

Sparrows Point To Be Renco's "Favorite Mill"

Analyst doesn't see Ohio Valley steel operations as being priority

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WHEELING - Veteran steel industry analyst Michael Locker believes the Renco Group, Severstal Wheeling's soon-to-be new owner, will make restarting the hot mill at Sparrows Point, Md., its top priority once it closes on the purchase later this month.

And Locker, president of a New York business consulting firm, has serious doubts that Renco sees steelmaking as a part of its long-term future.

Instead, he predicts the company most likely will look to make its new assets more attractive for future sale.

"I could see a scenario where they might restart (Steubenville)," Locker said, "but it's not the most likely scenario, let's put it that way. ... (Sparrows Point is) going to be the favorite mill. I don't think there's much doubt about that."

United Steelworkers Local 1190 President Bill Bensie said it may be late next week before union leaders learn more about a business plan for the mills from New York-based Renco, which on Wednesday announced an agreement to purchase virtually all of Severstal's Ohio Valley steelmaking interests, as well as hot mills in Sparrows Point and Warren, Ohio, for about \$1.2 billion.

That's \$1 billion less than Severstal paid for the plants in 2008.

Also unclear at this stage is Renco's plan for Severstal's downtown Wheeling office building at 1134 Market St., and what may become of the employees who work there.

The company already has said it plans to establish headquarters for its new acquisitions at Sparrows Point.

"The people in that building who are now working for Severstal support the Wheeling facilities, which are ongoing and will become a part of (Renco subsidiary) RG Steel when the transaction closes later this month," said RG Steel spokeswoman Bette Kovach. "It is very premature to talk about a headquarters staff other than to say it will be at Sparrows Point."

The former heart of Severstal Wheeling, the Steubenville/Mingo Junction hot mill has not produced steel in two years. Many in those communities, which have lost millions in revenue as a result of the plant shutdown, are hopeful a new owner will mean a return to work for the 1,000 employees laid off from the mill.

Locker called a restart there "possible," but he believes Renco will focus on resuming production at Sparrows Pt. and making it more attractive for future sale.

According to Locker, Renco doesn't fit the typical profile of today's steel producers.

"The days of smaller, independent, medium-sized steelmakers have passed," he said, noting the only major one operating in America is AK Steel, which owns facilities in Ohio, Pennsylvania, Kentucky and Indiana. "All the rest have been gobbled up by larger entities, and are viewed from an international perspective."

Some have touted the return of the former Wheeling-Pittsburgh mills to American ownership as great news on both a local and national level. But Locker said there are others who won't see it that way.

"Other steelmakers may argue that we don't need this much capacity, and therefore this capacity should die," he said. "There is that perspective within the steel industry and in the financial community. Too much capacity drives down prices."

Renco, founded in 1975, owns a diverse array of companies in fields including mining and mineral recovery, defense equipment, fabrication of metal products, automotive supply and retail.

The company previously owned the Warren plant from 1988 to 2006, when it was known as WCI Steel.

As it is the lone steelmaking venture in Renco's history, Locker believes that limited track record may provide a glimpse into the future.

"I don't think that Renco has a long-term interest in running steel mills," he said. "They generally shortchanged the (Warren) mill's capital needs, in my opinion."

While Locker sees Sparrows Point as the mill with the best potential of the three, he said Steubenville would likely be the next option.

Warren is a "more limited mill," he said, with Steubenville's electric arc furnace and caster providing superior capacity and versatility.

Following Wednesday's announcement, United Steelworkers Local 1223 President Jerry Conners, who represents workers at Severstal's Yorkville finishing plant, said Renco President Ari Rennert indicated during the bid process that he intended to resume production eventually at all three hot mills.

Locker, however, remains skeptical. "It will take time and money, both," he said. "And given their limited orientation toward capital... they (will) most likely put the money into Sparrows... to make it more competitive and cost-effective."

"I would never say never, but... the chances are low, at least for the next couple of years," said Locker concerning the likelihood Renco will ramp up all three mills.

He said a disadvantage for Sparrows Point is its lack of proximity to raw materials, particularly coke, which is scarce in today's market -- a feather in the cap for the Steubenville plant, situated almost directly across the Ohio River from Mountain State Carbon in Follansbee.

Renco acquired a 50 percent interest in that facility from Severstal in the deal.

Warren, though, also has a coke plant, owned by Luxembourg steel giant ArcelorMittal. And, said Locker, Renco may still prefer to ship coke produced in Follansbee to Sparrows Point.