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Federal Register

Monday,
April 9, 2007

Part II

Department of Justice

Antitrust Division

Public Comment and Response on Proposed Final Judgement; Notice

DEPARTMENT OF JUSTICE

Antitrust Division

Public Comment and Response on Proposed Final Judgment

Pursuant to the Antitrust Procedures and Penalties Act, 15 U.S.C. 16(b)–(h), the United States hereby publishes below the comments received on the proposed Final Judgment in *United States* v. *Mittal Steel Company*, No. 1:06–CV–1360–ESH, which were filed in the United States District Court for the District of Columbia, on February 13, 2007.

Copies of the comments and the response are available for inspection at the Department of Justice Antitrust Division, 325 Seventh Street, NW., Room 200, Washington, DC 20530, (telephone (202) 514–2481), and at the Office of the Clerk of the United States District Court for the District of Columbia, 333 Constitution Avenue, NW., Washington, DC 20001. Copies of any of these materials may be obtained upon request and payment of a copying fee.

J. Robert Kramer II,

Director of Operations Antitrust Division.

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

United States of America, Plaintiff, v. Mittal Steel Company N.V., Defendant

[Civil Action No. 1: 06CV01360–ESH]

Response of Plaintiff United States to Public Comments

Pursuant to the requirements of the Antitrust Procedures and Penalties Act, 15 U.S.C. section 16(b)–(h) (''APPA'' or ''Tunney Act''), the United States hereby responds to the public comments received regarding the proposed final Judgment in this case. After careful consideration of the comments, the United States continues to believe that the proposed Final Judgment will provide an effective and appropriate remedy for the antitrust violations alleged in the Complaint. The United States will move the Court for entry of the proposed Final Judgment after the public comments and this Response have been published in the **Federal Register,** pursuant to 15 U.S.C. section 16(d).

On August 1, 2006, the United States filed the Complaint in this matter alleging that the proposed acquisition of Arcelor S.A. (''Arcelor'') by defendant Mittal Steel Company N.V. (''Mittal Steel'') would violate Section 7 of the Clayton Act, 15 U.S.C. section 18. Simultaneously with the filing of the Complaint, the United States filed a proposed Final Judgment and a Hold Separate Stipulation and Order (''HSSO'') signed by plaintiff and Mittal Steel consenting to the entry of the proposed Final Judgment after compliance with the requirements of the Tunney Act, 15 U.S.C. section 16. Pursuant to those requirements, the United States filed its Competitive Impact State (''CIS'') in this Court on August 1, 2006; published the proposed Final Judgment and CIS in the **Federal Register** on August 24, 2006, *see United States* v. *Mittal Steel Company N.V.,* 71 Fed. Reg. 50084, 2006 WL 2431068; and published summaries of the terms of the proposed Final Judgment and CIS, together with directions for the submission of written comments relating to the proposed Final Judgment, in *The Washington Post* for seven days beginning on September 10, 2006 and ending on September 16, 2006. The 60-day period for public comments ended on November 15, 2006, and three comments were received as described below and attached hereto.

I. The Investigation and Proposed Resolution

On January 27, 2006, Mittal Steel announced its intention to commence a tender offer to acquire control of Arcelor. At the same time, Mittal Steel announced that it would subsequently sell Arcelor's recently acquired Canadian subsidiary, Dofasco Inc. (''Dofasco'') to ThyssenKrupp A.G. (''ThyssenKrupp'') if it acquired control of Arcelor. For six months following the announcement of the tender offer, the United States Department of Justice (''Department'') conducted an extensive, detailed investigation into the competitive effects of the Mittal/Arcelor transaction. As part of this investigation, the Department obtained substantial documents and information from Mittal Steel and issued eight Civil Investigative Demands to third parties. The Department received and considered more than 45,000 pages of material. More than fifty interviews were conducted with customers, competitors, and other individuals with knowledge of the industry. The investigative staff carefully analyzed the information provided and thoroughly considered all of the issues presented. The Department considered the potential competitive effects of the transaction with respect to a number of steel products, obtaining information about these products from customers, competitors, and other knowledgeable parties. The Department concluded that the combination of Mittal Steel and Arcelor likely would lessen competition in one market—Tin Mill Products (''TMP'') sold to customers in the United States, east of the Rocky Mountains (''Eastern United States''.) TMP are finely rolled steel sheets, usually coated with a thin protective layer of tin or chrome. TMP include black plate, electrolytic tin plate (''ETP''), and tin free steel (''TFS''). Black plate is a light-guage cold-rolled bare steel sheet that serves as a substrate for production of ETP and TFS. Black plate is coated with tin to produce ETP and with chrome to produce TFS. Both ETP and TFS are used primarily in manufacturing steel cans for packaging a wide range of food products, such as soup, fruits, and vegetables, and non-food products, such as paints, aerosols, and shaving cream. For most TMP purchasers, particularly food can makers, there are no close substitutes for TMP. Packaging alternatives, such as plastic containers, are not viewed as close product substitutes. A small but significant increase in price would not likely cause sufficient TMP can customers to switch products or otherwise curtail their TMP usage so as to render the increase unprofitable.

More than 89 percent of TMP sold in the Eastern United States is manufactured by firms located either in the Eastern United States or eastern Canada. A small but significant increase in price for TMP would not cause TMP customers in the United States to substitute purchases from outside the Eastern United States in sufficient quantities to make such a price increase unprofitable. Mittal Steel, Arcelor, and Arcelor's subsidiary Dofasco sell TMP to customers in the Eastern United States.

As explained more fully in the Complaint and CIS, the acquisition of Arcelor and Dofasco by Mittal Steel would substantially increase concentration and lessen competition in the production and sale of TMP in the Eastern United States, giving the top two TMP producers, including Mittal Steel, a market share of more than 81 percent of sales. Therefore, the Department filed its Complaint alleging competitive harm in the TMP market in the Eastern United States and sought a remedy that would ensure that such harm is prevented.

The proposed Final Judgment in this case is designed to preserve competition in the production, manufacture, and sale of TMP in the Eastern United States. The proposed Final Judgment requires the divestiture of sufficient assets to prevent the increase in concentration that resulted from the combination of Mittal Steel's capacity and Arcelor's capacity to supply TMP to the Eastern United States market. The proposed Final Judgment requires the

divestiture of a significant steel mill that manufactures TMP for sale in the Eastern United States. Specifically, it directs a sale of Dofasco to ThyssenKrupp or an alternative purchaser acceptable to the United States. At the time the proposed Final Judgment was filed with the Court, Mittal Steel already had executed a letter of intent to sell Dofasco to ThyssenKrupp when and if Mittal Steel acquired Arcelor, at a price comparable to the price Arcelor itself paid to acquire Dofasco in early 2006. Dofasco, which has a history of successful operation as an independent entity, has not been integrated into Arcelor and thus remains a viable divestiture candidate.

Mittal Steel's announced plan to sell Dofasco to ThyssenKrupp upon its acquisition of Arcelor would have mitigated the increase in post-merger concentration in the Eastern United States that would have resulted from its acquisition of Arcelor. As part of an effort by Arcelor's Board of Directors to impede the tender offer, however, Arcelor sought to prevent any figure effort by Mittal Steel to divest Dofasco by transferring Arcelor's Dofasco legal title to an independent Dutch foundation, known as the Strategic Steel Stichting (''S3''). Since Mittal completed its acquisition of Arcelor, Arcelor and Mittal Steel have requested that the S3 dissolve itself so as to permit the sale of Dofasco to ThyssenKrupp. The board of the S3 nevertheless has decided not to dissolve itself.

In negotiating the proposed Final Judgment, the parties recognized that the existence of the S3 could prevent Mittal Steel from divesting Dofasco in a timely manner. For this reason, the Department determined that alternative assets, owned by Mittal Steel and not burdened with any restrictions on sale, should be designated to accomplish the intended preservation of TMP competition in the event that Mittal Steel was unable to divest Dofasco within the time allowed by the decree. The proposed Final Judgment requires Mittal Steel to divest one of two steel mills—Sparrows Point or Weirton—if, despite its best efforts to do so, it has not been able to carry out the divestiture of Dofasco within the period allowed by the decree. Sparrows Point is a fully integrated steel mill located near Baltimore, Maryland, which produces a diversified portfolio of products, including hot-rolled sheet, cold-rolled sheet, galvanized sheet, Galvalume, and TMP, for construction, steel service center, container, appliance, and other end-use markets. Weirton, located in Weirton, West Virginia, operates primarily as a TMP finishing facility, converting steel slabs obtained from Mittal's Sparrows Point and Cleveland plants.

In the Department's judgment, divestiture of Dofasco to ThyssenKrupp or another qualified purchaser would remedy the violation alleged in the Complaint because Dofasco is an integrated steel mill that has the demonstrated capacity to make significant TMP sales in the Eastern United States. In the event that Mittal fails to sell Dofasco in a timely manner due to legal impediments arising from its control by the S3 and the S3's refusal to permit its sale, the proposed Final Judgment provides that the Department will determine whether Sparrows Point or Weirton should be divested to remedy the violation alleged in the Complaint. The Department is confident that these options allow it to select an alternate facility the divestiture of which to a viable qualified purchaser would remedy the violation. Each mill currently makes substantial TMP sales in the Eastern United States, and the successful continued operation of either mill by a viable qualified purchaser would remedy the violation. The Department is currently assessing which of these two mills is most likely to continue as an on-going vigorous competitor for TMP sales in the event that Dofasco cannot be divested. Sparrows Point is an integrated facility that produces a variety of steel products in addition to TMP, and it manufactures its own steel slabs, which are the basic raw material for TMP fabrication. Weirton currently operates as a TMP finishing facility that converts slabs obtained from Mittal Steel's Sparrows Point and Cleveland mills. Mittal recently idled Weirton's slab-making facilities because they were considered to be less efficient than other slab manufacturing locations within the Mittal Steel organization, and the Department is assessing whether those facilities could be reactivated to produce slabs at Weirton on a cost-effective basis in the event of Weirton's divestiture. Even if the Department concludes that cost-effective slab production at Weirton is not likely to be feasible, there still may be sources from which Weirton could obtain slabs with a degree of consistency and reliability, and at a cost that would enable it to compete successfully as an independent supplier of TMP to the Eastern United States market. The Department will consider the availability of slabs to Weirton and other relevant considerations in determining whether Sparrows Point or Weirton should be divested to remedy the violation alleged in the Complaint, and it will select the mill that is most likely to continue to compete successfully for TMP sales in the Eastern United States following its divestiture by Mittal Steel. The proposed Final Judgment would permit this process to go forward if Dofasco cannot be sold in a timely manner. Although entry of the proposed Final Judgment would terminate this action, the Court would retain jurisdiction to construe, modify, or enforce the provisions of the proposed Final Judgment and punish violations thereof.[1]

II. Summary of Public Comments and Responses

During the 60-day public comment period, the United States received comments from Silgan Containers Corporation (''Silgan''), ThyssenKrupp, and DaimlerCyrysler Corporation (''DaimlerChrysler''). Upon review, the United States believes that nothing in the comments warrants a change in the proposed Final Judgment or is sufficient to suggest that the proposed Final Judgment is not in the public interest. The comments include concerns relating to whether the proposed Final Judgment adequately remedies the harms alleged in the Complaint. The United States addresses these concerns below and explains how the remedy is appropriate.

A. Public Comment Submitted by Silgan

1. Summary of Silgan's Comment

Silgan, the largest food can producer and the largest consumer of TMP in the United Stats, submitted a 42-page comment with 44 attachments (attached hereto as Exhibit 1). Silgan's submission asserts that only the divestiture of Dofasco has any prospect for success, and that neither the divestiture of Weirton nor the divestiture of Sparrows Point will be effective.

[1] The merger closed on August 1, 2006. In keeping with the United States's standard practice, neither the HSSO nor the proposed Final Judgment prohibited closing the merger. See ABA Section of Antitrust Law, Antitrust Law Developments 387 (5th ed. 2002) (noting that ''[t]he Federal Trade Commission (as well as the Department of Justice) generally will permit the underlying transaction to close during the notice and comment period''). Such a prohibition could interfere with many time-sensitive deals and prevent or delay the realization of substantial efficiencies. In consent decrees requiring divestitures, it is also standard practice to include a ''preservation of assets'' clause in the decree and to file a stipulation to ensure that the assets to be divested remain competitively viable. That practice was followed here. Proposed Final Judgment § VIII. In addition, the HSSO has been filed and entered by the Court in this case. That Order requires Mittal Steel to preserve Weirton and Sparrows Point and to hold separate Dofasco, pending the divestiture contemplated by the proposed Final Judgment.

Silgan's comments may be summarized in three points. First, Silgan argues that Weirton cannot long survive as an independent producer of TMP, because it cannot produce slabs—the essential TMP substrate—at a competitive cost and cannot obtain slabs from elsewhere at a competitive cost. Thus, Weirton should not be divested.

Second, Silgan further asserts that, although Sparrows Point is capable of surviving as a stand-along producer of TMP, it currently provides 45 percent of the slabs used by Weirton. If Sparrows Point is divested, Weirton will be separated from a significant portion of its supply of slabs and will be unable to obtain a sufficient number of slabs from other sources. Thus, if Sparrows Point is divested, Weirton may cease TMP production even if it is kept in the Mittal Steel group.

Finally, Silgan concludes that since divestiture of either Weirton or Sparrows Point likely will lead to the demise of Weirton as a TMP producer, neither Mittal Steel mill should be divested. Instead, Silgan argues that Dofasco should be divested even if accomplishing that objective must await the expiration of the S3, and that the Final Judgment should be modified to extend the period for divesting Dofasco by several years. This would require that the stipulated HSSo, under which Dofasco now is operating, be modified to extend for the entire duration of the S3.[2]

2. Response of United States to Silgan's Comment

The United States has carefully considered Silgan's concern that Weirton will go out of business if the United States chooses Weirton or Sparrows Point as an alternative divestiture, but disagrees.

Silgan's conclusion rests crucially on an assumption that slabs suitable for use in TMP production would be readily or economically available to Weirton from sources other than Sparrows Point. The United States agrees that the supply of slabs is an important issue, but the concerns raised by Silgan are overstated. If Sparrows Point is divested, and Weirton remains part of Mittal Steel, for example, there would be no concern about the availability to the divested mill. Sparrows Point is a fully integrated steel mill that does not depend on other Mittal Steel facilities for significant operational resources or supplies and indeed, in recent years has produced more slabs than it consumes. With respect to Wierton, even if the new owner of Sparrows Point refused to sell slabs on reasonable terms to Mittal Steel for use at Weirton, Mittal Steel would still own even blast furnaces in North America, five of which are now operating, giving it ample ability to supply Wierton with slabs. Further, Mittal could obtain additional slabs for Weirton on the open market. If Weirton were divested from Mittal and sought to acquire all of its slabs from other sources, the supply of slabs would be somewhat less certain, but there is some indication that Weirton could obtain sufficient slabs, including from imports. Dofasco, as Silgan points out, obtains about 750,000 tons of slabs per year from other firms, 400,000 tons of which comes from CST in Brazil. Some of those slabs are used to make tin mill products. The fact that Dofasco itself successfully imports a significant volume of tin-quality slabs suggests that an independent Weirton might have sufficient alternative sources for such slabs. The Department continues to investigate the likelihood that a divested Weirton would be able to manufacturer or purchase tin-quality slabs on a cost-efficient basis. If the Department concludes for any reason that the lack of certainty regarding Weirton's viability makes divestiture of Sparrows Point preferable, the Final Judgment permits the Department to direct Mittal Steel to divest Sparrows Point.

Silgan proposes that, in lieu of diverting Weirton or Sparrows Point, the proposed Final Judgment be amended to provide that Dofasco be held separate for five years, which Silgan asserts is the duration of the S3, after which it could and should be sold.[3] This proposal presents significant problems. To ensure Dofasco's operation separately from Mittal Steel for such an extended period of time would be difficult, if not impossible. Moreover, under the HSSO, ordinary and customary business decisions that would be made promptly by an independent entity cannot be made by Dofasco without certain notices and approvals and, in some circumstances, Court permission. This situation is tolerable as a temporary solution to effectuate a prompt divestiture and to limit interference or collusion pending that divestiture. As a long-term operating arrangement, however, it could adversely affect the ability of Dofasco to operate efficiently. Given that a prompt remedy is in the public interest and that the Final Judgment provides a mechanism by which the Department can assure that adequate and viable Mittal Steel assets are divested, there is no reason to require the extraordinary and unprecedented imposition of a long-term HSSO.

B. Public Comment Submitted by ThyssenKrupp

1. Summary of ThyssenKrupp's Comment

ThyssenKrupp is a large German steel manufacturer that has an agreement in principle with Mittal Steel to purchase Dofasco. ThyssenKrupp currently exports TMP to customers in the United States. In its comment, attached hereto as Exhibit 2, ThyssenKrupp states that only the divestiture of Dofasco will adequately remedy the alleged anticompetitive effects set forth in the Complaint and that divestiture of Weirton or Sparrows Point cannot remedy those anticompetitive effects. ThyssenKrupp asserts that the proposed Final Judgment and CIS ''make clear that divestiture of Dofasco to ThyssenKrupp is the preferred remedy for the competitive harm alleged to arise from Mittal [Steel]'s acquisition of Arcelor[.]'' Ex. 2, ThyssenKrupp Comment at 3. ThyssenKrupp's comment, however, does not address the question of what should be done if Dofasco cannot be divested due to the existence of the S3. ThyssenKrupp claims that neither Weirton nor Sparrows Point has sufficiently modern and efficient facilities to compete in the TMP market in a manner that would replace competition lost as a result of the challenged acquisition. In this respect, ThyssenKrupp's comments mirror those of Silgan.

2. Response of United States to ThyssenKrupp's Comment

The response of the United States to the Silgan Comment is equally applicable to the comments made by ThyssenKrupp. In sum, for the reasons given in Part II.A.2 above, the United States believes that the Final Judgment provides a mechanism to ensure that assets sufficient to remedy the violation alleged in the Complaint will be divested.

Notwithstanding ThyssenKrupp's evaluation of the equipment and facilities at Weirton and Sparrows Point, the Weirton and Sparrows Point assets have proved adequate consistently to supply large quantities of TMP to the Eastern United States market. In 2005, Weirton and Sparrows Point sold more

[2] Silgan assets in its comment that the S3 has a 5-year term. Although the actual term of the S3 is not public information, it is many times longer than the period the proposed Final Judgment gives Mittal Steel to effect the divestiture of one of the three mills.

[3] The Department understands that Silgan's objective would require an extension only for the duration of the S3, but Silgan is correct that this would require an extension of multiple years.

TMP in the Eastern United States than Arcelor and Dofasco combined. While capacity to manufacture TMP for sale in the Eastern United States is not the only factor, it is certainly a highly relevant factor in assessing the competitive significance of mill assets. In determining which alternate mill should be divested pursuant to the Final Judgment, the Department will focus on questions relating to the relative ability of Sparrows Point and Weirton to operate independently of Mittal Steel as future suppliers of TMP to the Eastern United States market. The fact that both mills have successfully supplied substantial quantities of TMP to the market with their current equipment supports the conclusion that the alternate mill that the United States selects to be divested would accomplish the objectives of the Final Judgment.

As to ThyssenKrupp's statement that divestiture of Dofasco is the ''preferred'' remedy, we agree. As discussed above, Dofasco is an attractive divestiture candidate for a number of reasons, and the proposed Final Judgment requires Mittal Steel in the first instance to use its best efforts to divest Dofasco. However, nothing in the proposed Final Judgment or the Competitive Impact Statement indicates that Dofasco is the *only* suitable divestiture candidate. Both Mittal Steel and the Department realized that Mittal Steel might be unable to accomplish the divestiture of Dofasco in a timely manner because the S3 might prevent its sale. Accordingly, the parties crafted alternative relief—the divestiture of Sparrows Point or Weirton—that also would preserve competition. Although the United States is satisfied that divestiture of Dofasco would remedy the violation alleged in the Complaint, if Dofasco cannot be sold within the period prescribed by the proposed Final Judgment, the United States will decide which of the two alternatives should be divested.

C. Public Comment Submitted by DaimlerChrysler

1. Summary of DaimlerChrysler's Comment

DaimlerChrysler is an automobile manufacturer in North America that sources its steel from a number of North American steel producers, including Mittal Steel and Dofasco. *See* DaimlerChrysler Comment (attached hereto as Exhibit 3). DaimlerChrysler does not use TMP in the production of automobiles and does not purchase TMP. It does, however, use another type of flat steel product called hot dipped galvanized steel, which it buys from Mittal Steel and Dofasco, and DaimlerChrysler claims that the proposed acquisition will adversely affect competition for that product. DaimlerChrysler asserts that consolidation in the steel industry since 2001 has reduced the number of North American manufacturers of hot dipped galvanized steel from nine to five, and that after the acquisition of Dofasco, Mittal Steel will have approximately 47 percent of North American capacity for this product. DaimlerChrysler also states that there are no adequate substitutes for this product, and that foreign producers are not suitable suppliers. DaimlerChrysler asserts that the alleged harm to competition would be alleviated if Mittal Steel were required to divest Dofasco, but that the divestiture of either Sparrows Point or Weirton would not remedy the harm because neither facility produces hot dipped galvanized steel suitable for automotive purposes.

Although DaimlerChyrsler has no direct interest in the TMP market, the company nevertheless asserts that the divestiture of Weirton or Sparrows Point will not restore competition in TMP because neither facility is capable of operating as a stand-alone facility. DaimlerChrysler cites past financial troubles of Weirton when it was a stand-alone company and Sparrows Point when it was operated by the former Bethlehem Steel Company. DaimlerChrysler asserts that either alternative facility is likely to close after divestiture. The result, according to DaimlerChrysler, would be less competition in the market for TMP.

2. Response of United States to DaimlerChrysler's Comment

DaimlerChrysler's principal argument is that the United States' focus on TMP is misplaced, and that the United States should also have alleged harm to competition for hot dipped galvanized steel. During its investigation, the United States carefully and thoroughly reviewed the competitive implications of Mittal Steel's acquisition of Arcelor (and Dofasco) for a number of different potential relevant geographic and product markets, including hot dipped galvanized products. Upon completion of its review, the United States determined that it should allege a violation and seek relief only with regard to sales to TMP in the Eastern United States, and the Complaint filed in this case reflects that determination. The decision regarding the filing of a complaint as to any particular market lies within the prosecutorial discretion of the United States.

With respect to the market for TMP, the United States disagree with the DaimlerChrysler comments relating to the adequacy of a divestiture of either of the alternative assets. As discussed more thoroughly above, the United States has considered the capabilities and economic viability of each of the alternative facilities and is confident that these options allow it to select an alternate facility the divestiture of which to a viable qualified purchaser would be sufficient to restore competition to the market for the sale of TMP in the Eastern United States.

III. Conclusion

The issues raised in the public comments were among the many considered during the United States' extensive and through investigation. The United States has determined that the proposed Final Judgment as drafted provides an effective and appropriate remedy for the antitrust violations alleged in the Complaint, and is therefore in the public interest. The United States will move this Court to enter the proposed Final Judgment after the comments and response are published.

Dated: February 13, 2007.

Respectfully submitted,

Lowell R. Stern (D.C. Bar #440487), *Attorney, United States Department of Justice, Antitrust Division, Litigation II Section, 1401 H Street, NW., Suite 3000, Washington, DC 20530, Telephone: (202) 307–0924, Facsimile: (202) 307–6283.*

Certificate of Service

I hereby certify that on the 13th day of February, 2007, I caused a copy of the foregoing Plaintiff United States's Response to Public Comments to be mailed, by U.S. mail, postage prepaid, to the attorneys listed below and I caused the attachments thereto to be delivered by electronic transmission to the attorneys listed below:

Lowell R. Stern,

For Mittal Steel Company N.V.:
Mark Leddy, Esquire; Brian Byrne, Esquire; Jeremy J. Calsyn, Esquire; Cleary Gottlieb Steen & Hamilton LLP., 2000 Pennsylvania Avenue, NW., Washington, DC 20006.

For Arcelor S.A.:
John M. Nannes, Esquire; Michael V. Sosso, Esquire; Skadden, Arps, Slate, Meagher & Flom LLP., 1440 New York Avenue, NW., Washington, DC 20005.

For Silgan Containers Corporation:
Daniel L. Porter, Esquire; Vinson & Elkins LLP., 1455 Pennsylvania Avenue, NW., Suite 600, Washington, DC 20004–10009.

For ThyssenKrupp A.G.:
Steven K. Bernstein, Esquire; James F. Lerner, Esquire; Weil, Gotshal & Manges LLP., 767 Fifth Avenue, New York, NY 10153–0119.

A. Paul Victor, Esquire; Dewey Ballantine LLP., 1301 Avenue of the Americas, New York, NY 10019–6092.

For DaimlerChrysler Corporation:

Thomas B. Leary, Esquire; Janet L. McDavid, Esquire; Hogan & Hartson LLP., Columbia Square, 555 Thirteenth Square, NW., Washington, DC 20004.

Exhibit 1

Willkie Farr and Gallagher LLP

Theodore Case Whitehouse, 202 303 1118, *whitehouse@willkie.com,* 1875 K Street, NW., Washington, DC 20006–1238, Tel: 202 303 1000, Fax: 202 303 2000.

23 October 2005

By Hand Delivery

Maribeth Petrizzi, Esq., Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, Suite 3000, 1401 H Street, NW., Washington, DC 20530

Re: Comments of Silgan Containers Corp. on Proposed Consent Decree in *United States* v. *Mittal Steel Co., NV,* No. 1:06–CV–01360–ESH (D.D.C.)

Dear Ms. Petrizzi:

Transmitted with this letter, on behalf of Silgan Containers Corporation (''Silgan'') and pursuant to the Antitrust Procedures and Penalties Act (15 U.S.C. 16), are Silgan's comments on the proposed consent decree submitted by the Division to the United States District Court for the District of Columbia in August 2006.

Silgan and its counsel would be pleased to enlarge upon or explain any aspect of Silgan's comments and would be pleased to meet with you and your staff to discuss any issue or concern relating to this matter.

Sincerely,

Theodore Case Whitehouse

cc (w/encl.): Kerrie J. Freeborn, Esq.

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

United States of America, Plaintiff, v. Mittal Steel Company N.V., Defendant

[Civil Action No. 1: 06CV01360–ESH]

Comments of Silgan Containers Corporation on the Proposed Final Judgment and Competitive Impact Statement Regarding Competition in the Tin Mill Products Market

Willkie Farr and Gallagher LLP., 1875 K Street, NW., Washington, DC 20006–1238, (202) 303–1000.

Thomas Prusa, Ph.D., Professor of Economics, Rutgers University, New Brunswick, New Jersey.

October 23, 2006

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Introduction and Summary of Comments

Silgan Containers Corporation, the largest U.S. food can producer and single largest consumer of tin mill steel products in the United States, hereby provides comments on the proposed final judgment in *United States* v. *Mittal Steel Company,* the civil action concerning the effects of Mittal Steel's acquisition of Arcelor in the tin mill steel market in the Eastern United States. These comments are submitted in response to the invitation of the Antitrust Division of the United States Justice Department set forth in the August 24, 2006 edition of the **Federal Register.** Silgan appreciates the opportunity to submit comments.

Silgan wholeheartedly agrees with the Department's conclusions that (1) Mittal Steel's acquisition of Arcelor ''further consolida[tes] an already highly concentrated market'' and (2) ''the likely effect of this acquisition would be to lessen competition substantially'' among suppliers of tin mill steel products in the Eastern United States, and (3) ''this loss of competition would likely result in higher prices, lower quality, less innovation and less favorable delivery terms to customers'' of tin mill steel.[1] Silgan submits that such conclusions are amply supported by the evidence.

The proposed decree provides for two alternative divestiture scenarios. The first is to require divestiture by Mittal of Dofasco, a Canadian integrated steel producer. The alternative remedy, to be available only if Mittal is ''unable'' despite ''best efforts'' to accomplish the divestiture of Dofasco, would be divestiture of either the Sparrows Point integrated steel operation or the Weirton steel mill operation (which includes only a rolling mill capability at this time). Silgan wholeheartedly agrees with the Department that the preferred remedy to address this lessening of competition in the tin mill steel market is to require the divestiture of Dofasco. Indeed, Silgan submits that a proper understanding of both the market participants and the competitive dynamics affecting the market participants demonstrates the following:

• *Weirton would not be able to survive as an independent operation.*

Given its location, its old, small, and currently inoperative blast furnaces, and the limited capabilities of Weirton's rolling facilities, Weirton cannot survive as an independent producer. Neither

[1] See *United States* v. *Mittal Steel Company,* Proposed Final Judgment and Competitive Impact Statement, 71 Fed. Reg. 50084, 50085, 50093 (August 24, 2006) (Attachment 1).

running Weirton's ironmaking and steelmaking operations nor purchasing slab in the merchant market would be a viable strategy. Consequently, a remedy allowing the divestiture of Weirton would simply cause substantial tin mill steel capacity to exit the market, which would make the available tin mill steel supply even more concentrated.

