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## Steel “Rebuilding America”

By William Feniger, President, Universal Metals, LLC, Toledo, Ohio

As we quickly approach the half way mark of 2010, it is still difficult to forecast what the second half will look like for the steel industry. Will it be a replay of 2009 or will 2010 stand alone as a new beginning of a decade for growth?

As for the steel service center industry, the outcome will depend on what and how much the steel mills decide to produce and how Washington decides to lead our country. After fighting and struggling through the perils of 2009, service centers within the U.S. are still dealing with the maze of low inventories, low demand, increasing supply, stimulus monies (on or off), and bankers who may or may not be there to support us.

If we thought 2009 was difficult, the second half of 2010 could be our biggest challenge. There is little question that conservatism and cash flow should remain at the top of management strategies. The next most critical factor will surely be the supply side of the equation. What will the U.S. mills do about increasing production levels? How much will they increase their output despite demand levels?

Too much steel and not enough demand has historically been the anchor that sinks the boat of the service centers. The recently announced opening of the United States Steel blast furnace in Gary, A.K.'s increased production, the opening of Thyssen Krupp's new mill in June, Severstal's increased production at mills in Michigan and Mississippi combined with Nucor, and the announced capability increase at SDI and Arcelor Mittal raises the key question – is demand strong enough to consume this level of production?

Initial review of the economy would not lead one to believe demand will substantially grow in the second half. Auto sales may hit 10 million which is still down significantly from 17 million, housing and commercial building is virtually motionless, and the key ingredient of government stimulus for infrastructure remains unaddressed. If and when Washington decides to stop simply painting bridges and repaving roads, and instead construct desperately needed new bridges and roads, we could possibly see the new jobs this recovery requires.

We were told that hundreds of millions of dollars were headed toward the infrastructure. What we have seen is an insignificant effort being made by Washington. The key ingredient to economic recovery throughout history and

holding true today is jobs. It was estimated in 2007 that we have close to 900 bridges that are classified as structurally deficient and requiring billions of dollars for replacement. The key to recovery is to create jobs through long term fixes, not temporary ones. The replacement of bridges and roads consumes millions of tons of steel and requires hundreds of thousands of jobs. We saw the federal projects during the Great Depression create thousands of jobs and permanent structures. Many of these work projects are still in existence today. So, wouldn't this country benefit now from that same type of thinking by Washington? Painting of bridges and resurfacing of roads are merely temporary fixes at best, yet will prove to be no solution to the problem.

USDOT has estimated a 65.3 billion dollar fix for all the bridge and road deficiencies throughout the U.S. How about getting started by using some of the stimulus money committed months ago?

Steel built this country, and after years of almost rusting the industry out of existence, we have reinvented ourselves. We are now ready for the decade ahead. We must work together to return prosperity within our borders and learn to effectively compete in a global market. All it will take is a return to the principles of hard work, self reliance, and dedication to the common good. With one voice, let us ask our leaders, "What can we build for you today?"