THE PLAIN DEALER
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PHOTOGRPAHS BY MARVIN FONG / THE PLAIN DEALER

A barge passes through a canal linking steel mills in East Chicago, Ind., with Lake Michigan. East Chicago is home to LTV Corp.'s Indiana Harbor Works and another plant owned by Ispat Inland Inc. Together, the two mills employ 11,000 people and produce almost 10 million tons of steel a year.

STEEL CITY ON THE VERGE

Hope lingers, but with LTV plant at risk, Indiana city's economic future is uncertain

By JENNIFER SCOTT CIMPERMAN
PLAIN DEALER REPORTER

At LTV Corp.'s Indiana plant on Lake Michigan's shore, workers still report for their shifts, despite unfounded rumors that their paychecks won't clear.

Just up the street, mill retirees gather at the union hall to stuff envelopes with photocopied letters to the White House.

All around the area, financially strapped homeowners grapple with the possibility of huge tax increases on their modest brick bungalows.

And community planner Ed Glover tries to secure money for a proposed assisted-living center for senior citizens — but knows the questionable fate of the LTV mill means he probably won't get it.

Greetings from East Chicago.

Just 20 miles outside Chicago, this Indiana city is home to about 30,500 people and LTV's Indiana Harbor Works, a sprawling 1,200-acre plant that spits out red-hot slabs of steel around the clock. When LTV filed for bankruptcy court protection in late December, East Chicago was ground zero.

Cleveland is LTV's base and the site of its other major operation, the 3,800-employee Cleveland Works.

But Cleveland has more — skyscrapers and stadiums, plastics companies and service industries. In East Chicago, a visitor finds only strip malls and smokestacks. The city is beholden to steel; the only other major employer is an oil refinery. Some locals wonder whether the town can survive if LTV pulls out.

"If that happens, the thinking is that the last one to leave can turn the lights out," said Glover, executive director of the Community Reinvestment Project of East Chicago Inc.

Others hold out more hope. U.S. Rep. Pete Visclosky says his district can reclaim parts of the heavily polluted waterfront and become a transportation hub.

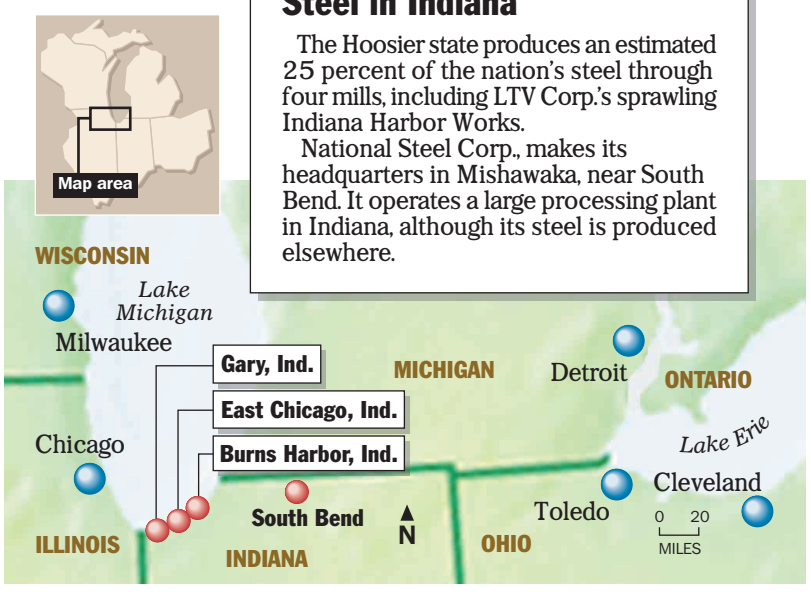
"Chicago is a resource; the lake is a resource; our transportation network is a resource," Visclosky said.

SEE STEEL/4-H

Steel in Indiana

The Hoosier state produces an estimated 25 percent of the nation's steel through four mills, including LTV Corp.'s sprawling Indiana Harbor Works.

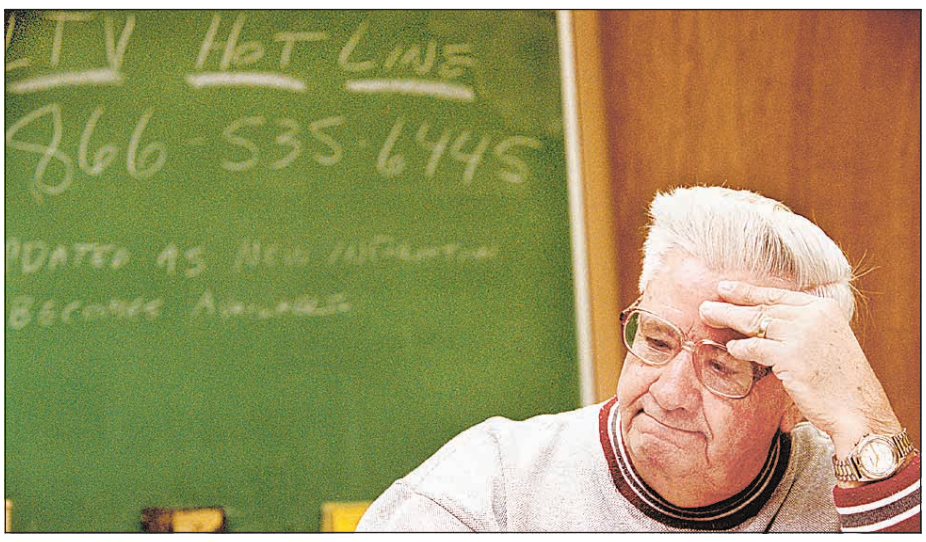
National Steel Corp., makes its headquarters in Mishawaka, near South Bend. It operates a large processing plant in Indiana, although its steel is produced elsewhere.



Company	Plant	City	Employees	Acres	Steel-making capacity
LTV Corp.	Indiana Harbor Works	East Chicago, Ind.	3,500	1,200	3.7 million tons
Ispat Inland Inc.	Indiana Harbor Works	East Chicago, Ind.	7,500	1,900	6 million tons
USX-U.S. Steel Group	Gary Works	Gary, Ind.	7,800	4,000	7.6 million tons
Bethlehem Steel Corp.	Burns Harbor Division	Burns Harbor, Ind.	6,500	1,700	5.6 million tons

Source: LTV Corp., Ispat Inland Inc., USX-U.S. Steel Group, Bethlehem Steel Corp.

ROSS GOSSE / THE PLAIN DEALER



LTV retiree Bob Haley fears for his pension following the steel maker's bankruptcy court filing, its second since 1986. "A lot of us retired 15 or 16 years ago," Haley said during a break from a letter-writing campaign at an East Chicago union hall. "We've been under the threat of losing our pension and health benefits since day one."

At LTV's Indiana Harbor Works in East Chicago, giant ladles, above, carry 200 tons of liquid iron, which is combined with commercial-grade scrap metal to make steel. Most of the mill's steel goes to automakers.

STEEL

FROM 1-H

Indiana city faces uncertain future

"If you're in a truck, you have to go through here. That's an economic development opportunity.

"It may not be Silicon Valley. But it's never been Silicon Valley."

Born of steel

East Chicago, like Cleveland, owes its history to steel.

Founded in 1888, the city prospered on the growth of Inland Steel Co. and Mark Manufacturing Co., a pipe maker.

Inland, now Ispat Inland Inc., is the largest mill in East Chicago with 7,500 workers. The mill that Mark built is LTV's Indiana Harbor Works.

By 1978, when LTV bought the plant from its second owner, Youngstown Sheet and Tube Co., steel had grown even more. USX-U.S. Steel Group was making millions of tons in Gary, and Bethlehem Steel had recently opened a plant in nearby Burns Harbor.

Combined, Northwest Indiana's four plants then produced as much as 30 percent of the nation's steel. They fed massive finishing plants that coated the steel to make it rust resistant and cut it into appliance- or auto-size pieces. In East Chicago, companies cranked out toys, appliances, steel doors and railroad cars.

"You didn't have to hunt for a job," said LTV retiree Bob Haley, who used to earn $18 an hour as a maintenance technician. "There was a job anywhere."

At its peak, LTV's East Chicago plant employed 12,000 people.

Now there are just 3,500. And, in an effort to focus on steel, LTV agreed to sell its East Chicago tin-making unit to USX-U.S. Steel, a deal that a federal bankruptcy judge approved last week. The measure will reduce its Indiana Harbor employment to 2,900. (Tin mill employees are expected to keep their jobs when USX takes over.)

But the decline goes beyond LTV.

The railroad car company and the steel-door maker have left town. Between 1978 and 1998, a total of 57,045 manufacturing jobs disappeared from Northwest Indiana, according to a recent study by the Indiana Fiscal Policy Institute and Indiana University's Kelley School of Business.

Still, East Chicago's troubles come back to LTV, the way Haley and other retirees tell it.

Gathered inside the smaller of steelworkers' two union halls earlier this month, the retirees are stuffing envelopes asking politicians for help.

They remember the better days for Big Steel, before an Arab oil embargo led the country into recession in the early 1980s. Before LTV filed for bankruptcy protection the first time, in 1986.

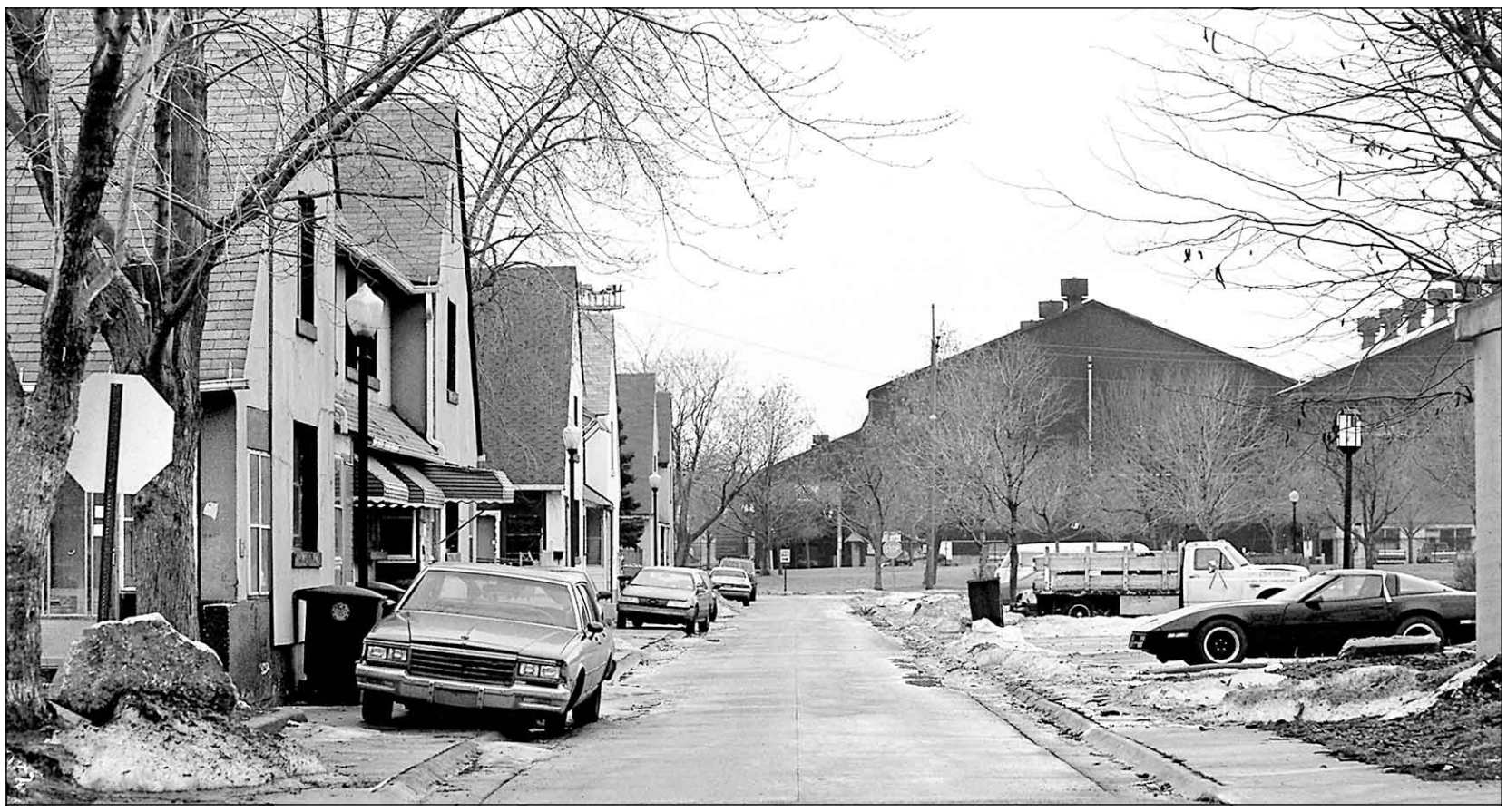
Before the bankruptcy court filing, retiree Steve Skvara says, his home was worth $120,000. Afterward, displaced workers left town. Homes flooded the market. His house was worth just $60,000.