• *No existing integrated steel mill has a serious interest in acquiring Weirton, because it makes no economic sense.*

Weirton's only realistic hope of surviving is to operate as one facility within a large, diversified enterprise capable of supplying Weirton with key inputs and averaging costs across a larger production base. Weirton currently enjoys that status as part of Mittal. No viable alternative integrated steel mill is likely to come forward to replace Mittal.

• *Although Sparrows Point Is a Superior Mill to Weirton, It Is Uncertain Whether Divesting Sparrows Point Would Preserve Competition Over the Mid- to Long-Term.*

Within the Mittal system, Sparrows Point is a key supplier of slab for Weirton. A Sparrows Point facility operating outside the Mittal system would eliminate a guaranteed supply of this key feedstock to Weirton and thereby threaten the ongoing viability of Weirton. Without Sparrows Point's slab capacity, the likelihood that Mittal will ration Weirton's slab supply is greatly increased because Weirton will not be the best use of Mittal's limited slab supply in the Midwest that can be used in more profitable operations. Such fact is evidenced by the statements of Mittal Steel officials that Weirton is the least desirable facility among Mittal Steel's North American operations. In short, divesting Sparrows Point would almost certainly lead to Weirton's demise even within the Mittal enterprise, thereby diminishing overall capacity to the detriment of consumers and frustrating the goal of the decree.

In the pages below, Silgan discusses and documents these factual conclusions in considerable detail. Silgan submits that these factual conclusions require the Department to adopt the following approach in designing an appropriate remedy to address the reduced competition in the tin mill steel market. First, the Department should make every effort to accomplish the divestiture of Dofasco. Press reports immediately after publication of the consent decree suggest a lack of interest by Mittal-Arcelor of seriously pursuing divesting Dofasco. The Department needs to push Mittal-Arcelor to accomplish the divestiture of Dofasco.

Second, if immediate divestiture is not possible, Silgan strongly recommends the consent decree be modified to wait the five years reportedly necessary to eliminate any existing legal impediments to the divestiture of Dofasco. An independent Dofasco in five years is better than any of the other alternatives for preserving competition. A long run solution to the issue is better than a short term fix.

Silgan makes this recommendation because the other options under consideration—divesting Weirton or divesting Sparrows Point—will not accomplish the Department's objective of enhancing competition in the tin mill steel market. These other options will only protect competition if one believes that Weirton has better than a 64% chance of surviving over the next two or three years, either outside or within the Mittal enterprise. However, no knowledgeable industry observer would give Weirton better than a 10–20% chance of surviving if either Weirton or Sparrows Point is divested. Therefore, the only appropriate remedy is to divest Dofasco as soon as possible, even if this means waiting for the alleged legal impediments to such a divestiture to expire.

To summarize:

• Divestiture of Dofasco is the most pro-competitive outcome.

• If divestiture of Dofasco is not possible now (because of the stichting arrangements reportedly engineered by Arcelor), the second best option is continued independent operation of Dofasco for the life of the trust, (reportedly 5 years) followed by divestiture to a firm not a U.S. tin-mill producer.

• A less desirable but feasible outcome would be divestiture of Sparrows Point to a firm not a U.S. tin-mill producer (with appropriate assurance that Sparrows Point's tin-mill activity will be continued).

• Divestiture of Weirton under any scenario would be counterproductive from a competition perspective and would hurt the market because Weirton would not survive and its capacity would be permanently lost.

I. Divestiture of Dofasco Is the Best Option

A combined Mittal-Arcelor would have three tin mill steel production facilities supplying the Eastern United States market, resulting in an excessively concentrated supply situation. To remedy that undesirable outcome, the Department has determined that Dofasco should be divested.[2] The Department is correct in that determination: Divesting Dofasco remains the preferred remedy to address the loss of competition in the tin mill steel market resulting from the Mittal-Arcelor merger.

In assessing divestiture options the Department must consider whether the divested firm can operate independently and serve the changing needs of consumers. Any divested tin mill steel entity must be viable on its own, making Dofasco the most logical choice for divestiture.

A. Dofasco Has a Proven Track Record of Operating as a Highly Profitable, Independent Company

In sharp contrast to Weirton or Sparrows Point (both of which are discussed below), Dofasco is recognized as one of the best steel mills in the world. A leading steel consultancy and benchmarking firm, World Steel Dynamics (''WSD''), ranked Dofasco in the Top 25 of all global steelmakers. The same assessment ranked Dofasco the highest of all North American producers.[3] Dofasco scored a remarkable 9 out of 10 in the WSD analysis for profitability over the 2000–04 period.[4]

The WSD analysis, which covers the period through June 2005, presents an independent, expert assessment of Dofasco prior to its acquisition by Arcelor, when the facility stood as a fully independent entity. Dofasco's performance during that period provides a strong indication of its likely performance if separated from Mittal.

B. Dofasco Is Far Better Suited To Operate as a Stand-Alone Facility Than Either Weirton or Sparrows Point

Compared to either Weirton or Sparrows Point, Dofasco is far better suited to survive and thrive as a stand-alone facility. Four differences stand out: (1) Dofasco has a much deeper product line, (2) Dofasco has a larger scale operation, (3) Dofasco owns its own raw materials, and (4) Dofasco has much more cold-rolled capacity to feed its tin mill steel production. Silgan discusses these below.

First, Dofasco has production capability that covers the full spectrum of flat-rolled products, from hot-rolled steel to cold-rolled and galvanized, as well as tin mill steel. Dofasco also produces tubular products in operations that consume the hot-rolled and cold-rolled steel it produces. Indeed, Dofasco Tubular Products is the largest and most diversified producer of tubular products in North America.[5] Finally, Dofasco is a significant player in the high margin auto sheet market, in which there are

[2] Id.

[3] World Steel Dynamics (2005) (Attachment 2).

[4] Id.

[5] See *http://www.dofascotube.com/Default.htm* (Attachment 3).

few significant North American suppliers.[6]

This breadth of production capability allows Dofasco to remain viable even if the tin mill steel market turns down. Neither Weirton nor Sparrows Point has the same breadth of production. Weirton's product line is quite limited. Indeed, Silgan's understanding is that the vast majority of Weirton's total steel production is just tin mill steel. Sparrows Point is not much better. Other than tin mill steel, Sparrows Point predominantly focuses on commodity grades of cold-rolled and galvanized flat-rolled steel.

Second, Dofasco is also a larger scale operation, with just over 4 million of tons of steelmaking capacity compared to 3.4 million tons at Sparrows Point and zero operating steelmaking capacity at Weirton. Dofasco also has larger rolling assets, with 4.9 million tons of hot strip capacity available compared to 3 million tons at Sparrows Point and 3.8 million tons at Weirton.[7] This larger scale allows Dofasco to operate more efficiently and profitably than either Weirton or Sparrows Point.

Third, Dofasco has access to captive supplies of both coke and iron ore, reducing its exposure to price volatility in raw material markets. Neither Weirton nor Sparrows Point has any such assets. Like the larger scale, these captive supplies of key feedstock allow Dofasco to operate more cost effectively and profitably than Weirton or Sparrows Point.

Finally, as detailed in the chart below, Dofasco has a much more favorable ratio of tin mill steel capacity to cold-rolled capacity.

FIGURE 1.—RATIO OF TIN MILL CAPACITY TO COLD-ROLLED CAPACITY

	Dofasco	Sparrows Point	Weirton
Cold-Rolled Capacity (000 tons)	3100	1580	1000
Tin steel production (000 tons)	418	828	800
Fraction of tin mill capacity to cold-rolled	13.5%	52.4%	80%

The ratio of tin mill capacity to cold-rolled capacity at Dofasco is just 13.5 percent. In contrast, the ratio of tin mill steel capacity to cold-rolled capacity at Sparrows Point is greater than 50%, and is roughly 80% at Weirton. Dofasco's more limited tin mill steel capacity relative to its cold-rolled capacity means a much larger portion of its cold-rolled capacity is immediately available for sale in often more profitable cold-rolled or galvanized markets. Weirton and Sparrows Point, on the other hand, have limited opportunity to serve cold-rolled and galvanized markets while at the same time keeping their more substantial tin mill steel lines operating at efficient capacity utilization rates.

C. Dofasco Is More Committed to Investing in the Future of the Tin Mill Steel Market

A key factor for the Department's consideration should be which entity will support the tin mill steel market for the long term. It is Silgan's opinion that Mittal is not interested in this product and will not support the tin mill steel market, whereas Dofasco has demonstrated a concrete willingness to support the product.

Prior to its acquisition of International Steel Group, Mittal had no significant involvement in the tinplate market from any of its worldwide operations. With ISG, Mittal acquired the former Bethlehem Steel tinplate operations at Sparrows Point, MD and the former Weirton Steel tinplate operations in Weirton, WV. Since the acquisition of ISG, these operations have been scaled back, not expanded, and Mittal has shown little or no interest in their long-term viability. As importantly, since its acquisition of ISG, Mittal has met is contractual volume commitment to Silgan, but has declined to ship additional volumes requested by Silgan. Efforts to engage Mittal in discussions toward extending the current supply commitment to Silgan have not been successful.

The experience with Dofasco has been much different. Time and again Dofasco has demonstrated a willingness to commit to the long term production and supply of tin mill steel. For example, Dofasco understood the desire of can companies for wider and wider coils to enhance can making productivity. Dofasco, unlike other suppliers, decided to invest in additional wide coil capacity, and now is one of the few suppliers in the world to offer extra-wide coils. Another example is Dofasco's willingness to talk about and agree to longer-term supply arrangements. There is no question that producing tin mill steel is in Dofasco's long term plans.

D. The Decree Should Be Amended if Necessary To Require Divestiture of Dofasco on the Earliest Date on Which It May Legally Be Divested Free of the Stichting Arrangements, and the Hold-Separate Order Should Continue in Effect Until That Divestituture Is Accomplished

Because of the obvious superiority, from the standpoint of competitive supply of tin mill steel products, of a divstiture of Dofasco over either alternative divestiture contemplated by the proposed decree, the Decree should be amended to ensure that Dofasco is divested and that any short-term impediment to that divestiture arising from the *stichting* arrangements erected by Arcelor to frustrate Mittal's efforts to acquire Arcelor does not wind up producing long-term harm to the tin mill steel market in the Eastern United States. Dofasco's long history of successful operation as a stand-alone entity and its modern plant and facilities make it highly likely that Dofasco could exist and prosper under the hold-separate order now in place for at least five years and remain a viable and attractive divestiture candidate at the end of that period. Thus, there is no reason for the Department or the Court to accept the plainly less effective—and potentially counterproductive—alternatives of divesting either Sparrows Point or Weirton.

[6] The leading North American suppliers are Mittal (non-Sparrows Point production), U.S. Steel, AK Steel and Dofasco. See Peter Marsh, Massive Bids on Table as Giants Fight for Dofasco, Financial Times (January 13, 2006) (Attachment 4). According to long-time steel analyst Charles Bradford, Sparrows Point ''doesn't have those (automotive) grades.'' Scott Robertson, Mittal Sparrows Point Mill May Be On Auction Block, American Metal Market (June 2, 2006) (Attachment 5).

[7] See generally 2005 Directory of Iron and Steel Plants, Association for Iron and Steel Technology (2005) (Attachment 6).

II. A Stand-Alone Weirton Operation Will Fail in the Immediate Future and Undermine the Department's Objective of Preserving Competition in the Market

There is no viable business model for a stand-alone Weirton operation that ensures even the intermediate term survival of the company. As a fully-integrated steel producer making raw steel through to tin mill products (''tin mill steel''), Weirton is not competitive. The Weirton facility's ironmaking and steelmaking assets are antiquated and effectively unusable. Indeed, the ironmaking and steelingmaking assets are currently not operating for this very reason.[8] The lack of any captive raw material assets and the costs associated with transporting bulk raw materials such as iron ore to the Weirton site only make the prospects for restarting the ironmaking and steelmaking assets in a stand-alone configuration that much more untenable.

As a finishing operation consuming either slab or more advanced downstream inputs (*i.e.,* hot-rolled band or black plate), it is also highly doubtful that Weirton would survive as a stand-alone entity. First, the proposition that a stand-alone Weirton operation would have access to the quality or volume of steel inputs at the cost necessary to run the facility efficiently is highly speculative. Second, limitations at Weirton's rolling operations would further hinder the facility's ability to operate a flexible production base or meet the ever-increasing quality demands of tin mill steel consumers.

A. Weirton's Ironmaking and Steelmaking Assets Are Not Competitive

1. Weirton Has Small, Inefficient Blast Furnaces

It is generally agreed within the steel industry that blast furnaces with an annual production capacity of less than 1.5 million tons per year are not of efficient scale. Most, if not all, world-class blast furnaces exceed 3 million tons in annual capacity. While blast furnace size is not necessarily dispositive with respect to cost competitiveness, it is considered among the most important factors.[9]

The U.S. Domestic steel industry's own trade association acknowledges the weaknesses and fate of small blast furnaces, as does the U.S. Department of Energy (''DOE''). According to an article posted on the American Iron and Steel Institute's web page, ''[b]last furnaces will survive into the next millennium because the larger, efficient furnaces can produce hot metal at costs competitive with other iron making technologies.'' [10] Similarly, a study of alternative ironmaking technologies funded by DOE concluded that ''the primary problem (sic) the Blast Furnace approach is that many of these Blast furnaces are relatively small, as compared to newer larger furnaces; thus are relatively costly and inefficient to operate.'' [11]

Weirton's blast furnaces—none of which is currently in operation—are among the smallest blast furnaces in North America. Weirton's primary No. 1 furnace has a rated annual capacity of 1.46 million tons. The facility's No. 4 furnace, the only other furnace at the Weirton site in any condition to be restarted,[12] has a rated capacity of just 1 million tons.[13] By contrast, the would-be competitors of a stand-alone Weirton enterprise operate the largest blast furnaces in North America.[14]

FIGURE 2.—COMPARISON OF BLAST FURNACE SIZE

Company/operation	Blast furnace	Year built	Annual capacity (million tons)
Mittal, Indiana Harbor	No. 7	1980	4.0
U.S. Steel, Gary Works	No. 14	1974	3.4
Mittal, Sparrows Point	"L"	1977	3.2
Weirton	No. 1	1919	1.5
Weirton	No. 4	1953	1.0

Weirton's furnace limitations have long been known; in 1982, National Steel proposed shutting down Weirton's furnaces and operating Weirton as a rolling mill.[15]

In any case, assessing the competitiveness of the Weirton blast furnaces is strictly an academic exercise. Both the Weirton No. 1 and No. 4 furnaces are no longer hot banked, but now sit completely cold. The costs of restarting the furnaces from a cold state are uncertain, but could be significant depending on any damage resulting from the cool down. Such costs may in fact be prohibitive to any would-be investor.

2. Weirton's Steelmaking Operations Are Also Antiquated and High Cost

Weighed down by the high cost of its ironmaking operations, the Weirton facility inherently is a high cost steel

[8] See Mark Reutter, The Strange Case of Weirton Steel, MakingSteel.Com (April 25, 2006) (emphasis aded) (Attachment 7).

[9] Other competitiveness factors one might consider include the coking rate of the furnace and any alternative charging technologies utilized by the furnace to reduce that rate and increase productivity. For a discussion of these alternative techniques, see William T. Hogan and Frank T. Koelbe, Fewer Blast Furnaces, But Higher Productivity, New Steel (November 1996) (Attachment 8). Note, however, that reliance on alternative charging techniques has presented new cost problems for some blast furnace operations. In particular, for those blast furnaces relying on natural gas injection to reduce coking rates (including Weirton), they successfully lowered their coking rates and boosted productivity, but were later hit with heavy costs as natural gas prices rose dramatically.

[10] See How a Blast Furnace Works, AISI (emphasis added) (Attachment 9).

[11] Ironmaking Process Alternative Screening Study—Volume I, Summary Report, Lockwood Greene study for the Department of Energy (Oct. 2000) at 1–1 (Attachment 10).

[12] Weirton's No. 4 furnace needs repairs before being restarted. Weirton's former owner ISG intended to make such repairs. See Jim Leonard, ISG To Repair, Restart Second Blast Furnace at Weirton Unit, American Metal Market (July 12, 2004) (Attachment 11). With Mittal's acquisition of Weirton, it was determined that Weirton would no longer produce raw steel and the repair work was never initiated. See Mark Reutter, The Strange Case of Weirton Steel, MaingSteel.Com (April 25, 2006) (Attachment 7).

[13] While age is less indicative of the efficiency of a furnace, Weirton's furnaces are very old. The No. 1 furnace was built in 1919; the No. 4 furnace was built in 1953. Through rebuilds and modifications, these furnaces have been made more efficient, but they remain high cost. Indeed, by Mittal's own admission, Silgan knows they are at least the highest cost furnaces in the Mittal USA system. See Mark Reutter, The Strange Case of Weirton Steel, MakingSteel.Com (April 25, 2006) (Attachment 7).

[14] Capacity data for the Weirton blast furnaces derived from 2005 Directory of Iron and Steel Plants, Association for Iron and Steel Technology (2005) (Attachment 6). Capacity data for Mittal, Sparrows Point ''L'' furnace derived from Mittal Steel USA Works to Restore Furnace at Sparrows Point, PRNewswire (July 14, 2006) (Attachment 12). Capacity data on Mittal, Indiana Harbor No. 7 furnace derived from Ispat Inland Accelerates Maintenance Outages, Ispat Inland Press Release (March 7, 2005) (Attachment 13).

[15] Weirton Workers Buyout from Online NewsHour, September 23, 1983; *http://www.pbs.org/newshour/bb/business/july-dec83/steel_9-23-83.html.* (Attachment 14).

producer. Leaving no doubt, Weirton's slab costs have been rated by a leading steel consultancy as the highest in the world.[16] These results are consistent with Mittal's own top-down review of the Mittal USA system, which found the Weirton steelmaking assets to be the least economical among its many U.S. facilities.[17]

Weirton's continuous caster is also an old, four-strand caster.[18] A new, single strand caster is necessary to achieve better yield loss and quality control in important tin mill grades of steel.

3. An Independent Weirton Operating Its Ironmaking Facilities Would Lack Any Captive Raw Material Supplies

A stand-alone Weirton enterprise utilizing its ironmaking assets does not fit the paradigm of successful integrated steel makers (*i.e.*, those operating blast furnaces and basic oxygen furnaces to produce steel) operating in the U.S. market. That paradigm includes access to captive supplies of at least some raw material requirements (coal, coke, or iron ore).

Integrated steel producers consume massive amounts of raw materials in the form of coal, coke, and iron ore to run their blast furnaces. To insulate themselves from volatility in raw material markets, integrated producers tend to maintain captive supplies of at least some of their raw material needs. Although all U.S. mills have largely divested themselves of their U.S. coal assets, maintaining captive coke supplies remains a common practice among integrated producers. This practice continues given the high costs associated with building new coke plants in today's regulatory environment and the fact that the coke market tends to be in very tight supply. The largest producers also maintain captive iron ore assets.

FIGURE 3.—INTEGRATED MILL RAW MATERIAL ASSETS [19]

Company	U.S. coke assets	U.S. iron ore assets
U.S. Steel	Yes	Yes.
Mittal Steel	Yes	Yes.
AK Steel	Yes	No.
Wheeling-Pittsburgh Steel	Yes	No.
WCI Steel	No	No.
Severstal-Rouge Steel	Yes	No.
Sparrows Point	No	No.
Dofasco [20]	Yes	Yes.
Weirton	No	No.

The Weirton facility does not operate coke ovens, nor does it own any iron ore assets. As a stand-alone enterprise operating its blast furnaces, Weirton's lack of raw materials assets would leave it dependent on outside supply, including supply from other U.S. tin mill steel producers.

With respect to coke, the implication of Weirton's outside supply dependency is documented in Weirton's recent past. In 2004, Weirton experienced a coke supply disruption when U.S. Steel (a tin mill steel producer) declared *force majeure* on a supply contract with Weirton in a very tight market for coke, forcing Weirton to limit operations in that year.[21]

Although the first new coke ovens built in the United States in seven years were completed in 2005, shipments of metallurgical coal to U.S. coke plants show a decline over the last 5 years due to the tight specifications needed for coal to produce coke.[22] Key sources of imported coke, such as China, now consume a larger portion of that supply in their own domestic markets.[23] With a tight world market for metallurgical coal coupled with U.S. supply disruptions that occurred in 2005, the average delivered price of coal to U.S. coke plants increased by 36.2 percent to reach an average price of $83.79 per short ton in 2005. This, in turn, caused coke prices to skyrocket.[24]

FIGURE 4.—U.S. METALLURGICAL COAL SUPPLY AND PRICES TO U.S. COKE PLANTS

[Million short tons and nominal dollars per short ton]

	2001	2002	2003	2004	2005
Consumption Average	26.1	23.7	24.2	23.7	23.4
Delivered Price	$46.42	$50.67	$50.63	$61.50	$83.79

Even Weirton's union representatives acknowledge the coke problem: ''Union spokesman David Gosset said raw materials are the root of Weirton's problem. Weirton does not have a coke plant and must buy it at a high cost on the open market.'' [25]

[16] High Production Costs Hamper AK Steel's Middletown Works, Steel Business Briefing (Aug. 10, 2006) (Attachment 15).

[17] See Mark Reutter, The Strange Case of Weirton Steel, MakingSteel.Com (April 25, 2006) (Attachment 7).

[18] 2005 Directory of Iron and Steel Plants, Association for Iron and Steel Technology (2005) at 130 (Attachment 6).

[19] See Various Annual Reports from producers listed in the above table below.

[20] Dofasco has iron ore assets in Canada. See Maria Guzzo, Dofasco seals $251m purchase of Canadian iron ore miner QCM, American Metal Market (July 26, 2005) (Attachment 16).

[21] Scott Robertson, Force Majeure Clobbers Coke-Short Steelmakers: Weirton Eyes Options, Blast Furnace Closure, American Metal Market (Jan. 9, 2004) (Attachment 17).

[22] U.S. Coal Supply and Demand: 2005 Review, Department of Energy, Energy Information Administration.

[23] For a discussion of the tight market for coke during 2004 and the factors that drive tight coke supplies, see Peter Krouse, Heat Back on Steel Makers, The Plain Dealer (February 26, 2004) (Attachment 18).

[24] U.S. Coal Supply and Demand: 2005 Review, Department of Energy, Energy Information Administration.

[25] Vicki Smith, Furnace Will Stay Idle at Weirton Steel Mill, Associated Press (Dec. 2, 2005) (Attachment 19).

The raw material paradigm bears out in the experience of other integrated steel producers. Operations with no captive supplies are vulnerable and tend to have poorer operating performance. WCI Steel, for example, also retains no raw material assets. Not surprisingly, like Weirton, it was also the victim of the coke supply disruption that occurred in 2004.[26] WCI emerged from nearly three years of bankruptcy only this year.

4. Weirton's Geographic Location Guarantees Higher Costs for Basic Inputs

Unlike competitors along the Great Lakes and elsewhere, which have access to water transportation to bring in raw materials, Weirton must resort to more expensive truck and rail options to supply such basic bulk inputs as iron ore.[27] As a stand-alone enterprise not affiliated with a larger integrated steel operation, Weirton would have no ability to average higher transportation costs over a broader asset base or leverage lower transportation prices with service providers serving more than the Weirton facility.

5. Weirton's Limitations as a Fully-Integrated Steel Maker Producing Tin Mill Steel Are Recognized by Mittal and Outside Observers

There is no dispute that Weirton suffers from severe limitations as a fully-integrated steel producer, even among those parties with an immediate interest in, or who are otherwise knowledgeable about, the facility. Consider the comments of Mittal USA CEO Leo Schorsch shortly after Mittal acquired Weirton and made the decision to shut down its steelmaking operations:

> This was a very difficult decision, since the Independent Steelworkers Union and all employees have worked so hard to beat the odds trying to maintain steelmaking at Weirton,'' said Louis L. Schorsch, chief executive of Mittal Steel USA. ''However, the structural disadvantages of Weirton for these processes entail costs that are too high to support competitive downstream facilities.[28]

At the same time, noted industry analyst and expert on ironmaking/steelmaking assets Michael Locker stated:

> The negative of the consolidation process is that you have a comparison going on of plants * * * within the Mittal family.
>
> If they come out on the short end of the stick, they can't justify standing alone—even with all the hopes of cost reduction and efforts by the union, which were mighty.[29]

Other commentary from the period is consistent with that above concerning Mittal's own internal assessment of the Weirton facility:

> Unknown to Weirton workers as well as to many ISU officers, Mittal Steel kept obsessive track of all financial aspects of its five integrated mills (Burns Harbor and Indiana Harbor in addition to Cleveland, Sparrows Point, and Weirton). The mills were compared and ranked according to their raw material inputs, manufacturing costs, and product profit margins. At the bottom of the list lay the ''swing'' plant—the facility that, in times of low demand, didn't generate enough money to please the steelmasters in London.
>
> Weirton was the ''swing'' plant.
>
> It was hobbled by higher raw material costs, especially for coke, than the other mills.[30]

Based on this commentary, it is clear that Weirton, even as part of a vast integrated steel enterprise, is incapable of being competitive running its ironmaking and steelmaking assets. As an independent enterprise running those assets, prospects would only diminish from bad to worse.

B. Prospects for a Stand-Alone Weirton Enterprise Operating as a Rolling and Finishing Operation Are Limited

Even if Weirton's ironmaking and steelmaking assets remain closed and the facility continues operating as a rolling and finishing operation, the viability of such an operation on a stand-alone basis is doubtful. The Weirton rolling operations—long neglected by its previous and current owners—require substantial investment to remain competitive. Moreover, the production emphasis on tin mill steel, as well as the configuration and limitations at the mill, mean that it would have limited production flexibility to maximize profitability by reacting to changes in up- and down-stream flat-rolled steel markets. Finally, the prospect of limited availability of merchant slab or black plate substrate could lead to supply disruptions and limit capacity utilization at the mill, such that it could not generate sustainable profits.

1. Weirton's Rolling and Finishing Assets Require Substantial Investment To Be Competitive

The Weirton facility, both as an independent entity and as part of the International Steel Group and Mittal Steel, has been a consistent industry laggard. Years of losses have led to years of neglect at the mill.[31] At the tin line, alone, Mittal has publicly identified the need for in-line edge-cutting and tension leveling equipment to keep the mill competitive.[32] Mittal, however, has not committed to that investment, which it identified as important shortly after it acquired the Weirton assets from the International Steel Group.[33]

Given Weirton's historically poor financial performance, it is likely that other major maintenance at the mill has been severely neglected. If Weirton has any chance at all of being a viable, stand-alone operation, any new investor would have to be committed to substantial new capital spending to improve the competitive position of the mill. The rolling and finishing lines as they currently exist are not ''turn-key'' operations that would be immediately competitive in today's market.

2. Weirton Would Be Committed to Producing Primarily Tin Mill Steel, Limiting Production Flexibility

In today's steel industry, few mills consistently make money producing only one product. This is particularly true for mills that maintain hot-rolled through galvanizing assets and have to cover the fixed costs associated with each stage of flat-rolled steel production. Large integrated operations such as these seek a balance, shifting production upstream and downstream to adjust to changing market conditions in each segment while also attempting

[26] See Peter Krouse, Heat Back on Steel Makers, The Plain Dealer (February 26, 2004) (Attachment 18).

[27] According to the Minneapolis Federal Reserve ''water transport via inland ports is estimated to be at least five times more efficient than rail and trucks at delivering similar cargo on a fuel cost-per-gallon basis. U.S. inland waterways move about 15 percent of interstate commerce for bulk commodities at only 2 percent of the cost.'' Marcia Jedd, Minneapolis Federal Reserve fedgazette, January 2003, *http://minneapolisfed.org/pubs/fedgaz/03-01/shipping.cfm* (Attachment 20); See also Vicki Smith, Furnace Will Stay Idle at Weirton Steel Mill, Associated Press (Dec. 2, 2005) (Attachment 19) (''Weirton also must buy iron ore and have it shipped by rail. Mittal's mill in Cleveland can get iron ore shipped in cheaper on Lake Erie'').

[28] Mark Reutter, The Strange Case of Weirton Steel, MakingSteel.Com (April 25, 2006) (Attachment 7).

[29] Vicki Smith, Furnace Will Stay Idle at Weirton Steel Mill, Associated Press (Dec. 2, 2005) (emphasis added) (Attachment 19).

[30] Mark Reutter, The Strange Case of Weirton Steel, MakingSteel.Com (April 25, 2006) (Attachment 7).

[31] Weirton filed for Chapter 11 Bankruptcy protection in May 2003 after racking up more than $700 million in losses over the previous five years. Vicki Smith, Weirton Files for Ch. 11; 1,100 Ohio Jobs Affected, Associated Press (May 20, 2003) (Attachment 21). Such financial performance is not conducive to investment in the capital-intensive steel industry.

