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Analysts question viability of 'Project Tim' steel mill plan

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A 220-acre beet farm owned by Durand farmer Levi Zdunic is part of the 850 acres of land purchase options a real estate broker has amassed for "Project Tim," a large-scale industrial development.

- New Steel International Inc. has been assembling nearly 1,000 acres along I-69 near Durand

- "Project Tim" has been cloaked in secrecy
- Steel-producing facility reportedly would top 550 acres just for the building



A Ohio company's pursuit of building a sprawling steel mill in the farm fields of Shiawassee County and a second mill on the banks of the Ohio River will face a big challenge from global economic realities, analysts say.

Steel industry experts are skeptical that a processed steel market already saturated with excess inventory would support the financial viability of two new plants in the Midwest, especially one in a landlocked railroad town like Durand that has no nearby access to a river to ship in raw iron ore or scrap metal for steel production.

The CEO of New Steel International Inc. confirmed to *Crain's* last week that the company has been assembling nearly 1,000 acres of bucolic farmland along I-69 near Durand for a steel-producing facility that its representatives have told local residents would top 550 acres in size — for just the building itself.

For months, the project has been **cloaked in secrecy** under the code name "Project Tim."

The Middletown, Ohio-based **steel technology** company, which has no known track record of building steel mills in the U.S., is pursuing a \$7 billion loan from the U.S. Department of Energy to build what's being portrayed as a state-of-the-art coal-burning steel mill in Durand, according to a source briefed on the company's plans.

The company also is seeking another \$7 billion loan from a TARP-era fund Congress set up during the Great Recession to aid automakers in developing energy-saving technology for

construction of a second steel mill in southern Ohio — a project New Steel International has been publicly pursuing since 2007.

The head of an economic development agency in Lawrence County, Ohio, said both projects are being pitched to Trump's administration as a way to keep steel production and manufacturing jobs in the U.S. and fulfill the president's campaign pledge of reversing years of American industrial retreat from burning coal for energy.

"The Trump administration should be working with General Motors or the other manufacturers to guarantee that these two mills get going so this quality of steel isn't imported from China," said Bill Dingus, executive director of the Lawrence Economic Development Corp. "If it can ever be done, now is the time to do it."

In the little information about "Project Tim" that the company had previously made public anonymously with the help of Durand city officials, one document distributed to residents said the plant would "manufacture the lowest cost, high-quality product in the world ... in America."

The **document** also uses Trump's campaign slogan by claiming the 800-job facility would fulfill "the promise to 'Make America Great Again.'"

The problem is that the market for steel is global — and there's already too much on the market.

"The idea of putting a blast furnace (steel mill) in North America, given the high cost, just doesn't make sense to me. Not in the face of global oversupply," said Wally Wilson of Steel-Insights, LLC, a Brighton-based steel industry consultancy. "If you're a guy who owns a coal mine, you want somebody to build a blast furnace (mill). The problem is, the economics don't work."

Steel produced in the U.S. was selling for \$682 per metric at the end of November — 28 percent higher than the \$533 per metric ton going rate for steel coming out of Chinese mills, according to industry price-tracking data compiled by [SteelBechmarker.com](https://www.steelbechmarker.com).

U.S. trade data shows steel imported from China fell in October to its lowest level since 2011 after former President Barack Obama's administration imposed a tariff last year on Chinese steel that Trump has kept in place.

Despite the sharp decline in Chinese steel entering the country, the total metric tons of steel imported by the U.S. through the first six months of this year was up 26 percent from the same period in 2016, according to the International Trade Administration's [August report](#).

"The artificial trade barrier is all that keeps steel from flooding in here," Wilson said. "Adding more domestic production to the pile is OK as long as you can produce it for \$400 a ton — the world price — and still be profitable."

'Greenest facility'

Charles Bradford, a steel industry analyst with New York-based Bradford Research Inc., said the \$7 billion price tag attached to New Steel International's purported Durand loan application is more than five times the \$1.3 billion cost of the recently built Big River steel mill in Arkansas on the Mississippi River.

"People have come up with these kind of programs many, many times before," Bradford said. "If you look a little further, you typically find a Nigerian scammer in there somewhere."

In a brief phone interview last week, New Steel International CEO John Schultes confirmed his company is pursuing a multibillion-

dollar steel mill in Durand with the help of unnamed business partners.

"It's a little too early to really go public with things," Schultes told *Crain's*. "There are a lot of companies trying to make this happen. I think it certainly will change a lot of things here."

The Durand project's consultants include representatives from the financial advising giant Plante Moran, Tim Nichols of Labor-Management Fund Advisors LLC in Novi and the global engineering firm Black & Veatch Corp.

Dingus, who has been working with Schultes for a decade on the Ohio project, said Black & Veatch is involved in the engineering design of both the Haverhill, Ohio and Durand projects.

Lee Sellenraad, associate vice president and global project director for Black & Veatch, declined to comment, citing a non-disclosure agreement. Nichols, who previously **confirmed his involvement** in the project, did not return a message seeking comment.

Schultes confirmed New Steel International has applied for a loan through the U.S. Department of Energy's Advanced Technology Vehicles Manufacturing Loan Program, but declined to divulge the amount or details of the application.

A Department of Energy spokesperson declined to comment on the application.

In a recent meeting in Washington, D.C., Schultes and other company representatives portrayed the Durand project as a state-of-the-art steel plant that would use clean coal-burning technology to melt iron pellets and capture a portion of the energy emitted in the steel-making process for a renewable energy source, according to a source.

In documents the city of Durand distributed to residents concealing the identity of New Steel International, the company has portrayed the project as having a renewable energy component, claiming it will be "the greenest facility of its kind anywhere in the world."

Bill Foster, a Durand veterinarian who lives a half-mile from the proposed "Project Tim" footprint, said the developers' use of Power Point-like presentations with vague claims of technological superiority and job-promising catch phrases suggests "they sketched this out on the back of a napkin at the bar and threw it at us."

"They think we're rubes who live out in the country," Foster said. "They think if we put, 'Make America Great Again' on it that we're all going to fall for it. We're not stupid."

The source briefed on the company's plans said Schultes has told members of Michigan and Ohio's congressional delegations that the project has "investor interest" from General Motors Co., Tesla Inc. and DTE Energy Co.

A GM spokesman declined to comment. Representatives from Tesla and DTE did not return messages seeking comment.

Dingus, the southern Ohio economic development planner, said the linchpin to building the two steel mills on the Ohio River and in Durand is to get GM and other automakers on board for future steel supplies.

"You've got to have redundant suppliers or they're not going to buy it," Dingus said. "I think these two plants are joined at the hip. ... We're major cheerleaders for the Durand plant."

Given the auto industry's march toward self-driving vehicles and a shared-user ownership model, Bradford said, there's likely to be

fewer cars and trucks produced, reducing the need for more steel.

"The automobile is a declining market, either way you look at it," Bradford said. "That's not going to help steel."

Schultes declined to discuss investors and potential customers of the plant's steel or the renewable energy component when asked specifically whether GM, Tesla Inc. and DTE Energy Co. were involved in the project.

"Whoever is telling you all of this is certainly well informed, but I'm not going to confirm or deny it," Schultes told a *Crain's* reporter.