Skvara and workers like him toughed it out. "We wanted to save the company," he said.

A new, leaner LTV did emerge from bankruptcy protection in 1993. And for all the steel and manufacturing jobs that left, an almost equal number of service jobs appeared.

But the new jobs were not the kind that afforded a family a middle-class lifestyle in a squeaky clean suburb.

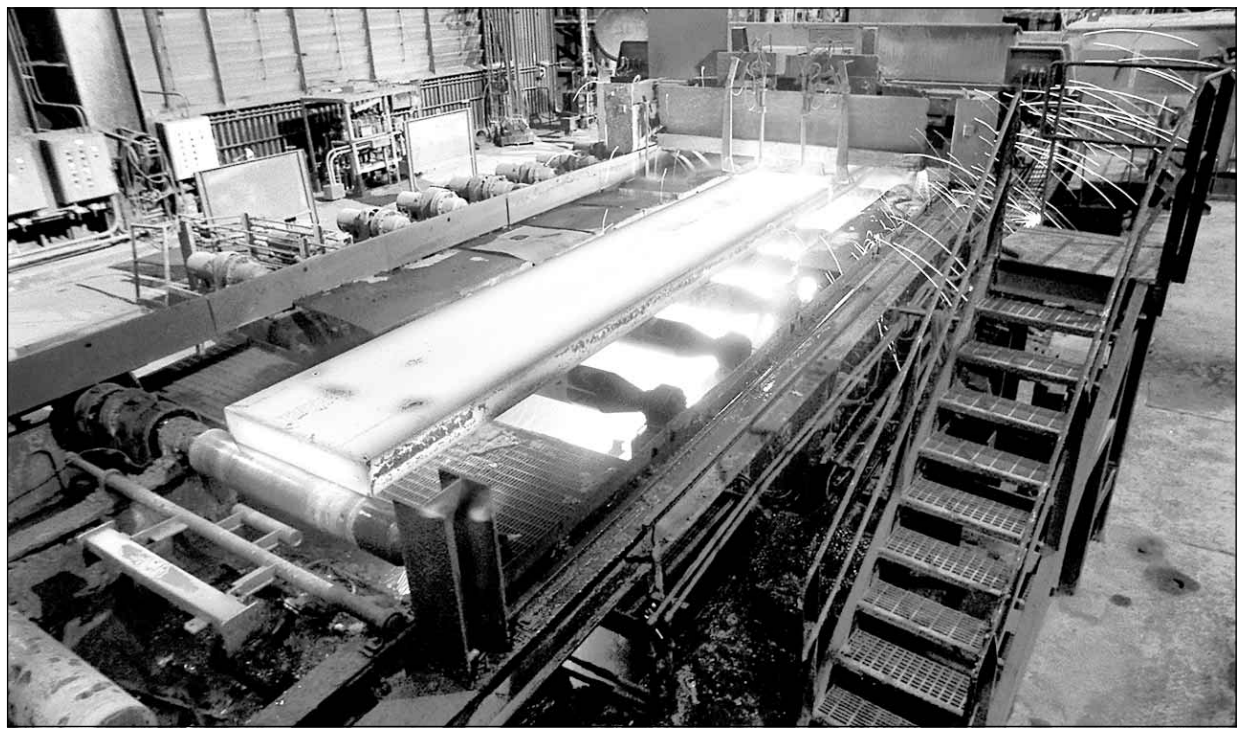
"We've probably located hundreds of industries here in the last 10 years, and they're not all dependent on steel," said Tom McDermott, president of the industry group Northwest Indiana Forum. "But there's nobody coming in with 4,000 jobs that pay the kind of money the steel industry pays. We're not replacing apples to apples."



PHOTOGRAPHS BY MARVIN FONG / THE PLAIN DEALER

Marktown, a cluster of homes just outside LTV Corp.'s East Chicago mill, began as a housing development for steelworkers in the early 1900s. It was named for Clayton Mark Sr., who founded the mill to supply his pipe-making business. When Mark sold the mill in 1923, plans to expand Marktown were abandoned. LTV bought the plant in 1978, and an estimated 60 percent of its workers live outside East Chicago.

▪ For all recent Plain Dealer stories on LTV Steel, go to: www.cleveland.com/indepth/ltv/



Freshly made steel moves through a caster, which molds liquid steel into slabs, at LTV Corp.'s East Chicago mill. The plant's two blast furnaces can handle as much as 10,000 tons of liquid iron per day, which is combined with commercial-grade scrap to produce 12,500 tons of steel.

Productivity gains

Even after the 1980s downsizing, Northwest Indiana still produces 25 percent of the nation's steel. And now, the area's steel makers are doing so in less time with fewer workers.

Two decades ago, LTV manager Dale Heinz said, it took five man-hours to produce one ton of steel. That's down to 2.29 man-hours today.

In the old days, when steel was produced in individual batches, workers at the beginning of the process sat idle until workers at the end were finished. Then came equipment changes in the '80s.

At any time of day in 2001's Indiana Harbor Works, someone is guiding 200 tons of liquid iron from a ladle into giant vessels filled with commercial-grade scrap metal; someone is overseeing machinery that removes impurities from the molten steel and heats it to the proper temperature; someone is guiding the red-hot ooze through molds that spit out slabs of flat-rolled steel the shape of giant candy bars.

It's a streamlined process, which is good. But some say that means the company has little fat left to cut and will have to go down to the bone.

That's because productivity improvements at LTV's Indiana mill and other U.S. steel plants created more capacity than the industry really needs.

Steel continues to flow into the United States from overseas companies, which have been accused of "dumping" it here by charging lower prices than on their home turf.

Of orders placed at U.S. plants, an increasing number flow to minimills — smaller facilities with significantly lower labor costs and higher productivity than LTV can muster on its best days.

"The steel-making process has shifted slowly and steadily from integrated mills to minimills," said Heinz, who recently moved to East Chicago as division manager for primary operations at Indiana Harbor Works. He joined the company at its Cleveland mill 27 years ago as a blast-furnace operator.

So far, LTV's recent problems haven't changed much in East Chicago. Union leaders say LTV has laid off about 40 workers, mostly new hires with less than six months on the job. And the company continues to pay retirees' pensions, the first thing to go after it filed for bankruptcy court protection in 1986.

Even so, "a lot of people are concerned that the plant will close or that pay and benefits will change dramatically," Heinz said. "The biggest thing is not knowing. It's a major distraction for people in the plant."

Community on hold

It's a distraction for the rest of the community, too.

In January, East Chicago Mayor Robert Pastrick asked state officials for an estimated $25 million loan after the city's credit rating fell due to LTV's bankruptcy court filing.

Glover has tried to get funding to build a new assisted-living center for East Chicago seniors, but uncertainty surrounding LTV has made lenders unwilling to take the risk. Glover's group spearheaded a new housing development made up of 60 homes, priced at $117,000 each, but few have sold.

"A lot of stuff is on the back burner now," Glover said. "Even if LTV is bailed out, there's still a wait-and-see attitude.

"If the mills shut down, what's left? To walk out of a mill at 45 years old with 27 years of service and have to work at McDonald's? That's not going to fly."

Displaced workers may face few options, at least if they want to stay in East Chicago. In 1999, the most recent figures available, Lake County — home to East Chicago and Gary — ranked first statewide in terms of the number of welfare recipients. Such a grim statistic, coupled with the gritty smokestacks that welcome visitors, hardly make East Chicago and the rest of Northwest Indiana attractive to companies looking to relocate.

"The biggest thing is not knowing. It's a major distraction for people in the plant."

DALE HEINZ,
LTV Corp. manager in East Chicago, Ind.

Morton Marcus, director of the Indiana Business Research Center at Indiana University's Kelley School of Business, ticks off more deterrents to development: Pollution, which makes some available land uninhabitable. A simmering dispute over business property tax valuations, which all four big steel makers are in the thick of. Bigotry toward the area's Hispanic, black and Eastern European workers.

"People in the rest of Indiana," Marcus said, "tend to view it as some ugly outgrowth of Chicago."

Still some optimism

Despite those obstacles, Marcus predicts great growth for Northwest Indiana and East Chicago.

The region "is the greatest transportation center in the nation," he said. "Anything going to Chicago from the east or south is going through there. I call it the keystone of the continent."

Visclosky, a Democrat from Merrillville, also sees opportunities to reclaim the area's polluted lakefront. The area already has attracted casino boats, which are praised by some people for the taxes they bring, reviled by others for the pastime they promote. Visclosky says only that he wants more than just gambling.

There are efforts under way. East Chicago and two other cities in the region were declared a federal empowerment zone in 1998. That got them $19 million to spend through 2004 on measures such as job retraining, after-school youth programs, loans for businesses relocating to the area or funds to make environmentally damaged land inhabitable.

Venus Cobb, executive director of the empowerment zone, said she also is working to lure more convention dollars. A recent victory: The Miss USA pageant will be held in Gary on March 2.

The TV broadcast will include a few shots of Northwest Indiana. At one point, plans called for showing pageant beauties walking among the grit of LTV's East Chicago plant.

Heinz walked its ruddy roads and narrow metal staircases and decided it just couldn't be done. But he seems gratified to know that TV producers acknowledged steel's importance.

"Big Steel's presence is huge in the local economy," Heinz said, shepherding a small group of visitors a safe distance from cauldrons filled with liquid iron. "This is the most concentrated steel-making region in America."

Visclosky, vice chairman of the congressional Steel Caucus of concerned legislators, expects that to remain true. "I hope that for as far into the future as we can see, we remain the steel capital," he said, "but I recognize that we will need fewer acres of land to do that.

"This isn't the end of the world. We have a very tough fight on our hands, but we're going to make steel here."

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Big Steel waging last-ditch fight for survival

Higher energy costs, worldwide glut cripple industry

By JENNIFER SCOTT CIMPERMAN
PLAIN DEALER REPORTER

America's steel industry is like a cat on its eighth life and breathing hard.

An analysis by The Plain Dealer reveals an industry on the verge of collapse: 19 U.S. companies that make, shape or process steel have sought Chapter 11 bankruptcy protection since December 1997.

Similar protection sought by a Mexican steel maker and another in Canada brings the North American total to 21.

Combined, those companies could make enough silvery slabs, coil or wire to build another Golden Gate bridge — more than 350 times. They employed enough workers to fill Gund Arena three times. They support more than 81,000 retirees.

But the companies have a combined $13.3 billion in debt. They have cut 9,000 jobs and plan to cut even more. About 900 jobs are slated to disappear when Cleveland's LTV Corp., operating under Chapter 11 bankruptcy protection since Dec. 29, closes the smaller of its two mills in Cleveland next month.

Steel companies operating outside bankruptcy court aren't faring much better. Four of the nation's top five steel makers have lost enough money this year to build a new steel mill from scratch. Even the lone moneymaker, Nucor Corp., reported that profits declined 60 percent from January to the end of March.

David MacGregor, an analyst for Midwest Research, sees the problem out his office window when he looks at the empty piers lining Cleveland's harbor.