[32] See Hearing Transcript, In the Matter Of: Tin and Chromium-Coated Steel Sheet from Japan, Inv. No. 731–TA–860 (Review) (April 27, 2006) (testimony of Bill Stephans, Division Manager for TMP at Mittal Steel USA's Weirton Facility) (Attachment 22).

[33] Mark Reutter, The Strange Case of Weirton Steel, MakingSteel.Com (April 25, 2006) (Attachment 7).

to preserve efficient capacity utilization rates at each stage of production. Weirton cannot make similar adjustments.

At the front of the flat-rolled production chain, hot-rolled steel, Weirton would lack the ability to challenge more nimble and cost competitive minimill producers that have long dominated the commodity hot-rolled market. The economics of buying slab dictate that stand-alone Weirton rolling and finishing operation move downstream to higher value-added products in order to capitalize on steel grades that minimills find more difficult to produce.

At the end of the production chain, the Weirton facility is incapable of competing in the galvanized sheet market, whether using a hot-rolled or cold-rolled substrate. Weirton's galvanizing lines were determined to be the highest cost operations in the Mittal system and closed.[34] It is difficult to conceive of a cost environment in which Weirton could reliably purchase slab and produce a sustainable profit running steel through such a high cost facility.

Finally, Weirton's cold-rolling mill, while potentially capable of producing competitive cold-rolled, would have limited capacity to do so since it is dedicated to serving the tin operations, creating constant pressure to keep the tin mill operating at efficient rates to cover costs.

3. Weirton Would Have Difficulty Securing the Quality and Volume of Slab Necessary To Maintain Its Operations

Tin mill steel is a high grade steel product that must meet strict metallurgical and physical tolerances in order to satisfy customer demands. The steelmaking and slab casting phases of production are every bit as critical to achieving these qualities as are the rolling and finishing phases. As a slab roller, it would be necessary for a stand-alone Weirton enterprise to secure tin mill steel-grade slab from as few committed sources as possible in order to control uniformity and quality. Failure to do so would lead to circumstances with which the Weirton facility is all too familiar: Unreliable, quality-deficient supply. This was the outcome in 1999, when Weirton experimented as an independent producer rolling slab acquired from other producers. Delivery and inventory management were poorly handled. Slab arrived late and in inconsistent quality and tolerances.[35] It is unlikely that the Weirton facility could achieve better results in today's market.

A stand-alone Weirton Enterprise rolling purchased slab would find it difficult to secure, on an economic basis, the 800 thousand to 1 million tons of tin mill steel-grade slab necessary for its operations from high quality suppliers. In this regard, Brazil is recognized as the low-cost, high quality producer of merchant slab (*i.e.*, slab produced for sale) in the world and would be the logical supplier to the Weirton facility. However, current Brazilian merchant slab supply is largely allocated among an existing global customer base.[36] Indeed, free supplies will be further limited with CSN's anticipated acquisition of U.S. steelmaker Wheeling-Pittsburgh, which currently maintains 600,000 tons in excess hot-rolling capacity that would be filled by CSN slab.[37] That tonnage could increase substantially if a decision is made to shut Wheeling-Pittsburgh's aging blast furnace.[38]

While the Brazilian slab industry has committed to a substantial expansion of its slab-making capacity, there is little prospect that an economically viable volume of this forthcoming slab capacity would be available to a stand-alone Weirton in the quality required to produce tin mill steel. As documented in the following table, virtually all of the new Brazilian slab would be unavailable to Weirton. Much of the planned slab capacity expansion among Brazilian producers targets either Brazilian domestic demand or other offshore demand (*via* existing business relationships). Timing considerations make it even more improbable that Brazil can source slab for a newly-divested and independent Weirton mill: A significant fraction of Brazil's new slab capacity will ramp up years from now, an unsuitably long period of time.

FIGURE 5.—BRAZILIAN SLAB CAPACITY EXPANSIONS

Producer/project	New slab capacity (million tons)	Expected startup	Comments
CST (Arcelor Brazil)[39]	2.5	End of 2006	Expected to add 2.5 million tons of hot-rolled coil capacity by 2008, which will capture much of this expansion. Also intends to ship substantial additional tonnage to Arcelor-affiliate Dofasco, which is slab-deficient.
Gerdau Acominas SA[40]	3 (initially 1.5)	Mid-2008	Discussions are already underway with "possible clients abroad."
CSA[41] (Thyssen/CVRD)	4.4	2008	Much of this capacity is to be dedicated to Thyssen Steel's offshore operations, including a proposed U.S. greenfield mill expected to produce 4.5 million tons of finished steel.
Ceara Steel[42] (CVRD/Donguk Steel/Danieli & C. SpA).	1.5	2009	Donguk Steel is expected to consume at least 50 percent of the slab produced at the facility.
CSN/Baosteel[43]	4.5	2011	Two projects are envisioned, with feasibility studies to be finalized by the end of 2006. Baosteel is a projected partner in one project, with the expectation that a portion of the production would be directed at Baosteel. Other available capacity would also serve CSN's rolling operations abroad, with the remainder available to third parties.

[34] Sam Kusic, ISU Irked by Mittal Steel's Plan To Shut Weirton Galvanizing Line, American Metal Market (Feb. 3, 2006) (Attachment 23).

[35] Weirton's resort to purchased slabs and the problems created by that strategy were cited in testimony during the 2000 antidumping case on TMP imports from Japan (Attachment 24).

[36] In 2006, Brazilian merchant slab supply became extremely tight, with prices rising to $555 a ton, as Brazilian producer CSN struggled to make up for production losses due to an accident at its No. 3 blast furnace. A looming increase in export taxes on Chinese slab put further pressure on the market as Chinese producers pulled back from export markets. See Diana Kinch, Brazil Slab hits $555/T In Tight Export Market, American Metal Market (June 5, 2006) (Attachment 25).

[37] Wheeling-Pittsburgh Makes Loss, Despite Rising Market, Steel Business Briefing (May 11, 2006) (Attachment 26).

[38] A competitor for the Wheeling-Pittsburgh assets, Esmark, envisions shutting down the last Wheeling-Pittsburgh blast furnace in an indication of the perceived or assessed costs of running that facility. See Esmark To Shut Wheeling-Pitt BF If Bid Succeeds, Steel Business Briefing (August 23, 2006) (Attachment 27).

FIGURE 5.—BRAZILIAN SLAB CAPACITY EXPANSIONS—Continued

Producer/project	New slab capacity (million tons)	Expected startup	Comments
Usiminas/CVRD [44]	5	2010–2012	Usiminas is seeking a partner among companies that already have, or plan to set up, rolling capacity abroad.

The Russian producer Severstal is also a low-cost producer capable of meeting international quality standards and therefore might be an economical option for a stand-alone Weirton facility dedicated to rolling slab. This option, however, is limited. Severstal's acquisition of Rouge Steel limits its ability to supply high volumes of merchant slab while meeting its commitment to Rouge.[45]

In short, the market situation for merchant slab would likely force a stand-alone Weirton to source tin mill steel-quality slab piecemeal from multiple sources. As Weirton's 1999 experience showed, this is precisely the sourcing situation Weirton would want to avoid since it would raise the prospect of supply disruptions and production problems related to uneven slab consistency.

4. Even if a Stand-Alone Weirton Rolling and Finishing Operation Found a Consistent Source of Slab Supply, the Market Dynamics for Tin Mill Steel Would Limit Profitability

Ultimately, even if Weirton could secure an adequate source of slab from third parties, the market dynamics for tin mill steel would create significant profitability problems as the market for flat rolled steel ebbs and flows. In the flat-rolled steel market, the relationship between slab prices and prices for mainstream flat-rolled steel—hot-rolled, cold-rolled and galvanized products—tends to remain more stable. A more consistent pricing spread is maintained as prices for slab rise and fall. A very different pattern emerges for tin mill steel, given the very small and specialized market it serves. The pricing spread between slab and tin mill steel grows or shrinks substantially as the overall market for flat-rolled steel strengthens or weakens. For a tin mill steel producer relying on merchant slab, it is more difficult to preserve profit margins as markets for hot-rolled, cold-rolled, and galvanized steel expand and cause slab prices to rise. This is evidenced in the figure below tracking prices for imported slab, as well as the U.S. market prices for hot-rolled, cold-rolled, galvanized, and tin mill steel.[46]

[39] Diana Kinch, Arcelor Brasil Sets Sights on New Slab Plant, American Metal Market (May 1, 2006) (Attachment 28); Diana Kinch, CST to Hike Slab Sales to Dofasco, American Metal Market (March 22, 2006) (Attachment 29).

[40] Diana Kinch, Gerdau Acominas Charging Into Slab Mart, American Metal Market (June 30, 2006) (Attachment 30).

[41] Diana Kinch, CSA Steel Project Receives License, American Metal Market (July 6, 2006) (Attachment 31); Scott Robertson, North American at Top of TK's Agenda, American Metal Market (August 11, 2006) (Attachment 32).

[42] Diana Kinch, Groundwork Laid For Brazil's Ceara Slab Project, American Metal Market (December 16, 2005) (Attachment 33).

[43] Diana Kinch, CSN May Lift Slab Capacity of Two Projects, American Metal Market (September 1, 2006) (Attachment 34).

[44] Diana Kinch, Brazil's Usiminas Casts Sights Ahead for New Slab Project Partner, American Metal Market (August 29, 2006) (Attachment 35).

[45] At the time of acquisition, Severstal expressed its intent to revitalize the Rouge facility by shipping low-cost slab to Rouge from its Russian production base. See Russia's Severstal Wants to Ship More Steel to U.S., Reuters (February 2, 2004) (Attachment 36).

[46] Slab prices reflect average unit values for carbon steel slab imported from Brazil, tracking U.S. harmonized tariff schedule items 7207.12.0050 and 7207.20.0045. U.S. market prices for hot-rolled, cold-rolled and galvanized sheet were sourced from Steel Business Briefing and are FOB Midwest U.S. mill. U.S. market prices for TMP were sourced from Tin- and Chromium-Coated Steel Sheet from Japan, Inv. No. 731–TA–860 (Review), USITC Pub. 3860 (June 2006) at V–8 (Attachment 37).

Figure 6: U.S. Market Prices For Flat-Rolled Steel and Steel Slab[46]

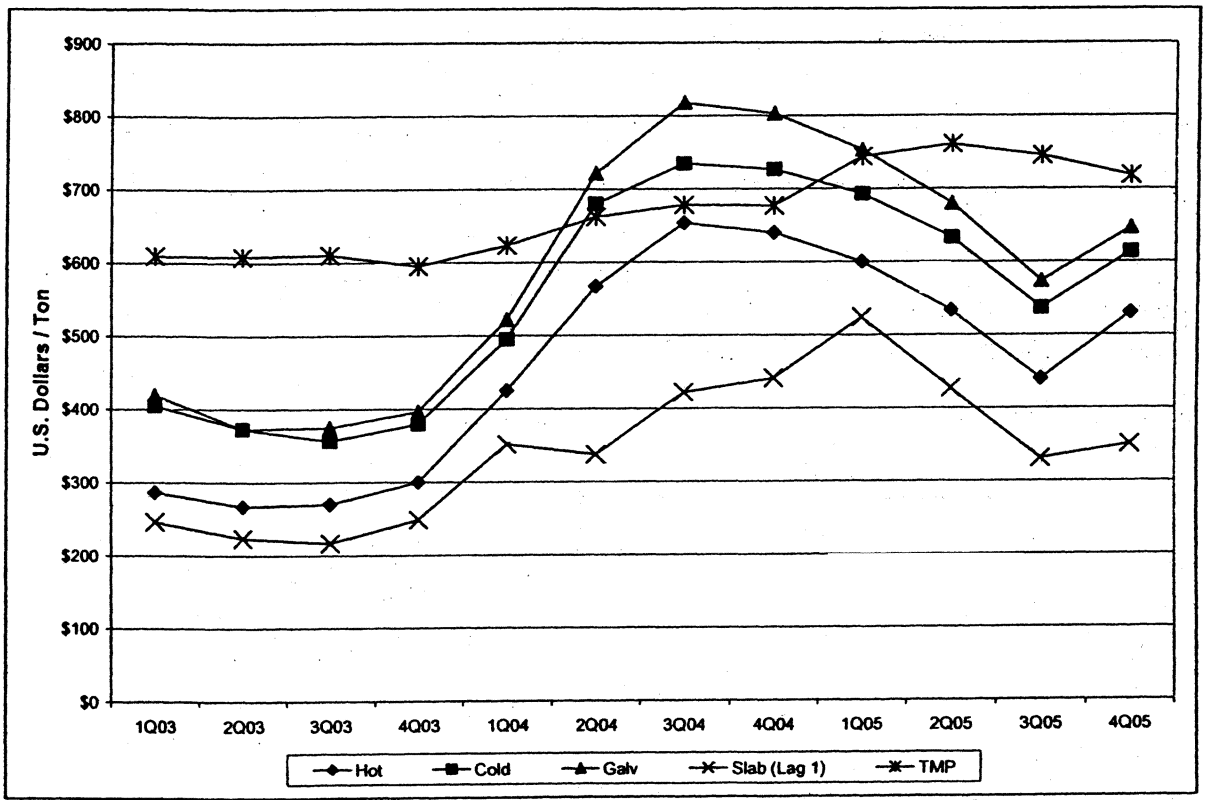

Figure 1 captures both the significantly depressed steel market in 2003 and the extremely strong steel market that followed in 2004 and 2005. The substantial swing in pricing for hot-rolled, cold-rolled, and galvanized sheet is in sharp contrast to the much flatter pricing trajectory of tin mill steel. Indeed, during much of 2004, the market price for commodity grade cold-rolled steel (*i.e.*, the product most similar to tin mill steel substrate) was actually higher than the tin mill steel price, despite the substantial additional value-added associated with tin mill steel production. While the visual depiction of pricing suggests tin mill steel also maintains a manageable pricing spread over time, the reality is very different. Consider that, over the 2000–2005 period, U.S. tin mill steel producers, as an industry, recorded their largest loss in 2003, when it appears from the figure above that their raw material costs would have been the most manageable.[47]

Just as important, the additional overhead and fixed costs associated with running rolling and finishing assets from the very first stage of flat rolled steel production through to tin mill steel production means that margins from tin mill steel production become extremely tight in a strong steel market. Yet, this is precisely when tin mill steel producers would logically seek to recoup losses from weak years. This phenomenon has two important implications. First, a tin mill steel producer reliant on merchant slab is unable to capitalize on a strong market through better margins on a higher volume of steel shipped. Second, a tin mill steel producer reliant on merchant slab is at a competitive disadvantage in the acquisition of slab on the open market against other slab rollers producing traditional flat-rolled products. In particular, because of the pricing spread, these other slab rollers have greater bidding power to secure the volumes necessary for their operations. These two factors combine to produce a very difficult competitive environment for any tin mill steel producer wishing to rely exclusively on merchant slab. Weirton would not be an exception to this reality.

5. A Stand-Alone Weirton Enterprise Running Only Its Tin Line Would Have Difficulty Securing Sufficient Volumes of Black Plate

Real world experience indicates that even if a stand-alone Weirton enterprise reduced its operations to only its tin lines and sourced only the substrate for tin mill steel, black plate, it would be unable to source enough substrate to run its operations on a profitable basis. In this regard, Silgan notes that the Weirton tin lines are substantial, capable of running 800,000 tons of tin mill steel. To achieve economies of scale, it needs to operate those lines at better than 70 percent, meaning it would have to secure as much as 560,000 tons of black plate to run efficiently.

Consider, however, the experience of Ohio Coatings, a tin mill steel producer configured to finish black plate. Despite being owned by, or in close affiliation with, integrated steel producers with the capacity to produce black plate,[48] Ohio Coatings has been unable to secure more than 60 percent of its black plate requirement. This is true even though the mill is capable of producing only 300,000 tons of tin mill steel. The fact that an owner of the facility is unwilling to supply Ohio Coatings with its material requirements speaks volumes about whether a stand-alone Weirton

[47] Tin- and Chromium-Coated Steel Sheet from Japan, Inv. No. 731–TA–860 (Review), USITC Pub. 3860 (June 2006) at Table III–8 (Attachment 38).

[48] Ohio Coatings is a 50–50 joint venture between Wheeling-Pittsburgh Steel and Donguk Steel of Korea. Wheeling-Pittsburgh is a producer of black plate and supplies Ohio Coatings that input. Nippon Steel is Ohio Coatings's exclusive distributor, and is also a major producer of black plate.

finishing black plate into tin mill steel, with far more substantial tin mill steel capacity, could source enough black plate as a stand-alone producer looking to the open market.

Ohio Coatings' problem, which is the same problem a stand-alone Weirton enterprise would face if similarly operated, relates back to the flat-rolled pricing dynamics discussed in the previous section. Steelmakers must make choices regarding the products they choose to market. The decision begins at the raw steel phase, since steel chemistry will dictate what finished steel products can be made. In a strong market for hot-rolled, cold-rolled, or galvanized sheet, the incentive to produce black plate for tin mill steel production is diminished. A steelmaker will seek to maximize profitability and throughput by focusing on those products generating the strongest margins. The difference in profit margins between tin mill steel and the other traditional flat-rolled products can be so great that there is no economic justification for producing black plate. The result is Ohio Coating's dilemma—a 60 percent capacity utilization rate and no ready supply of black plate from either its parent company, companies with close ties to it, or other outside suppliers. There is no expectation that a stand-alone Weirton, similarly configured, would fare better. It would likely fare worse, given the lack of any affiliated supplier of black plate.

C. There Are No Legitimate Suitors for Weirton

Weirton has long been perceived as one of the weakest and least competitive steel producers in the U.S. industry. To Silgan's knowledge, the only individual to surface expressing a desire to acquire the Weirton assets, Mitch Hecht, is not taken seriously by Mittal and has presented no viable business plan.

Mr. Hecht's estimates on start-up costs to get the Weirton blast furnaces running are overly optimistic, including a proposed initial investment of just $10 million, including the purchase price. Hecht has been even more ambiguous about working capital needs and what he sees as necessary longer term investment in the ''several'' tens of millions of dollars.[49] These ''estimates'' apparently do not even consider the necessary investment in the rolling assets, but focus only on the blast furnaces, although Mr. Hecht has expressed interest in acquiring the rolling assets as well.[50]

D. Divesting Weirton Will Have an Adverse Impact on Competition

Given that there is no existing steel entity interested in buying Weirton and since an independent Weirton would be entirely unprofitable, a decision to divest Weirton will result in an increase in the HHI. As detailed in the chart below, using the public data available to us, Silgan estimates that prior to the Mittal-Arcelor merger the HHI for the Eastern U.S. tin industry was 3058. With the Mittal-Arcelor merger, Silgan estimates that the HHI now stands at 3446. Assuming that Weirton is divested and it survives as a standalone entity, the HHI would fall to 2761.[51]

[49] Scott Robertson, Mittal Shows Little Interest in Weirton Furnace Sale, American Metal Market (May 5, 2006) (Attachment 39).

[50] Mittal Steel Plans to Sell Dofasco, Hecht Waits for Weirton, Steel Business Briefing (August 16, 2006) (Attachment 40).

[51] The full analysis is provided at Attachment 41 (''HHI Impact of Alternative Divestiture Scenarios'').

FIGURE 7.—HHI ANLAYSIS: POST-MERGER AND WEIRTON MARKET EXIT

	HHI impact
Pre-merger	3058
Post-merger (no divestiture)	3446
Remedy-Divest Weirton	2761 (if Weirton survives). 3645 (if Weirton fails).

Unfortunately, as the above discussion makes clear, the divestiture of Weirton will almost certainly result in failure and the exit of Weirton from the tin industry. Assuming that Weirton is divested and it does not survive as standalone entity, the HHI will rise to 3645.

It is Silgan's belief that this latter scenario is quite likely; indeed, Silgan knows of no industry expert who would give a stand-alone Weirton more than a 20% chance of surviving. Consequently, this implies that the expected result of a Weirton divestiture is a higher, not lower, HHI. In fact, unless the DOJ believes that a stand-alone Weirton has a better than a two out of three chance of surviving (an unduly optimistic belief in Silgan's opinion), the expected result of a Weirton divestiture is a less competitive market.[52] Given Weirton's poor prospects as a standalone producer, allowing Mittal to divest Weirton runs contrary to the goal of improving competition in tin market.

The increase in HHI is only one probable consequence of a divestiture of Weirton. A failed Weirton would remove more than 800,000 tons of tin-making capacity from the market. With Weirton in the market can-makers are often put on allocation and struggle to get delivery of product. The removal of about 20% of U.S. production capacity will make the current bad situation truly dire.

[52] The full analysis is provided at Attachment 42 (''Probability that Divestiture Will Improve Competition'').

III. A Divestiture of Sparrow's Point Would Also Be a Far Less Effective Remedy Than Divesting DoFasco

A. Divestiture of Sparrows Point Is Unlikely To Enhance Competition Over the Long Term

As discussed above, Weirton does not have the ability to survive on its own. And, without Sparrows Point, Weirton is unlikely to survive as part of the Mittal-Arcelor enterprise. The reason is straightforward: Without Sparrows Point, Weirton will not be able to secure sufficient volumes of feedstock to produce tin mill steel.

Within the Mittal system, Sparrows Point is a key supplier of slab for Weirton. For example, Silgan's understanding is that *all* the tin free steel (''TFS'') originating at the Weirton facility is produced using Sparrows Point slab. A Sparrows Point facility operating outside the Mittal system would limit the supply of this key feedstock to Weirton and thereby threaten the ongoing viability of Weirton.

And, as importantly, all indications are that other slab producers within Mittal Steel's collection of facilities either cannot or are unlikely to become reliable suppliers to Weirton's tin mill steel operations. Specifically, (1) Dofasco's current product mix and sales make Dofasco an unlikely replacement for Sparrows Point as a supplier of feedstock to Weirton, (2) given lower tin mill steel profitability compared to other flat-rolled products, it is unlikely that Mittal Steel's other U.S. slab producers will divert scarce feedstock to Weirton, and (3) it would make no economic sense for Mittal's Brazilian affiliate, CST, to supply slabs to Weirton.

Silgan discusses these points below.

1. Dofasco Is an Unlikely Replacement for Sparrows Point in Supplying Slabs to Weirton

As discussed above, if Sparrows Point is divested, it is unlikely that Dofasco would replace Sparrows Point as a key supplier of slab to Weirton. First, Dofasco is already a producer of tin mill steel and, while Sparrows Point may claim the same status, Dofasco is also a key supplier to the auto sheet market,[53] where profit margins are among the strongest in the industry. Sparrows Point is not a significant player in that market.[54] There would be virtually no economic incentive for Mittal to divert slabs from Dofasco and reduce production in the high margin auto sheet segment. Dofasco's slab production must also support other Dofasco downstream operations, including its hot-rolled, cold-rolled and pipe facilities.[55]

More importantly, Dofasco is not self-sufficient in slabs, but itself requires as much as 750,000 tons in purchased slab to feed its rolling and finishing operations.[56] Thus, to maintain efficient capacity utilization rates at all of its production lines, Dofasco needs every ton of slab it produces and acquires.

2. It Is Unlikely That Mittal Steel's Other North American Slab Producers Will Divert Scarce Feedstock to Weirton

Divesting Sparrows Point will cause Mittal Steel to have one fewer steel-making facility. With one less blast furnace operating to support its operations, Weirton becomes more vulnerable to blast furnace outages—some planned, some unplanned—that aer a regular occurrence in the steel industry. Blast furnace relines as well as accidents can cause significant supply disruptions, particularly if slab supply is already tight. Any problem at Mittal's other steel-making facilities in Burns Harbor, Cleveland, or Indiana Harbor will result in a reduction of slab supplied to Weirton's tinning lines. Facing a supply shortage, Mittal USA would have a strong incentive to divert its limited supply of slabs away from the downsized tin mill steel market in order to maintain production volumes in the more robust galvanized and cold-rolled markets. The result would be significant production delays at Weirton. Given the tight timing requirements for tin mill steel, where can-makers demand just-in-time delivery, such delays would be devastating to Weirton's customers.

Without Sparrows Point's slab capacity, the likelihood that Mittal will ration Weirton's slab supply is greatly increased. As the chart below makes clear, the difference in profit margins between other flat-rolled products and tin mill steel is just too great to justify sending scarce feedstock to Weirton.

FIGURE 8.—COMPARISON OF U.S. INDUSTRY PROFITABILITY FOR FLAT-ROLLED PRODUCTS

[Operating margin]

	2004	2005
Galvanized[57] ...	10.9%	5.4%
Plate[58]	22.0%	25.4%
Hot-Rolled[59]	22.1%	Not available.
Tin Mill[60]	−0.9%	−0.7%

Very simply,Weirton will not be the best use of Mittal's limited slab supply in the Midwest that services more profitable operations.

3. It Would Make No Economic Sense for Mittal's Brazilian Affiliate CST To Supply Slabs to Weirton

Within Mittal's global steel operations, its Brazilian affiliate CST (Arcelor/Brazil) is a significant producer of slab for sale in export markets. CST also has plans to expand its slab capacity in the very near term, with the introduction of some 2.5 million tons of new slab capacity at the close of this year. CST, however, is an unlikely candidate to ship a significant tonnage of slab to Weirton.

CST is already a major supplier of slab to Dofasco, shipping some 400,000 tons with plans to increase that amount, perhaps to meet all of Dofasco's merchant slab requirements (750,000 tons).[61] It would make more economic sense to ship this slab to Dofasco, a high profit margin producer that needs the slab to fill capacity in high demand, than to Weirton.

The window in which CST might ship to Weirton is also limited since it has plans to increase its own hot-rolled sheet capacity by 2.5 million tons by 2008, the same amount as its slab

[53] Dofasco is the fourth-largest producer of auto sheet in the North American market, at roughly 1 million tons, behind the multi-site operations of Mittal Steel, U.S. Steel and AK Steel. See Peter Marsh, Massive Bids on Table as Giants Fight for Dofasco, Financial Times (January 13, 2006) (Attachment 4).

[54] According to long-time steel analyst Charles Bradford, Sparrows Point (''doesn't have those (automotive) grades.'' Scott Robertson, Mittal Sparrows Point Mill May Be On Action Block, American Metal Market (June 2, 2006) (Attachment 5).

[55] 2005 Directory of Iron and Steel Plants, Association for Iron and Steel Technology (2005) at 98–101 (listing flat-rolled assets) (Attachment 6). Dofasco Tubular Products is the largest and most diversified producer of tubular products in North America. See *http://www.dofascotube.com/Default.htm* (Attachment 3).

[56] Diana Kinch, CST to Hike Slab Sales to Dofasco, American Metal Market (March 22, 2006) (Attachment 29).

[57] ITC Prehearing Staff Report, Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom, Inv. Nos. AA1921–197 (Second Review); 701–TA–319, 320, 325–328, 348, and 350 (Second Review); and 731–TA–573, 574, 576, 578, 582–587, 612, and 614–618 (Second Review) (September 25, 2006) at Table CORE–III–8 (Attachment 43).

[58] Id. at Table CTL–III–9.

[59] Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia, Inv. Nos. 701–TA–384 and 731–TA–806–808 (Review), USITC Pub. 3767 (April 2005) at Table III–11 (Attachment 44).

[60] Tin and Chromium Coated Steel Sheet from Japan, Inv. No. 731–TA–860, USITC Pub. 3860 (June 2006) at Table III–8 (Attachment 38).

[61] Id.

capacity expansion.[62] Between servicing this new hot-rolled capacity and other profitable global accounts, CST would be very reluctant to allocate slab for supply to Weirton. Under the circumstances, as a rational economic actor seeking to maximize profits, there is no justification for Mittal to ship slabs from CST to Weirton.

B. Divesting Sparrows Point Will Have an Adverse Impact on Competition in the Medium to Long Term

From the standpoint of consumer impact, the divestiture of Sparrows Point is, at best, a highly risky policy option. As detailed in the chart below, Silgan estimates that, prior to the Mittal-Arcelor merger, the HHI for the Eastern U.S. tin industry was 3058; following the merger, Silgan estimates that the HHI will be 3446. Assuming that Sparrows Point is divested and that such divestiture neither adversely impacts Weirton's viability nor alters Sparrow Point's commitment to tin, the HHI would fall to 2836.[63]

FIGURE 9.—WEIRTON AND SPARROWS POINT HHI ANALYSIS

	HHI impact
Pre-merger	3058.
Post-merger (no divestiture)	3446.
Remedy–Divest Sparrows Point	2836 (if both W & SP survive). 3421 (if Weirton fails). 3495 (if SP does not maintain its tin operations).

Regrettably, the necessary conditions for an improvement in the concentration metric (both Weirton and Sparrows Point surviving upon divestiture) are unrealistic and not likely to materialize. As explained above, the divestiture of Sparrows Point will significantly threaten the reliable supply of quality slab to the Weirton facility and hence will jeopardize Weirton's viability. While Weirton would not likely fail immediately, the lack of reliable captive slab supply will result in the exit of Weirton from the tin industry. Such exit from the industry would cause the HHI to rise to 3421. Said differently, if the divestiture of Sparrows Point results in Weirton failing, the Sparrows Point divestiture would be totally ineffectual in restoring competitive balance to the tin industry.

