

SE News  
HD **IT'S A STEEL**  
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WC 673 words  
PD 15 October 2014  
SN The Newcastle Herald  
SC NEHR  
ED First Drop-in  
PG 2  
LA English  
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Mills land parcel set to go on the market : EXCLUSIVE

THE future of OneSteel's Newcastle steel mills is under a cloud after owner Arrium confirmed it was looking to sell at least part of the **site** and lease it back.

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The decision has taken the main union at the **site**, the Australian Workers Union, by surprise.

Union secretary Richard Downie said that more than 1500 people were employed at the various Mayfield mills and the union would be seeking details of the proposal from the **company**.

Mr Downie said OneSteel's bar mill was shut but it was still making rod, wire, rope and tube products.

The land **sale** - which could raise an estimated \$100 **million** if the whole **site** was **sold** - comes as Arrium is struggling to raise money to reduce its debts in the face of a plummeting share price.

Arrium shocked the market last month when it said it needed to raise more than \$750 **million** to reduce debts of \$1.7 **billion**, only weeks after telling investors it was operating soundly.

The **company** failed to raise all the money it needed, leaving the underwriters - who guarantee any shortfall - sitting on substantial paper losses.

The Mayfield **sale** and lease-back proposal was confirmed by an Arrium spokesperson after questions by the Newcastle Herald.

In a written answer, the **company**

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Mills land set for **sale**

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said: "There are no plans to close any of our Mayfield facilities.

"We are, however, considering the **sale** and lease-back of a portion of the overall Mayfield **site**."

A lease-back is where a **company** sells its land but takes a lease on it, usually for a fixed number of years.

The Melbourne office of real **estate** agents Colliers International is understood to have been engaged to handle the **sale**.

At about 140 hectares, the waterfront OneSteel **site** is only slightly smaller than the 150 hectares of adjoining land made vacant when BHP shut its steelmaking business in 1999.

Combined, the two sites would make a massive industrial **site** with deepwater frontage, giving Newcastle the potential for a container terminal business big enough to rival Port Botany.

Although the terms of the privatisation of both ports appear to discourage - if not preclude - a major container terminal in Newcastle, the potential to **buy** the OneSteel **site** has not gone unnoticed in the stevedoring world.

Greg Cameron, the former BHP Newcastle adviser pushing for a Newcastle container terminal, said it would be "incompetence of the highest order to use one of Australia's best deepwater port sites for any purpose other than shipping".

"Arrium's Mayfield **site** should be **purchased** and leased-back so that it is available for development as a container terminal," Mr Cameron said.

The OneSteel mills were built as part of the Newcastle steelworks and began taking steel by train from Whyalla, in South Australia, when BHP shut the Newcastle blast furnaces in 1999.

A year later, the Whyalla steelmaking plant, the Newcastle mills and two smaller steelmaking furnaces in Sydney and Brisbane were spun out of BHP as OneSteel.

The stock debuted on the sharemarket at 79¢ a share.

Over the years, OneSteel took over Smorgon Steel - gaining the former Comsteel plant at Waratah - and spent heavily expanding its **iron ore** business in SA to ride the **China** boom.

Its shares peaked at above \$5.50 in 2008 and it changed its name to Arrium in 2012 to reflect the move away from steel.

But the fall in **iron ore** prices has hit the **company** hard, with its share price falling from \$1.50 in December last year to 33¢ this week.

While the **iron ore** business was booming, the steel side was struggling, with the **company** repeatedly engaging in cost-cutting measures to maintain profitability.

In its most recent annual report, Arrium said it sent 650,000 tonnes of steel a year from Whyalla to Newcastle.

The transport costs were not disclosed.

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<b>IN</b>	isteel : Steel Production   i22 : Primary Metals   i221 : Iron/Steel/Ferroalloys   ibasicm : Basic Materials/Resources
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