Chapter 39

The giant stumbles

Perhaps it's ironic that the Anaconda Company, a legendary mining company that so thoroughly controlled Montana's politics and economy, and which was believed to draft "500-year plans" based on its enormous scientific and technological resources, would last only a century. It was 1881 in Butte when Marcus Daly convinced the Haggin-Tevis-Hearst syndicate to invest $70,000 in the Anaconda Mine, which turned up more copper than gold and silver. The timing was perfect, as the second industrial revolution swept across the U.S., bringing with it electricity and telephones. The company battled through the "War of the Copper Kings" and won the "Richest Hill on Earth." Its vast staff of mining engineers and business managers soon built a vertically-integrated company that mined a variety of ores, smelted them into copper, zinc, lead and other metals, and then fabricated wire, sheet and foil. To accomplish this feat, the Anaconda Company held vast acreage of timberlands and mineral rights across Montana, owned water and electric utilities, influenced the public with its network of newspapers, and controlled workers with a heavy hand.

The Anaconda Copper Mining Co. kept busy during World War II – in 1943, Anaconda supplied one-third of the primary copper used in the U.S., a critical war-time material, as copper was turned into brass and brass was turned into shells. [1] But the 1950s turned out to be a watershed decade for the company. On May 21, 1952, Anaconda Chairman Cornelius F. Kelley issued a 32-page stockholders report titled "Anaconda Is Building" that outlined a postwar construction and improvement program estimated to cost about $289 million. Included was $45 million for a new aluminum smelter in the Flathead Valley. [2] Copper prices, however, dropped and mining costs rose significantly in the 1950s. The result was that copper mining in Butte fell to only 40,000 tons per year, and the Anaconda Company turned to the Greater Butte Project, which called for block caving, a mining technique that was successful but short-lived. Despite the setbacks, the Anaconda Company posted its largest annual income ever in 1956, about $111.5 million. After that, the ore grade at Butte continued to diminish, mining costs continued to increase, and the company turned to open-pit mining, creating the Berkeley Pit. [3] In 1955, to reflect its growing diversification, the Anaconda Copper Mining Co. changed its name to the Anaconda Company and revealed plans for development of the El Salvador project at its huge copper mine in Chile. In Montana, the new Anaconda Aluminum Co. plant in Columbia Falls was dedicated and the Berkeley Pit in Butte was opened. [4]

The board of directors of the Anaconda Company met in Butte on July 25, 1957, marking the first time the board met in Montana since June 24, 1898. Many of the board's members were present at the aluminum plant's dedication on Aug. 15, 1955, and the board traveled to the Flathead to inspect the AAC plant after their meeting in Butte. According to Fortune magazine, Anaconda was ranked 45th among the top 500 industrial corporations for net sales in 1956, up seven notches since 1955. The company was 16th for profits, up eight notches over 1955, 23rd for total assets, 17th in number of stockholders and 44th in number of employees. [5] Anaconda reported net profits of $34.6 million for the first six months of 1959, about triple its net profits for the same period in 1958. The sharp increase resulted from higher copper prices and higher demand in anticipation of a labor strike. [6] During their May 20, 1959 meeting, stockholders re-elected three of the company's directors. Charles Brinckerhoff, the newly elected president, told stockholders that Anaconda, third largest copper producer in the U.S., was expanding operations worldwide, including the El Salvador project in Chile, a new iron ore mine in Canada, the Alize zinc mine in Butte and low-grade copper mines at Cananea, Mexico. [7]

Anaconda's El Salvador copper mine in Chile commenced operations in 1959, and the company's Chuquicamata mine, the largest copper mine in the world, produced a record 306,500 tons of copper. [8] But labor problems marred the company's success in the final year of the decade. On Aug. 19, Anaconda's mining and metals processing facilities in five Montana and Utah areas were struck by 5,600 members of the International Union of Mine, Mill and Smelter Workers who demanded another negotiating session for a new contract. Anaconda operations were halted in Butte, Anaconda, Great Falls and East Helena as well as Tooele, Utah. [9] The 126-day long strike at operations in Anaconda came to an end on Dec. 22, 1959, when the local Mine-Mill union signed a 30-month labor contract calling for a pay increase of nearly 22.5 cents per hour. Locals in Butte, Great Falls, East Helena and Tooele continued their strike. The Anaconda local had decided to negotiate on their own on Dec. 14. [10] The 177-day long strike at operations in Butte, Great Falls and East Helena was settled on Feb. 11, 1960, with the help of three federal mediators. [11]

