
BHPB bids for Rio - Steelmakers worldwide cheer the lapse

Saturday, 29 Nov, 2008

Steel makers across the globe welcomed the collapse of BHP Billiton's USD 66 billion bid for rival Rio Tinto that had threatened to create an iron ore powerhouse with tight control over pricing.

Mr Nicholas Walters of World Steel Association said that "Clearly the steel industry is pleased since we had very grave concerns, as did many other sectors, about putting 70% of the world's seaborne iron ore market in the hands of two global conglomerates."

Meanwhile, major steelmakers such as ArcelorMittal and Corus declined to comment. In Asia, Nippon Steel, POSCO and Baosteel also kept silent, fearing they might touch a nerve at companies that they count on for about two thirds of their iron ore.

BHP's withdrawal of its hostile bid comes as the USD 800 billion steel industry is bracing for yet another tough round of price negotiations for the 2009 annual contracts for iron ore, one of the main ingredients in making steel, which are due to start soon. During the 2008 negotiations, when steel demand was booming, iron ore miners achieved an unprecedented price hike of up to 96.5% from steelmakers. However, with the steel industry cutting output sharply and iron ore miners following them, some analysts are forecasting falls of up to 40%, a dramatic reversal after six years of hefty price rises.

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