Essar Announces a $240-million Expansion Program in Sault

The two steel companies, one has a record of broken promises, shuttered plants and labour relations based on confrontation. The other has a legacy of investment in a struggling company, expansion and a deep commitment to its community.

The contrasts between Essar Steel, of India, and U.S. Steel, of Pittsburgh the foreign owners of the Algoma and Stelco mills, respectively are stark. Small wonder then that news, Essar is a likely bidder for the Stelco plants has caused such excitement in a mill that has endured little but bad news for the last eight years.

Both companies came to Canada in 2007. Essar bought Algoma in April and U.S. Steel acquired Stelco in August. The prices of both deals were about the same $1.9 billion in cash and assumed debt for Stelco and $1.8 billion in cash for Algoma in Sault Ste. Marie.

That's where the similarities end, however. Stelco was just out of a tortured two-year restructuring under creditor protection and was owned by three hedge funds anxious to take their profits and move on to the next deal. Algoma was a public company and while there had been financial trouble over the years, including two trips through court-supervised creditor protection, it was profitable and had a strong balance sheet when sold.

News of Essar's interest in the Hamilton and Lake Erie works of U.S. Steel Canada surfaced after sources with direct knowledge of Essar's business confirmed what has been widely rumoured for months. The sources are bound by the confidentiality agreement covering USSC's sales process.

The only confirmation of a bid is a June acknowledgement by Essar that it had signed a confidentiality agreement required as part of the bidding process for U.S. Steel Canada. That process is now in a second stage where final bids for the Stelco assets are being evaluated by USSC's chief restructuring officer, financial adviser and court-appointed monitor.

Since taking over Algoma, Essar has invested more than $790 million in Sault Ste. Marie's largest employer and recently announced a $240-million expansion and modernization program. The federal and provincial governments are contributing a combined $60 million to that project. U.S. Steel promised to invest $250 million in its plants here but will not confirm if any of that money has been spent.

ArcelorMittal Ready to Cap Profits on Steel Import

ArcelorMittal South Africa is willing to cap its profit margin if the government imposes duties of up to 10 percent on imported steel, Chief Executive Paul O'Flaherty said.

Cheap imports from China are hurting South Africa's steelmakers with Evraz Highveld Steel and Vanadium in business rescue proceedings and ArcelorMittal warning it could close a plant that employs 1,200 people.

"We have to make a decision on Vereeniging by the end of August," O'Flaherty said about the plant.

The company has often been criticized by South Africa's government for not charging a "competitive price" for steel that would benefit downstream industry and create jobs.

But a global supply glut has hit the steelmaker's sales, increased its losses and

now threatens as many as 200,000 jobs in the manufacturing sector, O'Flaherty said. He said South Africa was the only country in the world that has a primary steel industry but has no tariff on steel imports.

"We need an import tariff at the 10 percent-bound rate as has been agreed with the World Trade Organisation," said O'Flaherty.

ArcelorMittal has also applied to South Africa's trade administration commission to slap anti-dumping taxes on Chinese imports on top of the 10 percent duty. O'Flaherty declined to say what profit margin ArcelorMittal was willing to accept but said it would not be more than what South African antitrust authorities have deemed a "fair return" in recent cases.

Jobs are being shed across the industry, with Evraz Highveld Steel and Vanadium saying it would cut about 1,000 and the state-controlled Scaw Metals Group, could cut up to 1,000 jobs at several of its plants.=