Congress of the United States

Washington, DC 20515

March 17, 2004

The Honorable Donald Evans
Secretary of Commerce
United States Department of Commerce
Herbert C. Hoover Building
Room 5854
14th Street and Constitution Avenue, N.W.
Washington, DC 20230-0001

Dear Secretary Evans:

We are writing to ask you to investigate the recent spike in steel prices and reported shortages of steel. Recent press articles have highlighted what we have been hearing from our constituents for over a month – prices on both hot- and cold-rolled steel have increased by startling amounts over a very short period of time. Manufacturers and their workers are vital to Michigan's economy. We are troubled to see another challenge that could further harm this sector.

These shocks have hurt our manufacturers in at least three ways. First, many small and medium-sized manufacturers (representing the lower tiers of the supply chain) cannot pass these price spikes up to their customers. Furthermore, they are under constant pressure to cut costs and will be hardest hit by these shocks. Second, mills have broken long-term contracts our manufacturers use as hedges against price increases. Third, we have heard numerous accounts that manufacturers have shut down entire lines because steel mills have not supplied steel even as required by a contract. Clearly, none of these situations will help recovery of Michigan's manufacturing sector.

While today it is the small metalworking and metalforming companies that are bearing the brunt of these price and supply shocks, the ripple effect created by these shocks will be felt in auto plants this summer where complete shutdowns are anticipated because of a lack of parts. Therefore, we need to address this problem as soon as possible before it creates systemic damage across our domestic manufacturing sector.

We have heard many different explanations for these price and supply shocks, but have not gotten a clear assessment of what is happening in the steel industry. Therefore, we respectfully submit to you several key questions. Please give us an assessment of the principal reasons for the increase in price of steel with particular attention to these questions:

1. How widespread are steel production problems we have heard about from our constituents?
2. What effect have the reported shortages in scrap steel and metallurgical coal (coke) had on these production problems? Further, what impact has the reported shortage in domestic coke oven capacity had on these production problems, and what plans, if any, does the steel industry have for increasing domestic oven capacity?

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3. How have the reported restrictions by some countries (such as Russia, Ukraine, Venezuela and China) on the export of scrap and coke impacted the price and supply of steel? Further, is the Administration reviewing these restrictions to determine if they violate World Trade Organization rules?
4. What impacts have the enactment and subsequent removal of steel tariffs had on flow of imported steel? Further, to what extent have changes in flow impacted prices?
5. What impact would lifting the dumping order currently in place on imported steel have on the price and availability of steel?
6. How has the weakening dollar impacted this issue?
7. To what extent has increased worldwide demand for steel impacted prices?

We appreciate the Administration's continuing attention to manufacturing issues and its manufacturing report outlining many of the challenges manufacturers face. We respectfully request that you review this additional challenge and its potential impacts. Given the tremendous impact this problem will have throughout our manufacturing sector and the need to rapidly address this issue, we would appreciate a timely response. Thank you for considering our request.

Sincerely,

Vernon J. Ehlers

Peter Hoekstra

Fred Upton

Joe Knollenberg

Dave Camp

Mike Rogers

Thaddeus McCotter

Mike Ferguson

Candice S. Miller

cc: Ambassador Robert B. Zoellick