089,885 | 1,650,816 | 1,795,983 | -14.1 | -21.0 | 8.8 |
| Total | 5,168,844 | 4,451,821 | 3,892,861 | -24.7 | -13.9 | -12.6 |
| Total: | | | | | | |
| Subject ² | 15,999,498 | 15,243,369 | 10,230,188 | -36.1 | -4.7 | -32.9 |
| Exempt ³ | 5,135,182 | 3,725,098 | 6,841,395 | 33.2 | -27.5 | 83.7 |
| Subtotal | 21,134,680 | 18,968,467 | 17,071,583 | -19.2 | -10.3 | -10.0 |
| Nonsubject ⁴ | 7,909,224 | 6,575,417 | 6,730,833 | -14.9 | -16.9 | 2.4 |
| Total | 29,043,904 | 25,543,884 | 23,802,416 | -18.0 | -12.1 | -6.8 |

¹ April 1-March 31.

² Steel of the types covered by the safeguard measures from subject countries.

³ Steel of the types covered by the safeguard measures from exempt countries.

⁴ Steel of the types not covered by the safeguard measures.

Source: U.S. Bureau of the Census.

The Tampa district had a decline of almost 58 percent (338,609 short tons); and the Columbia-Snake River district had a decline of almost 24 percent (317,289 short tons), between 2001/02 and 2002/03. In contrast, the New Orleans district had an increase of almost 18 percent (407,876 short tons) during this period. In the New Orleans district, between 2001/02 and 2002/03, there were significant declines in steel import tonnage of plate, cold-rolled, tin mill, and rebar, but these were more than offset by substantial increases in import tonnage of slab, hot-rolled, and corrosion-resistant steel.

The significant changes in imports at port districts discussed above are also reflected in the large changes that occurred in imports of the types of steel covered by the safeguard measures during 2000/01-2002/03 (table 3-5). Between 2001/02 and 2002/03, increases in waterborne imports occurred for slab, hot-rolled, corrosion-resistant, and stainless wire. The increase in slab imports, an input into hot-rolled steel, is in part attributable to production increases in 2002/03 by U.S. steel producers that roll slab into various products, and also to at least one U.S. slab producer relining its furnace.³⁹ Imports of all other products declined with large drops evident in cold-rolled, tin-mill, and rebar likely related to the safeguard measures.⁴⁰ Some of the large swings in steel imports shown in tables 3-4 and 3-5 were due to events unrelated to safeguard measures, such as a fire at a steel mill in the San Francisco district⁴¹ corresponding to the large decline in hot-rolled and large increase in cold-rolled imports in 2001/02, both of which again reversed in 2002/03. The installation of a natural gas pipeline between Alabama and the Florida Gulf Coast⁴² corresponds with the increase in imports of pipe in 2001/02, and with the system's completion in early 2002. Stainless bar saw little change, likely attributable to flat demand for this product. Stainless steel rod imports fell, reflecting a shift to imports of stainless steel wire.⁴³

³⁹ Ispat Inland, Inc. received a 250,000 short ton slab safeguard exclusion because the company was relining its furnace. Ispat International, N.V., *Annual Report 2002*, found at <http://www.ispat.com>, retrieved Aug. 19, 2003, p. 88.

⁴⁰ With regard to tin-mill, *see* testimony of Richard O. Cunningham, esq., on behalf of the Corus Group, PLC, before the USITC, in Investigation No. TA-204-9, July 22, 2003, p. 349.

⁴¹ A substantial portion of the changes in imports of hot-rolled and cold-rolled steel occurred in the San Francisco port district. It is likely that these changes were related to the fire that shut down the cold-rolling mill at USS-Posco in Pittsburg, CA, from May 31, 2001 until Jan. 7, 2002. During this time, USS-Posco imported cold-rolled, rather than hot-rolled steel, to produce cold-rolled, galvanized, and tin-mill steel. U.S. imports of hot-rolled steel unloaded in the San Francisco port district fell from 970,084 short tons in 2000/01 to 172,266 short tons in 2001/02, and then rose to 921,466 short tons in 2002/03. For the same periods, imports of cold-rolled steel rose from 169,330 short tons to 398,172 short tons, and then fell to 1,823 short tons. *See* USS-Posco, "Cold Rolling Mill Fire," press release 27; "USS-Posco Industries Returns to Production," press release 25; and "Cold Mill Up and Running," press release 24, found at <http://www.uss-posco.com/PressReleases>, retrieved July 14, 2003. Posco received an exclusion to the safeguard measures of 750,000 short tons of hot-rolled coil steel. SteelNews.net, "U.S. Firms Cry Foul at Procedure for Giving Steel-Tariff Exemptions," Mar. 20, 2002, found at <http://www.steelnews.net/members/2002/mar/20/03202002-1.shtml>, retrieved July 17, 2003.

⁴² U.S. waterborne imports of welded tubular products other than oil country tubular goods rose in 2002 from 2001 because of shipments used to construct the Gulfstream Natural Gas System, a natural gas pipeline system running from southern Alabama to Tampa Bay, FL. Construction began in mid-2001 and finished in May 2002. Imports of welded tube into the Tampa, FL port district rose from 88,124 short tons in 2000/01 to 324,964 short tons in 2001/02, before falling to 70,962 short tons in 2002/03. Imports of welded tube into the Mobile, AL port district rose from 14,681 short tons in 2001 to 274,211 short tons in 2001/02, before declining to 185,290 short tons in 2002/03. *See* Gulfstream Natural Gas System, press releases "Gulfstream Natural Gas System Signs Purchase Agreement with Florida Pipe Supplier," Nov. 30, 2002; "Initial Gulfstream Natural Gas System Pipe Shipment Arrives in Alabama," Apr. 18, 2001; and "Gulfstream Natural Gas System Signs Cornerstone Agreements with Port Manatee for Significant Florida Base," July 20, 2000; found at <http://www.gulfstreamgas.com>, retrieved July 18, 2003.

