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Ownership of U.S. Steel

Is U.S. Steel Conspiring to Pull Another Fast One?

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U.S. Steel recently unveiled a new corporate structure for its tubular operations. Ownership of the U.S. Steel Seamless Tubular Operations has been transferred to a new holding company, a wholly owned subsidiary of U.S. Steel called U.S. Steel Tubular Products Holdings, LLC.

The news was met with scepticism not just in Canada, where people have seen this story before, but also at the centre of U.S. Steel control. The *Pittsburgh Post-Gazette*, usually an avid USS cheerleader, carried an item entitled "Revamp at U.S. Steel raises eyebrows," from which extracts are available below.

In Canada, USS revamped its ownership of the former Stelco before putting it into bankruptcy protection in September, 2014. In the most self-serving manner, USS declared to incredulous observers that it had magically transformed its equity ownership in Stelco into debt owed to itself.

Denial of a Socialized Economy Is at the Heart of the Recurring Crises

Those in control of U.S. Steel deny the social interrelated nature of the modern economy, which arises from its roots in industrial mass production. They think steel production is a private concern and not a public one, and that private ownership and control is the most important factor in production. Instead of taking a broad social approach and viewpoint in assessing the problems at the company and steel sector, they look only to protect their ownership and control of social wealth, their narrow private interests.

They are past masters at blaming steelworkers and foreign competitors for the problems in the steel sector and the U.S. economy generally. They refuse to face the broad problems in the sector directly with genuine reforms serving the public interest. For example, they scoff at any suggestion to introduce regulations and control over prices and supply through a public authority in the wholesale sector, complaining that this would infringe on their monopoly right to control everything. Indeed, solutions to the problems faced in the economy would restrict monopoly right and transfer control away from the domination of private monopoly interests into the domain of the public interest and the actual producers.

The executives and directors reject any proposals that would serve the public good and interest. They prefer to scream at other countries, fire workers, attack people's rights, destroy productive capacity and engage in corporate manipulation to shift the burden of losses onto others as much as possible without sorting out any basic problems. The problems return with a vengeance because they emerge from the root socialized nature of industrial mass production and cannot be solved with solutions serving narrow private interests. Solutions of a broad social character serving the public interest are necessary but those in control refuse even to discuss proposals the actual producers have long put forward. The situation has reached a point where the only path forward for the working class is to deprive the ruling imperialist elite of their control over the basic sectors of the economy so that the working people can implement a pro-social agenda of their own making.

Wrecking the Productive Forces and Attacking Workers' Rights Are Not Solutions

In Canada, U.S. Steel decided to destroy much of the former Stelco's productive capacity, which would reduce a former competitor to a shadow of itself. In doing so, USS saw an opportunity to make a big score. Why not go into bankruptcy protection to eliminate the existing Stelco debt and pension obligations inherited upon purchase of the company in 2007? This debt includes a $150 million note from the Ontario government, which has already been spent, and social responsibility for over a billion dollars in pensions and other post-retirement benefits not to speak of the multiple environmental responsibilities.

U.S. Steel's scheme includes turning existing equity in Stelco into a first priority debt to itself. Within this scheme the trick of turning equity into debt is then magnified by including any bills paid for running the Stelco operation, which mostly in reality turned into not running the operation and operating the facilities continuously at a loss. All this will now be considered debt to the mother company in Pittsburgh, which of course will jump to first in line when Stelco is liquidated. Given U.S. Steel's recent demand on April 29, for the bankruptcy court to conclude proceedings as quickly as possible, the liquidation of Stelco's remaining assets could not come soon enough for the schemers. This must not pass!

"Revamp at U.S. Steel Raises Eyebrows"

Canadians learning of U.S. Steel's plan to turn its tubular operations into an LLC, warn their fellow U.S. workers and others affected by USS operations to be alert and strengthen their resistance to attacks on their rights. Canadians have direct negative experience with U.S. Steel and know firsthand that the shenanigans of this monopoly have no bounds when it comes to serving the narrow private interests of those who own and control it.

Regarding U.S. Steel's latest corporate reorganization in the U.S., the *Pittsburgh Post-Gazette* article "Revamp at U.S. Steel raises eyebrows" states in part, "For weeks, anxious employees of U.S. Steel's troubled tubular business have circulated rumors about what the managers at 600 Grant St. had in store for their unit, including setting it up for a possible joint venture or sale."

