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Putin Regrets Mechel Incident

By The Moscow Times

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CHELYABINSK — Prime Minister Vladimir Putin said Friday that he regretted comments he made two years ago about Mechel that led to a sharp price fall in the company but called on other steel majors to listen better to the state.

The Mechel incident, one of Putin's highest-profile attacks on business, led to a 40 percent plunge in the steelmaker's share price when Putin promised to send "a doctor," as well as anti-monopoly officials and investigators to the main owner to fix pricing policies.

On Friday, Putin said he now saw Mechel as one of the most responsible firms in the Russian steel industry in terms of signing long-term contracts and adjusting its pricing policies, saying others should follow the company's example.

"How come Mechel can work normally, correctly? I remember my attack on Mechel and can only regret that it led to a fall in capitalization," Putin told a meeting on the steel industry.

"I can only thank [Mechel owner] Igor Zyuzin because he did everything we discussed here

and is behaving correctly," Putin said.

The meeting between Putin and steel tycoons was the second of its kind in three months as the government presses the industry to adjust pricing policies to help the nation's car and pipe producers.

Putin invited executives from other industries to attend the meeting, and the head of the state oil pipeline monopoly Transneft, Nikolai Tokarev, called on the government to raise taxes on the steel industry and lower import duties on pipes.

Putin asked the Finance and Economic Development ministries to comment on the idea, and both ministries said it was premature to discuss lifting protectionist measures in the steel industry or raise taxes on it.

Putin said he had heard all opinions and was ready to keep supporting the steel industry as long as its billionaire owners listen to government requests, such as long-term contracts at transparent prices with major customers.

"Otherwise, we will have to take other measures, which will be more efficient," Putin said.

Private business rarely dares to criticize Putin, but industry sources have said switching to long-term pricing is difficult because steel companies buy their raw materials based on shorter-term pricing.

Iron ore is now priced on a quarterly or even a spot basis.

Pipe maker ChTPZ, or ChelPipe, signed a supply contract Friday with Magnitogorsk Iron & Steel Works as part of the government campaign.

ChTPZ commercial director Yaroslav Zhdan said the agreement would see deliveries of up to 500,000 metric tons of high-quality rolled steel per year from MMK to ChTPZ in 2012-13.

"We have agreed that ChTPZ's orders will be a priority for MMK," Zhdan said, adding that ChTPZ would make large-diameter pipes for state gas export monopoly Gazprom and Transneft.

The deal will guarantee ChTPZ, Russia's third-largest pipemaker, supply at stable prices.

ChTPZ said last week that it was planning a new share issue to pay down a debt pile above $2 billion. The plant has invested $900 million in new production facilities in the past two years.

The company said it had not yet decided whether it wanted to sell new shares through a secondary public offering or to a strategic investor. Shareholders will discuss the issue at an extraordinary meeting Aug. 20.

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