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Equipping Asia's steel industry

By Dave Copeland
TRIBUNE-REVIEW
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Waiting to be hung on the wall of a conference room at Casey Equipment Corp. in O'Hara is a map of China.

And with good reason -- the family-owned company, which buys and sells used steel mill equipment, saw most of its sales in 2003 come from the rapidly industrializing country.

"China -- that's why this has been a good year," said Carrie Casey, daughter of company founder Don Casey and president of the company's mill equipment division. "Our primary market is still southeast Asia, although we're starting to see a slight rebound in South America."

Casey does not release annual revenue figures, but Carrie Casey said the company contracted to sell $100 million in steel equipment in 2003, a banner year for the company, which is one of the world's largest sellers of used steel mill equipment. In addition to steel mill equipment, Casey has divisions that sell electrical equipment and motors and overhead cranes.

Strong revenue from China, however, may be on the verge of ending. Fearing a glut of steel-making capacity, the Chinese government is moving to limit the amount of used steel-making equipment that can be imported into the country.

Photo Gallery

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Casey Equipment in Youngstown, Ohio
Submitted

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Carrie Casey
James Knox/Tribune-Review

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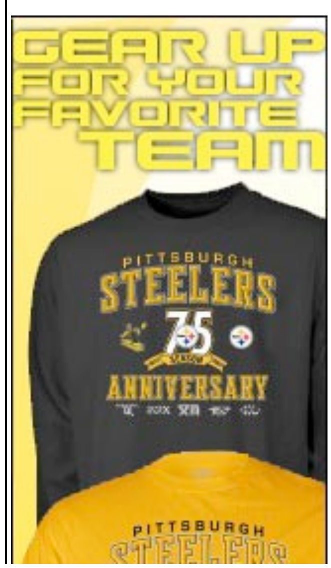

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"They're starting to get overloaded and they're trying to cut back to prevent what happened in the U.S. from happening there," Carrie Casey said. "We always hope that a new market will open up. So maybe next year it will be South America, but I really can't tell you where -- or if -- that new market will open up."

China consumes nearly a quarter of the world's steel -- compared to 16 percent by the United States -- and its own steel production has grown in recent years to more than that in the United States and Japan combined.

The country expects to consume 165 million tons of steel by 2005. The United States had steel consumption of about 115 million tons in 2000.

"There are indications that the Chinese government is starting to put some controls on the expansion of their steel industry, which would have an effect on used equipment sales," said John E. Thomas, chairman, president and chief executive of Tippins Inc., an Etna-based company that sells new and used equipment. "I think the way they'd do that is in the way they grant loans to the various companies."

Tippins recently helped a Chinese company buy and re-engineer an Arkansas mill formerly owned by Enron Corp. Tippins combines new and used equipment and, in the case of the Enron mill, installed a new control system. Like Casey, Tippins has seen most of the demand for used equipment come from China in recent months.

"Traditional used equipment the way Casey does it is really just a small part of our business. We will utilize used equipment in with new equipment to provide complete facilities," Thomas said. "I think we're unique in that approach."

Charles Bradford, an independent steel industry analyst with Bradford Research in New York, said selling used mill equipment is a highly cyclical business. The current trend of selling U.S. equipment to China helps eliminate some domestic steel-making capacity, he said.

"People have literally been doing this in the steel industry for decades," Bradford said. "In some cases, the used equipment is as good as new equipment, depending on what it is."

Bradford said purchasers are usually looking to save time more than money when they buy used equipment.

"You usually don't get a good price when you buy equipment like this. The costs to disassemble the equipment are pretty high, and the costs to reassemble the equipment are high," Bradford said. "But if you wanted to put up a brand new mill, it might take you awhile because that equipment isn't just sitting around. This isn't retail."

Bradford said bankrupt steel companies are usually reluctant to disclose how much money they get from used equipment sales, and Casey declined to provide specific prices for equipment, citing competitive reasons.

