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Union sides with Esmark in Wheeling-Pitt takeover

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MORGANTOWN, W.Va. (AP) - The United Steelworkers officially picked a side in the battle for Wheeling-Pittsburgh Steel Corp., declaring Monday it will embrace a future with an Illinois steel supplier and try to defeat a merger with management's preferred partner.

In a news release late Monday, District 1 Director David McCall in Columbus, Ohio, said the USW will "use every means at the union's disposal" to defeat Wheeling-Pitt's proposed deal with Brazilian steelmaker Companhia Siderurgica Nacional, or CSN.

Wheeling-Pitt, which employs about 3,100 at plants in West Virginia, Ohio and Pennsylvania, has a tentative agreement to merge with CSN despite a looming takeover attempt by Esmark Inc., a Chicago Heights, Ill.-based steel service center. In a conference call with investors last week, Wheeling-Pitt CEO James G. Bradley repeatedly defended the deal with CSN, arguing it is the better strategic fit.

One Wheeling-Pitt spokesman could not immediately be reached for comment and a message left with another company official was not immediately returned.

Shares of Wheeling-Pitt closed at \$17.83, down 2.7 percent in trading Monday on the Nasdaq stock exchange.

The showdown for Wheeling-Pitt will culminate Nov. 17 at the annual meeting in Pittsburgh, where shareholders will vote on the two proposals and two new boards of directors.

McCall also said the union would file a grievance over alleged violations of the current contract, which allow the union to make a competing offer. The company's contention that the union must present a bid by Sept. 8 is "completely without merit," he said.

He argues the union should get the same amount of time other parties had to craft their offer.

In a letter to the company, McCall said "even the most conservative reading of the labor agreement requires that the company enter into no contract ... prior to Feb. 5, 2007."

Last week, Bradley said Wheeling-Pitt had been in exploratory talks with several potential partners for about 18 months before deciding it could no longer remain a stand-alone company and must join the ongoing, global consolidation of the industry.

The union's choice is not a surprise; in recent weeks, the steelworkers have complained that they had no contact with CSN prior to Wheeling-Pitt's public announcement.

Esmark, on the other hand, has an established relationship with the union and has been courting it for support.

"The USW is critical to our success," Esmark President Craig Bouchard said. "We can't return Wheeling-Pitt to greatness without their help. Great companies are made by the people who do the actual work, not by anyone else.

"On the flip side," he added, "I can't think of even one case of a company in the steel industry succeeding while at war with the steelworkers."

Wheeling-Pitt has survived two bankruptcies, largely with the help of the steelworkers' concessions, and the union holds two seats on the board of directors.

"The union realized that our offer is in the best interests of the shareholders, workers and retirees," Bouchard said. "It's not much more complex than that."

Wheeling-Pitt is the only U.S. steelmaker to successfully restructure through Chapter 11 since a steel-import crisis began in 1998.