Further weakening the benefits of a Sparrows Point divestiture is the question of Sparrows Point's commitment to the tin market. As discussed, Sparrows Point has never operated as a stand-alone facility and is not only likely to invest insufficiently in making its tin lines world class. If a stand-alone Sparrows Point is not committed to its tin facility, the HHI would be 3495. Again, this implies that the Sparrows Point divestiture would be totally ineffectual in restoring competitive balance to the tin industry.

In sum, the divestiture of Sparrows Point is a risky gambit. The Department of Justice's competition policy should not be based on hope and a prayer. If the DOJ believes that either of the above two scenarios has more than a one in two chance of occurring, the expected result of a Sparrows Point divestiture is a less competitive market.

Conclusion

For all the foregoing reasons, we ask that the Department adopt the following approach in designing an appropriate remedy to address the reduced competition in the tin mill steel market.

- First, the Department should make every effort to accomplish the divestiture of Dofasco.
- Second, if immediate divestiture is not possible, Silgan strongly recommends the consent decree be modified to wait the five years reportedly necessary to eliminate any existing legal impediments to the divestiture of Dofasco. An independent Dofasco in five years is better than any of the other alternatives for preserving competition.

Respectfully submitted,

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List of Attachments

1. *United States* v. *Mittal Steel Company,* Proposed Final Judgment and Competitive Impact Statement, 71 Fed. Reg. 50084, 50085, 50093 (August 24, 2006).
2. World Steel Dynamics (2005).
3. *http://www.dofascotube.com/Default.htm.*
4. *Massive Bids on Table as Giants Fight for Dofasco,* Financial Times (January 13, 2006).
5. *Mittal Sparrows Point Mill May Be On Auction Block,* American Metal Market (June 2, 2006).
6. Excerpts from *2005 Directory of Iron and Steel Plants,* Association for Iron and Steel Technology (2005).
7. *The Strange Case of Weirton Steel,* MakingSteel.com (April 25, 2006).
8. *Fewer Blast Furnaces, But Higher Productivity,* New Steel (November 1996).
9. *See How a Blast Furnace Works,* AISI.
10. *Ironmaking Process Alternative Screening Study*—Volume I, Summary Report, Lockwood Greene study for the Department of Energy (Oct. 2000).
11. *ISG To Repair, Restart Second Blast Furnace at Weirton Unit,* American Metal Market (July 14, 2004).
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[62] Diana Kinch, Arcelor Brasil Sets Sights On New Slab Plant, American Metal Market (May 1, 2006) (Attachment 28)

[63] The full analysis is provided at Attachment 41 (''HHI Impact of Alternative Divestiture Scenarios'').

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29. *CST to Hike Slab Sales to Dofasco*, American Metal Market (March 22, 2006).

30. *Gerdau Acominas Charging Into Slab Mart*, American Metal Market (June 30, 2006).

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38. *Tin and Chromium Coated Steel Sheet from Japan*, Inv. No. 731–TA–860 (Review), USITC Pub. 3860 (June 2006) at Table III–8.

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41. ''HHI Impact of Alternative Divestiture Scenarios''.

42. ''Probability that Divestiture Will Improve Competition''.

43. ITC Prehearing Staff Report, *Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom, Inv.* Nos. AA1921–197 (Second Review); 701–TA–319, 320, 325–328, 348, and 350 (Second Review); and 731–TA–573, 574, 576, 578, 582–587, 612, and 614–618 (Second Review) (September 25, 2006) at Tables CORE–III–8 and CTL III–9.

44. *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia*, Inv. Nos. 701–TA–384 and 731–TA–806–808 (Review), USITC Pub. 3767 (April 2005) at Table III–11.

Attachment 1—*United States* v. *Mittal Steel Company*, Proposed Final Judgment and Competitive Impact Statement 71 FR 50084, 50085, 50093 (August 24, 2006)

The attachment is available in the **Federal Register**, 71 FR 50084.

Attachment 2—World Steel Dynamics (2005)

POSITIONING OF 23 WORLD-CLASS STEELMAKERS AS OF JUNE 2005

[Version A—by Factor Weight]

1=least favorable [1] 10=most favorable [1]

		Arcelor E.U	Anshan Steel China	Bao-Steel China	Blue-Scope Australia	China Steel Taiwan	Corus UK	CSN Brazil	CST Brazil	Dofasco Canada	Gerdau Brazil	JFE Japan
Annual Steel Shipments (million tons)	.....	53	10	19	8	12	23	5	5	5	15	30
Factor	Weight (percent)											
1 Cash operating costs	10	6	8	8	8	7	5	10	10	6	7	6
2 Harnessing technological revolution	10	6	7	8	7	5	4	4	6	6	5	7
3 Profitability in 2000–2004	6	4	8	10	9	8	4	10	8	9	10	6
4 Balance sheet	6	7	4	8	8	10	8	7	5	7	9	7
5 Dominance country/region	6	4	10	10	4	3	2	8	8	3	7	2
6 Domestic market growth	5	6	7	8	7	5	4	4	6	6	5	7
7 Expanding capacity	5	3	10	9	6	3	2	6	10	3	8	3
8 Access to outside funds	4	7	6	10	9	9	5	6	9	9	8	8
9 Cost-cutting efforts	4	10	9	7	7	6	10	6	6	6	6	10
10 Downstream businesses	4	5	3	4	9	3	7	5	3	4	6	10
11 Environment and safety	4	9	9	9	9	9	9	9	9	9	9	9
12 Iron ore and coking coal mines	4	3	7	4	4	3	3	7	3	5	4	3
13 Liabilities for retired workers	4	6	6	8	6	6	10	7	10	7	8	6
14 Location to procure raw materials	4	6	7	8	8	8	8	7	8	6	5	8
15 Alliances, mergers, acquisitions and JVs	4	10	9	9	7	6	4	7	7	7	10	9
16 ''Pricing Power'' with large buyers	4	8	4	8	8	10	8	7	5	7	7	8
17 Threat from nearby competitors	4	5	4	5	8	8	5	7	6	6	7	7

POSITIONING OF 23 WORLD-CLASS STEELMAKERS AS OF JUNE 2005—Continued

[Version A—by Factor Weight]

1=least favorable [1] 10=most favorable [1]

		Arcelor E.U	Anshan Steel China	Bao-Steel China	Blue-Scope Australia	China Steel Taiwan	Corus UK	CSN Brazil	CST Brazil	Dofasco Canada	Gerdau Brazil	JFE Japan
18 Product quality	4	9	5	9	8	8	8	7	8	9	6	10
19 Skilled and productive workforce	4	8	5	7	8	8	8	7	9	10	8	10
20 Stock market performance (3-year)	4	9	9	9	9	9	9	9	9	9	9	9
Average Score		6.55	6.85	7.90	7.45	6.70	6.15	7.00	7.25	6.70	7.20	7.25
Ranking [1]		18	14	4	7	15	23	13	9	15	11	9
Weighted-Average Score		6.07	6.75	7.61	7.05	6.22	5.60	6.80	6.98	6.19	6.81	6.66
Ranking [1]		20	12	4	7	18	23	10	8	19	9	13

[1] Many of these rankings are subjective and some are duplicative.
[2] Plants in many countries, includes Ispat International.
Source: WSD estimates.

POSITIONING OF 23 WORLD-CLASS STEELMAKERS AS OF JUNE 2005

[Version A—by Factor Weight]

1=least favorable [1] 10=most favorable [1]

	Mittal [1] Steel	Maanshan China	Nippon Steel Japan	Nucor USA	POPSO S.K.	SDI USA	Severstal Russia	Shagang China	Tata Steel India	Thyssen/ Krupp Germany	U.S. Steel USA	Wuhan China	Avg.
Annual Steel Shipments (million tons)	62	8	30	20	34	4	13	5	5	19	21	10	18
Factor:													
1 Cash operating costs	7	7	6	8	8	8	10	6	10	5	6	7	7.4
2 Harnessing technological revolution	7	6	7	10	9	9	6	7	7	6	5	6	6.5
3 Profitability in 2000–2004	7	7	6	7	10	9	9	8	10	4	4	8	7.6
4 Balance sheet	8	6	7	6	10	4	8	4	8	6	6	6	7.0
5 Dominance country/region	6	10	2	2	6	2	8	10	10	2	2	10	5.5
6 Domestic market growth	7	6	7	10	9	9	6	7	7	6	5	6	6.5
7 Expanding capacity	8	10	3	10	4	10	9	10	10	5	3	9	6.6
8 Access to outside funds	10	6	8	10	10	9	9	5	10	7	7	6	8.0
9 Cost-cutting efforts	10	9	9	6	6	6	6	6	8	8	8	8	7.5
10 Downstream businesses	5	7	10	10	7	6	7	2	5	10	3	2	6.0
11 Environment and safety	9	9	9	9	9	9	9	9	9	9	9	9	9.0
12 Iron ore and coking coal mines	7	5	3	.....	4	.....	10	3	10	3	7	3	4.9
13 Liabilities for retired workers	7	6	6	10	8	10	8	10	6	6	5	6	7.4
14 Location to procure raw materials	8	6	8	6	8	6	7	8	10	5	8	6	7.2
15 Alliances, mergers, acquisitions and JVs	10	7	7	10	8	10	8	8	9	9	10	8	8.2
16 ''Pricing Power'' with large buyers	8	4	8	4	10	3	9	3	8	7	5	4	6.8
17 Threat from nearby competitors	6	4	7	4	10	4	8	4	7	5	5	4	6.0
18 Product quality	7	5	10	7	10	7	6	5	8	9	9	6	7.7
19 Skilled and productive workforce	8	5	10	10	10	10	7	7	8	9	9	5	8.2
20 Stock market performance (3-year)	10	9	9	9	9	9	10	5	9	9	9	9	8.9
Average Score	7.75	6.70	7.10	7.79	8.25	7.37	8.00	6.35	8.45	6.50	6.25	6.40	7.16
Ranking [1]	6	15	12	5	2	8	3	21	1	19	22	20	.....
Weighted-Average Score	7.21	6.52	6.54	7.10	7.87	6.75	7.65	6.27	8.11	5.93	5.70	6.29	6.76
Ranking [1]	5	15	14	6	2	11	3	17	1	21	22	16	.....

[1] Many of these rankings are subjective and some are duplicative.
[2] Plants in many countries, includes Ispat International.
Source: WSD estimates.

Attachment 3—*http://www.dofascotube.com/Default.htm*

The attachment is available at the following Web site, *http://www.dofascomarion.com/Default.htm*

Attachment 4—*Massive Bids on Table as Giants Fight for Dofasco,* Financial Times (January 13, 2006)

Massive Bids on Table as Giants Fight for Dofasco

Scarcity and an iron ore mine drive the battle between Arcelor and ThyssenKrupp for the Canadian steelmaker, says Peter Marsh.

By Peter Marsh
13 January 2006
Financial Times
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The global steel industry has been through a transformation as spectacular as any to have affected the business world in the past few years.

That is confirmed in the bidding battle between Arcelor and ThyssenKrupp, two giants of the European steel industry, for Dofasco, a mid-sized Canadian steelmaker that both companies are valuing at more than USDollars 4bn.

Luxembourg-based Arcelor is considering whether to make a fresh bid for the Ontario company higher than that tabled by its German rival—and other companies could still enter the fray. Just before Christmas, Lakshmi Mittal, chairman and majority owner of Mittal Steel, the world's biggest steelmaker, indicated he had not ruled out making an offer for Dofasco, even though such a move is considered unlikely. Mr. Mittal has been a prime initiator of steel industry mergers since 2000 that have increased the size of the main players in the sector and put them in a much stronger position to dictate terms to customers. At the same time, steel prices have rocketed due to rapacious demand from China as its economy has expanded to suck in about 30 percent of world steel output.

As a consequence, share prices of quoted steel companies in recent years have been among the best performers on global stock markets, despite a downturn in recent months. Thyssen's most recent January 3 offer of CDollars 63 a share values Dofasco at CDollars 4.9bn (USDollars 4.2bn). It was pitched at the same level as a rival bid by Arcelor—which started the effort to acquire Dofasco through a CDollars 56-a-share bid in November. But the Canadians regard Arcelor as a predator and the Dofasco board is backing the Germans, at least in part because if it sells to another suitor, Dofasco would have to hand Thyssen a CDollars 100m break-up fee.

Mike Locker, of Locker Associates, a US steel consultancy, says the magnitude of both bids is ''eye-popping'', given that Dofasco is a relatively small player with production last year estimated at about 5m tonnes. In the first nine months of 2005, Dofasco turned in net income of CDollars 142.6 m on sales of CDollars 2.69bn, with the earnings figure well down on the CDollars 280.1m net income recorded in the first nine months of 2004, a result of tougher conditions generally in the steel industry in the early part of last year.

But in spite of the earnings drop, Mr. Locker still thinks the high price of the offers can be justified, given Dofasco's strong position in higher-value segments of the steel industry—particularly in flat galvanized sheet used for car bodies. About 75m tonnes of this material—which has to be made using special processes so it is especially shiny and resistant to corrosion—is made each year, with Arcelor being the world leader with about 10m tonnes.

While Thyssen is well behind with 5m tonnes, both are keen to expand in this field in North America—where Dofasco is the fourth biggest producer with output estimated at about 1m tonnes a year. Mittal Steel and US Steel are the two largest producers of automotive sheet steel in the region—with global output of 6m tonnes and 5m tonnes respectively, most of this coming from their US plants.

The third player in North America, with 2m tonnes, is AK Steel—which has been in financial difficulties and is burdened by healthcare and pensions liabilities estimated at Dollars 3.5bn. ''Since neither Mittal nor US Steel is available, and AK is probably ruled out, there is a scarcity value about Dofasco (in automotive steel) which inevitably increases its price,'' says Mr. Locker.

Another attraction of the Canadian company is its ownership of QCM, an iron ore mine in Quebec. This raw material has been in short supply in the past two years, with a consequent big increase in price.

Michelle Applebaum, of Michelle Applebaum Research, an Illinois-based consultancy, says ''roughly a third'' of the money Arcelor and Thyssen are prepared to pay for Dofasco could be linked to ownership of the mine—which produces about 16m tonnes of ore a year, most for sale to other steelmakers.

Attachment 5—*Mittal Sparrows Point Mill May Be On Auction Block,* American Metal Market (June 2, 2006)

Mittal Sparrows Point Mill May Be on Auction Block

By Scott Robertson

PITTSBURGH—Mittal Steel Co. NV reportedly is shopping its integrated steel mill in Sparrows Point, Md., as part of what appears to be a contingency plan if its proposed acquisition of Arcelor SA, Luxembourg, falls through.

Executives from ThyssenKrupp AG, which is in line to buy Dofasco Inc. if Mittal acquires Arcelor, toured the Sparrows Point plant last week and have expressed interest in it, according to Mittal sources.

Mittal reportedly is entertaining a sale of the Sparrows Point plant, formerly owned by Bethlehem Steel Corp. and later by International Steel Group Inc., in an antitrust maneuver.

Mittal is interested in acquiring Arcelor and has reached an agreement to sell Dofasco—currently held in a trust created by Arcelor—to ThyssenKrupp if it succeeds in getting Arcelor.

Arcelor, however, has reached an agreement to acquire Russian steel producer OAO Severstal that could take Mittal out of the picture. The possible sale of the Sparrows Point plant to ThyssenKrupp might be a contingency plan should Mittal be unable to complete the promised sale of Dofasco as part of an Arcelor takeover.

A spokesman for Mittal Steel USA Inc., Chicago, said Thursday that its Rotterdam-based parent expects to complete the Arcelor purchase and to move forward with its sale of the Dofasco mill in Hamilton, Ontario, to ThyssenKrupp. In that case, he said, ''no other moves would be necessary.''

The U.S. Department of Justice already has granted conditional approval to the Mittal merger with Arcelor. The conditions stipulate that it dispose of certain operations—interpreted to be Dofasco.

Calls to managers at the Sparrows Point plant, to Mittal Steel offices in London and to ThyssenKrupp in Dusseldorf, Germany, were not returned by late Thursday.

It is not unusual for representatives of steel producers to tour each other's plants, so in some respects a ThyssenKrupp tour of Sparrows Point could be viewed as something done in the normal course of business. The appearance of ThyssenKrupp representatives at the plant, however, sparked widespread industry chatter that the plant was on the block and

could be part of a Mittal-ThyssenKrupp contingency plan.

When it announced last month it was improving its bid for Arcelor, Mittal Steel said it would consider selling other North American assets if it could not complete the sale of Dofasco to ThyssenKrupp.

Several sources said that while the contingency plan idea might be true, a ThyssenKrupp acquisition of Sparrows Point would not mesh with its goals for the North American market. ThyssenKrupp, which lost out in a bidding war with Arcelor for Dofasco earlier this year, in the past has been rumored to be interested in acquiring AK Steel Corp., Middletown, Ohio, or U.S. Steel Corp., Pittsburgh, in an effort to gain entry to the North American automotive market.

''Sparrows Point doesn't have those (automotive) grades,'' longtime steel industry analyst Charles Bradford said. ''If (Mittal) were going to get rid of something in North America, I don't think it would be Sparrows Point. I think if they had their druthers, they'd sell Weirton, but that does not meet what ThyssenKrupp needs, either.

''I think it would be more likely that they would get rid of Inland,'' he said, referring to the former Ispat Inland plant in East Chicago, Ind. that is now part of Mittal's Indiana Harbor division. ''It used to be said that Inland and Dofasco were like brother and sister in terms of the things they did, so that would make more sense to me. Getting rid of Sparrows Point does not make sense from an antitrust perspective because it is not related to automotive like Inland and Dofasco are.''

Bradford added that ThyssenKrupp's presence in the global stainless steel market and its ownership of ThyssenKrupp Budd Co., an automotive parts manufacturer in Troy, Mich. also make an acquisition of Sparrows Point unlikely.

''They (Budd) are a parts-maker and chassis maker,'' Bradford said. ''Again, that does not fit with what Sparrows Point does. But you always go and take a look whenever a competitor gives you that opportunity, you take advantage of it.''

Another market source close to the Sparrows Point plant said the visit could be nothing more than a smokescreen. ''ThyssenKrupp announced a few days ago it will downsize its steel business,'' he said. ''So while an outpost in North American could be good for ThyssenKrupp, since they won't get Canada's Dofasco (in the case of a Severstal-Arcelor merger), there might be less to this than meets the eye.

''Maybe this was done on behest of Mittal to raise interest among other (potential) investors,'' he said. ''I know ThyssenKrupp and Mittal are pretty tight at the moment.''

Attachment 6—Excerpts from *2005 Directory of Iron and Steel Plants*, Association for Iron and Steel Technology (2005)

IRON AND STEEL PLANT FACILITIES

[CSN USA—Cont'd]

Identification	Capacity, tons/year	Bases	Furnaces	Atmosphere
Batch Annealing				
	308,000	12 4-high stack	6	100% H_2

Identification	Nominal width, in.	Capacity, tons/year	Product size, thickness × width, in.		Configuration
			Low C	Motor Lam.	
Temper/Skinpass Mill					
	Max width: 73 untrimmed, 72 trimmed. Min. width: 34	600,000	0.012 min 0.100 max	0.025 min 0.040 max	Single stand 4-h. Dynamic Shape Roll. 85 in. max OD. 38 in. min OD. 85,000 max. wt.

Type	Capacity tons/year	Product thickness × width, in.			Differential coating
		Cold roll	Hot roll	Width	
Galvanizing					
Hot dip	350,000	min. 0.012 max. 0.080.	min. 0.050 max. 0.130.	min. 34 max. 73.	Yes.

Identification	Unit capacity, tons/year	No. of units	Product size range	Configuration
Slitting				
Pro-Eco	.....	1	0.010–0.175 × 72 85,000 max wt.	Driven slit and slitter assist tension unit Kor-flex leveler.

DOFASCO INC.

Hamilton, Ont., Canada

Battery identification	Type	Battery capacity, tons/year	Ovens per battery	Oven dimensions, ft-in.			Byproducts recovered
				Height	Width, avg.	Length	
Cokemaking							
1	Gun	148,607	25	13–0	17	39–11⅛	Tar, ammonium sulfate, light oil, sulfur.
2	Gun	208,050	35	13–0	17	39–11⅛	
3	Gun	267,493	45	13–0	17	39–11⅛	
4	Gun	322,478	53	13–0	17	39–61⅛	Tar, anhydrous ammonia, light oil, hydrogen.
5	Gun	322,478	53	13–0	17	39–6⅛	
6	Compound/underjet	402,412	35	20–5/32	17	48–1½	

Iron and Steel Plant Facilities

Identification	Capacity		Total height, ft-in.	Hearth dia. ft-in.	Working vol. cu. ft	Injectants	No. of stoves
	tons/day	tons/year					
Blast Furnace							
No. 2	2650*	758,300	108–9**	20–9	32,600	Oil, oxygen	3
No. 3	2750*	846,600	108–10½**	21–6	31,900	Oil, oxygen	2
No. 4	4850*	1.4 million	118–9¾**	28–0	56,320	Oil, oxygen	3

* Instantaneous smelting rate.
** lip ring to foundation pad.

Shop Identification	Process	Capacity, tons/year	No. of vessels	Heat size, tons	Gas cleaning
Steelmaking—Oxygen					
	K–OBM	2.75 million	1	330	Scrubber and screen.

Process	Capacity, tons/year	No. of vessels	Heat size, tons	Gas cleaning	Transformer rating, MVA
Steelmaking—Electric Arc Furnace					
Twin-shell, AC	1.35 million	1	180	Baghouse	120

Type	Total capacity, tons/year	No. of units	Heat size, tons	Injectants
Vacuum Degassing				
Tank	1.5 million	1	290	Aluminum for deoxidation after vacuum.

Total capacity, tons/year	No. of units	Heat size, tons	Injectants	Transformer rating, kVA
Ladle Metallurgy				
2.37 million (aim)	1 reheat furnace, 2 high-flow stirring stations, 2 deslag stations.	330 (avg.)	Nil	40,000
1.35 million	1 reheat furnace to handle two ladle cars (twin-shell).	180	1	20,000

Capacity, tons/year	Strands	Ladle capacity, tons	Product size range, in.	Shroud
Continuous Casting				
2.75 million (aim)	2	300	8.5 × 30.5–63 × 177–374	Argon
1.35 million	1	180	8.5 × 30.5–63 × 177–374	Argon.

Mill served	Type	No. of furnaces	Capacity, tons/hr/furnace	Hearth dimensions
Reheating Furnaces				
No. 2 hot strip mill	Walking beam	2	400	47.4 × 12.0 m

IRON AND STEEL PLANT FACILITIES

[DOFASCO INC.—Cont'd]

Nominal width, in.	Capacity, tons/year	Finished size, thickness × width, in.	No. and configuration	
			Roughing stands	Finishing stands
Hot Strip Mill				
68	3.2 million	0.060–0.500 × 30–62	2-hi reversing with attached edgers. Horizontal 54½ × 72, vertical 42 × 43½.	7-stand, 4-hi, 30 and 60 × 68.

Identification	Capacity, tons/year	Strip thickness × width, in.	Acid used
Pickling			
No. 2	660,000	0.075–0.110 × 24–56	HCl.
No. 3	1,100,000	0.075–0.200 × 24–66	HCl.
No. 4	750,000	0.055–0.275 × 24–62	HCl.
CPCM	1,000,000	0.075–0.215 × 24–62.5	HCl.

Identification	Nominal width, in.	Capacity, tons/year	Finished size, thickness × width, in.	Configuration
Cold Reduction Mill				
66 in	66	260,000	0.0195–0.1650 × 24–61	4-hi, single-stand reversing.
No. 1 tandem	56	450,000	0.0072–0.0456 × 24–49	4-hi, 5-stand tandem.
No. 2 tandem	72	1,400,000	0.011–0.0125 × 24–61.5	4-hi, 5-stand tandem.
CPCM	68	1,000,000	0.008–0.100 × 23.5–62	4-hi, 5-stand continuous.

Identification	Capacity, tons/year	Strip thickness × width, in.	Fuel type
Continuous Annealing			
No. 2 tower anneal	280,000	0.0077–0.036 × 40 max.	Electric.
No. 1	80,000	0.007–0.025 × 18–48	
No. 2	110,000	0.007–0.040 × 18–48	

Identification	Capacity, tons/year	Bases
Batch Annealing		
Sheet mill batch	575,000	10 × 60-in. radiant tube, HNX, single stack. 112 × 72-in. radiant tube, HNX, single stack. 48 × 72-in. direct-fire, HNX, single stack. 4 × 86-in. direct-fire, 100% H_2, single stack.
Open coil anneal	52,200	3 × 108-in. radiant tube, HNX, single stack. 11 × 114-in. radiant tube, HNX, single stack. 2 × 114-in. direct-fire, HNX, single stack. 16 × 114-in. radiant tube, HNX, single stack.

Identification	Nominal width, in.	Capacity, tons/year	Product size, thickness × width, in.	Configuration
Temper/Skinpass Mill				
42 in.	42	317,200	0.0061–0.0350 × 20–39.5	4-hi, 2-stand.
56 in.	56	341,000	0.0051–0.0480 × 20–52	4-hi, 2-stand.
No. 1	66	372,800	0.018–0.135 × 20–61	4-hi, single-stand.
No. 2	66	475,900	0.018–0.135 × 20–61	4-hi, single-stand.
No. 5–56	56	300,000	0.012–0.040 × 24–50	4-hi, single-stand.

Type	Capacity, tons/year	Product thickness × width, in.	Differential coating
Galvanizing			
No. 1 hot dip	170,000	0.012–0.080 × 24–48	Galvalume/galvanize.
No. 2 hot dip	320,000	0.024–0.0168 × 24–60	Galvanneal/galvanize.
No. 3 hot dip	254,000	0.010–0.080 × 24–52	Galvanneal/galvanize.
No. 4 hot dip	305,000	0.012–0.080 × 24–60	Galvanize.
DJG hot dip	400,000 (Dofasco 50% ownership)	0.0157–0.0787 × 24–72	Galvanneal/galvanize.
DSG hot dip	450,000 (Dofasco 80% ownership)	0.0196–0.0787 × 36–72	Galvanneal/galvanize.
Sorevco hot dip	125,000 (Dofasco 50% ownership)	0.012–0.0787 × 24–50	Wipe coat/galvanize.

Type	Capacity, tons/year	Product thickness × width, in.
Tinplate		
No. 2 E line	144,600	0.0055–0.0230 × 18–40
No. 3 E line, tin/chrome	273,200	0.0055–0.0230 × 58–43

Identification	Unit capacity, tons/year	No. of units	Product size range	Configuration
Slitting				
48 in.	64,000	1	19–48.	
60 in.	350,000	1	0.059–0.100 × 9–64 entry to 2 min. out.	
62 in.	300,000	1	0.100–0.375 × 17–64 entry to 2¼ min. out.	

Unit	Capacity, tons/year	No. of units	Product size range
Miscellaneous			
Prep Line	320,000	1	0.005–0.023
No. 1 Cleaning Line	220,000	1	0.006–0.026
No. 2 Cleaning Line	360,000	1	0.077–0.140 × 18–68
Rewind Line	200,000	1	0.010–0.100 × 25–62
No. 3 Shear Line	50.000	1	0.0081–0.048 × 12.5–40
No. 5 Shear Line	150,000	1	0.014–0.135 × 12.5–67

IRON AND STEEL PLANT FACILITIES

[International Steel Group—Cont'd.]

Type	Capacity, tons/year	No. of units	Heat size, tons	Injectants
Vacuum Degassing				
RH 5-stage steam ejection unit	1 million	2	340	Argon, aluminum

Type	Capacity, tons/year	No. of units	Heat size, tons	Injectants
Ladle Metallurgy				
Ladle stirring and Trim Station.	3,000,000	1	340	Argon, carbon, aluminum, manganese and scrap.
CAS–OB	3,000,000	1	340	Argon, oxygen, nitrogen, carbon aluminum, manganese, titanium.

Capacity, tons/year	Strands	Ladle capacity, tons	Product size range, in.	Shroud
Continuous Casting				
3,000,000	4	340	32–48 × 9 × 400 max.	Argon gas submerged ladle shroud; Fused silica and alumina graphite.

Mill served	Type	No. of furnaces	Capacity, tons/hr/furnace	Hearth dimensions, ft
Reheating Furnaces				
54-in. hot mill	Walking beam	2	350	35 × 155

Nominal width, in.	Capacity, tons/year	Finished size, thickness × width, in.	Number and configuration	
			Roughing stands	Finishing stands
Hot Strip Mill				
54	3.8 million	0.056–0.50 × 23–49	1 4-hi reversing, 1 4-hi continuous.	7-stand, 4-hi.

