

## Chapter 51

# The Swiss take over

In 1994, Marc Rich & Co. was renamed Glencore International AG after Marc Rich, the company's founder, sold the remaining 23% equity he held in the company to its employees.<sup>1</sup> The new name was a type of acronym standing for Global Energy Commodity Resources.<sup>2</sup> Company officials in August 1994 denied publicly that the decision to change the company's name from Marc Rich & Co. to Glencore had anything to do with improving its image in the United States. Willy Strothotte, Glencore's chief executive, made the denial in response to rumors among industry observers on both sides of the Atlantic.<sup>3</sup> The name, which went into effect on Sept. 1, 1994, reflected the restructuring of management and ownership within the company, officials said. Marc Rich himself had stepped down from leadership and passed on control to management and employees.<sup>4</sup> "The top employees have taken over the company, and they want to distance themselves as much as possible from Marc Rich," a well-informed former employee told Forbes reporter Paul Klebnikov in September 1994. "Marc still works there, but he is weaning himself off the business."<sup>5</sup>

According to Forbes, Rich had chosen Strothotte to head Glencore. With the U.S. government still in pursuit of Rich and his interests in Russia collapsing, Rich turned to Strothotte to help the ailing trading company. Rich reportedly had fired Strothotte in 1992 after the two clashed over management issues and equity stakes. Many of the company's top traders had left with Strothotte, but Rich hired Strothotte back in 1993.<sup>6</sup> The trading company, however, was shrinking. Trade in oil, aluminum and coal had slumped from \$30 billion in 1990 to \$20 billion by 1993, according to a company spokesman. Net profits sank to about \$30 million in 1993, down from \$500 million in 1978 and the \$200 million or so averaged in the late 1980s. Gone were the windfall profits from trading embargoed Iranian oil in the 1970s and South African trade in the 1980s. The firm had also lost much of its talent to an exodus of traders and executives.<sup>7</sup>

The company recuperated. Strothotte told media in September 1994 that Glencore had no intention to change direction in its diversified commodities trading operations. He also denied that the company had been hurt by recent events including staff defections, accusations of wrong-doing and the personal financial problems of founder Marc Rich.<sup>8</sup> The Glencore group of companies by then employed 5,000 people, of which 1,300 were involved in trading operations and the rest were involved in the company's various holdings in raw materials and energy. Glencore was acquiring aluminum from former-Soviet republics through bartering and was the largest supplier of Western grain to

Eastern Europe.<sup>9</sup> By August 1997, Glencore International was one of the world's largest commodities trading groups, with total assets of \$7 billion, net equity of \$1.2 billion and sales of more than \$32 billion per year.<sup>10</sup> In November 1998, Glencore International was ranked No. 2 on Forbes' list of the 100 largest private companies in the world.<sup>11</sup>

## **The Marc Rich influence**

Despite Glencore's claims of renewal and rebirth, many in the media continued to see the commodities giant following in Rich's footsteps – particularly when it came to Machiavellian trades, and specifically when it came to the former Soviet Union. In June 1995, Strothotte announced that the company would expand its operations in the former Soviet Union, and that the company had \$100 million in available financing.<sup>12</sup> Glencore needed connections, and a key one turned out to be Mikhail Gutseriev, according to Ken Silverstein's 2012 report in Foreign Policy. Gutseriev, who was elected to Russia's Duma in 1995, owned a bank and a casino and ran a tax-free business zone in Ingushetia, near Chechnya. The Russian government, however, fired Gutseriev as head of the state-owned oil firm Slavneft in 2002. Gutseriev responded by putting together another energy company called RussNeft, which by 2006 was the largest oil company in Russia. By 2012, he was one of the richest Russians, worth an estimated \$6.7 billion. Glencore played an active role in developing RussNeft, investing an estimated \$2 billion through off-shore companies. "Glencore associated with (Gutseriev) because he could buy physical assets in Russia and it couldn't," a source told Silverstein. "The deal was sheer balls, but that's the type of thing Glencore does." In return, Glencore received an exclusive deal to market RussNeft's oil, won the right to appoint senior personnel, and ended up with about half the equity in four oil production subsidiaries.<sup>13</sup>

Glencore's ventures in former Soviet republics also included mining. In 1996, the Kazakhstan government announced that an international consortium consisting of Glencore and Phelps Dodge had been declared the winning bidder for the privatization of the Balkhashmys copper smelter. The deal was contingent on the joint venture's investment of \$650 million to upgrade the facility. By 2011, Glencore owned about half of Kazzinc, a huge gold, lead and zinc producer worth up to \$7.6 billion to Glencore, according to its 2011 IPO declaration. Gold production was expected to double by 2015, according to estimates by Deutsche Bank. Corruption in Kazakhstan was well known, and Glencore turned to an oligarch named Bulat Utemuratov, a major investor in Verny Capital, which was Kazzinc's second-largest shareholder after Glencore. According to the IPO declaration, Glencore planned to pay Verny Capital \$3.2 billion for its stake in Kazzinc. That would make Kazzinc Glencore's largest holding after Xstrata, which the Swiss company was trying to acquire. Utemuratov had good connections with Kazakhstan's dictator, President Nursultan Nazarbayev, and was even considered by

insiders to be the president's "consigliere." But Glencore's holdings in Kazzinc were tenuous, as opposition to Nazarbayev grew. He had held power for 20 years. Opposition politicians in May 2011 noted that "upon any change of regime in Kazakhstan to a democratic one, any acquisition of any shares in Kazzinc... will be subject to review."<sup>14</sup>

Glencore also followed Rich's advice to look for opportunities where countries with important natural resources were embargoed. From 1996 through 2003, Silverstein reported, Glencore profited from deals made with Iraq President Saddam Hussein despite an oil trade embargo against Iraq and while the United Nations was running an Oil For Food program. An independent U.N. inquiry in 2005 reported that Hussein had awarded special "allocations" to companies and individuals friendly to his regime. One who stood out was a Glencore agent and Pakistani businessman named Murtaza Lakhani. A U.S. fact-finding mission after the war concluded found that Glencore was "one of the most active purchasers" of oil under the Oil For Food program, and that Glencore had paid \$3.2 million in "illegal surcharges." Glencore was not charged in the scandal after the company claimed it was unaware the surcharges were being paid and that it believed Lakhani's high fees were just the cost of doing business with Iraq, not money for bribes. Glencore continued to do business with Iraq, including bidding on blocks of oil scheduled to be sold in 2012.<sup>15</sup>

Some of Glencore's transactions in Africa reportedly involved weapons deals. The African continent was rich in natural resources – from metal and oil to gems – but also rife with corruption inherent to unstable political systems. According to a history of weapons dealing in Angola on the OneWorld International Foundation website, Czech-built weapons were supplied to Angola in June 1997 through financing by Glencore and a French bank.<sup>16</sup> Silverstein reported on connections between Glencore and Dan Gertler, the grandson of the founder of the Israel Diamond Exchange and an Israeli businessman who traveled to the Congo in 1997 as the country descended into a war that left 4 million dead. Gertler developed business interests and connections and reportedly became Glencore's chief business partner in diamonds, cobalt, copper and gold, Silverstein reported. In 2000, Gertler reportedly paid \$20 million to Joseph Kabila, Congo's dictator, for a monopoly on diamond sales. The deal was reportedly worth hundreds of millions of dollars, and Gertler was accused of secretly providing military aid to Kabila as part of the deal. Gertler denied the accusation during a court case in Israel in 2004.<sup>17</sup>

Over time, Gertler established family trusts outside the Congo that brought \$2 billion worth of investments to the Congo over 15 years, Silverstein reported. By 2012, Gertler was considered the best-connected foreigner in the Congo, and Glencore had about \$4.5 billion invested in three holdings in the country. Insiders said it was impossible for

companies to operate in the Congo without connections to Kabila. Glencore CEO Ivan Glasenberg reportedly flew to the Congo aboard a private jet on several occasions. According to Silverstein, Glencore and Gertler were shareholders in Congo's Katanga Mining. Glencore's share was worth about \$2.7 billion at the time of the company's IPO declaration. Glencore and Gertler also held stock in Nikanor, a cobalt and copper company that Katanga acquired in January 2008 for \$452 million. A stock sale involving Ellesmere Global Limited may have been a way for Glencore to secretly give Gertler \$26 million. Another deal involved the Gertler family trust, Glencore and Mutanda Mining. "Glencore has a Gertler everywhere," a former Glencore employee reportedly said. "That's standard."<sup>18</sup> What was standard for Glencore in Africa may have been the norm in the Indian subcontinent. In October 1997, an Indian news source reported that the "controversial" trading company Glencore International had been paying unethical monthly fees to the Indian steel minister while selling coal and coke to the Steel Authority of India. Glencore had become a short-term supplier of coal and coke in India in 1995 and had received a special dispensation from a Steel Authority of India board member named Santosh Mohan Dev, the newspaper reported.<sup>19</sup>

## **The aluminum trade**

By 1995, global aluminum prices had increased to 84 cents per pound as accumulated inventory declined.<sup>20</sup> But in 1996, the average aluminum price had fallen 22% to 65 cents per pound in the first quarter and fallen another 7% in the second quarter. The Wall Street Journal reported in October that "major aluminum makers, hammered by sagging prices, were expected to post lower third-quarter earnings." High inventories had returned, especially in foreign markets, and were blamed for the decline.<sup>21</sup> Imported aluminum accounted for 28.8% of the U.S. aluminum market in 1995, while exports accounted for 13.7%. Importing sources included Canada at 60.3%, Russia at 17.8%, the European Union at 5.8%, Mexico at 3.9%, Japan at 0.5% and others at 11.7%. Countries and regions receiving exports from the U.S. included Canada at 33.1%, Japan at 17.5%, Mexico at 10.2%, the European Union at 4.9% and others at 34.2%.<sup>22</sup>

