Anti Trust

~~CONFIDENTIAL~~

EYES ONLY

August 13, 1971

MEMORANDUM FOR: JOHN EHRLICHMAN

FROM: LEW ENGMAN

SUBJECT: Proposed National Steel -- Granite City Steel Merger

Attached are the following documents in connection with the National Steel-Granite City Steel matter:

(a) * Nordahl memorandum further expanding on weaknesses in McLaren analysis;

(b) * Loken memorandum to Flanigan of August 6 outlining weaknesses in Antitrust Division position. In my opinion this is a good memorandum and the major points have not been answered by McLaren;

(c) McLaren memorandum to Attorney General;

(d) Copy of McLaren memorandum to Attorney General with margin notes by Nordahl. (This may be helpful, although points are made in other enclosed memoranda);

(e) McCracken memorandum to Flanigan detailing reasons CEA favors merger;

(f) Letson memorandum to Flanigan on why Commerce favors merger;

(g) Paper differentiating this situation from Bethlehem Steel case;

(h) Memorandum in support of merger by counsel for company'

(i) Economic analysis of proposed merger by Harvard Professor Markham;

(j) Stinson letter to Attorney General.

* - Good summaries

Items (g), (h), (i) and (j) have been prepared for the companies and have been submitted earlier to Justice.

We stand ready to give you such further backup material as you may need.

A

THE WHITE HOUSE

WASHINGTON

August 13, 1971

MEMORANDUM FOR: JOHN EHRLICHMAN

VIA: LEW ENGMAN

FROM: DICK NORDAHL

SUBJECT: NATIONAL STEEL - GRANITE CITY STEEL MERGER

The Antitrust Division's opposition to this proposed merger results from a rigid application of its merger guidelines without proper consideration of the total context within which the merger takes place. The major elements left out of the Division's analysis are as follows:

1. The impact of increasing steel imports is not given appropriate weight. In 1970, 13.4 percent of U. S. steel sales were foreign imports. Nowhere in the supplemental memo for the Attorney General is this fact mentioned. The supplemental memo simply states that the market shares of National and Granite City would decline very little if imports were taken into consideration without taking into account any trends or the total import picture. The insignificant decline in market shares referred to amounts to between 15 and 20 percent in each of the product lines involved, with the biggest percentage decline coming in the markets in which the combined National-Granite City share is the largest. The Department does not indicate that the total domestic consumption for steel has been declining or at least not growing over a period of years. Therefore, the increasing percentage of imports has not been matched by a growing market for domestic firms. The inclusion of foreign imports would mean that the merger guidelines would be exceeded barely, if at all, in only one of the chosen sub-markets and this one amounts to only a fraction of a percentage of the total U. S. market.

2. There is no trend toward concentration in the U. S. steel industry and there may well be a trend toward deconcentration. Inclusion of the foreign imports would show a deconcentration. National's share has declined from 7.3% in 1965 to the 6.9% in 1970 without including foreign competition. Granite City has remained constant over a period of years.

3. There is no real consideration of the financial condition of Granite City. The attached memorandum by the Department of Commerce clearly indicates that Granite City is not in good financial condition and may well go under in the near future.

4. No real consideration is given to the present over-capacity situation in the U. S. steel industry.

5. The Bethlehem case is made to sound like it is right in point. Bethlehem and Youngstown would have had a combined 21 percent share of the U. S. steel market in a period when foreign imports were not a major consideration. The present merger would involve a total market share of 8.3 percent without figuring in foreign imports which would make that figure lower.

6. The Council of Economic Advisors, the Commerce Department and Peter Flanigan's office all support the merger.

B

August 6, 1971

EYES ONLY

MEMORANDUM FOR THE ATTORNEY GENERAL

FROM: PETER FLANIGAN

Herewith the promised materials on the proposed National - Granite City Steel merger.

Attachments

THE WHITE HOUSE

WASHINGTON

August 6, 1971

MEMORANDUM FOR: PETER M. FLANIGAN

FROM: JIM LOKEN

SUBJECT: PROPOSED NATIONAL-GRANITE CITY STEEL MERGER

Attached are memoranda from CEA and the Commerce Department recommending no action to block this merger under the antitrust laws.

Both agencies suggest that this merger poses little or no threat to competition in the steel industry because:

(i) there are no substantial barriers to competition in the National-Granite City markets,

(ii) import competition is strong and increasing steadily,

(iii) the U. S. industry is less concentrated than its principal foreign counterparts and the trend has been away from concentration, and

(iv) the 1968 merger guidelines are modestly exceeded in only a limited number of submarkets.

In addition, both agencies note the need for rationalization of our anemic steel industry and conclude that merger of the complimentary excess capacities of these two firms makes good economic sense from a long term point of view.

In addition to agreeing with the CEA and Commerce conclusions, I have the following comments concerning the Antitrust Division staff papers, which to me greatly overstate the case for challenging this merger:

1. The staff papers assume that the steel industry should be viewed as highly concentrated in considering this merger. In fact, the four largest companies have a market share of raw steel output of 54%, placing the industry in the less concentrated category under the 1968 guidelines (App'x 1). More important for antitrust purposes, the concentration trend has been steadily declining (App'x 2) in the face of greater concentration in the major steel industries abroad.

2. In asserting that the merger would violate the 1968 guidelines in "substantially all" of 65 product/geographic markets, Dick McLaren relies on some highly questionable staff analysis:

a. In computing market shares, the staff ignores imports (13.4% of the U.S. market in 1970), not because imports are economically irrelevant but because "this is prima facie valid." In other words, even though anyone concerned with U.S. trade policy would concede that steel imports are highly competitive and highly significant in any economic appraisal of the industry, we must disregard imports until the companies prove their relevance in court.

b. The market share statistics are based on shipment tonnage, not dollar sales. Dollar sales seem a more relevant measure of economic power and ~~might~~ would reduce market shares because the companies concentrate on lower value carbon steel products. (See App'x 3)

c. Multiple geographic submarkets are included by staff with no economic analysis of whether competitive factors in the industry justify creating such market distinctions. Under this approach, it is hard to see how the merger of any two national companies could withstand literal application of the guidelines.[1/] Here, the most serious "violations" occur in the smallest markets (e.g., Granite City's home State of Missouri). Limiting the market share analysis to the 50 and 25 State markets which the companies agree are valid (App'x 4), the merger barely violates the guidelines, if at all.

[1/] The Supreme Court majority opinion in the Pabst case did invite this mindless approach to the question of relevant geographic market. But that opinion is a departure from prior cases, may not reflect the thinking of the Burger Court, and is surely too unsophisticated for antitrust enforcement purposes.

d. The staff cavalierly dismisses the companies' economic analysis of those submarkets where the guidelines appear to be exceeded. For example, the companies' explanation that they sell materially different products in the galvanized sheets market is completely ignored. And the argument that they sell to completely different industries draws the economically unsupported rejoinder that potential competition is just as significant as actual.

