

September 29, 2016

**Bogus Insolvency Proceedings in the Steel Sector**  
**The Bedrock Proposal Is Not a Solution**

**Hamilton Rally in Solidarity with Locked-Out MANA Workers**



**Friday September 30 5:00 - 8:00 am**

855 Industrial Drive, Hamilton

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**Bogus Insolvency Proceedings in the Steel Sector**

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## **Bogus Insolvency Proceedings in the Steel Sector**

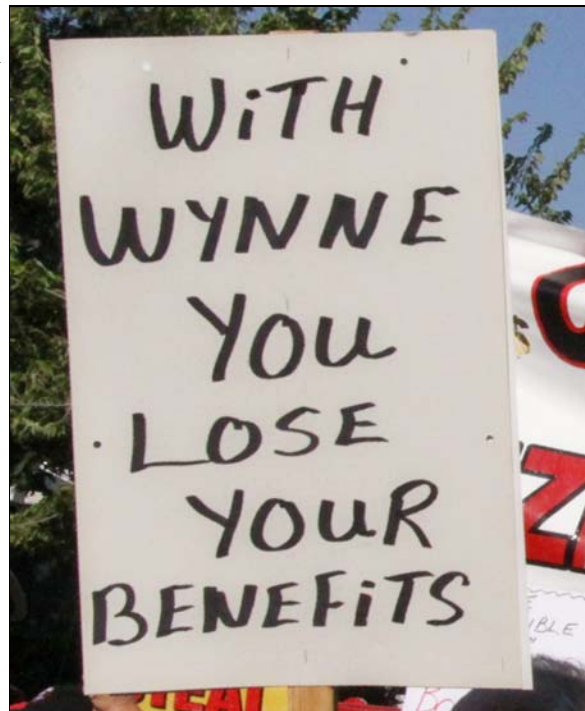
# **The Bedrock Proposal Is Not a Solution**



**Steelworkers march in Hamilton Labour Day parade, September 5, 2016.**

Bedrock Industries has signed a Memorandum of Understanding (MOU) with the provincial government to take over the productive assets of the former Stelco. The MOU appeared in the Ontario Legislature and mass media without any knowledge or input from steelworkers in Hamilton, Stelco retirees or salaried employees. Reportedly, Bedrock wants to buy the remaining assets of U.S. Steel in Canada without what it considers encumbrances, and then sell those assets in a few years for more than it paid. The terms of MOU "remain confidential until they can be released pursuant to a court process" according to the Ontario government.

To read many in the mass media, the Bedrock proposal is a plan to rescue Stelco steel production and its employees and retirees from certain doom. Without even presenting the facts of the proposal, Bedrock is hailed as a saviour selflessly offering itself and its money as a solution to the mess Canadians have fallen into. Bedrock is doing steelworkers and their communities a favour, we are told, without any facts or close analysis of course. The media campaign is to put pressure on steelworkers and salaried employees to give up their rights and not hold U.S. Steel and the federal and provincial governments to account for the mess they have created.



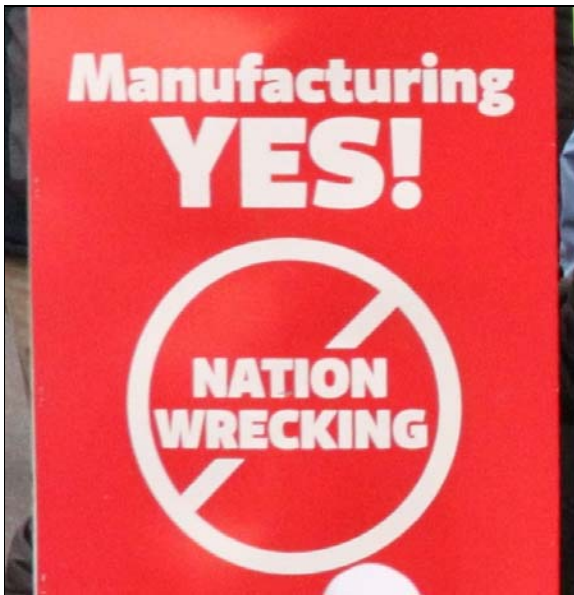
Its endorsement by many and promotion by the mass media notwithstanding, this proposal is not a solution and never will be a solution. It remains in its essence yet another self-serving pay the rich scheme to avoid taking the road of a real positive alternative that would solve problems and not violate the rights of workers, retirees and the community and put the economy on a new pro-social direction. But such an alternative is not considered by those who benefit from class privilege and

seek to impose monopoly right. It takes courage to present the problems as they exist and not manipulate them to serve the global rich and their minions.