The average price for aluminum in 1997 at the London Metal Exchange was 72.5 cents per pound, up from 68.3 cents in 1996. The price fell toward the end of 1997 to 68.3 cents per pound as a result of the Asian economic depression and increased exports by China. Primary aluminum production in the U.S. increased by 0.7% in 1997 to 3.6 million tons with plants operating at 86.3% capacity. Aluminum production outside the U.S. rose 5.4% to 15.8 million tons, with plants operating at 95% capacity. By the beginning of 1998, idled capacity in the U.S. was more than half of the total idled capacity for the world, reflecting an effort to make room for Russian exports. U.S. aluminum consumption for 1997 was 6.9 million tons. Transportation accounted for 32%,

packaging 26%, building 16%, electrical 8%, consumer durables 8% and other 10%. The U.S. imported a little more than 2 million tons of primary and secondary ingot aluminum in 1997. Canadian aluminum accounted for about half of the U.S. imports. Russia and former Soviet republics increased their aluminum production a small amount in 1997, but with very little domestic consumption, nearly all the increase was exported.<sup>23</sup>

Marc Rich & Co.'s aluminum business in the U.S. was handled by Clarendon Ltd. That changed after the Swiss commodities trading company's name and management changed under Glencore. In 1995, Glencore International created Century Aluminum as a holding company for its aluminum producing assets. Those included the wholly-owned 170,000 ton-per-year aluminum smelter and rolling mill in Ravenswood, W.Va., and a 26.67% share in the 224,000 ton-per-year Mount Holly smelter in South Carolina. In July 1995, acting through its subsidiary, the Ravenswood Aluminum Corporation, Century sold its Vialco alumina refinery in the U.S. Virgin Islands to Alcoa. Century Aluminum became a publicly traded company in March 1996, and Glencore remained a major shareholder. Century purchased another 23% share in Mount Holly in April 2000, giving it 49.67% ownership with the rest belonging to Alcoa. In April 2001, Century acquired an 80% interest in the 244,000 ton-per-year smelter in Hawesville, Ky., with the rest held by Glencore. The Hawesville smelter was the only plant in North America capable of producing high-purity aluminum. Century acquired the remaining 20% of the Hawesville plant in 2003. In April 2004, Century acquired Nordural Aluminum, a 90,000 ton-per-year smelter in Grundartangi, Iceland, which later was expanded to 260,000 tons per year. Century idled the Ravenswood plant in February 2009 and acquired the 205,000 ton-per-year Seabee, Ky., smelter from Rio Tinto Alcan in June 2013. With headquarters in Chicago, Century also owned a 150,000 ton-per-year carbon anode and cathode plant in Vlissingen, Netherlands, and a 40% stake in a carbon anode and cathode company in China.<sup>24</sup>

Glencore also held aluminum interests in the U.S. under its Glencore name. On Jan. 26, 1996, Glencore Primary Aluminum Co. LLC, a subsidiary of Glencore International AG, purchased a 23% interest in the Mount Holly smelter from Alumax. Glencore already owned a 26.67% interest in the smelter through its subsidiary Century Aluminum Co. Following the sale, Alumax retained a 50.33% share and remained the smelter's operator. Glencore's 23% interest cost \$89.3 million, and Alumax planned to use that money to pay off a May 1996 loan from Glencore for \$90.7 million. The 23% stake amounted to approximately 41,700 tons per year of smelting capacity and related working capital. As a condition of the sale, the tolling agreement between Alumax and Glencore scheduled to end in July 1996 was reduced from 90,719 tons per year to 48,980 tons.<sup>25</sup> Glencore also acquired the former Reynolds alumina refinery near Corpus Christi, Texas, in 2007 and operated the plant under the name Sherwin Alumina.

Workers were locked out of the 1.65 million ton-per-year refinery in October 2014 after a labor contract expired and wasn't renewed. Sherwin Alumina filed for Chapter 11 bankruptcy in January 2016, and Glencore announced on Aug. 1, 2016, that it would close the plant by September.<sup>26</sup>

Glencore's aluminum interests were scattered across the globe and included investments in alumina and aluminum plants. In summer 1996, it was reported that Glencore was interested in a joint venture with the huge Krasnoyarsk aluminum smelter in Russia. The new operation, to be called Krazpa Metal, would give the second largest aluminum smelter in the world direct access to western markets.<sup>27</sup> In July 1997, seven international companies, including Glencore, showed interest in submitting bids to the Turkish government for a project intended to upgrade the capacity and technology of Turkey's sole primary aluminum smelter.<sup>28</sup> In August 1998, the state government of Victoria, Australia, selected Glencore and Century Aluminum as the preferred bidders for the government's 25% stake in the Portland aluminum smelter in Victoria. The two companies bid a total of \$292 million for the facility, higher than expected. The plant was being operated by Alcoa of Australia Ltd., which held a 45% stake in the smelter.<sup>29</sup> In July 1999, it was reported that Glencore and an unnamed Slovakian company were looking at investing in the CVG-Alcasa aluminum smelter in Venezuela.<sup>30</sup>

Glencore's investments in Yugoslavia came during the decade-long war that broke up the former communist country and included international sanctions. In October 1998, Glencore signed a contract to manage the Podgorica aluminum smelter in Montenegro for 30 months. Glencore planned to increase annual output by 20,000 tons per year to 98,000 tons per year by mid-1999.<sup>31</sup> According to the \$1 million per year management deal, Glencore would retain the right to establish a timetable for eventual privatization of the Kombinat Aluminijuma Podgorica facility, which also included an alumina refinery. The 280,000 ton-per-year refinery had only produced 78,000 tons in 1997. International sanctions were pushing down living standards in Montenegro, and the aluminum plant was the country's key asset.<sup>32</sup> On March 25, 1999, Podgorica workers loaded 1,500 tons of finished aluminum on an outgoing vessel and continued normal operations despite a NATO aerial bombing campaign throughout much of Yugoslavia. An airport less than three miles away had been hit by NATO bombs, and the navigation system at the nearby seaport of Bar had been knocked out. A Glencore spokesman reported the plants had sufficient raw materials to continue production for two to three weeks but expressed concern that the port of Bar might be closed.<sup>33</sup>

When it came to aluminum, one of Marc Rich's main strategies had been to locate aluminum smelters that were in financial distress and find local interests to partner with to keep the plants operating. The goal was to establish a tolling facility that would

process Rich's alumina into aluminum, varying the plant's production capacity as the market changed. Opportunities abounded in the Pacific Northwest by 1986 when nearly all 10 of the region's aluminum smelters were no longer operating at full capacity. Many of the smelters had become swing plants, reducing production when aluminum prices fell. The Martin Marietta plant at The Dalles, Ore., was closed at the time, and the Bonneville Power Administration felt that other aluminum smelters were at risk of closure. The BPA was concerned that the regional aluminum industry had become a "highly unstable power purchaser" since 1981, with smelters operating at 58% to 100% capacity at times.<sup>34</sup> The situation did not improve – about half the region's smelters operated as swing plants in the 1990s, and the other half operated at full capacity.<sup>35</sup>

### **The CFAC opportunity**

The Columbia Falls Aluminum Co. smelter had seen rough times during the 1980s as a result of rapidly escalating power costs and again during the early 1990s as a flood of Soviet aluminum depressed global metal prices. CFAC became a tolling plant in 1985 when the Atlantic Richfield Co. sold the plant to Brack Duker and Jerome Broussard. Their business strategy paid off within a few years as metal prices recovered. The owners also benefited from payroll concessions by the plant's employees and an incentive power rate contract offered by the BPA. Simon Trinca, a senior trader at Glencore, told media in May 1999 that Glencore was first interested in doing business with CFAC in 1985, but no tolling contracts were made for another 10 years.<sup>36</sup> CFAC signed two tolling contracts in August 1995 with Glencore and Pechiney World Trade that took 100% of CFAC's smelting capacity for the next five years. The contracts replaced tolling agreements with Norsk-Hydro and Shell Mining Co. that had expired.<sup>37</sup> But as Soviet metal drove down aluminum prices in the early 1990s, CFAC owners, management and workers became embroiled in a notorious profit-sharing dispute that signaled another Pacific Northwest aluminum plant in trouble. Suitors in the wing waited until the historic profit-sharing lawsuit settled before making their play.

Among the companies eyeing CFAC was Michigan Avenue Partners, a new investing conglomerate that was looking for U.S. aluminum plants to acquire. The company made their public debut at a Platt's Metals Week symposium in January 1999. CEO Michael Lynch laid out broad plans for the new company by arguing that many U.S. aluminum companies "should be broken up" into their component parts to enhance shareholder value. Lynch argued that the aluminum industry had poor returns and was highly leveraged – and owners were eager to sell their assets. He also criticized the size of the larger aluminum companies and their inability to manage assets properly. Lynch insisted his group had no intention to acquire enough plants to build a vertically-integrated company. Instead, he said, "We strip out bureaucracy and inefficiencies and get a 25%



return.” In early 1999, Platt’s Metals Week reported that Michigan Avenue Partners was interested in purchasing the CFAC smelter in Montana.<sup>38</sup> Backed by money from General Electric, the investment group had already purchased the Longview, Wash., smelter from Reynolds and the Scottsboro, Ala., smelter from Noranda.<sup>39</sup>

In 1999, the Columbia Falls Aluminum Co. produced about 168,000 tons of aluminum per year, around 1 million pounds per day, and used about 346 megawatts of electricity, about 22% of the total electrical usage in Montana.<sup>40</sup> CFAC was the Flathead Valley’s fourth largest employer with an annual payroll in excess of \$31 million. The plant paid \$1.5 million per year in property taxes and invested approximately \$6 million to \$7 million per year in capital and technology improvements.<sup>41</sup> The aluminum plant was the largest industrial facility in Montana, employing 590 people in a building covering 40 acres, the largest in the state. The average worker at CFAC had spent 18 years at the plant, and employee turnover was less than 2%. After 44 years of operation, the Columbia Falls plant had never experienced a strike and boasted the highest rate of aluminum produced per employee in the industry. “The success of this place is in the workers,” said Lyle Phillips, a 36-year veteran at the plant and manager of human resources. “They’re the ones that make it all happen. We’ve got a small-town work ethic in a world-class industry.”<sup>42</sup>

