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INSIDE TODAY

Health-care hurt

PITTSBURGH — AK Steel Corp. posted improved results for 2006 compared with the previous year, but issues related to the company's retiree health-care benefit plans helped produce a deeper loss in the fourth quarter.
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Bigger picture

DETROIT — Automakers might be cutting back on sport utility vehicles, muscle cars and horsepower to make what one industry magazine called "more practical" vehicles in the face of higher fuel prices, but the battle for bigness is still raging in pickup trucks.
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Tell us or else

NEW YORK — Union leaders at Xstrata Plc's operations in Sudbury, Ontario, said they won't back off from demands for information on the company's plans to work with neighbor CVRD Inco Ltd. in the Sudbury Basin.
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Aluminum losers

NEW YORK — U.S. exports of aluminum scrap declined for the second consecutive month in November. Shipments fell 9.4 percent in October from the previous month and another 14.2 percent in November.
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Vital signs

LONDON — China's Vital Chemicals Co. Ltd. is targeting the North and Latin American markets with the official opening of a U.S. office next week.
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Help wanted

For the latest in metal industry jobs, see pages 13 and 14.

PRICING AT A GLANCE

NYMEX		LME	
Aluminum	128.50¢	Aluminium	2,910.00
Copper	256.65¢	Copper	$5,568.00
Gold	$645.20	Lead	$1,695.00
Platinum	$1,193.20	Nickel	$40,605.00
Silver	1,318.50¢	Zinc	$3,732.00

Click through for details.

PRIVATELY OWNED tin smelters on Indonesia's Bangka Island, including this CV DS Jaya Abadi plant, were forced to shut down in October.

Tin turmoil in two nations sends price to record high

Koba raided by police as crackdown widens

SINGAPORE — Indonesian police have raided PT Koba Tin's smelter on Bangka island, local sources said, in what could be a significant escalation of the crackdown on tin production in the region.

Police sent by the central government in Jakarta sealed off the smelter Tuesday as part of a continuing investiga-

(See INDONESIAN, page 2)

Bolivia plans to seize Glencore's Vinto plant

SANTIAGO, Chile — Bolivian President Evo Morales has reaffirmed plans to nationalize the Vinto tin smelter that Glencore International AG owns through a subsidiary, Sinchi Wayra SA.

Morales used a speech to Bolivia's Congress marking the first anniversary of

(See BOLIVIA, page 4)

TK to step up US plans; court nixes Dofasco plea

PITTSBURGH — ThyssenKrupp AG (TK), Düsseldorf, Germany, will concentrate its efforts on building a new carbon and stainless steel mill in the United States after a Rotterdam court shot down its prospects for acquiring Dofasco Inc., Hamilton, Ontario.

ThyssenKrupp said its chances of acquiring Dofasco are very remote after the court ruled Tuesday that it can't force the release of Dofasco by the Dutch trust that controls the Canadian steelmaker.

Dofasco will remain under the ownership of Arcelor SA, Luxembourg, which has agreed to be acquired by Mittal Steel Co. NV, Rotterdam. ThyssenKrupp had attempted to acquire Dofasco from Arcelor Mittal, but the assets are controlled by an unusual Dutch trust created by Arcelor to ward off a takeover by Mittal Steel. Even though Arcelor later agreed to the Mittal acquisition, the Dutch trust continues to block the Dofasco sale.

Earlier this month, both Mittal and Arcelor decided against taking legal action aimed at dissolving the Dutch trust, called the Strategic Steel Stitching (*AMM,* Jan. 11).

Michael D. Locker, president of business consulting firm Locker Associates Inc., New York, said Mittal's inaction could indicate its true feelings about Dofasco. "Dofasco is a very valuable asset and really is a jewel, given its market position in the U.S. and Canada and its profitability," he said. "It's a prize that Arcelor guarded in its fight. I think Mittal now has agreed."

In explaining his hunch, Locker said: "What I see is they would prefer to keep Dofasco and divest either Weirton or Sparrows Point, in that order."

The U.S. Justice Department has told Mittal to make every effort to divest Dofasco to meet antitrust issues in the tinplate market, setting a Jan. 28 deadline for the sale. If that is impos-

(See THYSSENKRUPP, page 4)

Is Mexico ready for steel capacity boost?

Potential exists to expand output; long products prime opportunity

MONTERREY, Mexico — Efficiencies of Mexican manufacturing in competition with China are opening up the possibility of adding new steel production in the United States' southern neighbor, particularly for long steel products, an analysis shows.

