

Associated Press

Esmark: Steelworker jobs will remain

By VICKI SMITH

Tuesday, October 31, 2006, 16:36

MORGANTOWN, W.Va. (AP) - Esmark Inc. will shut down Wheeling-Pittsburgh Corp.'s last remaining blast furnace within a year of taking control but keep the steelworkers who toil there, according to Esmark President Craig Bouchard.

The No. 5 blast furnace in Mingo Junction, Ohio, makes high-quality steel, but its production costs are too high, Bouchard said in an e-mail exchange with a United Steelworkers' official relaying members' questions about Esmark's hostile takeover bid.

"Every employee will be given a job that counts. There will be no reduction in force, layoffs or anything of the sort. No one will have their pay cut," Bouchard promised in the e-mail, filed Monday with the U.S. Securities & Exchange Commission. "Esmark is a growing company. We do not grow by shrinking."

Bouchard also said his Illinois-based company has negotiated a profit-sharing deal with the USW that would benefit both employees and retirees.

"I believe that all union employees can see their take-home pay increase significantly within six months of the merger," he said.

Wheeling-Pitt, which has survived two bankruptcies and remained independent through years of industry consolidation, wants to merge with Brazil's Companhia Siderurgica Nacional SA.

The union and some large investors, however, say they prefer a takeover by Esmark, a steel supplier eager to get into manufacturing.

USW officials have said that CSN expected concessions, including reductions in profit-sharing and in contributions to the fund that helps pay for retiree health care, a possible renegotiation of salaries and an extension of the labor contract.

The fight for shareholders' votes is intensifying as the Nov. 17 annual meeting approaches, and Wheeling-Pitt is working to persuade investors that its deal with CSN makes more long-term sense.

"We have been and continue to have constructive discussions with our shareholders," spokesman James Kosowski said Tuesday.

Esmark sweetened its offer last week, announcing it would ask a new board of directors to issue \$200 million in new stock to existing shareholders rather than buy out current investors.

Esmark's initial proposal allowed shareholders to cash out if the two companies merge, but the new offer acknowledged many might prefer to remain investors. That persuaded Wheeling-Pitt's third-largest shareholder, Tontine Management LLC, to support Esmark's plan.

After emerging from Chapter 11 bankruptcy in August 2003, Wheeling-Pitt built a \$115 million electric arc furnace that allows it to make steel from a combination of molten iron and scrap steel or 100 percent scrap. That gives it flexibility as costs for raw materials fluctuate.

But even with the EAF and federally guaranteed loans, Wheeling-Pitt has continued to struggle, ultimately concluding it needed a partner to survive.

It shut down the No. 1 blast furnace in Steubenville, Ohio, in May 2005 after more than a century of operation, but plans to keep the No. 5 furnace in operation.

Esmark, however, says the EAF is more efficient, and its capacity should be expanded.

Bouchard also said that Wheeling-Nisshin Inc., a joint venture in Follansbee between Wheeling-Pitt and Japan's Nisshin Steel Co., "is not attractive" and needs to be changed.

He did not elaborate in the e-mail and declined to comment Tuesday, saying only that Nisshin is a company Esmark knows and likes. More details could come after the Nov. 17 meeting, he said.

Wheeling-Nisshin began in 1986, after the two companies realized they had compatible needs. The Japanese wanted to enter the U.S. market at a time when trade relations were shaky, and the domestic industry needed to modernize its technology.

Sen. Jay Rockefeller, who was governor from 1977 to 1985, helped broker the deal. It became one of the first American-Japanese steel ventures in the United States, preceding those at the former National Steel Corp. and LTV Corp., and lasting longer.

Wheeling-Pitt shares rose 8 cents to close at \$19.77 on the Nasdaq Stock Market.