

## **Pricing and Supply of Fabricated Steel Used in Concrete Pavements**

*August 29, 2018* – Higher import tariffs were first mentioned by President Trump on July 14, 2017. Less than three weeks later, manufacturers of fabricated steel products for concrete pavements saw their first raw steel price increases in anticipation of the possibility of steel tariffs.

As expected, the tariffs were enacted on June 1, 2018. Between the time of the first mention of steel tariffs in 2017 to the time the full measure went into effect, steel prices increased steadily.

Looking in greater detail at the steel tariff issue and its impact on concrete pavements, there are several important considerations:

### **Current Supply Situation**

- Most of the increased cost of steel since July 2017 has been absorbed by the manufacturers of finished steel products, including dowel bars and baskets, tie bars, and reinforcing steel used in continuously reinforced concrete pavements.
- During the past year, some manufacturers of these products have experienced significant financial burdens and, although steel mills have provided no relief, the fabricated steel manufacturers responded to the challenge by using different strategies that involved more than just passing along price increases to contractors.
- The concrete pavement industry is in the peak paving season for 2018, yet none of the large manufacturers dowel baskets and other fabricated steel products have reported any delays in promised deliveries to projects, indicating steel shortage concerns are a perceived problem rather than an actual issue. Even so, major domestic steel mills are acting very cautiously regarding excess reserve inventory purchases as a pre-emptive measure to avoid shortages. (They are effectively asking manufacturers to order only the steel they need, not what they want—and this is aimed at avoiding supply challenges.)

### **Impact on Concrete Pavements**

- Because the design of concrete pavement<sup>1</sup> varies from state to state and project to project, the impact of steel tariffs on the cost of pavement will vary but, no matter which design is used, the impact will represent only a small percentage of the cost per square yard of pavement.
- Factoring in the incremental tariff-related price increases, we estimate the actual cost impact of the tariff to be around 2% to 4% per square yard of jointed concrete pavement. It is important to consider this is an impact on the pavement cost and not project costs, which include other factors, including traffic control, ROW acquisition, etc.

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<sup>1</sup> Some of the factors impacting design include dowel diameter, number of dowels across a lane, number of tie bars, epoxy coating requirements, etc.

- The tariff impact on continuously reinforced pavement will be slightly greater than on jointed concrete pavement, but also should be absorbed without becoming a deterrent to the use of continuously reinforced designs.
- Because of the critical importance of load transfer to pavement performance, technical merits, not short-term pricing and perceived supply concerns, should be the primary driver for any alterations to joint load transfer details.
- ACPA and its network of affiliated Chapters remain committed to providing sound technical advice and guidance to all interested parties on reinforcement, load transfer and other pavement design matters. ACPA has and will continue to advocate for the use of efficient and effective load-transfer systems and pavement reinforcement designs, including the use of innovative materials.

## Outlook

- **It is important to consider that the greatest cost impacts are behind us.**<sup>2</sup> The outlook from steel manufacturers is that steel prices should remain stable through the end of the year. Since the industry can and has supplied fabricated steel during the peak period of the paving season, manufacturers are confident they can continue to supply products as the 2018 season winds down.
- ACPA has seen and heard reports that supplies of recycled steel (and other metals) are increasing domestically because of the tariffs,<sup>3</sup> and experts believe this will eventually help drive down steel costs.
- Several steel product exclusions have been approved by the U.S. Commerce Department, and looking ahead, this is likely to have a positive effect on supply. Another positive factor is that additional steel manufacturing capacity is being brought online in the United States. This will also have both a positive impact in both the short and long term.
- Although no one can predict the future, ACPA and its member companies that fabricate steel products are confident in the outlook for 2019. While lead times have extended well beyond traditional averages, the fabricated steel supply chain has managed to cope with the most difficult period and, as the construction season continues to wind down, steel experts are expecting to see both prices and deliveries retreating from their current high points.
- We cannot say for certain what the situation will during the next construction season, but things are currently trending back to more normal conditions.

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<sup>2</sup> Many experts believe steel costs have peaked and that the steel trade tariffs are not sustainable. Beyond the large number of people employed in the steel manufacturing industry, there many more times that number of people employed in steel consumption industries. Layoffs and job losses have been reported, which is an unintended consequence of the tariffs. Industry is applying pressure with the Executive and Legislative branches, and confidence is high the sanctions will ease.

<sup>3</sup> "How these scrap yards found themselves on front lines of the US-China trade war," USA TODAY, August 24, 2018. <https://www.usatoday.com/story/money/nation-now/2018/08/24/trade-war-us-china-trump/1083310002/>