Identification	Nominal width, in.	Capacity, tons/year	Finished size, thickness × width, in.	Configuration
Cold Reduction Mill				
No. 7 tandem	52	725,000	0.0065–0.0359 × 22½–48	5-stand, 4-hi
No. 8 tandem	52	699,000	0.0193–0.138 × 22½–48	4-stand, 4-hi
No. 9 continuous tandem	52	991,000	0.0065–0.060 × 24½–48	5-stand, 4-hi

Attachment 7—*The Strange Case of Weirton Steel,* MakingSteel.com (April 25, 2006)

The attachment is available at the following Web site, *http://www.makingsteel.com/weirton.html*

Fewer Blast Furnaces, But Higher Productivity

The number of U.S. blast furnaces has dropped from 83 to 43 in the past decade, but PCI and natural gas have helped raise output from the survivors by 25 percent

By William T. Hogan, S.J., and Frank T. Koelble

Father William Hogan and Frank Koelble of Fordham University's Industrial Economics Research Institute recently conducted an extensive study of the current capacity, condition, and outlook of coke ovens and blast furnaces in the U.S. In this two-part study, New Steel looks this month at blast furnaces and next month at coke ovens and at how steelmakers are boosting productivities and responding to new environmental regulations.

A quiet recasting of how the U.S. iron and steel industry makes its iron has been yielding major gains in productivity and major benefits to the environment. Driving this progress has been not some new, ''direct'' technology but the tried-and-true blast furnace, the dominant ironmaker for more than a century. Today's surviving blast furnaces still support some 60 percent of all U.S. steelmaking activity by producing much more iron and consuming much less coke than they did even a few years ago. And yet, because of impending environmental standards on cokemaking, the future of the blast furnaces is anything but assured.

On Jan. 1, 1998, 90 percent of all U.S. cokemaking capacity will have to meet much stricter standards under the Clean Air Act. Five years later, on Jan. 1, 2003, an initial group of coke batteries will have to meet a new public-health standard, which has not yet been promulgated.

As the two deadlines force more coke plants to close, the current deficit in domestic coke supply is likely to widen appreciably. This could constrain blast-furnace output and offset the recent improvements in productivity, which have allowed for fewer furnaces to sustain and even increase the supply of steelmaking iron.

The U.S. blast-furnace population has declined as the U.S. steel industry has undergone one of the most drastic restructurings in the history of industrial enterprise. At one point, nearly one-third of the industry's raw-steel capacity was downsized out of existence.

The blast-furnace-based integrated steelmakers were hit the hardest. Since 1975, the number of integrated mills with blast furnaces has fallen from 48 to 21. The number of blast furnaces in the U.S. has plummeted from 197 to 43. The most recent shutdown was a year ago, when Bethlehem Steel shut down its blast furnace, basic oxygen furnaces (BOFs), and electric furnace in Bethlehem, Pa., in Nov. 1995 (Steel Forum, Jan. 1995).

Electric furnaces accounted for 40 percent of U.S. steel production last year, up from 28 percent in 1980 and 34 percent in 1985. The growth of scrap-using EAFs has meant that ferrous scrap now accounts for more of U.S. steelmakers' metallics supply than blast-furnace iron.

BOFs accounted for 60 percent of steel production last year—virtually the same as in 1980. BOFs use on average 77-percent blast-furnace iron and 23-percent scrap. Much of the growth of the electric furnaces occurred at the expense of the open hearth, the now extinct process once used by integrated plants and phased out completely in 1991.

The Future Metallics Supply

The growth in blast-furnace productivity and in the output of scrap-based EAFs has helped U.S. steelmakers to have a viable metallics supply in recent years. But several trends do not bode well for the future supply of metallics feedstocks for American mills:

(1) Secular trends in U.S. steel demand and production have shifted from decline to renewed growth. Increasing quantities of both iron and scrap will be needed to support steelmaking over the long term.

(2) Recent levels of U.S. coke and iron demand already have been taxing the limits of coke-oven and blast-furnace capacity.

(3) U.S. coke ovens are of advancing age. Although steelmakers have invested considerably in extending their useful lives, the stricter environmental regulations will make the coke ovens' future operation increasingly difficult and higher in cost.

(4) U.S. steelmakers are depending more on imports of coke and semifinished steel. This ultimately raises the costs of finished-steel output and undermines the U.S. iron and steel industry's long-term competitiveness. In the past, U.S. mills have imported coke and slabs mainly to alleviate temporary shortfalls in domestic coke, iron, and steel production.

(5) Despite advances in scrap-based steelmaking and in the substitution of scrap for iron, electric-furnace melting alone is incapable of meeting U.S. steel demand. Minimills are limited by the availability and cost of high-quality, low-residual scrap and purchased electricity as well as by restrictions on the types and qualities of steel it can produce without access to virgin iron units at an economical cost.

For these reasons steelmakers are investigating new, direct methods of producing iron, both in solid form as a high-quality complement to scrap and in molten form as an alternative to iron

from the blast furnace. However, at least for the next ten years, U.S. mills will implement such ironmaking alternatives on a relatively small scale in comparison to U.S. blast-furnace capacity.

Saving 350 Pounds of Coke per Ton of Iron

U.S. steelmakers currently are operating 40 blast furnaces with a combined annual ironmaking capacity of 61.2 million tons. In addition, three furnaces are designated as ''standby'' but are unlikely to operate again; these have a combined capacity rating of 2.7 million tons. This brings the total blast-furnace population to 43 units. (All tons in this article are net.)

U.S. steelmakers have eliminated 27 blast furnaces since mid-1990. In June 1990, there were 70 U.S. blast furnaces with a combined capacity of 75.3 million tons.

Most of the blast furnaces shut down in recent years were idled before shutdown. The number of idle furnaces has fallen from 35 in 1986 to three now. The active furnace population declined from 48 in 1986 to 40 in 1996; the total blast-furnace population declined from 83 to 43 during this period (see Table 2).

Despite the shutdown of 27 furnaces since June 1990, the ironmaking capacity of U.S. blast furnaces dropped during that period by just 11.4 million tons—half the capacity represented by the 27 abandoned furnaces. The difference was made up by major productivity gains at the blast furnaces that continue to operate.

While closing the least efficient furnaces, steelmakers now are concentrating ironmaking output at the fewer, more productive blast furnaces. The overall productivity of today's active furnaces is more than one-fourth higher than it was a decade ago. Daily output over the past decade has risen, on average, from 5.5 to nearly 7.0 tons per 100 cubic feet of working volume.

From 1975 to 1995, ironmaking coke needs were cut by more than one-fourth, saving some 350 pounds of coke per ton of iron. The quantity of coke required to smelt one ton of iron fell during this period from 1,222 pounds (0.611 ton) to 874 pounds (0.437 ton) (Table 3). Although the active blast-furnace population declined from 135 to 40 from 1975 to 1995, average yearly output per furnace increased from 590,000 to 1.4 million tons.

Much of the boost in productivity took place recently. It took some 150 pounds less coke to make a ton of iron in 1995 than it did in 1991.

One big reason for the higher productivity is that blast-furnace operators are injecting more supplemental fuels, primarily natural gas and pulverized coal. This not only has reduced coke consumption but also has increased iron output by making additional space available in the furnace to hold iron ore and other iron-bearing materials instead of the coke displaced. Steelmakers also are boosting iron output by:

- Charging scrap metal, direct-reduced iron (DRI), and self-fluxing iron-ore pellets into the blast furnaces;
- Optimizing such hot-blast conditions as temperature and contained oxygen; and
- Using new repair and maintenance techniques, including refractory gunning and grouting, to reduce maintenance downtime and significantly extend furnace campaigns between major relines, obviating the need for standby capacity.

The combined result of these advances has been not only to sharply reduce the coke rate since 1991 but also to boost the aggregate capacity of today's 40 still-active furnaces by some 10 million annual tons.

Leading Blast Furnaces

Acme, AK, National, and U.S. Steel are among the leaders in boosting blast-furnace productivities. Acme's A blast furnace at South Chicago has raised its ironmaking capacity by one-third to a current level of 3,200 tons/day. Acme did this by injecting natural gas at a rate of 250 pounds/ton of iron, by using self-fluxing pellets, and by raising the hot-blast temperature some 100 degrees F to 1,910 degrees F. Acme uses the stoves and hot-blast system of the B furnace to enhance the hot blast on A; this is a primary reason Acme maintains B as standby capacity.

Acme operators eventually plan to raise throughput on the A furnace to more than 4,000 tons/day by injecting additional natural gas and adding scrap to the furnace charge. The increased iron output realized to date has been accompanied by a decline in the coke rate from just above 0.500 to a low of 0.365 ton of coke input ton of iron output.

AK Steel's two remaining blast furnaces, Amanda at Ashland, Ky., and No. 3 at Middletown, Ohio, also have made major productivity gains in the past few years. Employees at Amanda have increased the blast-furnace capacity by 49 percent by using pulverized-coal injection (PCI) at a rate of 200 pounds/ton of iron and by adding BOF slag and scrap to the iron-ore pellets charged.

Operators at the No. 3 furnace in Middletown have boosted capacity by 54 percent to a current level of 6,000 tons/day partly by injecting natural gas at a rate of 215 pounds/ton and using an enhanced burden that contains some 350 pounds/ton of hot-briquetted iron (HBI). The coke input rates have declined from 0.425 ton per ton of iron output at both blast furnaces a few years ago to 0.388 at Amanda in Ashland and 0.353 at No. 3 in Middletown.

A recent reline and upgrading of National's B furnace at Granite City, Ill., boosted its ironmaking capacity by 50 percent from 2,800 to 4,200 tons/day. Improvements included a new furnace top, a newly designed hearth, increased cooling and advanced process controls at the furnace, and a revamp of the stoves to raise the wind rate and hot-blast temperature.

U.S. Steel's four remaining blast furnaces at Gary, Ind., have raised their ironmaking throughput by an average of 30 percent while their combined input coke rate has fallen to 0.340 ton per ton of iron output. The productivity gains largely are due to the use of PCI in all four furnaces at injection rates that, averaged, currently lead the industry.

PCI vs. Natural Gas

Although they have used supplemental fuel injection for decades, U.S. ironmakers in recent years have aggressively increased their injection rates of natural gas and, more recently, pulverized coal. All 40 active blast furnaces today inject either one or a combination of fuels, including natural gas, pulverized coal, oil, tar, and coke-oven gas. Twenty-five furnaces inject natural gas at rates of up to 250 pounds per ton of iron produced; 12 furnaces use PCI at rates of up to 375 pounds/ton.

The volume of natural gas consumed by U.S. blast furnaces has increased nearly 90 percent since 1990, from 56.7 million to 106.5 million cubic feet annually. The acceptance of natural gas stems from its ready availability, its relatively low price in recent years, and its adaptability to injection without major capital or startup costs. Assuming a starting coke input rate of 0.500 ton per ton of iron output (or 1,000 pounds/ton), natural-gas injection has been proven by some mills to be capable of displacing about 25 percent of coke requirements—and maybe more, depending on the outcome of current tests sponsored by the Gas Research Institute.

Although 250 pounds/ton is the highest natural-gas injection rate currently employed, the average rate is a much lower 125 pounds/ton. At most blast furnaces, injection is limited to

between 100 and 200 pounds, because higher volumes unfavorably lower flame temperatures and furnace productivity.

Higher gas-injection rates require increased oxygen enrichment and higher hot-blast temperatures; this is not attainable at some blast furnaces because of limitations in oxygen processing and the capabilities of their hot-blast systems. In such cases, injecting more natural gas would require significant investments to upgrade stoves and other hot-blast components and to make more oxygen available.

Compared to natural gas, PCI has a much less significant impact on process temperatures and affords a greater opportunity for lowering the coke rate. Steel mills have proven that PCI can replace 40 percent of a 1,000-pound coke requirement and can use lower-cost, lower-grade coals in place of the high-grade metallurgical coal needed for cokemaking.

The disadvantage of PCI is that, unlike natural-gas injection, it requires an initial investment of $40–50 million, approximately two-thirds of which can be required for coal preparation. Some blast-furnace operators already injecting 150 pounds or more of natural gas consider this too high a price to pay for increasing injection rates an additional 200 pounds or so by switching to PCI. However, most operators recognize that a commitment to natural gas leaves them vulnerable to a repeat of past run-ups in gas prices.

A number of steel companies with PCI projects have benefited from creative arrangements to reduce or avoid the financial costs of coal preparation. PCI at Inland, for example, is supported by a coal-preparation facility jointly funded by Inland and Northern Indiana Public Service Company. National will obtain pulverized coal for its Ecorse, Mich., blast furnaces from Detroit Edison Company.

Likewise, U.S. Steel reduced its PCI investment at Fairfield, Ala., by obtaining injectable coal from a company-owned mine some five miles away; the coal is transported in specially designed hopper cars to ensure it remains dry. USS/Kobe's PCI unit uses coal pulverizers provided by Ohio Edison.

PCI was developed in the early 1960s by AK Steel's forerunner, Armco. The company first used the new technology commercially at the Ashland plant's now abandoned Bellefonte blast furnace in 1963—the same year Armco completed construction of the Amanda furnace there. Ten years later, Armco installed PCI at Amanda and used it intermittently at varying injection rates until establishing in recent years an average rate of 200 pounds/ton.

Twelve blast funaces in the U.S. now are equipped for PCI (Table 4). Their injection rates range from 120 to 375 pounds/ton and average 254 pounds; blast furnaces can inject as much as 400 pounds/ton, industry managers say. Raising PCI rates will help blast furnaces face future constraints on cokemaking capacity.

Next year Gulf States and National Steel at Ecorse plan to install PCI. LTV is considering using PCI at its Cleveland and Indiana Harbor, Ind., plants, although it has not yet made a final decision.

Startups From 1909 to 1980

In the past few years, steelmakers have made some of their largest productivity gains at some of the oldest blast furnaces. U.S. Steel's Gary No. 8 furnace was built in 1909; rebuilt in 1943; disabled in April 1995 by an explosion near the top of its stack; and returned to service in Aug. 1995 after repairs and an unscheduled reline. No. 8 now produces 40 percent more iron than it did a few years ago. Equipped to use PCI at a rate of some 235 pounds/ton, the No. 8 blast furnace has seen its coke rate decline to the 0.390 level, which makes it more efficient at using coke than some of its counterparts built 60–70 years later.

Roughly 75 percent of the active furnace population is under 30 years of age, and 25 percent over (see Table 1). Startup dates of current U.S. blast furnaces range from the first decade of the century to 1980.

Clearly, blast furnaces that have been rebuilt and retrofitted to take advantage of technological improvements over the years have proven capable of operating indefinitely, and doing so very effectively. As the furnace population has been rationalized and the least efficient units removed from service, age has become a less relevant indicator of useful furnace life. Rather, the most significant influence on future decisions to maintain or discontinue blast-furnace ironmaking will derive from environmental regulations that result in additional cuts in U.S. cokemaking capacity.

Father William Hogan of the Society of Jesus has been a leading authority on the steel industry for the past 45 years. His numerous books include Productivity in the Blast Furnace, The Development of Heavy Industry in the Twentieth Century, Economic History of the Iron and Steel Industry in the United States (a five-volume work), and, most recently, Steel in the 21st Century: Competition Forges a New World Order (1994). The International Iron and Steel Institute has named only two honorary members since its founding in 1967: Fr. Hogan and Herbert Gienow.

Frank Koelble has worked as a steel economist and consultant for the past 30 years. His books include Purchased Ferrous Scrap, An Analysis of the U.S. Metallurgical Coke Industry, and Direct Reduction as an Ironmaking Alternative in the United States. Hogan is director and Koelble associate director of the Industrial Economics Research Institute of Fordham University (Bronx, N.Y.).

THE 43 BLAST FURNACES IN THE U.S. TODAY (TABLE 1)

Co. & capacity coke capacity (mil. net tpy) [1]	Plant	Furnace	Dia. [2]	Rate [3]	Year [4]	(net tpd) [5]
Acme (1.17)	S. Chicago, Ill	A	25′0″	0.365	1964R	3,200
		B	19′8″		1970R	(1,200)(S)
AK Steel (4.12)	Ashland, Ky	Amanda	33′5″	0.388	1963B	5,300
	Middletown, Ohio	3	29′4″	0.353	1984R	6,000
Bethlehem (8.53)	Burns Harbor, Ind	C	38′3″	0.359	1972B	7,030
		D	35′9″	0.397	1969B	6,590
	Sparrows Pt., Md	L	44′3″	0.430	1977B	9,750
Geneva (2.45)	Geneva, Utah	1	26′6″	0.448	1963R	2,275
		2	26′6″	0.450	1963R	2,250
		3	26′6″	0.455	1963R	2,180
Gulf States (1.08)	Gadsden, Ala	2	26′0″	0.490	1966R	2,965
Inland (5.24)	E. Chicago, Ind	5	26′6″	0.393	1974R	2,500
		6	26′6″	0.448	1976R	2,450
		7	45′0″	0.330	1980B	9,400

THE 43 BLAST FURNACES IN THE U.S. TODAY (TABLE 1)—Continued

Co. & capacity coke capacity (mil. net tpy) [1]	Plant	Furnace	Dia. [2]	Rate [3]	Year [4]	(net tpd) [5]
LTV (7.68)	Cleveland, Ohio	C1	27′6″	0.413	1972R	3,440
		C5	29′6″	0.407	1990R	4,150
		C6	29′6″	0.412	1989R	4,350
	Ind. Harbor, Ind	H3	29′6″	0.400	1988R	3,950
		H4	32′9″	0.421	1987R	5,150
McLouth [6] (1.24)	Trenton, Mich	1	28′6″		1956B	(3,000)(S)
		2	28′6″	0.475	1958B	3,400
National (6.46)	Ecorse, Mich	A	30′6″	0.470	1954B	3,450
		B	29′0″	0.463	1951B	3,350
		D	28′10″	0.440	1952B	2,800
	Granite City, Ill	A	27′3″	0.378	1956B	3,900
		B	27′3″	0.380	1961B	4,200
Rouge (2.62)	Dearborn, Mich	B	20′0″	0.375	1958R	2,275
		C	29′0″	0.385	1959R	4,900
U.S. Steel (12.00)	Fairfield, Ala	8	32′0″	0.420	1978B	6,000
	Gary, Ind	4	28′10″	0.368	1950R	3,700
		6	28′0″	0.388	1947R	3,750
		8	28′0″	0.390	1943R	3,800
		13	36′6″	0.290	1974B	9,425
	Mon Valley, Pa	1	28′10″	0.448	1943R	3,230
		3	25′3″	0.443	1930R	2,975
USS/Kobe (2.30)	Lorain, Ohio	3	28′6″	0.355	1959R	3,600
		4	29′0″	0.453	1962R	2,700
WCI (1.50)	Warren, Ohio	1	28′0″	0.470	1980R	4,100
Weirton (2.54)	Weirton, WV	1	27′0″	0.403	1984R	3,770
		3	26′3″	0.418	1983R	3,200
		4	27′0″		1977R	(3,100)(S)
Wheel-Pitt (2.30)	Steubenville, Ohio	1N	25′0″	0.405	1991R	2,900
		5S	23′10″	0.430	1995R	3,400

[1] Capacity of active blast furnaces, representing potential maximum productive capability.
[2] Hearth diameter of furnace.
[3] Coke rate at full ironmaking capacity is expressed as the net tons of coke input per net ton of iron output.
[4] Years are designated B for the year built and R for the year in which a major rebuild was last completed. Relinings are not considered rebuilds.
[5] () indicates idle capacity; (S) indicates standby furnaces.
[6] Plant temporarily idled in March 1996; company has been sold to Hamlin Holdings Inc., with operations scheduled to restart in early 1997.

REDUCING THE NUMBER OF U.S. BLAST FURNACES (TABLE 2)

Date [1]	Active	Idle	Total
2/86	48	35	83
5/87	45	32	77
9/88	47	25	72
10/89	45	25	70
6/90	46	24	70
8/91	38	19	57
8/92	40	11	51
8/93	40	10	50
8/94	40	9	49
9/95	41	4	45
7/96	40	3	43

[1] Dates of surveys conducted by Industrial Economics Research Institute, Fordham University.

LOWERING THE COKE RATE (TABLE 3)

[Million of net tons]

Year	U.S. blast-furnace production	Coke consumed	Coke rate [1]
1975	79.9	48.8	0.611
1976	86.9	51.6	0.594
1977	81.3	48.5	0.597
1978	87.7	51.3	0.585
1979	87.0	50.0	0.574
1980	68.7	39.1	0.569
1981	73.6	40.5	0.55
1982	43.3	23.3	0.538
1983	48.7	26.3	0.540

LOWERING THE COKE RATE (TABLE 3)—Continued

[Million of net tons]

Year	U.S. blast-furnace production	Coke consumed	Coke rate [1]
1984	51.9	27.4	0.528
1985	50.4	26.6	0.508
1986	44.0	22.3	0.507
1987	48.4	25.5	0.527
1988	55.7	29.4	0.528
1989	55.9	29.2	0.522
1990	54.8	27.5	0.502
1991	48.6	24.8	0.510
1992	52.2	25.0	0.479
1993	53.1	23.7	0.446
1994	54.4	24.2	0.445
1995	56.1	24.5	0.437

[1] Data are from American Iron and Steel Institute; coke rate indicates the tons of coke consumed per ton of blast-furnace iron produced.

PULVERIZED-COAL INJECTION (TABLE 4)

Company	Plant	Furnace	Year started up	Rate (lbs./ton) [1]
AK Steel	Ashland	Amanda	1973	200
Bethlehem	Burns Harbor [2]	C	1994	180
		D	1994	260
Gulf States Inland	Gadsden	2	1997	
	E. Chicago	5	1993	245
		6	1993	120
		7	1993	320
National	Ecorse	A	1997	350P
		B	1997	250P
		D	1997	250P
U.S. Steel	Fairfield [2]	8	1995	270
	Gary	4	1993	295
		6	1993	235
		8	1993	235
		13	1993	375
USS/Kobe	Lorain	3	1994	315

[1] Injection rate; P is projected; all others are average rates during 1995.
[2] Plant based on granular-coal injection.

Attachment 9—See How a Blast Furnace Works, AISI

The attachment is available at the following Web site, *http://www.steel.org/AM/Template.cfm?Section=Home&template=/CM/HTMLDisplay.cfm&ContentID=12305*

Attachment 10—Ironmaking Process Alternative Screening Study—Volume I, Summary Report, Lockwood Greene study for the Department of Energy (Oct. 2000)

The attachment is available at the following Web site, *http://www.ornl.gov/~webworks/cppr/y2001/rpt/122325.pdf*

Attachment 11—ISG to Repair, Restart Second Blast Furnace at Weirton Unit, American Metal Market (July 12, 2004)

The attachment is available at the following Web site, *http://www.findarticles.com/p/articles/mi_m3MKT/is_28-1_112/ai_n6106694.*

Attachment 12—Mittal Steel USA Works to Restore Furnace at Sparrows Point, PRNewswire (July 14, 2006)

The attachment is available at the following Web site, *http://www.mittalsteel.com/NR/rdonlyres/20253936-859A-42A8-8DEC-DBC284FDFB6A/1161/LFurnacerecoveryNR071406.pdf.*

Attachment 13—Ispat Inland Accelerates Maintenance Outages, Ispat Inland Press Release (March 7, 2005)

The attachment is available at the following Web site, *http://metalsplace.com/metalsnews/?a=942*

Attachment 14—Weirton Workers Buyout from Online NewsHour, September 23, 1983

The attachment is available at the following Web site, *http://www.pbs.org/newshour/bb/business/july-dec83/steel_9-23-83.html.*

Attachment 15—High Production Costs Hamper AK Steel's Middletown Works, Steel Business Briefing (Aug. 10, 2006)

High Production Costs Hamper AK Steel's Middletown Works

Thursday, 10 August 2006

AK Steel, trying to lower its labour costs, is pointing to a year-old analyst's report that says slab-making costs at its flagship Middletown, Ohio works are nearly the highest on the globe, Steel Business Briefing has learned.

In a communiqué sent out earlier this week, AK says a report authored by World Steel Dynamics' Peter Marcus, rates Middletown 147th out of 151 slab mills in terms of cost per ton of slab. The steelmaker is attempting to illustrate that its labour costs have to come down in order for the plant to be competitive, not only in North America but throughout the globe.

An AK spokesman tells SBB, however, ''We're not saying all of that

is employment'' costs. He declined to discuss what the works' per-ton slab production costs are.

Steel industry analyst Charles Bradford says AK likely has a cost disadvantage on iron ore alone of about $30/short ton. He says the steelmaker also probably has a cost penalty on coal, too. ''Even if they could get competitive raw materials, they would have a freight penalty,'' he adds. But Bradford notes that care has to be taken in such an analysis because there is a cost difference to produce commodity hot-rolled coil versus an interstitial-free HR coil.

In addition to AK, other North American steelmakers at the bottom of the Marcus list include Mittal Steel USA's Weirton, West Virginia works, which has since shut its hot end, as the world's most costly slab producer. Severstal North America's River Rouge works was found to be the next highest cost producer in the June 2005 report.

Attachment 16—Dofasco Seals $251m Purchase of Canadian Iron Ore Miner QCM, American Metal Market (July 26, 2005)

The attachment is available at the following Web site, *http://www.findarticles.com/p/articles/mi_m3MKT/is_29-2_113/ai_n14842699.*

Attachment 17—*Force Majeure Clobbers Coke-Short Steelmakers: Weirton Eyes Option, Blast Furnace Closure*, American Metal Market (Jan. 9, 2004)

The attachment is available at the following Web site, *http://www.findarticles.com/p/articles/mi_m3MKT/is_1-5_112/ai_112104367.*

Attachment 18—*Heat Back on Steel Makers,* The Plain Dealer (February 26, 2004)

The attachment is available at the following Web site, *http://cleve.live.advance.net/indepth/steel/index.ssf?/indepth/steel/more/1077791716314950.html.*

Attachment 19—*Furnace Will Stay Idle at Weirton Steel Mill,* Associated Press (Dec. 2, 2005)

Friday, December 2, 2005

Furnace Will Stay Idle at Weirton Steel Mill

Bad Site, High Costs and Age Are Cited

By Vicki Smith, Associated Press

Historically high production costs, an inconvenient location and old, inefficient facilities have apparently doomed hopes of revitalizing a West Virginia steel mill that once employed 13,000 people and now has just 1,300 union workers.

Mittal Steel, the world's largest steelmaker, idled the blast furnace at its Weirton division this summer, laying off some 750 workers for what the Independent Steelworkers Union hoped would be a temporary wait for business to pick up. But late Tuesday, Mittal told the union that the furnace will remain cold, and as many as 800 jobs will be permanently lost.

''This was a very difficult decision, since the Independent Steelworkers Union and all employees have worked so hard to beat the odds trying to maintain steelmaking at Weirton,'' said Louis Schorsch, chief executive of Mittal Steel USA. ''However, the structural disadvantages of Weirton for these processes entail costs that are too high to support competitive downstream facilities.''

Analyst Michael Locker, president of Locker Associates in New York, said the small blast furnace and the steelmaking Mittal has elsewhere combined to seal Weirton's fate.

He said, ''The negative of the consolidation process is that you have a comparison going on of plants * * * within the Mittal family. If they come out on the short end of the stick, they can't justify standing alone—even with all the hopes of cost reduction and efforts by the union, which were mighty.

''You have good finishing facilities at Weirton that are going to survive, but the source of the steel is going to be elsewhere.''

Analyst Charles Bradford of Bradford Research-Soleil Securities in New York, sees Mittal's flexibility as a benefit of the industry's global consolidation.

''When there is softness in the market, you close the high-cost ones first. Mittal, just within North America, has more than a dozen blast furnaces, so they have the ability to cut one or two and moderate their business.''

Mittal, a Netherlands company, took control of Weirton in April through a $4.5 billion purchase of former owner International Steel Group of Richfield, Ohio. ISG had won a bidding war for Weirton, the nation's No. 2 tin producer, in bankruptcy court in 2004.

Weirton's steel-production costs have been among the highest at Mittal, which has other mills capable of producing enough steel to meet demand through 2006.

Union spokesman David Gossett said raw materials are at the root of Weirton's problem. Weirton does not have a coke plant and must buy it at a high cost on the open market.

Weirton also must buy iron ore and have it shipped by rail. Mittal's Cleveland mill can get it shipped in cheaper on Lake Erie.

Weirton is also struggling with high gas prices in a mill that Gossett said doesn't use fuel as efficiently as it could.

Bradford predicts Weirton's blast furnace will only be restarted if and when every other Mittal furnace is at capacity.

But ISU President Mark Glyptis said he believes Mittal is committed to maintaining an operation in Weirton, and that the mill is a key part of its strategy to sell tin.

Schorsch acknowledged in a statement that Mittal wants to reconfigure the Weirton plant around tinplate.

Attachment 20—*The shipping news & forecast: District ports face many competitive challenges, but whether they sink or swim over the long term will likely depend on infrastructure improvements,* Minneapolis Federal Reserve fedgazette (January 2003)

The attachment is available at the following Web site, *http://www.minneapolisfed.org/pubs/fedgaz/03-01/shipping.cfm.*

Attachment 21—*Weirton Files for Ch. 11; 1,000 Ohio Jobs Affected,* Associated Press (May 20, 2003)

Tuesday, May 20, 2003

Weirton Steel Files for Ch. 11

1,100 Ohio Jobs Affected

By Vicki Smith

The Associated Press

WEIRTON, W.Va.—Weirton Steel Corp., the nation's sixth-largest integrated steel maker and No. 2 producer of tin, filed for Chaper 11 bankruptcy protection Monday.