Richard D. McLaughlin, Pittsburgh-based practice director for Hatch Consulting, a unit of Hatch Ltd., Mississauga, Ontario, told a workshop ahead of *AMM*'s Mexican Steel conference in Monterrey that companies like Dusseldorf, Germany,-based ThyssenKrupp AG that are eyeing new mills in the United States might want to look to Mexico instead.

Efficiency in serving other North American markets with the potential for quickly changing products to respond to market demand is among the advantages offered by Mexico, he said, adding that special bar quality (SBQ) steel products are

(See MEXICO, page 2)

N. American rebound expected in '07, but exactly when unclear

MONTERREY, Mexico — Many observers of the North American steel industry are predicting a rebound marked by rising steel prices and strong demand to begin sometime late in the first quarter or very early in the second quarter.

The reasoning, many say, is that a large inventory buildup at the service center level will have been worked off by then, making conditions ripe for pricing to head north.

Jorge Vazquez Costilla, founder and president of Harbor Intelligence, a Monterrey, Mexico,-based consulting firm, believes that prices will rebound in North America during 2007—but thinks the timeframe will be a little longer, and prices will not reach anywhere near levels they hit in summer last year.

Vazquez, a keynote speaker at *AMM*'s Mexican Steel conference in Monterrey, told

(See REBOUND, page 2)

Alcan appeals B.C. rejection of power deal

NEW YORK — Alcan Inc. will appeal a rejection by the British Columbia Utilities Commission (BCUC) of the company's proposed power agreement with BC Hydro, the Montreal-based aluminum group said Tuesday.

The proposed agreement, under which the company would sell power to the province-owned utility, is one of three conditions set by Alcan as prerequisites for its planned $1.8-billion expansion project at its Kitimat smelter, which is now under review.

The British Columbia Court of Appeal granted the company's leave to appeal application, filed Tuesday morning,

(See ALCAN, page 2)

ThyssenKrupp to step up US mill plans as court rejects Dofasco plea

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sible, Mittal will have to choose another asset to satisfy the competition issues.

North America's main tinplate producers are Dofasco; Mittal's Weirton and Sparrow's Point plants; Wheeling-Pittsburgh Steel Corp., Wheeling, W.Va.; and USS-Posco Industries, Pittsburg, Calif.

Mittal recently signed a non-binding memorandum of understanding with Esmark Inc., Chicago, as the two sides discuss the sale of the Weirton assets, although Hampshire Steel Investments also has emerged as a potential suitor (*AMM,* Jan. 19 and 22). "But that doesn't really lessen the antitrust problem in my opinion," Locker said. "It spreads it out differently, but doesn't really give you a new producer."

The handful of canning companies that use tinplate are concerned about too few competitors in tinplate manufacturing, Locker said. "They are very worried there will be oligopoly pricing around tin, sending pricing up and hurting them. And it could affect consumers. The tin of the canned food product is not an insignificant amount."

Now that a Dofasco purchase appears unlikely, ThyssenKrupp said it intends to "swiftly pursue" its plans to build a greenfield steel mill in the United States as it moves to significantly strengthen the position of ThyssenKrupp Steel North America and ThyssenKrupp Stainless North America operations.

"The Nafta (North American Free Trade Agreement) market is one of the biggest volume markets for high-grade flat carbon steel," ThyssenKrupp said. "Above-average growth is forecast in the coming years for stainless steel flat products. Central to the greenfield project is the construction of a hot-strip mill, which will be used primarily to process slab from ThyssenKrupp's new CSA (Cia. Siderúrgica do Atlantico) steel mill in Brazil."

ThyssenKrupp has said that its $2.9-billion project features a hot-strip mill and cold-rolling and hot-dip coating capacities for high-quality flat carbon steel end products. Included is a stainless melt shop with an annual capacity of up to 1 million tons of slab, with the first phase of the stainless plant designed to produce 325,000 tons of cold-rolled and 100,000 tons of hot-rolled (pickled) steel. The project could employ 2,000 people.

> **'Dofasco . . . really is a jewel, given its market position in the U.S. and Canada and its profitability. . . . I think Mittal now has agreed.'**
> *—Michael D. Locker, Locker Associates*

Constructing the stainless plant in the United States would give ThyssenKrupp Mexinox SA de CV, the company's Mexican stainless steel division, a logistical advantage over receiving material from its European plants, Ekkehard D. Schulz, ThyssenKrupp's executive board chairman, said during the company's annual general meeting last week.