It continues:

"On Tuesday, U.S. Steel unveiled a new corporate structure for the tubular business, which last year posted an operating loss of $179 million. What the disclosure portends remains a matter of conjecture. Most likely, the news won't cause the rumor mill to throttle back to the rate U.S. Steel's tube-producing mills operated at during the fourth quarter, which one analyst calculated at 21 percent.

"In a statement Thursday, the company said it had transferred ownership of its Lorain, Ohio, and Fairfield, Ala., seamless tubular businesses from U.S. Steel to a new, wholly owned subsidiary, U.S. Steel Tubular Products Holdings LLC.

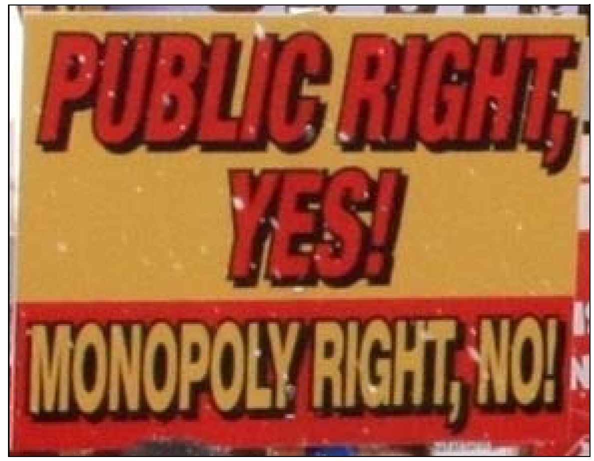
"LLC stands for 'limited liability company,' a business structure that can offer tax advantages, shield the parent from liabilities, and make it easier to dispose of the assets in the LLC.

"According to an organizational chart that David J. Rintoul, head of the tubular business, distributed to U.S. Steel employees last week, the holding company's businesses include two units: one that includes operations purchased as part of U.S. Steel's disastrous 2007 acquisition of Texas tube producer Lone Star Technologies, as well as something called 'overseas operations;' and an LLC that contains the Lorain and Fairfield businesses.

"U.S. Steel said it created the new structure March 1 to make 'operational matters for our tubular segment ... more efficient and more transparent.' One reason for the change, according to the statement, was to make it easier to pursue customers in the Middle East. U.S. Steel expects it will soon open an office in Dubai in the United Arab Emirates.

"At a town hall meeting with employees Tuesday, Mr. Rintoul reportedly told them the new structure limits the parent company's exposure to the tubular business' liabilities.

[Oh, oh, red flag here. When these imperialist elite start talking like this it means shifting the burden of problems onto others rather than seriously dealing with problems through restricting monopoly right and serving the public interest.]



"Joseph P. Nicola Jr., a tax partner at Sisterson & Co. said forming an LLC 'is a signal they are concerned about legal liabilities.'

"'The creation of an LLC as a subsidiary has the advantage of protecting the parent company of the particular unit,' Mr. Nicola said. 'An LLC will bear its own responsibility in terms of liabilities.'

"He said the structure also simplifies tax filing requirements and can reduce taxes. [...] 'It does make it somewhat easier to dispose of the business,' Mr. Nicola added.

[Prior to announcing the restructuring, USS investor relations manager Dan Lesnak said that if those in control thought the tubular facilities held value they "would have to get to the right structure" for it to be sold. "But currently it is just part of the corporation," Lesnak said. Apparently, "they" have now found "the right structure" in an LLC, as they did in Canada with their attempt to turn their equity ownership of Stelco into a debt to themselves.]

"Late last month [February], a company spokeswoman had said Mr. Lesnak's characterization [of the tubular facilities being "just part of the corporation"] was still accurate. The statement provided by the company Thursday stated: 'U.S. Steel continuously evaluates potential strategic and organizational opportunities, which may include the acquisition, divestiture or consolidation of assets.'

"The language about continuously evaluating opportunities won't quell water cooler talk that the new structure makes a sale more likely. Several current and former employees say morale at the company is low, one reason so many employees are eager to bandy rumors about.

"But the rumor begs the unanswerable question: Who would buy the business? With excess tube-making capacity, oil prices below $40 a barrel and no quick turnaround in sight, the same depressed conditions that plague U.S. Steel would be a big hurdle for any potential suitor."

