

# Post-Tribune

## *Post-Tribune (Gary, Ind.)* **Nerves of steel**

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June 20, 2007

NEW YORK -- American steel makers speaking Tuesday during the 22nd annual Steel Success Strategies convention stressed the importance of restraint and discipline when attempting to make a profit during fluctuating market demand.

At a time when supplies are likely to exceed demand throughout the summer, the steel mills have to work to remain sustainable, and they need to adjust their production rates so the price of steel doesn't drop, said Lou Schorsch, CEO of Flat Carbon Americas for Arcelor Mittal and former CEO of Mittal Steel. Schorsch said there were a number of options that could revive the steel industry and keep the pricing competitive, even when demand slows.

These options include modulating production to better align it with demand, becoming more disciplined in terms of trading and being careful not to disturb market prices through trade flows, which is important for global companies such as Mittal.

Schorsch said the only way to compete with increasing powers in China and India is if the American companies consolidate.

"Size does matter," he said. "I think the more consolidation that we see in this industry, the better able we will be to address the challenges."

Other steel leaders disagreed with Schorsch about the benefits of consolidation, but they agreed with his predictions about supply and demand, and said they all need to work together to keep the prices high regardless of the flexibility in the marketplace.

Whenever inventories are high, the prices drop, said James Bouchard, CEO of Esmark. What the mills need to do to reverse the low prices is to temporarily halt capacity by adjusting production speed and correcting the high supplies, he said. This will be especially important next month, when demand is expected to slow dramatically, and unless the steel leaders show restraint, they will all lose a considerable amount of money.

"This isn't our father's steel industry anymore," Bouchard said, complimenting the steel leaders on refusing to drop their prices when demand slowed. "All the mills are operating with tremendous, tremendous patience in this marketplace," Bouchard said. They can continue to be successful this summer by understanding the marketplace and even by

doing all their equipment maintenance in July before the market is expected to rebound in August.

After all, said Daniel DiMicco, chairman, president and CEO of Nucor Corp., the goal in the steel industry is to make a profit. If they all continue to lower their prices whenever the demand slows, they won't be able to make a profit and they will sink into the troubles that plagued the steel industry in the past.

"The age of American steelmaking is all about profits, it's all about making money," DiMicco said. "All the discussions only have merit if we don't see a return to the failed business models - over capacity, over capacity, over capacity resulting in the inability to be profit-driven."

Whenever the steel makers are tempted by the market and therefore fluctuate their prices, the growth in the industry will quickly decline, DiMicco said.

In addition to stabilizing material costs, he said steel makers need to focus on being low cost producers, being value driven and taking care of their customers. He warned that there is a real danger in falling back upon old, failed business models which inadvertently neglect to focus on a profitable future.

"The last thing any of us needs is a return to the good old days," DiMicco said sarcastically.

While excess supplies were the biggest problem affecting the American steel makers, they weren't the only issue the industry examined Tuesday.

The steel makers can increase profits by lowering their production costs, said Schorsch, who praised Mittal's Burns Harbor facility for having the potential to become one of the lowest cost operations in this part of the world.

Schorsch said steel makers also need to adjust their vision by focusing on environment and on global warming in order to become good community leaders. That, in turn, will bring more customers.