⁴³ With regard to stainless steel bar, *see* testimony of Dan Anderson, Vice President of Sales and Marketing, Slater Steels Corp., before the USITC, in Investigation No. TA-204-9, hearing transcript, July 10, 2003, pp. 34-35.

(continued...)

Table 3-5

Steel covered by the safeguard measures: U.S. imports for consumption, all sources, by waterborne transports, by product type, 2000/01,¹ 2001/02,¹ and 2002/03¹

| Product | 2000/01 | 2001/02 | 2002/03 | Change | | | 2001/02 to 2002/03 |
|---------------------|------------|------------|------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | | 2000/01 to 2002/03 | 2000/01 to 2001/02 | 2001/02 to 2002/03 | |
| | Short tons | | | Percent | | | Short tons |
| Slab | 6,262,636 | 6,458,386 | 6,901,083 | 10.2 | 3.1 | 6.9 | 442,697 |
| Plate | 741,923 | 713,782 | 414,236 | -44.2 | -3.8 | -42.0 | -299,547 |
| Hot-rolled | 5,446,797 | 2,436,113 | 3,791,121 | -30.4 | -55.3 | 55.6 | 1,355,007 |
| Cold-rolled | 2,426,469 | 2,596,417 | 1,031,252 | -57.5 | 7.0 | -60.3 | -1,565,164 |
| Corrosion resistant | 1,462,173 | 1,436,537 | 1,570,132 | 7.4 | -1.8 | 9.3 | 133,595 |
| Tin mill | 413,657 | 482,803 | 188,011 | -54.5 | 16.7 | -61.1 | -294,791 |
| Hot bar | 1,054,261 | 862,762 | 719,235 | -31.8 | -18.2 | -16.6 | -143,527 |
| Cold bar | 157,687 | 149,124 | 71,482 | -54.7 | -5.4 | -52.1 | -77,642 |
| Rebar | 1,508,552 | 1,775,250 | 918,614 | -39.1 | 17.7 | -48.3 | -856,636 |
| Welded pipe | 1,339,106 | 1,750,411 | 1,219,027 | -9.0 | 30.7 | -30.4 | -531,384 |
| Flanges | 106,804 | 133,259 | 98,365 | -7.9 | 24.8 | -26.2 | -34,894 |
| Stainless bar | 113,084 | 85,473 | 81,362 | -28.1 | -24.4 | -4.8 | -4,112 |
| Stainless rod | 75,507 | 62,727 | 39,690 | -47.4 | -16.9 | -36.7 | -23,037 |
| Stainless wire | 26,025 | 25,423 | 27,974 | 7.5 | -2.3 | 10.0 | 2,551 |
| Total | 21,134,680 | 18,968,467 | 17,071,583 | -19.2 | -10.2 | -10.0 | -1,896,884 |

¹ April 1-March 31.

Source: U.S. Census Bureau.

Imports of Raw Materials to Produce Steel

Following the imposition of the safeguard measures, U.S. steel producers increased their production of steel, due in part as some U.S. capacity was restarted, and thus increased their consumption of raw materials and other inputs to produce steel.⁴⁴ As a result, increased imports of raw materials to produce steel may have offset some of the adverse effects on ports attributed to the decline in U.S. imports of steel subject to safeguards.⁴⁵ However, while data indicate that certain raw materials used in the production of steel increased subsequent to the safeguard measures, it is difficult to determine the amount that is specifically attributable to the safeguard measures.

Steel production inputs, classified as bulk materials by the maritime industry, require fewer labor hours to discharge from vessels. Further, if such commodities are discharged directly into barges either at mid-stream or at the dock, or directly into railroad cars, wharfage charges are minimized. In addition, in some instances, imports of steel inputs are unloaded at terminals operated by U.S. steel producers at

⁴³ (...continued)

With regard to stainless steel rod and wire, *see* testimony of Ed J. Blot, President, Ed Blot & Associates, on behalf of Carpenter Technology Corp., Crucible Specialty Metals, Dunkirk Specialty Steel, Electroalloy, and Slater Steels Corp., before the USITC, in Investigation No. TA-204-9, hearing transcript, July 10, 2003, p. 88.