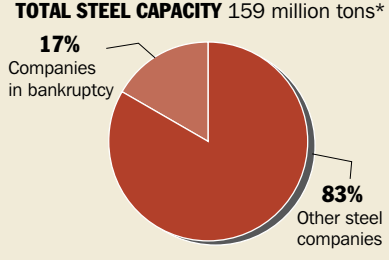
In years past, steel makers imported extra slabs when they couldn't make enough to meet demand. "The pier opens April 1 and by May 1 the docks are usually just covered with steel," MacGregor said.

"This year there's nothing there."

SEE STEEL/12-A

A corroded industry

About a fifth of all the capacity for making steel in North America is under some form of bankruptcy protection.



- 21 North American steel companies have sought protection from creditors since late 1997.
- Four of those companies have already closed, and at least one more is closing this month.
- Four of the five biggest U.S. steel makers have lost money this year.

*Capacity measures how much unprocessed steel slab facilities could produce in 2000. Most companies made significantly less than they could because prices and demand were low.

SOURCE: World Steel Dynamics Inc. ERICA MINIX / THE PLAIN DEALER

Overall, 330,000 steel jobs disappeared from the 1980s through the early 1990s, according to the Commerce Department. That means companies like LTV don't have much fat left to trim; this time they're cutting to the bone.

Steel glut, energy costs nip at heels of crippled industry

STEEL
FROM 1-A

Cities like Cleveland were built on the production of red-hot steel. The gritty jobs lured workers across an ocean from Europe and up from America's South to Cleveland, Pittsburgh and Chicago. Steel meant progress.

"The United States would measure itself against older, industrialized nations like Britain and Germany, and that was always the magic number we pursued: who was making more steel," said Christopher Dawson, curator of urban and industrial history at the Western Reserve Historical Society.

But after World War II, other countries rebuilt steel industries and took small but increasing bites from the U.S. market. Meanwhile the domestic industry built a legacy of hundreds of thousands of future retirees it would have to support with an increasingly small body of active workers.

At Bethlehem Steel Corp.'s Lackawanna plant just south of Buffalo, N.Y., employment swelled to more than 20,000 through the 1960s. By the early 1980s, the plant employed 7,300. It closed in 1983.

A year later, LTV married Republic Steel Corp. in Cleveland. In 1986 LTV sought Chapter 11 bankruptcy protection. By the time it emerged seven years later, it had closed several plants and cut thousands of jobs.

But LTV did emerge, and after all the changes it seemed as if American steel could revive.

Foreign factor

Then the trouble started again.

In 1998, Asia's economy collapsed. Countries like South Korea, where steel mills were pouring out metal that their homeland couldn't absorb, looked hungrily at the United States.

Korean steel formerly sold at $350 per metric ton (2,204 pounds), according to the U.S. Commerce Department. When the country's currency tanked, South Korean steel makers began charging U.S. customers only $238. That still was enough to reap a handsome profit for the Koreans because of exchange rates, the Commerce Department said.

South Korea was not alone. For the first nine months of 1998, imports of steel mill products from Russia increased 37 percent from the total in the corresponding period of 1997. Imports from Japan rose 147 percent, the Commerce Department reported.

Then, just as the flood of cheap imports was receding slightly, one key cost was leaping for U.S. steel makers. The price of natural gas for industry climbed more than 5 percent between January 1999 and January 2000, then jumped 132 percent in the next year, the Energy Department said.

And rising energy prices contributed to a slowdown in the overall economy. Companies that make big-ticket items like autos and appliances tend to cough most when the economy catches a cold. That means fewer orders for the stuff that goes into those cars and refrigerators — and a lot of that stuff is steel.

Despite the problems, most of the country's biggest steel makers are not in bankruptcy court — but will that last?

"If things don't improve, I think we could see more bankruptcies before year's end," said Christopher Plummer, managing director of Metal Strategies Inc. in suburban Philadelphia. "When companies lose money quarter after quarter, that's a severe strain on any industry, but especially a low-margin, capital-intensive industry."

Low profit margins mean steel companies don't make much money — if any — on every ton they sell. Capital intensive means they have to spend a lot of money to maintain old mills or switch to new technologies.

Plant shutdowns

While LTV plans to close the smallest of its three steel mills — the West Side plant in Cleveland — it is trying to keep the other two operating. But in a letter to workers last week, it threatened to shut down all steel operations if union workers didn't soon agree to a new labor contract.

Among the 21 companies that have sought protection from creditors since December 1997, four have closed. A fifth plans to shut down this month, at a cost of 1,500 jobs.

Even if companies stay open for now, federal bankruptcy Judge William Bodoh said there's no guarantee they'll survive long term.

Bodoh is overseeing the bankruptcy cases of LTV and two other steel makers from his Youngstown courtroom.

While Chapter 11 of the U.S. bankruptcy code allows companies to reorganize, he said, that can mean closing down and selling facilities to the highest bidder. That's what bankrupt Trico Steel Co., an Alabama minimill part-owned by LTV, and CSC Ltd. in Warren are trying.

Centrus Group, an Akron firm that works with troubled companies, has taken on five steel-related clients in the last six months.

One of those clients, Illinois processor Great Lakes Metals LLC, got its plant in 1999 for $32 million. The plant is still open, but under the shadow of bankruptcy it probably will fetch less than half of what its owners paid for it, Centrus President Bob Cohen said — perhaps just 20 cents on the dollar.

Future revival

However, Cohen believes that such sales could contain the seeds of an industry revival: cheap plants that will afford entrepreneurs a fresh start.

Whoever buys Great Lakes Metal's facility "will have significantly less debt than the competition," Cohen said. "They'll be able to bring product to market at a significantly lower price, or they can keep the price where it is and make more profit."

Mergers are expected, as stronger companies take advantage of bargain-basement prices for equipment and mills.

And profits could come easier, steel executives said, if the Bush administration follows through on its promise to get voluntary production cuts from foreign steel makers. Separately, lawmakers including U.S. Rep. Dennis Kucinich, a Cleveland Democrat, are pushing a bill meant to shelter America's steel industry.

Steel deserves protection in part, Kucinich and others say, because it's vital to our ability to make the implements of war.

Steel also matters for the overall economy, said Mark Parr, an analyst with McDonald Investments in Cleveland. Having a steel supply at close hand helps keep other industries on U.S. soil, such as the automakers, he said.

But such sentiment does nothing to stem the flow of red ink for steel makers like LTV, which is losing about $2 million a day.

Overall, 330,000 steel jobs disappeared from the 1980s through the early 1990s, according to the Commerce Department. That means companies like LTV don't have much fat left to trim; this time they're cutting to the bone.

Imports, though declining in recent months, are still eating into the domestic market. Steel prices are still at profit-sapping lows. The economy hasn't recovered.

And the money that Big Steel needs to stay alive is in short supply. Steel stocks are in a funk, making the market an unlikely source of cash. As for loans, "No banks are willing to finance right now," said MacGregor, the financial analyst. "Even the old diehards, the banks that have always been steel banks, are not going to lend."

Short on cash, long on rivals, American steel is fighting for life.

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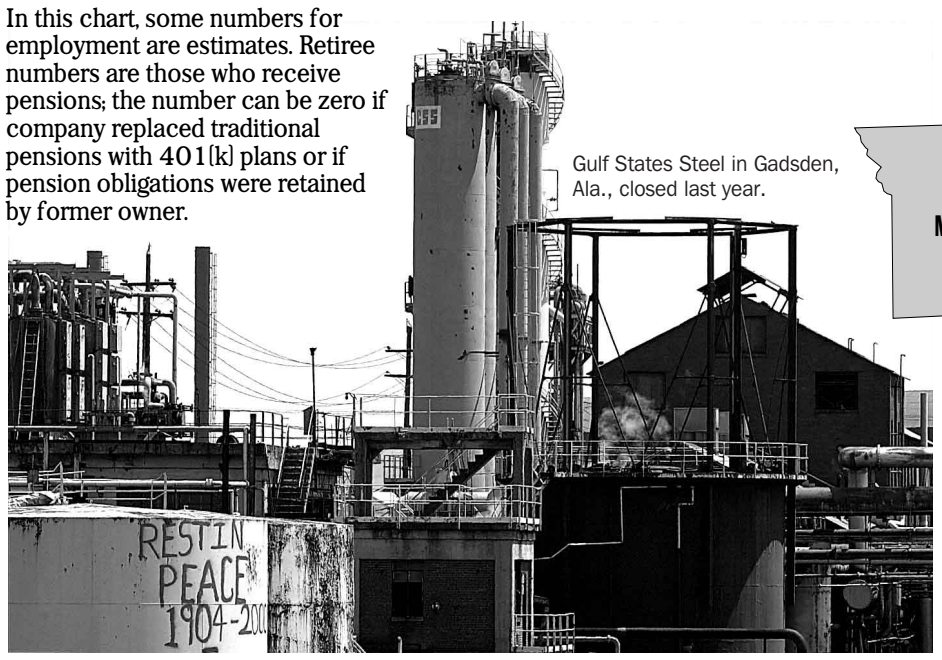
▪ Log on to Cleveland.com for Memories from the Mills, a special section featuring an archive of Plain Dealer steel stories, timelines, photographs, voices from the mills and a new steel forum: www.cleveland.com/indepth/steel.

Big Steel seeks shelter

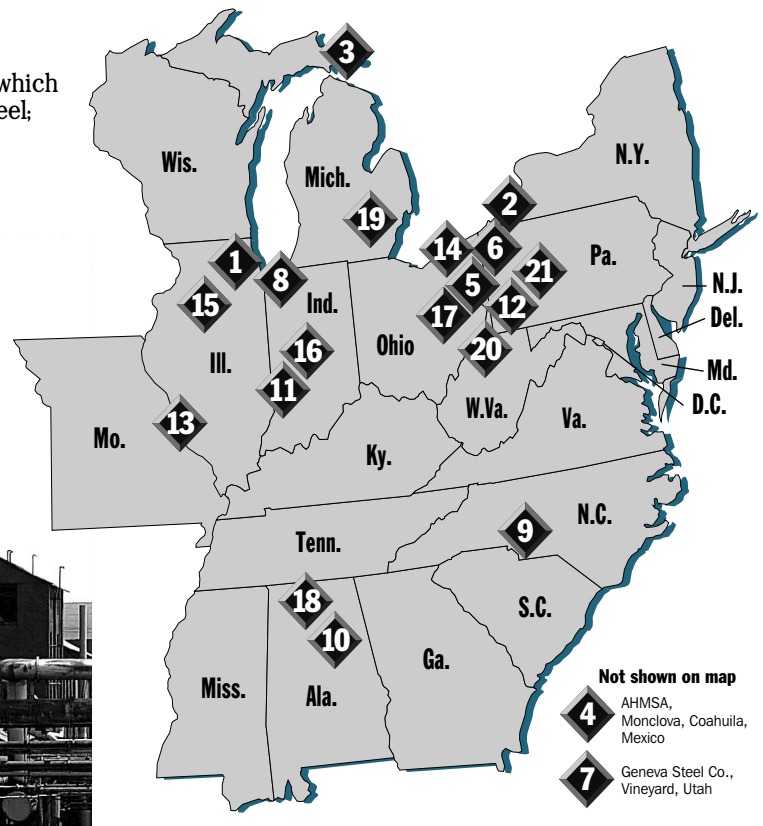
Twenty-one North American steel companies have sought protection from creditors since December 1997. That number includes integrated steel mills, which make steel from raw ingredients; minimills, which melt scrap metal to make steel; processors, which add coatings to steel or alter its properties with specific treatments; and manufacturers that fashion steel into tubing and other industrial goods.

In this chart, some numbers for employment are estimates. Retiree numbers are those who receive pensions; the number can be zero if company replaced traditional pensions with 401(k) plans or if pension obligations were retained by former owner.



Gulf States Steel in Gadsden, Ala., closed last year.

