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Electronic Data Interchange (“EDI”)

While much of the recent health care legislation remains controversial, one element seems to enjoy support from all sides. Those are the provisions aimed at increasing the use of electronic data transferring to create comprehensive medical records for patients and doctors. It is no wonder that we need this improvement.

Consider what happens today when your family doctor sends you off to visit a specialist: Upon checking in, you are asked for a variety of information already known to your primary care physician: A list of the medications you are taking. Given the complexity of names and their similarity to one another, it is easy to make mistakes. Next, there is a questionnaire concerning various ailments, diseases, procedures and conditions you might have or have had in the past. Again, it is easy to forget the treatment for a minor condition you might have had five years ago, even if the medication you received caused an adverse reaction and could do so again. If you’re sent off to get an x-ray, you might be presented with the films by the radiologist with instructions to take them to your doctor to look at; in effect, you are being asked to be a messenger. And, of course, at every stop you are asked to present your insurance information.

Electronic medical records could cure most of these inconveniences, not to mention opportunities for mistreatment. All the pertinent information on every patient could be readily available on line or on a readable device that patients could carry with them.

Business could also benefit by making greater use of electronic sharing of information, largely for the same reasons that apply to medicine: greater accuracy of records, less chance for human error, convenience and speed. Luckily, there is a system now in place that can address this need, which is called Electronic Data Interchange (EDI).

EDI was first introduced in the mid 1980s, and its use has grown as improvements in data transmission have been made in the intervening years. It allows companies (called “trading partners” in EDI language) to agree on formats for exchanging information on requests for quotations, bidding, purchasing, pricing, delivery, invoicing and other aspects of their relationship. Once agreed, that information can be communicated between computers on both sides of the transaction.

In the U.S., ANSI standard X12 is the most used standard for EDI agreements. In the rest of the world, the UN standard, EDIFACT, is predominant. There are also other arrangements developed by private companies. For example, Walmart recently required its trading partners to use an internet protocol called AS2. These protocols can guard against errors occurring in the manual entry of data, both by eliminating the need for repetitive reentry and by internal checks against the use of incorrect numbering and product descriptions.

EDI offers other advantages, particularly in the cost of processing documents. One study determined that the average cost of a paper purchase order in North America was \$37.45 in 2008. The cost of the same transaction by EDI was \$23.83. Since a purchase order is only one step in a series of processes from solicitation of orders through billing and payment, the savings that can be realized are very impressive. And, because of the possibility of instantaneous communications, EDI can greatly facilitate just in time delivery requirements.

Despite these advantages, it appears that only about a third of purchase orders are being transmitted by EDI in North America and Europe compared with over 40% in Asia. It thus appears that increased use EDI here would offer another way to meet the competitive challenges we face from abroad.

We at Corey have been exploring the ins and outs of adopting EDI. While we are convinced of the ultimate advantages of doing so, we are now in the process of appraising how to address the requirements that it would place on our existing systems and how to minimize the costs of making necessary changes. We are optimistic about EDI and urge you to look into it if you haven't yet installed it and to increase its use if you have.

Here are the cost data for this month:

- Scrap and Pig Iron The price for #1 dealer bundles remained stable this month, at \$495 per mt. However, #1 busheling (Chicago) was up \$20 to \$520 per mt. Except for the wild days of 2008, these prices in the \$500 range are unprecedentedly high. The spot price for Brazilian pig iron (cif New Orleans) remained at \$498 per mt for the third month in a row.
- Natural Gas The Nymex contract price fell by 64 cents, or 19%, to \$2.81 per mmBtu. This was the lowest price since September, 2009, in the dark days of the recession.

- Ocean Freight The Baltic Capesize Index fell back to 1631, about the level that had applied for most of 2011, apart from a spike in September through December.
- Exchange Rates The battering of the euro has continued. At present it is at \$1.29, down a penny from last month, but recently it traded at \$1.25. It seems that every day brings some bit of news that sends the euro up or down dramatically. The pound was also off a penny at \$1.54, and the Canadian dollar gained three cents to \$0.99.

These are busy times and we would like to get your views on what is happening. As usual, we are posting this letter on our website, www.coreysteel.com and on the international site, www.steelonthenet.com.