In May 1999, Platt’s Metals Week announced that Glencore was talking to CFAC about purchasing the plant in Montana. The announcement came one week after Michigan Avenue Partners said it had ended discussions with CFAC about a possible purchase. Both Glencore and Michigan Avenue Partners declined to name the asking price.<sup>43</sup> Officials from the Aluminum Workers Trades Council at CFAC first met with Glencore representatives in mid-April, according to union president Terry Smith. “They said the plant fit their needs, and that they were buying it for the long term,” he said in a May 23 interview. “We also talked about capital dollars and labor issues.” The union contract with CFAC was slated to end on Oct. 19, 1999, and Smith was optimistic about the sale. “We do think this is good for the plant,” he said. “The main reason is because longevity has hopefully increased. The plant was for sale, and of the people who looked at it, Glencore was the best-case scenario. What impressed me most was that they recognize they need to put capital dollars into the plant in order to make it a long-term investment.”<sup>44</sup>

The sale was announced on May 21, 1999. In a press release that day, Sen. Max Baucus’ staff described a meeting he had two weeks earlier with Simon Trinca to discuss the company’s plans to purchase the aluminum smelter in Columbia Falls. “Baucus told Trinca that he has always stood by CFAC and the workers at the plant and that he would continue to do so,” the press release stated. “Baucus also told Trinca that he would



welcome Glencore to Montana, but noted that he is fiercely protective of the state and the workers at CFAC.” Baucus also told Trinca that he was working with the BPA to ensure a reliable and affordable supply of electrical power was available for the plant. Trinca assured Baucus that Glencore would honor existing union contracts and had no plans to lay off workers. A letter from Trinca announcing the purchase of the plant noted that Baucus’ support was a major component in Glencore’s decision to buy the plant.<sup>45</sup>

Baucus said more about the deal in a May 27 column in the Hungry Horse News. Baucus said he wanted to meet with Trinca as soon as he heard about an upcoming deal. He wanted to know if they would honor existing union contracts, maintain close ties with the community, protect current workers from layoffs, continue to hire Montana workers and push for sensible environmental stewardship. “After meeting with Glencore, and now that they have made the official announcement that Glencore AG will purchase CFAC, I am cautiously optimistic that the answer to all of these questions will be ‘yes,’” Baucus said. The senator said he wasn’t easy on Trinca when he met with the Glencore representative. “I pressed him on all the questions,” he said. “I told him I have always stood by CFAC and the workers at the plant, and that I would continue to do so. I made sure he fully realized just how important CFAC is to the valley.” Baucus reported that Trinca had told him that he knew the people at the plant were hard workers and loyal to the plant. “And most of all, I got the sense that Glencore is in this for the long haul,” Baucus said. “I think they intend to have a real commitment to the community. And they’re here to stay.” Baucus noted that actions speak louder than words. “I’m going to be watching closely to make sure that Glencore follows through on these commitments,” he said. “But my first impression is a good one, and I’m impressed with what I’ve seen so far.”<sup>46</sup>

Baucus sent a similar message to the Montana Democrats Digest newsletter on May 29 under the headline “CFAC Purchase Looks like Good News for Flathead Community.” He provided a cautionary thumbnail history of the plant. “For generations, the CFAC plant has been an anchor of the Flathead economy,” he said. “We’ve seen it change ownership a number of times, and I think we would all agree that we need to be wary any time we hear of a potential change of ownership of the company. That’s why, when I heard that Glencore was considering buying CFAC, I wanted to meet with the CEO of this prospective buyer. I had a lot of questions. That’s why I wanted to look him in the eye.” Baucus wrote that Trinca promised to be a good corporate neighbor in Columbia Falls and that the company would honor existing union contracts. Baucus sensed that Glencore was “in this for the long haul” but he promised to be “watching closely to make sure that Glencore follows through on these commitments.” He noted that the plant had changed owners several times. “It’s always disconcerting when something

you've come to rely on day in and day out goes up for sale," he said. "But I think the workers at CFAC and the entire Flathead community can rest easy."<sup>47</sup>

Workers at the plant learned about the sale on May 21 when they were given a pink sheet with the words "Press Release" printed across the top. "Glencore AG, a subsidiary of Glencore International AG, has agreed to acquire the CFAC from its present owners for an undisclosed amount," the press release said. "Glencore views Columbia Falls as a major long term investment and an important complement to its alumina and aluminum trading activities. Glencore currently owns 100 percent of the Aughinish alumina refinery in Ireland, 44 percent of the Eurallumina alumina refinery in Sardinia, and a 40 percent interest in Century Aluminum, as well as an indirect ownership of a minority interest in the Mt. Holly smelter in South Carolina. Glencore is a leading, privately held diversified natural resources company with worldwide interests in mining, smelting, refining, and trading of metal and minerals, energy, and agricultural products. Headquartered in Switzerland, the group has offices in 50 countries worldwide and employs approximately 2,000 people."<sup>48</sup>

Glencore's announcement ended weeks of rumors regarding a pending sale. Glencore expected to finalize the sale once it received approval and permits from the Federal Energy Regulatory Commission needed to make power deals. Trinca told media there would be no residual involvement by Duker or Broussard, whose reputations had been tarnished by the outcome in the profit-sharing lawsuit. He was also upbeat about the acquisition. "We will approach (employee relations) on a fair and reasonable basis," he said. "It seems to be a productive workforce... and we look to have a good, fair, long-term relationship with (them)." Trinca said the company's name would stay the same because it had a good reputation in industry. CFAC management also was upbeat about the sale. "It is interpreted here as a real vote of confidence in the viability of our plant," CFAC spokesman Bob Brown said. "CFAC's inclusion in the Glencore organization is a step in the direction of stability in the competitive world market in which we compete."<sup>49</sup>

Trinca told local media that the future of the Pechiney tolling contract with CFAC after it expired was not decided yet. "It's possible we'll try to renew those contracts, but unlikely," he said. It was possible that Glencore would use 100% of CFAC's smelting capacity to strengthen its worldwide trading activities. Trinca described Glencore's relationship with CFAC in glowing terms. "We've been supplying their alumina and taking their output for a number of years," he said. "We like the people there, we've developed a relationship with them, and we knew the owner wanted to sell. When the opportunity arose, it suited what we're trying to do... It's a well-managed plant. We can compliment them in terms of our commercial arrangements, our financial and

marketing strengths. It's a good combination." Trinca noted that despite its long-standing relationship, Glencore had to wait until Michigan Avenue Partners withdrew in April.<sup>50</sup>

Trinca also addressed the possibility of any lingering discord between workers and management stemming from the profit-sharing lawsuit. "Obviously, (the lawsuit) was something we were aware of," he said. "When we were doing our due diligence, one of the important questions was what kind of relations we would have with the people there. We looked for indications of support from the work force, and found them to be uniformly positive and friendly. That was important to us. We would have thought twice if there had been any hard feelings." Glencore had no immediate plans to relocate Glencore management personnel to the CFAC plant, Trinca said. "There's a good group of people there," he said. "Obviously we'll stay in contact, but I doubt that will extend to relocating anyone – except during fishing season." He added that Glencore intended to appropriate funding to maintain or even upgrade the physical plant and there were no plans to reduce the number of workers. "What's happening today is that companies don't want to be just traders," Karen McBeth, an analyst at Platt's Metals Week, said about the sale. "Traders are at the mercy of the market. They buy metal from one company and sell it to another, making a tiny bit on the spread. Companies that have access to their own metal supply are better off – they have more influence."<sup>51</sup>

Bob Brown, a former Montana legislator who was the external affairs manager for CFAC, reiterated that no job losses were expected with the sale and that Glencore management had assured congressional representatives from Montana that the company would honor existing contracts. "Glencore has been very reassuring about the fact that there will be no jobs lost," he said. "What they may do about any contracts I just don't know." He added that managers at the plant were not aware of the sale ahead of time but felt that good things could come out of a sale to "such a large, stable and very viable company." Brown said CFAC was the most efficient aluminum smelter in pounds produced per employee for its type in the world. "We're a very big operation, and Glencore is an even bigger operation," he said. "Together, we can not only offer workers some stability, but we can make the investments to build on what we have. Everyone around here I've talked to sees this as a very good thing."<sup>52</sup> The deal officially concluded on June 1, 1999, once papers had been finalized and after the Federal Energy Regulatory Commission approved permits and licenses. Brown said he expected Glencore officials to visit the plant in July.<sup>53</sup>

## **Public reaction to the sale**

A Daily Inter Lake editorial called the purchase of the CFAC plant cause for optimism. "There's bound to be a little anxiety when someone new buys a business that means as

much to the economy as the CFAC means here,” the editorial began. The newspaper noted the impact of the plant on the local economy and how CFAC had coped with high power prices and the profit-sharing lawsuit. “With all that as a prologue, it is hard to see how any new ownership can be anything but welcome,” the editorial said. “And the purchase by Glencore AG, an established corporation with broad experience in aluminum smelting and marketing, must be viewed as an expression of optimism – a thumbs-up for the plant, and a positive signal for the local economy.”<sup>54</sup> The Hungry Horse News took a similar tack, noting that it “has to be a change for the better.” A more stable and happy workforce at CFAC would translate into good economic news across the valley. “Don’t expect any testimonials for Brack Duker, the man who’s selling CFAC,” the editorial said. “Duker blackened his name in the area once it was discovered that he was diverting profits from employees who earned them.” Duker had once been hailed as the man who saved the plant after ARCO talked about shutting down the plant in 1985. “At first, Duker shared the wealth,” the newspaper said. “But he eventually decided to cheat the workers out of their fair share.”<sup>55</sup>