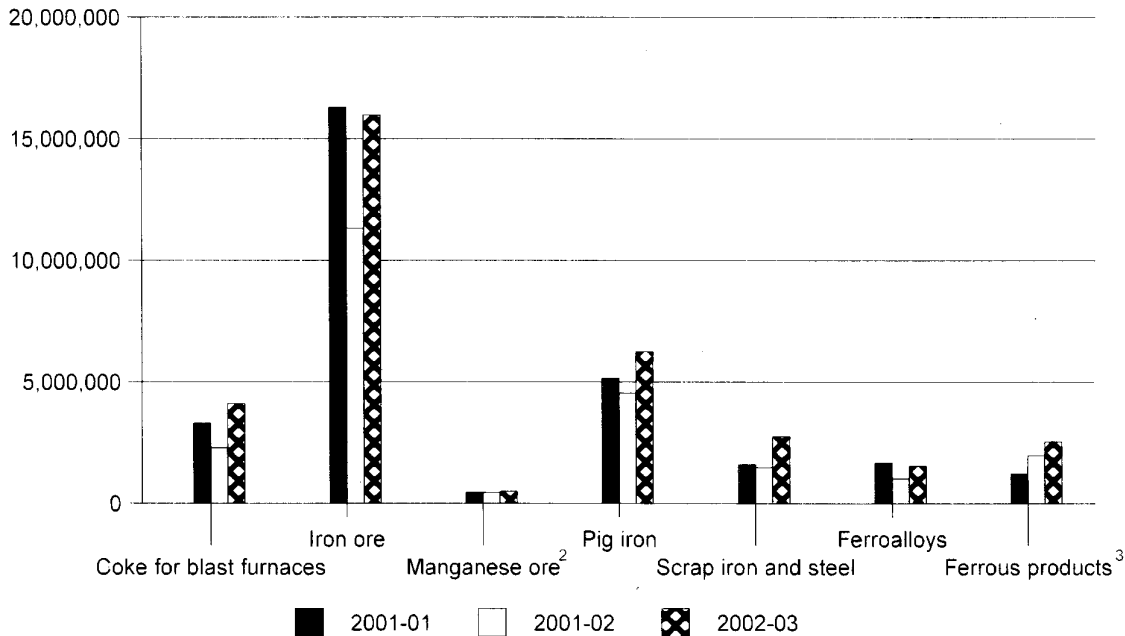
⁴⁴ At the hearings, one producer of ferrous scrap noted that since the implementation of the steel safeguard measures there has been a significant improvement in its business and the volume of scrap shipped to the steel industry has increased (*See* testimony of Steve Wulff, Vice President of Marketing and Communications, on behalf of David J. Joseph Co., transcript of Commission hearing, June 19, 2003, p. 780. *See also*, U.S. Steel, slide "The Industry Is Leaner and More Productive," in exhibit for hearing before the USITC, in Investigation No. TA-204-9, July 22, 2003.

⁴⁵ Wiley Rein & Fielding, LLP, on behalf of the Long Product Producers Coalition and the Coalition of Steel Consumers, written submission to the USITC, for Investigation No. 332-452, June 4, 2003, pp. 60-63.

which workers are employees of the steel producer and no revenues are directly generated as a result of this activity.

After falling by 22 percent between 2000/01 and 2001/02, U.S. imports of steel production inputs by waterborne vessel rose by 46 percent between 2001/02 and 2002/03 (figure 3-2). U.S. imports of coke

Figure 3-2
Steel production inputs: U.S. imports for consumption, waterborne, by input type, 2000-01¹, 2001-02¹, 2002-03¹



¹April 1-March 31.

²According to the U.S. Geological Survey, approximately 85 to 90 percent of U.S. consumption of manganese is for steel or iron production.

³Includes Direct Reduced Iron and Hot-Briquetted Iron.

Source: U.S. Census Bureau.

(consumed by integrated steel producers) by vessel rose by 78 percent between 2001/02 and 2002/03. The increase in coke imports was likely the result of rising demand from U.S. steel producers as they increased production in 2002/03 and declining coke production capacity in the United States. U.S. coke producers have eliminated approximately 15 percent of their U.S. coke production capacity since late 2001. U.S. steel producers have increasingly purchased lower-priced Chinese-produced coke rather than available U.S.-produced coke.⁴⁶ Imports of ferrous products (direct reduced iron and hot briquetted iron) doubled during 2000/01-2002/03 largely because of demand for virgin inputs by mini-mills needed for the production of high-quality flat-rolled forms as production rose and steel exports to the Far East

⁴⁶ According to the *American Metal Market*, part of the reduction in U.S. coke production capacity was reportedly attributable to a negative injury determination made in August 2001 in an antidumping duty investigation on foundry coke. Philip Burgert, AMM.com, "Mills face coke quandary as Chinese prices soar," found at <http://www.amm.com/subscrib/2003/may/week2/051tp06.htm>, retrieved July 12, 2003. See also U.S. International Trade Commission, *Blast Furnace Coke from China and Japan* (Investigation No. 731-TA-951-952 (Final)), USITC Publication 3444, August 2001.

increased.⁴⁷ The increase in scrap imports was in part also attributable to rising demand from U.S. mini-mill producers.

During 2000/01-2002/03, the leading U.S. port districts for U.S. imports by vessel of raw materials for steel production were New Orleans; Baltimore; Charleston; and Mobile (table 3-6). However, the Los Angeles port district, the second ranked district for steel imports, had negligible imports of steel inputs because of a limited number of steel production facilities (e.g., minimills and integrated producers) in that region. Imports of steel inputs rose at a number of port districts during this period. The New Orleans district was the leader in all steel input imports, except for iron ore and iron and steel scrap. The Baltimore district was the leading district for imports of iron ore, followed by New Orleans. Iron ore imports at Baltimore principally were destined for the former Bethlehem Steel's integrated steel facilities at nearby Sparrows Point, now owned by International Steel Group, Inc. (ISG). The second-largest increase in iron ore imports between 2001/02 and 2002/03, almost 1.3 million short tons, occurred at the former Bethlehem Steel's ore pier at Sparrow's Point, a private wharf, with minimal benefit to the Maryland Port Authority or stevedoring firms. Charleston was the leading port district for imports of scrap iron and steel, followed by Seattle and New Orleans. Imports into the Charleston district are likely destined for Nucor Corp.'s steel production facilities in Berkeley, SC, approximately 20 miles from the Port of Charleston.⁴⁸