Canadians cannot be expected to obliterate their collective memory and ignore that this Bedrock proposal has landed on their laps as if without context, without history and without those in control fulfilling the social obligations that they assumed years ago. The companies and the federal and Ontario governments have to be held to account for the problems as they exist. They cannot destroy production and then expect some magic potion will create the value necessary to fulfill the social obligations to retirees, to the present workers, especially the youth, to the community, society and environment. They cannot sever pensions, post-employment benefits, jobs and fixing the environment from value created in the present without running into the same problems again and again. What is not produced cannot be consumed. Canadians need real solutions not schemes to enrich the few at the expense of the many and their economy and society.

Certain people in positions of control and authority are playing Canadians for fools and doing them a disservice. This Bedrock proposal did not arise from the people affected, from people in Hamilton and the region who do the work and have done the work of producing steel for decades and have great knowledge of the sector and its needs. This proposal comes from the same gang of rich, mainly in the U.S., who have been manipulating the Canadian and U.S. steel economy to their advantage for years. It comes from the same rich class who hatched the plot to make the big score taking Stelco out of CCAA bankruptcy protection in 2006 and soon flipping it to U.S. Steel for a 700 per cent profit.

"How do we get out of Canada without losing our shirts to those pensioners and being on the hook to fix the polluted land," they ask each other.



"Well, some of us have money in Bedrock. We could put \$160 million in our right hand and switch it to the left hand and say that settles the secured debt to U.S. Steel. We'll dump the pension plans and OPEBs into a trust and offer to give a few dollars for a fixed time and in that way remove them from our responsibility and the balance sheet. We will give, say \$60 million, towards the Ontario Ministry of the Environment and say this is to fix the polluted lands and the government will then cancel our \$150 million debt to them. We'll put the polluted lands into a land trust and they can do whatever they want with them while we take the two plants and make lots of money from what workers produce and not have any responsibility towards the retirees and the environment. Once the dust has settled

we'll flip the company for a big score. We'll do this by having everyone in the media say we are doing Canadians a favour. Problem solved!"

Problem not solved! Real problems need real solutions! The steel economy has to be strengthened from production through circulation. The working class needs work. The pensions and OPEBs have to be made whole. The environment has to be cleaned up. To do this Stelco has to keep producing. The value steelworkers produce is the source of value to be put back into the economy, into the pensions, benefits, community and to fix the environment.

Canadians are not to be played as fools. They are dignified workers with rights; those who produce

all the value the people and society need for their existence.

***Stop Paying the Rich!  
Keep Stelco Producing!  
Keep Hamilton Producing!  
Keep Canada Producing!***



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## **Essar Algoma -- Another CCAA Restructuring Deal Concocted Behind the Backs of Those Directly Affected**

*Term owners of debt in Essar Steel Algoma propose to seize and control the company and exit the Companies' Creditors Arrangement Act (CCAA) process anticipating a big score arising from concessions from steelworkers, pensioners, salaried employees and other creditors, and pay-the-rich schemes from public funds.*

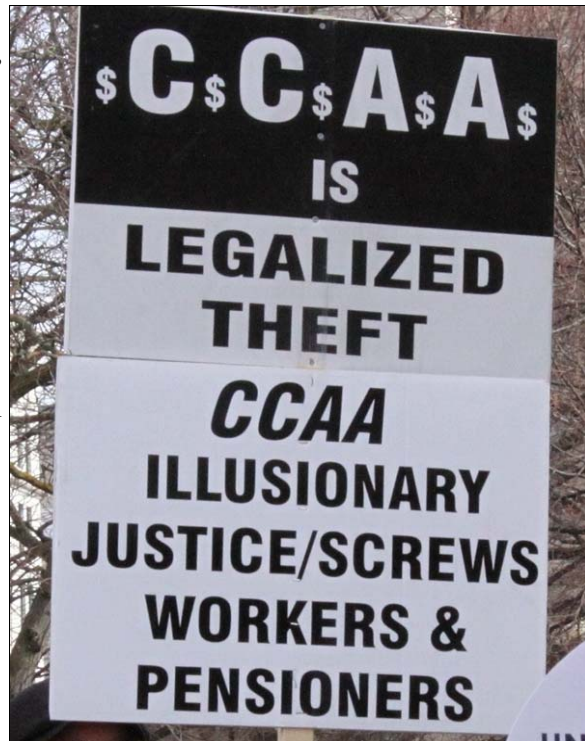
A CCAA restructuring arrangement for Essar Steel Algoma dated September 15 requires steelworkers, salaried employees, pensioners, local suppliers, and the city of Sault Ste. Marie to substantially reduce their claims on Algoma Steel's existing assets and potential produced value. It also demands relaxed environmental standards and public funds from the Ontario provincial and federal governments.