3. The staff indication that the Granite City Local of the United Steelworkers opposes the merger should be contrasted with I. W. Abel's strong support for the merger. (See App'x 5). Hugh Scott's support should also be noted (App'x 6).

5. Market Highly Concentrated. In a market in which the shares of the four largest firms amount to approximately 75% or more, the Department will ordinarily challenge mergers between firms accounting for, approximately, the following percentages of the market:

Acquiring Firm	Acquired Firm
4%	4% or more
10%	2% or more
15% or more	1% or more

(Percentages not shown in the above table should be interpolated proportionately to the percentages that are shown.)

6. Market Less Highly Concentrated. In a market in which the shares of the four largest firms amount to less than approximately 75%, the Department will ordinarily challenge mergers between firms accounting for, approximately, the following percentages of the market:

Acquiring Firm	Acquired Firm
5%	5% or more
10%	4% or more
15%	3% or more
20%	2% or more
25% or more	1% or more

(Percentages not shown in the above table should be interpolated proportionately to the percentages that are shown.)

7. Market With Trend Toward Concentration. The Department applies an additional, stricter standard in determining whether to challenge mergers occurring in any market, not wholly

TABLE 5

Appendix 2

STEEL INDUSTRY SHIPMENTS
(000) N.T.

1960-1970 Inclusive

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
U.S. Steel	18,698	16,791	17,805	18,904	21,200	22,500	21,600	19,800	22,500	22,400	21,004
Bethlehem	11,419	10,045	10,391	10,987	12,762	14,319	13,849	13,056	14,394	14,481	13,838
Republic	5,384	4,905	5,424	5,899	6,711	7,143	6,877	6,406	7,072	7,354	6,654
National	4,342	3,967	4,650	5,268	5,967	6,719	6,344	6,023	6,453	6,585	6,238
Jones & Laughlin	4,061	3,797	4,131	4,460	5,100	5,304	5,341	4,689	5,381	5,366	4,792
Armco	3,994	3,830	3,991	4,163	4,774	5,236	5,230	4,915	5,506	5,479	5,442
Lykes-Youngstown	2,934	2,816	3,171	3,414	4,012	4,260	4,115	3,853	4,066	4,052	3,604
Inland	3,712	3,658	3,748	4,086	4,317	4,540	4,727	4,499	4,764	4,829	4,683
Granite City Steel	960	973	970	998	1,138	1,180	1,093	953	993	1,169	1,250
1st 8 Companies	54,544	49,809	53,311	57,181	64,843	70,021	68,083	63,241	70,136	70,546	66,256
Total Industry	71,149	66,126	70,552	75,555	84,945	92,666	89,995	83,897	91,856	93,877	89,008

Percent of Total

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
U.S. Steel	26.3%	25.4%	25.2%	25.0%	25.0%	24.3%	24.0%	23.6%	24.5%	23.9%	23.6%
Bethlehem	16.0	15.2	14.7	14.5	15.0	15.5	15.4	15.6	15.7	15.4	15.5
Republic	7.6	7.4	7.7	7.8	7.9	7.7	7.6	7.6	7.7	7.8	7.5
National	6.1	6.0	6.6	7.0	7.0	7.3	7.0	7.2	7.0	7.0	7.0
Jones & Laughlin	5.7	5.7	5.9	5.9	6.0	5.7	5.9	5.6	5.9	5.7	5.4
Armco	5.6	5.8	5.7	5.5	5.6	5.7	5.8	5.9	6.0	5.8	6.1
Lykes-Youngstown	4.1	4.3	4.5	4.5	4.7	4.6	4.6	4.6	4.4	4.3	4.0
Inland	5.2	5.5	5.3	5.4	5.1	4.9	5.3	5.4	5.2	5.1	5.3
1st 2 Companies	42.3	40.6	39.9	39.5	40.0	39.8	39.4	39.2	40.2	39.3	39.1
1st 4 Companies	56.0	54.0	54.2	54.3	54.9	54.8	54.0	54.0	54.9	54.1	53.6
1st 8 Companies	76.7	75.3	75.6	75.7	76.3	75.6	75.6	75.4	76.4	75.1	74.4
Granite City Steel	1.3	1.5	1.4	1.3	1.3	1.3	1.2	1.1	1.1	1.2	1.4

A. The iron and steel industry as a whole.

An analysis of market structure shows that this is not a merger of two steel giants. Granite City, while a company of substantial assets, is a small producer by steel industry standards. By any reasonable index, the aggregate market share of the two companies is well below the percentage of market penetration deemed anticompetitive.

The following is a summary of the present market shares of the two companies as a part of the total steel industry.29/

1970 Market Shares

	Shipments by U.S. Producers	Total Steel Shipments (Adjusted for Imports)	Raw Steel Production	Dollar Sales
National	7.0%	6.1%	6.4%	6.5%
Granite City	1.4%	1.1%	1.2%	1.0%
Total	8.4%	7.2%	7.6%	7.5%

Clearly, these market shares are not so large that the merger would have the effect of substantially lessening competition in the total steel industry.

29/1970 shipments, production and dollar sales by the industry and all major producers may be found in Section VI of this brief in the discussion of industry concentration.

TABLE 14
National Steel and Granite City Market Shares of
A.I.S.I. Steel Product Categories, 1970
(adjusted for imports*)

	Industry	National	National %	Granite City	Granite City %
Carbon Plate:	(14.07%)				
50 states	7,852,500	87,535	1.11%	151,924	1.93%
25 states	3,647,306	5,717	0.16%	148,933	4.08%
Carbon Hot Rolled Sheets:	(17.57%)				
50 states	13,382,324	1,402,890	10.48%	378,696	2.83%
25 states	4,401,280	266,984	6.07%	375,588	8.53%
Carbon Cold Rolled Sheets:	(16.62%)				
50 states	16,073,847	2,061,559	12.83%	200,320	1.25%
25 states	5,632,979	626,695	11.13%	199,636	3.54%
Black Plate:	(1.10%)				
50 states	637,103	94,320	14.80%	15,654	2.46%
25 states	184,739	28,888	15.64%	15,654	8.47%
Carbon Cold Rolled Sheets and Black Plate:	(15.94%)				
50 states	16,710,950	2,155,879	12.90%	215,989	1.30%
25 states	5,817,718	655,583	11.27%	215,290	3.70%
Carbon Galvanized:	(21.39%)				
50 states	5,569,527	673,749	12.10%	222,991	4.00%
25 states	2,550,231	296,419	11.62%	212,833	8.35%
Carbon Galvanized (less Strongbarn and Strongpanel):					
50 states	4,504,289	673,749	14.96%	138,119	3.07%
25 states	2,022,261	296,419	14.66%	134,613	6.66%
Carbon Hot Rolled Strip:	(1.78%)				
50 states	1,411,112	52,330	3.71%	4,230	0.29%
25 states	585,219	6,310	1.08%	4,230	0.72%

* Imports as per cent of total market shipments shown in parentheses after industry shipments. Since imports cannot be determined by state, it is assumed that the ratio of imports to total U.S. shipments in each product category was applicable to the 25 state market area.