Table 3-6
Steel production inputs: U.S. imports for consumption, waterborne, by port district, 2000/01,¹ 2001/02,¹ and 2002/03¹

| Port district of unloading | 2000/01 | 2001/02 | 2002/03 | Change | | |
|---------------------------------|------------|------------|------------|--------------------|--------------------|--------------------|
| | | | | 2000/01 to 2002/03 | 2000/01 to 2001/02 | 2001/02 to 2002/03 |
| | Short tons | | | Percent | | |
| New Orleans, LA | 11,300,249 | 9,313,371 | 14,550,624 | 28.8 | -17.6 | 56.2 |
| Baltimore, MD | 6,304,788 | 5,385,486 | 7,397,066 | 17.3 | -14.6 | 37.4 |
| Charleston, SC | 1,519,773 | 2,451,576 | 4,098,403 | 169.7 | 61.3 | 67.2 |
| Mobile, AL | 3,735,373 | 1,535,871 | 2,805,344 | -24.9 | -58.9 | 82.7 |
| Cleveland, OH | 1,109,791 | 744,332 | 1,849,655 | 66.7 | -32.9 | 148.5 |
| Chicago, IL | 2,514,810 | 1,410,261 | 1,231,492 | -51.0 | -43.9 | -12.7 |
| Seattle, WA | 336,382 | 305,582 | 491,825 | 46.2 | -9.2 | 60.9 |
| Detroit, MI | 1,789,711 | 968,297 | 377,877 | -78.9 | -45.9 | -61.0 |
| Milwaukee, WI | 206,614 | 187,878 | 216,601 | 4.8 | -9.1 | 15.3 |
| Houston-Galveston, TX | 109,737 | 106,842 | 133,449 | 21.6 | -2.6 | 24.9 |
| All other | 787,896 | 682,107 | 517,971 | -34.3 | -13.4 | -24.1 |
| Total | 29,715,123 | 23,091,602 | 33,670,307 | 13.3 | -22.3 | 45.8 |

¹ April 1-March 31.

Source: U.S. Census Bureau.

Also, imports into the Charleston district probably rose because Georgetown Steel, LLC, a large producer of carbon wire rod (not subject to steel safeguard measures), restarted its direct iron reduction facilities in October 2001, which had been idled for the previous 9 months. In the Cleveland, OH district, imports declined by almost 33 percent between 2000/01 and 2001/02 before rebounding by 146 percent in

⁴⁷ U.S. mini-mill steel production, which is based on remelting scrap and adding in virgin ferrous products, as a share of total U.S. steel production has been rising in recent years; such producers currently account for approximately half of U.S. steel production. Thomas A. Danjczek, President, Steel Manufacturers' Association, telephone interview with USITC staff, Aug. 18, 2003.

⁴⁸ Ron Menchaca, The Post and Courier Charleston.Net, "Security issues at docks hitting Nucor hard in pocketbook," Mar. 18, 2003, found at http://charleston.net/stories/031803/ter_18nucor.shtml, retrieved July 11, 2003.

2002/03. This was likely due to the closure of certain LTV Corporation production facilities in Cleveland in April 2001, idling of other facilities in November 2001, and the restart of certain of these facilities by a new owner, ISG, from May through July 2002.

During 2000/01-2002/03, there were significant declines in imports of raw materials to produce steel in the Mobile, Chicago, and Detroit port districts. These declines are likely the result of consolidation or temporary closure of U.S. steel-making facilities in a specific region, particularly 2001/02. For example, the decline in imports through Mobile between 2000/01 and 2001/02 were likely related to the temporary shutdown of Trico Steel Co. in Decatur, AL, from March 2001 to October 2002. The subsequent increase in raw material imports for steel production through Mobile between 2001/02 and 2002/03 were likely related to the restarting of production at Trico Steel Co., as well as the ramp up in production at an IPSCO plate mill in Mobile, AL that started production in November 2001.

Iron ore shipments from ports in northern Michigan and Minnesota on the Great Lakes by U.S. flag carriers rose by almost 9 percent between 2001/02 and 2002/03.⁴⁹ During this period, shipments rose significantly from the ports of Duluth, MN; Silver Bay, MN; Superior, WI; Two Harbors, MN; and Presque Isle Harbor at Marquette, MN. There was a significant decline in iron ore shipments from Escanaba, MI and a cessation of shipments from Taconite Harbor, MN.⁵⁰ Most of the shipments of iron ore went to piers at steel mills along the Great Lakes. Included in such shipments were a small percentage of U.S. exports to Canada, totaling almost 3 percent in calendar year 2002.⁵¹

Thus, as indicated by the data presented, there were increases of U.S. imports of inputs for use in the production of steel (e.g., pig iron, coke, scrap iron and steel) at certain ports in the year after the implementation of the safeguard measures. At these ports, these increases may have offset some of the effect of the decline in imports of steel products covered by the safeguard measures.

⁴⁹ Although data on U.S. barge traffic carrying iron ore on certain inland waterways are available (*see* U.S. Army Corp of Engineers, *Key Lock Report*), the Commission did not analyze these shipments due to the complexity of such an analysis. Statistics on iron ore shipments carried by U.S. flag carriers from Lake Carriers' Association, found at <http://www.lcaships.com>, retrieved July 11, 2003.

⁵⁰ Iron ore shipments from Escanaba, MI, declined because the iron-ore mining at the Empire Mine, near Escanaba, was shut down from mid-November 2001 to early April 2002. At that time, the Empire Mine was jointly owned by Cleveland-Cliffs, Inc.; Ispat Inland, Inc.; and LTV Steel Mining Co., a subsidiary of LTV Corp., a major U.S. steel producer in bankruptcy during 2001. In November, LTV Steel Mining Co. did not meet its joint ownership obligations as a result of the shut down of the operations of its parent company, LTV Corp., and as a result, the Empire Mine was shut down. *See* Cleveland Cliffs, Inc., *Form 10-Q* for quarter ending Mar. 31, 2002, found at <http://www.sec.gov>, retrieved Aug. 6, 2002. Iron-ore shipments from Taconite Harbor, MN, ceased in September 2001 as a result of LTV Corp.'s subsidiary LTV Steel Mining Co. closing its iron-ore mine at Hoyt Lakes, MN. LTV Corp. was in bankruptcy during 2001. *See* Great Lakes/Seaway Log Archive, "LTV to close Hoyt Lakes taconite plant, cease ore shipments from Taconite Harbor," found at <http://www.harborhouse.com/Log/logarchive/28/12.html>, retrieved Aug. 4, 2003.