The U.S. accounting firm and restructuring monitor Ernst & Young said the deal is conditional on negotiating relief from the \$21 million property tax bill owed to the City of Sault Ste. Marie, as well as concessions from higher levels of government on pension and environmental obligations. The arrangement also demands a pay-the-rich scheme encompassing government financial handouts to the new owners.

Conditions in the arrangement require the following general conditions and concessions, which are not clearly specified.

### *Conditions related to government*

- environmental release
- revised suspected particulate matter standard
- acceptable benzo(a)pyrene standard
- financial support
- other operating permit issues



*Conditions related to unions/employees*

- amended collective bargaining agreements
- pensions/OPEBs (other post-employment benefits) relief
- management agreements
- other employee benefits

*Conditions related to company/operating*

- amendment of Port of Algoma agreements
- amendments to cogeneration facility agreements
- long-term supply agreement for iron ore
- long-term supply agreement for coal
- local tax authority agreements

Under the arrangement, control of the Algoma steelworks, the second largest in Canada with over 2,800 employees, will switch from Essar Global Fund, a Social Wealth Controlling Fund (SWCF) registered in the Cayman Islands, to a group of SWCFs including Bain Capital founded by former Republican U.S. presidential candidate Mitt Romney, GoldenTree Asset Management, Sankaty Advisors and Oak Hill Capital Partners.

Direct control and composition of the board of directors of the new Algoma Steel is proposed to be allocated based on relative size of the social wealth each SWCF owns within the project both as equity and debt and other considerations.

A point of contention is a fight over ownership and control of the Port of Algoma and the cogeneration plant. Both are controlled separately by Essar Global Fund and are crucial for functioning of the Algoma mill and circulation of both outgoing and incoming social product.

"The intercompany arrangements between Essar Steel Algoma Inc. and Port of Algoma Inc. and between Essar Steel Algoma Inc. and Essar Power Canada Ltd. must necessarily be addressed as part of the restructuring transaction," said Andrea Lockhart, a Toronto lawyer representing the debtor-in-possession lenders and term lenders behind the restructuring proposal. "To this end, the restructuring term sheet specifically provides that the amendment of the Port of Algoma agreements and the amendment of the cogen agreements must be agreed to or subject to waiver by the requisite consenting creditors as a condition to closing of the restructuring transaction," Lockhart said in an affidavit.



The SWCFs pushing the restructuring have asked the monitor "to commence an oppression proceeding under the *Canada Business Corporations Act*. They will argue that Essar Global's leasing of the port and sale of the cogen facility ignored minority shareholders and have now resulted in an impasse in the proposed Essar Steel Algoma recapitalization" according to an article in *SooToday.com*. In a written submission to the court they say, "The Port of Algoma and cogen arrangements represent a major roadblock to the consummation of the proposed

restructuring transaction."

Canadians should take note that the conditions the U.S. imperialist-controlled SWCFs are

demanding have nothing to do with solving problems in the Canadian steel sector. The conditions are demands for a transfer of existing and potential social wealth from one holder to another and for termination of public regulations and standards dealing with how steel is produced and its effect on the social and natural environment.

## **Sharp Contention Amongst the SWCFs Vying to Own and Control Algoma Steel**

*SooToday/Village Media* reports that Essar Steel Algoma creditors are engaged in quite a battle for control not only with Essar Global Funds but amongst themselves. This is evident in a July 11 CCAA affidavit sworn by Avram Z. Friedman, who describes himself as "a distressed-securities specialist at Madison Avenue-based hedge fund Davidson Kempner Capital Management LP, which holds senior secured notes issued by Essar Steel Algoma."

Friedman speaks for an ad hoc committee that represents about 70 percent of Essar Algoma's senior secured notes, valued at \$375 million, which are contending with the term lenders and debtor-in-possession lenders for control of Algoma Steel's existing and potential social wealth.