In addition to the planned expansion, ThyssenKrupp will further increase vertical integration both in stainless flat products and in high-performance materials, nickel alloys and titanium, Schulz said. "Through further investment in nickel alloy and titanium production, we intend to play a stronger role in the fast-growing aerospace and energy markets."

But before ThyssenKrupp can play a role in these markets, it has to build in the markets. And steel analysts say it's hard to tell where the steel and stainless markets will be when the mill starts up.

One East Coast metals analyst said his understanding is that ThyssenKrupp is only in the very early stages of planning. "They don't have a location or permits," he said, "so I think we're probably a few years away. Right now, the stainless market is still pretty strong. But a year from now it's hard to say."

ThyssenKrupp hasn't announced a location for the mill, although it has narrowed down the possibilities to Louisiana, Arkansas and Alabama.

Paul Aucoin, chairman of the St. James Parish Economic Development Board in Louisiana, said a confidentiality agreement prevents him from discussing the project, but he understands his community is on the short list for the project. He added that he was pleased to hear ThyssenKrupp reiterate specific plans for the United States.

"From what I understand, they were going to come forward in the U.S. anyway, and it was misinformation that they weren't going to build if they got the Canadian company," Aucoin said. "But I guess that settles it. If there were any ifs, ands or buts, it settles it once and for all."

ThyssenKrupp needs to be careful about the type of specialty steel it makes at the new plant or it could face a loss on the bottom line, the East Coast metals analyst said. "Many stainless companies are moving away from the lower grades and moving up the value chain, so I don't know how much of a difference it's going to make. I would question, if they're doing lower-end stuff, the return on capital for that decision. If you increase capacity in a commodity product there's only one thing that happens when you do that—prices go down."

However, a company could save money with a new mill by utilizing improved steelmaking and energy technologies, the analyst said. North American Stainless Inc., Ghent, Ky., is the newest mill among the stainless producers in the United States and is the least-expensive.

"If it's a new plant from scratch and they're the cost leader, that may help," the added.

Commodity grades of stainless are heavily used by appliance and automobile makers, and those markets are not doing as well right now with lower housing starts and trouble in the automotive sector, he said. "But who knows what happens in two years? The housing market could have stabilized and who knows what happens to auto."

Maria Guzzo
mguzzo@amm.com

Bolivia reaffirms plan to nationalize tin smelter

(Continued from page 1)

his presidency to announce that the state mining sector will take control of the tin and antimony smelters in Vinto.

"We soon hope to count on your cooperation for the recovery of the Vinto metallurgical company, which is patrimony of the state, that was fraudulently sold (in the 1990s by former president Gonzalo Sánchez de Lozada)," he told senators and deputies during a four-hour speech.

Morales will claim state ownership of Vinto using the same policy with which he nationalized the hydrocarbon sector in 2006 to increase state revenue. Hydrocarbon nationalization increased state gas revenue to $1.6 billion in 2006 from $240 million in 2005.

The recovery of the mining sector and industrialization are the main challenges for 2007, state news agency ABI reported. A forthcoming increase in taxes payable by the mining sector would represent "a second nationalization" as Morales seeks to increase state mining income to more than $200 million from $45 million.

The details of how and when the government will take possession of the smelter have yet to be decided, according to mining ministry officials. "The policy established by the government is to recover natural resources and the companies linked to them. I cannot be more precise about the terms. There will be negotiations (with Glencore) but I don't know if there will be a payment," a government spokeswoman said.

The recovery of ownership of the smelter has wide public support. It was sold to Sinchi Wayra (formerly Comsur) during Lozada's presidency after owner Allied Deals Plc went bankrupt. Lozada had an ownership stake in Comsur when Glencore bought the company in 2005 for $220 million. Lozada, currently living in the United States, faces extradition to Bolivia.

Vinto receives about 55 percent of the tin concentrate it processes from the Huanuni tin mine. Other main sources are Sinchi Wayra's Colquiri and Bolivar mines.

With production being expanded at Huanuni, it could process more than 30,000 tonnes per year by mid 2007, which would increase production of 99.97-percent tin to 15,000 tonnes per year from 12,000 tonnes.

However, there is speculation that efficiency would suffer with the smelter in state hands. "The future of the country will always be based in mineral production, but (Bolivia) needs private investment to improve this," Vinto general manager David Rivero said during a visit to the smelter in November. "The government can (nationalize Vinto) but it does not want to as the state has no knowledge of how to run a smelter."

Government action also is likely to meet resistance from Vinto's employees, who receive higher pay and enjoy better health, safety and work conditions than when the smelter was under state control. "The workers are disposed to defend this company," one worker said.

Paul Harris *newsroom@amm.com*