United Steelworkers of America

AFL-CIO-CLC

1500 COMMONWEALTH BUILDING

PITTSBURGH, PA. 15222

July 20, 1971

The President
The White House
Washington, D. C.

My dear Mr. President:

I am taking the liberty of writing you to ask your support for an undertaking which I believe will be beneficial to the economic position of the steel industry. I refer to the proposed merger between National Steel Corporation and Granite City Steel Company. While it may seem unusual for a representative of labor to take a position on such a matter, there are important reasons to do so in this case.

You made clear your concern about the economic position of the steel industry in world markets, at the meeting in the White House on July 6. Let me assure you that I share that concern. Although the industry has spent a good deal of money in recent years to modernize its facilities, the alarming rise in imports have kept that new investment from paying off. Indeed, there is now a substantial amount of excess capacity on an industry-wide basis and this forces production costs higher.

Clearly, the steel industry cannot solve this problem by depriving its employees of fair and equitable wage increases to catch up with the increased living costs of the working man, participate in improved standards of living, and at least keep pace with the wage and benefit improvements granted in other industries. Instead, answers must be found which will provide greater markets for the industry so that steel companies can continue to profit and steelworkers can earn reasonable wages and benefits.

One answer is that the steel industry must make the maximum use of the facilities already in place and avoid needless additions to an already overbuilt capacity. This does not necessarily mean "bigness," but does mean that unnecessary duplication of facilities, a phenomenon which already exists to a large extent, should stop. Better utilization of existing plants and equipment means lower costs of production. You will recall, Mr. President, the views I expressed at the recent meeting of your Productivity Commission. I endeavored to make the point that greater utilization of existing capacity and lower unit costs would result from a resurgence of the economy as a whole. This is a goal which should be supported by all concerned with the industry's economic position: the steelworker, management, the steel purchaser and the government itself.

The National - Granite City merger appears to be a reasonable step in that direction. National would use Granite City's existing hot strip mill to feed its own finishing facilities rather than building a new mill. Granite City would get a much higher ratio of utilization on that mill than it presently enjoys, thereby reducing its unit costs of production. By any rational economic standard, the combined company ought to be a more vigorous competitor and the gap between steel capacity and steel demand would be somewhat reduced.

Based on my knowledge of the size and activities of the two companies, it would not seem that this merger would conflict with our anti-trust laws. National has traditionally been particularly active in the sale of flat rolled steel products to large industrial customers like the automotive and container industries. Granite City is a minor factor in such sales and tends to concentrate on smaller customers in the Midwest portion of the country. It would seem significant that National has no hot strip mill at its Midwest division, the facilities located in the market area served by Granite City. Granite City has encountered major financial difficulties in recent years and is not very profitable at the present time. The welfare and security of the employees we represent thus are placed in some jeopardy. Under these circumstances, I would not think the two companies were major and substantial competitors.

In view of these considerations, I believe this merger is consistent with the objectives you have announced for the steel industry. I understand that the Department of Justice still has the merger under review and that a decision as to its position will be reached very shortly. I urge that your advisors most concerned with the economy and the steel industry review this matter very carefully. It is my sincere hope that, after the review, this merger will be approved.

Let me add that I am grateful for the personal attention and concern that you have given to the problem of an industry so vital to our country and to the workers I serve.

Respectfully yours,

I W Abel

President

CC: George Shultz
George Angevine

JGH SCOTT
PENNSYLVANIA

MARTIN G. HAMBERGER
ADMINISTRATIVE ASSISTANT

EDITH V. SKINNER
EXECUTIVE ASSISTANT

United States Senate

WASHINGTON, D.C. 20510

July 22, 1971

The President
The White House
Washington, D. C.

Dear Mr. President:

I am writing to indicate my strong support for the proposed merger of the National Steel Corporation and the Granite City Steel Company. A merger agreement has been executed and approved by the Boards of both companies. The effective date of consummation has been deferred until August 16, 1971, in order to give the Justice Department additional time to review the acquisition of Granite City Steel Company by the National Steel Corporation. During the past three months, the companies have given the Assistant Attorney General of the Anti-Trust Division every possible cooperation. This merger is essential for the continued vitality of the two corporations involved. It makes our domestic steel industry as a whole more competitive in the critical world market.

As you know, Mr. President, 1970 was the worst earnings year in the recent history of the steel industry. Last year's earnings were 44% lower than earnings for the previous year. This bleak picture is likely to continue because of the tremendous expansion of major foreign steel competitors. The fifth largest steel corporation in Japan when it has completed its present expansion program will be larger than Bethlehem Steel, our second largest producer. In terms of the economy of size, the U. S. steel industry appears to be dropping further and further behind. The merger of National and Granite City Steel is a natural fit from every point of view. National's hot strip deficit of 2.6 million tons is almost exactly matched by Granite City's unused capacity in this area. The stronger financial position of the new entity will enable the Granite City element to renovate its facilities.

The President
The White House
Washington, D. C.
July 22, 1971

This perilous time for the steel industry dictates a new approach and a fresh attitude toward the structure of the industry. I am very anxious that the Administration be sensitive to the needs of this most basic industry and respond in a manner which might give new hope and vitality to the Administration's beleaguered friends.

In conclusion, I strongly urge your active support of this economically beneficial merger.

With kindest regard,

Sincerely,

Hugh Scott

Hugh Scott
Minority Leader
U. S. Senate

c

ASSISTANT ATTORNEY GENERAL
ANTITRUST DIVISION

Department of Justice
Washington, D.C. 20530

SUPPLEMENTAL MEMORANDUM FOR THE ATTORNEY GENERAL

Re: Proposed National Steel-
Granite City Steel Merger

In our recent discussion of this matter, you made several points which took me somewhat by surprise, and on which I feel you should have further explanation. Fundamentally, my point is that the law, as developed by the cases, is clear; there is little dispute on the facts and, on these facts, as a matter of law, this merger would "substantially lessen competition."

Decisions in other horizontal merger cases. Based on clear congressional intent and well-established economic principles, the courts have held that the effect of horizontal mergers of firms with relatively small market shares "may be substantially to lessen competition," particularly in concentrated markets. The reasons are that such mergers narrow buyers' choices of suppliers; fewer sellers tend to compete less hard -- particularly on price; and letting small acquisitions by big firms get by not only tends toward oligopoly and entrenchment but lessens the chances of deconcentration.* The table on the following pages sets forth some of the market shares of merged firms which the courts have found unlawful.

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* See Brown Shoe Co. v. United States, 370 U.S. 294, 317-18 (1962): "[I]t is apparent that a keystone in the erection of a barrier to what Congress saw was the rising tide of economic concentration, was its provision of authority for arresting mergers at a time when the trend to a lessening of competition in a line of commerce was still in its incipiency. Congress saw the process of concentration in American business as a dynamic force; it sought to assure the Federal Trade Commission and the courts the power to brake this force at its outset and before it gathered momentum."