ASSOCIATED PRESS FILE PHOTO



#	NAME HEADQUARTERS	TYPE	DATE FILED	EMPLOYEES AT FILING	EMPLOYEES NOW	UNION	RETIREES	PRODUCTS	ANNUAL CAPACITY (THOUSANDS OF TONS)	STATUS
1	**Acme Metals Inc.** Riverdale, Ill.	Integrated mill	Sept. 1998	2,003	1,781	Y	2,000	Sheet, plate, strapping, tubing	1,000	Operating
2	**Al Tech Specialty Steel Corp.*** Dunkirk, N.Y.	Manufacturer	Dec. 1997	610	300	Y	1,600	Bar, wire, rod	20	Emerged Nov. '99
3	**Algoma Steel Inc.** Sault Ste. Marie, Ontario	Integrated mill	April 2001	3,700	3,700	Y	7,500	Sheet, plate	2,200	Operating
4	**Altos Hornos de Mexico SA** Monclova, Coahuila, Mexico	Integrated mill	May 1999	16,967	15,885	Y	0	Sheet, coil	3,500	Operating
5	**CSC Ltd.** Warren	Minimill, processor	Jan. 2001	1,375	20	Y	260	Special bar quality	400	Closed
6	**Erie Forge and Steel Inc.** Erie, Pa.	Integrated forger, minimill	Dec. 2000	210	185	Y	360	Forged products, ingots, bar	100	Operating
7	**Geneva Steel Co.**** Vineyard, Utah	Integrated mill	Feb. 1999	1,800	1,752	Y	0	Plate, coil, pipe, slabs	2,200	Emerged Jan. '01
8	**Great Lakes Metals LLC** E. Chicago, Ind.	Processor	April 2001	60	50	Y	0	Coil	180	Operating
9	**GS Industries Inc.** Charlotte, N.C.	Minimill	Feb. 2001	3,000	2,240	N/A	N/A	Wire rod	1,000	Operating
10	**Gulf States Steel Inc.** Gadsden, Ala.	Integrated mill	July 1999	1,749	0	Y	0	Sheet	1,100	Closed
11	**Heartland Steel Inc.** Terre Haute, Ind.	Minimill	Jan. 2001	202	194	N	0	Coil	1,100	Operating
12	**J&L Structural Steel Inc.** Aliquippa, Pa.	Manufacturer	June 2000	275	185	Y	20	Beams, rod, wire	300	Operating
13	**Laclede Steel Co.** St. Louis	Minimill	Nov. 1998	1,300	900	Y	3,000	Special bar quality, pipe	550	Emerged Jan. '01
14	**LTV Corp.** Cleveland	Integrated mill	Dec. 2000	17,500	15,400	Y	51,000	Coil, tubing	8,400	Operating
15	**Northwestern Steel and Wire Co.** Sterling, Ill.	Minimill	Dec. 2000	1,500	1,500	Y	2,600	Beams, rod, wire	1,100	Closing May '01
16	**Qualitech Steel Corp.** *** Pittsboro, Ind.	Minimill	March 1999	330	10	N	0	Special bar quality	500	Closed
17	**Republic Technologies International LLC** Fairlawn	Integrated mill, minimill	April 2001	4,600	4,600	Y	2,300	Special bar quality	2,000	Operating
18	**Trico Steel Co.** Decatur, Ala.	Minimill	March 2001	320	0	N	0	Sheet	2,200	Closed
19	**Vision Metals Inc.** Ann Arbor, Mich.	Manufacturer	Nov. 2000	611	580	Y	500	Tubing	110	Operating
20	**Wheeling-Pittsburgh Steel Corp.** Wheeling, W. Va.	Integrated mill	Nov. 2000	4,500	4,300	Y	10,000	Coil, sheet	2,400	Operating
21	**Worldclass Processing Inc.** Ambridge, Pa.	Processor	Dec. 1998	60	40	Y	0	Pickled steel	450	Emerged June '00

*Al Tech Specialty Steel Corp. is now Empire Specialty Steel Inc. **Geneva Steel Co. is now Geneva Steel Holdings Corp. ***Qualitech Steel Corp. is now Qualitech Steel SBQ LLC

SOURCES: Companies, unions, court or regulatory filings and Locker Associates Inc.

ERICA MINIX / THE PLAIN DEALER

Fiery Rivalries | Russia faces its past

A Severstal worker waits for an open-hearth furnace to produce a batch of molten iron. Severstal has closed 10 of its 12 open-hearth furnaces, which are inefficient and antiquated by American standards. Open-hearths take eight hours to make a batch of steel. Severstal's modern furnaces take just 50 minutes.

Severstal strives to shed Soviet ways

CHEREPOVETS, RUSSIA

Half a world away from Cleveland's smoke-smudged industrial valley, the wind carries a smell that reminds you of home: a sulfurous stench like burnt sparklers on the Fourth of July.

It's the smell of steel.

About an hour from Moscow by plane — or, for travelers leery of Russian airlines, an 11-hour trip on a crowded overnight train without air conditioning or toilet paper — Cherepovets is a company town. The company is Severstal.

Inside a sprawling mill connected by miles of brown ductwork and railroad tracks, Severstal makes most of its steel by combining raw ingredients including iron ore to make molten iron. Scrap metal is mixed in, and eventually you get the coils that will become cars, refrigerators and other artifacts of the modern world.

The process is much the same as at LTV Corp.'s hulking mill hugging the Cuyahoga River in Cleveland. But visit LTV, and you'll watch the steel from inside a Plexiglas-walled room a safe distance from the fiery furnaces. At Severstal, a reporter and a photographer are free to wander within five feet of a river of molten metal flowing from "Severyanka," the largest steel-making furnace in the world.

LTV workers don heat-shielding silver suits when they tend the massive equipment. Severstal worker Nicolai Ryjov, with a cigarette between his lips, fishes scraps of slag from the flow while protected by little more than a bell-shaped hard hat and a boiled-wool jacket.

The cost of protecting workers in America and the relative lack of safeguards in Russia — there are no government fines if a worker is hurt on the job — are one reason it can cost less to make steel here than in the United States. There are others: A typical LTV worker makes more than $2,500 a month, plus overtime. Ryjov, a 23-year Severstal worker, makes what amounts to less than $300.

That's not even counting the historical advantages. LTV has to follow government pollution rules. Severstal spent next to nothing on environmental controls until a decade ago, when it stopped dumping the oil and other chemicals that turned the nearby Sheksna River the color of cherry Kool-aid. Severstal didn't even have to pay to build its 46-year-old plant. That came courtesy of the old Soviet regime of dictator Josef Stalin.

Under Communist rule, the need for Cold War weapons devoured the steel from Cherepovets. But three years ago, the metal pouring out of this mill overflowed a faltering Russian economy that had left state control behind. Much of the overflow flooded America's shores, and it was cheap. In the first six months of 1998, Russian steel sold for an average of $87 less per ton than similar steel from LTV.

It was tough competition, and, according to LTV and 11 other American steel makers, it was unfair competition.

SEE PAGE S6

A sign in Russian, lower center, lets visitors know they have arrived at "Severyanka," the largest steel-making furnace in the world. Soviet dictator Josef Stalin ordered the construction of the mill; it was completed two years after his death.

Stories by JENNIFER SCOTT CIMPERMAN | Photographs by MIKE LEVY

Russia

The Russian steel industry traces its roots to Communist dictators who ordered the construction of most of the country's steel plants and, if needed, towns to accommodate workers.

In 2000, Russia had more than 100 steel plants. Only three — AO Severstal, Magnitogorsk and Novolipetsk — accounted for more than 50 percent of the nation's steel production.

Population: 145.5 million
Steelworkers: 367,000 (1999)

Gross domestic product (all goods and services produced in country): $1.12 trillion
Steel as a part of GDP: 1 percent

Main industries: Services (59 percent of GDP), industry (34 percent), agriculture (7 percent)

Total imports: $44.9 billion

Steel imports: 2.1 million metric tons (dollar figures unavailable)

Total exports: $105.6 billion
Steel exports: 24 million metric tons (dollar figures unavailable)

Average annual wage: $864
Average annual wage, steel: $3,000

Main uses for steel: industrial parts, construction, transportation (bridges, railroads), exports.

Steel production capacity: Unavailable
Actual crude steel production: 59.1 million metric tons

Consumption of finished steel: 23 million metric tons
How much of domestic steel use could be supplied by domestic production: 164 percent

Costs per metric ton, cold-rolled steel: $297 (materials, $247; labor, $23; finances, $27) Cold-rolled steel is used for car bumpers and refrigerator doors.

Sources: International Iron and Steel Institute; International Trade Administration of the U.S. Commerce Department; McKinsey Global Institute; CIA World Factbook 2001; World Steel Dynamics; State Committee of the Russian Federation on Statistics; the Central Bank of the Russian Federation.

Fiery Rivalries | Russia faces its past

Nicolai Ryjov, 44, takes a break on a wooden bench just feet from one of Severstal's steel furnaces. After 23 years at the plant, he earns less than $300 per month. "I wanted to work here," he says through a translator. "I make a bit more money here."

FROM PAGE S5

They accused the Russians of "dumping" — not just selling steel cheaply but selling it for less than their already-low production costs.

In 1999, the U.S. government agreed. It forced Russia to limit steel exports and set minimum prices for what the country did ship.

Even that was not enough to keep the American industry from harm. Though one hole in the dam had been plugged, steel from other foreign makers continued to pour into the United States. At the end of last year, as LTV joined a line of steel makers in bankruptcy court, it put much of the blame on imports.

Yet the limits that didn't help LTV much did hurt Severstal a lot. The United States had accounted for 30 percent of Severstal's exports.

Severstal did not seek protection from creditors, although it put off paying workers and suppliers for months at a time. It made up for lost volume by pushing into other countries and adding new products.

It cut costs by shedding some of the legacy of its state-run past, such as apartment buildings. It is working to sell off retail businesses that don't fit the steel focus — including a brewery at which workers celebrate retirements and weddings.

Severstal officials would like to dump the 1999 agreement with the United States that clogged its export pipeline. And they are working with a French steel maker, Usinor, in a partnership they hope will produce smooth sheets of galvanized steel — and show U.S. automakers that Russians can make it good, not just cheap.

Even without the American market, though, Severstal is a problem for its U.S. counterparts. Trimmed down, modernized, competing in more countries, the company has become another strong player in the global market while LTV and many other American rivals struggle simply to keep the lights on.

The stench of Cherepovets is the smell of a steel maker reviving itself. And in a world economy that can make steel faster than it can be hammered into cars and welded into buildings, success is a zero-sum game.

The survival of Cherepovets puts the life of LTV at risk.

Centuries of metal-making

The residents of Cherepovets have made a living from metal since the 16th-century reign of Czar Ivan the Terrible, when they mined iron ore from a nearby bog to fashion swords and spears. Over time, only the rulers changed.

Stalin tapped the city in the 1940s to feed Russia's industrial ambitions. Like Cleveland and Pittsburgh, which started casting steel a century earlier, Cherepovets had the makings of a steel city.

It was close to major markets (Moscow and St. Petersburg), accessible by water (the Volga-Baltic inland waterway) and near railroads that could deliver rich iron ore mined just outside the Arctic Circle.

By August 1955, Cherepovets Iron and Steel Works was melting iron ore. Three years later, it was churning out the pieces and parts of the Communist infrastructure: roads, bridges, apartment buildings with steel bars bolted across the windows.

A worker tends a coke oven at Severstal's plant in Cherepovets. Coke, coal that has been processed to remove impurities, is consumed in blast furnaces while smelting iron.

"Most customers are on the verge of bankruptcy or low on cash. If you do sell, it's painful to collect."

Victor Lipukhin,
president of Severstal Trade Inc.

The mill gave birth to 37 kindergartens, an 11,500-seat soccer stadium, soccer and hockey teams, municipal swimming pools and a beach resort at a nearby reservoir.

More than 50,000 men toiled in the shadow of the city's towering smokestacks. Inside, a dozen open-hearth furnaces belched fire and fresh steel. Visible through the smoke and sparks was a billboard-size message: "Thanks to the working class. Thanks to the working hands."

