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United States Steel Corp. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Dave Martin - Deutsche Bank.

Dave Martin - Deutsche Bank

I had two questions on costs. On the ongoing costs in the Flat-rolled business, could you detail what's included and maybe give us a breakdown of what's included and what the change would have been quarter-over-quarter?

John Surma

Sure, Dave, I'll try. I mentioned a couple of them in my remarks, but with respect to quarter-over-quarter, I don't have an exact figure but we were just in the process of idling facilities in the fourth quarter, so we weren't really seeing it that way and trying to keep track of it that way, quite frankly. We did feel it was important to give you a sense of what the effect was in the quarter.

So the majority of the \$230 million or whatever the number was I mentioned, the majority of that was related to facilities that had been idle for the entirety of the first quarter - Great Lakes, Granite City, Keewatin - and a bit for some of the Tubular facilities in Lake Erie, which was idled later in the quarter, and then some of the coke operation as well. But the biggest chunk was for several integrated plants and the iron ore operation, which was out for the entire period. So I don't have a good comparison of the fourth quarter, but it would have been less just because the facilities weren't idle for that much of it.

In terms of categories, we do have fuel and utilities to keep, you know, boiler houses heated up and water circulation and steam generation, etc. There is some continuing employment cost, staff cost, although we're continuing to whack that down, and some also for represented labor just for maintenance and fire watch and security, etc. We also have some continuing costs for contractual commitments for industrial gases and other services that we're trying to minimize, reschedule, reduce, but some continuing carrying cost there. Depreciation, allocated headquarters costs - I'm not sure I'm missing anything. Gretchen?

Gretchen Haggerty

We had a large LIFO credit in the fourth quarter.

John Surma

Yes, but in terms of idle facility costs that really wouldn't affect it too much. So I think those would be the major categories, Dave.

Dave Martin - Deutsche Bank

And then secondly, can you comment on second quarter costs in the Flat-rolled business and maybe provide an estimate of how much costs will decline on a per ton basis?

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