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## **BHPB bid for Rio - Asian steel mills relieved**

*Thursday, 27 Nov, 2008*

Reuters reported that steel makers breathed a bit easier after BHP Billiton dropped a USD 66 billion bid for Rio Tinto that had threatened to create an iron ore powerhouse, but it may be cold comfort for an industry in extremes.

Steelmakers worldwide have been forced to slash production as the onset of a global recession erodes demand for their products, cutting prices sharply even as they continue to pay record rates for iron ore supplied under annual deals.

An executive at Sinosteel said that "This is good news for Chinese steel mills, and a smart move for BHP. Rio is the only loser in the game. BHP's London shares rose more than 10% while Rio Tinto's sank by more than 40%."

An official from a major Asian steelmaker said that "This is something favorable to steelmakers and it will definitely become an issue during annual iron ore negotiations but we don't want to elaborate on a sensitive matter that involves our supplier's business."

Mr GJ Kim analyst at Samsung Securities said that "This means the end of a long rally in iron ore prices and steelmakers will now have more bargaining power in annual term negotiations."

BHP also had more good news for mills with news it had given the green light to a nearly USD 5 billion project to boost capacity across its western Australian iron ore operations by 50 million tonnes per year to 205 million tonnes per annum.

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