Their sweat sent profits straight to Moscow, where government officials balanced the mill's books and chose its products. Annual May Day parades showcased the wares of Russia's steel-making machine: tanks, bombs, guns slung over the shoulders of Russian soldiers.

Such displays were common until Communist Russia collapsed in 1991. Boris Yeltsin replaced Mikhail Gorbachev.

The red Soviet banner and its hammer and sickle disappeared. Flying over the Kremlin was a new flag: three bands of white, blue and red.

The new economy

Under that new flag and the new government, the equation changed at Severstal. No longer would the company managers have to think only about making steel while the government paid for everything.

Cherepovets Iron and Steel Works was converted to a public company and renamed Severstal — roughly translated, "North." In an echo of the old Soviet philosophy, stock in the new company was given to workers. But they quickly cashed in to buy cars, apartments and other trappings of capitalism.

In Cherepovets, a steel job earns a three-room walk-up in a concrete building coated with stained stucco. Home improvement is enclosing the balcony with two-by-fours. Wide streets are packed with weather-beaten sedans that smell of gasoline, sweat and antifreeze.

"We cannot afford to buy an apartment [with] only our salaries, and it's not typical for us to rent," said computer programmer Nina Kirsanova, one of the few women at Severstal working outside its cafeterias.

While she hung on to her shares, Kirsanova understands why others did not.

"We have so much inflation, it makes no sense to save."

The rapid sell-off left Severstal executives with majority control. But the new capitalists had a new problem. The old Soviet Union had swallowed 95 percent of Severstal's steel. In the new Russia, farms without government subsidies couldn't afford new equipment. Computer makers without the protection of the Iron Curtain couldn't compete with cheap imports.

At the same time, the cap was taken off prices for many goods. Food became scarce, lines long. Even businesses were forced to turn to barter for survival, trading goods for goods.

Severstal swapped steel plate for ocean freighters, pipe for natural gas, said Victor Lipukhin, president of Severstal Trade Inc. and son of the company's chairman.

That helped prop up production, but it didn't pay the bills. Severstal couldn't make its payroll.

"Technically there was no market in Russia," Lipukhin said. "Nobody was making submarines or tractors. Russian steel makers started looking around.

"First was Asia," but in 1997, Asia's economy collapsed. The continent had devoured Russia's steel. Now it was coughing up slabs of its own. And Indonesia, Taiwan and South Korea already had written trade laws to keep out Russia's metal.

"Then Europe." By 1997, the European Union had extended rules of its own to stop the cheap Russian steel at the border.

"Then the United States."

A boom in the U.S.

In 1997, U.S. steel makers could barely keep up with orders as the American dream played out in minivans and washing machines. Spot prices for hot-rolled sheet steel — the basic carcass of heavy machinery — rose 20 percent by February to $397 per metric ton, according to government figures.

The steel market's boom attracted the attention of less-fortunate foreigners.

Japan's economy slumped; it shipped steel to America. Korea's economy stank; it sent steel to America. By April 1998, imports were up 21 percent from the previous month.

Prices for hot-rolled steel started to fall. By midyear, U.S.-made steel averaged $344.85 per ton, according to government reports. For the same steel, Japan charged $319.94, Brazil $312.01.

Russia beat them all: $257.72.

Even robust U.S. demand couldn't absorb the surge. Inventory piled up at Cleveland's LTV and elsewhere. A 54-day strike at General Motors Corp. that summer made the situation worse.

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Fiery Rivalries | Russia faces its past

New retiree Yuri Smirnov, center, greets a well-wisher at a party in his honor at Severstal's brewery in downtown Cherepovets. When partygoers get their meals of meatballs or pork cutlets, they pass plates so visitors can have a taste. Bottles of vodka are shared; a shot glass filled so that it overflows signifies respect.

FROM PAGE S6

American steel makers cried foul. They accused Asia of cheating by selling steel too cheaply. They accused Brazil of doing the same. And, of course, they accused the country with the lowest prices: Russia.

Even Nucor Corp., an American company known for its low prices, cried foul. Nucor makes steel in minimills, from scrap iron. Like other minimills, it can produce steel more cheaply than the big integrated mills that use iron ore. It usually stayed out of trade disputes between American integrated mills and foreign ones.

But this time, in a letter to the U.S. Commerce Department, the top executive of Nucor smelled a rat.

Russian mills "are some of the least efficient mills in the world," Nucor's then-Chief Executive Officer John Correnti wrote, "and we have no idea how they can afford to sell steel at these prices."

The mills must run

In 1998, Severstal was selling from 60,000 to 180,000 metric tons of hot-rolled steel per month in the United States.

Sixty-five percent of Severstal's sales came from exports.

"Export sales became a key to survival for the whole industry," said Sales Director Dmitri Goroshkov, who speaks English as well as he speaks Russian.

And survival didn't just mean still making steel; it meant saving all those jobs. Olga Ezhova, head of Severstal's press center, said layoffs weren't an option.

"This is a company town. We can't do it," she said through a translator.

That, according to a U.S. official familiar with trade issues, pushed Severstal and other steel makers over the line of fair play.

"It's the Soviet mentality — you keep the mills running at any cost, so you sell your product for whatever you can get," said the official, who declined to be identified. "They thought, 'If I can get $1 for it, I'll take it.' "

But desperation — and cheap labor — weren't enough to explain Russia's low steel prices. Investigators from America's International Trade Administration would unearth other factors:

- Cheap inputs, such as electricity and iron ore, supplied by government-controlled or subsidized suppliers.
- Bartering, which enabled Russian companies to continue production regardless of demand or customers' ability to pay.
- "Widespread nonpayment" of suppliers, taxes or wages. For the first half of 1998, a Severstal worker earning what amounted to 9,000 rubles per month was paid 8,000 or less. The company paid it back — after the Russian ruble collapsed.
- Absence of strong financial oversight. By Western standards, 90 percent of all Russian businesses were bankrupt in the year after the fall of Communism. But they were never forced to close.

A demand for quotas

In the third quarter of 1998, LTV had a profit. But it would be the last the company would see for at least three years.

It wasn't alone in its trouble. By the second half of 1998, U.S. steel plants were making only about 75 percent of the steel their furnaces could produce, down from more than 95 percent a few months earlier, according to federal investigators.

Thousands of steel workers were laid off. Along the banks of the Cuyahoga River, LTV temporarily idled 40 percent of its steel production and kept a furnace down a few extra days for routine repairs.

By the end of the third quarter, in September, LTV joined 11 other steel makers, the United Steelworkers of America and the Independent Steelworkers Union in demanding quotas and extra duties on Russian steel, saying the country's companies had "dumped" steel by selling it for far less than it cost to produce.

Severstal and other Russian steel makers lacked sound accounting needed to fight the allegations. The barter system used by businesses made it difficult to track production costs. Many had relied on steel traders, who often took advantage of Russia's inexperience abroad: Russian mills naively sold steel cheaply to traders, who could add a nice markup and still undercut the closest competitors.

"I think it's very difficult to say what is or isn't dumping," the U.S. official said. "These are factories trying to stay alive. They just want to get some money coming in the door. Would you say Nordstrom is dumping when they discount something to get it off the shelves?"

Such arguments failed to sway investigators. Less than two months after U.S. steel makers' accusations, Russia was found guilty.

In a preliminary report, the International Trade Commission said Severstal was selling hot-rolled steel almost 71 percent below the cost of production. And that wasn't the half of it: Two other Russian mills, Magnitogorsk and Novolipetsk, were selling steel even more cheaply.

The "preliminary" label on the report means it was the first of several steps that could have led to duties of as much as 80 percent, Severstal officials say. But the case never got that far.

Instead, Russian officials pushed for a deal, and in 1999 one was made. It all but barred sales of hot-rolled sheet to America and set a price floor on Russian steel. But, to the Russians, it seemed that even restricted sales to such a big market were better than none at all.

A slimming-down

In Elgin, Ill., just outside Chicago, Severstal's American sales staffers played pool this summer to ease stress — and to pass the time.

In an office above a former department store, Lipukhin, head of its U.S. sales, sat at his corner desk smoking Marlboro Menthols.

Because of the 1999 agreement, Russian steel is priced at about $244 per metric ton. The going rate in the United States: about $235 per metric ton. While the difference may seem small, for a large customer, it's a deal breaker. Earlier in the agreement, the chasm was much wider — as much as $100 per ton — but the United States has adjusted the price to reflect market changes.

The restrictive agreement is only one reason things are slow for Severstal.

"It's also because of the market," he said in a heavy Russian accent that made his v's sound like w's. "Most customers are on the verge of bankruptcy or low on cash. If you do sell, it's painful to collect."

Once a month, he makes the 14-hour flight to Cherepovets, where workers continue to make steel that he can't sell anymore. With most U.S. sales gone — Severstal's cold-rolled steel for construction is still allowed — exports now account for only 45 percent of the company's sales.

But 39,000 steel workers still pack its 35 cafeterias. (Another 7,000 work for Severstal's other businesses.) If it's payday, steel workers can afford beef chops and fresh-baked cookies. In between, it's chicken cutlets or buckwheat kernels boiled with milk.

Severstal is trimming. One of its five modern furnaces remains idled, and in the last few years it has closed 10 old-style open-hearth furnaces deemed too slow, too expensive and too dirty.

Gone from its books are half of Cherepovets' apartment buildings, now under city control. Severstal is handing over 37 kindergartens (although it will keep the two city newspapers and the local TV station). Soon it will spin off units that make steel-framed tables and chairs, enameled pots and pans, and beer.

SEE PAGE S9

Sunbathers enjoy the afternoon at a beach across from Severstal's steel mill. The company spent next to nothing on environmental controls until a decade ago. "The . . . water taken from the river was thrown back dirty," says Nikolay Arkhipov, who heads Severstal's nature management division. "Today we are able to clean 98 percent of the water we use."

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Severstal peddled 200 new products this year, including thinner-gauge steel that fetches higher profits. Through previous acquisitions of a Russian automaker and a locomotive manufacturer, Severstal gained fixed customers hungry for cheap steel.

Goroshkov is most proud of the company's deal with Usinor. The French steel maker will help install a new rolling mill at the Cherepovets plant, which is to produce 400,000 metric tons of high-quality galvanized steel.

"That says Usinor thinks we can do it," he said.

Lingering challenges

But Severstal still struggles to persuade outsiders to picture something other than vodka-swilling Russians in boxy fur hats.

There are plant issues: Severstal still uses two open-hearth furnaces, a technology abandoned by American producers decades ago. The furnaces take eight hours to produce a batch of steel, compared with 50 minutes for modern furnaces. The company will close them, but it's waiting for workers to retire.

The lifetime employment concept is another albatross. Severstal has cut its staff, mostly through attrition, from a high of 53,000 a decade ago. But under Soviet rule, workers simply showed up. Nowadays Severstal must persuade workers to improve production times and efficiency — a message lost on some institutionalized Soviets.

Quality issues remain. Goroshkov concedes that Russian steel still can't compete with the highest-quality American steel, a finding frequently noted in the U.S import investigation that found Russian steel too flawed for car doors or fenders.

Severstal is working to land quality certificates, possibly including QS9000 — the quality standard demanded by the U.S. auto industry. It's adding a vacuum degasser, which removes oxygen, hydrogen and nitrogen to produce purer, stronger steel.

Leonid Nikandrov, senior specialist of chemical products at Severstal, retreats to the enclosed porch of his family's three-room apartment for a smoke. After 18 years, he earns about $800 a month. His son, Dennis, tried working at the mill but left to work at the city's TV station, also owned by Severstal.

The company is taking solace in growing demand from Russian oil and gas companies in need of steel pipe. And it's selling its steel elsewhere, too, in 94 countries worldwide.

But the U.S. trade agreement with Russia remains an obstacle. Severstal pleaded with Russian officials to dump the deal on their own but got nowhere. Goroshkov said the company has the support of U.S. auto and appliance makers, though he won't name names and said the companies won't defend Severstal publicly.

