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## China selects major steel mills to lead merger plans - MIIT

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China Securities News quoted Chinese Ministry of Industry and Information Technology as saying that Chinese central government would step up efforts to breed up three to five steel conglomerates that are able to compete in global market and provide support for nationwide steel industrial consolidation centered upon six to seven leading steel mills.

The ministry has already drafted two documents, Steel Industry Threshold and Guidelines for Promoting Steel Industry M&A.

The former aims to set up rigid criteria in terms of product quality, energy consumption and output scale for Chinese steelmakers. The latter is to help lift up the low production concentrate and massive efficient capacity plaguing steel sector.

The ministry has invited local governors of six provinces like Hebei, Shanxi, China Iron & Steel Association and seven steel mills and three consultancy companies to discuss the drafts in Beijing on last Friday.

The new industrial thresholds would concentrate on a string of measurements like product quality, environmental protection, energy conservation and comprehensive resources utilization. And facility measurement is to be listed as directional instead of compulsory. And a list of qualified steel mills meeting up these criteria will be released in public.

The Program said by contrary, Steel Industry Restructuring & Rejuvenation Program, released in March introduced facility measurements as the primary indicator for eliminating backward steel capacity. Blast furnaces with capacity of below 1000 cubic meters are to be shut down.

There are some 900 steel mills across the country, with top nine steelmakers representing merely 38.9% of national steel production. The three biggest steel mills account for less than 20% of the country total steel output while top four steelmakers snap up 64.1% of total steel production in US, 75% in Japan. However, to date, there have been quite few successful cross-region takeover deals. The reason for the stalemate is thorny problems like arrangements for redundant employees, corporation asset transferring, debt appraisal and settlements.

(Sourced from China Securities News)

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