That is not the question that begs answering. The real question U.S. and Canadian workers are posing is how to organize themselves into a force that is strong enough to take control of their own human productive power and the modern productive forces on which they work and begin to resolve problems in the public interest. The current direction of attacking rights and wrecking productive forces, while "continuously evaluating potential strategic and organizational opportunities" to serve the narrow private interests of a few, must be stopped.

The challenge facing workers who live and work in a completely socialized interrelated economy of industrial mass production is to resolve the contradiction between those now in control, who serve the narrow private interests of the owners of social wealth, and themselves, the working class, who are the actual producers and should control the economy in the service of the broad public interest.

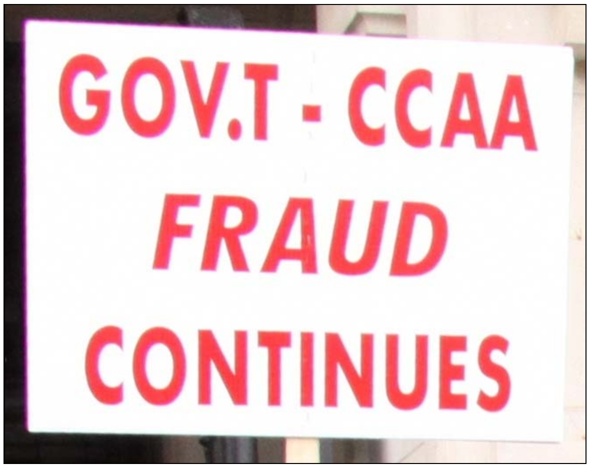
The working class in both Canada and the U.S. is charged by history to complete the transformation of petty production to industrial mass production by bringing it under the control of the actual producers. This requires establishing modern relations of production in conformity with the modern forces of production, and building a self-reliant diverse economy that serves as the material base to guarantee the well-being and rights of all.

Confronting U.S. Steel's Monopoly Privilege

Latest News from the CCAA Court

TML Daily has received a copy of the May 4 ruling by Justice Herman Wilton-Siegel refusing once again to open the secret settlement deal between the federal government and U.S. Steel. The settlement effectively ended the federal government's lawsuit against U.S. Steel for grossly violating the terms it agreed to under the *Investment Canada Act* upon purchase of Stelco in 2007. Wilton-Siegel is the Ontario justice in charge of the court process under the *Companies' Creditors Arrangement Act* dealing with U.S. Steel's pursuit of bankruptcy protection and liquidation of the former Stelco, which it calls U.S. Steel Canada. *TML Daily* will carry views and comments on his ruling in an edition next week. Wilton-Siegel's ruling is available ***here***.

U.S. Steel (USS) continued to argue in court on April 29 against opening the *Investment Canada Act* (ICA) Settlement Agreement. The secret agreement ended the federal government's lawsuit against USS for violating the terms of the original *ICA* deal upon its purchase of the Stelco steel company. USS says opening the agreement to public scrutiny violates its monopoly privilege.



The issue presents itself as one of private monopoly interests in opposition to the public interest. USS does not want any challenge to its monopoly right from the general public right of Canadians, much less from the particular steelworkers and communities directly affected by its anti-social actions. The U.S. monopoly does not want any serious scrutiny of the Stelco saga from the first time it entered bankruptcy protection under the *Companies' Creditors Arrangement Act* (*CCAA*) back in 2004 to the present. A proper public accounting would expose U.S. Steel's financial manipulation, attacks on workers' rights and Canadian economy, and other anti-social actions serving its monopoly right and narrow private interests. The exposure would also be a general indictment against the current system and public authorities, who have allowed these attacks to continue with impunity.

Since Stelco's first sojourn in *CCAA* in 2004, the public authorities in Canada and Ontario have done nothing to defend the public interest. They have bent over backwards to accommodate those in control of Stelco and U.S. Steel, who have acted with impunity to serve their narrow private interests against the broad public interest and the workers, retirees and communities directly involved. The public authorities have given concession after concession to monopoly right including waving Ontario law governing pensions and allowing USS to renege on its commitments under the *ICA*. The Ontario government even gave the Stelco conspirators a $150 million loan, which USS now refuses to pay back.