Meanwhile in late September, U.S. steel makers again targeted Russia, this time for the cold-rolled steel the country still ships. In a trade suit aimed at 20 countries, LTV and three other U.S. steel makers blamed imports of cold-rolled steel for a "disastrous" decline in prices that caused them to curtail production and lay off thousands of workers.

Together, the cases mean Lipukhin could have more time to play pool and less steel to sell. But he says that even if he isn't cracking the U.S. market, some foreigners will.

"I used to hear that American customers wouldn't buy foreign steel," Lipukhin said. "Today, they don't hesitate to buy steel from any place — China, Mexico, Brazil, Russia."

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"We live because of this company."

Lubov Nikandrov, *a member of Cherepovets' middle class*

A Soviet-style apartment building towers over one of Severstal's 17 sports facilities in Cherepovets. Workers from its rolling mill square off against Severstal railroad employees.

A company town clings to life: 'All we have is Severstal'

CHEREPOVETS, RUSSIA

Inside Lubov Nikandrov's living room, a square coffee table accommodates dinner guests. She covers the table with a linen cloth and pulls from a cabinet her best china: alabaster plates and cups rimmed with pink roses.

From the galley kitchen — one of three rooms in the walk-up she shares with her husband — Nikandrov emerges with a platter of cabbage-filled blini — thin crepes served with a dollop of *smyetanay*, Russia's watery version of sour cream.

She is a member of Cherepovets' middle class. She cleans other people's houses a few days a week, but her husband is the breadwinner. After 18 years at the mill, he makes about $800 a month as a midlevel manager at AO Severstal, the steel mill that owns just about everything in town.

"We live because of this company," Nikandrov says, stopping to fill shot glasses with cranberry vodka and urging guests to try one of her homemade salt pickles. Severstal "gives us holidays, has kindergartens. They do a lot for this town."

Her sentiment echoes through Cherepovets, where Mayor Mikhail Stavrovskiy estimates that 150,000 of the city's 324,000 residents depend on Severstal for paychecks or modest supplements to low government-paid pensions.

Severstal's reach extends to the grocery stores in which workers shop and the stucco-spattered apartment buildings in which they live.

The steel maker contributes the bulk of the city's annual budget, and its direct holdings include 37 kindergartens, two newspapers, a TV station (where Nikandrov's son works), a few grocery stores and a hockey arena in which the third-ranked Severstal team plays.

Stavrovskiy describes Severstal as "a big umbrella." That umbrella shielded Cherepovets from the tough times that all but crippled Russia's economy.

When the Soviet government collapsed in 1991, Severstal kept workers on the clock. When the ruble plunged in 1998, Severstal kept churning out steel coils.

But Severstal has found it more difficult to protect Cherepovets lately due to a global glut of steel and to trade barriers erected by the United States and other countries that charged Russia with unfairly selling its steel below cost.

Stavrovskiy puts his finger level with his chin to show the city's 1999 budget, then moves it down to his chest to show the decline.

Since last year, it has fallen 30 percent. Nikandrov's husband, Leonid, grows increasingly worried about living in a company town.

"All we have is Severstal," he says. "... If there's no Severstal, where will the young people go?"

Severstal is shoring up its books by transferring control of the kindergartens to Cherepovets, shaving about $3.5 million from the $7 million it spends annually on so-called "social assets." (It will fund them indirectly with tax dollars instead.)

The steel maker plans to spin off its restaurants and grocery stores into separate companies (of which it is expected to be the sole stockholder), to keep them from dragging down sales at the mill. It already has divested the city's apartment buildings previously dependent on company coffers.

But the company is also reinvesting: Severstal recently installed freshly painted seats in the city's 42-year-old soccer stadium, and the steel maker is building three apartment buildings in a tony neighborhood on Cherepovets' south side — the only area that boasts a few free-standing homes. Part of the cost will be paid by the company, with the remainder loaned in the form of mortgages to workers.

Despite tough times, Severstal plans to keep the newspapers and TV station in the interest of "social stability," says Gueorgui Shevtsov, Severstal's director of social affairs. While working for a company-owned paper clashes with local journalists' ethics, "they bought new computers, new cameras, new equipment," says Nikolai Viktorov, a photographer for the Severstal-owned paper Ryech, Russian for speech.

And Severstal is paying for the Russian National Theater's next musical.

"We're looking through a script right now," Shevtsov says. If Severstal likes it, the show will go on.

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Anatomy of a meltdown

The events that led LTV's management to throw in the towel

Jennifer Scott Cimperman
Plain Dealer Reporter

Signs of trouble at LTV Corp. this fall were as unmistakable as a clenched fist: slowing orders, mass layoffs, a shut-down mill.

But there was hope: A federal agency said it was ready to recommend relief from steel imports. A loan guarantee seemed to be moving ahead. If the loan came through and imports were curtailed, Cleveland's LTV would have a chance at life.

So last Tuesday, when LTV asked federal bankruptcy Judge William T. Bodoh to let the company close all its steel mills, it hit like a sucker punch.

The announcement, however, didn't come out of nowhere. While LTV was talking optimistically about the loan, behind the scenes it had spent two months scrambling to please its bankers and a federal loan board, preparing to ask its union for severe cuts in wages and benefits.

Today, relying on documents supplied by LTV and interviews with the company, the union, bankers and others, the story of how LTV got to its latest crisis can be told.

It begins shortly after LTV entered bankruptcy protection last December. The company arranged about $700 million in credit, but with a hitch: It had to be paid back by next June.

Changing its labor contract, cutting salaried workers, dropping contractors, selling its metal buildings unit — all those helped the cash situation, but the company still was losing nearly $2 million a day as fall arrived.

SEE LTV | A20

NOT-SO-QUIET CRISIS: LTV shows how bad Cleveland's economic woes are, writes Brent Larkin. **H1**

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U.S. Rep. Dennis Kucinich, left, talks with LTV Corp. Chairman William H. Bricker on Dec. 29, the day the steelmaker sought Chapter 11 bankruptcy protection.

LTV

FROM A1

Anatomy of a meltdown

To keep going, the company had said for months, it needed another loan. This one, for $250 million, would be made by National City Corp. and KeyBank. Payment of part of the loan was guaranteed by local, county and state governments plus a supplier, still unidentified. The federal Emergency Steel Loan Guarantee program would cover almost all the rest — 85 percent of the whole loan, or $212.5 million.

Without the federal safety net, KeyBank and National City wouldn't cough up the cash: LTV had been in the red for more than a year, and steel prices were at a 20-year low. It would be like giving a home loan to a guy who lost his job at Burger King.

But with the guarantee, the banks would be on the hook for only 2 percent — $5 million — if LTV failed.

So it was good news when, on Sept. 27, the banks submitted their guarantee application. LTV Chairman William H. Bricker praised them for their confidence in making LTV "a viable, profitable asset to this region."

But the banks weren't confident. And LTV knew it.

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LTV Corp. Chairman William H. Bricker, center, speaks to reporters on Dec. 29, when the steelmaker sought Chapter 11 bankruptcy protection. Surrounding Bricker are, from left, U.S. Rep. Dennis Kucinich, LTV spokesman Mark Tomasch, U.S. Rep. Stephanie Tubbs Jones and Cleveland Mayor Michael White.

No room for error

LTV's survival plan touted $4 billion in savings or sale proceeds over five years. That included cutting about 2,000 blue- and white-collar jobs.

LTV said that would keep it going. But the banks, in documents submitted with the application, said the plan required "perfect execution, favorable improvements in the economy and steel markets, flawless operational efficiencies." There was no room for anything to go wrong, the banks said. And they believed something would: "In short, the lenders do not believe it likely that [LTV] will be able to generate sufficient cash flow from operations to service the loan."

LTV knew what the bankers were saying. But in a letter to the board deciding on the loan guarantee, LTV Chief Financial Officer Thomas L. Garrett Jr. asked it to ignore the concerns.

The banks, Garrett wrote, were trying to protect themselves from blame. Given LTV's condition, Garrett continued, it was "impractical" to measure risks "using normal standards of lending." Instead, LTV wanted the board to leap into the dark quickly.

"Time is of the essence," Garrett wrote, "and we encourage you to target an approval and funding by the end of October."

None of this discussion was made public at the time. But rumors began to spread among politicians, analysts and union officials.

On Oct. 22, U.S. Rep. Dennis Kucinich went public. The Cleveland Democrat bashed KeyBank and National City, making vague references to their having thwarted LTV's hopes.

"We're not going to take no for an answer on this," he said. "I just want that known."

The banks say they're not the bad guys.

"Any allegation that the banks are not fully supportive is incorrect," said James R. Bell III, an executive vice president for National City Corp. LTV knew its survival plan wouldn't fly, he said, but pushed the banks to apply anyway.

"We submitted [the application] at the company's request," Bell said. ". . . We were, however, obligated to let the federal government know what our estimate was of those circumstances coming together. . . . We have an obligation to tell the truth."

Help in the distance

The same day Kucinich raised a warning flag, the U.S. International Trade Commission ruled that imported steel had seriously harmed the domestic industry. Help was on the way, maybe — but months away.

Yet LTV, in its new survival plan, counted on that, and a lot of other federal help that was still iffy: New tax laws that could give it a $43 million refund in 2002, an event the plan summary emphasizes with an exclamation point. Approval for more time to fund its pensions.

And government help for "legacy costs" — the $100 million-plus LTV spends each year for retiree health care.

It was an about-face for the steelmaker, which previously had said government help wouldn't make a dent. Even with all the expected aid, though, LTV vowed to cut to the bone. An Oct. 26 version of its new plan calls for:

- $680 million in additional labor cost savings from 2002 through 2005 — $140 million a year from hourly employees, $30 million a year from salaried workers.
- $127 million in additional "operating improvements."

LTV proposed having the United Steelworkers of America choose: either wage cuts as deep as $6 an hour, which by the company's calculations would be 37 percent, dropping hourly pay to about $10 (various forms of extra pay add on to that). Or a wage cut of $3 an hour plus reductions in planned raises, vacations, holidays and many types of extra pay.

In addition, the banks that had made LTV's original bankruptcy loan would have to agree to extend it from next June to Dec. 31, 2002.

Though workers didn't know about these plans yet, it was becoming clear that the steel industry was sinking faster.

Orders dwindled as buyers delayed, betting prices would go even lower.

LTV kept making steel, but slabs piled up unsold. On Nov. 6, LTV and the union agreed to shut down the West Side mill, idle since June.

Two days later came a puzzling bit of news: KeyBank and National City had altered their loan guarantee application.

What the changes were, the company would not say. Spokesman Mark Tomasch called the revisions "a very favorable development."

Documents the company released last week show that the revision meant the banks believed LTV's new plan could work.

We were able to say that if, indeed, the steel market improved," Bell said, "it was reasonable to believe the loan could be repaid."

Waiting for the word

Bricker, Chief Operating Officer John D. Turner and others visited the union's Pittsburgh headquarters Nov. 1. "There was a review of their business plan," but no talk of labor costs, Steelworkers President Leo Gerard said last week.

SEE LTV | A21

LTV

FROM A20

"They said there was no point in getting into it until they saw what happened with the loan review board and the banks."

On Nov. 14, LTV told the Steelworkers there were positive signals about the loan guarantee.

But the company also warned of trouble with its original bankruptcy lenders, a group led by a New York bank. LTV wanted a six-month extension on its loan, but the lenders instead were focused on liquidation and unwilling "to believe in long-term survival of the company."

So LTV gave the union an ultimatum: $140 million in wage and benefit cuts through 2005 or the company would close. "This is not normal contract bargaining," Tomasch said last week. "We're not walking in the door here, presenting a package that's an opening bargaining position."

The Nov. 14 meeting, Gerard said, was the first time LTV had offered a firm number on its new plan. Tomasch noted that the union should have known of LTV's plight; the Steelworkers have a seat on LTV's board and a representative on a creditors committee that gets weekly financial updates.

According to a letter to the loan guarantee board, LTV's offer to the union was slightly different than envisioned back in October.