The Hungry Horse News also reported on the generally upbeat reaction to news in the local community. “I am extremely encouraged by the purchase,” Columbia Falls Mayor Gary Hall said. “I feel that, not only for the morale at the plant but for the future prospects of CFAC, the sale will be good. It should ensure future jobs. We need to have the plant continue for the survival of the community.” Terry Smith said he spoke to Glencore representatives about the four-year labor contract slated to expire in October and found them to be “open and fair-minded about what some of our needs were.” Smith said the purchase would definitely improve morale. “Glencore has given every indication they are going to be a fair company to work for,” he said. “This is a very welcome change. The trust factor between the past ownership and all the employees had deteriorated. Anytime an owner is selling a place, there are worst case scenarios out there (for potential purchasers), and we are tickled that Glencore is the one.” Joe Smith, a 30-year veteran and casting foreman at the plant, was also optimistic. “Most of the people at the plant will feel a lot better about having Duker and Broussard out of there,” he said. “There’s just been too much animosity there.” Smith said most of the information the employees had been hearing about Glencore was good. “There doesn’t seem to be any down side to the sale,” he said. “I just can’t imagine a company coming in and buying a place and then creating a problem with labor by making it difficult to get a contract. Making a big commitment to buy the plant means it’s going to run for a while.”<sup>56</sup>

The Missoula Independent presented a different view with a cover article titled “The Aluminum Curtain.” The article presented the checkered past of Glencore’s predecessors, Clarendon Ltd. and Marc Rich, while tying Glencore CEO Willy Strothotte

to the Ravenswood labor dispute. Author Ken Picard said he contacted Glencore AG and received a written reply stating that as of September 1994 “all of Marc Rich’s shares were bought, and relations with him, both as a legal and private agent were ceased.” Picard also received information from Jim Bowen, a former Steelworkers representative. “It’s like a horse race,” Bowen said. “You never know who’s scratched and who’s going to be back in the running the next morning.” When Picard asked Glencore about Strothotte’s relationship with Marc Rich and the labor dispute at Ravenswood, he was told by Glencore spokesman Bob Prusak that the company would not comment on those questions except to say that “today Mr. Strothotte has no ownership whatsoever in Ravenswood.” According to Picard, the FBI’s New York office had never charged Strothotte with any crimes, and his name had never appeared on any federal indictments. Al Posti, a spokesman for Century Aluminum, which owned the Ravenswood plant, characterized the labor disputes at Ravenswood as “ancient history.”<sup>57</sup> Four months after the sale was announced, CFAC foremen gathered their crews together during an afternoon break and handed out Swiss Army knives with the words “Glencore-CFAC May 1999” etched in gold-colored lettering on the red plastic sides. Gifts from the plant’s new owners, the knives came in boxes with each employee’s name and plant identification number printed on the outside.<sup>58</sup>

Larry Tate, the plant manager and company vice president, was hired in July 1995. He had replaced Lee Smith, who had come out of retirement, and John Cook, who died in March.<sup>59</sup> Tate graduated from Willamette University in Salem, Oregon, and received a master’s in business administration from the University of Portland. He joined Alcoa in 1967 as a staff industrial engineer and later served as smelting production manager at Alcoa plants in New York, Badin, N.C., and Brazil before serving four years as manager of the Badin plant.<sup>60</sup> Tate came on board as CFAC was in the midst of arranging long-term labor, power and tolling contracts. All three contracts were secured, although not without a lot of effort – especially the labor contract, which was inextricably bound to the profit-sharing lawsuit. “I didn’t come here to make a mark,” he said, “I came here to do the job of keeping CFAC focused on making aluminum.”<sup>61</sup> Tate announced his resignation on Nov. 6, 2000. The announcement caught many employees at the plant by surprise. Steve Knight, the smelting manager, was promoted to Tate’s position the next day. There were no plans to replace the smelting manager.<sup>62</sup> In a memo distributed to all CFAC employees, Tate said was retiring to “seek a more relaxing life style.”<sup>63</sup> Knight left seven years later and took a job as general manager of the Allegheny Technologies titanium sponge plant in Albany, Utah.<sup>64</sup> CFAC announced that Chuck Reali was the new general manager of the Columbia Falls smelter plant on Oct. 31, 2007. Reali had 40 years experience in the aluminum industry as a senior manager. He was vice president and general manager of the Evergreen Aluminum Co. plant in Vancouver, Wash., and

had worked for various large aluminum companies across the U.S.<sup>65</sup> Glencore had bought the Vancouver smelter from Vanalco in 2002 during bankruptcy proceedings.

One of the most visible CFAC representatives during its final years of operation was Haley Beaudry, who served as spokesman and lobbyist – sometimes in an unpaid capacity, he told media. According to his various public resumes, Beaudry graduated from Montana Tech in Butte in 1976 with a degree in mining engineering and mathematics. In 2016, he was listed as a voting member of the Montana Tech Foundation Board. He also graduated from the University of Virginia’s Darden School of Business with a degree in advertising management and business finance. In November 1996, Beaudry became the first Republican from Butte elected to the Montana Legislature in 46 years. He served in the Montana House in 1997-1999 and sat on the Natural Resources, Fish and Wildlife, Federal Relations, and State Administration committees. He also served on the Environmental Quality Council and as chairman of the Governor’s Workforce Investment Board. Beaudry was a registered professional engineer and owned Beaudry Explosives Services from March 1989 to 2016, a company that performed explosives work for demolition and construction projects in the U.S. and around the world, including bridges, smokestacks and foundations. Beaudry listed his skills as engineer, project manager, contract negotiator, public speaker, operations manager, explosives and demolition.<sup>66</sup>

Beaudry lobbied in the legislature for pro-development companies, including energy companies in which he held a position, from 1995 through 2014, and was the project manager and division manager for Western Energy Co. from April 1979 through April 1989, where he was involved in all phases of design, permitting and construction for a large coal mine. He served on the Montana Coal Board from 1989 through 1997, where he helped review applications for Coal Severance Tax funding assistance. Beaudry was CFAC’s external affairs manager from September 2000 to November 2009. As a permit coordinator from 1992 through 2010, he managed a professional team of consultants who prepared permits under the Montana Major Facility Siting Act for a large Billings power plant. Beaudry was a founding member and secretary-treasurer for MonTerra Energy Corporation from January 2006 to April 2014, which had oil and gas holdings in Montana, Canada and Texas. Beaudry also was the secretary of the PanGaea Energy Corporation from 2011 to 2014, a relatively new company in Butte involved in exploration, development and production of oil and gas properties in the U.S. and Canada.<sup>67</sup>

In April 2003, Beaudry told local media he was keeping busy lobbying in the halls of the Montana Legislature, looking for what he called “unintended consequences.” He took special interest in recent sales tax proposals. “None of these legislators would do

anything intentionally to hurt the aluminum plant, but you have to pay attention to the law of unintended consequences,” he said. CFAC wanted an exemption to the proposed sales tax for what Beaudry called “tangible personal property” – in this case, a sales tax category for electrical purchases. CFAC was the state’s largest electrical consumer.<sup>68</sup> After CFAC shut down smelting in 2009, Beaudry continued to lobby on behalf of CFAC without pay, he said, hoping for a job there if the plant restarted.<sup>69</sup>

## **Labor negotiations**

On June 6, 1999, the Missoulian reported on a new labor contract proposal made by Glencore to the CFAC’s union employees, calling the contract “a deal that could put more money in employee’s pockets.” Aluminum Workers Trades Council President Terry Smith said the council had accepted the proposal. “I think it’s a good contract for us,” he said. “Better than the ones we had, but not as good as when we had profit sharing. The profit-sharing deals were, of course, the best, but this is still a good contract.” Smith added that members of the union would attend informational meetings the following week and then the 15-member executive board would vote on the tentative agreement on June 10 and 11. Most members of the union had not seen the terms of the contract yet, he pointed out, and the outcome of the vote was uncertain. “I hate to predict things like that,” he said. “But if I had to, I’d say it should be a go.”<sup>70</sup>

A memorandum of understanding for contract negotiations stated that the existing labor agreement, dated Nov. 7, 1995, would be extended until Oct. 19, 2003, with the following major changes: 1) the \$2,500 lump-sum payment would continue, to be paid out within two weeks of ratification of the new contract and thereafter every July 1 for the years 2000, 2001 and 2002, with the intent of compensating employees for low pension multipliers in past years and therefore act as a retroactive increase in those pension multipliers; 2) the monthly pension multiplier of the existing contract would be increased by \$12 from \$24 to \$36 for continuous service after Jan. 1, 2000, the intent again to take the place of retroactive pension multipliers; 3) hourly rates would increase by 20 cents per hour each year beginning July 1, 1999; 4) the maximum monthly per employee health premium contribution by the company would be set at \$559, \$587, \$616 and \$647 for each of the four years in the contract; 5) the 401(k) plan would be modified so the company would match employee contributions by 25% up to a maximum of 3% of the total gross income of each worker; 6) the union would recognize the company’s right to create new job classifications, to change or combine the duties of existing job classifications and to establish new wage rates for new job classifications, with the only restriction being that no worker in an existing job would suffer a reduction in wages as a direct result of a job classification change.<sup>71</sup>



The job classifications proposal posed a major point of contention for a trades council composed of a dozen separate crafts unions and one large industrial workers union. Attached to the memorandum of understanding was an addendum in which Glencore offered to settle a number of grievances, including No. 3103 and No. 3124 for job combination with respect to the combination of ironworkers, pipefitters, millwrights and oilers into a new class called "general mechanics." In the settlement, job combinations could continue but vacation and overtime lists would be based on crafts and not on the general mechanic list. A simple set of rules was established to delineate certain jobs which would only be performed by certain crafts, e.g. pulling and setting cathodes would only be done by ironworkers, and dry scrubber fan replacement and balancing would be done by millwrights. The settlement was intended to cover the 40 additional grievances based on the general mechanic craft-combination grievance by resolving all the grievances at one time. A similar settlement was made for carpenters and painters. Lastly, the addendum included a provision for the company to create pay grades 12, 13 and 14 for future use by maintenance workers.<sup>72</sup>