COMBINED MARKET SHARES HELD
TO BE IN VIOLATION OF SECTION 7

Von's Grocery

	Von's	Shopping Bag	Combined
Grocery Sales			
Los Angeles Metropolitan Area	4.1	3.1	7.5

Pabst

	Pabst	Blatz	Combined
Beer Sales			
Nation as a whole	3.02	1.47	4.49
Illinois, Wisconsin, Michigan	5.48	5.84	11.32
Wisconsin	11.1	12.8	23.85

Continental Can

	Con. Can.	Hazel-Atlas	Combined
Containers			
Nation as a whole	21.9	3.1	25.0

ALCOA

	ALCOA	Rome Cable Co.	Combined
Aluminum Conductors			
Nation as a whole	27.8	1.3	29.1
Insulated Aluminum Conductors			
Nation as a whole	11.6	4.7	16.3

Philadelphia National Bank

	PNB	Girard	Combined
Commercial Banking			
4 county Philadelphia Metropolitan Area	-	-	30.0

Bethlehem Steel (S.D.N.Y.)

	Bethlehem	Youngstown	Combined
Steel Industry			
Nation as a whole	16.3	4.6	20.9 (capacit
Michigan & Ohio	19.7	36.6	56.3
Michigan	14.9	11.5	26.4
Ohio	4.8	25.1	29.9
Hot rolled sheets			
Nation as a whole	20.1	5.7	25.8

Bethlehem Steel (S.D.N.Y.) Cont'd

	Bethlehem	Youngstown	Combined
Cold Rolled sheets			
Nation as a whole	16.9	7.7	24.6
Hot & Cold Rolled sheets			
Mich., Ohio, Pa. & N.Y.	16.1	5.0	21.1
Mich. & Ohio	8.8	6.0	14.8
Michigan	11.7	2.7	14.4
Ohio	11.3	3.9	15.2
Hot Rolled bars			
Nation as a whole	16.9	4.4	21.3
Track spikes			
Nation as a whole	19.1	9.9	29.0
Tin Mill Products			
Nation as a whole	16.3	5.1	21.4
Buttweld pipe			
Nation as a whole	11.1	13.6	24.7
Seemless pipe			
Nation as a whole	4.1	8.0	12.1
Electricweld pipe			
Nation as a whole	1.3	6.9	8.2

Atlantic Oil (S.D.N.Y.)

	Atlantic	Sinclair	Combined
Gasoline Sales			
Southeast, U.S.	2.3	5.1	7.4

Geographic and product markets. National and Granite City concede that the national market and the 25-state area in which Granite City operates are both relevant markets for purposes of this case. They also concede that carbon hot-rolled sheets, carbon cold-rolled sheets, and carbon galvanized sheets -- all large volume, basic items -- are relevant products for Section 7 analysis. The market shares of the two companies on these bases are as follows:

	National	Granite City	Combined
Carbon Hot-Rolled Sheets			
Nation as a whole	12.3%	3.3%	15.6%
25 states	7.1	10.0	17.1
Carbon Cold-Rolled Sheets			
Nation as a whole	15.0	1.5	16.5
25 states	13.0	4.1	17.1
Carbon Galvanized Sheets			
Nation as a whole	14.7	4.9	19.6
25 states	14.1	10.1	24.2

Market shares in particular states would be even higher, e.g., galvanized in Missouri - 31.4%; in Illinois - 29.3%. The statute, of course, proscribes a substantial lessening of competition "in any section of the country," and even a metropolitan area may qualify as such.

Impact of imports. Using data provided by National and Granite City, even if imports are taken into account on a national average basis, the market shares of the merged companies would be only slightly reduced, as indicated below:

	Domestic	Domestic-Foreign
Carbon Hot-Rolled Sheets		
Nation as a whole	15.6%	13.3%
25 states	17.1	14.6
Carbon Cold-Rolled Sheets		
Nation as a whole	16.5	14.1
25 states	17.1	14.6
Carbon Galvanized Sheets		
Nation as a whole	19.6	16.1
25 states	24.2	20.0

This tabulation shows by what a wide margin the National-Granite City merger would violate the statutory standard for what constitutes a substantial lessening of competition. Unfortunately, we do not yet have market share figures for other firms in the 25-state Granite City area, but we know that buyers' choices of suppliers would be significantly narrowed in various areas of the Midwest, and National would be entrenched (see state tabulation).

Trend toward concentration; triggering. Another standard utilized by economists and the courts in merger cases is "trend toward concentration." The steel industry has already been adjudged "highly concentrated" (in the Bethlehem case); the top four companies have over 50% of the national steel business, and the top eight, nearly 75%. Here, National is the number four firm, with 6.9%, and Granite City is number 11, with 1.4%. The resulting company will be number three, with 8.3%.

This merger would not by itself cause a great increase in concentration but, if the merger goes through, it is widely expected to trigger more mergers in the steel industry, and possibly to signal an over-all change in Administration merger policy. Although mergers among small steel companies might be desirable, this merger would open the door to acquisitions by the majors, and result in a serious increase in concentration -- in an industry whose leaders frankly state that price competition is "not part of our way of life in this country."*

Another aspect of narrowing buyers' choices of suppliers is that fabricators are forced increasingly to buy steel from integrated firms whose fabricating arms are principal competitors. Such is the complaint as to this merger by H. H. Robertson Co., a $100-million firm in the metal building products field.

The effect of our failure to challenge this merger on the basis of the decided cases would, of course, not be confined to the steel industry.

<u>The claimed "fit."</u> National and Granite City argue that they should be permitted to merge because the former lacks Midwest rolling capacity, of which Granite City has a surplus, while the latter lacks sufficient finishing capacity. Granite City is now selling rolled steel to National for finishing, under a contract which has three and one-half years to run. National says it will not continue to buy from Granite City; if it cannot acquire Granite City, it will build its own new mill.

What National has also said is that if it cannot complete this anticompetitive merger, it will build a new mill and take some 30% of Granite City's business away from it. Under this argument National is not only a major competitor of Granite City now, it is also a <u>potential</u> competitor in this regard. That potential competition would also be eliminated.

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* Edwin H. Gott, U.S. Steel, BUSINESS WEEK, May 15, 1971, page 92.

Even if the statute allowed for an "efficiency test," there is nothing here but National's claim that it can run Granite City's mill more efficiently than Granite City can. Industry data, on the other hand, shows that Granite City is an exceptionally well managed firm, measured by such tests as output per employee, etc. If National were to build a new mill, at today's much higher costs, it is very questionable that it would produce steel cheaper than it could buy it from Granite City and for this reason we doubt very much that National will carry out its threat -- at least until the present surplus rolling mill capacity has been absorbed by the expanding Midwest market.

