

Mittal in the firing line

ArcelorMittal chairperson crosses swords with French government over two blast furnaces

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This week the department of trade and industry entered the dramatic scene unfolding in France between ArcelorMittal and the French government. It requested the South African embassy in France to provide details of the public spat that grabbed headlines across the globe this week.

Speaking to City Press on Friday, the department's director-general, Lionel October, said: "I am trying to get our embassy to get the details of what is really happening. Right now, we don't know who is right or wrong because we don't have the facts on the table."

ArcelorMittal, the world's largest steel maker and South Africa's most dominant steel producer, closed the year dramatically – amid a political and production storm. That saw the French government telling the company's chairperson and chief executive, Lakshmi Mittal, to pack his bags and leave the nation.

The situation led to the Indian-born steel billionaire Mittal and French President Francois Hollande exchanging harsh words. But a blistering attack on ArcelorMittal was started by France's minister for industry, Arnaud Montebourg.

When ArcelorMittal announced it would close two blast furnaces in the Florence region, labour unions and the

government reacted with anger by condemning the company.

Montebourg was quick to accuse the company of lying to the government, and breaking its commitments to the government and employees, in a nation that is still reeling from unemployment and the social and economic effects of the eurozone austerity measures.

In South Africa, ArcelorMittal has had a mixed track record of cooperation and clashes with the government, and authorities such as the Competition Commission.

Previously, the South African government and several steel users mounted a vocal protest to Mittal's approach to increasing the price of steel.

They complained that ArcelorMittal was hiking prices in collusion with other steel producers and that it was cutting back on the rebates it offered to secondary exporters.

After the public furore over the price of steel, the matter was referred to the Competition Commission.

According to Themba Hlangani, spokesperson for ArcelorMittal, the matter of steel pricing is, after many years, still bogged down in what they call "the Competition Commission process".

Regarding the pricing issue, October said: "The main issue for us now is to mediate the dispute between Kumba and ArcelorMittal over the iron ore supply agreement. The minister (Rob Davies) has appointed a mediator and the mediator has been accepted by both parties. "Our position was that

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– Themba Hlangani

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ArcelorMittal must pass on the benefits to downstream steel users – mining, construction companies and other steel users – it was deriving from its iron ore supply agreement with Kumba at cost plus 3%.”

Kumba is the fourth-largest iron ore producer in the world and the largest in Africa.

Following the pricing debacle, ArcelorMittal courted attention yet again when it announced a bold empowerment deal. Valued at R9 billion, the deal boasted a number of high-profile and politically aligned individuals close to the governing ANC.

The empowerment partners included Duduzane Zuma, the son of President Jacob Zuma, and former economic adviser to the president, Sandile Zungu. The deal was widely criticised for being an attempt to buy political favour and company shareholders voted against it.

The failure of the transaction, mooted by ArcelorMittal SA after it was rejected by the shareholders, left the company without an empowerment partner and thus unable to comply with South Africa's empowerment laws.

Hlangani said his company was still committed to empowerment. "Empowerment is still an imperative for the company. There are a number of possible transactions on the table.

"Despite the cancellation of our proposed BBEE (broad-based black economic empowerment) transaction in 2011, concluding an equitable BBEE transaction remains a priority.

"Our top management and board is committed to concluding a transaction that will truly benefit our staff members and local communities, and substantially improve our BEE rating."

Yet, across the world, ArcelorMittal has been labelled a breaker of promises as it battles governments from France to India.

This week Hollande turned up the pressure on ArcelorMittal by demanding that its chief executive guarantee French jobs at the two blast furnaces that are under threat of closure.

A statement from the French presidency read: "The president reaffirms his determination to guarantee permanently the employment at the site and presented different permanent options."

Mittal had given the French government until yesterday to find a buyer for the two blast furnaces. The government, however, is of the view that the entire ArcelorMittal operation in Florence should be up for sale.

Caught between globally plunging demand – a debt of \$22 billion (R193 billion) – and unhappy governments in South Africa, India and France, steel baron Mittal this week met Hollande to avert the expulsion of his company from France.

Mittal continues to lose money as his personal fortune dropped more than \$3 billion last year and \$10 billion in two years as shares of ArcelorMittal tanked due to surging costs and slumping demand in Europe.

The shares hit a low in August when ratings agency Standard & Poor's downgraded the steel maker's debt rating to junk status.

ArcelorMittal has been selling non-core assets to reduce its \$22 billion debt.