The Aluminum Workers Trades Council's executive board reached an agreement for a new four-year labor contract on June 11, 1999, about four months before the union's contract would expire, and it would be presented to the company's 465 union workers on June 17 and 18. "So far everything is going along pretty smoothly," Smith said. "There weren't a lot of contract changes. It was basically an extension of the existing contract." CFAC spokesman Bob Brown commented on timing of the process so far. "We think the fact that the negotiations concluded as easily as they have and as quickly as they have gives us reason for optimism," he said.<sup>73</sup> The contract proposal was drafted in just two days and only three weeks after Glencore took over the plant. Smith said he had never been involved in quicker negotiations. The intent of the speedy negotiations was to provide Glencore with some idea about its fixed costs and to give union members some job security and economic benefits, he said.<sup>74</sup> Glencore had struck a deal with union leadership that reportedly would put more money in the hourly workers' hands. Smith told media he was satisfied with the offer but wouldn't provide details. "There weren't a lot of contract changes," he said. "It was basically an extension of the existing contract."<sup>75</sup>

Union members apparently saw the deal in an entirely different light, overwhelmingly rejecting the contract by 228-147 with more than 80% of members voting. The existing contract did not expire until Oct. 19, and negotiations were expected to begin in September.<sup>76</sup> The Missoulian called the result "a surprise vote" and noted that union officials had predicted that the contract would pass. Union officials said it was too early to explain the vote but suspected it came down to an issue over wages. At the time, the average wage at the plant was \$15 per hour. Smith said union leaders had not been in

contact with Glencore since the vote was tallied. Typically, labor contract negotiations took place in the weeks just prior to the expiration of an existing contract, and CFAC management believed no further movement on the contract would take place until early October. <sup>77</sup> The Hungry Horse News commented on the labor vote in a June 24 editorial. "They want more money," the editorial quoted a union leader. "You can't really blame the workers for wanting the best possible deal from their new boss." The newspaper noted that CFAC was a struggling firm when Brack Duker took the helm in 1985, and the workers responded by making the plant into a winner. But then Duker cheated them out of millions. "You can't blame the workers now if they're a little shy about trusting their new corporate lords, and you have to wish them good luck in getting every cent they can," the editorial said. "The CFAC crew does hard, dangerous work, and the men and women who staff the plant deserve the best pay they can negotiate." <sup>78</sup>

Before summer ended, CFAC management began to take steps to protect the plant in case a new contract was not ratified in orderly fashion. On Aug. 24, Steve Timpson, a potline boss at CFAC, sent a memo to Steve Knight, the plant's general manager, providing details on CFAC's contingency plan for shutting down the plant in event of a strike, which could possibly happen when the labor contract expired on Oct. 19. The memo and accompanying instructions and assignment sheets were distributed to all CFAC foremen. The plan involved shutting down entire potrooms as quickly as possible by running the anodes down into the molten metal in the cathode pot bottom. The memo gave detailed instructions on how managers could put the reduction pots into "hibernation mode" once the pots reached 1.9 volts apiece. "Once pots are in hibernation mode, the urgency to make changes lessens," Timpson said. "Our pots could be held in the hibernation state for up to a week or two, and then be either de-energized or restarted. This plan should afford us a fair degree of flexibility, and should also leave the plant in good condition to allow a restart." Accompanying these instructions was a chart showing salaried manpower assignments for the positions normally held by hourly workers. Most of the positions were filled except where pot operators were listed – next to the empty spaces were the words, "REQUIRE 33 people."

<sup>79</sup>

## **Glencore visits the plant**

Glencore sent four representatives to Montana on July 1, 1999, to meet with union leaders. Although one of the men spoke with a foreign accent, all four stated that they lived in the U.S., according to union officials speaking off the record to fellow plant workers. CFAC managers also were present at the meeting. The Glencore representatives acknowledged that running an aluminum plant was beyond their

expertise. After expressing disappointment that the union workers had voted down the recent contract proposal, the topic was dropped. The rest of the conversation revolved around the general topic of who was Glencore and what were the company's long-term goals. Glencore was made up of 2,000 employees who owned stock in the company, they said. Marc Rich was no longer a part of the company and had already started a new company in direct competition with Glencore.<sup>80</sup>

One Glencore representative brought up the cost of electrical power at the meeting, noting that if a new aluminum plant was built in Canada and began using cheap subsidized electricity, CFAC was "dead." The representatives pointed out that CFAC was presently in a good position to purchase electrical power, and Glencore's purchase agreement completely ruled out any possibility that Duker would sell power to CFAC. The possibility that Duker might keep his hand in the plant's operations by selling electrical power had stopped both Kaiser and Michigan Avenue Partners from pursuing a buyout of the plant, the representatives noted. They also emphasized that Glencore had long-term plans for operating the CFAC aluminum plant. At the conclusion of the meeting, the executive board members urged the Glencore men to put on hard hats and tour the plant without any management present so they could meet the workers on a more personal level. During the rest of the day, the men were seen wandering around the pot rooms talking to workers and management.<sup>81</sup>

CFAC officials described management relations with the new owner as labor negotiations began in October. Human resources manager Lyle Phillips had a favorable view of Glencore. "They're very, very good businessmen," he said. "They're interested in the survival of the plant and the well-being of the employees." CFAC spokesman Bob Brown noted that it was time to move on past the bad morale from the profit-sharing lawsuit days. "We have to get away from the internal strife," he said. "We have to be unified to compete in the global market."<sup>82</sup> Prior to the contract vote, hourly workers were provided with a table explaining how the proposed labor contract's matching 401(k) plan operated.<sup>83</sup> On Oct. 12, CFAC announced it had reached a tentative deal with AWTC for a new contract which would go to the workers for a vote on Oct. 13 and 14.<sup>84</sup> Production continued during the two weeks of negotiations between union and CFAC officials. The new deal would give workers a \$10,000 bonus split over four years. It also called for raises for employees, but it did not include profit sharing.<sup>85</sup> Union workers voted in favor of the new five-year, not four-year, contract by 252 to 124. "This contract is a good deal," Smith said. "It's definitely a step forward for our membership."<sup>86</sup>

A final version of the proposed labor contract was distributed to the workers prior to their vote. The document, signed by union representatives and CFAC management,

provided some details on changes hammered out during negotiations.<sup>87</sup> In addition to the signing bonus of \$2,500 per year for four years, union workers would receive a \$1.50 per hour raise in lieu of the bonus on the fifth year of the contract. The workers would also get a 30 cent per hour raise for the first four years of the contract. The 401(k) retirement plan and health insurance plans were also enhanced, and the union members would also have more say in how much work could be contracted to outside companies. Workers who were involved in the 1995 negotiations said things went much smoother this time.<sup>88</sup> The idea of spreading out the lump-sum bonus for the fifth year as part of the basic hourly wage created what became known by workers as the “overtime year.” The monthly pension multiplier was increased from \$24 to \$36, the maximum monthly per employee premium contribution paid by the company was raised to reflect increasing health care costs, and the company would match employee contributions to a 401(k) retirement plan by 25% up to a maximum of 3% of the employee’s gross income.<sup>89</sup>

Other changes included designating the day after Thanksgiving as an additional new holiday, changing the method for computing holiday straight-time pay, increasing the shift differential from 32 cents per hour to 42 cents, and changing the method for computing overtime for shift personnel. An important change in the contract language concerned the combination of job classifications and the unsettled grievances filed by the general mechanics. According to the new contract, the Aluminum Workers Trades Council acknowledged CFAC’s “unilateral management right and flexibility to create new job classifications, to change the duties of job classifications or combine job classifications or portions thereof as well as to establish wage rates for such new, changed or combined jobs.” The new contract also established a voluntary on-call duty cycle for maintenance workers – for seven days, eligible employees could carry a portable phone or pager and be paid for eight hours straight time while available for call-ins. Four new pay grades were created, 12 through 15. The use of the new pay grades was uncertain, but maintenance workers were led to believe they would be made available based on a merit-testing system as the company tried to improve the training of the maintenance workers. In addition, numerous job classifications throughout all departments were upgraded to higher pay grades.<sup>90</sup>

## **Pay for skills**

On Oct. 28, 1999, Bill Brittenham, CFAC’s electrical superintendent, gathered most of the plant’s electricians in the Field Maintenance electricians’ lunchroom to answer questions about the contract and its provisions for pay upgrades. The prior system set all crafts workers at the same pay level, Grade 10, including electricians, millwrights, ironworkers, pipefitters, machinists, oilers, carpenters, masons and garage mechanics.

Until 1998, oilers were set one pay grade lower, but the oilers were elevated to Grade 10 when all the crafts – except the electricians, carpenters and masons – were combined into the general mechanics category. Grievances filed by general mechanics against this combining of crafts had not been settled during negotiations for the new labor contract. Many general mechanics did not want to “cross the craft line.” Past labor contracts had reserved the highest pay grade classification for the chief operators in the rectifier, but the new contract opened up pay grade classifications 12 through 15. The wage difference between pay grades was about 30 cents per hour.<sup>91</sup>

Brittenham confirmed what many workers already thought – that the purpose for the new pay grades had not been clearly thought out by management. According to Brittenham, the new classifications provided an opportunity for workers to better themselves, to learn new skills and then be tested. Most electricians in the lunch room believed the emphasis on programmable logic controllers, local area networks, electronic instrumentation and computer software meant the pay grades would be used to reward employees who were competent in those kinds of special skills. And most of them knew, from first-hand experience, that going to school and learning those special skills was not enough – “you use it or lose it,” was the common expression used to explain the problem. Furthermore, there was only a small amount of that kind of work available at the plant, meaning only a few electricians would ever be competent enough in those skills to pass a test and move up a pay grade. Despite what seemed obvious to the electricians and was well known to Brittenham, who repeated his worry about using the pay grade system fairly and with equal opportunity, the direction the pay grade system would take seemed fixed – toward those special skills. How it would be administered had not been figured out.<sup>92</sup>

