Still uncertain at Bethlehem

A year after the steelmaker filed for bankruptcy, it appears that little has changed.

By Harold Brubaker, Inquirer Staff Writer

In the year since Bethlehem Steel Corp. filed for bankruptcy, little has changed for the ailing steel maker, which has seen two merger plans fall apart.

"I would have thought we would have finished our plan of reorganization by now," said Robert S. Miller, who was hired as Bethlehem Steel's chairman and chief executive officer because of his experience at leading large companies through bankruptcy.

Miller said the tariffs imposed on steel imports in March have given the company, which has about 1,400 employees at former Lukens plants in Coatesville and Conshohocken, more time to work out a plan.

Bethlehem Steel is one of 32 steelmakers that have filed for protection from creditors since 1999. Miller was hired in September 2001 to help steer the steelmaker through its financial crisis.

But Bethlehem Steel still has the same basic problems it had a year ago, said Howard Brod Brownstein, a principal with NachmanHaysBrownstein Inc., a consulting firm in Narberth.

Brownstein, who worked in the steel industry before becoming a turnaround specialist, rattled off the company's problems: It is still losing money. Potential foreign joint-venture partners have failed to sign deals. The federal government has not acted to bail out retirees' pensions and health-care benefits. And only recently has the United Steelworkers of America agreed to renegotiate labor agreements.

That leaves the steelmaker's 13,000 employees and 75,000 retirees facing uncertainty about jobs, pensions and health benefits.

New labor accords are key to the company's future, Miller said.

"Refusal to change is equivalent to shutting down the business," Miller said. "That's why the union has agreed to sit down and talk."

Miller said he expected the talks - involving work rules, job classifications, using nonunion workers for maintenance and other tasks, pay formulas and health-care benefits - to continue for several months.

The company and the union are under pressure because Bethlehem Steel's exclusive right to present a reorganization plan in bankruptcy court expires Jan. 31.

Bethlehem's shares, which were delisted from the New York Stock Exchange this summer, closed yesterday at 10.5 cents. The company reported $3.3 billion in sales last year.

The union said last month it was willing to look at ways to operate steel mills more efficiently - as long as union members were still doing the work and there were few changes to pay levels, health-care benefits for existing retirees, and pension plans for active workers.

But one local union official said the union needed to accept dramatic changes in the way things were done. "If the company and the union don't sit down seriously... we're going down," said John Lapotski, president of the USWA Local 9462, which represents 350 hourly workers at Bethlehem Steel's rolling mill in Conshohocken.

Lapotski, who is retiring after 42 years in the industry at the end of the month, said "the workforce has to take more responsibility in running these plants."

But Lapotski is skeptical about Miller's plan to pay workers based on productivity, as is done in the nonunion minimills, which have steadily taken market share from unionized integrated steel producers, such as U.S. Steel and Bethlehem Steel.

A minimill produces steel from recycled scrap metal, while an integrated steel company makes raw steel from iron ore.

"That's all well and good for the minimills because they are working five, six days a week," he said. "We're down to 32 hours a week."

The most difficult issue to be negotiated is how to replace the company's defined benefit plan, which is underfunded by $2.5 billion and likely is to be taken over by the federal government's Pension Benefit Guaranty Corp. within six months, Miller said.

Bethlehem also has a $3 billion health-care obligation, Miller said. That would not be picked up by PBGC, leaving retiree's who are not eligible for Medicare without health insurance.

The new retirement plan for active workers likely would be a voluntary plan, such as a 401(k).

"I know a lot of these young guys. They have families. They have mortgages, Lapotski said. "If they have to pay for health benefits... how are they going to put money into a 401(k)?"

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