EU Probes Italy Over Steel Sector Aid

The European Union's antitrust agency targeted Belgium for providing unfair state aid to the steel sector and opened an in-depth probe on assistance given to Italian steel producer Ilva, at a time when steelmakers around the world are struggling with overcapacity in the industry largely due to a flood of cheap imports from China.

The European Commission ordered Belgian authorities to recover €211 million from several Duferco Group steel companies. It also said that it was opening a probe into Italy's financing for Ilva, which potentially amounts to €2 billion.

"The case shows that state aid to artificially keep steel manufacturers afloat that are not viable seriously distorts competition and only delays their exit from the market at the cost of taxpayers," said European Antitrust Commissioner Margrethe Vestager.

Overcapacity in the steel sector has led to thousands of job losses in the European sector in recent months, not least in the U.K., and has caused steel producers around the world to seek government protection from falling prices.

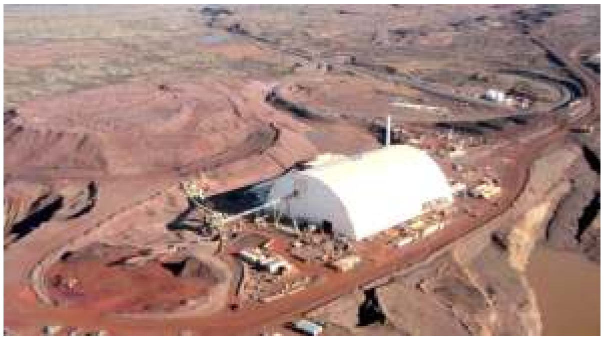
Tata Steel Ltd, Europe's second-largest steelmaker, is in the process of reducing its European workforce to 26,000 employees from 30,000. Meanwhile Sahaviriya Steel Industries Plc of Thailand said in September that it would shut its steel plant in northern England, resulting in another 1,700 job losses.

Steelmakers in Europe are laying off workers and shutting down production capacity in response to a wave of cheap steel imports, particularly from China, the world's largest steel producer. Over capacity there and shrinking steel demand has spurred many Chinese steelmakers to sell their product abroad.

In the European Union, steel imports from China have more than doubled over the past year while demand languishes below levels last seen prior to the financial crisis of 2008. This has led to a roughly 40% drop in steel prices over the past two years.

"State aid doesn't help in the long run, it keeps noncompetitive companies on the market and transfers other problems to other member states, and it's unfair to other steel companies who, through their own means, have modernized their companies," Ms. Vestager said.

Tata Steel Scales Down Iron Ore Mining at Canada Facility



Tata Steel has cut down on iron ore mining operations as well as stabilization measures at its plant in Canada due to challenging conditions in steel and ore markets, a move that will impact jobs.

The scaling down is taking place at Tata Steel Minerals Canada's (TSMC) Direct Shipping Ore (DSO) project involving mining, crushing, washing, screening and shipping the sinter fines and pellet fines to Tata Steel's European steel making facilities. TSMC is a joint venture between Tata Steel and the Alberta-based New Millennium Iron Corporation (NML) with the steelmaker being the majority partner with 94 per cent stake. It is developing iron ore deposits in Quebec and Newfoundland and Labrador in Canada.

"TSMC, in which NML holds a 6 per cent interest, is temporarily scaling down winter operations including stabilization activities of the plant at its DSO Project," NML said in a regulatory filing earlier.

The filing further said, "This action is in response to challenging conditions in the steel and iron ore markets and is expected to be reviewed on an ongoing basis. The number of TSMC employees affected will be based on operational needs, including services and maintenance." In October last year, Tata Steel had said it will review its agreement with NML on developing iron ore sites in Canada.

Tata Steel, through its wholly-owned subsidiary Tata Steel Global Minerals Holdings Pte Ltd., owns about 26.2 per cent of NML's shares and is its largest shareholder and strategic partner. According to market analysts, the last few years have been one of the most challenging for iron ore industry. Prices of the ore have plunged, particularly on account of subdued demand in China.

It is at a time when new supply from previously committed projects in Australia and Brazil is flooding the market. This has resulted in weak financing conditions and sharp declines in sales and profits for all mining companies. Iron ore is the key ingredient used in making steel. Due to the economic slowdown globally and in China, the world's biggest consumer of steel, demand for the metal has gone down amidst continued production. It has not only impacted steel prices, but has also had a cascading effect on raw materials including iron ore. Tata Steel signed an in-principle agreement with the Quebec government to develop iron ore deposits in the Canadian province, a move that can help the steelmaker reduce its raw material costs.

It relates to the provincial government's participation with TS Global Minerals Holdings' in DSO Project in the Schefferville area. Both parties will also work on developing the transit for iron ore from Arnaud Junction to the multiuser dock at the Port of Sept-Iles.