Brittenham suggested workers could attend the local community college or the plant could offer some classes to teach those skills. He described how he took home material from the plant when he was an electrician so he could learn new systems, and how he programmed the first PLC in the plant in the early 1970s. Mike Johnson, the lone electrician in the Meters & Instruments department, recalled that first PLC. Johnson claimed he had been the one who installed it and then was turned down for training on how to program it. This led to one of several heated discussions which turned Brittenham into a lightning rod. He went through a list of possible criteria for moving up in pay grades, such as journeyman licenses and what material would be on tests. Brittenham also criticized Terry Smith at length, who was not a craft worker – Smith was determined to stop the pay grade self-improvement system, Brittenham claimed. Smith’s main concern, according to Brittenham, was how to maintain the union seniority system. Most of the electricians present in the lunch room showed their distaste for Smith and worried about letting a non-craft union member decide their fate. Brittenham

discussed the possibility of a joint union-management team to investigate how the new pay grade system would be implemented. One thing seemed likely – that the implementation would be delayed for some time, workers would be allowed to move up only one pay grade at a time, and many electricians might not see Grade 12 by the end of the new five-year contract.<sup>93</sup>

CFAC management met with union officials on Dec. 9, 1999, to discuss how a pay-for-skills program might be implemented at the aluminum plant. Most of the meeting was spent setting up procedures for further meetings, but some general goals were suggested, e.g. all maintenance employees should be considered on an equal footing for skill improvement and enhancement, in the same way production workers already were; the program should attempt to make all maintenance workers familiar with all systems within the plant; the program should be “approachable,” especially by older workers; the program should not be threatening or create a fear factor about losing jobs; the means for advancement to higher pay should be quantified and measurable; and the program should help the company by creating a smarter and more well-rounded maintenance staff.<sup>94</sup>

Members of the Aluminum Workers Trades Council’s executive board met with CFAC managers on Jan. 5, 2000, to talk about where the company was heading. According to Martin Cannon, a board member representing Local 1760 Machinists and Millwrights and a millwright in the Preventative Maintenance Department, the tone of the meeting was congenial despite some ominous news. Plant management told the union representatives they envisioned a reduction of 10 maintenance workers by attrition once the plant’s new preventative maintenance program was in full swing. Rumors floating around the plant suggested the company planned to spend \$1.3 million on software and training for the new preventative maintenance program, and some of the training had been scheduled for Jan. 5. The management also predicted that all 600 reduction pots would eventually be converted to point-feeder technology, once problems with the 15 to 20 point-feeder pots currently operating in Potroom 1 were worked out. They also expected better anode-carbon quality once a contract was made with a new coke supplier, and some CFAC management were leaving to visit with the new coke producer.<sup>95</sup>

## **Increasing competition**

Keeping CFAC competitive as the 1990s came to an end would not be easy – new plants were being built around the world with the latest in aluminum smelting technology and in locations benefiting from water transport or in proximity to bauxite, alumina or energy supplies. By 1998, aluminum smelting plants operated in 35 states across the U.S. employing 143,000 people with a total payroll of \$4.8 billion. The U.S. produced

more than 11 million tons of aluminum in 1998. About 12% was exported, with Canada at \$5.2 billion, Mexico at \$861 million and Japan at \$420 million being the largest trading partners. The U.S. aluminum supply came from primary domestic production, imports and recycled aluminum. Russia's \$967 million in aluminum exports to the U.S. had moved the former communist country up to second place after Canada. Recycling accounted for a record 33% of total U.S. production – about 63% of the 102 billion aluminum cans produced in 1998 were recycled, and nearly 90% of automotive aluminum was reclaimed and recycled.<sup>96</sup>

The four major aluminum-producing regions in the U.S. were the Pacific Northwest, the Industrial Midwest, the Northeastern Seaboard and the Mid-south. The Pacific Northwest accounted for 38.4% of the total U.S. aluminum producing capacity, and the Ohio Valley accounted for 31.9%. From the long-range historical viewpoint, no other American industry was as spread out across the country as the aluminum industry. The four key markets for U.S. aluminum were transportation, which consumed about 30.9% of the total; containers and packaging at 21.6%; and building and construction at 13.2%. One possible future market involved the use of aluminum in bridge construction, where 50,000 concrete and steel-reinforced bridge decks were in need of renovation as steel corroded or rusted. The energy efficiency for producing aluminum metal had improved by 20% over the last two decades. Research and development of new technology in the aluminum producing industry was conducted in partnership with the U.S. Department of Energy's Office of Industrial Technology with the goal of reducing energy consumption and reducing environmental impacts. The U.S. aluminum industry purchased about \$2 billion worth of electrical power annually. In the past 50 years, the average amount of electrical power needed to produce a pound of aluminum had dropped from 12 kilowatt-hours to seven.<sup>97</sup>

About \$5.3 billion worth of primary aluminum was produced in the U.S. in 1998 by 13 companies operating 23 smelter plants. Montana, Oregon and Washington accounted for 40% of the production; New York, Maryland, Ohio and West Virginia accounted for 20%; and the rest of the U.S. accounted for 40%. Consumption of this primary aluminum was centered in the east-central portion of the U.S. by about 25,000 different fabricators. Overall, domestic aluminum production increased slightly in 1998, as idled capacity was brought back on line, but by October 1998 about 470,000 tons per year of capacity remained off line. U.S. imports of aluminum increased significantly in 1998, with Canada and Russia as the leading suppliers. Prices for primary aluminum dropped from an average of 71.9 cents per pound in January 1998 to 63.3 cents per pound in August 1998. The U.S. continued to lead the world in aluminum smelter production and capacity followed by Australia, Brazil, Canada, China, France, Norway, Russia, South Africa and Venezuela.<sup>98</sup>



Prices increased in 1999, reversing a downward trend in 1998. Global metal inventories were also down from 1998. Average monthly prices began in 1999 at 58.8 cents per pound and increased to 74.7 cents.<sup>99</sup> In 1999, U.S. aluminum smelters operating at 86.8% capacity produced 3.6 million tons of primary aluminum. Output by company included Alcan Aluminum Corporation at 125,000 tons; Alcoa Inc. at 1.5 million tons; Century Aluminum Corp. at 165,000 tons; CFAC at 168,000 tons; Kaiser Aluminum & Chemical Co. at 254,000 tons; Noranda Aluminum Co. at 220,000 tons; Northwest Aluminum Corp. at 250,000 tons; Ormet Corp. at 255,000 tons; Reynolds Metals Co. at 401,000 tons; Southwire Co. at 185,000 tons; and Vanalco Inc. at 115,000 tons. Smelters in Canada were at 100% capacity and produced 2.3 million tons. Output by company included Alcan Aluminium Ltd. at 1 million tons; Alcoa Inc. at 235,000 tons; Aluminerie Alouette at 235,000 tons; Aluminiere de Becancour Inc. at 372,000 tons; and Canadian Reynolds Metals Co. at 400,000 tons.<sup>100</sup>

About 23.1 million tons of primary aluminum was produced in 44 countries in 1999, with the U.S. at 16%, Russia at 14%, China at 11% and Canada at 10%. Aluminum production worldwide increased 3% over 1998, with smelter expansions and closures and new smelters. Argentina's Aluar Aluminio SA completed a \$349 million 72,000 ton-per-year expansion at its Puerto Madryn smelter, totaling 260,000 tons per year. Australia's Tomago Aluminium Co. Pty. Ltd. increased capacity at its New South Wales smelter with 80 new pots to reach 440,000 tons per year. In Canada, Alcan announced it would close its 75,000 ton-per-year smelter at the Isle-Maligne Works in Quebec. In China, the China Aluminium Corp. (Chalco) was created to oversee the country's smelters, which produced 1 million tons of aluminum per year. Alcoa signed a memorandum of understanding with Chalco to form a strategic partnership. In the Middle East, Dubai Aluminium Co. completed its \$725 million Condor expansion, with 240 pots increasing the smelter's capacity to 536,000 tons per year, making it the largest stand-alone aluminum smelter in the Western world outside of Russia. In Iceland, Norsk Hydro had plans to build a new 120,000 ton-per-year smelter at Reydarfjordur. Nigeria's Aluminium Smelter Co. of Nigeria (Alscon) suspended operations at its 193,000 ton-per-year smelter at Ikot Abasi because of insufficient working capital. A new smelter in Mozambique poured its first metal in June 2000, six months ahead of schedule.<sup>101</sup>

The weakness of the Asian economy was the dominating factor in the world aluminum market in 1998. Consumption of aluminum fell in Japan by about 15% and in Korea by about 40%. In China, giant plans were in the works to boost aluminum demand, mostly for infrastructure, housing and repairing flood damage. According to industry experts cited in American Metal Market in February 1999, China's gross domestic product needed to maintain greater than 5% growth per year to maintain social stability and political survival for the current government. To boost growth, the government turned

to traditional Keynesian economics, with enormous public works projects. According to an insider, “This level of stimulatory spending is naturally unsustainable.”<sup>102</sup> The Aluminum Association continued to support free trade, open markets and zero tariffs for aluminum, and opposed special treatment and high tariffs in Europe. “U.S. aluminum companies are historic free-traders,” the trade organization said in 1998. “The U.S. aluminum market is the world’s largest, most sophisticated and most open. On the other hand, many important foreign markets are protected by high tariffs, which are supported by non-tariff measures, primarily strong preference for local production.” The association noted that the General Agreement on Tariffs and Trade (GATT) did not include zero tariffs for aluminum.<sup>103</sup>

On Jan. 21, 1999, Alcan Aluminium Ltd. announced it had reached an agreement with Glencore for the sale of its Aughinish alumina refinery on the Shannon estuary in Ireland. The sale to Glencore was completed on Feb. 25, 1999.<sup>104</sup> When the refinery was first proposed, the Anaconda Company had agreed in 1976 to pay Alcan \$140 million for a 25% stake in the 800,000 ton-per-year refinery. Alcan had tried to interest other companies in the refinery as a joint venture for several years. Anaconda’s share of alumina from the Irish refinery would be 200,000 tons per year. When combined with another new source, Anaconda would no longer be dependent on Reynolds for alumina.<sup>105</sup> Between 1978 and 1983, when the Aughinish refinery was being built, it was the largest construction project in Europe, employing up to 6,500 construction workers. While operating, the plant employed about 450 workers.<sup>106</sup>

