
BHPB bid for Rio - BHP chiefs explain reasons for quitting

Sunday, 30 Nov, 2008

It is reported that the board of BHP Billiton is facing its shareholders to explain why it walked away from its USD 100 billion deal to take over its rival Rio Tinto.

Mr Don Argus chairman of BHP and Mr Marius Kloppers CEO of BHP said that ending the chase for Rio was the best choice for the world's biggest miner in the current economic conditions.

Mr Don Argus pointed to Rio Tinto's debt, the majority of which it incurred through its purchase of Alcan and that was about a USD 45 billion acquisition. And the debt would have been an unacceptable risk for BHP Billiton shareholders. He said that our decision was based on our assessment of the financial and value risks as a result of the continued deterioration of near term global economic conditions and the lack of any certainty as to the time it will take for conditions to improve.

Mr Kloppers said that Chinese steel production is set to drop by about 17% YoY and that will flow onto all in the industry. He said they are very challenging times and uncertainty in the shorter term outlook remains and certain emphasizes that it doesn't expect to be immune from changes in the world economy.

He further said that in developing projects, the emphasis will be on lower risk brown field projects rather than new start up projects in higher risk countries.

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