But aside from all this, the fact that a merger is a "good fit" is not legally cognizable under the antitrust laws. Seldom are we presented with a proposed merger where a good fit is not claimed. Bethlehem and Youngstown would have been a great fit also (adding western to eastern facilities), but because it involved a substantial lessening of competition, it was unlawful.*

This merger is not "pro-competitive." You will recall that Mr. Stinson of National argued to you that their economist's report concluded that the merger was "pro-competitive." Professor Markham, the economist, corrected him, saying that he had laid out the facts and from them it was possible to conclude that the merger would be pro-competitive. He himself declined to say that the merger is pro-competitive, and I doubt that any knowledgeable economist, in possession of the facts, would say that it is. Under the law and the cases, a merger is not pro-competitive because it is good for the parties. It is anticompetitive if it narrows buyers' choices, entrenches the leaders,

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* The Bethlehem court stated (United States v. Bethlehem Steel Corp., et al, 168 F.Supp. 576, 617 (S.D.N.Y. 1958): "If the merger offends the statute in any relevant market then good motives and even demonstrable benefits are irrelevant and afford no defense. §7 'is violated whether or not actual restraints or monopolies, or the substantial lessening of competition, have occurred or are intended' . . . ."

[footnote continued next page]

and feeds the trend toward concentration, as would this merger.

Granite City's alternatives. Even if Granite City were in failing circumstances -- which it is not -- this merger would not qualify under the "failing firm test" unless it had sought other, less anticompetitive mergers. This granite City has not done; the mere fact that it views the future with alarm provides no legal justification for this merger, as I fear we will be reminded at every turn if we let it go.

Many smaller steel companies apparently are seeking merger partners. We feel sure that Granite City could find one that would make a fit -- and not be anticompetitive. It is even more likely that it could find a merger partner, or banker, with money, which is all it needs.

I strongly feel that it cannot be good for the country or the industry to let the big four or big eight be the acquirers (if we are to have a "rationalization" of the industry), and to let the steel industry become even less competitive than it now is.

Conclusion. National and Granite City lawyers urge that this case does not violate Section 7, and they offer economic arguments to support their theories. The law appears to us decidedly and conclusively to the contrary. This being the case, I urge that we give the other side a chance to prove their case in court, or go to Congress (as the football leagues did and the basketball leagues are doing) for special relief.

[footnote continued from previous page]

Similarly, in Procter & Gamble, the Supreme Court stated (FTC v. Procter & Gamble Co., 386 U.S. 568, 580 (1967): "Possible economies cannot be used as a defense to illegality. Congress was aware that some mergers which lessen competition may also result in economies but it struck the balance in favor of protecting competition."

If we stop this merger now, Granite City has plenty of time to look around for another connection. If it is facing severe financial problems and has found no alternative in one, or even two years, then is time enough to let it merge with National or some other large firm.

RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division

UNITED STATES [illegible] COURT

FOR THE [illegible] DISTRICT OF ILLINOIS

[illegible] DIVISION

[illegible], Plaintiff,	)	
v.	)	Civil Action No.
[illegible] COMPANY, [illegible]	)	

[illegible]IDAVIT

[illegible] of Washington)

District of Columbia)

LIONEL EPSTEIN, being duly sworn, [illegible] says:

1. I am an economist employed by the Antitrust Division, United States Department of Justice. I have been assigned to assist in the preparation of this proceeding for the plaintiff. This Affidavit is submitted in support of plaintiff's Motion for Preliminary Injunction.

2. I received a B.S. degree from New York University in 1953 and a M.A. degree from Harvard University in 1956. At New York University my major field was Economics and my minor field was Management and Industrial Relations. At Harvard University I majored in Economics and specialized in Industrial Organization. I have been employed as an economist with the National Industrial Conference Board and the National Bureau of Economic Research and have taught courses in Economics at Boston University. I have been an Antitrust Division economist since June 1960.

3. In this Affidavit I have compiled information from public sources and information received from National Steel Corporation and Granite City Steel Company during the course

of the Department's investigation of the proposed merger of those companies.

4. Table 1, attached hereto, is a list of domestic steel producers showing for each of them its net shipments of steel products in 1970 and, based upon such shipments, its industry rank and market share. It reveals that National Steel Corporation had shipments of 6,238,400 tons; this volume was the fourth largest registered and represented 6.9 percent of the total industry shipments of 90,798,126 tons. Similarly, it reveals the Granite City Steel Company had shipments of 1,251,000 tons, a volume which was the eleventh largest and which resulted in a market share of 1.4 percent. Combining the shipments of these two companies would result in a volume of 7,489,400 tons and a market share of 8.3 percent. This volume and market share would be exceeded by only two companies. Table 1 shows, in addition, the basic structure of the steel industry. The cumulative market shares reveal that it is highly concentrated, with the top four companies accounting for 52.5 percent and the top eight companies for 73.0 percent of total industry shipments. The addition of the market shares of National and Granite City would result in the top four companies accounting for 53.9 percent and the top eight companies for 74.4 percent of total industry shipments.

Table 1 is based on a tabulation which appeared in the April 15, 1971 issue of Iron Age; it was furnished to the Department of Justice by counsel for National and Granite City.

5. National and Granite City are primarily producers of flat-rolled carbon steel.*/ The steel products produced

*/ Steel is classified as carbon steel when no minimum content of elements other than carbon is specified or required to obtain a desired alloying effect.

by these companies include carbon hot rolled sheets, carbon cold rolled sheets, black plate and carbon galvanized sheets. The descriptions of these products given below are taken from documents submitted by counsel for National and Granite City and from the "Handbook of Terms Commonly Used in the Steel and Nonferrous Industries", a publication of Iron Age magazine.

Carbon hot rolled sheets are processed through a hot strip mill as bands and are further processed into a finished product by pickling and trimming. This product is used by the automotive industry for auto frames and structural parts, door beams, braces and similar purposes. Other major end uses are in the manufacture of appliance frames and braces and as structural components for electrical and agricultural machinery.

Carbon cold rolled sheets result from steel which is rolled through a hot strip mill and further processed through a cold reduction mill. Cold rolled products receive enough cold reduction in the final rolling operation to affect the surface and metallurgical properties of the finished product. The cold reduction process imparts, after a proper heat treating and finishing operation, superior surface and metallurgical properties. This product is used wherever steel surfaces are to be exposed and painted. It is used in a wide range of items such as automobile fenders, appliance "wrapper sheets", and office furniture.

Black plate is a very thin gauge cold rolled sheet produced at the end of the cold reduction process. The most important use of black plate is as an intermediate product in the manufacture of tin plate.

Carbon galvanized sheets are made from steel which has been rolled through a hot strip mill, cold reduced for the most part, annealed and temper rolled, and then galvanized through a galvanizing line. The galvanizing process involves coating the steel with zinc and provides significant protection against corrosion. Galvanized sheets are used for automotive parts, roofing and siding, heating and air conditioning equipment, containers, appliances and in agricultural applications.

