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The Necessity for a New Pro-social Direction for the Economy

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Steelworkers, miners, oil workers, their allies and communities are giving serious consideration to a pro-social project for a new direction for the economy. The present direction is not working. U.S. Steel is in bankruptcy protection and destroying its productive capacity. Mines and oil facilities producing various commodities are in serious crisis and now Essar Algoma Steel is in bankruptcy protection for the third time in 25 years.

"The situation is not good," is on the lips of many. "We need a new direction that serves the people, the economy as a whole, our communities and general interests. We do not want or need this constant competition, backstabbing and near-sighted schemes serving only the narrow private interests of a few who live God knows where." The problem confronting the working class is how to bring into being a new pro-social direction for the economy.

Essar Algoma Steel is now a Wild West monopoly to say the least. The modern steel facility employing almost 3,000 workers has been producing high quality steel for over one hundred and ten years. By its own admission, Algoma's order book is full yet it cannot stay above water and recently laid off 200 workers. In court filings, the company complains of facing $1.2 billion in debt. The owners of this debt claim $133 million yearly in interest on the added-value workers produce while owners of equity say nothing is left for them. The company also says its pension and other social obligations are unsustainable, which only proves that its present direction is anti-social and in serious need of a new pro-social direction. No system that attacks the actual producers of value can last for long.

Inter-Monopoly Intrigue and Competition

As with all monopolies involved in the basic sectors of the economy, Essar's situation is entangled within a web of international intrigue and infighting amongst the global rich. Essar's parent company is registered in the Cayman Islands, a notorious tax refuge, and operated from Mumbai, India. The Essar global monopoly has a portfolio of companies with a combined annual realized gross income of over $35 billion from the production of 73,000 people working on fixed assets stretched across 29 countries.

Essar's website says the company has "recently completed substantial capital investment programs, investing in excess of US$17 billion in key assets across the portfolio." One wonders if Essar has been draining revenue from certain parts of its portfolio, such as Algoma, to feed its investments in other "key assets across the portfolio" or taking on excessive debt in units such as Algoma not for local needs but for transfer elsewhere to investments in "key assets across the portfolio."

One thing is certain: Essar Algoma's secured creditors are not overly concerned with the security of their Algoma loans, as they are tripping over each other to lend the Canadian facility even more money. Deutsche Bank, while being owner of half the secured loans owed by Essar Algoma, was happy to become the $200 million debtor-in-possession lender under bankruptcy protection of the monopoly-controlled *Companies' Creditors Arrangement Act* (CCAA).

The secured creditors at the "head of the line" in the Essar Algoma CCAA pecking order of assets if liquidated are:

ABL Facility (Asset-Based Loan)
Deutsche Bank Ag Toronto
$55,731,766

Term Loan
Deutsche Bank Ag New York
$494,861,449

Senior Secured Notes
Wilmington Trust Guilford Ct

$512,638,558

Junior Secured Notes
Wilmington Trust Guilford Ct
$377,264,683

The monopoly-controlled CCAA process considers the pension funds "unsecured" and behind the money lenders in the right to claim assets. The Algoma pension funds are said to lack $500 million to meet their present obligations if they were wound up at this time. Essar only bought Algoma eight years ago, leading many to wonder why it owes so much money on the assets unless those loans were used to pay for the company in the first place, were assumed upon purchase or have been spirited away and used elsewhere in Essar's global Empire.

Essar Algoma has been producing regularly in recent history, much more so than U.S. Steel, so where did all the realized added-value go aside from the annual $133 million interest claim of the moneylenders? As suggested, it possibly left Sault Ste. Marie for Essar Global's worldwide portfolio investments of which one is just south across the border in the iron ore fields of Minnesota, and what a story of global intrigue and infighting that has become.

The local Sault newspaper reports the "trigger" for Essar's filing for CCAA protection may not be the interest or pension payments but its bitter feud with the U.S. monopoly Cliffs Natural Resources Inc., which supplies it with the iron ore necessary to make steel. Essar Algoma sought to reduce the contracted price it was paying for iron ore, which has fallen dramatically on international markets. Cliffs used the demand for a lower price to halt shipments altogether leaving Algoma in a vulnerable position during the winter.

The main reason Essar Algoma applied to enter CCAA, something it refused to do just two months ago, just may be its bitter inter-monopoly fight with its main iron ore supplier, which has now cut off supplies. The rupture in supplies is said not to be a dispute over prices, but rather over a new iron ore mine Essar is building in Minnesota, which will be a direct competitor with Cliffs.

