



PACESETTER
OUR PEOPLE, YOUR ADVANTAGE

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YOUR **ORGANIZATIONAL** ADVANTAGE

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PACESETTER 2015

PACESETTER Contributor

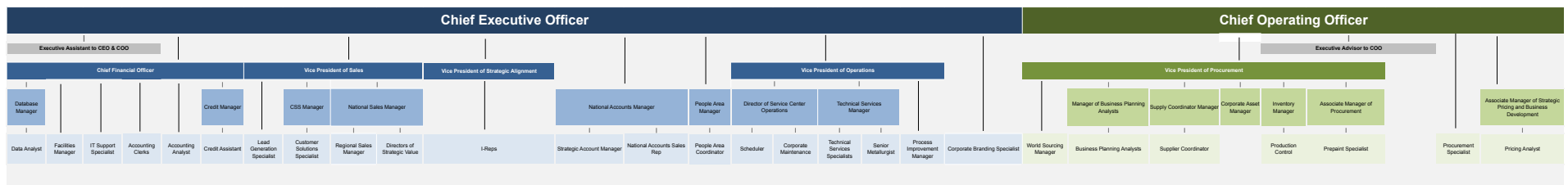
Laura Prouhet, People Area Coordinator

YOUR ORGANIZATIONAL ADVANTAGE | 9.15.2015 - 9.21.2015

Organizational charts are used to show a visual snap shot of the reporting structure of a company, but they can show much more if you know how to read them. For instance, org charts that are deep instead of wide often depict a company structure where information and ideas need to be pushed from the associate level up through many different levels of management before they arrive at the executive level. While this is a functional organizational structure, it can sometimes lead to road blocks and bottlenecks when things need to get done. While most companies take their organizational structure for granted, here at Pacesetter, we have worked hard to turn it into our advantage!

It's shocking at first glance how wide our org chart is, but that is completely intentional on our part. Most associates are only one or two levels removed from the CEO of our company and several functional areas of Pacesetter will often report into the same position. This creates a simpler flow of information to the Associates and managers who need it most to make critical decisions for the company. This also means that great ideas from all areas of Pacesetter reach our CEO and are implemented faster than ever. The resulting Pacesetter team works cohesively and with transparency to achieve goals that make sense to everyone in the organization.

While our structure has evolved over years to fit Pacesetter's needs, its basic format can be implemented in any company to increase visibility and communication. A team that knows the individual goals of each of its members will function better than one that does not.



[Click to enlarge](#)



STEEL | 9.15.2015 - 9.21.2015

+ #1 heavy melt scrap is static at \$199 per ton and #1 busheling scrap fell to \$237 per ton.

- Raw steel production is down to 70.9% of capacity. A year ago the mills were running at 78.1% of capacity.

- Domestic mill lead times for galvanized sheet have pulled back to 4.75 weeks.

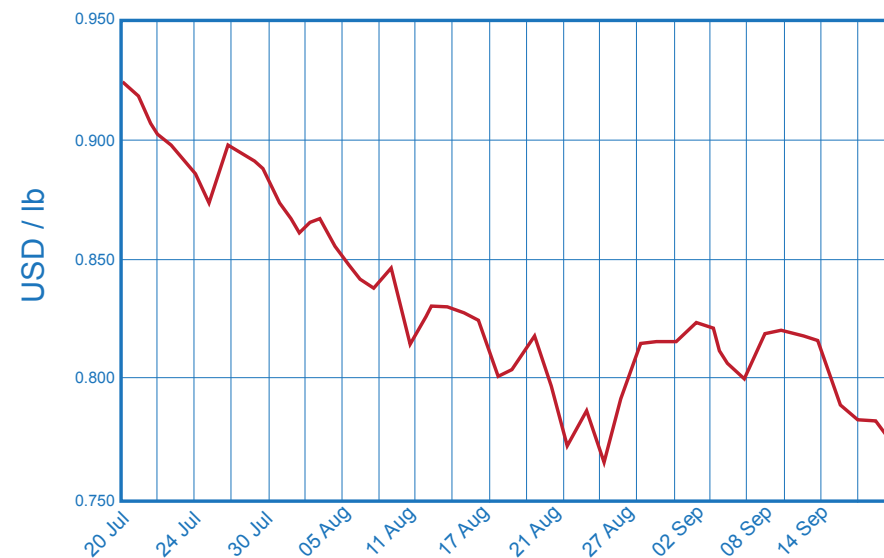
- Iron ore FOB Chinese ports is up to \$58 per dry metric ton. Apparently the Chinese mills are pulling ore from stockpiles and the anticipation of ore purchases for replenishment is driving prices up. China reports having 80 million metric tons of iron ore in stock, compared to 110 million metric tons a year ago. That is a 27% contraction.