The employee-owned company located across the Ohio River from Steubenville, Ohio, held on while an import crisis took down dozens of competitors, but racked up more than $700 million in losses over five years.

Weirton Steel employs 1,100 Ohioans.

President and CEO John Walker said the company has obtained a $225 million financing package that will allow it to keep operating while it reorganizes.

Walker had been in the middle of a plan to cut costs by $120 million when Weirton Steel's board of directors voted Monday to file for bankruptcy.

''In the past year, we did everything we could do outside the bankruptcy venue before taking this necessary

step,'' Walker said. ''Our previous initiatives strengthened the company, but it became increasingly evident in the current industry climate that Chapter 11 reorganization is the only remaining solution to address our liability issues.''

In its bankruptcy filing, Weirton Steel said it had about $654.5 million in assets and about $1.41 billion in debts as of March 31. The company expects to file a reorganization plan within about six months.

Walker said the recent U.S. Steel-National Steel and International Steel Group-Bethlehem Steel mergers, along with a federal $250 million loan package awarded to Wheeling-Pittsburgh Steel, left his company with no options for expansion.

Weirton's survival strategy had centered on having the nation's largest tin mill. Only U.S. Steel produces more tin-plated steel than Weirton, where tin accounts for 38 percent of production and 50 percent of revenues.

Monday's filing surprised a steel analyst who said Weirton Steel had seemed to ''be bumping along.''

But the company was squeezed by rising energy and material costs and declining prices for tin products, said Michael Locker, president of Locker Associates Inc. and author of the Steel Industry Update Newsletter.

The Independent Steelworkers Union had helped Walker trim $38 million, approving a one-year contract that cut pay 5 percent, canceled a planned raise and froze accrued pension benefits. The company planned to cut an additional $34 million by asking the 3,600 active employees and 4,600 retirees and dependents for health-care givebacks.

Retirees, however, had been slow to embrace the request, which asked that they help cover the cost of health insurance with a $200 monthly deduction from their pension checks. They also faced higher co-payments for prescription drugs and doctor visits. Weirton Steel is seeking court approval to create a committee of retirees to address the pension issues.

ISU president Mark Glyptis, who sits on the board of directors, opposed the bankruptcy filing.

''Today, our senior management effectively gave up and conceded defeat,'' he said. ''But the working people of Weirton Steel will never surrender. We will not give up.''

Attachment 22—Testimony of Bill Stephans, Division Manager for TMP at Mittal Steel USA's Weirton Facility from *Hearing Transcript, In the Matter Of: Tin and Chromium Coated Steel Sheet from Japan*, Inv. No. 731–TA–860 (Review) (April 27, 2006)

The attachment is available at the following Web site, *http://www.usitc.gov/trade_remedy/731_ad_701_cvd/investigations/2005/tin_chromium_steel/PDF/Tin%20and%20chromium%20steel%2004-27-06.pdf.*

Attachment 23—*ISU Irked by Mittal Steel's Plan To Shut Weirton Galvanizing Line,* American Metal Market (Feb. 3, 2006)

ISU Irked by Mittal Steel's Plan To Shut Weirton Galvanizing Line

By Sam Kusic

PITTSBURGH—Mittal SteeL USA Inc. plans to shut down the galvanizing line at its Weirton, W.Va., plant, eliminating 25 to 40 jobs, and refocus the facility entirely on tinplate products.

The move comes two months after the company sent official notices to workers that the plant's blast furnace, idle for much of last year, would be closed permanently.

''The (galvanizing) line does not fit into the plans,'' a Mittal Steel USA spokesman said, adding that the Wierton line costs more to operate than other comparable facilities it owns.

But Mark Glyptis, president of the Independent Steelworkers Union (ISU) at Weirton, said the union had been working toward lowering the line's operating costs. '' Its a good line and one that ought to be running in this organization,'' he said. ''We did a great deal of work to keep that line in operation.''

The closure, set to take place in two to three months, follows the layoff of about 450 people when the Chicago-based company decided to indefinitely close its iron and steelmaking operations there in November. The hot end previously had been temporarily idled since May, when steel prices were falling due to bloated inventories nationwide.

The closure ends nearly 100 years of steelmaking at the plant, which was a founding piece of Weirton Steel Corp. in 1909. In 1984, its employees bought the plant, at the time making it the world's largest wholly employee-owned company. In 2003, International Steel Group Inc. (ISG) purchased the business, and Mittal bought ISG in a multibillion-dollar deal in April 2005.

With the closures, only the plant's hot- and cold-rolled mills and its tinplating operations remain intact. If there is good news, Glyptis said, it's that the union was able to work with the company to keep the hot-roll mill open, saving about 200 jobs.

Mittal had been reviewing whether to shutter the hot-roll mill, but ultimately decided against it. ''It's one of the better hot mills in operation,'' Glyptis said, adding that as the plant increases its tinplating operations, jobs are being added. ''It's kind of a roller coaster of good news and not-so-good news.''

Attachment 24—Excerpts of Testimony from *Hearing Transcript, In the Matter Of: Tin and Chromium Coated Steel Sheet from Japan*, Inv. No. 731–TA–860 (F) (June 29, 2000)

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation No.:
TIN- AND CHROMIUM-COATED STEEL SHEET	)	731-TA-860 (F)
FROM JAPAN	)	

Pages: 1 through 326

Place: Washington, D.C.

Date: June 29, 2000

HERITAGE REPORTING CORPORATION
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1 union workers that we be able to increase our production of
2 tin- and chrome-coated steel
3 At the Commission conference last November, I
4 heard comments from some of our customers criticizing our
5 delivery performance. These problems stem directly from the
6 difficulties of running Weirton Steel with a one blast
7 furnace operation being supplemented by slab purchases.
8 After a very successful start up of the second
9 blast furnace in December, our on time delivery performance
10 has been better than 90 percent throughout 2000, and we
11 continue to aim for 100 percent on time delivery, yet our
12 domestic shipments in the first quarter of this year were
13 lower than they were last year as our customers continue to
14 buy dumped Japanese imports.
15 I would also like to make a comment from the
16 union's perspective on the issue of contracts for our tin
17 mill products. As Mr. Scott testified earlier today, the
18 contracts we have with customers are obviously not very
19 enforceable. For example, one of our customers who has a
20 plant on site has a contract with us that forbids the use of
21 imported tin mill products without Weirton's consent.
22 The company has a witness here today that in spite
23 of this contract provision and without obtaining permission
24 from Weirton, I watched as Japanese template was unloaded in

1 import slabs in 1999. That was the same transcript at page
2 96. Was this the case? And if so, why?
3 MR. RIEDERER: That was, as I reference in my
4 testimony, we had, because of the massive amount of imports
5 of all steel products, not just of tin plate, starting in
6 1998, we ended up making a decision at the end of 1998 to
7 shut down one of our blast furnaces. That blast furnace
8 supplied approximately 800,000 to 900,000 tons of slabs,
9 which we ended up through two mechanisms, either importing
10 slabs in order to replace those slabs, or cutting back our
11 production, which is what we ended up having to do in some
12 major cases, especially on the sheet side of our business,
13 not so much on the tin plate side of our business.
14 That all occurred at the end of 1998.
15 So you're absolutely right, in 1999 we did import
16 slabs to meet some of our production requirements.
17 CHAIRMAN KOPLAN: Thank you, Mr. Riederer.
18 I see my time has expired.
19 Commissioner Bragg?
20 COMMISSIONER BRAGG: Thank you.
21 What impact, if any, have the buyer purchasing
22 cooperatives had on domestic tin prices over the period of
23 investigation? Have they had an impact? Are there buyer
24 cooperatives?

1 to and with each of the mills that they did business with.
2 End of story. That's it.
3 In summary, the prices we have been able to obtain
4 for our key raw material have been driven by our growth and
5 our membership in the purchasing alliance. Our decision to
6 purchase foreign tin plate was made strategically to broaden
7 our portfolio of suppliers due to the quality and delivery
8 problems we had experienced, and to supply our
9 geographically diverse operations.
10 I want to thank you for the opportunity to provide
11 a customer's perspective on this very serious issue. I hope
12 my comments have been helpful, and I will be pleased to
13 answer any questions you may have.
14 CHAIRMAN KOPLAN: Thank you, Mr. Rourke.
15 Mr. Yurco?
16 MR. YURCO: Thank you. My name is Tom Yurco, I'm
17 the Vice President, Materials Management and Logistics for
18 U.S. Can Company, a position I've held for the last 18 years
19 and altogether I've been in the business of buying tin mill
20 products for the last 33 years.
21 I testified in the first hearing on this case
22 which was held last November, but I'm here today because
23 you're about to make a very important decision affecting an
24 industry to which I've devoted most of my professional life.

1 testimony, that their deliveries were late more than half
2 the time.
3 I provided details that that were cited. In 1999
4 that problem became worse. They started relying more on
5 import slabs, and when they began experiencing logistical
6 problems with these, their on-time performance eroded even
7 further. It wasn't just Weirton, however. Bethlehem Stee
8 had their problems starting in 1999. They had a planned
9 mill outage in the spring, they also had an unplanned mil
10 outage in the fall. These two events mean that they
11 actually limited orders and had some customers on what we
12 would call allocation. Wheeling-Pitt had on-time problems
13 in 1999. They had a fire in their temper line. They too,
14 had to turn down orders.
15 As a customer we found it extremely difficult and
16 frustrating dealing with these problems, and our customers,
17 the ones who fill the cans that we make, demand prompt, on-
18 time delivery of products. If we can't get our tin mill
19 products on time, it's a huge, huge problem for us and our
20 customers.
21 I hope you now better understand the situation we
22 faced as we made our purchasing decisions for 1999. We had
23 a reliable Japanese and other foreign supplier base that
24 were willing to work with us on a global basis, and we had

Attachment 25—*Brazil Slab Hits $555/T In Tight Export Market,* American Metal Market (June 5, 2006)

Brazil Slab Hits $555/T in Tight Export Market

By Diana Kinch

Vitoria, Brazil—Export prices for steel slab have risen to $555 a tonne f.o.b. Brazil and could continue to rise due to tight world supplies, Cia. Sider Ã°rgica de TubarÃ£o (CST) said late Thursday.

The slab producer, majority owned by Luxembourg-based steelmaker Arcelor SA, said it had just closed a deal to sell slab to a U.S. buyer at $555 a tonne, although the tonnage was not disclosed.

''Pressure continues on prices following the Chinese pulling out of the slab export market due to China's charging of export taxes,'' a CST source said.

(In fact, China apparently has delayed implementation of higher export taxes on steel products until at least July 1. But Chinese exporters reduced slab and billet offers in May in anticipation of the anticipated 5- to 10-percent tax, and as yet there is no sign of any rebound in slab exports, according to reports out of China.)

The other major factor influencing Brazilian export prices is the loss of the No. 3 blast furnace at Cia. Sider Ã°rgica Nacional (CSN) in January in what was described at the time as a minor accident involving a dust collection system. The furnace, responsible for 60 percent of CSN's raw steel output of 6 million tonnes per year, was expected to return to service in June, but now sources said they don't expect it to restart until next month at the earliest.

CSN reportedly has ordered 1 million tonnes of slab to replace the lost production but so far has received only 300,000 tonnes because of the market tightness, sources said.

CST did not confirm whether it sees the delay in bringing on-stream its new No. 3 blast furnace as a market factor. The new 2.5-million-tonne-per-year furnace, which is now more than 90 percent complete, will probably be inaugurated in early 2007 because of the impact on a recent construction workers' strike at the site, a source close to the furnace project said (see story, page 6).

Attachment 26—*Wheeling-Pittsburg Makes Loss, Despite Rising Market,* Steel Business Briefing (May 11, 2006)

Wheeling-Pittsburgh Makes Loss, Despite Rising Market

Thursday, 11 May 2006

Wheeling-Pittsburgh Corp, the holding company of Wheeling-Pittsburgh Steel, is reporting a $2.1m net loss for the first quarter, compared with $8m in earnings in the first quarter of 2005. The sheet steel producer had a $49m cost increase, Steel Business Briefing understands.

Wheeling-Pittsburgh, in talks with Brazil's CSN to form a slab rolling alliance, shipped 681,000 short tons in Q1, up substantially from 523,000 s.t shipped in Q1 2005 when the company suffered an equipment failure. However, sales were made at an average of $739/s.t a year ago, declining to $680/s.t in the most recently completed quarter.

CSN is interested in having its slabs rolled by Wheeling-Pittsburgh, which has about 600,000 s.t/year of excess hot-rolling capacity. CSN is also discussing taking a minority stake in the West Virginia steelmaker.

''While our first quarter loss represented an improvement from the fourth quarter of 2005, it was a disappointment given current demand for our products,'' says company CEO James Bradley.

Attachment 27—*Esmark To Shut Wheeling-Pitt BF If Bid Succeeds,* Steel Business Briefing (Aug. 23, 2006)

Esmark To Shut Wheeling-Pitt BF If Bid Succeeds

Wednesday, 23 August 2006

Esmark, the U.S. service centre consolidator in a proxy fight for control of Wheeling-Pittsburgh Steel, plans to shutter the sheet producer's Mingo Junction, Ohio blast furnace and rely solely on its new electric furnace, in addition to purchased slabs, Steel Business Briefing understands.

In a television interview with a Wheeling, West Virginia television station, brothers James and Craig Bouchard of Esmark say they plan to shut the BF because it is not cost-effective. SBB could not reach the Bouchards for further comment. Esmark has not filed documents with regulators detailing its plans.

The interview preceded Wheeling-Pittsburgh's response to a United Steelworkers assertion that the steelmaker violated its labour contract by not giving the union the same amount of time to make a competing bid for the company that Brazilian suitor CSN was given.

In a 21 August letter to USW officials, Wheeling-Pittsburgh CEO James Bradley notes the union has known about the potential hook-up with CSN since early July and that the USW ''has no compelling basis'' to request more time given its support of the Esmark proposal. He also again criticises the Esmark bid as inferior to CSN's proposal.

Attachment 28—Arcelor Brasil Sets Sights on New Slab Plant, American Metal Market (March 22, 2006)

Arcelor Brasil Sets Sights on New Slab Plant

By Diana Kinch

Vitoria, Brazil—Arcelor Brasil SA is studying the possibility of building a 3.5-million-tonne-a-year steel slab-for-export plant, probably in conjunction with Cia. Vale do Rio Doce (CVRD), at Anchieta in Espirito Santo state.

The plant would be about 60 kilometers (37 miles) from the existing Cia. SiderÃ°rgica de TubarÃ£o (CST)-Arcelor Brasil slabmaking and hot-rolled coil plant, company executives said during a press conference.

CVRD announced a month ago that it was seeking partners for a new slabmaking venture at Anchieta, in which it would like to hold a minority participation. According to the CVRD announcement, the final capacity of such a plant would be around 5 million tonnes a year.

''We would probably start off with 3 million to 3.5 million tonnes per year,'' a spokesman said.

Usinas SiderÃ°rgicas de Minas Gerais SA (Usiminas), based in Belo Horizonte, which also is considering building new slabmaking capacity in Brazil, reportedly isn't involved in the Anchieta project talks.

CST-Arcelor Brasil is expected to expand its own steelmaking capacity to 9 million tonnes a year by 2012, after which its current site at TubarÃ£o will be saturated, the spokesman said.

CST-Arcelor Brasil later this year will bring on-stream its third blast furnace, boosting its annual steelmaking capacity from 5 million tonnes currently to 7.5 million tonnes, of which some 5 million tonnes will be used for merchant slab production.

The steelmaker currently produces some 2.5 million tonnes of hot-rolled coil a year and is expected to double its hot-rolled coil mill capacity by 2008 in what should be a relatively economic investment.

Attachment 29—*CST to Hike Slab Sales to Dofasco,* American Metal Market (March 22, 2006)

The attachment is available at the following Web site, *http://www.findarticles.com/p/articles/mi_m3MKT/is_11–3_114/ai_n16119523.*

Attachment 30—*Gerdau Acominas Charging Into Slab Mart,* American Metal Market (June 30, 2006)

Gerdau Açominas Charging Into Slab Mart

By Diana Kinch

Ouro Branco, Brazil—Gerdau AĀ§ominas SA will step up production of merchant slab, particularly of special grades, by installing its first continuous slab caster.

The 3-million-tonne-per-year slab caster will operate initially at a rate of 1.5 million tonnes annually when it starts up in two years, with output directed at the export market, Jorge Gerdau Johannpeter, Gerdau SA chairman and president, announced Wednesday.

Currently, Gerdau AĀ§ominas, located at Ouro Branco, Minas Gerais state, produces less than 200,000 tonnes of merchant slab per year. Most of its current 3 million tonnes of annual raw steel output is sold as billet, bloom, wire rod and sections.

''The move into slab is in response to market demand,'' Gerdau AĀ§ominas sales director Alberto Huallem said, adding that talks have already taken place with possible clients abroad.

The move into large-scale slab export will bring Gerdau AĀ§ominas into direct competition with both Cia. SiderĀ°rgica de Tubarao and Cia. SiderĀ°rgica Nacional, Huallem said. ''But the market is big enough for everyone,'' he added.

The plant is working to boost its raw steel output to 4.5 million tonnes per year beginning in the second half of 2007, when its No. 2 blast furnace using Chinese technology, currently under construction, is due on-stream as part of a $1.5-billion investment.

The extra capacity will be used initially to produce more billet, and later slab for export once the slab caster comes on-stream in 2008, Gerdau AĀ§ominas industrial director Manoel Vitor de MendonĀ§a said.

''The slab caster is a new development, recently approved by the board, and will cost $275 million,'' Gerdau Johannpeter said. Proposals from potential suppliers are still being considered and the supplier should be confirmed by the end of this year.

Luiz AndrĀé Rico Vicente, Gerdau AĀ§ominas president, said that the caster will make only high-value grades. ''Our company trend is to steer away from commodity grades. We want to produce API and interstitial-free grades because the market is hungry for these products,'' he said.

Currently, Gerdau AĀ§ominas sells 70 percent of its products for export, billet being its principal product. But its relatively new sections rolling mill is aimed principally at the domestic construction industry.

Gerdau Johannpeter indicated that the installation of a 3-million-tonne slab caster is to prepare for possible future expansions of the Gerdau AĀ§ominas works, which was envisioned as a 10-million-tonne-per-year steelmaker when it was originally set up 20 years ago by the Brazilian state.

''We are already studying the possibility of a further expansion to 6 million or 6.5 million tonnes of crude steel capacity,'' Rico Vicente said. ''We are being advised by (Japan's JFE Steel Corp.) on these studies, which should be completed by the end of this year.''

Attachment 31—CSA Steel Project Receives License, American Metal Market (July 6, 2006)

CSA Steel Project Receives License

By Diana Kinch

Rio de Janeiro—Cia. SiderĀ°rgica do AtlĀ¢ntico (CSA), the 4.4-million-tonne-per-year slab-for-export joint venture to be built in Sepetiba, Rio de Janeiro state, by Germany's ThyssenKrupp Stahl AG and Brazil's Cia. Vale do Rio Doce, has been granted a preliminary environmental license despite protests by local fishermen.

Notice that Rio de Janeiro state environmental authority FundaĀ§Ā£o Estadual de Engenharia do Meio Ambiente granted the license to CSA was published in the state's official gazette Monday.

The preliminary environmental license basically determines the site of the new works and will enable the steelmaking project to proceed with equipment purchases. The $2.4-billion CSA is slated for start-up in 2008, with all output aimed for export.

Attachment 32—*North America at Top of TK's Agenda,* American Metal Market (August 11, 2006)

North America at Top of TK's Agenda

By Scott Robertson

Pittsburgh—ThyssenKrupp AG, Düsseldorf, Germany, is sharpening its focus on North America, with plans to take a significant share of the U.S. carbon and stainless steel markets.

The company said Friday it had approved a project development budget of $50 million, in effect a feasibility study into building a $2.9-billion carbon and stainless steel mill in the southern United States.

ThyssenKrupp executives termed the proposal to build a mill a ''backup plan'' in case the company's deal to acquire Dofasco Inc., Hamilton, Ontario, from Arcelor SA-Mittal Steel Co. NV falls through. But it seems likely the project will move forward, given the protective measures Arcelor took to secure Dofasco as it attempted to fight off a Mittal takeover in early negotiations.

''Our first priority is the acquisition of Dofasco,'' Ekkehard D. Schulz, executive board chairman of ThyssenKrupp, said. ''But in case that is not possible, we have to look for opportunities to develop our (North American) strategy.''

That would appear to make building a mill the likely option, especially given that ThyssenKrupp's announcement comes less than a week after Gonzalo Urquijo, senior executive vice president and chief financial officer of Arcelor, said it appears ''impossible'' for Dofasco to be sold given its control by a ''Dutch trust.''

ThyssenKrupp has been looking to increase its position in North America for years and reportedly had eyed the purchase of AK Steel Corp., Middletown, Ohio, or some form of tie-up with U.S. Steel Corp., Pittsburgh. The company also reportedly looked at acquiring the Sparrows Point, Md., plant of Mittal Steel USA Inc. if the Dofasco deal fell through.

Now it has turned its focus to a greenfield project that would comprise carbon and stainless steel manufacturing. The plan contemplates the construction of a hot strip mill by ThyssenKrupp Steel AG that would be used to process slab from ThyssenKrupp's new Cia. Siderurgica do Atlantico (CSA) steel mill in Brazil. The new U.S. plant also would feature cold-rolling and hot-dip galvanizing capacity for carbon flat products. The 1.8-billion-euros ($2.3-billion) carbon plant would produce about 4.5 million tonnes of steel per year.

At the same time, ThyssenKrupp Stainless AG would spend around 500 million euros ($636 million) to build a melt shop with an annual capacity of up to 1 million tonnes of slab, which would be processed on the hot strip mill. A cold-rolling facility also would be included, which in its initial phase would be designed to produce 325,000 tons of cold strip and 100,000 tons of pickled hot strip. In addition, ThyssenKrupp Mexinox would be supplied with hot strip from the United States as starting material.

ThyssenKrupp said sites in Alabama, Arkansas and Louisiana are under consideration for the project, but gave no timetable as to when construction might begin. Locating in that region would place the company in a geographic position to supply steel to

automotive transplant companies throughout the Southeast. It also would place the proposed mill in direct competition with SeverCorr LLC, a carbon steel mini-mill now under construction in Columbus, Miss., that plans to supply the automotive transplants. SeverCorr is on track to begin production in late 2007.

ThyssenKrupp executives stressed that negotiations aimed at acquiring Dofasco would continue over the next few days and that the mill project would be undertaken only if those negotiations fail.

''Dofasco is our top priority,'' said A. Stefan Kirsten, chief financial officer and a member of the executive board of ThyssenKrupp. ''The greenfield strategy is a backup strategy. We need a Nafta strategy. If there is any chance that we do not get Dofasco, we do not want to be unprepared. We do not want to put our steel strategy into the hands of a third party. What we have done is fund a feasibility study. We have not agreed to build a steel plant in the U.S. This is a prudent company.''

ThyssenKrupp has been prudent enough, Kirsten said, to review what adding such capacity would mean to the U.S. market. He said the U.S. steel industry does not produce all the steel the country needs and relies on imports to provide anywhere from 8 million to 12 million tons per year to make up the difference. ThyssenKrupp's plan, he said, is to displace those imports.

The entire plan could be scrapped, Kirsten said, if ThyssenKrupp gets Dofasco. ''If we get Dofasco, we will revisit our strategy,'' he said. ''We already have achieved a strong position in stainless (in the Nafta region) with our Mexican plant. This strategy (to build a new mill) is something we would be sure to revisit when the moment comes.''

Attachment 33—*Groundwork Laid For Brazil's Ceara Slab Project*, American Metal Market (September 1, 2006)

The attachment is available at the following Web site, *http://www.findarticles.com/p/articles/mi_m3MKT/is_49-5_113/ai_n15981124.*

Attachment 34—*CSN May Lift Slab Capacity Of Two Projects*, American Metal Market (September 1, 2006)

The attachment is available at the following Web site, *http://www.findarticles.com/p/articles/mi_m3MKT/is_35-1_114/ai_n16726710.*

Attachment 35—*Brasil's Usiminas Casts Sights Abroad For New Slab Project Partner*, American Metal Market (August 29, 2006)

The attachment is available at the following Web site, *http://www.findarticles.com/p/articles/mi_m3MKT/is_34-3_114/ai_n16715616.*

Attachment 36—*Russia's Severstal Wants to Ship More Steel to U.S.*, Reuters (February 2, 2004)

Russia's Severstal Wants To Ship More Steel to U.S.

Reuters, 02.02.04, 7:56 AM ET

Moscow, Feb 2 (Reuters)—Russian steel giant Severstal <CHMF.RTS> <CHMF.RTS>, fresh from its first acquisition in the United States, said on Monday it would ask the U.S. Commerce Department to allow it to ship more steel to the United States.

Last Friday, Severstal completed the acquisition of bankrupt U.S. firm Rouge Industries Inc, one of the largest suppliers of steel to car giants such as Ford Motor (nyse: *F*—news—people) Co.

The purchase, likely to increase Severstal's presence in the global car market, was the second move by a major Russian metals company into the U.S. market after Norilsk Nickel <GMKN.RTS> <GMKN.RTS> took over U.S.-based platinum firm Stillwater Mining (nyse: *SWC*—news—people) Co.

''We would like to present Rouge Industries (nyse: *ROU*—news—people) with a plan for its financial revitalisation by this spring,'' said Severstal spokeswoman Olga Yezhova.

''As part of this plan we intend to ask the U.S. Commerce Department to allow us to supply more steel slab there.''

Severstal, one of Russia's biggest exporters of steel, had previously said foreign firms with U.S. assets tended to obtain such permission. The company shipped a mere 2,000 tonnes of steel and products to the United States last year.

But Washington's recent decision to abolish three-year steel import duties that the United States slapped on countries including Russia, is likely to trigger major export growth from Russia.

Dmitry Goroshkov, Severstal's sales director, said in a recent media interview that Severstal could sell ''hundreds of thousands of tonnes of steel'' to the United States this year as a result.

Yezhova said Severstal had never supplied slab to Rouge before. Severstal plans to invest up to $45 million a year in its U.S. partner.

A U.S. bankruptcy court has allowed the sale of Rouge to Severstal for about $285.5 million. Through its U.S. vehicle, Severstal has also bought Rouge's 50 percent stake in Double Eagle Steel Coating Company—the world's largest electro-galvanising line that produces galvanised sheet steel for cars. Severstal North America has also acquired Rouge's 48 percent stake in Spartan Steel Coating, a hot dip galvanizing firm.

Attachment 37—*Tin and Chromium Coated Steel Sheet from Japan*, Inv. No. 731–TA–860 (Review), USITC Pub. 3860 (June 2006) at V–8

The attachment is available at the following Web site, *http://hotdocs.usitc.gov/docs/pubs/701_731/pub3860.pdf.*

Attachment 38—*Tin and Chromium Coated Steel Sheet from Japan*, Inv. No. 731–TA–860 (Review), USITC Pub. 3860 (June 2006) at Table III–8

The attachment is available at the following Web site, *http://hotdocs.usitc.gov/docs/pubs/701_731/pub3860.pdf.*

Attachment 39—*Mittal Shows Little Interest in Weirton Furnace Sale*, American Metal Market (May 5, 2006)

Mittal Shows Little Interest in Weirton Furnace Sale

By Scott Robertson

Pittsburgh—Mitchell A. Hecht, former chief financial officer at International Steel Group Inc., wants to buy and restart two idle blast furnaces in Weirton, W.Va. Standing in his way, he says, is the inattention of the furnaces' current owner, Mittal Steel Co NV., the world's largest steelmaker.

''I know right now they have bigger fish to fry,'' Hecht said about Mittal Steel's efforts to acquire Arcelor SA, the world's second-largest steel producer. ''But I think once they can focus on this, they'll find it's a win-win-win situation'' for Mittal, for Hecht's recently formed Hamsphire Steel Investments and for as many as 200 unemployed steelworkers in West Virginia.

Hecht confirmed Thursday that he has made an offer to buy the former Weirton Steel Corp. blast furnaces from Mittal Steel USA Inc. Those furnaces were idled a year ago when Mittal decided to reduce steel production to better align it with demand at the time. The company never brought back the furnaces—among the highest cost in Mittal's arsenal—in-stead redirecting efforts on the Weirton plant's tinplate business.

Hecht envisions starting a new company around the furnaces with an initial investment of about $10 million,

including the purchase price. Additional working capital would be needed as well.

Employees of the new company would receive an unspecified ownership interest. Hecht said employee involvement would not be on the order of an employee stock ownership plan (ESOP), the likes of which once operated at Weirton Steel. ''It's not going to be an ESOP. But I want the employees to be involved,'' he said.