Early signs of trouble

By the early 1960s, harbingers of trouble to come in Chile were the subject of business news articles. Anaconda was facing 71% taxes at its Chuquicamata copper mine in Chile and increasing calls for nationalization across the entire political spectrum. At the same time, the company was investing large sums of money in its Anaconda Forest Products mill near Missoula and $40 million in a new concentrating facility in Butte. The future, however, looked bright for aluminum. "In its Anaconda Aluminum Co. subsidiary, the parent Anaconda Company has one of its most impressive profit generators," Kenneth S. Smith said in the New York Times on Nov. 25, 1962. "And it is set to grow." Mel Ruder, of the Hungry Horse News in Columbia Falls, believed Anaconda's troubles in Chile might mean more investment in Montana – and possibly expansion of the AAC plant in Columbia Falls. [12]

Anaconda Chairman Clyde Weed described a number of the company's weaknesses during the annual stockholders meeting in Anaconda on May 15, 1963. The company was still trying to negotiate more stable fiscal laws in Chile, while copper and zinc operations in Montana failed to show a profit. Underground mines in Butte were too deep to be profitable, and the ore grades were lower. In an effort to improve operations, the copper concentrator would be moved from Anaconda to Butte. Overall, Weed said, the company needed to control costs of labor, utilities, services and supplies, to employ the latest technological advances in mining and processing, and to gain "the understanding, the cooperation and the help of every citizen of this state." Weed noted the company's economic contributions to Montana. The company annually injected about $140 million into the state economy from operations inside Montana, including more than $63 million in wages, salaries, benefits and retirement plans; about $6 million in taxes; more than $11 million in freight payments; more than $10 million in utility services; and more than $50 million for supplies and services. [13]

Anaconda's 118,000 stockholders, holding 10,715,093 shares, cast their votes for new company directors at the meeting. Weed was re-elected chairman of the board and Archie Cochran was re-elected chairman of the board of the Anaconda Aluminum Co. [14] Cochran's foil manufacturing company, one of the largest in the U.S., had merged with the Anaconda Company in 1957. [15] Weed graduated from the Michigan College of Mining and Technology in 1911 and went to work as a miner and mine superintendent in Michigan. He became a shift foreman for the Inspiration Consolidated Copper Co. in Arizona in 1921, and later was president of the Cananea Consolidated Copper Co. in Sonora, Mexico. Weed rose to vice president in charge of mining operations for the Anaconda Company in 1942, became president of the company in 1956 and chairman of the board in 1958. Weed was credited with promoting Anaconda to number one in the world for copper reserves and copper production, as well as in diversifying the company's production of metals, from aluminum to zinc. Weed announced his retirement from his $204,660 per year job on May 19, 1965. [16]

U.S. copper prices increased at a steady rate from 1964 to 1970, and U.S. copper producers benefited. In 1969, Anaconda made $99 million in profits on sales of $1.4 billion in copper. The good times led to massive expansion projects by most U.S. copper producers and accompanying debt. From 1966 to 1970, Anaconda's long-term debt grew from $64.7 million to $366.4 million, half of which was due within five years. The company's cash reserves shrank from $103 million to $54 million over the same time period. By 1970, the good days began to wane as copper prices fell as a result of lower market demand. Meanwhile, the cost of making copper increased as a result of labor strife, environmental problems and rising production costs. The company's new and expanded facilities came on line just as prices declined. The most serious problem facing the Anaconda Company, however, was the uncertainty of its foreign interests in Chile. [17] Anaconda had acquired the Chuquicamata copper mine in Chile from the Guggenheim family in 1923 for $77 million, at that time the largest cash transfer ever seen on Wall Street. The open-pit mine at Chuquicamata soon came to produce two-thirds of Anaconda's primary copper and three-fourths of its earnings. [18]

