

## SPECIALTIES

- Hard to Find Items
- Fast & Reliable Deliveries
- Custom Packaging & Marking
- Just-in-Time Programs
- CalTrans Approved
- Fed & State Approved
- Full & Broken Bundles

## PROCESSING SERVICES

- Flamecutting
- Forming
- Cutting
- Punching
- Shearing
- Slitting
- Beam Splitting
- Welding
- Coating



- WF Beam
- I-Beam
- HR Channel
- HR Sheet & Coil
- CR Sheet & Coil
- Galv. Sheet & Coil
- HR Plate
- Flat Bar
- Round Bar
- Square Bar
- Rect. Tube
- Round Tube
- Pipe
- Floor Plate
- Expanded Metal
- Trench Plate
- Shoring
- Stainless Steel
- Aluminum

**800.388.8998**  
www.paragonsteel.com

PRESORTED  
STANDARD  
U.S. POSTAGE  
PAID  
TMH, Inc.

**PARAGON STEEL**  
3700 Santa Fe Avenue  
P.O. Box 9009  
Long Beach, California 90810

A HIGHER LEVEL OF  
QUALITY AND SERVICE  
www.paragonsteel.com



AUGUST 2006



## When Big Steel Gets Bigger

By Jim Stavis

It seems that when two large behemoth companies get together it generates big headlines. When AOL and Time Warner, or SBC and AT&T or Mercedes Benz and Chrysler united, it sent shock waves through their respective industries. So you would think that when the largest steel maker in the United States and the world, Mittal, is proposing to pay \$32 billion in cash and stock to buy Luxembourg based Arcelor, that a few heads might be turned. When the deal closes later this year, the new company will be a monster, producing 110 million tons of steel annually, three times more than No. 2 Nippon Steel. The combined revenues of the two giants of \$68.5 billion will vault Mittal from #208 on the Fortune 500 to #63. The combined company will control 10% of world steel production and believe it not, Mittal is still not satisfied and is searching for more.

These are heady times for the steel producers around the world. It was not too long ago when steel manufacturers were closing their smoke stacks and shuttering their facilities due to excessive employee

*(Continued Inside)*

## When Big Steel Gets Bigger

*(Continued from Front)*

legacy costs and an inability to compete on a global basis. Traditional steel giants such as Bethlehem, U.S. Steel and LTV were making multiple trips through bankruptcy court when New York turnaround artist and financier, Wilbur Ross, purchased assets creating the International Steel Group (ISG). He cut management, improved working relations with the US Steelworkers Union and generated profits, then sold ISG to Mittal for \$4.5 billion in April 2005. He made a cool \$1.2 billion for his turnaround effort. With global steel prices soaring hiked by world demand, Mittal's U.S. operations are expected to generate operating income of \$1.5 billion this year alone. That's right, \$1,500,000,000...

So what does this mean to the rest of the known steel world? For one thing, there has never been any company that has individually controlled such a significant segment of the world's steel production. Even in the days of Dale Carnegie, steel production has always been spread amongst several steel producers. The industry as a whole has always been fragmented as has the distribution chain that has provided their products to end users. This is in large part why the industry has always remained competitive in good times or in bad. Our free economy has been founded on "healthy competition" and "survival of the fittest". In my estimation, the move towards consolidation where fewer players have the ability to control the rules of the game, the more we move away from that "healthy competition" goal. Secondly,



steel companies that originate in foreign lands do not always operate in a manner which best serves our country. Mittal is owned and operated by an Indian family while Arcelor is of Luxembourg origins. Is it healthy for us as a nation to allow an outsider, one not even on our Stock Exchange, to play such a dominant role in an industry that has been central to our country? During wartime we have viewed the steel industry as central to the security of our nation. Are we now willing to allow others to control it?

Soon Toyota will be the dominant car maker in the world, but it is still different than allowing foreign interests to own and operate General Motors and Ford Motor Company. I believe it is a dangerous precedent to establish.

Mittal would argue that one large supplier can smooth out the previous boom and bust cycles of the steel industry, keeping prices stabilized and supply equalized to world demand. We will have to wait to see on that prediction.

*Jim can be e-mailed at [jsnavis@paragonsteel.com](mailto:jsnavis@paragonsteel.com)*

## Paragon Metal Processing Servicing Customers a CUT Above

It was about five years ago when the owners of Paragon Steel realized that to truly provide the Higher Level of Service that had become the foundation of the company, it would be necessary to develop an efficient and competitive metal processing division. The problem was in how to set it up. Steel processing was very different from steel distribution in that it required equipment acquisition, maintenance and know how; a work force that was trained and competent; and above all it would take an indoctrination of Paragon Steel service principles that were lacking in the industry.

It was found that more and more companies were looking to outsource portions of their production processes in an effort to save money, stay globally competitive and reduce overhead. Many companies had gone to Mexico as a solution but had quality and service problems, plus crossing dealing with border issues was a constant challenge. Others sought relief in Asia, but found that they had to buy in larger quantities than they wanted and had to pay with

letters of credit, sometimes in advance.

Many companies realized that outsourcing as a concept made sense for a variety of business reasons, but had been unsuccessful in finding the right source. That was the exact reason why we founded Paragon Metal Processing. It was built with customer requirements in mind – where customers could build a partnership with a steel vendor who could build and store their inventories for just in time service, anticipate price changes and react accordingly, and deliver in quantities according to their needs versus the desires of the producer.

If you are one of those companies, we encourage you to give Paragon Metal Processing a shot at your processing business. We specialize in cutting of angles, tubing, channel and even beam. Plus there are a variety of other services that are detailed in our processing brochure (which is a telephone call or E-mail away). Should you require a sales call, contact Sam Rizzardo (310) 830-5189 or E-mail [sales@paragonmetalprocessing.com](mailto:sales@paragonmetalprocessing.com).

## Quote of the Month

*"In the business world, the rear view mirror is always clearer than the windshield"*

*- Warren Buffet*