



Suggestions on Managing Projects to Minimize the Impact of Structural Steel Price Increases

May 02, 2008 From American Institute of Steel Construction, Inc.

Increasing global demand for both structural steel and steel scrap has triggered significant domestic increases in the producer price of structural steel during 2008. During 2008 the mill price for wide-flange structural steel has increased 28% to just over \$1000 per ton. Other structural materials such as HSS and plate have experienced increases into the \$1100 to \$1200 per ton range. This increase is typical of the price volatility that has been experienced by all construction materials since early 2004. Global demand peaks have triggered price volatility and availability concerns for cement, gypsum, copper, plastics and lumber products during this period.

The current increase in the cost of structural steel products can be traced to an expanding global marketplace combined with increased competition for the purchase of steel scrap, iron, coke and metallurgical additives that are used in the production of various types of steel. Scrap index prices have increased from \$290 per ton in December of 2007 to a current level of \$555 per ton. The recycled content of wide-flange structural steel is nearly 90%, which equates this \$265 per ton increase directly to the \$220 increase in the per ton price of structural steel. At the same time domestic structural steel as a result of the weakened US dollar remains \$20 to \$40 per ton lower than the global price, which discourages imports.

At the present time, structural steel remains readily available in the U.S. market with service centers holding over 3 months of inventory available for immediate delivery. Direct mill shipments of wide-flange shapes continue in the range of 12 to 14 weeks while HSS is available from producers in 4 to 6 weeks.

The transition from a domestically driven market for construction materials to a global market requires significant changes in how construction projects are managed.

Early involvement of specialty contractors including structural steel fabricators during project design as a means of optimizing the material supply chain, as well as, the use of materials on the project

Engagement of product suppliers (mills and service centers) in early dialogue regarding pricing levels, material reservations and the availability of price lock mechanisms

Clear definition within bid solicitations of which party will be expected to hold the risk for material price fluctuations with the understanding that the assumption of that risk requires compensation

On some projects it may be acceptable to incorporate an escalation clause into the contract. Typical contractual language is available upon request from the AISC Steel Solutions Center (solutions@aisc.org)

Rapid acceptance of bids and early authorization of material acquisition with the understanding that the specialty contractor will be reimbursed for both the material and storage charges when they are incurred

For more information contact:

Scott Melnick
VP of Communications
(312) 670-8314
melnick@aisc.org

Company Information

American Institute of Steel Construction, Inc.

The American Institute of Steel Construction, Inc., headquartered in Chicago, is a not-for-profit technical institute and trade association established in 1921 to serve the structural steel design community and construction industry. AISC's mission is to make structural steel the material of choice by being the leader in structural steel-related technical and market-building activities, including: specification and code development, research, education, technical assistance, quality certification, standardization, and market development. AISC has a long tradition of service to the steel construction industry of providing timely and reliable information.

One East Wacker Dr. Suite 700
Chicago IL 60601

Phone: (312) 670-2400

Fax: (312) 670-5403

<http://www.aisc.org/>

Back