+ Zinc prices are heading down again.

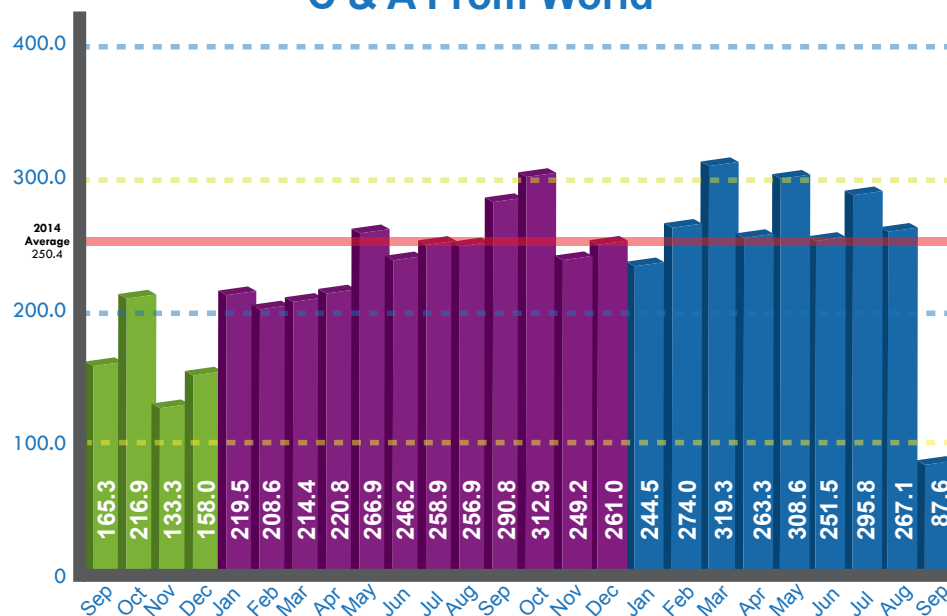
60 Day Zinc Spot

Source: www.kitco.com



- It looks like September is going to be the month that galvanized imports will slow down possibly to 2013 levels.

U.S. Imports of Sheets & Strip Galv Hot Dipped C & A From World



Source: US Department of Commerce, Enforcement and Compliance | Graph last modified on: September 15, 2015
with Licensing Data collected through September 15, 2015. Commerce license data use for the last month appears in a different color
Data extracted from the import licenses are not official Census data

- Steel shipments from service centers in the US totaled 3.31 million tons in August, down 8.9% from last year. Steel inventory at the end of August totaled 9.18 million tons, up 1.9% from a year ago and representing 2.8 month's supply. Canadian service centers shipped 428,000 tons of steel in August, down 6.3% from last year. Their inventory totaled 1.55 million tons, up 3.4% from last year and representing 3.6 month's supply.

+ Our domestic mills buy slabs off shore on a regular basis. The price rises and falls for them just like it does for us. The market is what it is. The 52 week high for slabs FOB Gulf Coast ports is \$560 per ton. The June price was \$385. July was \$375. August was \$360, and September is at \$350 which is a 52 week low and is \$210 per ton off the peak. There is no direct correlation from these slab prices to the market price of finished sheet, but it does illustrate market conditions. Our domestic mills buy slabs to supplement their lack of melt capacity or to increase margin by buying slabs in some cases cheaper than they can make them. Logistics plays a role as well. Some mills are situated near coastal ports while others are land locked and have higher costs to get the slabs on their property.

- The Steelworkers union that represents 17,000 people at US Steel and 13,000 people at ArcelorMittal in the USA is at a standstill with mill management over proposed labor agreement changes. The old agreement expired on Sept. 1. Workers are still reporting for their shifts and steel production is uninterrupted. Eventually they will have to agree on health care participation, overtime, profit sharing, out sourcing, and a mill proposed two tier pay and benefit structure for new hires.