Anaconda Company sales and operating revenues totaled $1.2 billion in 1966, up from $993 million for 1965. Net income per share of stock increased from $7.28 in 1965 to $12.10 in 1966. Dividends paid out in 1966 totaled $54.7 million at $5 per share, up from $40 million at $3.75 per share in 1965. Expenditures included materials and supplies at 36.2%; wages and salaries 25.9%; taxes 12.3%; new plants and equipment 8.8%; transportation 3.7%; dividends 4.3%; debt reduction and interest 1.4%; and miscellaneous 7.4%. [19] On Oct. 19, 1966, Anaconda Chairman and CEO Charles Brinckerhoff announced that the company planned on spending $50 million over the next two years expanding and improving its industrial facilities in Montana, $5 million more than stated in an earlier May 1966 announcement. Most of that $50 million would go into expansion at the aluminum plant in Columbia Falls. Excavation for Potlines 4 and 5 at the smelter was about 55% complete by mid-October 1966. [20] The company's good fortunes were not missed by politicians. In February 1967, the Montana House passed House Bill 114, which doubled the metal severance tax, a revenue bill aimed at the Anaconda Company. Republicans and Democrats swapped sides on the measure, as Republicans supported the increased tax and Democrats supported the Anaconda Company. [21]

The copper strike

The company's healthy financial statement and capital investment plans also ran headlong into the longest strike in the history of the nonferrous industry. The 1967 strike brought copper mining and smelting to a halt. [22] For decades, the Congress of Industrial Organizations and the United Steelworkers had tried to take over leadership of the Anaconda Company's workers. A merger finally took place in early 1967, with the Steelworkers in effect absorbing the local Mine-Mill affiliates. The merger led to the last major copper strike at Anaconda operations in Montana. The longest and costliest strike in the state's history lasted eight and one-half months and cost Montanans $34 million in lost wages. [23] With the Steelworkers and Mine-Mill united, more than 18 unions were banded together to negotiate for "a fair and equitable economic settlement and some catch-up of past lags, both in terms of money and working conditions," according to the Steelworkers' mid-strike history summary. "The industry is a powerful and arrogant one dominated by four major companies: Kennecott Copper Corp., Anaconda Co., Phelps Dodge Corp., and American Smelting and Refining Co. These four, as of the end of 1966, have nearly 83% of the industry's smelting capacity, more than 77% of its refining capacity, and a substantial portion of its mining and its copper and brass mill capacity. They rule the roost." [24]

On April 14, 1967, the Steelworkers notified the copper companies of the recent union merger and their intent to negotiate new labor contracts. Initial bargaining meetings were held in May, but ASARCO and Anaconda in particular "threw roadblocks in the way of meeting," according to the Steelworker history. All four copper companies refused to consolidate negotiations at one location, dividing labor talks across many states. Eventually negotiations proceeded, and contract offers were made by Kennecott, ASARCO and Phelps Dodge in June. "It was not until July 13 that Anaconda made what it termed a 'premature' offer for its Montana properties," the Steelworker history states. A strike authorization vote had been taken at each of the locals on June 20, with more than 92% of those voting and a majority from each local favoring a strike if necessary. On June 27, the Steelworkers' Continuations Committee's recommendation to the Union Executive Board was to call a strike beginning in mid-July. Each of the copper companies hinted during the first two weeks of July that another contract offer was forthcoming, but the offers never materialized, according to the Steelworker history. Citing a 3% to 3.5% cost-of-living increase that had wiped out wage increases approved in 1964, 1965 and 1966, the Steelworkers also pointed to the "productivity and profitability of the industry, the market prospects of the industry, and the general levels of major recent economic settlements by other unions" as support for their demands. The Steelworkers called the copper companies' offers inadequate in providing wage increases, cost-of-living protection, wage structure changes, pension increases, insurance contributions, job and income security, and other issues. [25]