⁵¹ U.S. iron ore mines do not export, other than to Canada. U.S. flag carriers in the Great Lakes are not capable of oceangoing transport. Official of the Lake Carriers' Association, telephone interview with USITC staff, Aug. 19, 2003.

Exports of Steel

U.S. exports of steel⁵² by vessel rose by 21 percent, from 939,304 short tons in 2000/01 to 1.1 million short tons in 2002/03 (table 3-7).⁵³ U.S. exports of the types of steel covered by the safeguard measures accounted for 59 percent of total U.S. steel exports by vessel in 2000/01, 40 percent in 2001/02, and almost 56 percent in 2002/03. The top 10 port districts accounted for almost 87 percent of these exports in 2000/01, approximately 91 percent in 2001/02, and 92 percent in 2002/03 (table 3-7). Further, Houston-Galveston appears as the leading port district for exports during the period, followed by Norfolk, with exports out of Philadelphia and New Orleans rising significantly in 2002/03. Approximately 74 to 77 percent of exports shipped from Houston-Galveston were of steel other than the types covered by the steel safeguard measures.⁵⁴

Table 3-7

Steel¹: U.S. exports of domestic merchandise, by U.S. Customs Service Port District, 2000/01,² 2001/02,² and 2002/03,² and April 2003

| Port district | 2000/01 | 2001/02 | 2002/03 | Change | | |
|-----------------------------|-------------------|---------|-----------|--------------------------|--------------------------|--------------------------|
| | | | | 2000/01 to 2002/03 | 2000/01 to 2001/02 | 2001/02 to 2002/03 |
| | <i>Short tons</i> | | | <i>Percent</i> | | |
| Houston-Galveston, TX . . . | 199,417 | 228,028 | 200,621 | 0.6 | 14.3 | -12.0 |
| Philadelphia, PA | 54,752 | 31,894 | 166,097 | 203.4 | -41.7 | 420.8 |
| New Orleans, LA | 70,059 | 43,571 | 163,093 | 132.8 | -37.8 | 274.3 |
| Norfolk, VA | 150,353 | 119,546 | 111,098 | -26.1 | -20.5 | -7.1 |
| Charleston, NC | 17,481 | 14,468 | 93,864 | 436.9 | -17.2 | 548.8 |
| Baltimore, MD | 67,704 | 68,095 | 88,117 | 30.2 | 0.6 | 29.4 |
| New York, NY | 83,568 | 84,670 | 65,359 | -21.8 | 1.3 | -22.8 |
| Mobile, AL | 36,135 | 114,244 | 65,156 | 80.3 | 216.2 | -43.0 |
| Miami, FL | 61,341 | 53,096 | 50,128 | -18.3 | -13.4 | -5.6 |
| Los Angeles, CA | 74,891 | 57,331 | 45,304 | -39.5 | -23.4 | -21.0 |
| All others | 123,603 | 79,956 | 90,614 | -26.7 | -35.3 | 13.3 |
| Total | 939,304 | 894,899 | 1,139,450 | 21.3 | -4.7 | 27.3 |

¹ Includes steel classified under HS headings 7206-7302, 7304-7307, and 7312-7314. This grouping includes the types of steel covered by the safeguard measures, subject and exempt, as well as other steel.

² April 1-March 31.

Source: U.S. Census Bureau.

In 2002/03, most of the rise in steel exports occurred in the first quarter of calendar year 2003. The increase in steel exports in 2002/03 continued into April 2003; during this month alone U.S. exports totaled 529,073 short tons, equating to 46 percent of total steel exports for 2002/03.⁵⁵ Steel exports increased from the port districts of Detroit, Chicago, and Cleveland,⁵⁶ which had been negligible for many years in the past, along with districts of Philadelphia, New Orleans, Charleston, and Baltimore. The rise in exports through April 2003 was attributed to high demand along with higher prices for steel in China, and

⁵² Includes steel classified under HS headings 7206-7302, 7304-7307, and 7312-7314. This grouping includes the types of steel covered by the safeguard measures, subject and exempt, as well as other steel.

⁵³ U.S. exports of steel (by volume) when compared to U.S. imports are quite small, equivalent to only 3 percent of U.S. imports of steel by vessel in 2000/01, 4 percent in 2001/02, and 5 percent in 2002/03.

⁵⁴ Compiled by the Commission from U.S. Census Bureau data.

⁵⁵ Compiled by the Commission from U.S. Census Bureau data.

⁵⁶ Testimony of The Honorable Jane Campbell, Mayor, City of Cleveland, OH, transcript of Commission hearing, June 20, 2003, p. 508.

the high value of the euro relative to the U.S. dollar making U.S. steel exports price competitive in European markets.⁵⁷

Economic Effects of the Steel Safeguards Measures on Ports and Related-Service Providers

The effects of the steel safeguards on certain ports and related-service providers, as reported in Commission questionnaires, varied widely depending upon the extent to which they relied on steel for their business activity. The Commission collected data on ports and related-service providers' revenues related to overall imports and imports of steel, capital expenditures, wages and fringe benefits, employment, and hours worked, as shown in table 3-8.