''The furnaces are in good shape,'' Hecht said. ''They would require some prep work to bring them back. We're not talking about major dollars initially. Long-term, I think we are looking at investment on the level of several tens of millions of dollars.''

His plan is to sell pig iron produced on-site and invest further in alternative methods of ironmaking.

''We think it is a win for all parties,'' he said. ''It's a win for the (Independent Steelworkers Union) in that it would bring people back to work. It's a win for Mittal because it would allow them to enhance their good standing with the union, in the community and in the region. And it would be a win for us because we think we can make money selling pig and trying to invest in alternate methods of ironmaking. I have become intrigued over the past year with advances in alternative ironmaking that are being made in other countries. I think there are some positive things that can be done in that area.''

The ISU, which represents hourly workers at what is now known as Mittal Steel-Weirton, expects 80 jobs would be created by restarting one furnace and as many as 200 jobs if both furnaces are operating, according to Mark Glyptis, president of the ISU. About 1,000 union jobs have been eliminated at Mittal Steel-Weirton since the furnaces were idled.

Glyptis indicated that Mittal Steel appeared unwilling to part with the assets.

Hecht expressed a more positive view. ''I have made an offer to them and they have responded to that offer with some questions,'' he said. ''I have responded to their questions and we are moving the process forward. Frankly, they are thinly staffed at this point and their attention is diverted to what they are doing with Arcelor. I think once they get through (dealing with Arcelor) and have a chance to focus on this offer, they'll see it as something positive.''

Hecht said he has not heard anything negative from Mittal with regard to his offer. ''We are going through the process. Mittal Steel USA is a relatively small part, about 10 percent, of the global company. Right now (the parent company) has their attention elsewhere. I am confident that once they turn their attention and get focused on this offer, we'll be able to get something done.''

Hecht's Hampshire Steel Investments is a private hedge fund that aims to invest in steel equities. Before becoming involved with International Steel Group, which was acquired by steel mogul Lakshmi N. Mittal last year and merged with his other U.S. holdings to form Mittal Steel USA, Hecht spent time with Bankers Investment, PaineWebber Inc. and as an independent consultant.

Attachment 40—*Mittal Plans to Sell Dofasco, Hecht Waits for Weirton,* Steel Business Briefing (August 16, 2006)

Mittal Still Plans To Sell Dofasco, Hecht Waits for Weirton

Wednesday, 16 August 2006

Whilst the Arcelor side of the Arcelor Mittal merger maintains that Dofasco cannot be sold to ThyssenKrupp, there still appears to be a differing opinion coming from the Mittal camp. In fact, that opinion seems strong enough that Mittal Steel USA declines to say if one of its other tinplate plants will be sold to satisfy regulators' concerns.

A Mittal Steel USA spokesman tells Steel Business Briefing that no decision is forthcoming shortly on whether the Sparrows Point, Maryland works or the Weirton, West Virginia works will be sold to comply with U.S. Justice Department concerns over a controlling interest in the U.S. tin mill products market place.

He says that's because European management—at least those from the Mittal side of the equation—still believe Dofasco can be sold to TK under an agreement the two sides forged in January.

Meanwhile, Mitch Hecht, the former ISG executive who has expressed an interest in Weirton's now-shuttered hot end, tells SBB he's still interested in the slab making operation and that he is also willing to partner with the works' independent union to purchase the rolling operations as well if Mittal is keen to sell them.

Saying the Weirton hot strip mill ''is a very attractive asset,'' Hecht says he will bring in financial partners to again combine the rolling and finishing operations with the hot end to make the works profitable.

He adds, however, ''We're sitting here waiting to see which way Mittal will go'' with the sale of one of the properties.

Attachment 41—''HHI Impact of Alternative Divestiture Scenarios''

Arcelor-Mittal Merger—Competitive Impact for U.S. Tin Consumers

HHI Impact of Alternative Divestiture Scenarios

We calculate the HHI for the U.S. tin market using market shares reported in the DOJ Competitive Impact Statement. Market shares for the two foreign suppliers (Rasselstein and Corus) was estimated using U.S. import statistics.

Prior to the Mittal-Arcelor merger we estimate the market shares as follows:

	Market share (percent)
USS	44
Mittal	31
Ohio Coatings	8
Dofasco-Arcelor-EU	6
Rasselstein	5
Corus	6

Mittal's market share (31%) can be divided into Weirton (18.6%) and Sparrows Point (12.4%). Arcelor's market share can be divided into Dofasco (4.0%) and Arcelor-EU (2.0%).

In the following pages we present a separate HHI calculation for each potential divestiture. Given that certain options involve the high likelihood that a U.S. firm will fail, we are forced to make an assumption about how the surviving firms' market share will be reallocated. For simplicity we assume that the surviving firms' market share will grow in proportion to their current share.

For instance, if Weirton is divested by Mittal-Arcelor but subsequently fails, 18.6% of the tin market will disappear and 81.4% survives. We assume that the surviving firms' market share will remain in proportion to their current shares. That is, USS's current market share is 44%; our assumption implies that USS's market share following the failure of Weirton would be 44%/(81.4%) = 54.05%

We stress that our assumption is very optimistic (i.e., pro-competitive) as it implies the foreign suppliers' market share also increases. Given the U.S. tin industry's protectionist history, such market share increases could easily result in an antidumping petition against foreign suppliers. As exemplified by the 2000 tin case against Japan antidumping actions often result in the foreign country exiting the U.S. market. This prospect makes it even more imperative that the DOJ pursue a divestiture that maximizes that chance that all U.S. production will remain viable.

HHI Tin Market—Summary Tabulation

[Eastern U.S. Regional Market]

	HHI	Loss of Mkt size (%)
Market Condition (Pre-merger)	3,058	.....
Market Condition (Post-merger)—No Divestiture	3,446	.....
Change in HHI	388	.....
Market Condition (Post-merger)—Weirton Divested (independent):		
Weirton Survives (highly unlikely)	2,761	.....
Weirton Fails (very likely)	3,645	18.6
Market Condition (Post-merger)—Sparrows Point Divested (independent):		
Weirton Survives (unlikely beyond the very short term)	2,836	.....
Weirton Fails (likely within a few years)	3,421	18.6
Market Condition (Post-merger)—Sparrows Point Divested (independent):		
S–Point TMP Operations Survive	2,836	.....
S–Point TMP Operations Shuttered	3,495	12.4
Market Condition (Post-merger)—Sparrows Point Divested (to USS):		
S–Point TMP Operations Survive	3,927	.....
S–Point TMP Operations Shuttered	3,495	12.4
Market Condition (Post-merger)—Dofasco Divested (independent)	3,182	.....
Market Condition (Post-merger)—Dofasco Divested to TK	3,222	.....

Prepared by WFG

Competitive Impact Analysis: Alternative Remedies

HHI Tin Market

Eastern U.S. Regional Market

Market Condition (Pre-Merger)

	Mkt share	MShr-Sqr
USS	44%	0.19360
Mittal	31%	0.09610
Ohio Coatings	8%	0.00640
Dofasco-Arcelor-EU	6%	0.00360
Rasselstein	5%	0.00245
Corus	6%	0.00366
HHI	3,058	.....

Market Condition (Post-Merger)—No Divestiture

	Mkt share	MShr-Sqr
USS	44%	0.19360
Mittal-Arcelor	37%	0.13690
Ohio Coatings	8%	0.00640
Rasselstein	5%	0.00245
Corus	6%	0.00366
	100%	.....
HHI	3,430	.....

Key Market Shares

Weirton	18.6%
Sparrows Point	12.4%
Dofasco	4.0%
Arcelor-EU	2.0%

Market Condition (Post-Merger)—Weirton Divested (Independent)

	Weirton survives		Weirton fails	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
USS	44.0%	0.19360	54%	0.29218
Mittal-Arcelor	18.4%	0.03386	23%	0.05110
Ohio Coatings	8.0%	0.00640	10%	0.00966
Weirton	18.6%	0.03460	.....	.....
Rasselstein	5%	0.00245	6%	0.00370

MARKET CONDITION (POST-MERGER)—WEIRTON DIVESTED (INDEPENDENT)—Continued

	Weirton survives		Weirton fails	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
Corus	6%	0.00366	7%	0.00552
HHI	2,746		3,622	

Eastern U.S. Regional Market

MARKET CONDITION (POST-MERGER)—SPARROWS POINT DIVESTED (INDEPENDENT)

	Weirton Survives		Weirton fails	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
USS	44.0%	0.19360	54%	0.29218
Mittal-Arcelor	24.6%	0.06052	7.4%	0.00543
Ohio Coatings	8.0%	0.00640	10%	0.00966
Sparrows Point	12.4%	0.01538	15%	0.02321
Rasselstein	5%	0.00245	6%	0.00370
Corus	6%	0.00366	7%	0.00552
HHI	2,820		3,397	

MARKET CONDITION (POST-MERGER)—SPARROWS POINT DIVESTED (INDEPENDENT)

	S–Point TMP operations remain in operation		S–Point TMP operations shuttered	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
USS	44.0%	0.19360	50%	0.25229
Mittal-Arcelor	24.6%	0.06052	28%	0.07886
Ohio Coatings	8.0%	0.00640	9%	0.00834
Sparrows Point	12.4%	0.01538		0.00000
Rasselstein	5%	0.00245	6%	0.00319
Corus	6%	0.00366	7%	0.00477
HHI	2,820		3,475	

MARKET CONDITION (POST-MERGER)—SPARROWS POINT DIVESTED (TO USS)

	S–Point TMP operations remain in operation		S–Point TMP operations shuttered	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
USS	56.4%	0.31810	50%	0.25229
Mittal-Arcelor	24.6%	0.06052	28%	0.07886
Ohio Coatings	8.0%	0.00640	9%	0.00834
			0%	0.00000
Rasselstein	5%	0.00245	6%	0.00319
Corus	6%	0.00366	7%	0.00477
HHI	3,911		3,475	

MARKET CONDITION (POST-MERGER)—DOFASCO DIVESTED (INDEPENDENT)

	Mkt share	MSr-Sqr
USS	44%0	0.19360
Mittal-Arcelor	33%	0.10890
Ohio Coatings	8%	0.00640
Rasselstein	5%	0.00245
Corus	6%	0.00366
Dofasco	4%	0.00160
HHI	3,166	

MARKET CONDITION (POST-MERGER)—DOFASCO DIVESTED TO THYSSENKRUPP

	Mkt share	MSr-Sqr
USS	44%	0.19360

MARKET CONDITION (POST-MERGER)—DOFASCO DIVESTED TO THYSSENKRUPP—Continued

	Mkt share	MSr-Sqr
Mittal-Arcelor	33%	0.10890
Ohio Coatings	8%	0.00640
Rasselstein-Dofasco (TK)	9%	0.00801
Corus	6%	0.00366
HHI	3,206	

Prepared by WFG

Competitve Impact Analysis: Alternative Remedies

HHI Tin Market

Eastern U.S. Regional Market

MARKET CONDITION (PRE-MERGER)

	Mkt shareCHED H='1'≤MShr-Sqr	
USS	44%	0.19360
Mittal	31%	0.09610
Ohio Coatings	8%	0.00640
Dofasco-Arcelor-EU	6%	0.00360
Rasselstein	5%	0.00245
Corus	6%	0.00366
HHI	3,058	

MARKET CONDITION (POST-MERGER)—NO DIVESTITURE

	Mkt share	MShr-Sqr
USS	44%	0.19360
Mittal-Arcelor	37%	0.13690
Ohio Coatings	8%	0.00640
Rasselstein	5%	0.00245
Corus	6%	0.00366
	100%	
HHI	3,430	

KEY MARKET SHARES

Weirton	18.6%
Sparrows Point	12.4%
Dofasco	4.0%
Arcelor-EU	2.0%

MARKET CONDITION (POST-MERGER)—WEIRTON DIVESTED (INDEPENDENT)

	Weirton survives		Weirton fails	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
USS	44.0%	0.19360	54%	0.29218
Mittal-Arcelor	18.4%	0.03386	23%	0.05110
Ohio Coatings	8.0%	0.00640	10%	0.00966
Weirton	18.6%	0.03460		
Rasselstein	5%	0.00245	6%	0.00370
Corus	6%	0.00366	7%	0.00552
HHI	2,746		3,622	

MARKET CONDITION (POST-MERGER)—SPARROWS POINT DIVESTED (INDEPENDENT)

	Weirton survives		Weirton fails	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
USS	44.0%	0.19360	54%	0.29218
Mittal-Arcelor	24.0%	0.06052	7.4%	0.00543
Ohio Coatings	8.0%	0.00640	10%	0.00966

MARKET CONDITION (POST-MERGER)—SPARROWS POINT DIVESTED (INDEPENDENT)—Continued

	Weirton survives		Weirton fails	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
Sparrows Point	12.4%	0.01538	15%	0.02321
Rasselstein	5%	0.00245	6%	0.00370
Corus	6%	0.00366	7%	0.00552
HHI	2,820		3,397	

MARKET CONDITION (POST-MERGER)—SPARROWS POINT DIVESTED (INDEPENDENT)

	S–Point TMP operations remain in operation		S–Point TMP operations shuttered	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
USS	44.0%	0.19360	50%	0.25229
Mittal-Arcelor	26.6%	0.06052	28%	0.07886
Ohio Coatings	8.0%	0.00640	9%	0.00834
Sparrows Point	12.4%	0.01538		0.00000
Rasselstein	5%	0.00245	6%	0.00319
Corus	60%	0.00366	7	0.00477
HHI	2,820		3,475	

MARKET CONDITION (POST-MERGER)—SPARROWS POINT DIVESTED (TO USS)

	S–Point TMP operations remain in operation		S–Point TMP operations shuttered	
	Mkt share	MShr-Sqr	Mkt share	MShr-Sqr
USS	56.4%	0.31810	50%	0.25229
Mittal-Arcelor	24.6%	0.06052	28%	0.07886
Ohio Coatings	8.0%	0.00640	9%	0.00834
			0%	0.00000
Rasselstein	5%	0.00245	6%	0.00319
Corus	6%	0.00366	7%	0.00477
HHI	3,911		3,475	

MARKET CONDITION (POST-MERGER)—DOFASCO DIVESTED (INDEPENDENT)

	Mkt share	MShr-Sqr
USS	44%	0.19360
Mittal-Arcelor	33%	0.10890
Ohio Coatings	8%	0.00640
Rasselstein	5%	0.00245
Corus	6%	0.00366
Dofasco	4%	0.00160
HHI	3,166	

MARKET CONDITION (POST-MERGER)—DOFASCO DIVESTED TO THYSSENKRUPP

	Mkt share	MShr-Sqr
USS	44%	0.19360
Mittal-Arcelor	33%	0.10890
Ohio Coatings	8%	0.00640
Rasselstein-Dofasco (TK)	9%	0.00801
Corus	6%	0.00366
HHI	3,206	

Attachment 42—"Probability That Divestiture Will Improve Competition"

Arcelor-Mittal Merger – Competitive Impact for U.S. Tin Consumers

Probability that Divestiture Will Improve Competition

Given that divesting a tin operation from the greater Mittal-Arcelor company may result in the failure of the divested facility, the DOJ should consider the likelihood that any proposed divestiture does not hurt the market.

To determine how likely a divestiture will reduce competition in the U.S. tin market, we can solve for the expected value of HHI given a divestiture

$$HHI_{expected} = P_{success} HHI_{success} + P_{failure} HHI_{fail}$$

where

$HHI_{expected}$	= expected value of HHI
$HHI_{success}$	= HHI if divested mill is successful (i.e., does not exit the industry)
HHI_{fail}	= HHI if divested mill fails (i.e., exits the industry)
$P_{success}$	= Probability of success
P_{fail}	= Probability of failure (= 1- $P_{success}$)

The possibility that divestiture does not lower the HHI below its pre-merger level (i.e., make the market at least as competitive as prior to the approval of the Arcelor-Mittal merger) means that the expected HHI (post divestiture) is greater than the HHI prior to the Arcelor/Mittal merger. This can be written as

Divestiture Worsens Competitive Balance if

$$\begin{aligned} HHI_{pre-merger} &\leq HHI_{expected} \\ &= P_{success} HHI_{success} + P_{failure} HHI_{fail} \\ &= P_{success} HHI_{success} + (1 - P_{success}) HHI_{fail} \end{aligned}$$

Solving for $P_{success}$ yields

Divestiture Worsens Competitive Balance if

$$P_{success} \leq \frac{\left(HHI_{pre-merger} - HHI_{failure}\right)}{\left(HHI_{success} - HHI_{fail}\right)}$$

In English, this equation means that if the likelihood that the divested mill will succeed is too small (i.e., $P_{success}$ is too small), the divestiture will worsen the competitive situation in the U.S. tin market.

Using the HHI's calculated in Exhibit [redacted] we can use the above equation and conclude

Policy Option	Critical Value of $P_{success}$	Interpretation
Divesting Weirton	64.3%	Unless the probability that a stand-alone Weirton will succeed is at least 64.3%, the expected result of divesting Weirton is a worsening of the competitive situation in the U.S. tin market.
Divest Sparrows Point	58.7%	The key issue is Weirton's viability within Mittal if Sparrows Point is divested. Without Sparrows Point's slab-making capacity there is considerable risk that Weirton will be starved due to lack of raw material Unless the probability that Mittal can survive without Sparrows Point is at least 58.7%, the expected result of divesting Weirton is a worsening of the competitive situation in the U.S. tin market.

Attachment 43—ITC Prehearing Staff Report, *Certain Carbon Steel Products From Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom,* Inv. Nos. AA1921–197 (Second Review); 701–TA–319, 320, 325–328, 348, and 350 (Second Review); 701–TA–319, 320, 325–328, 348, and 350 (Second Review); and 731–TA–573, 574, 576, 578, 582–587, 612, and 614–618 (Second Review) (September 25, 2006) at Tables CORE–III–8 and CTL III–9

Public Version

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, DC

Certain Carbon Steel Products From Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom

Prehearing Report to the Commission on Investigation Nos. AA1921–197 (Second Review); 701–TA–319, 320, 325–328, 348, and 350 (Second Review); and 731–TA–573, 574, 576, 578, 582–587, 612, and 614–618 (Second Review).

Staff assigned:

Elizabeth Haines, *Investigator* (205–3200),
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Heather Sykes, *Industry Analyst* (205–3436),
Kelly Clark, *Economist* (205–3166),
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Staff gratefully acknowledge the contributions of the following individuals:

Mara Alexander; Gabriel Ellenberger; Lita David-Harris; Carolyn Holmes; Steven Hudgens; Susan Louie; Mark Rees; Fred Ruggles; Lemuel Shields; and Darlene Smith in January–June 2006

than in January–June 2005. Ten of the 18 producers operating continuously from 2000 to 2003 reported better operating profits while the other eight producers reported a decline in operating profits. As discussed in table CORE–III–9, data for 2003 are impacted by limitations in information available to * * * regarding the operations of * * *.

TABLE CORE–III–8—CORROSION-RESISTANT STEEL: RESULTS OF OPERATIONS OF U.S. PRODUCERS, 2000–05, JANUARY–JUNE 2005, AND JANUARY–JUNE 2006

Item	Fiscal year						January–June	
	2000	2001	2002	2003	2004	2005	2005	2006
Quantity (short tons)								
Total net sales	20,077,026	19,561,875	20,890,841	19,290,267	21,916,288	20,389,803	10,108,023	11,349,571
Value ($1,000)								
Total net sales	11,060,117	9,766,640	10,955,956	10,324,538	14,847,617	14,495,023	7,428,201	8,258,842
COGS	10,487,543	9,843,595	10,699,028	9,711,362	12,768,311	13,267,367	6,587,267	7,606,927
Gross profit (loss)	572,574	(76,955)	256,928	613,176	2,079,306	1,277,656	840,934	651,915
SG&A expenses	424,888	412,539	435,110	459,562	456,432	448,921	215,626	224,073
Operating income (loss)	147,686	(489,494)	(178,182)	153,614	1,622,874	778,735	625,308	427,842
Interest expense	270,797	281,813	219,501	184,218	190,862	147,755	71,222	79,063
CDSOA income	0	8,240	5,125	14,416	17,235	6,593	0	0
Other income (expense)	50,357	6,953	29,850	(58,033)	(95,415)	(101,884)	(54,609)	(45,711)
Net income (loss)	(72,754)	(756,114)	(362,708)	(74,221)	1,353,832	535,689	499,477	303,068
Depreciation	629,065	632,189	556,215	433,982	413,178	396,836	204,831	213,797
Cash flow	556,311	(123,925)	193,507	359,761	1,767,010	932,525	704,308	516,865
Ratio to net sales (percent)								
COGS:								
Raw materials	42.1	45.3	44.3	49.4	51.9	55.8	55.0	58.3
Direct labor	11.3	11.5	9.3	9.8	8.0	7.9	7.8	7.7
Other factory costs	41.5	44.0	44.0	34.9	26.0	27.9	25.9	26.1
Total COGS	94.8	100.8	97.7	94.1	86.0	91.5	88.7	92.1
Gross profit (loss)	5.2	(0.8)	2.3	5.9	14.0	8.5	11.3	7.9
SG&Aexpenses	3.8	4.2	4.0	4.5	3.1	3.1	2.9	2.7
Operating income (loss)	1.3	(5.0)	(1.6)	1.5	10.9	5.4	8.4	5.2
Net income (loss)	(0.7)	(7.7)	(3.3)	(0.7)	9.1	3.7	6.7	3.7
Unit value (per short ton)								
Total net sales	$551	$499	$524	$535	$677	$711	$735	$728
COGS:								
Raw materials	232	226	233	264	352	396	404	424
Direct labor	62	58	49	52	54	56	57	56
Other factory costs	228	220	231	187	176	198	191	190
Total COGS	522	503	512	503	583	651	652	670
Gross profit (loss)	29	(4)	12	32	95	60	83	57

TABLE CORE–III–8—CORROSION-RESISTANT STEEL: RESULTS OF OPERATIONS OF U.S. PRODUCERS, 2000–05, JANUARY–JUNE 2005, AND JANUARY–JUNE 2006—Continued

Item	Fiscal year						January–June	
	2000	2001	2002	2003	2004	2005	2005	2006
SG&Aexpenses	21	21	21	24	21	22	21	20
Operating income (loss)	7	(25)	(9)	8	74	38	62	38
Net income (loss)	(4)	(39)	(17)	(4)	62	26	49	27
Number of firms reporting								
Operating losses	5	10	7	6	1	4	2	6
Data	18	19	19	19	19	19	19	19

Souce: Compiled from data submitted in response to Commission questionnaires.

The industry-wide financial results improved sharply from 2003 to 2004. Per-unit operating income substantially improved as the increase in per-unit net sales values ($142 per short ton) was greater than the combined effects of an increase in unit cost of goods sold (''COGS'') ($79 per short ton) and a decline in selling, general, and administrative (''SG&A'') expenses ($3 per short ton). The 2003 to 2004 improvements in operating income was reflected in 18 of 19 reporting firms' financial data.

The domestic industry's total and per-unit operating income again declined from 2004 to 2005 and was lower in January—June 2006 than in January—June 2005; however, 2005 operating income was still higher than in 2000–03. In 2005, the increase in per-unit net sales values ($33 per short ton) was smaller than the increase in COGS ($68 per short ton) and SG&A expenses ($1 per short ton). The overall decline from 2004 to 2005 was experienced by the majority (17 of 19 producers) of the industry.

Per-unit net sales values were lower ($7 per short ton) while per-unit costs and expenses were higher ($17 per short ton) in January—June 2006 as compared to January—June 2005. The overall decline.

TABLE CTL–III–9—CTL PLATE: RESULTS OF OPERATIONS OF U.S. MILLS AND PROCESSORS, 2000–05, JANUARY–JUNE 2005, AND JANUARY–JUNE 2006

Item	Fiscal year						January–June	
	2000	2001	2002	2003	2004	2005	2005	2006
Quantity (short tons)								
Total net sales	4,747,122	4,308,921	4,769,611	5,263,108	5,691,810	5,762,736	2,859,260	3,389,491
Value ($1,000)								
Total net sales	1,731.020	1,467,318	1,627,675	1,906,404	3,609,040	4,213,623	2,202,648	2,486,482
COGS	1,782,446	1,562,873	1,644,041	1,903,185	2,711,059	3,018,911	1,548,290	1,782,419
Gross profit (loss)	(51,426)	(95,555)	(16,366)	3,219	897,981	1,194,712	654,358	704,423
SG&A expenses	111,043	104,762	97,260	136,865	104,440	122,899	58,079	70,415
Operating income (loss)	(162,469)	(200,317)	(113,626)	(133,646)	793,541	1,071,813	596,279	634,009
Interest expense	40,553	50,098	43,096	44,338	43,747	45,283	18,184	15,062
CDSOA income	0	827	146	1,508	2,677	413	0	0
Other income/(expense)	5,466	(1,824)	19,237	18,185	17,809	23,559	(382)	10,989
Net income/(loss)	(197,556)	(251,412)	(137,339)	(158,291)	770,281	1,050,502	577,713	629,935
Depreciation	109,461	114,677	127,946	121,969	116,779	116,072	58,565	60,141
Cash flow	(88,095)	(136,735)	(9,393)	(36,322)	887,060	1,166,574	636,278	690,077
Ratio to net sales (percent)								
COGS:								
Raw materials	44.0	43.7	43.9	48.8	46.6	45.8	44.8	43.7
Direct labor	14.7	14.4	12.2	11.8	5.5	5.0	4.4	5.2
Other factory costs	44.2	48.4	44.9	39.3	23.0	20.8	21.1	22.8
Total COGS	103.0	106.5	101.0	99.8	75.1	71.6	70.3	71.7
Gross profit (loss)	(3.0)	(6.5)	(1.0)	0.2	24.9	28.4	29.7	28.3
SG&A expenses	6.4	7.1	6.0	7.2	2.9	2.9	2.6	2.8
Operating income (loss)	(9.4)	(13.7)	(7.0)	(7.0)	22.0	25.4	27.1	25.5
Net income (loss)	(11.4)	(17.1)	(8.4)	(8.3)	21.3	24.9	26.2	25.3
Unit value (per short ton)								
Total net sales	$365	$341	$341	$362	$634	$731	$770	$734
COGS:								
Raw materials	161	149	150	177	295	335	345	320
Direct labor	54	49	41	43	35	37	34	38
Other factory costs	161	165	153	142	146	152	162	167

TABLE CTL–III–9—CTL PLATE: RESULTS OF OPERATIONS OF U.S. MILLS AND PROCESSORS, 2000–05, JANUARY–JUNE 2005, AND JANUARY–JUNE 2006—Continued

Item	Fiscal year						January–June	
	2000	2001	2002	2003	2004	2005	2005	2006
Total COGS	375	363	345	362	476	524	542	526
Gross profit (loss)	(11)	(22)	(3)	1	158	207	229	208
SG&A expenses	23	24	20	26	18	21	20	21
Operating income (loss)	(34)	(46)	(24)	(25)	139	186	209	187
Net income (loss)	(42)	(58)	(29)	(30)	135	182	202	186
Number of firms reporting								
Operating losses	8	8	9	10	1	0	1	0
Data	14	13	14	15	16	15	15	15

Source: Compiled from data submitted in response to Commission questionnaires.

The industry-wide financial decline reversed from 2003 to 2005. Per-unit operating income substantially improved as the increase in per-unit net sales values ($369 per short ton) was much greater than the combined effects of an increase in unit cost of goods sold (''COGS'') ($162 per short ton) and a decline in selling, general, and administrative (''SG&A'') expenses ($5 per short ton). While * * * enjoyed some of the largest increases in operating profitability from 2003 to 2005, the 2003 to 2005 increase cut across the industry, as all mills (individually) and processors (collectively) operating continuously during this time frame reported increased operating profits or smaller losses.

The domestic industry's operating income was also higher in January–June 2006 than in January–June 2005 due to the increase in net sales quantity; however, on a per-unit basis, lower net sales values ($37 per short ton) were greater in magnitude than the net reduction in COGS (lower by $16 per short ton) and SG&A expenses (higher by $0.50 per short ton). The higher operating income level in January–June 2006 was generally reflected across the industry, as a majority (10 of 15) of firms reported greater operating income than in January–June 2005.

Attachment 44—*Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia*, Inv. Nos. 701–TA–384 and 731–TA–806–808 (Review), USITC Pub. 3767 (April 2005) at Table III–11

The attachment is available at the following Web site, *http://hotdocs.usitc.gov/docs/pubs/701_731/pub3767.pdf.*

Exhibit 2

Weil, Gotshal & Manges LLP

November 15, 2006

Maribeth Petrizzi, Esq.,

Chief, Litigation II Section, U.S. Department of Justice, Antitrust Division, 1401 H St., NW., Suite 3000, Washington, DC 20530.

Re: Comments of ThyssenKrupp A.G. Regarding The Proposed Final Judgment In *United States* v. *Mittal Steel Company N.V.* (Civil Case No. 1:06–CV01360–ESH)

Dear Ms. Petrizzi: Pursuant to the Section 2(b) of the Antitrust Procedures and Penalties Act, 15 U.S.C. § 16, ThyssenKrupp A.G. hereby submits comments on the Proposed Final Judgment in the above-referenced matter.