6. Table 2, attached hereto, shows for each of the above products the 1970 shipments, in net tons, of National, Granite City, and the industry in the Nation as a whole, in Granite City's twenty-five state market area and in various other geographic markets consisting of individual states and groups of states. The twenty-five state Granite City market area is the region in which 98 percent of its sales are made; it consists of the states of Arizona, Arkansas, Colorado, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Tennessee, Texas, Utah, Wisconsin and Wyoming. The other groups of states are those used by the American Iron and Steel Institute in reporting steel industry statistics. The geographic markets for which data are presented are those in which both National and Granite City had shipments in 1970. The data in Table 2 are taken entirely from a tabulation submitted by counsel for National and Granite City.

7. Table 3, attached hereto, is based upon Table 2. It shows the market shares of National and Granite City, separately and combined, for the same products and geographic markets.

8. The data in Tables 2 and 3 are exclusive of imported steel. Counsel for National and Granite City have submitted a tabulation which shows the following ratios of imports to shipments by domestic producers in 1970 for the Nation as a

whole: carbon hot rolled sheets, 17.57%; carbon cold rolled sheets, 16.62%; black plate, 1.10%; and carbon galvanized sheets, 21.39%. Comparable data which show the amount of foreign steel shipped into the various geographic regions and states are not available; accordingly, it is not possible to state precisely the relationship of imported to domestic steel in those markets.

Application of the nationwide adjustment factors above provides estimates of the impact of imported steel on the market shares of National and Granite City in the Nation as a whole and in the 25-state Granite City market area. The combined National-Granite City market share for carbon hot rolled sheets is reduced from 15.6% to 13.3% for the Nation as a whole and from 17.1% to 14.6% for the 25-state market; for carbon cold rolled sheets the combined National-Granite City market share is reduced from 16.5% to 14.1% for the Nation as a whole and from 17.1% to 14.6% for the 25-state market; for black plate the combined National-Granite City market share is reduced from 17.5% to 17.3% for the Nation as a whole and from 24.4% to 24.1% for the 25-state market; and for carbon galvanized sheets the combined National-Granite City market share is reduced from 19.6% to 16.1% for the Nation as a whole and from 24.2% to 20.0% for the 25-state market.

9. Table 4, attached hereto, shows data taken directly from the U.S. Department of Commerce, Bureau of the Census, 1967 Census of Manufactures, Concentration Ratios in Manufacturing. The table shows for 1967, 1963 and 1958, the most recent years for which such data are available, for hot rolled sheet and strip, including tin-mill products, and for cold rolled steel sheet and strip (produced in steel mills) the percent of total value of shipments accounted for by the four, eight, twenty and fifty largest companies. Similar

data for the narrower product categories are not available. However, carbon hot rolled sheets, black plate and carbon galvanized sheets are included in hot rolled sheet and strip and carbon cold rolled sheets are included in cold rolled steel sheet and strip.

In 1967 the four largest companies accounted for 56 percent of the total dollar value of shipments of hot rolled sheet and strip and for 42 percent of the shipments of cold rolled steel sheet and strip. The eight largest companies accounted for 75 percent of the shipments of hot rolled sheet and strip and for 69 percent of the shipments of cold rolled steel sheet and strip. These concentration ratios have not changed appreciably over the years 1958-1967.

10. Barriers to entry into the steel industry as an integrated producer are high. The principal obstacle is the high capital requirement.

LIONEL EPSTEIN

Subscribed and sworn to before me
this   day of August, 1971.

Notary Public

Table 1

Net Shipments of Steel Products, 1970
(Net tons)

Company	Shipments	Rank*	Market Share Actual	Market Share Cumulative
United States Steel Corp.	21,004,137	1	23.1%	23.1%
Bethlehem Steel Corp.	13,838,000	2	15.2	38.3
Republic Steel Corp.	6,654,203	3	7.[illegible]	45.6
National Steel Corp.	6,238,400	4	6.9	52.5
Armco Steel [illegible]	[illegible],442,000	5	6.0	[illegible]
Jones & Lau[illegible]	[illegible]	6	5.[illegible]	[illegible]
Inland Stee[illegible]	4,[illegible]	7	[illegible]	69.0
Youngstown S[illegible] Tube Co.	3,603,500	[illegible]	[illegible]	73.0
Wheeling-Pitt[illegible] Steel Corp.	2,929,000	[illegible]	[illegible]	76.2
Kaiser Steel Co.	1,774,755	10	[illegible].0	78.2
Granite City Steel Co.	1,251,000	11	1.4	79.6
CF&I Steel Corp.	1,203,000	12	1.3	80.9
Sharon Steel Corp.	1,191,078	13	1.3	82.2
McLouth Steel Corp.	1,178,000	14	1.3	83.5
Northwestern Steel & Wire Co.	1,022,697	15	1.1	84.6
Interlake Steel Corp.	889,309	16	1.0	85.6
Cyclops Corp.	678,636	17	0.7	86.3
Alan Wood Steel Co.	636,872	18	0.7	87.0
Laclede Steel Co.	538,769	19	0.6	87.6
Allegheny Ludlum Industries, Inc.	394,308	20	0.4	88.0
Continental Steel Corp.	346,457	21	0.4	88.4
Phoenix Steel Corp.	323,169	22	0.4	88.8
Atlantic Steel Co.	309,469	23	0.3	89.1
Florida Steel Corp.	229,909	24	0.3	89.4
Washington Steel Corp.	52,296	25	0.1	89.5
Latrobe Steel Co.	19,426	26	**	89.5
Others	9,569,736		10.5	100.0
GRAND TOTAL	90,798,126		100.0	100.0

*/ Excludes Keystone Consolidated Industries, Inc., Carpenter Technology Corp., Lukens Steel Co., and Copperweld Steel Co.; data for these companies are not available.

**/ Less than 0.05%.

SOURCE: Iron Age, April 15, 1971, p. 54.