By Dec. 8, 1967, the four major U.S. copper producers had turned down an offer by Montana Sens. Mike Mansfield and Lee Metcalf to set up a fact-finding board to help settle the five-month long nationwide copper strike. The four companies said they preferred to work out deals with the striking workers on their own without government involvement. The Steelworkers had accepted the Mansfield and Metcalf's offer. [26] By December, the Montana Unemployment Compensation Commission estimated that the strike at Anaconda facilities by 7,200 Steelworkers had cost the state $20.4 million in lost wages. State revenue losses were put at $903,000, and it was believed about 500 workers had left Butte for jobs outside the state. [27] On March 1, 1968, during a high point in the Vietnam War, President Lyndon Johnson summoned the negotiators to the White House and declared, "In my judgment, the national interest requires further and immediate governmental effort to resolve the copper strike." Apparently more brass was needed for shells. According to a Phelps Dodge negotiator, "We were called to the White House and jawboned by the president." The Steelworkers recognized that they might never establish a uniform bargaining structure as existed in the steel industry and softened their demands. But the Steelworkers persisted in calling for the creation of a Nonferrous Industry Conference that would coordinate bargaining in the copper industry and enforce pattern contracts on a local level. The conference and pattern contracts were approved by the U.S. Court of Appeals, and the strike was settled by the end of March. [28]

The Anaconda Company weathered the strike. According to the company's annual report for 1969, Anaconda posted record sales for all metals and operations at $1.8 billion, with a net income of $99.3 million and a value of $4.54 per share, the third highest in company history. The company was optimistic about growth in production in the 1970s but noted that it had entered into negotiations with the Chilean government in May 1969 when confronted with the options of appropriation or nationalization of its copper mines there. The Anaconda Aluminum Co. had posted all-time high production numbers and sales revenue in 1969, with additional potlines in operation in Columbia Falls. The smelter also received first shipments of alumina from the company's Alpart bauxite and aluminum refining operations in Jamaica, and AAC was considering building a new aluminum reduction plant in the Ohio River Valley. The new aluminum operations made AAC vertically integrated, from mining bauxite to fabricating aluminum products for the consumer, and the company expected to improve profits as a result. [29] South of Tucson, Ariz., the Anaconda Company's New Mines Department employed 1,000 employees at a giant open-pit mine. By mid-1969, Arizona was the largest copper-producing state in the U.S., accounting for more than half the copper mined in the U.S. Anaconda moved its research facilities from Montana to Arizona to be near more copper reserves and facilities at the University of Arizona. Several other mining companies operated open pits for copper and molybdenum between Tucson and the Mexico border. [30]

The constitution and Chile

Meanwhile, economic, political and ideological changes were coming to Montana that would have significant impacts to the Anaconda Company. According to University of Montana historian Harry Fritz, the state underwent a triple revolution between 1965 and 1980. Montana had become an urban state for the first time in history by 1960, according to the federal census. This change led to legislative reapportionment in 1965, as mandated by the U.S. Supreme Court's 1964 ruling in Reynolds v. Sims, which declared that state legislatures must represent people, not trees or acres. With the Montana Legislature showing unwillingness to proceed with the reapportionment themselves, the courts did it for them. The second part of the political revolution involved the creation of a new state constitution in 1972. A referendum calling for a new constitution was passed by 65% of the voters in 1970, and by November 1971 one hundred elected delegates convened in Helena to draw up the new document. "The Montana Constitution of 1972 was an environmentally conscious monument to a modern, urban, self-confident state emerging from the long shadow of the Anaconda Company," Fritz said. [31]

