

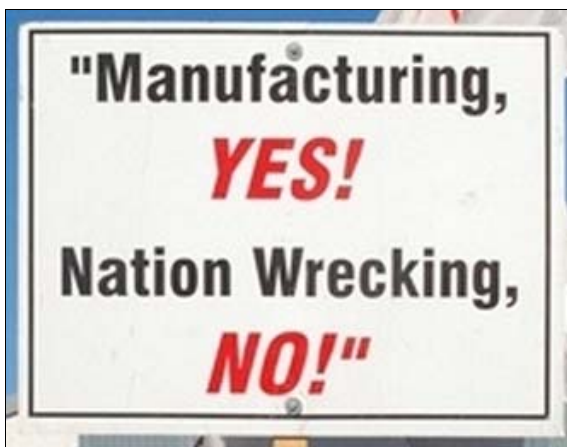
November 12, 2015

## U.S. Steel in Crisis

# Company Issues Third Quarter Report



The failure of U.S. Steel (USS) is intensifying. The monopoly is being pounded from all directions by factors that the executives and directors refuse to recognize and rectify. Because of their dogmatic positions in favour of monopoly right and the prevailing relations of production, those in control of U.S. Steel refuse to take actions that would map a new direction to reach a pro-social equilibrium with the workforce and save the company from destruction.



Instead of dealing with the reality of a monopoly capitalist economy that is anti-social and riddled with contradictions, a reality that demands a dramatically new direction and renewal, those in control lash out at the working class and at their rivals in other countries. As a result, the company appears in a freefall, plunging to possible liquidation unless the U.S. militarized state intervenes in the name of national security to preserve its steelmaking capacity as necessary for its imperialist war machine.

The USS attacks on its workers and productive forces and refusal to tackle the problems of the monopoly capitalist economy are dramatic indeed not only for the toll on the human factor but the loss of value in production. Gross income from sales for the third quarter 2015 at \$2.83 billion was down an astounding \$1.757 billion from the third quarter in 2014. Gross income was even \$70 million less than the previous equally disastrous second quarter of 2015.

Raw steel production at its U.S. mills fell from 4,133 (thousands of net tons) during the third quarter 2014 to 3,240 (thousands of net tons) in the 2015 third quarter. This reflects the overall wrecking of production in the United States and does not include the deliberate destruction of production in U.S. Steel facilities in Canada.

Of particular note in the third quarter was the continuing collapse in the tubular sector, which is most closely aligned with the oil industry. Declared USS losses in the tubular segment continued with a loss of \$50 million for the third quarter following an even greater loss of \$66 million during the second quarter. Tubular shipments have fallen dramatically since the third quarter of last year from 428 (thousands of net tons) to 92 (thousands) in the second quarter 2015 and 154 (thousands) in the third quarter 2015. This stems from the precipitous fall in the market price of crude oil and the ensuing crisis in U.S. oil shale drilling and production from fracking.

The collapse of tubular production has directly affected flat-rolled shipments. For the nine months to date in 2015 inter-segment shipments of flat-rolled to tubular within USS amounted to only 381 (thousands of net tons) compared with the nine months of 2014 when 1,331 (thousands of net tons) of flat-rolled were shipped to tubular.

The USS report refuses to address the root of the problem within the monopoly capitalist system where production and consumption are tied with the narrow private interests and motive of competing investors to seize maximum profit for themselves from the socialized economy. This motive is in contradiction with the socialized nature of modern production, which needs broad cooperation and planning amongst all sectors. The outmoded motive causes anarchy of production and consumption, and ensuing wild swings in prices and economic activity. Greed, competition and anarchy prevail rather than economic science and broad cooperation to achieve harmony and stability for the human factor and the modern productive forces based on meeting the needs of the people, economy and society.

USS executives in a most contemptuous manner, after shutting down flat-rolled and tubular production and laying off thousands of workers, brag of their refusal to solve basic problems and sing praises of their impotent response resulting in destroyed production and disruption in the security and lives of workers and their communities. This shows the rulers of USS and its government representatives are unfit to rule. The report says, "Third quarter results for our Tubular segment improved as compared to the second quarter largely as a result of a continued focus on reducing operating costs and maintaining our Carnegie Way efforts which more than offset unfavorable commercial conditions."



The crisis, where even the share price of U.S. Steel stock has plunged below \$10 from just under \$50 a mere year ago, is described as "unfavorable commercial conditions," and their so-called "improvement" is an anti-social fraud of wrecking from criminal closures and layoffs and pressure for concessions "reducing operating costs and maintaining our Carnegie Way."

The overall declared USS loss of \$173 million for the third quarter 2015 shows an out of control crisis that has raged with accumulating losses for eight years without any change in the direction of the economy or company. The losses include a declared net loss of \$207 million in third quarter 2014, and a loss of \$261 million in the second quarter 2015.