ARCO sold its stake in the Irish refinery in 1983.<sup>107</sup> By January 1999, the plant had been expanded to 1.4 million tons per year and refined bauxite imported from Guinea, Africa.<sup>108</sup> In August 1999, Igor Vishnevsky, Glencore International’s executive in charge of alumina sales to Russian smelters, said Glencore would no longer sell alumina from its Aughinish refinery to Russian smelters, at least until the next year. Alumina and bauxite shortages were putting pressure on the Russian aluminum industry, and Glencore intended to benefit from the demand.<sup>109</sup> In 2007, Rusal, the giant Russian aluminum company owned by oligarch Oleg Deripask, bought the Aughinish refinery from Glencore.<sup>110</sup> By April 2016, the alumina refinery was the largest in Europe and one of the most technologically advanced and energy-efficient, according to Rusal. The plant had increased production capacity to 1.9 million tons in 2012, and a modernization program in 2013 shifted steam production for its process from heavy oil to natural gas.<sup>111</sup>

## **Improving people and equipment**

CFAC’s efforts to stay competitive ran the gamut from worker training, more planned maintenance and plant computerization to improvements in metal quality, emissions

control and energy efficiency. In February 2000, several CFAC managers traveled to smelters at The Dalles, Ore., and Goldendale, Wash., to compare certain operations with those used at CFAC, particularly preventive maintenance and warehouse management programs. Northwest Aluminum's smelter in The Dalles had started up in 1958, and its 300 pots produced 90,000 tons of primary aluminum per year. The plant also produced 40,000 tons of secondary aluminum. The Goldendale smelter started operating in 1971 and produced 165,000 tons of primary aluminum per year, the same as CFAC. Both plants based their long-range smelter plans on point-feeder technology, but whereas CFAC and Northwest Aluminum were using in-house designs for point feeders, Goldendale was using a Norsk Hydro design. Pot life spans were longer on the average at CFAC at 8.2 to 8.7 years, with CFAC only rebuilding 65 pots per year on a rotating schedule, compared to 45 with no schedule at the smaller smelter at The Dalles and 124 pots per year at Goldendale.<sup>112</sup>

The CFAC, Northwest Aluminum and Goldendale plants had extensive computer systems networked together, with 160 workstations and eight servers at CFAC, 150 workstations and four servers at The Dalles, and 130 workstations and nine servers at Goldendale. While CFAC's warehouse inventory was estimated at \$3.7 million, neither Northwest Aluminum nor Goldendale tracked their inventory. The total number of vehicles used in the plant was similar, with CFAC at 274, Northwest Aluminum at 247 and Goldendale at 309. Employment figures were 575 at CFAC, 525 at Northwest Aluminum and 705 at Goldendale, with roughly the same ratio of hourly to salaried employees. While CFAC had no apprenticeship program, the other two plants did, and while CFAC claimed a pay-for-skills program in its new labor contract, Northwest Aluminum didn't have one and Goldendale had one for electricians only. Safety seemed to be worse at Goldendale – the serious injury frequency for CFAC was 5.12 and for Goldendale was 9.5; the disabling injury frequency for CFAC was 2.89 and for Goldendale was 3.9. All three smelters had ergonomic programs.<sup>113</sup>

Glencore brought staff from the aluminum plant in Montenegro managed by Glencore to CFAC in February 2000. An interpreter from Glencore accompanied the visitors. According to CFAC management who dealt a little with the visitors, the Yugoslavs were very impressed with CFAC's operating condition. The feeling was that the alumina refinery and aluminum smelter in Montenegro were in very poor shape and the workers were not very skilled. There was a suggestion that Glencore was preparing to acquire the Montenegro facility, but there had also been talk in the media about the Yugoslavian government privatizing the facility.<sup>114</sup>

The aluminum smelter in Columbia Falls went through computer changes over the decades. In addition to accounting and warehouse data, the company wanted to track

output in the casting facility and control operation of the smelter's 600 reduction pots. Over the decades, optical-fiber and other communication lines were installed to connect the widely dispersed facilities, and eventually a programmable logic controller was installed for each reduction pot to manage pot voltage, anode effects and alumina supply. According to a job posting by Steve Hermes, who worked at CFAC as a computer technician developing web-based applications between June 1998 and February 2000, he and three others expanded the company's intranet, which provided Glencore's home office in Switzerland access to CFAC data via the Internet in real time. This included data from the manufacturing floor. In 1996 and 1997, Hermes had helped convert an older mainframe computer system to Windows NT using an Oracle-based server system. The system took over the functions of payroll and accounting tied in with the production floor. He said he had converted legacy Cobol and Basic code to Visual Basic, C, ASM code and SQL queries.<sup>115</sup> In August 2000, Steve Knight, CFAC's production supervisor, announced that the company planned to complete converting all 600 reduction pots to a new process control system by the end of the year. The system had been under development in Potroom 1 since April 2000.<sup>116</sup>

The new process control technology was in place by September. After several years of trials and installation, Modicon programmable logic controllers were installed in all 600 pot control panels and tied together into a local area network with PCs located at the five potline foreman offices. The new system replaced the IBM Series 1 computer system installed nearly 20 years earlier to control the pots. "Bringing our process control up to more modern standards will significantly improve the plant's profitability," a company newsletter reported. "Improvements of this type are necessary to remain viable over the next few years as power costs, aluminum company mergers and other market pressures make it harder and harder to make money." The new process control system hoped to achieve better voltage control for chaining anodes, improve feed-control programs for crust-break schedules, provide quick and accurate diagnostics and alarms, improve current efficiency, lower pot voltage, reduce anode effects and provide cleaner pots. "Getting better process control will not be easy, however, and will take several years to develop to full potential," the newsletter warned. "Everyone involved in running the process will need to learn some new things. Our jobs will become more sophisticated. When we are finished, computers will be available out on the floor, in the potmen shacks, providing the ability to analyze and react to what is going on in an individual pot. With better information on how pots are running, we hope to find and correct problems in hours or minutes instead of days."<sup>117</sup>

In an effort to improve maintenance skills and organization, CFAC management brought in two former employees of the Alumax aluminum smelter at Mount Holly on Aug. 24 and 25, 1999, to give a presentation on preventative maintenance programs. The two

men claimed Mount Holly had the best maintenance program among all heavy industries in the world, with less down time and less inventory for repair. Some of the CFAC employees remained skeptical of the claims after they left the presentation. The point of the presentation was to encourage CFAC's maintenance workers to give up out-dated notions about how the company might run a maintenance program, but many of the changes seemed to be contrary to traditional union arrangements, such as job combinations and sliding wage scales based on skill.<sup>118</sup>

CFAC Maintenance Manager John Hoerner followed up with talks to management and hourly craft workers about increasing competition and rising electrical costs on Jan. 24-28, 2000. CFAC paid about \$22 per megawatt for electric power, but the BPA was expected to raise the cost to \$28, which would cost the plant about \$18 million more per year, he said. Glencore apparently was unaware of a possible electrical rate increase when it decided to buy the plant in May 1999 because if it had, Hoerner felt sure they would never have completed the purchase. Hoerner explained that plant costs could be divided into fixed costs, such as electrical power, alumina and other raw materials, and costs that could be managed, such as manpower and materials used for repair. Hoerner presented various graphs showing CFAC's position relative to the 26 other aluminum smelters in the U.S. in terms of total production costs. The spread from the lowest-cost U.S. aluminum producer to the highest was about 17.24 cents per pound. CFAC ranked relatively high in how much it paid for electrical power, alumina and raw materials, mostly a result of higher transportation costs. If the BPA rate increased, the situation would only get worse, Hoerner said. CFAC ranked relatively low in terms of labor costs, proving the conventional wisdom that CFAC workers were better than most in the U.S. aluminum industry. Hoerner noted that when he visited the Alumax plant in Mount Holly, the workers there had a better preventative maintenance program, but the individual workers were not as good as at CFAC.<sup>119</sup>

Nevertheless, Hoerner believed that the small marginal savings needed to keep the CFAC plant from shutting down could be achieved through the maintenance department. CFAC's new preventive maintenance program would involve about \$400,000 in software, \$400,000 in training for craft workers, and \$200,000 in specialized equipment. Hoerner also presented graphs that broke down the types of maintenance costs. About 25% of the plant's maintenance costs were tied to vehicle repairs. One answer to that problem was to increase the general floor repair budget from about \$60,000 per year to \$250,000, but the floor work would probably need to be done by outside contractors. Glencore was willing to invest in the plant if a good rational argument could be made for the investment, Hoerner explained – in other words, a guarantee that the investment would pay back. But Glencore had also made it clear that they wanted the vehicle inventory and budget reduced. Other improvement plans

included point feeders and new casting equipment. At a communication meeting held the same week, open to all workers, new plans for the casting department were announced. In one proposal, the casting facility would expand north all the way to the crane transfer bay, necessitating moving the entire Garage and Field Maintenance departments. New furnaces and pits would be built in casting to produce billets measuring 300 inches long.<sup>120</sup>

Ronnie Smith, a consultant with Life Cycle Engineering, spent several weeks at the CFAC plant in spring 2000 following mechanics and electricians around the smelter making observations about the workers' skills and abilities. In a report he faxed to CFAC on May 3, Smith was highly critical of the craftsmen's skills. Many of the workers were lacking in training and could not be moved from one part of the plant to another, he said. Smith also called for more discipline among the workers and the need to split up cliques. He called for the abolishment of CFAC's new preventive maintenance crew, since he believed preventive maintenance should be performed by all maintenance personnel. Smith said plant personnel ran equipment to failure rather than performing adequate preventive maintenance. He also called for more written procedures to standardize how repair work was done and for the creation of a full-time maintenance engineer in the engineering department. Smith argued that trying to stay within budget was no reason to allow equipment to be run down, and he suggested that maintenance management held little credibility with maintenance workers. He concluded by listing more than \$30,000 in analysis tools he suggested CFAC purchase, along with more training in their use.<sup>121</sup>

## **Job combination disputes**

In April 2000, CFAC announced the official results of arbitration between certain crafts unions and CFAC that had been dragging on for more than a year. The results were that pipefitters, millwrights, oilers, field ironworkers, garage mechanics, fabrication shop ironworkers and machinists were combined into one large job classification called General Mechanics, and that carpenters, masons and painters were combined into another job classification called Builder-Maintainers. On May 4, a notice was posted in the hourly men's locker room announcing a new pay grade for General Mechanics and Builder-Maintainers. Workers in the two new job classifications would move up from Grade 10 to Grade 11 and earn about a third of a dollar more per hour. In accordance with the plant's contracts for the past 30 years, the chief operator position at the rectifier was moved from Grade 11 to Grade 12 to maintain it at the highest pay grade.<sup>122</sup>

From the time the company first announced the combination of certain crafts into a General Mechanic classification, numerous grievances had been filed, oilers were

moved from Grade 7 to Grade 10, about \$30,000 in tools were purchased and distributed to all General Mechanics, and outside consultants were brought in to conduct job-task analyses for future pay-for-skills programs. When the arbitration finally ended, the General Mechanics grouping increased in size by adding several new craft groups, including garage mechanics, fabrication shop ironworkers and machinists. One of the initial grievances had been that the grouping was so large that it created difficulties for workers seeking vacation time and for foremen seeking overtime workers when relying on the seniority list. In many cases, workers with high seniority found themselves moved far down the list and unable to choose vacation time they wanted. To resolve the issue, the company unofficially agreed that seniority for vacation would be done by departments beginning in 2001, but that the vacation schedule for 2000 would remain the same. The company, however, insisted on being able to combine the crafts for overtime in order to give them flexibility in filling necessary work assignments.

