

October 22, 2015

**CCAA -- Wild West Show of the Monopolies
Where Might Makes Right**

Stelco and the Need for a New Direction



*Yes, to a pro-social alternative for Stelco!
Keep Stelco producing!
Let's make it happen!*

Bewilderment is a word that comes to mind when thinking of the damage U.S. Steel has caused the Canadian economy and people without any significant pushback from the federal and Ontario governments.

What more does the gang of thieves from the U.S. have to do without Canadian governments and courts taking offence? Is capitulation to monopoly abuse on every imaginable front what it means to make the global monopolies competitive? U.S. Steel has reneged on deals with both the federal and Ontario governments, destroyed Canadian steel production and employment, reduced pension benefits through the elimination of indexation and refuses to make the pension plans whole by the end of the year as publicly promised when it bought Stelco in 2007.

It permanently shuttered a blast furnace in Hamilton, attacked active and retired workers with lockouts demanding punishing concessions from those who produce the value that monopolies covet, abused the Ontario Superior Court with bankruptcy arguments that are self-serving and incoherent to say the least and is attempting to run off to the U.S. like a thief in the night with Stelco's most lucrative sales agreements with auto producers. To top it off, it refuses to pay municipal taxes and post-retirement benefits. Come on! What more could U.S. Steel have done

before encountering some sort of resistance from governments? It has pushed the situation to the point of Stelco's collapse, gradually reducing production of steel to a shadow of its former self, favouring instead, the filling of orders from its U.S. plants. This behaviour cannot be twisted into some sort of *net benefit* for Canada, as agreed to when U.S. Steel seized Stelco; it can only be described as a *net criminal debacle*.

Steelworkers and their allies across Canada question the fawning pro-monopoly behaviour of governments with regard to Stelco during the past two decades. Why has the situation at Stelco been allowed to deteriorate to the point where the pensions and health benefits of 20,200 Canadians are under direct threat, the jobs of thousands have been destroyed, and needed value from steel production has evaporated? Those officials allowing this to happen are not fit to govern.

Neo-liberals tell Canadians with nauseating regularity that everything must be done to make the monopolies competitive. What does that mean in practice? The federal and Ontario governments did everything U.S. Steel demanded they do. They allowed the company to take over its Stelco competitor so that a Russian steel company Severstal would not do so. They gave it the pension holiday it demanded before making the plans whole as required in law, which it never had any intention of doing, while Ontario even handed it a \$150 million low interest forgivable loan to boot.

Even though Canadian steel production for many decades has not been enough to meet domestic demand for steel, the federal government allowed U.S. Steel to reduce employment and production commitments at Stelco in direct violation of the agreements under the *Investment Canada Act*, which stipulates foreign investments must result in a *net benefit* for Canada. Canadians do not know the federal government rationale for letting U.S. Steel off the hook because all negotiations and agreements remain secret. The attacks began before the ink was dry on the formal seizure document, beginning with constant U.S. Steel demands for concessions from active and retired steelworkers backed up with torturous lockouts. Pensioner benefits were unceremoniously cut with the removal of indexation. These concessions are not solutions to economic problems; they are just cash grabs to pay the rich.

Finally, pursuing a plan to crush Stelco production and renege on its obligations, U.S. Steel announced that its Canadian subsidiary, which it fully owned and had integrated into its overall empire from the time of purchase, was no longer part of U.S. Steel but an independent company with its own Board of Directors and managers. The plan asserted that U.S. Steel no longer claimed ownership of Stelco's assets. The assets would be put into bankruptcy protection under the *Companies' Creditors Arrangement Act* (CCAA) and liquidated to pay debts. But here is the kicker: the proceeds would be used to pay U.S. Steel a debt of \$2.2 billion, which it said was the priority and first claim against the liquidated assets. It declared with utmost arrogance that the purchased Stelco owed the purchaser \$2.2 billion and would have to go into bankruptcy protection to dispose of its assets and pay U.S. Steel the debt to itself while pension funds, post-retirement benefits, municipal taxes, and local suppliers and contractors could go to the back of the line.





