



## INFORMATION UPDATE #18

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# The Wrecking of Stelco and the Pension Funds

U.S. Steel is making a big deal about how bad Hamilton and the Lake have been for their bottom line. With this, it is going on the attack to cloud the obvious or what is really going on. U.S. Steel has been exporting its problems into Canada. The exporting into Canada of the problems of the U.S. economy generally is a trend.

The housing and auto industry in the U.S. went into serious collapse in 2008. They are both big consumers of steel. This was accompanied with problems in the financial sector.

It is generally acknowledged that none of those problems was as serious in Canada. The Canadian financial sector stayed afloat with state furnished public funds but without any major bankruptcies such as occurred in the U.S. The Canadian auto sector market quickly recovered its former



sales and housing never collapsed in any fashion comparable to housing in the U.S. Fluctuation in steel consumption could be looked into but it remains at around 16 million tons in Canada, while production consistently falls short of that.

The U.S. cannot consume all the steel it produces, especially since 2008. On top of that, many industrial consumers of steel are unhappy with the quality and price of U.S. steel and buy imported steel.

In steel and auto, the U.S. .../ 2

## On the Restructuring of U.S. Steel Canada

– Rolf Gerstenberger –

Steelworkers and retirees are not responsible for the present difficulties of the company and should not be forced to suffer losses for the irresponsibility and bad behaviour of owners and management. Many retirees and those poised to retire have devoted their entire working lives to Stelco and through their work produced enormous amounts of value. This value was the basis for the wealth of many who profited for decades through ownership of shares or debt or through executive positions and this value contributed greatly to government coffers. In spite of the former Stelco executive wrecking and sell-off of valuable assets, the work of retirees created the conditions where the facility was still evaluated at

\$2 billion when bought by U.S. Steel.

Steelworkers consistently opposed the wrecking and dismembering of Stelco, the refusal to renew the facilities, the phony application for bankruptcy in 2004, the legal theft that ensued when exiting CCAA, the destruction of old shares while in CCAA and issuing of new shares to those who seized control, the subsequent sale to the foreign monopoly U.S. Steel and its destruction of the steel works and livelihoods and abuse of steelworkers.

An independent inquiry should be held to find those responsible for the downward spiral, pillage and destruction of the steelworks; pinpoint who stole Stelco's value and hold them to account including those who

absconded with U.S. Steel's payment of \$2 billion.

The \$2 billion that U.S. Steel paid for Stelco served no purpose to assist the pension funds or renew the industrial capacity of the company. The \$2 billion disappeared into the pockets of those individuals and firms that seized Stelco under CCAA, destroyed the old Stelco shares and created new ones under their CCAA ownership and control.

USS has never said why it paid \$2 billion for facilities that in practice it immediately denigrated and constantly sought to destroy. Presumably its executives did due diligence as to its market value and worth, and the \$2 billion purchase and assumption of .../ 2

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has pushed its own crisis into Canada. This is evident in U.S. Steel's purchase of Stelco only to wreck it. And it is evident in auto, with the downsizing of Canadian production while sales in Canada quickly rebounded to pre-crisis levels.

In this situation, it seems U.S. owners and executives are using Canada as an outlet to take some pressure off their own very serious problems.

Even if we take at full value the complaint that Stelco accounts for 50 per cent of U.S. Steel losses that still leaves U.S. Steel in a losing position for the past many years. It attacks Canada for its problems in steel and lately it has been making a big noise that other countries such as south Korea, China and others are also a source of its problems allegedly for

dumping steel into the U.S. market at below what U.S. Steel says is the "cost" of production. However, U.S. Steel executives and others in the ruling elite are big supporters of neo-liberal globalization but it seems only if others are on the receiving end of any negative results.

In all this, it is apparent that they do not want to face the truth that the U.S. economy is facing serious problems. In the first quarter of this year, the U.S. economy contracted by a 2.9 per cent annual rate, the worst quarter since the 2009 first quarter, when U.S. GDP plunged 5.4 percent. Meanwhile, the Canadian economy grew 1.2 per cent at an annual rate during the first quarter 2014.

Instead of trying to deflect their problems onto Canada, U.S. Steel and others in the ruling elite in the

U.S. should clean up their own mess. One look at the disaster they have caused in the border city of Detroit makes us shudder at the prospect of such a thing happening to a Canadian city. We cannot allow it to happen.

The U.S. generally has tried to use Canada as an annexed territory to be abused in whatever way suits their interests. The treatment of Stelco since the U.S. Steel takeover follows the general trend of contempt and disdain for Canada exhibited by the U.S. ruling elite. They seem to feel they can do to Canada whatever serves their narrow private interests.

Canadians are a tolerant people but since 2008, the U.S. is pushing us too far. The wrecking of Stelco and the pension plans are beyond the pale and must not be tolerated.

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responsibility for the pension plans. If they did not think it was worth \$2 billion as they contend now, why did they buy it? Did they simply want to eliminate Stelco as a North American competitor or block a competitor such as Severstal from purchasing it?

In all these irresponsible and bad manoeuvrings, the Ontario and federal governments are complicit and responsible. The federal government was charged with the responsibility under the foreign investment act to ensure that the purchase of Stelco by U.S. Steel resulted in a net benefit to Canada. Right from the first months after the purchase, it became obvious that USS had no intention of continuing Stelco as a vibrant and prosperous steel company. Even before the economic crisis of 2008, it was clear to all concerned that USS wanted to degrade Hamilton Works in favour of its productive facilities in the U.S.

Lake Erie Works has long been considered a highly valuable facility. The Hamilton Works' blast furnace with some upgrade would be extremely efficient. USS is being disingenuous to say that Lake Erie Works plus Hamilton Works are responsible



for 50 per cent of its current losses. The losses at both those facilities have been inflicted by the company itself through irrational lockouts, shutdowns, and sale and outright destruction of assets.

The word of USS is not believable that U.S. Steel Canada is an albatross around its neck. It simply wants to organize an auction to find a market value and then do what, destroy and sell off what is left. Would it sell the facilities, including Hamilton Works to a competitor?

The responsibility for the pension plans cannot simply be dismissed or ignored through the sale of the property or by going into CCAA. The arrangement Stelco workers agreed to during their working lives included

their pensions. This arrangement meant the workers were expected to uphold their duty to work, and the company, including by extension the government that makes the rules, would uphold the terms of the defined-benefit pensions. Workers upheld their duty to work and produce value, and expect with justification that the owners of the company, whoever they may be, will uphold their duty towards the pension plans.

U.S. Steel cannot so easily dismiss its responsibility towards Ontario's economic base. Ontarians depend on the existing productive forces for their very lives. They are not willing to have executives in Pittsburgh decide their fate and dictate that perfectly good facilities are to be destroyed and obligations towards retirees are not to be upheld. The modern world cannot operate in that way. The people have to have a say and control, especially those people directly affected such as the present employees and retirees at USS facilities, as well as the municipalities.

Everything should be put on the table. U.S. Steel should be required to make all accounts available and cooperate fully with concerned Canadians.

**To contact USW Local 1005: Call 905-547-1417 or e-mail [info@uswa1005.ca](mailto:info@uswa1005.ca).  
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