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While General Mechanics and Builder-Maintainers moved up to Grade 11 and more money, the Electrician craft was left behind at Grade 10. The Electrician group included field maintenance electricians, rectifier station electricians, one casting electrician, one paste plant electrician, one preventive maintenance electrician, one LAN-Webmaster electrician and one planner-electrician. The electricians felt slighted by the announcement and made several arguments – workers in the General Mechanics and Builder-Maintainers classification continued to do the same jobs as before; oilers had gone up from Grade 7 to 11 in less than a year; most electricians had paid for their own special schooling to improve themselves without compensation; electricians had to work outside their craft to repair brakes, grease bearings, troubleshoot hydraulic systems and rig gear for cranes without compensation; and the education and skill level of most electricians surpassed that of General Mechanics and Builder-Maintainers. There was talk of work slowdowns and even a wildcat strike.<sup>124</sup>

A meeting was held to address the issues on May 4 that included all available electricians, including Ken Beck, the electrician's job steward, Human Resources Officer Jim DeWaters, Hoerner and Brittenham. The meeting lasted more than an hour and was consumed by loud angry verbal attacks against union representatives, management, other craft workers and fellow electricians. It appeared CFAC was willing to give the electricians Grade 11 pay, but the electricians needed to work through union channels. DeWaters took the firm stance that the electricians needed to offer the company something in return, Hoerner was reluctant to give union advice to the electricians but seemed willing to offer more money, and Brittenham finally broke down and spelled out what the electricians needed to do to get the money – go through union channels. After the meeting ended and management left the room, Beck urged all electricians working



in temporary salary positions to stop – that included two temporary foremen, the LAN-Webmaster and the planner-electrician. Many of the electricians said they would no longer do any kind of mechanical work.<sup>125</sup>

Within hours after the meeting with the electricians concluded, Brittenham said he had just learned the plan discussed at the meeting would violate the labor contract – the electricians could not bargain independently for a higher pay grade through the union. As a result, Brittenham said, Hoerner might try to create a new job classification called Industrial Electrician that could be made a Grade 11. In this way the offer would come from the company, not from the workers, and it would not violate the labor contract. The next day, Terry Smith said the obstacle to getting the electricians a pay raise lay at the highest levels of management – plant manager Larry Tate and his assistant Lyle Philips. Philips was gone at the time, and representatives from Glencore were arriving to inspect the plant on May 8, so all of CFAC’s managers were busy putting together reports and presentations to convince Glencore that the plant was running smoothly.<sup>126</sup> One of the topics scheduled for a May 9 meeting between CFAC managers and the Glencore representatives was the new preventive maintenance program, which called for spending \$1 million on planners and schedulers, asset management software, accounting database software, training, and special maintenance tools and instruments.<sup>127</sup>

## **Better smelting**

CFAC’s effort to remain competitive was not just a maintenance issue. A Dec. 22, 1999, in-house newsletter described three important smelter technology problems CFAC needed to overcome. The first was poor anode quality leading to shatters and spikes, according to potlines superintendent Steve Knight. Good quality anodes were dependent upon coke quality, potroom anode operations and paste plant operations. One way to measure the anode problem was by counting the number of pots which needed to be raked in a day. Potline workers raked pots when spikes formed on the bottom of the carbon anode and protruded into the molten bath, disrupting pot operation. Workers would remove some of the iron skirts on the anode casing that sealed off the molten bath and anode bottom from the outside and then use long-handled rakes and jackhammers to knock off the spikes. In one of the more dangerous tasks at the plant, the workers also tried to scoop up the broken chunks of carbon out of the molten metal.<sup>128</sup>

The average number of pots raked per day had steadily dropped from a high of 22 from July 1 through Nov. 15 to only 11 per day in the middle week of December, Knight reported. The second technology problem was the new Environmental Protection Agency fluoride emissions limits which went into effect in October. “Initial results

indicate these new standards are going to be difficult to meet,” Knight said. Continuous monitoring equipment was being installed in Potrooms 1, 4, 5, 7 and 9 that consisted of lasers, mirrors and sensors mounted on the hammerhead columns supporting the anodes. The lasers and mirrors were spaced about 10 pots away from each other and detected emissions in the air immediately over the pots. A third technology problem was high iron content in the aluminum produced in the pots. In December 1999, the plant produced nearly 2 million pounds of high iron aluminum, called P1535, which had to be sold at a discount. The plant produced about 1 million pounds of aluminum per day so this amounted to about two days’ worth of production.<sup>129</sup>

Between March 1 and 15, 2000, iron content in the pots was substantially reduced and 441 pots were labeled “pure pots.”<sup>130</sup> On March 9, Knight reported good results in lowering the average iron levels in the metal produced, dropping to 0.18% on March 6.<sup>131</sup> CFAC’s casting department poured several test sheet ingots of 5052 and 5454 aluminum alloy that month for the Alcoa rolling mill in Davenport, Iowa. One week later, CFAC received an order for 2 million pounds of 5052 alloy that was shipped, inspected and rolled. According to a CFAC newsletter, Alcoa was very pleased with CFAC’s quality procedures and the quick response and timely delivery of the order. CFAC was looking for a new market for its sheet ingot because a contract with Kaiser was coming to an end and the Alcoa deal was one possible outlet. On May 9, 2000, a meeting was scheduled to take place between Glencore representatives and CFAC management that included discussing expansion plans for the casting facility. By June, as the West Coast Energy Crisis began to drive up power prices, Kaiser began shutting down 47% of its Pacific Northwest smelter capacity, which affected CFAC’s sheet market outlook.<sup>132</sup>

The iron content was approaching 0.20% by June and was considered a “problem” by Shawn Wang, a potline tech supervisor. Blame was attached to higher anode-effect counts, increased anode-effect durations, increasing bath levels and less skirt-to-bath control.<sup>133</sup> On Aug. 15, a senior metallurgist from Kaiser came to CFAC to conduct an ISO audit. CFAC was a major supplier of slab ingot to Kaiser. CFAC made the decision to become ISO certified to avoid the kinds of embarrassments it had encountered in the past with customers. The Kaiser auditor gave CFAC a 94% rating, which was considered excellent, although areas of concern included sampling downstream of the casting filter and some document control.<sup>134</sup>

While CFAC was receiving feedback about metal quality from its aluminum customers, plant personnel also received news about its fluoride emissions. On March 9, Knight reported good results from the first three rounds of fluoride emission testing for March – the best since the company began operating under new EPA guidelines implemented in October. The plant average was 1.4 pounds of fluoride per ton of aluminum produced

averaged across all five potlines. The EPA limit was 2.4 pounds.<sup>135</sup> Meanwhile, three process control consultants, Ron Sheets, Tim Sheets and Greg Greer, visited the plant between March 1 and 15 to find ways to improve how the plant's 600 reduction pots were operated. The goal was to improve current efficiency and reduce power bills.<sup>136</sup> According to potline production statistics for the following month, the plant averaged 7.62 kilowatt-hours per pound of aluminum produced at an average of 5.02 volts and 107,430 amps, giving a current efficiency of 89.0%. Overall the plant experienced decreased operating performance for the month of April, with too much bath, too much anode shatter and increasing iron content. Beginning April 18, 2000, all the non-point feeder pots in Potroom 1 were operating under a new process control system called "resistance-based control." Ron Sheets and his crew were continuing to work with CFAC management and technicians to change the way the pots operated. Representatives from Glencore were expected to appear for a visit on May 8.<sup>137</sup>

All that effort didn't help the Columbia Falls Aluminum Co. when power prices ramped up from \$22 per megawatt-hour to \$250 and even more than \$1,000 in 2000 and 2001. Federal deregulation of electrical power had led to deregulation in California, where the margin between supply and demand had crept to within a few percentage points. Like aluminum plants, new power generating plants were expensive and faced difficult permitting hurdles, so they could take years to build. Narrow supply and demand margins put the overall power system in jeopardy – one company could order an unscheduled "maintenance" shut-down and put the entire system in crisis mode, leaving some less scrupulous companies to jack up prices to incredible levels. The Pacific Northwest-Pacific Southwest Intertie provided the transmission link between the Bonneville Power Administration's hydro-thermal grid and California's gigantic energy shortage. Not long after rolling blackouts hit California's big cities, Pacific Northwest aluminum smelters relying on open-market power began to shut down, unable to afford the skyrocketing prices. The BPA was pressed into service and looked to the rest of the region's aluminum smelters for the power needed to help California. CFAC and other smelters with BPA contracts were offered enormous sums to shut down – enough to pay laid-off employees for a year, with benefits, along with taxes and other bills and still come away with more money than they could have made producing aluminum.

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