Throughout this long ordeal, leaders of the steelworkers have presented solutions to solve problems in the public interest, not only at Stelco but generally in the Canadian steel sector and economy, which for years has been under a neo-liberal siege from monopoly right. Algoma (Essar) Steel in Sault Ste. Marie is presently under *CCAA* for the third time. The public authorities and their institutions have simply ignored and dismissed the steelworkers' solutions. No serious discussion or argument over their proposals has occurred in official circles, the mass media, universities or any public authority, and that is a big problem facing the people. Monopoly right and its narrow private interests dominate public discussion, the public authorities and public space.

No public organizational form exists that can hold and sustain a discussion on how to solve problems in the economy such as those facing the steel sector. No consistent discussion is allowed in the courts, in the Ontario Legislature, Parliament, the universities or mass media. Monopoly right and its private interests dominate all public spaces where discussion should take place to solve problems, create public opinion and find a way forward.

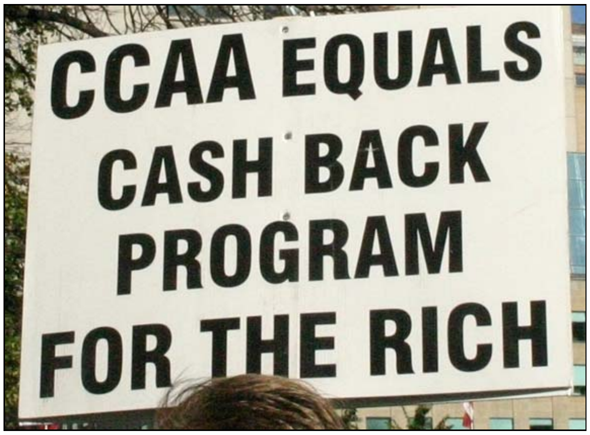
Only where the steelworkers themselves have organized discussion on the problems the steel sector and economy face does it occur, such as at Local 1005's Thursday meetings, the demonstrations, rallies and mass meetings steelworkers have organized, and in the publications of the Workers' Opposition, as well as *Information Update* and *The Marxist-Leninist Daily* and *Weekly*. This is the reality the working class movement faces. It has to build its own institutions where public right confronts the class privilege of monopoly right and fights for the recognition and realization of the public interest and the building of a stable modern self-reliant economy.

A self-reliant economy serving the public interest begins from a region and country where the people can build their own public authorities exercising sovereign jurisdiction over their affairs, with their own government of laws, which an empowered people control. An economy that has its own internal diverse strength to guarantee the rights and well-being of all engages in international trade based on mutual benefit to complement the internal economy not weaken it.

Through resolute resistance to monopoly privilege and attacks on workers' rights, and with the conscious nurturing of its own institutions, the working class can form a powerful public opinion and popular movement to solve problems and move the country forward to a modern democratic Canada.

Control and Ownership of Monopolies

Time for a new direction



Many Canadians are perplexed how U.S. Steel (USS) could simply disavow ownership of its wholly-owned Canadian subsidiary and have its assertion accepted in a court of law. By abandoning ownership of the former Stelco, it appears USS had a plan to turn the actual ownership into a debt prior to applying for bankruptcy protection under the *Companies' Creditors Arrangement Act* (CCAA). In that way, if the court accepts, the fraudulent CCAA process means USS stands to gain around $2.2 billion, if and when the former Stelco assets are sold. This windfall would come its way without any encumbrance of environmental cleanup or responsibility for the pension plans and post-retirement benefits and would mostly eliminate the former Stelco as a competing steel producing company.

The CCAA fraud leads many to wonder about ownership in today's economy so dominated by monopolies. If USS can so easily disavow its equity ownership in Stelco as part of a larger plan to seize the assets under bankruptcy protection, what is the essence of ownership of these big companies? It certainly is not similar to a small group or family owning an economic unit and depending on that unit and its productive assets for their living.

The question is not merely scholastic, as it pertains to control of our basic industries and the aim we set as a people for the economy. Who has legal control over the monopolies, especially those owned widely through stocks? If ownership can so easily be repudiated for self-serving reasons such as USS has done with Stelco, perhaps the time has come for the people to centre their concern in the economy on control and not formal ownership of the industrial giants, which are crucial to the functioning of the overall economy and well-being of the people.

