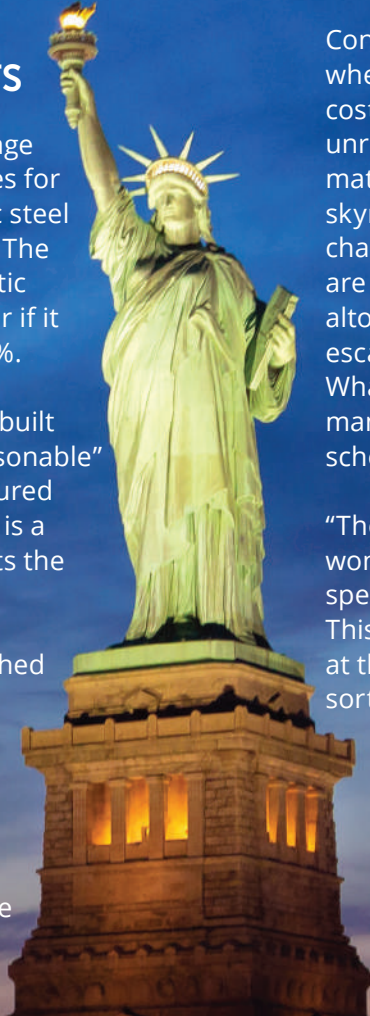


THE BIDEN MANDATE FOR INFRASTRUCTURE PROJECTS

The \$1.2 trillion infrastructure package which was passed last year provides for contracts that only utilize domestic steel manufactured and processed in the U.S. The only waiving of this provision is if domestic materials are not 'reasonably' available or if it would raise the cost of the project by 25%.

There are a couple of loopholes for sure built into that clause. What is considered "reasonable" and the idea of material being manufactured from the melting stage to finishing stage is a bit vague. The government ultimately sets the guidelines (no favoritism there).

Imports of iron and steel in the U.S. reached \$38.9 billion last year, an all-time high since the early 1990's. Nearly 24% originated from Canada, followed by Brazil and Mexico at 18% and 15% respectively. The administration has not said what percent of construction materials should be for the infrastructure projects. That, too, is open ended.



Construction Association executives have questioned whether the new rules will add to soaring construction costs and high inflation. "It makes no sense to place unrealistic limitations on a firm's ability to source key materials at a time when prices for those products are skyrocketing and while supplies are limited." Supply chain shortages are already creating shortages and are prompting firms to avoid bidding on new projects altogether. If they do, they will likely incorporate escalation clauses based on pricing at time of delivery. Whatever minimal benefits by requiring domestic manufacturing will likely be offset by the delays in schedules and increased costs.

"The new mandate will leave many taxpayers wondering where all the trillion dollars have been spent while they wait for projects to be completed. This is another example of trying to achieve one goal at the expense of another. Time will tell when it all get sorted out.

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QUARTERLY **NEWSLETTER** SPRING 2023



**INFRASTRUCTURE
IN THE USA**

By Jim Stavis



FUTURE OF THE STEEL INDUSTRY

Steel has been around for a long, long time. However, more than 75% of the steel used today were developed just over the past two decades. The process is now far less driven by labor and is now more dependent on technology. It is technology that has fueled these major advancements within the industry. We have made incredible strides in reducing the amount of energy used for production. Since 1990 the industry has reduced greenhouse gas emissions by 37% and energy reduction has seen a 32% decline.

The demand for stronger and thinner gauge materials continues to increase as the demand for construction and pipe-grade materials increases. Stainless steel has become the backbone of many of our cities, supplying materials for bridges, skyscrapers, railroads as well as the automotive industry. With that in mind, what does the future hold for steel? It is actually hard to say. The industry is facing some significant challenges, but it has also shown a remarkable ability to adapt and change with the times.

Steel has and will continue to be an amazing, multifaceted material that people use every day, often without considering its importance. We believe that the distribution process of selling and shipping steel to end users is ripe

for change. The steel warehouse model which was born nearly a century ago, hasn't changed all that much. Steel users are still held captive to distributors who buy from steel mills and then redistribute it in similar quantities, sizes and grades. I'm sure in time there will be an Amazon type approach which will streamline the process and make it more user friendly—tailored to customer needs. Paragon Steel has tried to implement such a streamline approach to distribution. We also carry a much broader base of metals including different alloys and finishes. We understand that our customers needs change, so we need to be agile and flexible with our product offerings as well.

AS CHARLES DARWIN ONCE WISELY SAID,
"IT IS NOT THE STRONGEST OF THE SPECIES THAT SURVIVE, NOR THE MOST INTELLIGENT, BUT THE ONE MOST RESPONSIVE TO CHANGE".

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