

## U.S. Steel Furnace Closure

*Steel market slide fuels closure, up to eight weeks long, at U.S. Steel Canada*

**NAOMI POWELL**, The Hamilton Spectator

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U.S. Steel Canada is planning to shut its Hamilton blast furnace for up to eight weeks as the global economic meltdown hits the steel sector.

No decision has been made on whether layoffs will follow the furnace closure.

A shutdown at the former Stelco plant would likely begin at the end of the month, say sources privy to the plans. The move comes as steelmakers face plunging demand from customers badly battered by the credit crisis. Many large steel buyers have been unable to borrow the money they need to purchase steel. Others are struggling with a slowing economy that's shrinking demand for everything from construction to appliances and cars.

"It's bad out there," said Michael Locker, a New York based steel consultant. "Lending has all but dried up. Everyone hopes the U.S. bailout will open the window, but that's yet to happen."

Production at Pittsburgh-based U.S. Steel fell 8 per cent between August and September, Locker said. Orders across the North American steel industry have fallen by about 30 per cent, he added.

Trevor Harris, spokesperson for U.S. Steel Canada, declined to comment on potential production cuts. He said operational changes would be discussed in the company's quarterly earnings call, scheduled for Oct. 28.



"As we've said in the past, we will adjust production up and down to keep pace with customer orders," Harris said.

U.S. Steel's Hamilton operation has about 1,700 hourly employees and several hundred salaried workers. Steelmakers have been slashing production in an attempt to minimize damage from a rapid economic downturn.

ArcelorMittal Dofasco has already announced plans to scale back production in the second half of the year with CEO Juergen Schachler citing "tough economic times and unexpected weakness in the North American manufacturing sector." The Hamilton plant is cutting overtime and casual staff.

Parent company ArcelorMittal has said it will slash production by 15 per cent across its global operations.

Essar Steel Algoma Inc. is reportedly shutting down a blast furnace at its Sault Ste. Marie operation while Russia's OAO Severstal is cutting its October production by 30 per cent at its operations in the United States and Italy.

"Steel buying has almost stopped all around the world due to a rapid economic deterioration, falling demand and deepening financial crisis," Sal Tharani, an analyst with Goldman Sachs, said in a recent note to investors.

Even after the current credit crisis is resolved, steelmakers will still have to contend with a slowing global economy, Tharani added.

He predicts 2009 will be one of the toughest periods the steel industry has faced in several years.

Steel prices -- which hit record highs of \$1,070 US per ton in the summer -- have already fallen under \$800 US a ton.

And embattled automakers -- key steel customers -- have been slashing production. Daimler AG announced plans yesterday to end truck production at plants in St. Thomas and Oregon, cutting 2,300 jobs as it faces depressed demand for its heavy vehicles. GM announced plans this week to close a sport utility vehicle plant in Wisconsin at the end of the year.

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