The report casually says the average realized price per ton continued to fall from \$777 (per net ton) in the third quarter of 2014 to \$695 in the second quarter 2015 and down to \$674 in the third quarter 2015. No analysis is forthcoming as to why prices of steel and oil could fluctuate so disastrously other than to blame competing monopolies. Why market prices would differ so dramatically from actual prices of production within an economy is left unsaid, not analyzed and of course left unresolved. The authors of the report want to retain the overall monopoly right to dictate everything that prevails within the economy according to their narrow private interests. The problem arises when other companies within the imperialist system of states want to do the same. The competition results in clashes and even war rather than a resolution of the problems of the modern economy according to mutual benefit, public right, economic science and a modern motive to serve the actual producers, the well-being of the people and the general interests of society.



The continued losses, wrecking of production and attacks on the working class and salaried employees, who are the actual producers, shows the lack of a new direction, and a ruling elite that have lost control of the situation. The ruling class who owns and controls U.S. Steel refuse to change or give way to a new direction led by the actual producers or even reach a mutually acceptable equilibrium with the working class. The objective and subjective conditions cry out for change but the present ruling class refuses to cede ground to the actual producers who have a modern motive of production in harmony with the socialized nature of the modern economy and

desire to march out in a new direction.

The leaders of USS are unfit to rule; they spout nonsense instead of getting out of the way of an organized working class that could solve problems within the economy in the same manner they routinely solve problems of production.

Rather than dealing with the problems as they present themselves, U.S. Steel President and Chief Executive Officer Mario Longhi talks as if he lives in another world. Speaking of the disaster that is unfolding before his eyes, Longhi blusters in impotence, "Total segment EBIT [Earnings Before Interest and Tax] improved as compared to the second quarter as we continued to take action to address our cost structure. We remain focused on our Carnegie Way transformation efforts to weather the continued difficult market environment. These efforts will better position our Company to generate stronger operating margins and respond to changing market conditions."

These comments are those of a desperate ruling elite that when faced with difficulties can only think of wrecking production, blaming their competitors and attacking the working class. "Addressing the cost structure" is capital-centred talk of firing workers and demanding concessions from those who remain. "Carnegie Way transformation efforts to weather the continued difficult market environment" is the anarchy of destroying production instead of facing the reality of a free market system that is outmoded, out of control and under the domination of monopoly right. The present direction flies in the face of the necessity of planned steel production for a known steel consumption at wholesale and retail steel prices that are determined scientifically by the prices of production, all of which would serve the actual producers and meet the needs of the people and their socialized economy.



## Attacks on Steelworkers

U.S. Steel is demanding significant concessions in wages, benefits and pensions from steelworkers in current contract talks with all unionized USS steelworkers in the United States. USS is using the disasters of its own making and those of the monopoly capitalist system to pressure workers into accepting concessions on threat of even greater losses of wages, pensions, security and employment through Chapter 11 bankruptcy protection.



Previous anti-worker concessions in industry and elsewhere in the economy have proven not to be solutions for the crisis in any sector. Demanding concessions and threatening Chapter 11 bankruptcy are ways to divert from solving the real problems as they present themselves. Concessions transfer value from the working class, which it has produced, to those who own and control the company and its debt. The transfer of wealth from workers to those in control then acts as proof that something positive has happened with the company while none of the underlying profound economic problems within the company, sector and economy have been resolved and the crisis deepens.

## Destruction of Productive Capacity at USS



**Local 1005 Steelworkers attend an Ottawa court hearing on the government lawsuit against USS for breaking its commitments under the *Investment Canada Act*, November 15, 2010.**

USS layoffs and downsizing of production in Canada are well documented leading even to a federal government lawsuit. In the U.S., the company has also engaged in closure of production and large-scale layoffs in spite of having moved some production from Canada to the U.S.

Earlier this year, USS laid off 614 steelworkers at its plant in Lorrain, Ohio and another 142 workers at a plant in Houston, Texas. This past summer, USS announced the permanent shutdown of the blast furnace at its plant in Fairfield, Alabama. Additionally, it plans to close in a matter of weeks, Fairfield's hot strip mill, pickle line, cold rolled mill, annealing facility and a stretch-

and-temper line. Approximately, 1,100 of the 1,500 workers at the plant are to be laid off.

Early this year, USS permanently closed the coke making facility at its Granite City Works in Illinois laying off 170 workers. Later it announced the entire Granite City plant would be closed indefinitely affecting 2,250 workers. It reversed that decision by keeping the plant operating, but surprised the workers in October, once again issuing layoff notices to the entire workforce saying it was serious this time about shutting the plant. Also during this year, USS closed its East Chicago tin mill plant, which is part of its Gary Works in Gary, Indiana, firing 369 workers.



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