Friedman is critical of the conduct of the term lenders, accusing them of unduly influencing the court-supervised restructuring process in their own self-interest. *SooToday/Village Media* describes the term lenders pushing the current restructuring deal in the following manner:

**GoldenTree Asset Management LP** is based on New York City's posh Park Avenue. The firm describes itself as one of the largest independent asset managers specializing in corporate and structured credit. GoldenTree's 225 employees manage some \$25 billion in assets. Its holdings include 52 per cent of Postmedia Network Canada Corp., owner of the *Sault Star*, *Sault This Week*, *Elliot Lake Standard*, *Sudbury Star*, *Timmins Daily Press*, *Timmins Times*, *North Bay Nugget*, *Barrie Examiner* and many other Canadian newspapers. Earlier this year, media reports suggested GoldenTree was trying to sell its stake in Canada's biggest newspaper chain.

**Oak Hill Capital Partners**, located in Menlo Park, California, has invested more than \$8.5 billion since 1986 in 80 private equity transactions including The Container Store, Dave and Buster's restaurants, Berlin Packaging and Bell & Howell (Proquest). Microsoft Corp.'s Bill Gates and Nike Inc.'s Phil Knight have both invested in Oak Hill Capital Partners.

Boston's **Sankaty Advisors** rebranded earlier this year as Bain Capital Credit, an affiliate of Boston-based global investment firm **Bain Capital**, founded in 1984 by Mitt Romney and two partners. Romney was initially the firm's president, managing partner, chief executive and sole shareholder. Although he left the firm to run the 2002 Salt Lake City Winter Olympics and then campaigned as Republican nominee for president of the United States, the corporate culture Romney ingrained at Bain Capital became an issue in the 2012 election. "Bain Capital is notorious for its failure to plow profits back into its businesses," wrote Josh Kosman in his 2009 book, *The Buyout of America: How Private Equity is Destroying Jobs and Killing the American Economy*. Matt Taibbi at *Rolling Stone* described Romney's Bain Capital years as follows: "A man makes a \$250 million fortune loading up companies with debt and then extracting million-dollar fees from those same companies, in exchange for the generous service of telling them who needs to be fired in order to finance the debt payments he saddled them with in the first place." Today, Bain Capital is much bigger than it was when Romney left. It now boasts 950 employees and has more than \$75 billion under management. An article last year in the *Boston Globe* described how Bain is now a very different company, with an emphasis on "social-impact" investing.

The term lenders submitted an earlier unsuccessful joint bid along with another SWCF called KPS headquartered in New York. KPS would have owned 71 percent of the new Algoma, while the term lenders would have owned 29 percent with very attractive possibilities for a big score because of huge concessions demanded of steelworkers and their pensions. USW Local 2251 at Essar Steel Algoma completely rejected the proposed restructuring and KPS withdrew. The term lenders have now come up with another restructuring proposal.

Avram Z. Friedman's July affidavit identifies the term lenders as playing three deceptive roles in the Algoma CCAA in pursuit of their own private interests:

They are continuing to be term lenders.

They were accepted early in the Essar Steel Algoma insolvency proceedings as debtor-in-possession lenders.

They are also bidders for the company.

Friedman does not say that the motive of his own SWCF and the other members of the ad hoc committee of senior secured note holders is precisely the same, their own private interests. Their private interests are clashing with the private interests of the term lenders. He complains that they have an advantage in their capacity as both term lenders and debtor-in-possession lenders. They have had access to all the early-stage offers for Essar Steel Algoma before making their own bid.

Friedman writes, "The term lenders had knowledge of the number, value, structure and material terms of all other competing bids and therefore had an unfair competitive advantage over all other Phase 2 bidders.... It appears that the monitor agreed to the demands of the term lenders and provided them with access to all Phase 1 bids, despite the known concerns that this could affect the fairness and competitiveness of the process."

Friedman believes the CCAA court erred "in permitting a bidder and a bidder/creditor group (i.e. the term lenders) to work together without the supervision or oversight of the monitor, to structure a transaction that is harmful to the interests of other stakeholders.... [Essar Steel Algoma] and the monitor appear to have failed to use the process to gain leverage and maintain a competitive tension, and instead allowed one bidder/creditor group to team up with the only other bidder to advance their own agenda to the prejudice of the other stakeholders."

Friedman goes on to accuse the term lenders of repeatedly using their position as debtor-in-possession lenders to advance their own agenda without considering the interests of other stakeholders. He says the term lenders have refused to allow Essar Steel Algoma to pay the expenses of other stakeholders in the insolvency proceedings but have ensured that all their own professional fees and expenses have been paid.