It now wanted to:

- Slash base wages by $3.45 an hour through 2005.
- Cut planned raises in half and reduce extra pay.
- Lower benefits for both hourly and salaried workers. Hourly workers would have to pay as much as $4,000 a year in co-pays for office visits and hospital and surgical services, on top of monthly premiums and prescription co-pays.

In a separate letter to the loan board, LTV asked for a preliminary decision on its guarantee by 5 p.m. Monday, Nov. 19.

"The company's liquidity cannot sustain further uncertainty with regard to the outcome," wrote Douglas A. Brook, LTV's vice president of government affairs.

Counteroffer

On Monday, the loan board said it would not tip its hand.

That same day, LTV got the union's counterproposal. It called for cutting wages 15 percent — slightly less than the company's offer — but kept benefits intact. It said the steel-maker could tap deeper into a trust fund to pay retiree health benefits.

And the union wanted things in return. LTV would have to repay the wage cuts when it shut down or emerged from bankruptcy court. The union, which had gotten a second LTV board seat in the spring, wanted three more. And it called for the company to cut 300 salaried jobs — triple what LTV had proposed.

Union spokesman Marco Trbovich called it an opening volley. The union proposal sought concessions from everyone — blue- and white-collar, suppliers, lenders.

LTV's response was that "other people's sacrifices won't be counted toward your sacrifices," Gerard said.

With that, he said, LTV walked out of the talks.

At LTV's Indiana steel mill, workers watched as maintenance on a furnace stopped and the repair crew packed up and went home early.

By Monday afternoon, the situation in Pittsburgh was back to where it was in spring. In early June, LTV's unsecured creditors — mostly suppliers — had stepped in when the steelmaker and union were at an impasse, taking over from LTV and reaching an agreement. Now the creditors were conferring with the union again.

A day later, LTV's Bricker apparently tried to mend the previous day's rift. He sent a fax to Gerard: "I am still hopeful that we may yet reach an understanding that will enable this company to retain jobs and go forward," Bricker wrote. "P.S. Would there be any benefit in the two of us talking?"

Gerard faxed back: "Yes," he wrote, "I think it would be useful for us to talk."

After a 15-minute phone conversation between the two around 1 p.m., Bricker said he would call back the next day.

Gerard later spoke to the union's top lawyer, Paul Whitehead. "Maybe they're going to come back," Gerard told him.

"I think it's too late," Whitehead replied. "I think they've filed with the court."

'It's D-Day'

Gerard hadn't known, when he was talking to Bricker, that less than an hour earlier a company official had sent an e-mail to a union representative. The union rep was in a meeting with creditors and didn't see the message until later.

The note, according to the union, said the company was canceling the labor contract and asking a court to let it stop making steel.

Word was already out in Cleveland. Kucinich got the call from Cuyahoga County Commissioner Tim McCormack. "It's D-Day," McCormack said.

At 3:15 p.m., plant supervisors told workers in Cleveland.

At 3:30, LTV's lawyers delivered a stack of paperwork to Bodoh's bankruptcy court in Youngstown. It wanted to shut all the mills, close two coke ovens, throw out the labor contract. It would keep the mill equipment "hot" for two months in case someone wanted to buy the mills; after that it would sell off the machines piecemeal.

When Whitehead called the court and confirmed that LTV had filed, Gerard called Bricker. "Bill, what the hell is going on?"

Bricker said he would check with the company's lawyers.

Less than two hours later, Gerard got a new fax from Bricker: Yes, it was true.

The next morning came yet another fax. Though the bomb had already dropped, this one sounded like another attempt to patch things up: "If there is anything LTV people or I can do to assist, do not hesitate to contact me," Bricker wrote. "We both want this company to survive."

It's probably too late, analysts and industry watchers say.

Customers are finding other sources for steel. The loan guarantee board said it doesn't know what to do next.

The union continues to talk with the creditors. Kucinich, who started out LTV's bankruptcy case appearing side by side with William Bricker, has filed papers asking the court to throw the CEO and Turner out and bring in a federal trustee.

On Dec. 4 — if nothing else happens first — Judge Bodoh could sort it all out.

Plain Dealer reporter Sandra Livingston contributed to this story.

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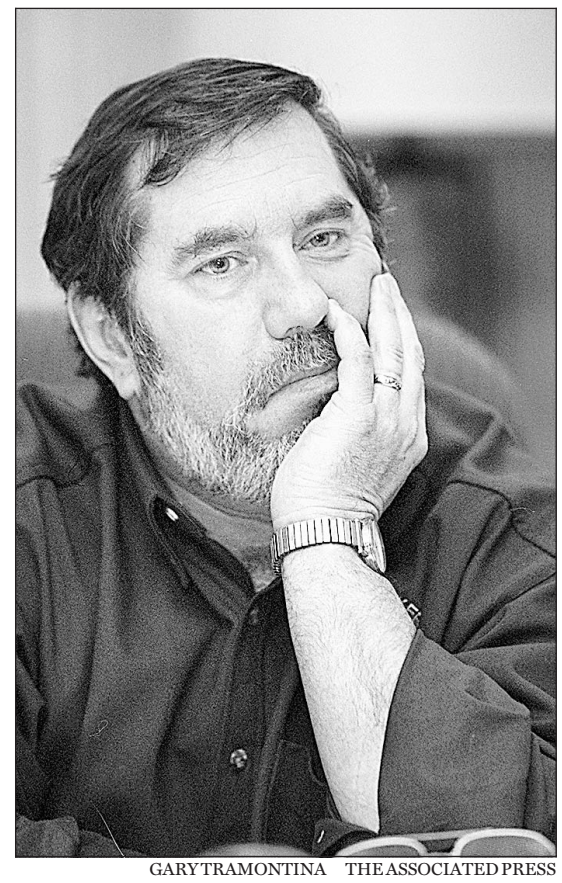

GARY TRAMONTINA THE ASSOCIATED PRESS

United Steelworkers of America President Leo Gerard, pictured in February, says LTV Corp. "probably ruined" its customer base, trade credit and chances of survival when it filed court papers Tuesday asking a judge to let the company close all of its steel mills. "This is ruthless," Gerard said late last week. "You create a self-fulfilling prophecy."

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SATURDAY, DECEMBER 8, 2001

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‘They’re walking around with a shopping cart full of termination notices’

LTV SHUTDOWN BEGINS

Blast furnace first to go

JENNIFER SCOTT CIMPERMAN
Plain Dealer Reporter

LTV Corp. will stop making steel within 48 hours.

A U.S. Bankruptcy Court judge granted the Cleveland steel maker permission to do so at about 4 p.m. yesterday. By then, it was no surprise to workers.

“They’re walking around with a shopping cart full of termination notices, one of those big pushcarts,” said a salaried worker who didn’t want to use his name. “It’s like being in a morgue.”

To many Clevelanders, LTV’s smokestacks were part industrial icon, part eyesore. But to thousands of LTV workers, the maze of ductwork, railroad tracks and corrugated buildings along the east bank of the Cuyahoga River was a second home, albeit a sweaty, back-breaking one.

For decades the mill churned out steel for electric generators, station wagons, refrigerators.

SEE LTV | A8

JOHN KUNTZ | THE PLAIN DEALER

EDITORIAL: Life after LTV. **B8**
AID CALL: Protect steel, ITC urges. **C1**
TOMORROW: How an LTV minimill failed. And, a look at Nucor Corp., an LTV competitor that makes money.

‘Where do I go from here?’

SANDRA LIVINGSTON
Plain Dealer Reporter

Reality began setting in for Jim Matt after Thanksgiving as his LTV Corp. maintenance crew shrank and he was left to take a solitary lunch in the shanty.

Headaches, once rare, had become frequent.

He and co-workers had taken their spouses on group cruises and a trip to Walt Disney World. Now his work family was breaking up.

“I sit there and wonder, where do I go from here,” Matt said Tuesday as the first day of court hearings on the company’s fate ended.

“It’s similar to going to a morgue to identify a body and you hope it’s not a loved one,” he said. “I hope the corporation stays afloat.”

Yesterday, the bad news became official.

A judge approved a plan that allows the company to stop making steel and sends thousands off the job.

SEE WORKERS | A9

LTV

FROM A1

Company to stop making steel

At its peak, 15,000 people collected their LTV paychecks in Cleveland. Now just 3,200 remain; about half of them are already laid off, and most of the rest will be soon. An additional 4,300 people will lose their jobs at steel mills in East Chicago, Ind., and Hennepin, Ill., as well as at coke plants in Warren and Chicago.

Under the plan approved in court yesterday, first to go will be LTV's blast furnaces, where iron ore combines with other ingredients to form molten iron. Next will be the basic oxygen furnace, where molten iron is mixed with scrap to form steel. Both are expected to be idled by Sunday, company spokesman Mark Tomasch said.

Finally, LTV will idle its caster, which shapes molten steel into slabs, and the rolling mill, which shapes those slabs into coils per customers' orders. Tomasch said the rolling mill could stay open a few extra days depending on the amount of slabs waiting to be rolled and processed for sale. LTV can use all the cash it can get. A skeleton crew will remain to maintain equipment.

Inside the mill yesterday, workers were somber. Joe Vanadia, who helps tend LTV's steelmaking furnace, was told by a coworker that he is laid off until further notice.

He had four lockers to clean out inside the mill, requiring three or four trips to his car. "I felt something like my life was passing before me," said Vanadia, 49, who would have celebrated his 30th anniversary at the plant Feb. 22.

The news doesn't only affect LTV. Raw-material hauler Autumn Industries Inc. prepared to stop its scheduled runs.

"We were told to stop hauling at 7 [this] morning," said Sandy Clark, Autumn Industries' president. Fifty of her drivers had hauled coke, used to make steel, from LTV's Warren coke plant — also due to be idled — to the East Side mill. "They are our largest customer." Well, they were.

The steel maker works with about 1,600 suppliers in Ohio, providing a livelihood for thousands of workers outside LTV's mills. The impact on Cuyahoga County could be as much as $478 million annually, including lost wages, reduced income to suppliers and lower spending on groceries and other household items. And that's just individuals. LTV said this week that many of its suppliers won't get paid, despite the legal protection afforded businesses serving bankrupt companies.

At LTV's downtown Cleveland headquarters in BP Tower, 20 accountants were told yesterday to go home and never return — joining 700 of their former salaried colleagues already let go by the steel maker this year. At the Cuyahoga County commissioners' office, government officials huddled with union leaders, an LTV manager and job retraining specialists to devise a safety net for displaced workers.

Anthony Panza, a trustee for United Steelworkers of America Local 1157, attended the meeting in his LTV uniform. He didn't have time to change into street clothes.

"It's been the one bright spot in all of this," Panza said, "that people have taken such an interest in our well-being."

There's been little else on the minds of city and county officials this week. Three days of court hearings in Youngstown drew Cleveland Mayor-elect Jane Campbell and U.S. Reps. Dennis Kucinich, Stephanie Tubbs Jones and Steve LaTourette.

The hearings also lured busloads of LTV workers and retirees, who adopted the rallying cry "Let's make steel" as their employer's top executives took the witness stand inside.

Executives argued that the company was out of cash and abandoned by customers. The company sought Chapter 11 bankruptcy protection Dec. 29 last year, citing depressed steel prices, cheap imports and high production costs it pinned mostly on health-care costs for more than 45,000 retirees.

In those early days, Cleveland Mayor Michael White, Kucinich and other politicians eagerly lent support. But a series of corporate missteps ate at LTV's political support and worker morale: millions in bonuses granted top executives; a botched April announcement that it would close its West Side mill in Cleveland; the breakdown of labor talks in June.

After a labor deal was signed in July (with the help of LTV's creditors), the company seemed to be on the upswing. It sold its metal buildings unit and other assets to raise cash. And, perhaps most important, it persuaded two local banks to lend it money if federal, state and local governments would back the deal. The city, county and state kicked in; the federal loan panel took the matter under consideration.

By this fall, however, the company was spinning its wheels. The economy soured after Sept. 11, and the application for the federal loan guarantee languished. Steel prices are at 20-year lows, one big reason that more than 20 American steel companies have entered bankruptcy court protection since 1997.

