



# INFORMATION UPDATE #4

## February 2, 2012

### Chicken Little Squawks Again – Buyer Beware

Sensationalism in journalism is nothing new but the *Hamilton Spectator* seems to take the cake. Call us naive but the extent of its social irresponsibility never ceases to amaze us. It seems to be very keen to rile people up. What unknown greater purpose is served by trying to panic steelworkers and their families and the businesses which depend on them?

In our opinion, the *Spec's* banner headline published February 1 was sensationalist and so was the story. The headline read, "A Blow to Steeltown – No Steelmaking in Hamilton Plant in Foreseeable Future." The story spoke about layoffs in the offing as a result and created an overall impression of impending doom.

The union was on the January 31 conference call between U.S. Steel CEO John Surma and analysts and investors. Not only does the headline fail to convey that



Surma was talking about expectations for the first quarter 2012 but the story's focus on layoffs created a wrong impression. In our opinion it is inflammatory. The workers already know that guarantee of employment for workers in the steelmaking departments was only 26 weeks.

If this isn't an example of Chicken Little squawking that the sky is falling when this time even an acorn didn't fall on his head, we don't know what is. The fact remains that the CEO did not announce anything the workers did not already know. The *Spec's* headline could have read, "Nothing New, CEO Says."

#### Conference Call: What Was Said

At 3 pm on January 31, U.S. Steel held a conference call with investors and analysts to present its .../2

### Phony Lockout at Rio Tinto USW Takes Support for Alma Workers International

On January 12, Daniel Roy, Quebec Director of the Syndicat des Métallos (United Steelworkers/USW), announced at a rally in Alma, Quebec the campaign to support the aluminum workers. He said that the USW and unions around the world are drawing a line in the sand against Rio Tinto after the company locked out 780 Local 9490 USW members 24 hours prior to its legal authority to do so under the Quebec labour code.

"Rio Tinto has declared war not only on USW members but on our communities, on Quebec and on Canada,"



USW Quebec Director Daniel Roy (left) with President of Local 9490 Mark Maltais, Alma, January 12, 2012.

said Roy. "We believe Rio Tinto will use its attacks in Alma to begin a major assault on workers and communities around the globe."

The company is demanding to replace every retiring worker with a contract worker at half the wages currently earned by current unionized employees at its Alma aluminum smelter. Rio Tinto informed workers that it intends to increase the proportion of contract employees from 10.7 to 27 per cent in 2012 alone without consulting the union.

According to Roy, accepting this demand would cause a dramatic .../2

downward economic spiral not only for the workers but for members of the community which would see income, local business sales and tax revenues drop precipitously. In less than a decade, as retirements occur, the proportion of unionized workers will be greatly diminished and workers will lose their power to protect not only their economic well being but also their health and safety at the Alma plant where workers are exposed to extreme heat, explosive materials and toxic chemicals.

The International Metalworkers Federation (IMF) and the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), whose affiliates together represent over 45 million union members throughout the world, have pledged their full support to the locked out workers in Alma. In a joint letter to Rio Tinto CEO Tom Albanese, IMF General Secretary Jyrki Raina and ICEM General Secretary Manfred Warda wrote, "Our two global federations will join an international campaign announced by the United Steelworkers against Rio Tinto."

*(United Steelworkers, January 24, 2012)*

## Lakeside Steel Purchased by JMC Steel

Pipe and tube maker Lakeside Steel Inc. said on February 1 that it has agreed to be acquired by Chicago-based steelmaker JMC Steel Group in a friendly deal valued at about \$57.8 million. That's a 300% premium on what Lakeside was trading at as of December 15. JMC Also agreed to provide Lakeside with a secured loan on up to \$50 million.

The deal comes as a number of pipeline companies seek approval to build vast networks that can transport massive quantities of oil and gas in order to support growing demand for oilsands crude and other sources of energy. The deal, subject to court approval and other customary conditions,

is expected to close in 2Q 2012.

When the federal government launched the *Investment Canada Act* complaint against U.S. Steel in 2009, Lakeside Steel had asked for and obtained intervener status in the case, and wanted the federal government to order U.S. Steel to sell its Canadian operations.

Lakeside had been one of the few remaining publicly-traded Canadian-owned steelmakers. Along with their pipe facility in Welland, Lakeside manufacturing capabilities include a new heat treating facility in Alabama. JMC, which already has some locations in Canada, is a large producer of tubular steel products.

## U.S. Steel Sells Serbian Plant for \$1.00

On January 30, U.S. Steel announced that they were selling their plant in Serbia to the Serbian government for \$1. The sale is effective January 31, 2012. It has two blast furnaces and more than 5,000 workers with a capacity of 2.4 million tons of steel. U.S. Steel had one of the two blast furnaces shut down. Citing a weaker than expected economic recovery in the Balkans and

pressure from lower-priced imports, it was considering shutting down the second blast furnace.

While this decision makes it seem that U.S. Steel is getting out of the European market, the company has also announced that it is starting its third blast furnace at its Kosice Works in Slovakia, which has a capacity of 5 million tons of steel and more than 14,000 workers.

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financial report for the fourth quarter 2011 and its 2011 performance as a whole. During the call, he responded to a question from analyst Luke Folta from Jefferies & Company (Research Division) about the present and future state of U.S. Steel's operations. Specific reference was made to Hamilton:

**"Luke Folta:** Firstly, can you give us a sense of what's operating right now across the system from a steel-making perspective and what your plans are for outages for 2012?

**John P. Surma:** Sure. I'll just go to Europe for a second. I think in the release, we mentioned we brought our third blast furnace up, so we now have 3. In Slovakia, they're all running. PCI [*pulverized coal injection*] on all 3, so we're up and running there. In North America, we're running everything except the Hamilton blast furnace and steel shops, and we're running pretty full right now. We don't have any big maintenance projects planned in the first quarter. We've indicated our maintenance spending will be down in the first quarter. I don't want to get too specific after that. We'll have

some outages during the course of the year on a number of our furnaces but when we saw them, it depends on where the market goes and how busy we are. I'd say today, we're probably running, if you just take the U.S. plans that would compare to what you see in AISI [*American Iron and Steel Institute*] numbers, we're probably operating around 90%. Maybe a little bit more, a little bit less, but probably around 90%. If you include our North American [operations] in total, we're probably in the 84% range. So we're planning on running in the first quarter about everything we have except Hamilton about as hard as we can.

**Luke Folta:** And any thoughts on restarting Hamilton?

**John P. Surma:** Well, we think a lot about it but it's a quite a big step and there's time and training and people and working capital and it's not so much today's market but we got to have a sense that there's some sustainability to the market that would allow us to get a return on the investment because it would not be inconsequential. So we think about it, look at it, but we haven't decided to do it so far."

As we said – laziness and sensationalism at the *Hamilton Spectator* are nothing new. Buyer Beware!

To contact USW Local 1005: Call 905-547-1417 or e-mail [info@uswa1005.ca](mailto:info@uswa1005.ca).

Visit the website: [www.uswa1005.ca](http://www.uswa1005.ca)

*(corrected edition)*