"Rothschild, the term lenders' financial advisor, will also become entitled to a significant success fee, to be paid by [Essar Steel Algoma], if the sale transaction is implemented," Friedman writes in his affidavit.

Friedman does not explain how any of this infighting amongst the SWCFs and parasitic draining of Algoma assets can solve the economic, social and environmental problems associated with Canada's steel industry. Those problems are real and need real solutions. The CCAA farce and its infighting amongst the SWCFs, and constant demands for concessions from the working people and pay-the-rich schemes from governments divert attention away from finding real solutions that could bring security and prosperity to the region, strengthen the steel and overall economy, uphold people's rights and open a path forward in a new pro-social direction.

The problem confronting steelworkers, pensioners, salaried employees and the population throughout the Sault region and Canada is to organize a powerful people's front in opposition to monopoly right and its front of the imperialist rich. An organized people's front can wage an effective battle to deprive the imperialist rich and their political allies of the power they currently possess to deprive the people of their rights and the ability to solve the real problems confronting the economy and country.



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### Harassment and Criminalization of Railway Workers

## Trudeau Government Must Not Give Rail Monopolies Access to On-Board Recordings

On September 19, the Transportation Safety Board of Canada (TSB) issued a report called "Expanding the use of locomotive voice and video recorders in Canada." The report states that railway companies could be allowed to have access to locomotive voice and video recorder (LVVR) information, "if permitted," provided that their use of it is part of a non-punitive safety management system and is part of a framework that ensures the appropriate balance of rights and obligations of "all stakeholders."

The "if permitted" refers to the fact that the current legislation governing on-board recordings whether on trains, aircraft or ships forbids that the information be made available to companies or be used in disciplinary proceedings. That information is currently used by public authorities investigating transportation accidents. The TSB report implies that the Canadian government should change the *Canadian Transportation Accident Investigation and Safety Board Act* to remove this prohibition.



CP Rail, which for years has been advocating the use of on-board cameras to spy on the workers and take disciplinary actions against them under the hoax of rail safety, greeted the report of the TSB with satisfaction while demanding that it go much further in allowing the use of LVVR information by the rail monopolies including the application of disciplinary measures against railway workers "in the event of unsafe behaviour."

The Trudeau government lost no time in welcoming the TSB report. Minister of Transport Marc Garneau was quoted in a September 20 communique saying, "As Minister of Transport, I believe that the use of these devices onboard locomotives could be an important element of a comprehensive approach to managing safety, which will help better protect Canadians, their families, and the communities along Canada's rail corridors. My officials have already begun working with a number of stakeholders and partners to identify the best way to use voice and video recorders in Canada, while ensuring that they can be used within the parameters of privacy legislation and policies. Over the coming months, Transport Canada will also consult the Office of



the Privacy Commissioner of Canada and railway unions to identify ways to address employees' privacy concerns."



*Workers' Forum* firmly and unequivocally opposes the TSB's recommendation, CP Rail's demand and this liberal language of pitting workers' rights against public safety to justify giving the railway companies access to this information for self-serving purposes that have nothing to do with the safety of workers or the public. *Workers' Forum* joins with railway workers in demanding that the federal government not amend the legislation to allow these changes to happen and calls on all workers to speak out in defence of the rights of railway

workers.

Workers' safety and that of the public requires among other things that the human factor be upheld. This requires among other things that the workers can work with peace of mind and focus on the job at hand, that they be rested physically and mentally, that they have sufficient numbers to do the work safely and have their defence organizations to make proposals to improve working conditions and are listened to with respect by the companies and the government.

Instead, railway workers and their unions have been targeted for years with a constant barrage of attacks by railway companies and governments alike, with massive downsizing of the workforce, massive suspensions and firings, extreme exhaustion and so on. And now, 24/7 spying on workers could be added, with all the leeway it gives railway companies to interpret any word or gesture of a worker as a threat to the company or to safety, with the claim that this will help improve safety! This is irrational to the extreme and would only impose further anarchy and chaos on railway workers and the communities traversed by rail lines. Canadian society is badly in need of a public authority that defends the dignity and the rights of railway workers before even more devastating rail tragedies occur.