Bankruptcy court documents filed last month show that Qingdao Iron & Steel, one of China's leading steel makers, plans to pay $35.3 million for the bulk of the equipment from bankrupt Geneva Steel's mill in Provo,

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Utah. Geneva, which paid $40 million for the plant in 1987 and made $400 million in equipment improvements, has reserved the right to accept a higher offer if one comes before a Jan. 30 deadline. Casey is brokering the transaction and handling the breakdown and shipping of the equipment.

Large mills like Geneva can take as long as nine months to disassemble, Carrie Casey said, and can involve up to 100 workers. While the bulk of material can be shipped in container ships, other equipment has to be shipped in "break bulk" vessels.

"Break bulk vessels don't depart as often as container vessels," Carrie Casey said. "There's a container vessel that leaves the port of Baltimore every week. But break bulk vessels run much less frequently and cost so much more that some of our customers choose to charter them on their own."

Casey Equipment is the exclusive sales agent for a number of bankrupt steel companies, including Acme Steel, Alton Steel and Geneva Steel, as well as some still-solvent steel companies, including Allegheny Ludlum, a unit of Allegheny Technologies Inc.

Allegheny Ludlum has used Casey to sell a temper mill as well as an entire plant in Detroit. Last year, J&L Specialty Steel Inc., a Coraopolis-based unit of Arcelor SA, used Casey Equipment to sell a cold and temper mill from its mill in Midland, Beaver County, as well as a cold mill and pickle line from its Louisville, Ohio, plant.

All of the equipment from the relatively small equipment sale went to China, Carrie Casey said.

While Casey Equipment is the country's largest dealer of used steel mill equipment, it has several competitors in its various segments. Dovebid, an online auction house, deals in some used mill equipment and motors, while Eagle Fire Investments Inc., of Los Angeles, brokers deals between used mill sellers and buyers.

"I think one of the things that has happened is that all or most companies realize the value in used equipment and that you can buy good used equipment and modernize it to make a quality product," Thomas, of Tippins, said. "If you do it right, the costs are going to be lower and the wait is going to be shorter."

In addition to its headquarters in O'Hara, Casey has a warehouse for manufactured cranes about 25 minutes northeast of Pittsburgh in Dorseyville, Allegheny County, and a massive facility in Youngstown, Ohio.

The Youngstown facility has more than one million square feet of space and more than 30,000 tons of equipment in stock.

To offset the ups and downs of the cyclical steel industry, Casey also develops industrial parks. The company is converting a former mill site of Newport Steel, where Casey sold the equipment, into an industrial park in suburban Chicago.

The company has undertaken similar projects in Niles, Ohio, and is in the process of converting a former Gulf States Steel mill site into an industrial park in Gadsden, Ala.

Don Casey, 66, is still active full time in the company he founded in 1962 and was in Alabama last month to oversee the dismantling of equipment at the Gadsden site. His son Kurt Casey manages the company's electrical division.

Don Casey "knows this intuitively," Carrie Casey said. "He knows what's going to cause delays and how to avoid them."

For certain pieces of mill equipment, there may be only a handful of trucks large enough to accommodate the move. It's up to Don Casey to schedule the dismantling of the mill, the arrival of the trucks and the permitting process.

The Gadsden project includes about 55,000 tons of equipment, including a Q-Bop shop, a plate mill and caster. The dismantling and shipping of equipment to buyers, mostly in China, will take about nine months.

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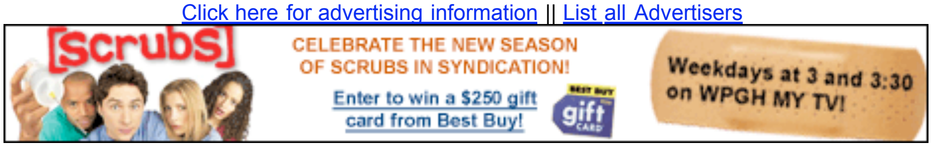

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