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## Hebei Province plan 5 large groups in steel sector

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It is reported that the local government of Hebei Province planned to foster five large scale groups in steel industry.

After forming HBIS, the second largest crude steel producer around the world, the integration of hundreds of private mills became another hot issue for local government. It was said that HBIS will integrate private mills of Hebei province in a special way which is not merger or acquisition.

After acquiring Shijiazhuang Iron & Steel by CNY 1.9 billion, HBIS has completed the integration of state owned steel mills in Hebei province, which has become a good sample for other local state owned steel enterprises.

But HBIS has long time idea of merging private steel mills. In NPC meeting and Political Consultative Conference of the year, Wang Yifang once had a famous saying on integration of steel mills “The integration of state owned enterprises is a kind of power adjustment, while that of private mills is a kind of interest adjustment.”

But analysts said that compared with private enterprises, state owned steel enterprises have no advantages in products positioning, marketing and management, so such integration of HBIS is more likely to be technological and management corporation, hard to say its real meanings.

It is the central government’s decision to lift up the concentration of iron and steel industry by merger and acquisition. MIIT has urged local governments to report restructuring plans, with deadline of this and next year at the end of October Provincial government of Hebei has planned to foster 3 to 4 steel groups, estimating taking up 75% of the provincial production in 2015, with 48% in 2009.

Besides HBIS, other groups of planned top five are Tangshan Bohai Iron and Steel Group, Tangshan Great Wall Iron and Steel Group, Hebei New Wuan Iron and Steel Group and Handan Zhishan Special Steel Group.

An industry source in Tangshan said although local government is willing to lead the merger of private steel mills, these entrepreneurs will not accept it without sufficient interests. It has conflicts between cutting steelmakers amount and increasing industry concentration despite the industrial development trend. In Q4 of 2008 after financial crisis, Tangshan integrated 39 private steel mills into 2 steel groups, Great Wall and Bohai which hasn’t got the permission from relevant department of Country.

An expert in Hebei steel industry told reporter that entrepreneurs of private steel mills will easily accept gradual strategy in integration of private steel mills which means capital level cooperation of taking shares of merging objects first and gradually control holdings.

(Sourced from MySteel.net)

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