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U.S.: Mittal Steel Must Sell Md. Mill

By DAVID DISHNEAU 02.20.07, 5:20 PM ET

The U.S. Justice Department on Tuesday ordered global steel giant **Mittal Steel Co.** to sell its Sparrows Point mill near Baltimore to settle antitrust issues raised by the Dutch company's recent merger with Arcelor SA.

The proposed consent decree would allow Mittal to keep a Weirton, W.Va., mill that had volunteered to be sold to preserve competition for tin-plated steel, used primarily for food and aerosol cans.

Sparrows Point, with about 2,400 workers and one of the largest blast furnaces in North America, faces the prospect of its fourth owner in as many years.

Illinois-based Esmark Inc. said it might consider a joint venture to buy Sparrows Point if the Weirton mill is unavailable, and industry experts said a number of German, Indian and Russian companies are shopping for North American steel mills.

"There are companies outside the U.S. that have said they want to make acquisitions in the U.S.," said analyst Charles Bradford of Soleil Securities Corp. in New York.

Mittal didn't immediately respond to telephone calls and e-mailed queries about the federal order. Mittal's shares fell 30 cents to close at \$50.65 on the New York Stock Exchange.

The United Steelworkers union, which represents the 2,106 production workers at Sparrows Point, said it will ask for a review of the decision in hopes of a reversal.

"The decision is unfortunate. It makes Mittal USA not as strong as it could be and does not assure Sparrows Point or Weirton a secure future," David R. McCall, chairman of the union's Mittal Steel committee, said in a statement.

The Justice Department said in a statement that a sale of the profitable Sparrows Point plant, with its deep-water port access, diversified equipment and production capacity of 500,000 tons of tin-plated products annually, would "most reliably remedy the anticompetitive effects" of Mittal's merger with Luxembourg-based Arcelor.

"With the divestiture of Sparrows Point, competition in the market for tin mill products in the eastern United States will be preserved," said Thomas O. Barnett, assistant attorney general in charge of the Justice Department's antitrust division.

Sparrows Point produces the raw steel slabs used in tin mill products, "and unlike the Weirton mill, would not have to develop new sources of supply" for that material, Barnett said.

Justice officials initially ordered Mittal to try to sell another mill, **Dofasco Inc.** of Canada. But the Dutch trust that controls Dofasco rejected a plan to sell it to ThyssenKrupp AG of Germany. That left either Sparrows Point or the former Weirton Steel Corp. in Weirton, W.Va., Mittal's two U.S. tin-plated steel mills.

Before the Arcelor Mittal merger, Mittal and another steelmaker accounted for more than 74 percent of all tin sales in the eastern United States. Without a divestiture,

"the acquisition likely would have resulted in price increases of tin mill products to can manufacturers and other customers," the Justice Department said.

Mark Reutter, who chronicled Sparrows Point in the 1988 book "Making Steel" and continues to study the U.S. steel industry, said the decision means the government has heard manufacturers' complaints about too much steel consolidation.

"The sort of unspoken aspect here is that someone in Washington is signaling displeasure over the last two years and wants more competition in the industry," Reutter said. "I think that pressure has been growing from fabricators - car manufacturers to Whirlpool to the thousands of middle men who do various processing. There's a lot of unhappiness that there's been too much consolidation."

Sparrows Point was operated for years by **Bethlehem Steel Corp.** which went bankrupt and sold its assets to **International Steel Group** backed by investor Wilbur Ross, in 2003. Ross sold the mill to Mittal in 2005.

Baltimore County Executive James T. Smith Jr., who had a meeting with Mittal planned for Tuesday afternoon, said a sale of Sparrows Point would be good news. "I think it's helpful that the Justice Department points out that we are the only steelmaking plant with deep-water coast access in the Eastern United States and one of the most modern cold-rolled mills in the world," he said.

At the West Virginia mill, where Independent Steelworkers Union President Mark Glyptis had volunteered to have Weirton divested because the union believes the mill has failed to thrive under Mittal's ownership, the initial reaction was disappointment. But the 1,250-member union said there was nothing to prevent Mittal from selling Weirton.

"There's obviously keen interest in Weirton," said ISU spokesman Dave Gossett.

"We're just not sure who will own it going forward."

Esmark President Craig Bouchard in Chicago Heights, Ill., said his company would prefer to buy Weirton but he wouldn't rule out the possibility of acquiring Sparrows Point.

"If we were to do Sparrows Point, it would probably be in a partnership because it doesn't exactly fit our strategy," he said. "But certain pieces of it could."

Associated Press Writer Vicki Smith in Morgantown, W.Va., contributed to this report.