Still, the news stung yesterday afternoon when a court clerk handed out copies of the order from U.S. Bankruptcy Judge William T. Bodoh.

Inside the courtroom, lawyers in tailored gray suits and polished loafers shared wooden benches with steelworkers in blue jeans and tennis shoes. Their reactions ranged from desperate to indifferent to hopeful.

Bodoh's ruling essentially lets LTV exit the steel business. In addition to idling plants, LTV can:

- Liquidate steel inventory and accounts receivable (money owed by customers) to help pay for idling its plants.
- Use its business judgment to take "any and all actions" necessary or appropriate in idling its steel plants, without court interference.
- Operate its Copperweld and LTV Tubular units, which produce metal tubing. Some LTV Steel employees consider this a slap in the face.

LTV's heavy debt has been pinned, in part, to its costly 1999 acquisition of Pittsburgh-based Copperweld.

Despite all that, a last-minute agreement by the company, the Steelworkers, LTV's banks and its unsecured creditors — mostly suppliers — does provide at least some reason for optimism. As reported earlier this week, the agreement says LTV must:

- Extend its search for a buyer. Under LTV's original plan, the company would have idled its Cleveland and East Chicago plants for 60 days while it searched for a buyer; equipment would have been protected for a possible restart during that period.

Yesterday, that period was extended until Feb. 28. It could even go to March 15 if a buyer is close or the government places additional restrictions in imported steel, which the industry blames for low steel prices and slack demand.

A federal panel yesterday recommended tariffs of as much as 40 percent on some imports, but President Bush has until February to take action on that suggestion.

In the meantime, U.S. trade officials will push for a global cutback in steel production to prop up prices. But that may mean condoning the shutdown of some steel mills in this country as well.

LTV's Illinois plant, which requires less cash to protect equipment, will remain idled for nine months.

- Extend the life of LTV's coke plants. The plants, in Warren and Chicago, were to close immediately. Now they will continue production at a slower rate for three weeks in case a buyer is found.
- Employ a loan consultant to be designated by the Steelworkers. LTV has applied for a federal loan guarantee for $250 million of new loans proposed by two Cleveland banks.

The consultant, to be paid by LTV, will pursue the loan guarantee through Dec. 19, when a court hearing is scheduled to chart the parties' progress.

However, the company's actions of the last several weeks and the resulting exodus of customers led the federal board that oversees the guarantees to ask for revisions to the banks' application.

Dec. 19 also is the date for a hearing on whether LTV will be allowed to throw out its 1999 labor contract. The company already voided a modified agreement with the Steelworkers inked in July.

Until the 19th, LTV must continue to provide health benefits for workers.

It got court permission yesterday to draw from a trust fund set up to pay for retiree health care, and yesterday's court order also said some union workers must be kept on for two weeks to perform tasks associated with idling the plant's furnaces and rolling mill.

But the idling remains painful for workers facing the unemployment line. Vanadia and his coworkers have pondered a future without LTV.

"We've been talking about this for a couple of weeks — ideas about how to make a living," he said.

"We're like between a rock and a hard place as far as skills. We never learned any skills we would take outside the mill.

"I'm just hoping that if we don't go back to work for LTV, I'm just hoping everybody has a successful life," Vanadia said. ". . . I just hope everyone makes it OK."

Plain Dealer reporters Thomas W. Gerdel, Alison Grant and Sandra Livingston contributed to this story.

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JOHN KUNTZ | THE PLAIN DEALER

The crew on the day shift left LTV Corp.'s East Side mill in Cleveland yesterday before a federal bankruptcy judge granted the company's request to idle steel making, but they knew what was coming.

U.S. Bankruptcy Judge William T. Bodoh

LTV's long struggle nears the end

Dec. 29, 2000: LTV Corp. seeks Chapter 11 bankruptcy protection.

Jan. 28, 2001: LTV Chairman and Chief Executive William H. Bricker insists company can emerge from bankruptcy by end of 2002.

Feb. 4: LTV restarts West Side blast furnace in Cleveland, idled since November.

Feb. 26: LTV names John D. Turner, head of tubular steel division, as chief operating officer of whole company.

March 5: Company and lenders agree to deal covering $600 million of current debt and $100 million of new credit.

March 12: LTV seeks buyer for VP Buildings Inc., unit that makes prefabricated metal buildings.

March 21: Bankruptcy judge allows LTV to provide nearly $25 million in retention bonuses and severance payments. Court also approves bonuses of $1 million to Bricker and $1.5 million to Turner.

April 11: LTV says it will close West Side mill in Cleveland.

April 24: Contract talks begin in Pittsburgh between LTV and United Steelworkers of America.

June 11: LTV asks a federal bankruptcy judge to allow it to throw out labor contract.

June 14: In court, Turner says small customers "are beginning to vote with their feet."

June 16: LTV idles West Side.

June 18: Committee that represents LTV's creditors begins negotiating directly with Steelworkers.

June 22: General Motors Corp. says it will not renew steel contract, LTV's largest, when deal expires at year's end.

July 6: Steelworkers and creditors committee agree on new labor contract. LTV approves it next day.

Sept. 4: Mexican company agrees to pay $102 million for VP Buildings.

Sept. 27: Two Cleveland banks apply for federal guarantee to back most of $250 million loan.

Nov. 6: LTV and Steelworkers agree to close the West Side.

Nov. 8: Citing a weak economy, two Cleveland banks revise application for a federal guarantee to back most of $250 million loan for LTV.

Nov. 19: Talks between union and LTV break down when the two sides are unable to agree on added cost-cutting needed to land loan guarantee.

Nov. 20: LTV asks bankruptcy judge to let it close all steel plants. Equipment would be maintained for 60 days while company searches for buyer.

Nov. 21: U.S. Rep. Dennis Kucinich asks bankruptcy judge to let trustee take control of company. LTV says it is willing to resume talks with the union.

Nov. 27: Steelworkers and creditors propose cost cuts.

Nov. 28: LTV confirms it will stop making steel within days. Unsecured-creditors committee asks Bricker to step down.

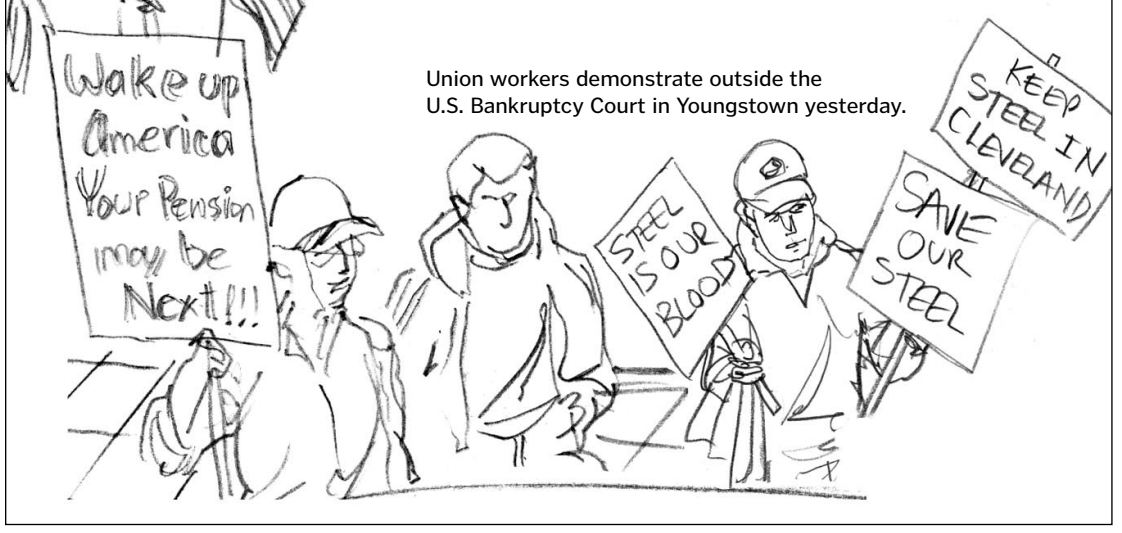
Nov. 29: Bricker resigns. LTV agrees to keep making steel until Dec. 4.

Dec. 4: As bankruptcy court hearing begins, company officials say that LTV is out of cash, customers and raw materials and that a loan guarantee is unlikely.

Dec. 5: Creditors, union and banks begin talks.

Dec. 6: Creditors, union and banks agree to let LTV idle mills. In exchange, LTV agrees to a longer search for buyers.

Dec. 7: Bankruptcy judge accepts agreement. Thousands of workers laid off.



Union workers demonstrate outside the U.S. Bankruptcy Court in Youngstown yesterday.

MILAN KECMAN | THE PLAIN DEALER

Worker help

All LTV employees who receive layoff notices over the next few days can expedite benefits and services by picking up unemployment packages at the United Steelworkers of America union hall at 1700 Denison Ave., Cleveland, or at one of these state unemployment claims offices:

- 5739 Chevrolet Blvd., Parma.
- 22639 Euclid Ave., Euclid.
- 1841 Prospect Ave., Cleveland.

Applications are available from 8 a.m. to 5 p.m., starting Monday.

Attorneys await U.S. Bankruptcy Judge William T. Bodoh's ruling yesterday to allow the idling of LTV Steel.

MILAN KECMAN | THE PLAIN DEALER

THE PLAIN DEALER

Saturday, December 8, 2001 | B8

Life after LTV

The likely demise of a big employer forces Cleveland to comfort the hurting and to look to the future

The deal ratified yesterday by U.S. Bankruptcy Judge William T. Bodoh does not seal LTV Steel's death. But let's be realistic: If LTV again makes steel in Cleveland or at any of its other locations, it will belong in a league with Lazarus.

Under the accord reached Thursday by representatives of LTV's unionized workers, its suppliers and lenders, the firm's blast furnaces and other machinery will be kept on "hot idle," possibly until mid-March. They will not make steel, but neither will they be shut off altogether, a move that could cause irreparable damage to the equipment.

The human damage is more immediate: The vast majority of LTV's 7,500 employees — almost half of them in Cleveland — already have been laid off.

In theory, the agreement buys time for those workers and the company. The United Steelworkers and their political allies say they will continue to pursue a $250 million federally guaranteed loan. But even a week ago, that money would all have been used to keep LTV operating; now, a sizable chunk would be required to revive a dormant company. It is not clear that either the two Cleveland banks that previously agreed to make the loan or the federal panel that would guarantee it will accept such drastically changed circumstances.

The more hopeful scenario may be that buyers step forward to claim bits and pieces of LTV. There is much speculation that U.S. Steel, currently at the center of a potentially dramatic consolidation of the steel industry, might want LTV's East Chicago, Ind., and Hennepin, Ill., plants, Unfortunately for thousands of employees here and for the local governments and schools that rely on their taxes, LTV's Cleveland Works is perceived to be less attractive. Perhaps an investor will surface, possibly a foreign steelmaker looking for an American foothold, but it seems highly unlikely that this city will again be blessed with as many high-paying steel jobs as it enjoyed before LTV careened into bankruptcy last December.

That makes it incumbent on this community to move swiftly to assist those whose livelihoods are about to disappear. The dependable, hard-working men and women of LTV, whether they wore overalls or business suits, will need help with placement and retraining. Special aid should go to those retirees, too young for Medicare, who will likely lose their medical benefits. Perhaps the Council of Small Enterprises might step forward and help them pool their resources to buy affordable coverage.

Beyond that, the extraordinary energy invested by political, labor and business leaders to save LTV needs to be rechanneled into thinking about what comes next — and then acting as quickly as possible. How can the city and the region nurture new enterprises that will provide good-paying jobs? How can we clean up and reuse LTV's 1,200 acres? What lessons can be learned from other cities whose steel plants cratered nearly a generation ago?

Two places come immediately to mind: Pittsburgh moved quickly to reinvent itself and is emerging as a player in the new worlds of information technology and biomedical sciences. Youngstown kept hoping that someone somehow would bring back the good old days; since no one has, the Mahoning Valley remains a shell of its past glory.

Even as we mourn the probable loss of LTV and reach out to console its workers, Cleveland must move toward the future.