AUTOMOTIVE | 9.15.2015 - 9.21.2015

+ Mercedes is developing a self-driving limousine. Mercedes-Benz engineers are working towards eventually coordinating these cars with “outlook” type schedulers. The car will show up to take you to your meeting at the time requested, drop you off, then turn around and take you back based on end of meeting time entered in your schedule.



+ Ford and Alcoa are pushing the application of aluminum in the F-150 pickup truck. Three years ago they formed a partnership. The result so far, is the construction of an aluminum sheet micro-mill in San Antonio, TX that can make a coil of aluminum sheet in 20 minutes, instead of 20 days, which is normal for the industry. The technology owns 130 patents. Normally, aluminum is smelted from ore, then poured into ingots, which are then rolled and stretched into sheet, then coiled up (like steel coils). The new micro mill technology takes the molten aluminum to a mold, which cools and rolls it directly into sheet, to be coiled up at the end of the line. The aluminum used in the F-150 trucks is an alloy that is 40% stronger and 30% lighter than high strength steel but it is also twice as ductile so more complex shapes can be stamped from it. Ford has exclusive rights to the Alcoa aluminum sheet for an undisclosed number of years. Next year Ford will use more aluminum in their F-150's and will commence using aluminum in other Ford vehicles. Alcoa is expecting their automotive aluminum sheet sales to grow from \$229 million in 2013 to \$1.3 billion by 2018. Alcoa recently invested \$500 million in their existing plants in Tennessee and Iowa to increase capacity for aluminum sheet.

AUTOMOTIVE | 9.15.2015 - 9.21.2015

+ Here is the view from inside Freightliner's autonomous truck. Its name is Inspiration. It runs "level 3 autonomy". Level 4 autonomy is full autonomy with no human interaction. It uses adaptive cruise control, long range and short range radar, and an array of cameras to keep it "between the lines". The truck has no blind spots. At 55 mph, it will track 3.5 seconds behind any other vehicle. Will these trucks eventually migrate to level 4, and not use a human in the driver's seat? Probably not soon. There are still too many conditions like snowy weather and navigating through industrial parks and backing up to loading docks that will keep humans in the driver's seat.



+ The UAW and Fiat Chrysler have reached a tentative labor deal. The existing two tier pay scale will morph over a period of years, raising the lowest pay scales and allowing older workers with higher pay to keep their pay rate until retirement. They are looking at creating an insurance pool of over 2 million members in order to shop health care and get a better deal for their employees. GM and Ford are watching and will probably follow suit. The UAW represents 140,000 workers at GM, Ford, and Chrysler. An interesting twist from the negotiations is that Chrysler is planning to shift all of its car models, except for the Viper, to Mexican assembly lines, and all of their trucks and SUVs will be made within the US. The logic is that all of their Mexican plants operate at lower costs, so they will make their cars there because Chrysler does not make as much profit on car platforms. The high profit vehicles are their trucks and SUV's, so they are going to make them in the US, where government regulations and the union force higher overhead costs.

GENERAL | 9.15.2015 - 9.21.2015

- The Fed announced they are keeping interest rates the same at zero to .25%. I guess things aren't as good as the government would lead us to believe.

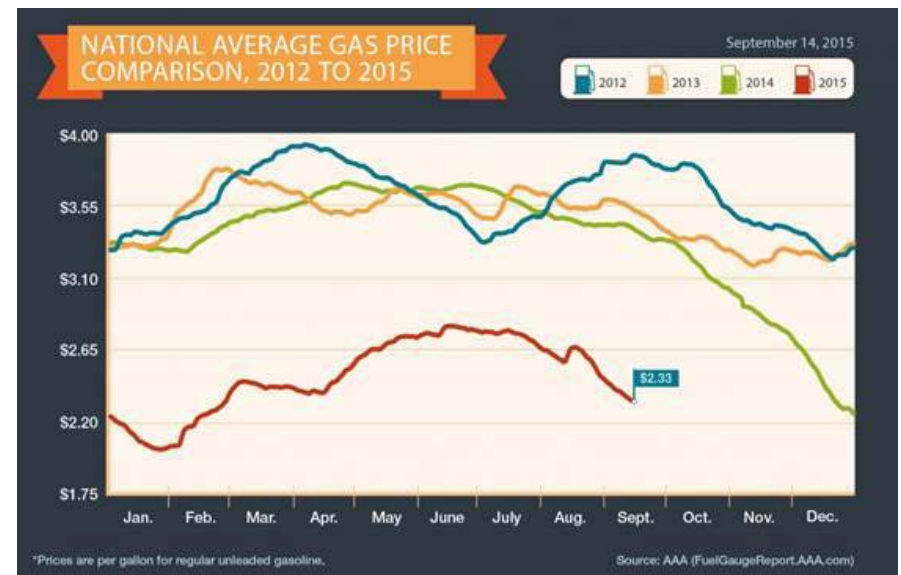
- Housing Starts fell 3% in August, but permits rose 3.5% so there is a little optimism for the near future.