Sincerely,

James F. Lerner.

Encl.

Comments of Thyssenkrupp A.G. Regarding the Proposed Final Judgment in *United States* v. *Mittal Steel Company N.V.* (Civil Case No. 1:06–CV01360–ESH)

Pursuant to Section 2(b) of the Antitrust Procedures and Penalties Act; 15 U.S.C. 16, ThyssenKrupp A.G. (''ThyssenKrupp'') hereby files these comments demonstrating that the remedies proposed as alternatives to the divestiture of Dofasco Inc. (''Dofasco'') to ThyssenKrupp, set forth in the Proposed Final Judgment intended to resolve the Complaint filed by the United States to prevent the acquisition by Mittal Steel Company N.V. (''Mittal'') of Arcelor, S.A. (''Arcelor''), do not adequately replace the competition lost in the Tin Mill Products market from the elimination of Dofasco as a significant competitor to Mittal.[1] Because the remedies proposed as alternatives to the divestiture of Dofasco do not address adequately the harm alleged by the Department of Justice (''DOJ'') in the Complaint, entry of the Proposed Final Judgment is not in the public interest.

Divestiture of Mittal's Sparrows Point Business or Mittal's Weirton Business Will Not Preserve Competition in the Market for Tin Mill Products in the Eastern United States

As set forth in the DOJ's August 1, 2006 Complaint, ''Mittal Steel's proposed acquisition of Arcelor would eliminate Arcelor, including its subsidiary Dofasco, as an independent competitor in the sale of Tin Mill Products in the Eastern United States, further consolidating an already highly concentrated market. * * *'' The acquisition would remove current constraints on coordination and increase the incentives of the two largest firms to coordinate their behavior. The acquisition would thus substantially increase the likelihood of coordination and would likely lead to higher prices, lower quality, less innovation, and less favorable delivery terms in the Tin Mill Products market in the Eastern United States.''[2] Complaint, at ¶¶ 4, 5.

The Proposed Final Judgment and Competitive Impact Statement both make clear that the divestiture of Dofasco to ThyssenKrupp is the preferred remedy for the competitive harm alleged to arise from Mittal's

[1] Although Mittal and Arcelor are now known as Arcelor Mittal, we refer to each by their pre-merger names in these comments to avoid confusion, unless otherwise indicated.

[2] As defined in the Proposed Final Judgment, ''Tin Mill Products'' means collectively black plate, i.e., light-gauge cold-rolled bare steel sheet; electrolytic tin plate, i.e., black-plate electrolytically coated with tin; and tin free steel, i.e., black plate electrolytically coated with chromium. Proposed Final Judgment, II.M.

acquisition of Arcelor. Mittal is ordered to use its best efforts to divest the Dofasco Business as expeditiously as possible, Proposed Final Judgment, IV.A, and only in the event that Mittal is unable to accomplish the divestiture of Dofasco is Mittal then required to divest either the Sparrows Point or the Weirton Business (the ''Selected Business''), with the decision as to which of these two alternative businesses is to be divested resting with the United States.

The Competitive Impact Statement states that the divestiture of either Dofasco or the Selected Business ''is designed to enable whoever acquires such divested business to be ''viable and active competitor in the Eastern United States Tin Mill Products market,'' Competitive Impact Statement, at 2, and goes on to assert that whether the Dofasco Business or a Selected Business is divested, ''the preserved competitor would have modern and efficient facilities located close enough to customers in the Eastern United States to compete effectively.'' Competitive Impact Statement, at 11. Despite this assertion, it is ThysdenKrupp's assessment that neither Sparrows Point nor Weirton has the ''modern and efficient'' facilities necessary to compete in the Tin Mill Products market in a manner that adequately would replace the competition lost by Mittal's acquisition of Arcelor, including Dofasco.

ThyssenKrupp received several comments from their key US tinplate customers expressing their concerns with the alternative divestiture, stressing that divestiture of either of the US Mittal tinplate facilities would not have the same effect in addressing their competitive concerns. These customers indicated that the divestiture of Dofasco to ThyssenKrupp is highly preferred to the divestiture of either of the Mittal facilities (*i.e.,* Sparrows Point or Weirton) and is the most-competitive solution.

In line with its customers, it is ThyssenKrupp's firm conviction that only direct access to an integrated network ensuring strong R&D support, and close coordination across a full-fledged and reliable steel production chain (including state-of-the art metallurgy—blast furnaces, melt shops, continuous casting—hot and cold rolling, annealing and coating) will enable a tinplate producer to compete effectively and to meet the increasing demands of its customers in regard to Tin Mill Products with thinner gauges and higher surface quality.

In terms of virtually all of the process steps and critical success factors for the successful production of tin plate, both Sparrow Point and Weirton fall far short of the capabilities of Dofasco. An acquirer of either Sparrows or Weirton would not, without a substantial investment that would take time (and still might not yield the desired results), be able to replace immediately the Tin Mill Product competition lost by allowing Mittal to retain Arcelor and Dofasco. Therefore, ThyssenKrupp will certainly not acquire Sparrows Point nor Weirton.

In contrast to this, ThyssenKrupp's acquisition of Dofasco will preserve a strong local tinplate competitor which will be able to continue to provide quality Tin Mill products and preserve meaningful competition for tinplate customers in the Eastern US.

Accordingly, entry of a Proposed Final Judgement that permits Mittal to divest either Sparrows Point or Weirton rather than requiring the divestiture of Dofasco will not adequately address the competitive concerns alleged in the DOJ's Complaint.

Dated: November 15, 2006.

A. Paul Victor,
Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, NY 10019, and

Steven P. Bernstein,
James F. Lerner,
Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153.

Attorneys for Thyssen Krupp, A.G.

Exhibit 3

Hogan & Hartson

Hogan & Hartson LLP, Columbia Square, 555 Thirteenth Street, NW, Washington, DC 20004, +1.202.637.5600 Tel, +1.202.637.5910 Fax, www.hhlaw.com.

November 15, 2006

Maribeth Petrizzi, Esquire,
Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, 1401 H Street, NW., Suite 3000, Washington, DC 20530.

Re: DaimlerChrysler Tunney Act Comments

Dear Maribeth: DaimlerChrysler submits that the United States Department of Justice antitrust Division (the ''Division'' or ''Antitrust Division'') should renegotiate its proposed consent decree with Arcelor Mittal to ensure that Dofasco is either divested as planned or operated separately until it can be sold. The alternative divestitures in the proposed consent decree do not adequately address the competitive problems created by Arcelor-Mittal merger.

Introduction

The Tunney Act requires that a proposed consent decree negotiated between the Antitrust Division and the parties be published in the **Federal Register,** with a 60 day period for public comment. 15 U.S.C. 16. The Act also requires a federal court to determine if the entry of final judgment on the terms agrees to in the proposed consent decree, is in the public interest. *Id.*

DaimlerChrysler is aware of the Division's position that Tunney Act review requires only an examination of whether the relief proposed satisfactorily remedies the competition issues pleaded in the Complaint. In this case, the Complaint identified competitive issues in the market for Eastern United States Tin Mill Products. However, this settlement is worthy of reconsideration by the Division for several reasons.

- First, although both the Division and Mittal apparently believe that Dofasco could be divested, that turns out not to be true. The directors of Strategic Steel Stichting, the Dutch foundation holding Dofasco's shares (''Dutch trust''), have refused to dissolve the Dutch trust and relinquish the shares.
- Second, recent events demonstrate that the automotive issues resulting from the merger are far more important for the automobile industry than they first appeared.
- Third, the alternative divestitures are not likely to preserve competition in either the market alleged in the Complaint, Eastern United States tin Mill Products, or the North American Hot dipped Galvanized Steel market.

DaimlerChrysler submits these comments in support of the Division's preferred remedy—the divestiture of Dofasco—and to explain the infirmities in the alternative divestiture candidates.

The Arcelor-Mittal Merger

A. Merger Chronology

In January 2006, Mittal Steel Company N.V. (''Mittal'') announced its intention to launch a hostile tender offer to acquire Arcelor S.A. (''Arcelor''). In an attempt to preempt potential antitrust objections to the proposed combination in the United States, Mittal simultaneously announced that if it acquired Arcelor, it intended to sell Arcelor's subsidiary, Dofasco Inc. (''Dofasco''), which Arcelor was in the process of acquiring at that time, to ThyssenKrupp, a German-based steel corporation. Arcelor initially resisted Mittal's takeover attempt vigorously and, as part of that resistance, transferred its interest in Dofasco to the Dutch trust as a defense measure against Mittal's tender offer. After the Dofasco transfer, Arcelor's Board agreed to recommend Mittal's improved 433 billion offer to its shareholders on June 25, 2006, and the combination of Arcelor and Mittal is now under way. See Paul Glader, Mittal's Founder Asserts Control as Steelmaker, Wall St. J., (Nov. 7, 2006). On November 13, 2006, Arcelor announced that the directors of the Dutch trust had decided not to dissolve the Dutch trust and this action has blocked Arcelor Mittal's divestiture of Dofasco—the Division's preferred remedy. See Press Release, Arcelor Mittal Press Release on Dofasco (Nov. 13, 2006) available at: *http://www.arcelormittal.com/index.php?lang=en&page=49&tbPress=here&tb0=10.*

B. Complaint and Proposed Consent Decree

In May 2006, the Division negotiated a ''pocket consent decree'' with Mittal in which Mittal agreed to divest Dofasco. At that time, it appears that neither the Division nor Mittal fully appreciated the obstacles to

the Dofasco divestiture created by the Dutch trust. On August 1, 2006, the Antitrust Division filed a Complaint, proposed consent decree, and Competitive Impact Statement with the United States District Court for the District of Columbia, conditionally approving Mittal's proposed acquisition of Arcelor.

1. Alleged Anticompetitive Effects on Tin Mill Products

In the Complaint and Competitive Impact Statement, the Division alleged that Mittal's acquisition of Arcelor would substantially lessen competition in the market for Tin Mill Products in the Eastern United States in violation of Section 7 of the Clayton Act. The Division alleged that the relevant geographic market for Tin Mill Products is the Eastern United States because of a number of factors, including shipping costs and anti-dumping duties on Tin Mill Products from Japan that effectively close the United States market to competition from Japan. Applying this geographic market definition to Tin Mill Products, the Division determined that the market for Tin Mill Products in the Eastern United States is highly concentrated and is dominated by Mittal and ''another integrated steelmaker'' (United States Steel). According to the Complaint, Mittal accounted for 31 percent of the Tin Mill product tonnage sold in this geographic market in 2005, and United States Steel accounted for more than 44 percent. The Complaint alleges that Mittal's acquisition of a combined Arcelor/Dofasco would significantly increase concentration in the already concentrated market for Eastern United States Tin Mill Products. The Complaint also alleges that the remaining competitors lack the ability and incentive to defeat anticompetitive price increases and that de novo or foreign entry is neither feasible nor likely.

2. The Proposed Remedies

The proposed Final Judgment (''the proposed consent decree'') aims to preserve competition in the Eastern United States Tin Mill Products market by requiring Arcelor Mittal to use its best efforts to sell its Dofasco mill in Canada to ThyssenKrupp or another approved buyer. In the event that Mittal is unable to dissolve the Dutch trust—which now appears to be the case—Mittal may sell either Mittal's Sparrows Point or Weirton facilities (collectively ''alternative divestitures''). While the proposed consent decree clearly reveals the Division's preference that Mittal divest Dofasco, it states that divestiture of either Weirton or Sparrows Point is sufficient to preserve competition. DaimlerChrysler agrees that the divestiture of Dofasco solves the competitive problems created by the Arcelor-Mittal merger, but disagrees with the Division's view that either of the alternative divestitures would be sufficient to preserve competition.

C. DaimlerChrysler's Interest—Hot Dipped Galvanized Steel

DaimlerChrysler is an automobile manufacturer that sources its steel from a number of North American steel producers including Mittal and Dofasco. DaimlerChrysler does not, however, utilize Tin Mill Products in its production of automobiles, nor do the other North American automobile manufacturers. If Tin Mill Products were the only problematic product market, DaimlerChrysler and the rest of the automobile industry would have little interest in Mittal's and the Division's choice of remedies. However, DaimlerChrysler and other automobile manufacturers are keenly interested in which facility is divested because the market for Hot Dipped Galvanized Steel would be even more adversely affected by Mittal's acquisition of Arcelor. DaimlerChrysler utilizes up to a ton of Hot Dipped Galvanized Steel per vehicle produced.

DaimlerChrysler fully supports the Division's preferred divestiture of Dofasco, but submits that the alternative divestitures would not preserve necessary competition. The divestiture of Dofasco would ensure that Dofasco remains an independent competitive restraint on the increasingly consolidated Hot Dipped Galvanized Steel market. Further, this divestiture would allow for continued regional competition in Canada.

D. Alternative Divestiture Remedies Should Be Rejected

Divestiture of either Sparrows Point or Weirton likely will not preserve competition for Eastern United States Tin Mill Products and certainly will not prevent the merger's anticompetitive effects in the Hot Dipped Galvanized Steel market. Neither Sparrows Point nor Weirton is attractive to potential buyers, nor do they have the ability to compete in either market as an independent company. Instead, each is a candidate for closure, especially during economic downturns. Weirton's steel making capability has already been shut down, making Weirton only a rolling mill and coating facility that is dependent upon a source of hot bands, which presently are in short supply. Sparrows Point still has the ability to make steel, but it has never demonstrated that it is viable as a stand-alone facility; it has always been part of a larger, multi-facility corporation. Dofasco, unlike either of the alternative divestiture candidates, was a profitable stand-alone company as late as January 2006.

North American Hot Dipped Galvanized Steel

DaimlerChrysler recognizes that the Division's Complaint and proposed consent decree focus on the anticompetitive impact of the merger on the Eastern United States Tin Mill Products market and not the North American Hot Dipped Galvanized Steel market. However, this view should be reconsidered.

A. Product Market

The automotive industry requires various steel alloys for frame, shell, and various parts that make up a complete automobile. Because of their exposure to the elements, automobiles require steel that resists corrosion. But, automobile manufacturers cannot utilize all grades of corrosion resistant steel. Automobile-grade exposed corrosion resistant steel must also be of high strength and high enough quality to apply paint. While corrosion resistant steel of lower grades can be used in construction or products like home appliances, only sufficiently high quality, automotive-grade corrosion resistant steel can be used by the automobile industry. The most cost-efficient material to provide this protection is steel that is coated with a rust-inhibiting layer, usually composed primarily of zinc, which is referred to as Galvanized Steel. DaimlerChrysler utilizes up to a ton of Galvanized Steel per vehicle.

Two methods of galvanization are used to provide protection from corrosion—Electroplate Galvanizing and Hot Dipped Galvanizing. In Electroplate Galvanizing, steel is passed through a zinc-rich bath at ambient air temperature. An electric current is passed through the steel, which attracts particles of zinc to the steel's surface thereby plating it. In Hot Dipped Galvanizing, heated steel sheet is passed through a bath of molten zinc resulting in a thin coating of an essentially pure zinc layer on the steel. The post-coating application of heat to the zinc coated steel promotes a reaction between the iron in the steel and the zinc in the coating, creating the zinc-iron compound known as ''Galvanneal.'' In contrast, the iron and zinc do not react in electroplate galvanization and thus do not produce the desirable properties characteristic of Galvanneal.

1. Hot Dipped vs. Electrogalvanizing

Automotive-grade Hot Dipped Galvanized Steel constitutes a separate product market from galvanized steel generally because Electroplate Galvanized Steel has more limited uses and applications, especially in the automotive industry. Hot Dipped Galvanizing is less costly than Electrogalvanizing and requires substantially less energy to produce. Hot Dipped Galvanizing also impacts desirable high strength to the steel without the addition of costly alloying elements. Even if Electrogalvanizing proved to be adequate for automotive needs, the differences in stamping properties for automotive uses would require major investments in stamping, painting and other processes by automobile manufacturers that sought to switch from one process to another. As a result, Hot Dipped Galvanized Steel and Electroplate Galvanized Steel cannot easily be substituted by automobile manufacturers.

Automotive uses also require much higher grade of steels, which Hot Dipped Galvanization can best supply. For example, automotive uses require a smooth finish and very precise alloy chemistries. Hot Dipped Galvanneal has better cosmetic corrosion performance than Electrogalvanized Steel which typically has more surface defects. Automotive use also requires very tight width and thickness tolerances that Hot Dipped Galvanization can better provide. As a result, production yields for automotive-grade Galvanized Steel are much lower than for other end uses.

2. Substitutes for Galvanized Steel

As explained above, steel can be galvanized two ways—by the hot dipped or electroplating processes. Automotive companies have explored other materials, but none is likely to replace galvanized/galvannealed steel in the foreseeable future. Like electrogalvanized steel, available alternatives are not adequate for automotive

uses. Non-coated steel is much less corrosion-resistant and fails to meet minimum automotive standards for quality. Painted steels similarly fail to meet such standards. Stainless steel, while able to meet quality standards, is far too costly to serve as a viable alternative to Hot Dipped Galvanized Steel. As a result, Hot Dipped Galvanized Steel is a separate relevant product market.

B. The Relevant Geographic Market

For DaimlerChrysler and other North American automobile manufacturers, the only practical Hot Dipped Galvanized Steel suppliers are in North America.

1. Logistical Limitations

Reliance on overseas imported steel is not economically feasible because of the logistical obstacles presented by the product itself. As Susan DeSandre, Director of Body and Chassis Purchasing, North America for Ford Motor Company characterized it in proceedings before the United States International Trade Commission, ''it's heavy, it's bulky, and it rusts on water.''[1] Automobile producers require continuous supply to keep the production lines running and it is not economically feasible to transport steel by air to accommodate unforeseen variations in demand.

2. Tariffs on Imported Steel

Currently, Australia, Canada, France, Germany, Japan, and Korea are subject to antidumping and/or countervailing duties on corrosion resistant flat steel products, including Hot Dipped Galvanized Steel. On October 17, 2006, the International Trade Commission heard testimony on whether it should renew tariffs on the foreign supply of Corrosion Resistant Steel, which are currently being reviewed. The six largest automobile producers in North America have advocated removal of the duties on Corrosion Resistant Steel because the domestic steel industry is healthy and would not be materially injured by their removal. In addition, automobile producers have argued that non-U.S. sources of corrosion-resistant steel are not readily available anyway because these products are in heavy demand in foreign markets.

Although Dofasco is not a U.S. producer, an independent Dofasco would indirectly constrain anticompetitive price increases in the United States. It would be an alternate supply to DaimlerChrysler's Canadian operations and thus reduce the company's dependence on the few remaining United States suppliers of Hot Dipped Galvanized Steel. If antidumping duties are lifted on Canadian Corrosion Resistant Steel, as DaimlerChrysler believes is appropriate, a divested Dofasco has the capacity to compete directly with the three remaining North American Hot Dipped Galvanized Steel producers, US Steel, Arcelor Mittal, and AK Steel.[2] If Dofasco were controlled by Mittal, there would be no incentive for it to do so.

C. Market Concentration

Today, the market for North American Hot Dipped Galvanized Steel is highly concentrated with the top two firms representing approximately 73% of capacity and the top three firms representing nearly 90%. Arcelor Mittal alone represents nearly half of North American capacity for Hot Dipped Galvanized Steel with its acquisition of Arcelor (including Dofasco's Canadian facilities). Unless Dofasco is divested, the post-merger Herfindahl-Hirschman Index for the North American Hot Dipped Galvanized Steel market will rise from a premerger total of 2171 to more than 3200—well above the Guidelines' threshold of 1800 for a highly concentrated market. The change in concentration resulting from the merger would be over 1000 points—again well above the Guidelines' threshold for concern.

1. Concentration Through Consolidation

Only five years ago, DaimlerChrysler had a choice of nine suppliers to choose from to meet its demand for Hot Dipped Galvanized Steel. In 2001, Mittal represented a mere 8% of North American Hot Dipped Galvanized Steel capacity. LTV's bankruptcy in 2001 and subsequent combination with Bethlehem Steel into International Steel Group in 2002 ushered in a wave of consolidation that continues today. In 2003, US Steel acquired National Steel, leaving only seven suppliers of North American Hot Dipped Galvanized Steel. Mittal increased its share from 8% to 30% with its acquisition of ISG in 2005. Mittal achieved market leadership with its acquisition of Arcelor and its Dofasco facilities in Canada, and DaimlerChrysler estimates that Arcelor Mittal now has 47% of North American Hot Dipped Galvanized Steel capacity.

Unprintable graph appears here, it purports to show 2006 North America hot dip auto capacity by company. A copy of the graph is available for inspection at the Department of Justice Antitrust Division, 325 Seventh Street, NW., Room 200, Washington, DC 20530.

2. Effect of Consolidation on Prices

Although it is too early to detect the effect that Mittal's acquisition of Arcelor and Dofasco will have on prices, rising prices over the last five years, coupled with comments to industry analysts and the press by Mittal, indicate that higher prices are to come. Indeed, Mr. Lakshmi Mittal has noted that ''[c]onsolidation of the industry has accelerated * * * [l]eading to a new market oriented behavior * * * [a]nd a new fundamental price dynamic.'' See ''New Steel Paradigm and Future Challenges,'' Presentation by Lakshmi Mittal to Merrill Lynch Conference (May 11, 2006).

Over the past six years, the average price for Galvanized Steel has risen from about $500 per ton in 2000 to nearly $900 per ton earlier this year. DaimlerChrysler expects significant price increases for contracts starting in 2007. Over this same period, the number of industry participants dwindled. Thus, industrial production has decreased while prices increased to a new, higher band.

Comments to industry analysts and press by Mittal leave little doubt that the goal and likely result of consolidation is the continued rise in prices to consumers. The Automotive News observed in October of this year that ''Mittal has taken steps to stave off price cuts caused by a recent run-up in steel inventories.'' It added, ''Mittal is prepared. The company has told analysts that it will prop up prices by reducing production at one plant during that period.'' A Ton of Trouble, Automotive News (Oct. 2, 2006). ''*Mr. Mittal also hopes that a new, larger group may be able to set a lead for the rest of the industry—sending signals about when to moderate production,* and so smooth the peaks and troughs in demand that have bedeviled the steel business.'' Steel: Age of Giants, The Economist (Feb. 2, 2006) (emphasis added).

As a result, there is reason for concern about the effect of the merger on output and prices for North American Hot Dipped Galvanized Steel. These effects would be reduced by divestiture of Dofasco—and the Division should insist on its original preferred remedy.

Neither Alternative Divestiture is Viable

Although the unique circumstances existing here warrant reconsideration of this transaction's effects on the North American Hot Dipped Galvanized Steel market, the alternative divestiture remedies also fail to remedy the Division's legitimate concerns regarding the transaction's effect on the Eastern United States Tin Mill Products market.

A. Alternative Divestitures Will Fail To Preserve Competition in Either Tin Mill or Hot-Dipped Galvanized Steel Markets

Weirton has struggled since the 1970s and has nearly closed several times. In 1982, National Steel announced that it would not make the capital improvements needed for Weirton to remain competitive. In efforts to save the company, Weirton was purchased by its employees in 1984. Public offerings in 1989 and 1994 raised funds needed to modernize the plant. However, the steel import crisis that began in 1998 ''significantly reduced the company's production output, harmed its ability to control pricing and severely hampered its financial performance.'' See Weirton Steel Corporation: History, available at: *http://www.weirton.com/company/about/hist.html.* Weirton lost nearly $800 million from 1998 until it declared Chapter 11 bankruptcy in 2003. ISG purchased Weirton in 2004, and ISG was acquired by Mittal in 2005. In November 2005, Mittal shut down Weirton's steelmaking operations altogether and laid off 800 employees.

Today Weirton produces no steel and instead relies on other Mittal facilities to supply the substrate it uses in its production of tin plate. It is unlikely that Weirton will produce steel going forward. See Vicki

[1] Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan and the United Kingdom, USITC Inv. Nos. 701–TA–319, 320, 325–328, 348 and 350 (Second Review) and 731–TA–573, 574, 576, 578, 582–587, 612, and 614–618 (Second Review) Hearing Transcript at 426 (testimony of Ms. DeSandre) (Oct. 17, 2006).

[2] A fourth supplier, Nucor Corp., is not a practical alternative supplier to the auto industry for exposed automotive-grade corrosive resistant steel because its production method, which utilizes recycled scrap metal, produces steel that does not meet the tolerances required by automobile makers for substrate.

Smith, Furnace Will Stay Idle at Weirton Steel Mill, Courier-Journal (Louisville, Ky.) (Dec. 2, 2005). In any event, Weirton will almost certainly never play a role in disciplining price increases in North American Hot Dipped Galvanized Steel because it cannot produce that product. Its inability efficiently to produce the steel substrate it needs for tin mill production, coupled with relatively high transportation and raw materials costs, do not bode well for its tin mill production prospects either. In fact, Weirton is likely to be a victim of the increased concentration in the North American Steel market rather than a disciplining force. Since Weirton does not produce Hot Dipped Galvanized Steel at all, it is totally unable to discipline any output restrictions in that market.

Sparrows Point has also struggled. In October 2001, Bethlehem, which employed about 3,400 workers at Sparrows Point, filed for Chapter 11 bankruptcy. By May 2006, the plant employed only 2,500 employees and had changed hands three times in the past six years. Despite cutting costs and the introduction of new ''efficiencies and innovations, Sparrows Point is one of Mittal's most expensive plants to run because of high energy costs and more environmental regulations owing to its location on the Chesapeake Bay.'' Allison Connolly, Feeling Pressure for Profits, Balt. Sun, 1C (May 14, 2006). ''[W]orkers worry that Mittal will take away their incentives or force them to make other concessions to keep the plant open.'' Id. ''They also worry about layoffs if certain parts of the plant are idled, for example, if Mittal sends the tin work back to Weirton.'' Id. Today, Sparrows Point is used primarily to supply other Mittal plants with substrate. It is unlikely to produce Hot Dipped Galvanized Steel for use by the automobile industry and is unlikely ever to be able to operate as a stand-alone entity.

B. Divestiture of Dofasco Is the Only Viable Option To Preserve Competition

Unlike either Sparrows Point or Weirton, Dofasco has recently been a successful stand alone steel company and continues to thrive independently today (pursuant to the Hold Separate Order). If not for the Dutch trust issue, Dofasco could clearly be sold to ThyssenKrupp or a number of other potential suitors. Indeed, analysts agree that Dofasco is by far the most attractive of the three mills and that Mittal has little incentive to divest it. ''Right now time is on their side, and they are generating a lot of cash flow. * * * At the end of the day, if they can keep [Dofasco], really the winners will be Arcelor Mittal, and the losers will be ThyssenKrupp,'' says Alain William, an analyst for Societe Generale. Heather Thomas, Poison Pill Is Among the Reasons Mittal Steel Deal Remains a Multi-Company Tangle, N.Y. Times (Nov. 3, 2006).

Sparrows Point and Weirton, on the other hand, will be difficult to divest, and incapable of operating as stand-alone businesses. ''The problem is, who would want to buy either of the two? Mittal will have to decide which one to sell, but you can't manufacture a customer,'' said Charles Bradford, an independent steel analyst for Soleil Securities in New York. See Merger Proviso Gives Hope to Weirton Steel, Pittsburgh Tribune Rev. (Aug. 3, 2006). ''Weirton and Sparrow's Point are not good plants. Dofasco is * * *. Dofasco's good company and I'm not so sure that Mittal wouldn't rather have it than Weirton or Sparrow's Point.'' Romino Maurino, Mittal Steel Sets Deadline for Sale of Dofasco, Inc., Winnipeg Free Press, (Sept. 28, 2006).

The Division, with its investigative resources, has better access than DaimlerChrysler does to the underlying facts that support these comments. It has prudently reserved the right to determine whether a divestiture of either Sparrows Point or Weirton would be feasible. The Division should revisit its view that divestiture of either Weirton or Sparrows Point would be sufficient.

Conclusion

An independent Dofasco can discipline anticompetitive price increases for Tin Mill Products. But even more important from DaimlerChrysler's point of view, it can also act as a competitive constraint on anticompetitive output restrictions on the supply of North American Hot Dipped Galvanized Steel. Thus, DaimlerChrysler urges the Division to reconsider its acceptance of one of the alternative divestiture candidates and instead to insist on the divestiture of Dofasco. If the Dutch trust proves to be an immovable obstacle to the sale of Dofasco, it could simply be spun off as a freestanding entity, to operate independently, as it did as recently as January 2006. If an adequate remedy requires renegotiation of the consent decree, we urge the Division to take the steps that are necessary to maintain competition in the steel industry.

Sincerely,

Thomas B. Leary.
Janet L. McDavid.

cc: Allan M. Huss, Senior Counsel, Antitrust/Regulatory Affairs, DaimlerChrysler Corporation.

[FR Doc. 07–1321 Filed 4–6–07; 8:45 am]

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