Some of the largest declines in the various data on ports and related-service providers compiled from the Commission's questionnaire occurred before the implementation of the safeguard measures, but some appeared afterwards. However, estimating the extent of the effects of the steel safeguard measures in this sector is made more difficult due to the limited response to the Commission's questionnaires. Further, aggregate data were compiled because the majority of port authorities and related-service providers were unable to provide data specifically related to safeguard products. For landlord ports, revenue may be attributable to particular leases, but not necessarily to specific import flows as records are frequently not maintained at that level of detail for revenue streams or for the labor used to handle a variety of products aside from steel.

Industry participants also reported that not all of the decline in business was attributable to the steel safeguard measures, but the safeguard measures were certainly attributed as a factor in economic troubles. For example, shipping industry sources stated that the weakened world economy, the steel safeguards, a decline in the U.S. dollar relative to the euro, and a delay in U.S. grain exports in 2003 were adversely affecting the U.S. Great Lakes maritime industry.⁵⁸ Other maritime industry sources have noted that imports of steel have declined since 2000/01.

Revenues and Profitability

As reported by ports and related-service providers responding to the Commission's questionnaire, revenues from steel imports fell by a smaller proportion than total revenues fell in 2002/03, but by a much greater amount in 2001/02 (table 3-8). The fall in revenues from steel imports in 2003 made up about 10 percent of the decline in total revenue.

⁵⁷ Scott Robertson, AMM.com, "Market forces shift, hike US steel sales to China," Mar. 17, 2003, found at <http://www.amm.com/subscrib/2003/mar/week3/0317tp05.htm>, retrieved Apr. 15, 2003; Scott Robertson, AMM.com, "Steel rolls out port's international shipping season," Apr. 24, 2003, found at <http://amm.com/subscrib/2003/apr/week4/0424st02.htm>, retrieved Apr. 24, 2003; and NewNet5.com, "Cleveland Port to Ship Steel: 155,000 Tons of Steel Exported," found at <http://www.newsnet5.com/tuesdayarchive/2149756/detail.html>, retrieved July 10, 2003.

⁵⁸ United States Great Lakes Shipping Association, written submission to the USITC, for Investigation No. 332-452, July 1, 2003, p. 2.

Table 3-8

Port authorities and related service providers: Revenues, capital expenditures, employment, hours worked, and wages, 2000/01,¹ 2001/02,¹ and 2002/03¹

| Item | | | | Change | | | Changes reportedly due to the steel safeguards -1,000 dollars- |
|--|--|---------|---------|--------------------|--------------------|--------------------|---|
| | 2000/01 | 2001/02 | 2002/03 | 2000/01 to 2002/03 | 2000/01 to 2001/02 | 2001/02 to 2002/03 | |
| | Value (1,000 dollars) | | | Percent | | | |
| Revenues | | | | | | | |
| from total imports ² . . . | 427,808 | 398,113 | 316,243 | -26.1 | -6.9 | -20.6 | (³) |
| Total revenues | | | | | | | |
| from steel imports ² . . . | 78,017 | 56,312 | 47,594 | -39.0 | -27.8 | -15.5 | (³) |
| Capital expenditures | 33,800 | 34,234 | 56,017 | 65.7 | 1.3 | 63.6 | (⁴) |
| Wages and fringe | | | | | | | |
| benefits paid to employees | 198,290 | 185,421 | 171,812 | -13.4 | -6.5 | -7.3 | -3,986 |
| | -----Number of employees----- | | | -----Percent----- | | | -----Number of employees----- |
| Total employees | 2,082 | 1,922 | 1,773 | -14.8 | -7.7 | -14.8 | -88 |
| | -----Number of hours worked (1,000 hours)----- | | | -----Percent----- | | | -----Number of hours worked----- |
| Hours worked by employees | 9,536 | 8,459 | 7,620 | -20.1 | -11.3 | -9.9 | -688 |
| | -----Number of respondents----- | | | -----Percent----- | | | -----Number of respondents----- |
| Total revenues from imports ¹ | 17 | 17 | 16 | (⁵) | (⁵) | (⁵) | (³) |
| Total revenues from steel imports ¹ | 15 | 15 | 14 | (⁵) | (⁵) | (⁵) | (³) |
| Capital expenditures | 8 | 8 | 9 | (⁵) | (⁵) | (⁵) | 1 |
| Wages and fringe | | | | | | | |
| benefits paid to employees | 9 | 9 | 9 | (⁵) | (⁵) | (⁵) | 5 |
| Total employees | 9 | 9 | 9 | (⁵) | (⁵) | (⁵) | 5 |
| Hours worked by employees | 9 | 9 | 9 | (⁵) | (⁵) | (⁵) | 5 |

¹ April 1-March 31.

² Responses for those entities that supplied data for total revenues and revenues derived from steel. Several respondents supplied data for total revenues, but were unable to supply data on revenues from steel.

³ Not applicable because respondents were not asked to quantify the changes in revenue attributable to the safeguards.

⁴ Suppressed due to confidentiality.

⁵ Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

For many respondents, the effects of the safeguard measures correlate with their dependence on steel volumes. Several responding port authorities indicated that their imports of steel accounted for 16 to 57 percent of total import tonnage. Some respondents reported revenues from total steel imports that were directly proportional to total revenues. In many instances, though, the share of revenues from steel relative to total revenues were significantly lower than the share of steel tonnage relative to total tonnage handled by the port.