- Industrial Production fell .4% in August, slowed by manufacturing in general and a 6.4% decrease in automotive production. Mining output is down too. Manufacturing capacity utilization in the US fell to 77.6%.

- Business Inventories rose .1% in July, in step with a .1% sales gain to leave the stock to sales ratio at 1.36 to 1. A year ago it was 19% slimmer inventory at 1.29 to 1.

+ The Consumer Price Index (inflation) fell .1% in August, driven lower by cheaper gasoline prices.

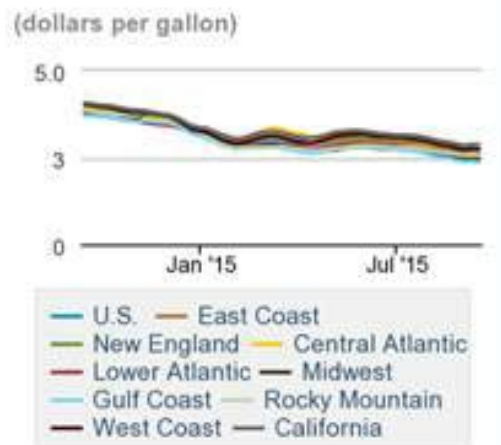
+ The first three states selling gasoline under \$2.00 per gallon are Mississippi, Alabama, and South Carolina.



GENERAL | 9.15.2015 - 9.21.2015

+ U.S. Energy Information Administration (EIA) reported on 9/14/2015 the US On-Highway Diesel Fuel Price was at \$2.517. That's a \$.017 decrease from a week ago and a \$1.284 decrease from a year ago.

On-Highway Diesel Fuel Prices



eia Source: Energy Information Administration

+ The Petroleum Status report shows a drop in imports, combined with refineries operating at 93.1% of capacity, pulled crude oil inventory down 2.1 million barrels. Gasoline stock grew 2.8 million barrels and distillates grew 3.1 million barrels. Oil futures fell to \$45.50 per barrel.

- The blast that damaged a large part of the port of Tianjin, China is reported to be costing marine insurance companies as much as \$6 billion. You can bet insurance premiums will rise. The long supply chain from China to the US is getting less attractive.



GENERAL | 9.15.2015 - 9.21.2015

+ China has been selling off US Treasury bonds lately. They dumped over \$30 billion worth in the last 30 days. They seem to be interested in propping up the value of the Yuan. China still owns around \$1 trillion of US Treasuries.





SHORT AND SWEET WITH BILL | 9.15.2015 - 9.21.2015

"The Fed announced they are keeping interest rates at historic lows. Housing starts fell 3% in August. Industrial production is slowing and inventories are rising. Inflation is under control. Retail gasoline prices are under \$2.00 per gallon in some states. China is dumping billions of dollars of US Treasuries as they try to prop up the value of the Yuan. Scrap prices are getting cheaper. Steel mill output is slowing and lead times are pulling back. Steel imports are slowing and service center shipments have slowed. Slab prices FOB Gulf ports are at 52 week lows. Steel workers and auto workers unions are negotiating new labor contracts and one of the big issues is health care. Autonomous trucks and limousines are soon going to be part of our traffic pattern."

PARTING SHOT:

"Celebrate what you want to see more of."

— Tom Peters (1942 to present)



Bill Feier, World Sourcing Manager



'TIL NEXT TIME | 9.29.2015



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