Incredible! Instead of ownership from the U.S., the parent company simply declared its equity a debt payable by the newly declared Canadian company and the priority claim to boot. If the Ontario court did not agree to this absurd criminal claim, U.S. Steel without batting an eye said that it would mothball all Stelco production at the end of the year if not earlier. At first, U.S. Steel said it would purchase certain assets, probably Lake Erie Works and then return the money to itself as payment of debt. It now says it will not be a purchaser.

Many immediately questioned the plan. First, turning equity ownership into a debt to the owner is unusual to say the least. U.S. Steel would not be able to do such a thing in the U.S. with one of its facilities. It probably thinks it can get away with the fraud because of the border. Secondly, if U.S. Steel wants to liquidate its Canadian holdings and pocket the proceeds it is free to do so; it does not have to enter into CCAA. By abusing CCAA and entering

bankruptcy protection, U.S. Steel plans to renege on its obligations under bankruptcy protection and possibly escape with the theft of the \$2.2 billion from the sale of assets rather than have some or all of it go to legitimate claimants.

Enough nonsense and blackmail from this gang of thieves! Canadians need to go all out for a new direction set by themselves that favours the interests of Canada and within that, their own. Steel, not steal! Keep Stelco producing! Let's make it happen!

U.S. Steel has repudiated its ownership of Stelco. Fine! Be gone! U.S. Steel has given us nothing but abuse. Canadians owe it nothing. It owes Canada restitution for all the misery it has caused and value it destroyed.

Fight for a Pro-Social Solution

U.S. Steel announced publicly that it has voluntarily relinquished ownership and control of Stelco. Well. Good riddance. The Ontario government should assign a public trustee to assume ownership and control of Stelco on behalf of the people. With public ownership and the only legitimate claims against Stelco arising from the contractual obligations to pensioners and suppliers, no reason exists for Stelco to remain in CCAA bankruptcy protection. All legitimate claims can be met with value from production or minor interim loans from the government easily repaid through value from production.



Current stakeholders in Stelco should immediately pressure the Ontario government to authorize a

Stelco exit from bankruptcy protection so that it can fulfill all its obligations towards production, retirees, suppliers and municipal taxes without liquidating its assets. U.S. Steel says it has no ownership of the assets so it is no longer a stakeholder or legitimate claimant. It need not agree or disagree to exiting CCAA.



The CCAA ruling of October 14 allowing U.S. Steel to steal Stelco production orders and renege on certain obligations should be voided. Stelco can meet its obligations to pensioners for post-retirement benefits and to the City of Hamilton and Haldimand County for municipal taxes when free of control from U.S. Steel. Stelco has the legitimate right to produce and deliver all production within the existing Stelco order book, much of which U.S. Steel is arrogantly attempting to steal. The court and Ontario government should reject with contempt U.S. Steel's claim as creditor and stop its theft of Stelco's orders and delivery of production.

Dating from the purchase agreement in 2007, U.S. Steel is obligated to make the pension funds whole by the end of the year as promised. If it does so, \$100 million of the \$150 million loan is forgiven, otherwise it must still make the pension plan whole but it forfeits the entire \$150 million. That was the agreement. Also, it must stop its criminal attempt to steal production and sales, and pay restitution for the damage it has inflicted on Stelco's fixed assets and for loss of production and employment.

A government order should be issued relieving U.S. Steel of all rights to sell steel in Canada until it has fully met its obligations to make the pension plans whole, repay the Ontario loan, pay in full all municipal taxes and other supplier and contractor claims, and pay restitution for the damage it has inflicted on the Canadian economy in violation of the agreements it undertook upon the 2007 purchase of Stelco.

With an immediate exit from CCAA, no debtor-in-possession funds from the Brookfield Capital vultures should be used and all lenders' charges should cease. The bankruptcy monitor and all others given standing in the CCAA proceeding should be relieved of their duties without rights to further drain Stelco of revenue.

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Let's Make it Happen!***



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