Table 2

National and Granite City Total 1970 Shipments, Various Steel Products, by Geographic Destination
(Net tons)

	National	Granite City	Combined
Carbon Hot Rolled Sheets			
Nation as a whole	1,402,890	378,696	1,781,586
25 states 1/	266,859	375,588	642,447
East North Central 2/	1,173,372	141,345	1,314,717
West North Central 3/	17,379	106,300	123,679
East South Central 4/	34,454	9;865	44,319
West South Central 5/	13,286	116,987	130,273
Middle Atlantic 6/	53,465	51	53,516
South Atlantic 7/	98,371	3,583	101,954
Mountain 8/	574	569	1,143
Illinois	121,073	130,504	251,577
Minnesota	5,558	7,676	13,234
South Dakota	422	326	748
Nebraska	775	6,195	6,970
Kansas	1,357	10,153	11,510
Florida	3,041	1,688	4,729
Tennessee	22,358	3,898	26,256
Mississippi	2,467	2,663	5,130
Arkansas	353	7,739	8,092
Oklahoma	957	11,358	12,315
Texas	11,853	19,409	31,262
Iowa	1,664	24,434	26,098
Missouri	7,455	57,037	64,492
North Dakota	148	479	627
Georgia	7,297	1,874	9,171
New York	5,567	51	5,618
Ohio	178,463	61	178,524
Indiana	68,155	2,945	71,100
Michigan	792,263	19	792,282
Wisconsin	13,418	7,816	21,234
Virginia	1,165	21	1,186
Kentucky	5,233	2,218	7,451
Alabama	4,396	1,086	5,482
Louisiana	123	78,481	78,604
Colorado	348	394	742

	National	Granite City	Combined
Carbon Cold Rolled Sheets			
Nation as a whole	2,061,559	200,220	2,261,779
25 states 1/	626,695	199,636	826,331
East North Central 2/	1,676,276	66,613	1,742,889
West North Central 3/	54,215	87,156	141,371
East South Central 4/	82,531	19,770	102,301
West South Central 5/	17,518	26,551	44,069
South Atlantic 7/	56,973	30	57,003
Mountain 8/	176	215	391
Illinois	248,700	63,214	311,914
Minnesota	21,685	5,877	27,562
Iowa	17,144	15,317	32,461
Missouri	12,012	62,208	74,220
Kansas	2,808	3,299	6,107
Kentucky	46,463	5,278	51,741
Arkansas	11,595	9,126	20,721
Oklahoma	196	3,287	3,483
Texas	5,460	13,646	19,106
Ohio	312,847	44	312,891
Indiana	192,368	1,290	193,658
Wisconsin	46,609	2,065	48,674
Nebraska	566	449	1,015
Florida	708	30	738
Tennessee	19,350	7,405	26,755
Alabama	16,130	655	16,785
Mississippi	588	6,432	7,020
Louisiana	267	492	759
Colorado	176	215	391

	National	Granite City	Combined
Black Plate			
Nation as a whole	94,320	15,654	109,974
25 states 1/	28,888	15,654	44,542
East North Central 2/	31,568	2,650	34,218
West North Central 3/	3,999	11,960	15,959
East South Central 4/	611	47	658
West South Central 5/	10,029	976	11,005
Illinois	9,842	2,650	12,492
Missouri	3,586	11,952	15,538
Texas	9,186	976	10,162
Nebraska	369	8	377

Carbon Galvanized Sheets

	National	Granite City	Combined
Nation as a whole	673,749	222,991	896,740
25 states 1/	296,419	212,833	509,252
East North Central 2/	328,281	91,950	420,231
West North Central 3/	47,748	84,034	131,782
East South Central 4/	35,634	3,866	39,500
West South Central 5/	47,303	30,513	77,816
Middle Atlantic 6/	123,540	144	123,684
South Atlantic 7/	75,889	2,198	78,087
Mountain 8/	2,805	8,620	11,425
Pacific 9/	3,593	1,664	5,257
New England 10/	8,956	1	8,957
Indiana	78,985	8,713	87,698
Illinois	77,505	70,697	148,202
Michigan	70,474	4,437	74,911
Minnesota	3,501	9,825	13,326
Iowa	10,577	16,796	27,373
Missouri	14,560	33,849	48,40[illegible]
North Dakota	1,203	3,270	4,47[illegible]
South Dakota	[illegible]54	4,595	5,[illegible]
Nebraska	7,871	6,409	14,280
Kansas	9,582	9,290	18,872
North Carolina	12,229	1,099	13,328
Arkansas	9,698	8,161	17,859
Oklahoma	1,201	8,681	9,882
Texas	36,051	12,639	48,690
Colorado	928	4,765	5,693
Connecticut	5,688	1	5,689
New York	26,395	54	26,449
New Jersey	49,827	89	49,916
Pennsylvania	47,318	1	47,319
Ohio	97,089	1,903	98,992
Wisconsin	4,228	6,200	10,428
Maryland	4,800	16	4,816
Virginia	9,465	74	9,539
Georgia	9,405	390	9,795
Florida	13,026	619	13,645
Kentucky	7,183	605	7,788
Tennessee	15,511	885	16,396
Alabama	10,815	429	11,244
Mississippi	2,125	1,947	4,072
Louisiana	353	1,032	1,385
Arizona	1,313	512	1,825
Utah	564	423	987
Washington	103	37	140
Oregon	1,115	643	1,758
California	2,375	984	3,359

Footnotes and Source

*/ Less than one-tenth of one percent.

1/ 25 states: Arizona, Arkansas, Colorado, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Tennessee, Texas, Utah, Wisconsin and Wyoming.

2/ East North Central: Ohio, Indiana, Illinois, Michigan and Wisconsin.

3/ West North Central: Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska and Kansas.

4/ East South Central: Kentucky, Tennessee, Alabama, Mississippi.

5/ West South Central: Arkansas, Louisiana, Oklahoma and Texas.

6/ Middle Atlantic: New York, New Jersey, Pennsylvania.

7/ South Atlantic: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia and Florida.

8/ Mountain: Montana, Idaho, Whoming, Colorado, New Mexico, Arizona, Utah, Nevada.

9/ Pacific: Washington, Oregon, California, Alaska, Hawaii.

10/ New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.

Table 3

National and Granite City Shares of Total
1970 Shipments, Various Steel Products,
by Geographic Destination

	National	Granite City	Combined
Carbon Hot Rolled Sheets			
Nation as a whole	12.3%	3.3%	15.6%
25 states 1/	7.1	10.0	17.1
East North Central 2/	16.4	2.0	18.4
West North Central 3/	3.8	23.4	27.2
East South Central 4/	6.0	1.7	7.7
West South Central 5/	2.9	25.4	28.3
Middle Atlantic 6/	4.0	*	4.0
South Atlantic 7/	14.2	0.5	14.7
Mountain 8/	0.4	0.5	0.9
Illinois	9.2	10.0	19.2
Minnesota	8.1	11.2	19.3
South Dakota	11.1	8.5	19.6
Nebraska	1.7	13.7	15.4
Kansas	3.2	24.0	27.2
Florida	10.0	5.6	15.6
Tennessee	15.5	2.7	18.2
Mississippi	6.1	6.6	12.7
Arkansas	1.3	30.8	32.1
Oklahoma	2.5	29.4	31.9
Texas	4.7	7.7	12.4
Iowa	1.5	22.3	23.8
Missouri	4.1	31.6	35.7
North Dakota	3.1	10.0	13.1
Georgia	8.9	2.3	11.2
New York	1.5	*	1.5
Ohio	9.8	*	9.8
Indiana	9.3	0.4	9.7
Michigan	27.2	*	27.2
Wisconsin	3.8	2.2	6.0
Virginia	4.0	0.1	4.1
Kentucky	5.6	2.4	8.0
Alabama	1.5	0.4	1.9
Louisiana	0.1	55.6	55.7
Colorado	1.2	1.4	2.6

