

HeraldStar

Herald Star (Steubenville, Ohio)

W-P let down by USWA

By PAUL GIANNAMORE, Business editor

Monday, August 21, 2006

WHEELING — Wheeling-Pittsburgh Steel Corp. today expressed “extreme disappointment” with the United Steelworkers of America’s stance announced a week ago to fight the company’s proposed alliance with Brazil’s national steelmaker Companhia Siderurgica Nacional.

The company is putting together a meeting with CSN and USW representatives to discuss the CSN proposal and answer questions.

Wheeling-Pitt said in a press statement today its response, being delivered today to the USW, strongly encourages the USW to evaluate the CSN proposal “with an open mind, including the proposal’s strategic and operational advantages and its long-term positive impact on the company, its stockholders and employees.”

USW District 1 director David McCall said Aug. 14 the USW was filing a grievance because Wheeling-Pitt is violating the current contract by not giving the union the same amount of time to prepare a counterproposal to the CSN deal that CSN had received. McCall said Wheeling-Pitt should enter no agreements until at least early February. The company has set a Nov. 17 board meeting in Pittsburgh and plans to field a slate of company officers to represent a CSN-Wheeling-Pitt alliance.

James G. Bradley, Wheeling-Pitt chairman and chief executive, said today, “While our letter clearly identifies areas in which we disagree with the United Steelworkers regarding its interpretation of our labor agreement, as well as the benefits of the nonbinding proposal from CSN, Wheeling-Pittsburgh Steel remains committed to full and open communications between the company and the USW.”

The company said it believed it had “complied scrupulously” with the union contract and rejected its claim that additional time is due to allow the union to assert its right to bid.

The company said it welcomes an expedited arbitration hearing to resolve all grievances. “In our July 7, 2006, letter, we provided prompt notice of CSN’s proposed transaction and expressly stated that the current board of directors of Wheeling-Pittsburgh would not act to approve a transaction with CSN until definitive transaction documents had been negotiated and the right to bid period has expired,” Bradley said in the letter to the USW.

“As you well know, the board of directors of the company has not approved a merger agreement, long-term slab supply agreement, exchangeable loans or any other definitive transactional documents with CSN.”

The proposed CSN-Wheeling-Pitt alliance would see the Brazilian firm put up a Terre Haute, Ind., finishing mill and \$225 million convertible within three years to new common stock in a combined new Wheeling-Pittsburgh Steel. A new holding company would be formed to run the firm. A 10-year slab-supply agreement would be sealed with CSN, along with commitments to increase capacity of the hot-strip mill in Mingo Junction. A new galvanizing line would be added at Terre Haute.

The USW has said it has been in communication with and supports a proposal from Esmark, a Chicago-based steel service company looking to add steel production capacity, which has proposed a hostile takeover at the November board meeting. Esmark, which would field its own slate of directors to effect a merger with Wheeling-Pitt, is proposing \$473 million in an initial transaction, including the valuation of Esmark at \$273 million plus a \$200 million cash infusion. The firm also would offer \$20 per share for up to 7.3 million shares of common stock, putting the total value of the deal at about \$1.8 billion.

Wheeling-Pitt said today it has not conceded the right to bid provisions in the USW contract apply, but said it has provided information about the proposed CSN transaction to the USW “in the spirit of openness and fairness to all constituents” and said it hopes to continue to work cooperatively with the Steelworkers “to build a stronger company.”

Bradley also contends that even if the arbitrator finds the right-to-bid provisions apply, the company believes the union “has no compelling basis to demand more time to organize a competing bid in light of the fact that the Union has endorsed the Esmark proposal and has worked closely with Esmark for a number of months to develop an acquisition proposal for submission to the company’s board of directors.”

Bradley maintains Esmark’s proposal lacks a strategic vision and that the company is “a steel distributor with a limited track record and little depth in steel production, which made a proposal that offers no clear commercial benefit to the company.”

Esmark has responded to such statements by noting its board includes a number of metals industry veterans and that James P. Bouchard, Esmark’s founder, is a former U.S. Steel executive who had responsibility for U.S. Steel’s turnaround of its purchase of the Kosice steel works in the Slovak Republic. Further, Esmark has said John Goodwin, who would be the vice president in charge of Esmark’s steel operations, is a veteran of running plants for U.S. Steel in the Mon Valley and Gary, Ind., where production improvements included increasing hot mill utilization.