Questionnaire responses indicated that revenues from total imports and revenues related to imports of steel declined during 2000/01-2002/03, but the greatest decline was before the implementation of the safeguard measures (table 3-8). Although respondents did not comment on this decline, it was most likely attributable to the overall decline in steel imports as well as to other reasons (see in this chapter the

section, “Imports and Ports”). As previously noted, the majority of respondents were not able to separately provide data on revenues derived from imports of steel covered by the safeguard measures. The decline in revenues was attributed by respondents to reduced imports of steel resulting in less revenue from dockage and wharfage fees. In addition, revenues from leasing port property declined as importers required less warehouse space due to lower import levels and therefore terminated their leases. Respondents also reported that direct discharging steel from the vessel onto truck, rail, or barge virtually eliminated the wharfage fees paid to ports and terminal operators because steel was not unloaded onto the wharf for any significant period of time.

Ports have attempted to maintain steel imports or at least offset some of the effects of the safeguard measures on their customers, as well as to seek replacement business. In its questionnaire response, one port noted that an exclusion to the safeguard measures had allowed flat-steel cargo volumes to be maintained at the port. In most instances, respondents to the Commission’s questionnaire, including port authorities and stevedoring/terminal operator firms, reported that they have not changed their fee structure for steel or other commodities. However, one port authority reported that it had raised fees on all products in late calendar year 2001 and throughout calendar year 2002. A number of questionnaire respondents also reported searching for new customers shipping products other than steel. Several stevedoring/terminal operators stated that they were striving to reduce labor and other costs in order to offset the downturn in steel volumes.

In addition to data from questionnaires, information is also provided in written submissions that discusses steel imports at ports during 2000/01-2002/03. For example, the Port of Houston Authority reported that steel import tonnage as a share of total import tonnage through the port fell more prior to the implementation of the steel safeguard measures (from almost 25 percent in calendar year 2000/01 to 20 percent in 2001/02), than after the implementation of the safeguard measures (dropping to 17 percent in 2002/03).⁵⁹ Based on data from its public wharves at which steel is handled, a Port of Houston representative estimated that 508 jobs and \$36.6 million in revenue were lost in the local business community during calendar years 2001 and 2002 as a result of a decline in steel imports and the effects of the safeguard measures.⁶⁰ Port of Houston Authority revenue related to steel imports fell from \$10.0 million in calendar year 2002 to \$4.6 million in calendar year 2003, for a total decline of \$5.3 million. The Port of Houston’s lease revenues declined by slightly less than \$500,000 over calendar years 2001 to 2003, as a result of customers deciding not to renew their leases for port property. The Port of Houston estimates that such revenue will decline by another \$460,000 in 2004.⁶¹ The decline in leasing was attributed to importers leasing less space for steel storage as they reduced their inventories and shifted to delivering steel to their customers directly after discharge from the ship.⁶² In response to requests by its steel customers, the Port of Houston Authority cooperated with labor and steamship lines and reduced its wharfage charges on all steel products effective July 2002 from \$2.32 per short ton to \$1.65 per short ton.⁶³

⁵⁹ PPS Consult, on behalf of the Texas Free Trade Coalition, written submission, for Investigation No. 332-452, June 27, p. 2.

⁶⁰ These figures exclude adverse effects at private terminals along the Houston ship channel. *See* testimony of Wade Battles, Managing Director, Port of Houston Authority, before the USITC, hearing transcript, June 19, 2003, p. 323.

⁶¹ Testimony of Wade Battles, Managing Director, Port of Houston Authority, transcript of Commission hearing, June 19, 2003, p. 324-325.

⁶² Testimony of Wade Battles, Managing Director, Port of Houston Authority, transcript of Commission hearing, June 19, 2003, p. 353.

⁶³ Testimony of Wade Battles, Managing Director, Port of Houston Authority, transcript of Commission hearing, June 19, 2003, p. 323.

Capital Investment

According to questionnaire responses, capital expenditures rose during 2000/01-2002/03 (table 3-8) due in large part to one respondent that had a minimal exposure to steel imports but reported large capital expenditures. However, responding port authorities indicated that they had not changed their capital expenditure plans, and noted that the safeguard measures had not adversely affected their ability to raise capital. Among other respondents, most indicated a slowing or cessation of capital expenditures attributable to both the steel safeguards and weak general economic conditions. Recent capital expenditures by this group were mainly of heavy-duty forklift trucks for moving steel loads, as opposed to large, multiple-year investments.

Employment and Wages

According to responses to the Commission's questionnaire, the average number of employees, hours worked, and wages and fringe benefits decreased during 2000/01-2002/03 (table 3-8). Respondents attributed a portion of the loss in employment (-88 out of a reported 1,773 persons), hours worked (-688,000 out of 7,620,000 hours), and wages and fringe benefits (-\$3.9 million out of \$171.8 million) to the safeguard measures.⁶⁴ Based upon the trends reported in written submissions and questionnaire responses, and because many firms in the industry did not respond to the Commission's questionnaire, the reduction in employment, and particularly man-hours and wages (including fringe benefits), experienced by ports and related-service providers would likely be greater than the data presented in table 3-8.

The following are reported trends in man hours and/or wages paid at selected ports for unloading steel prior to, during, and after the safeguard measures were implemented.⁶⁵

| | Calendar year | | |
|--|---------------|---------|---------|
| | 2001 | 2002 | 2003 |
| Ports of Los Angeles and Long Beach ¹ | | | |
| Man hours | 863,931 | 597,108 | 557,108 |
| Wages paid (<i>million dollars</i>) | 58 | 42 | 39 |
| Ports of Texas (Beaumont, Chorpus Christi, Galveston, Houston, and Port Arthur) | | | |
| Man hours | 215,900 | 182,500 | (?) |

¹ Reported by Pasha Stevedoring for its operations at the Port of Los Angeles and its own as well as other companies' operations at the port of Long Beach.

² Not available.

Both Pasha Stevedoring and maritime interests in Texas attribute the above cited declines in man hours for unloading steel to a decline in imports of steel caused by the safeguards.

