

## Idling of Sparrows Point Could Cost Hundreds of Jobs

*Russian owner said job losses still to be formulated*

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The union president at the Sparrows Point steel plant warned that as many as 1,200 workers could be laid off as the historic Baltimore County mill continues one of the longest shutdowns in recent memory.

Not only are the primary steel-making operations idled through December, but the plant's owner, Severstal, intends to sell all of the raw material on hand, according to John Cirri, president of United Steelworkers Local 9477. He told members in an e-mail that 1,000 to 1,200 hourly employees -- nearly half the work force -- could be affected by the Russian owner's latest business plan.

Sparrows Point, once the largest steel mill in the world, has suffered a long, slow decline in recent years, and this latest development stoked lingering fears that the 120-year-old facility could one day be mothballed. Workers complain that Severstal has mismanaged the plant and risks losing customers with the shutdown, while state and local officials are urging the company to keep the plant running.

"From what I hear, Severstal has not given Sparrows Point a chance to run a profitable operation," said Helen Delich Bentley, a former Baltimore County congresswoman. "It's a tremendous, valuable icon in the manufacturing world, and to let it fall like this is really sinful."

Union officials have said that Severstal is looking to sell the plant, further clouding the plant's future. Meanwhile, the company and union have been locked in thorny contract negotiations. Employees have been working under extensions of an old contract for more than a year.

Severstal has not confirmed how many jobs would be cut, either permanently or temporarily with the shutdown, and has declined to comment on reports it is seeking a buyer for Sparrows Point and other U.S. assets. Spokeswoman Marika Diamond wrote in an e-mail Wednesday that the number of layoffs was still "being formulated."

The company has blamed the shutdown -- originally planned from this summer to October but recently extended for the rest of the year -- on weak conditions in the steel market. It has been cutting costs to deal with a tough economy that has dealt

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a number of blows, as the cost of raw materials has remained high while the construction industry and others that are major buyers of steel remain sluggish.

While steel industry analysts say the months-long shutdown is a dire sign, some said it would be more cost-effective to sell the plant or keep it open rather than close it completely. Mothballing the facility would necessitate a complicated process that under federal law would require restoring the property to safe usage for other purposes.

"If you close the whole thing down, you incur a liability no one wants to take," said Charles Bradford with Affiliated Research Group, an independent research company. "There will still be steel-making at Sparrows Point as far as I can tell."

Company officials have said that stalled Sparrows Point operations will resume when the market improves. And the company is continuing to run parts of the plant that are more profitable, including the finishing operations and the tin mill, which makes cans.

Nonetheless, steel analysts and researchers said the shutdown, which includes a continued idling of the blast furnace, is a significant move. Michael Locker, a New York steel consultant with Locker Associates, said if the plant is losing money and customers, the company might have had no choice but to shut down operations.

"This is as drastic as it gets without a complete shutdown," Locker said.

There are many downsides to an idling. Because steel has to be made to order rather than produced and placed on a shelf for general sale, Sparrows Point risks losing customers.

Moreover, the plant risks losing employees while production is halted, especially younger employees who have less seniority than older union members.

It's also costly and time-consuming to restart the blast furnace. During strikes in past decades, the company and union would agree to keep the blast furnace running so work could immediately resume when an agreement was reached, said Bill Barry, the head of the labor studies department at the Community College of Baltimore County.

"The longer something sits idle, the more risk there is," Barry said. "It's hard to gear up a steel plant when it is down."

Halting production also could make it more difficult for Severstal to sell Sparrows Point and some of its other financially strapped American properties, analysts said.

In his e-mail to workers, union leader Cirri said the shutdown puts the plant in a "Catch-22" situation. Cirri didn't return several phone calls regarding the plant shutdown and pending layoffs.

"We are slowly losing our customer base, and by doing so they are devaluing the sale price for our plant even lower than recent bids that they claim were unacceptable," Cirri wrote in the e-mail.

Severstal bought Sparrows Point and two other properties for more than \$2 billion in 2008 as part of an aggressive strategy to expand in North America. It was the latest in a series of different owners.

Several prominent politicians, including Gov. Martin O'Malley, have expressed frustration with Severstal, which they said hasn't been very responsive to questions about the fate of the company.

Shaun Adamec, a spokesman for the governor, said O'Malley is keeping tabs on the latest developments by reaching out to the company and union officials. O'Malley, along with other state and local officials, wrote to Severstal in recent weeks, asking the company to protect jobs and be mindful of the plant's importance to the Dundalk community. O'Malley urged the company to be "judicious and steadfast" in finding a buyer.

"The governor has been actively engaged in not only encouraging Severstal to find a buyer for Sparrows Point that would value that jobs that are there, but also in finding new opportunities for the steel industry to be revitalized in Maryland to help protect the jobs that are already there," Adamec said.

David S. Iannucci, Baltimore County's economic development director, said he visited the plant twice this week for previously scheduled meetings, during which discussions covered the recent plant idling. Iannucci said he has expressed his department's commitment to help the mill in any way it can, but the plant is "dealing with issues that are completely outside of our control."

"We are in the middle of a great recession where demand has plummeted around the world," he said. "Sparrows Point in particular, their primary commercial clients are in the construction and housing industry. That industry is hurt."

Many in the manufacturing industry are holding out hope Sparrows Point can resume to normal operations once the industry rebounds. Gene L. Burner, president of the Manufacturers' Alliance of Maryland, said the mill is operating in a different economy.

But as the market for steel recovers, Burner said Sparrows Point can bounce back because of its proximity to the ports and because its facility includes one of the largest blast furnaces in the United States.

Baltimore Sun reporter **Hanah Cho** contributed to this article.

[andrea.walker@baltsun.com](mailto:andrea.walker@baltsun.com)