notes from the editor

Scott L. Melnick

After the recent North American Steel Construction Conference in Long Beach, a few of us stopped at what we eventually discovered to be an overpriced and overly pretentious restaurant. After a mediocre meal (and don't even get me started on the service), we were handed dessert menus. I wasn't particularly interested, but if you hand me something, I tend to read it. And I was fascinated by the listing for "Seasonal and assorted ice cream—$8". In my imagination, I envisioned wondrous blends of exotic seasonal fruits. Unfortunately, upon questioning, the waiter revealed that the reality was an offering of either chocolate or vanilla. I guess technically it qualified as "assorted" ice cream, though neither the waiter nor the host could explain the "seasonal" claim.

A recent mailing from the Precast/Prestressed Concrete Institute presents a similarly distorted view of reality. The mailing invites architects and engineers to rethink their current projects in light of the recent escalation of steel prices. Intriguingly, the mailing neglects to mention the recent similar rise in concrete prices. The reality is that all construction prices have risen. Obviously, cost is a critical issue in determining the building frame. But don't get fooled into comparing today's steel frame prices with yesterday's concrete prices.

Unfortunately, that's just one of the myths birthed by the recent sharp rise in raw material costs.

A similar myth is that the cost of steel frames has increased by 40%. In reality, the price of raw steel—before fabrication and erection—has increased by that amount. But only fabricators buy raw steel. Designers, contractors, and owners are concerned with the total steel package, and mill prices make up only about a quarter of the total steel package. Which means steel frame prices are up about 10%—which translates into about a 1% increase in project cost.

A particularly pernicious myth is that there's a shortage of structural steel. In reality, there's an abundant supply of wide flange available from both steel mills and steel service centers. In fact, domestic demand for wide-flange members is projected to be about 3.6 million tons, while domestic capacity exceeds 6 million tons. The construction market in the U.S. could grow by more than 25% and wide flange would still be readily available. The present volatility in the marketplace concerns pricing and is not about availability.

The rapid changes in steel pricing are a very serious concern. AISC is closely monitoring events and as new information becomes available it is posted at www.aisc.org (you can also read AISC Vice President of Marketing John Cross' insightful comments about steel pricing and how the industry should respond).

Why are steel prices rising?

If Trey Parker and Matt Stone, creators of the animated series *South Park*, were writing about steel pricing volatility, they'd title it: "Blame China." And as with any comedic commentary, there would be at least a kernel of truth.

One of the biggest reasons for the recent sharp rise in steel prices is the increased demand for scrap in China (beams and columns in the U.S. are produced from nearly 95% scrap material). As a result, during the past year, scrap prices have shot up more than $100 per ton (Note: the price rise is not related to availability—there is plenty of scrap available domestically; mills simply must pay more for it). In addition, the industry has experienced rapidly rising energy costs, increased freight expenses, coke shortages, and a weakened dollar.

For more information on steel pricing and for advice for designers and contractors, visit **www.aisc.org**.

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