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Gutting a former steel giant

12/24/01

John Kubilis waited at the union office with his suitcase packed.

A final negotiating session in Pittsburgh would end months of exhausting work to restart bankrupt CSC Ltd.'s steel mill in Warren. More than 1,200 people would be back on the job. The city's fourth-largest employer would be pouring steel again.

The phone rang and Kubilis jumped. But it was not the call the union president was expecting that October afternoon.

"We had no inkling at all that the deal was falling through," Kubilis said last month in the empty union hall.

The collapse of a buyout firm's effort to breathe life into the idled mill led to a ghoulish scene in November at the plant on Warren's outskirts. It is a picture that could one day play out at LTV's closed plants in Cleveland.

Warren's onetime elite supplier of bar steel for nuclear power plants, the mill that churned around the clock during the Gulf War making ammunition casings and shells, was reduced to a carcass.

Men in pickup trucks and semis hauled away parts of the company, from small wrenches to huge ladles. Employees from a Baltimore liquidation firm stood guard at the gate in sunglasses.

CSC's entire operation had been auctioned off a few weeks earlier in the genteel confines of a chandeliered hotel conference room in downtown Cleveland. "Lead melting machine w/(1) skid of lead bars," the sale catalog said. "42 motorized hot ingot buggies." "90-ton capacity ladle." The largest unionized minimill in North America was up for grabs.

"There are equipment guys in here arguing with each other as to who bought what," CSC Vice President Don Caiazza said in November as buildings were stripped throughout the 400-acre mill site. "It's ugly."

To some it also was avoidable.

"We were willing to have anyone come in, whether it be union or nonunion," said Kubilis, president of the United Steelworkers of America local. "I was willing to relinquish [union recognition] to save jobs and try to reorganize if they started up again. But the international [steelworkers union] thought it better to turn their back."

John Duray, a spokesman at the Steelworkers' Pittsburgh headquarters, said the union had insisted on retaining jurisdiction because it was the only guarantee that those in the mill would keep their jobs after a sale.

"Those provisions were negotiated precisely because facilities were being sold and companies would dismiss everyone and hire an entirely new work force," he said.

Days long gone

The speciality steel bar maker had a 62-year history in the gray army of buildings on Mahoning Ave.

It opened as Copperweld Steel in 1939, producing iron for the U.S. military. The 1940s and 1950s were glory days. Red dust from the stacks speckled laundry near the mill, but people lived with the inconvenience. The mill meant money - and family: The event of the summer was the Copperweld picnic at Conneaut Lake Park, when kids got Dixie cups of chocolate ice cream and men swatted softballs around the diamond.

The plant's "special bar quality" steel met exacting formulas demanded by auto and machine tool customers. The plant made 800 grades of steel and cornered niche markets not suited for big integrated mills.

But, like much of the steel industry, the bar market became glutted in the late 1970s. Money began draining out, and by 1993 Copperweld filed for bankruptcy protection. Two years later an Akron company, the Reserve Group, brought it out of bankruptcy under a new name, CSC Ltd.

The buyout coincided with a turn in fortunes - a boom spurred by America's love of bar-steel-demanding sport-utility vehicles. States in which mills had closed - New York, Pennsylvania and Indiana - loaned money to open bar steel plants. CSC posted 13 consecutive profitable quarters.

Fall into bankruptcy court

In 1998, CSC began a \$100 million modernization of its melt shop. But the ramp-up took 16 months, not four as planned, and the undercapitalized company chewed into its cash reserves.

CSC lost out on government assistance - a federal guarantee on a \$60 million private loan - because it never found a bank to make the loan that the government had pledged to back.

Meanwhile, specialty bar production across the country sagged under the weight of 2 million tons of new supply. In the oversaturated market, bar mills toppled into bankruptcy.

At the end of 2000, with its melt shop almost ready, CSC ran out of cash. It filed for bankruptcy protection on Jan. 12 and stopped making steel April 13.

A few weeks before a court hearing on whether to liquidate the company, an 11th-hour savior emerged: Renaissance Partners Inc., a Cleveland-based management buyout firm. Renaissance had equity sources that specialized in distressed firms - it didn't disclose who the sources were

- prepared to buy the mill and restart it.

Renaissance and the union negotiated a new labor contract to cut costs. Talks were going well. Then came Sept. 11.

"The equity pulled back because they were deluged with better opportunities," said Leo Keevican Jr., Renaissance president and managing director.

Kubilis heard the news from a reporter at the Warren Tribune Chronicle.

Workers move on

The auction that followed raised pennies on the dollar. Akron Recycling Scrap bought 134 railroad cars for \$350 each to recycle into scrap steel. Bidding on an electric arc furnace started at \$100,000, but it sold for \$1,000.

Before the auction, a Ukrainian buyer paid \$6 million for a state-of-the-art melt shop and continuous caster, equipment that cost \$93 million three years earlier. In late November, the mystery Ukrainian investor agreed to buy the land and property where CSC stands for \$1.2 million. That kindled talk that the mill would restart.

CSC manager Don Caiazza said the Ukrainians hired him to draw up a business plan for operating the mill. But Caiazza minimized hope that many steelworkers would be rehired even if the mill opened in some capacity.

"I'm staying to try to resurrect something out of the ashes, so we can help this community out any way we can," he said.

Crane operator William Powell said he's already moved on. "It used to be family," he said. "Now it's just 'What do we do next?'"

"We'll never see those kinds of jobs in this town again."

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