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Furnace will stay idle at Weirton steel mill

Bad site, high costs and age are cited

By Vicki Smith
Associated Press

Historically high production costs, an inconvenient location and old, inefficient facilities have apparently doomed hopes of revitalizing a West Virginia steel mill that once employed 13,000 people and now has just 1,300 union workers.

Mittal Steel, the world's largest steelmaker, idled the blast furnace at its Weirton division this summer, laying off some 750 workers for what the Independent Steelworkers Union hoped would be a temporary wait for business to pick up. But late Tuesday, Mittal told the union that the furnace will remain cold, and as many as 800 jobs will be permanently lost.

"This was a very difficult decision, since the Independent Steelworkers Union and all employees have worked so hard to beat the odds trying to maintain steelmaking at Weirton," said Louis Schorsch, chief executive of Mittal Steel USA. "However, the structural disadvantages of Weirton for these processes entail costs that are too high to support competitive downstream facilities."

Analyst Michael Locker, president of Locker Associates in New York, said the small blast furnace and the steelmaking Mittal has elsewhere combined to seal Weirton's fate.

He said, "The negative of the consolidation process is that you have a comparison going on of plants ... within the Mittal family. If they come out on the short end of the stick, they can't justify standing alone - even with all the hopes of cost reduction and efforts by the union, which were mighty."

"You have good finishing facilities at Weirton that are going to survive, but the source of the steel is going to be elsewhere."

Analyst Charles Bradford of Bradford Research-Soleil Securities in New York, sees Mittal's flexibility as a benefit of the industry's global consolidation.

"When there is softness in the market, you close the high-cost ones first. Mittal, just within North America, has more than a dozen blast furnaces, so they have the ability to cut one or two and moderate their business."

Mittal, a Netherlands company, took control of Weirton in April through a \$4.5 billion purchase of former owner International Steel Group of Richfield, Ohio. ISG had won a bidding war for Weirton, the nation's No. 2 tin producer, in bankruptcy court in 2004.

Weirton's steel-production costs have been among the highest at Mittal, which has other mills capable of producing enough steel to meet demand through 2006.

Union spokesman David Gossett said raw materials are at the root of Weirton's problem. Weirton does not have a coke plant and must buy it at a high cost on the open market.

Weirton also must buy iron ore and have it shipped by rail. Mittal's Cleveland mill can get it shipped in cheaper on Lake Erie.

Weirton is also struggling with high gas prices in a mill that Gossett said doesn't use fuel as efficiently as it could.

Bradford predicts Weirton's blast furnace will only be restarted if and when every other Mittal furnace is at capacity.

But ISU President Mark Glyptis said he believes Mittal is committed to maintaining an operation in Weirton, and that the mill is a key part of its strategy to sell tin.

Schorsch acknowledged in a statement that Mittal wants to reconfigure the Weirton plant around tinplate.

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