Recently, in testimony before the Ways and Means Committee of the U.S. House of Representatives, officials of a longshoreman's local union from Texas, along with the Texas Free Trade Coalition, stated that the number of hours worked by longshoremen handling steel had declined since the imposition of safeguard measures, and that firms that handle steel imports, including the Port of Houston,

⁶⁴ As noted in table 3-8, only 9 ports and related-service providers reported data on employment, hours worked, and wages and fringe benefits, and only 5 of these respondents provided data on the portion of these data that were attributable to the safeguard measures.

⁶⁵ Written statement (June 19, 2003) and transcript of Commission hearing (June 19, 2003, p. 316) of Tim Tess, Vice President Administration, Pasha Stevedoring and Terminals; and PPS Consult, on behalf of the Texas Free Trade Coalition, written statement, June 3, 2002, exhibit 2.

had laid-off employees due to the steel safeguards.⁶⁶ For example, in ports along the Texas Gulf Coast, ILA-member workers declined from 5,587 to 5,235 after the imposition of the steel safeguard measures.⁶⁷ Because of a reduction in hours worked, 104 ILA longshoremen in that region failed to qualify for fringe benefits during calendar year 2002.⁶⁸ Along the Texas Gulf Coast, according to an ILA representative, hours worked handling steel have traditionally accounted for over 40 percent of total ILA hours worked.⁶⁹

Trucking Services and Railroads

The extent to which trucking service providers have either benefitted from or been adversely affected by the steel safeguard measures is uncertain. Steel trucked from ports tends to be short haul, under 150 miles. Steel trucked from steel mills tends to be trucked longer distances, by one estimate in the 480-mile range.⁷⁰ Truckers hauling steel typically derive their income based on the total freight weight being hauled.⁷¹ The cost to haul steel is approximately comparable with hauling other products, such as lumber or building products.⁷² Trucking firms may have annual or semiannual contracts with U.S. steel mills to deliver their product, whereas with imported steel at ports, trucking services are typically offered on a spot basis.⁷³ Testimony at the Commission's public hearing indicates that a significant number of independent owner-operator truckers have been adversely affected in the Texas West Gulf as a result of a decline in steel imports.⁷⁴ Thus, to the extent that U.S. shipments of steel have risen from U.S. steel mills and declined at ports, and depending on their proximity to ports and steel mills, trucking firms at various locations may either have been adversely or positively affected by the safeguard measures.⁷⁵

Railroads have benefitted from transporting higher volumes of raw materials and steel to and from U.S. steel mills as a result of the steel safeguard measures and the reopening of a number of previously closed steel mills. Although precise data are not available, shipments of raw materials of the type used to produce metals in the aggregate likely did not exceed 12 percent of total freight originating on North American railroads and accounted for slightly more than 9 percent of gross revenue.⁷⁶ A

⁶⁶ James O. Campbell, president, General Longshore Workers, International Longshoremen's Association Local No. 3000, and Walter A. Niemand, Board Member, Texas Free Trade Coalition, statements before the Trade Subcommittee, Ways and Means Committee, U.S. House of Representatives, Hearing on the Impact of the Section 201 Safeguard Action on Certain Steel Products, Mar. 26, 2003.

⁶⁷ Testimony of Michael W. Dickens, representative of the International Longshoremen's Association of the South Atlantic Gulf Coast District, transcript of Commission hearing, June 19, 2003, p. 327.

⁶⁸ Testimony of Michael W. Dickens, representative of the International Longshoremen's Association of the South Atlantic Gulf Coast District, transcript of Commission hearing, June 19, 2003, p. 327.

⁶⁹ Testimony of Michael W. Dickens, representative of the International Longshoremen's Association of the South Atlantic Gulf Coast District, transcript of Commission hearing, June 19, 2003, p. 328.

⁷⁰ Testimony of Pat Gallagher, President, PGT Trucking, transcript of Commission hearing, June 19, 2003, p. 337.

⁷¹ *Ibid.*

⁷² *Ibid.*, p. 357.

⁷³ *Ibid.*

⁷⁴ Testimony of Walter A. Nieman, President, West Gulf Maritime Association, transcript of Commission hearing, June 19, 2003, p. 320.

⁷⁵ A representative from PGT Trucking stated that the safeguard measures were "desperately needed and played a vital role in bringing stability to the steel industry, one of its most important customers." He further noted that if "domestic shipments dry up or if major steel producers shut down entirely, the truckers are directly harmed (Testimony of Pat Gallagher, President, PGT Trucking, transcript of Commission hearing, June 19, 2003, p. 337).

⁷⁶ Estimated by the staff of the U.S. International Trade Commission based upon data from the Association of American Railroads for 2002, *Class I Railroad Statistics*, found at <http://www.aar.org/PubCommon/Documents/AboutTheIndustry/Statistics.pdf>, retrieved July 12, 2003. Freight and gross revenue figures were calculated from data for metallic ores; petroleum and coke, metals and products, and 10

(continued...)

substantial portion of U.S.-produced steel is transported at some point from steel mills by rail, whereas almost all imported steel is transported by truck from the port to the end user.⁷⁷ Several railroads have noted the increase in steel volume on their lines, and attribute this to the reopening of several U.S. steel mills.⁷⁸

⁷⁶ (...continued)
percent of coal freight and revenues.

⁷⁷ Association of American Railroads, written submission to the USITC, for Investigation No. 332-452, June 16, 2003, p. 1-2.

⁷⁸ Wiley Rein & Fielding, LLP, on behalf of the Long Product Producers Coalition and the Coalition of Steel Consumers, written submission to the USITC, for Investigation No. 332-452, June 4, 2003, p. 60-63.