	National	Granite City	Combined
Carbon Cold Rolled Sheets			
Nation as a whole	15.0%	1.5%	16.[illegible]
25 states 1/	13.0	4.1	17[illegible]
East North Central 2/	17.8	0.7	18[illegible]
West North Central 3/	10.9	17.6	28[illegible]
East South Central 4/	9.3	2.2	11[illegible]
West South Central 5/	7.3	11.0	18[illegible]
South Atlantic 7/	11.6	*	11[illegible]
Mountain 8/	1.4	1.7	3[illegible]
Illinois	12.2	3.1	15[illegible]
Minnesota	17.2	4.7	21[illegible]
Iowa	12.9	11.6	24.[illegible]
Missouri	6.1	31.5	37.[illegible]
Kansas	9.8	11.5	21.[illegible]
Kentucky	13.7	[illegible].6	[illegible]
Arkansas	22.3	[illegible]	22.[illegible]
Oklahoma	1.5	[illegible]	[illegible]
Texas	5.5	1[illegible]	[illegible]
Ohio	11.0	*	[illegible]
Indiana	18.4	0.2	[illegible]
Wisconsin	18.5	0.8	[illegible]
Nebraska	5.2	4.2	9.[illegible]
Florida	8.8	0.4	9.2
Tennessee	5.9	2.3	8.2
Alabama	10.6	0.4	11.0
Mississippi	0.9	9.4	10.3
Lousiana	0.8	1.5	2.3
Colorado	2.4	2.9	5.3
Black Plate			
Nation as a whole	15.0%	2.5%	17.5%
25 states 1/	15.8	8.6	24.4
East North Central 2/	16.3	1.4	17.7
West North Central 3/	16.7	50.1	66.8
East South Central 4/	2.8	0.2	3.0
West South Central 5/	33.6	3.3	36.9
Illinois	10.3	2.8	13.1
Missouri	18.3	60.9	79.2
Texas	33.9	3.6	37.5
Nebraska	14.4	0.3	14.7

Carbon Galvanized Sheets	National	Granite City	Combined
Nation as a whole	14.7%	4.9%	19.6%
25 states 1/	14.1	10.1	24.2
East North Central 2/	16.8	4.7	21.5
West North Central 3/	10.3	18.0	28.3
East South Central 4/	9.7	1.1	10.8
West South Central 5/	16.6	10.3	26.9
Middle Atlantic 6/	21.3	*	21.3
South Atlantic 7/	16.5	0.5	17.0
Mountain 8/	3.1	9.5	12.6
Pacific 9/	1.2	0.5	1.7
New England 10/	12.2	*	12.2
Indiana	24.9	2.7	27.6
Illinois	15.3	14.0	29.3
Michigan	19.2	1.2	20.4
Minnesota	5.0	13.9	18.9
Iowa	9.7	15.4	25.1
Missouri	9.4	22.0	31.4
North Dakota	14.1	36.5	50.6
South Dakota	2.3	23.0	25.3
Nebraska	15.3	12.5	27.8
Kansas	18.5	18.0	36.5
North Carolina	19.1	1.7	20.8
Arkansas	18.3	15.4	33.7
Oklahoma	4.0	29.2	33.2
Texas	20.7	7.3	28.0
Colorado	3.5	18.0	21.5
Connecticut	24.1	*	24.1
New York	13.5	*	13.5
New Jersey	45.5	0.1	45.6
Pennsylvania	17.2	*	17.2
Ohio	15.5	0.3	15.8
Wisconsin	3.0	4.5	7.5
Maryland	7.4	*	7.4
Virginia	24.0	0.2	24.2
Georgia	10.3	0.4	10.7
Florida	19.3	0.9	20.2
Kentucky	9.3	0.8	10.1
Tennessee	15.2	0.9	16.1
Alabama	7.9	0.3	8.2
Mississippi	4.2	3.8	8.0
Louisiana	1.3	3.7	5.0
Arizona	4.4	1.7	6.1
Utah	4.2	3.2	7.4
Washington	1.2	0.2	1.4
Oregon	6.2	3.6	9.8
California	0.9	0.4	1.3

For footnotes and source see next page.

Footnotes and Source

*/ Less than one-tenth of one percent.

1/ 25 states: Arizona, Arkansas, Colorado, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Tennessee, Texas, Utah, Wisconsin and Wyoming.

2/ East North Central: Ohio, Indiana, Illinois, Michigan and Wisconsin.

3/ West North Central: Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska and Kansas.

4/ East South Central: Kentucky, Tennessee, Alabama, Mississippi.

5/ West South Central: Arkansas, Louisiana, Oklahoma and Texas.

6/ Middle Atlantic: New York, New Jersey, Pennsylvania.

7/ South Atlantic: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia and Florida.

8/ Mountain: Montana, Idaho, Whoming, Colorado, New Mexico, Arizona, Utah, Nevada.

9/ Pacific: Washington, Oregon, California, Alaska, Hawaii.

10/ New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.

Table 4

Percent of Value of Shipments Accounted for by the Largest Companies: 1967, 1963, 1958

Product	Percent of Value of Shipments Accounted for by — 4 Largest Companies	8 Largest Companies	20 Largest Companies	50 Largest Companies
Hot rolled sheet and strip, including tin-mill products				
1967	56	75	99	100
1963	55	76	99	100
1958	56	78	98	100
Cold rolled steel sheet and strip (produced in steel mills)				
1967	42	69	99	100
1963	46	73	99	100
1958	46	72	98	100

SOURCE: U.S. Bureau of the Census, Census of Manufactures, 1967 Special Report Series: Concentration Ratios in Manufacturing, Part 2: Product Class Concentration Ratios, MC67 (S)-2.2 U.S. Government Printing Office, Washington, D.C., 1971

Merger guidelines for markets where 4-firm concentration is less than 75%.

Acquiring Firm	Acquired Firm
5%	5% or more
7.5%	4.5% or more
10.%	4.% or more
12.5%	[illegible]
15	[illegible]
17.[illegible]	[illegible]
20.%	[illegible]
22.5%	1.5% or mo
25% or more	1% or more

	National	Granite City
Carbon Hot-Rolled Sheets		
Nation as a whole	12.[illegible]	3.3%
25 states	7.1	10.[illegible]
Carbon Cold-Rolled Sheets		
Nation as a whole	15.6	1.5
*25 states	13.0	4.1
Carbon Galvanized Sheets		
* Nation as a whole	14.7	4.9
* 25 states	14.1	10.1

The merger of National and Granite City clearly exceeds the merger guideline limits in 4 of the 6 markets which defendants have agreed are relevant markets for Section 7 analysis. In a fifth market, the national market for Carbon Hot-Rolled Steel, the merger shows percentages extremely close to violating the guidelines. In addition, the merger would violate the guidelines in numerous state markets which the government alleges and which have previously been held to be relevant geographic markets in the steel industry.