Perhaps ownership should be downgraded in importance and left merely as one factor in the running of a monopoly. Control could be exercised in the public interest through a public authority with ownership receiving an average rate of profit but no direct control over the operations and its overall aim. Other crucial factors with regard to the monopoly could then be addressed, especially its accounting and the claim of governments on the value workers produce, and in the larger scheme of things, control of wholesale prices and imports and exports, and to develop a positive stable relation between supply and demand within the national economy.

The separation of control from ownership is not so farfetched given the fact that most big companies are run by professional executives who are not direct owners other than through the shares given to them as bribes to toe the capital-centred line and narrow aim of the owners. Most ownership of monopolies is widely held. If the company's equity is traded on the stock market the ownership is further spread out through the companies or institutions that own the stock. In turn, those institutions are owned by other companies forming the overall financial oligarchy that dominates the economy and country. The key issue with control is to transform the aim from one of serving narrow private interests and empire-building, to one of serving the public interest for the greater good of a stable diverse economy for nation-building to guarantee the rights of all.

Ownership of U.S. Steel

Ownership of USS exists both through ownership of equity stocks and ownership of debt. The same owners can and do own both equity and debt as is the case with USS. Both ownership groups, which overlap, exercise influence in choosing directors and executives of a company to ensure "their people" are appointed to positions of control.

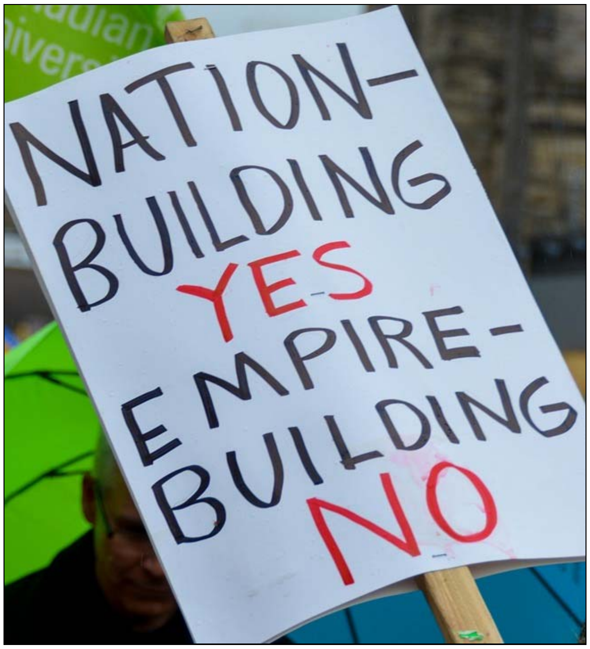
In the case of USS, equity and debt ownership in money value is about equal depending on the share price of USS stock. Moneylenders own about $2.5 billion of USS debt. Stock equity at present totals about $2.7 billion but has in recent times dropped below the total for debt.

The overlap between equity and debt ownership arises from the fact that most of today's equity and debt ownership of the monopolies is institutional and broadly held amongst the financial oligarchy. The institutions are generally a type of financial enterprise or investment fund that controls or manages the social wealth of both wealthy individuals and not-so-wealthy individuals through the banking, pension and savings system. The total social wealth is controlled by what could be called generically as Social Wealth Controlling Funds (SWCFs). These SWCFs, which are banks, insurance companies, hedge and mutual funds, pension plans etc, invest the money they control throughout the imperialist system of states in a manner that strengthens their private interests and empire-building. This gives these SWCFs enormous control and influence over the operations of most companies either through equity or debt ownership and further over the entire economy and politics wherever they operate.

In the case of USS, 329 institutional investors own over 77 per cent of the equity shares. Almost all the institutions are SWCFs that invest in equity, lend money and engage in every parasitic practice yet devised by the financial oligarchy. Many have been heavily involved in corrupt schemes resulting in criminal convictions or at least have agreed to government penalties for obvious wrongdoings. The shares, and debt, they own in USS and other companies are constantly being sold and bought anew by themselves and others. A volatile stock price presents an opportunity for a big score.

The same monopolies, such as JPMorgan Chase that owns 16 per cent of all outstanding USS shares, UBS, Morgan Stanley, Deutsch Bank etc, which buy and sell USS stock, and debt, also constantly release investor information to either boost its stock price or depress it. Two rivals with apparently different agendas for buying and selling USS stock, JPMorgan Chase and UBS, recently issued totally contrasting assessments of the stock within two days of each other.