CP Rail and other rail monopolies are attacking workers with a vengeance to increase their profits and be competitive with other carriers. It is a deadly race that endangers workers and the public. This proposal to give access to on-board recordings is part and parcel of this offensive. It cannot be "balanced" with concerns or measures regarding privacy. Balance can only be spoken of if workers' rights and dignity are upheld in the first place. The very fact also that the TSB is advocating that the granting of this further privilege to the railway companies be circumscribed by having a "non-punitive safety management system" shows that a fairy tale is being proposed about rights because this non-punitive safety management system exists on paper only. It is part and parcel of railways' self-regulation. Workers have no say in it and they are not even allowed to know what is in it. It is unacceptable that the TSB continues to abdicate its duty to defend workers and the public against the narrow interests of the monopolies. Railway workers do not live in this fairy tale of "balance" and "concerns," nor does



any other worker. They need their rights to be recognized in order to be protected and this means restricting monopoly right, not expanding the arbitrary powers of the monopolies.

*Workers' Forum* calls on all Canadian workers to denounce these proposals and demands regarding the use on-board recordings and to demand that the Trudeau government not give the rail monopolies access to such information.



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## Rail Monopolies' Demands Are About Management Through Fear and Intimidation, Not Safety

*- Interview, Doug Finnsen, President,  
Teamsters Canada Rail Conference (TCRC) -*

**Workers' Forum:** In a recent communique of the TCRC, you say that the Transportation Safety Board (TSB) recommendation that railway companies be authorized to access the content of locomotive voice and video recorders (LVVR) is a Damocles' sword that the workers do not need. Can you elaborate ?

**Doug Finnsen:** This is an intrusion in the workforce like I have never seen before. Never in my life have I seen any government tribunal like TSB show such blatant disregard for the rights of workers and such an obvious bias in favour of the employer.

They are trying to find a new justification for LVVR. The TSB originally asked to have cameras on locomotives so that they can use them for their investigations, which is covered by the present law and whereby they are the only ones who can access it.

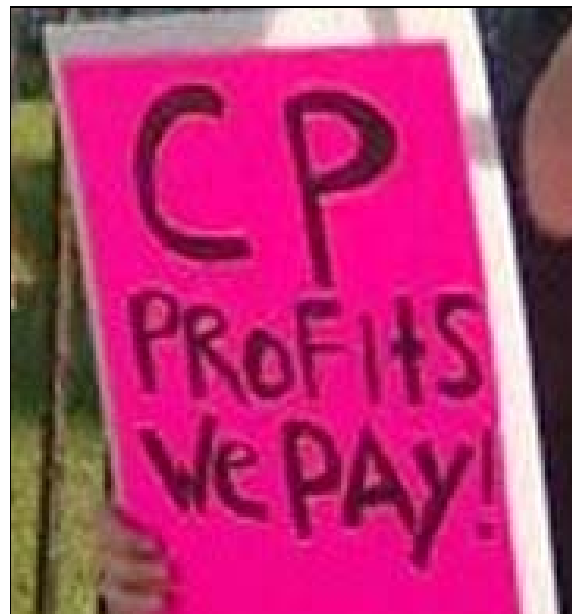
The railroads cry foul that they are not going to spend any money on that. CP Rail is the rail company that is pushing for it and it is trying to get a home run on this. They have nothing to lose.

"Why should we spend money on that?" they are saying. "We are going to spend money on those cameras if you give us the right to surveil the employees 24/7, 365 days of the year."

It has nothing to do with the actual needs of the TSB. The TSB only needs cameras operating so that they can use the recordings for their investigations. For three years now we have said that we agree with this. They should install cameras according to the existing law and give the TSB access.

This is the absolute ultimate tool for management by fear and intimidation. This is the ultimate tool for the American managers at CP to surveil the Canadian workers.

It is a sword hanging over our heads. It is not about investigating accidents and making things safer. It is about destroying the union and the workers, about making them slaves. Think about it. When you monitor someone 24/7, no one is perfect and someone is bound to say something that is



a slip of a tongue, or may be mention the word union or something else, for example, and then the company is going to target this worker with the aim of firing him.

They are playing with our rights. These people that are proposing such a thing, they have no skin in the game. It is all union members that have a skin in the game and now these people that are making these recommendations, they are not being surveilled 24/7. They are not making decisions for themselves. They are trying to make decisions for us.

And meanwhile, they won't work with us. They fight us on everything. They are already firing people for nothing right now. And we are getting them back to work. We have got tremendous success getting people back to work.

I am not convinced that the Transport Minister is going to just try and change the law to satisfy these American managers who are running CP Rail. I still have hope that in Canada our rights are valued more than the rights of American managers.

I am going to spend my time speaking to the government as a person who spent 38 years on the railroads, I can tell them first hand, I can bring in people who will tell them what it is like working on the railroad and how these measures are going to affect us.



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