Under CCAA, Essar is seeking a court order to force Cliffs to continue supplying it with iron ore. This gives credence to what many say: bankruptcy protection is not because of problems at Algoma but rather the parent monopoly's fight with Cliffs. And its fight with Cliffs is not over the price of iron ore but over supply, or at least the eventual supply Essar will unload on the global market once it starts production at its new mine and plant in Minnesota. Cliffs says it has no intention of supplying any more iron ore to Essar regardless of the price. If true, this means the CCAA court gave Essar Algoma bankruptcy protection not because of some internal problem at Algoma, and not over steel production and sales, but on behalf of the worldwide Essar Empire in its inter-monopoly conflict with Cliffs over future iron ore production in the United States.

Cliffs and Other Iron Ore Producers Are Closing Mines Because of the Crisis While Essar Prepares to Open a New One

Cliffs is now idling its Northshore Mining operations in Minnesota, accounting for a quarter of its U.S. iron ore production, which follows the 2014 shut down of its United Taconite facility, representing an additional one-fifth of its production capacity. Even with these punishing shutdowns, which it blames on a worldwide glut of iron ore and low prices, Cliffs says its anger with Essar for developing and opening a new iron ore mine and plant at this time is so intense it refuses to supply Algoma with any iron ore period. Because of the approaching end of the Lake Superior shipping season, this is a real problem for Algoma. It appears Cliffs wants to drive Essar's North American steel and mining units out of business and into bankruptcy and liquidation, and even possibly seize them for itself. The aim appears to be to eliminate Essar as an iron ore competitor even before it starts. Cliffs may have been encouraged to do so because of widespread stories that Essar has had trouble raising money to pay contractors and others in Minnesota, thus delaying its mining project.

Essar has invested and borrowed billions of dollars to build its iron-ore-pellet production and eventual steelmaking facility in Minnesota but does admit to problems with delays and raising funds. However, according to *Metal Miner*, the Essar "plant is expected to start making iron ore pellets sometime late 2016." Initial yearly production of 7 million tons of processed taconite pellets has already been contracted and bought by ArcelorMittal's Indiana steel mill near Chicago and Essar's own Algoma steel mill just across the border in Sault Ste. Marie.

Metal Miner writes, "Critics of the plant have alleged that it was being built at a time when its product simply was not needed. There was no new demand for US iron ore, prices of which continue to be under pressure." Cliffs specifically has openly denounced Essar's iron ore development and, according to the local media, used its social, economic and political contacts to stop it. Cliffs says Essar is irresponsible for opening a new mine and plant when taconite producers throughout the state have been forced to close or cutback their operations. Cliffs and other producers such as U.S. Steel, Magnetation, and Steel Dynamics have all laid off workers in Minnesota this year. Cliffs is campaigning to force Essar to pay back immediately the $70 million in grants and loans it received from Minnesota to build the plant because "the project had failed to meet construction and project timelines and other promises."

Essar admits delays and "problems with financing" but recently arranged an $800 million loan to complete the project. This admission comes as some surprise to those north of the border who have heard nothing but stories of "too much debt" causing a drain on Algoma's realized revenue.

The inter-monopoly competition and fighting is not nation-building but anti-social nation wrecking. A stable economy with stable prices and security of employment with scientific planning creating harmony between production and consumption would serve the workers, the integrated economy, and the needs of the people and their society. Life itself has proven that such an integrated stable economy serving the people cannot be built when narrow private interests of competing global monopolies dominate the basic sectors. The constant bankruptcies, closures, intrigue and fighting amongst economic units in sectors that should be integrated have to be eliminated. A modern economy requires broad cooperation amongst its economic units not narrow competition. A new pro-social direction is necessary and more and more Canadians are convinced of this necessity and are uniting and organizing to bring it about.

For Your Information

Essar, Once Again Under Bankruptcy Protection, Owes Millions to Local Sault Ste. Marie Businesses and City

In addition to its social obligations regarding pensions and benefits, which are under assault, and the layoffs of 200 employees, the restructuring of Essar Steel Algoma has saddled 125 local Sault creditors with more than $38 million in debts. The amounts and payment are frozen under the monopoly-controlled *Companies' Creditors Arrangement Act*.

The largest local creditor is the City of Sault Ste. Marie, owed $14 million by Essar.

Largest Local Creditors Amongst the 125

The Corp. of the City of Sault Ste. Marie
$13,998,028

Triple M Metal LP
$4,051,098

Algoma Tubes Inc.
$1,566,395

Superior Industrial Services
$1,477,928

R.F. Contracting
$1,400,747

Inter Ontario Equipment Rental
$1,197,130

For the full list, click ***here***.