One thing is certain, volatility in a stock price is their bread and butter as that means investors are either buying or selling and the SWCFs make money either directly or through user fees as brokers. All this has nothing to do with building a stable economy that serves nation-building, and that is the big problem as we have experienced with U.S. Steel's control of Stelco.



Control over the basic industries in the economy has to be removed from the hands of the financial oligarchy and its empire-building. Public control would introduce a new direction and aim away from the narrow aim of private interests and the damage it causes and its unwillingness and inability to solve problems. The old direction can be readily seen with the recent history of the former Stelco and indeed U.S. Steel in the United States, which involves the wrecking of the industry not its building through solving fundamental problems of nation-building.

A new direction has to be found and one idea is to have public authorities put in charge of the basic industries and charged with the social responsibility of solving problems in the public interest to ensure particular monopolies serve the overall economy and play their important role such as to produce steel in the case of Stelco to meet Canada's apparent demand. Ownership, both debt and equity, could receive its claim on the value workers produce according to a national average rate of return but would be removed from any direct control over the facility.

A new aim of serving the public interest and strengthening the economy for nation-building would guide the public authority in control. The people, especially the workers directly involved in a monopoly, would be charged with ensuring the new aim is faithfully followed.

Social Wealth Controlling Funds that Own Shares in U.S. Steel

Below is a list of the main institutional owners of U.S. Steel stock equity, the Social Wealth Controlling Funds (SWCFs), followed by the number of shares owned.

Total Shares Outstanding: 146,284,894.00

Valued at $18.49 per share on April 26: $2,704,807,690.06

Shares owned by the 329 SWCFs: 113,943,643 (77.82 per cent) valued at $2,106,817,959.07

A majority of the institutional shares (23,416,059) is owned by JPMorgan Chase, a traditional owner of U.S. Steel. Of course, JPMorgan is also a large moneylender as are most of the institutional owners. All the owners in the list are SWCFs. Most are both owners of equity and debt. They call themselves banks, hedge or investment funds or trusts with the odd pension fund included. They all control huge amounts of social wealth used to enrich the financial oligarchy, consolidate class privilege and direct the economy to serve private interests and global empire-building. The list below includes only the top 45 SWCFs of the 329 by order of number of shares as of the end of 2015. The entire list can be found ***here***.

Company	**Shares**
JP Morgan Chase & Co	23,416,059
Fairpointe Capital LLC	9,777,866
Vanguard Group Inc	9,518,759
State Street Corp	5,202,522
Blackrock Fund Advisors	4,936,081
Amerigo Asset Management	4,386,242
Blackrock Institutional Trust Company, N.A.	4,188,640
Morgan Stanley	4,032,639
Susquehanna International Group, LLP	3,376,294
Hodges Capital Management Inc.	2,673,689
Capital Research Global Investors	2,486,000
Luminus Management LLC	2,143,083
Dimensional Fund Advisors LP	2,098,047
Bank of New York Mellon Corp	1,689,371
AQR Capital Management LLC	1,679,479
Norges Bank	1,513,820
Ameriprise Financial Inc	1,382,593
Northern Trust Corp	1,278,243
Goldman Sachs Group Inc	1,259,526
Deutsche Bank AG	1,198,783
UBS Group AG	972,539
Credit Suisse AG	883,963
Geode Capital Management, LLC	844,472
Managed Account Advisors LLC	776,504
Two Sigma Investments LLC	764,933
Allianz Asset Management AG	598,366
First Trust Advisors LP	572,672
Bank of America Corp /DE/	539,329
Vollero Beach Capital Partners LLC	527,066
Blackrock Investment Management, LLC	500,526
California Public Employees Retirement System	495,600
Price T Rowe Associates Inc /MD/	490,149
Tiaa Cref Investment Management LLC	461,646

Principal Financial Group Inc	439,335
State of New Jersey Common Pension Fund D	425,000
QS Investors, LLC	401,595
Schwab Charles Investment Management Inc	393,704
Creative Planning	390,192
Wells Fargo & Company/MN	384,267
American International Group Inc	365,479
Nomura Holdings Inc	360,593
BBT Capital Management, LLC	360,000
Barclays PLC	351,320
New York State Common Retirement Fund	334,000
KCG Holdings, Inc.	315,134

(Source: NASDAQ)

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