The new constitution drew from both national and local concerns about the environment to create a mandate for cleaning up existing pollution and preventing further degradation. The economic revolution involved a declining timber industry, which was set back by recession, high interest rates and environmental regulation, and the decline of the Anaconda Company itself. The ideological revolution involved a spirited and progressive legislature and more urban population. The triple revolution seemed to be good for business during the 1970s, especially as wheat farmers saw bumper crops and coal mining boomed during the OPEC-dominated energy years. State revenues from severance taxes on natural resources climbed. Then the state economy collapsed in the 1980s as a nationwide depression affected every sector of the economy and the Atlantic Richfield Co., which had acquired the Anaconda Company, shut down the mineral industry. Across the state, about 13,000 primary jobs were lost and unemployment reached a record high of 8.8% in 1983. Tax revenues also dwindled. [32]

The biggest blow to Anaconda, however, came in South America. In 1964, Eduardo Nicanor Frei Montalva was elected president of Chile. Frei rallied his countrymen with a call for the "Chileanization" of copper, the source of 80% of the country's export trade. The Kennecott Copper Corp. took notice and began to sell off its holdings in Chile, including selling 51% of its huge El Teniente mine to Chile in 1967. Anaconda, however, took a different tack, pouring $200 million in capital investment into its Chilean mines from 1966 through 1969. Finally, under direct threat of expropriation, Anaconda agreed to sell 51% of its Chuquicamata and El Salavador-Potrerillos mining properties to Chile in late 1969. A third and newer Anaconda mine, the Exotica, had been 25% owned by Chile from its start. Anaconda executives feared losing their Chilean properties – in 1968, copper cost 18 cents per pound to produce in Chile and sold for 60 cents on the London Metal Exchange, while copper from U.S. operations cost 30 cents to produce and sold for 35 cents. [33] Then in July 1971, the leftist Chilean government led by Salvadore Allende expropriated two-thirds of the Anaconda Company's copper-mining holdings.

Suddenly the company found itself with marginal mining and manufacturing properties in the U.S., a $111 million aluminum plant under construction in Sebree, Ky., heavy bank debt and 670,000 acres of timberland. [34]

There were other surprises for Anaconda in 1971. Anaconda's Mexican copper mine, the Compana Minera de Cananea, was nationalized by Mexican president Luis Scheverra Ivarez. [35] Then in September 1971, the Anaconda Aluminum Co. was ordered to pay the largest settlement in U.S. history for a sex discrimination case. Nearly 300 women at AAC shared a settlement under the 1964 Civil Rights Act. Until 1967, AAC's collective bargaining agreement had separated male and female job assignments, with women earning less than the men. AAC had laid off 175 women and 50 men in 1965, and labor classifications were changed to light and heavy work in 1967, with women restricted to the lower-paying light work category. In July 1967, the company began hiring men for the heavy jobs rather than follow seniority. [36] In 1971, a court ordered AAC to pay $190,000 in back wages and court costs to 276 women who alleged that the company maintained sex-segregated job classifications. [37] Meanwhile, environmental challenges were looming at Anaconda's copper and aluminum plants in Montana.

Anaconda reorganizes

One month after Allende's government seized Anaconda's Chilean copper mines, John B.M. Place took over as CEO of Anaconda and accepted the huge task of saving the company. The company's domestic mining operations were the highest-cost facilities in the industry. Its copper fabricating business, the world's largest, had not made a major contribution to earnings since 1966. The copper industry as a whole had been reluctant to seek new markets or to defend its old markets from new materials, such as aluminum and plastic. While Anaconda's Butte and Yerington, Nev., mines were profitable, Anaconda's new $200 million Twin Buttes mine in Arizona was operating at a marginal level. The company's brass division, already in the red, had shut down four plants. Its wire and cable division lost money in 1971. The company's copper business was also under attack as an air polluter. The Montana state government required that the company's huge 1-million-ton smelter in Anaconda capture at least 90% of the sulfur dioxide emitted by the plant by July 1973. Experts expected that the plant's existing $30 million air pollution control equipment would need to be augmented with a $22 million improvement project. [38]

Place began by focusing on reorganization and cost-cutting in a company known for its "curiously extravagant flair," according to Business Week. Place found that many of the company's 7,000 salaried employees had no job descriptions and were never evaluated for job performance. Right away he laid off 700 or 10% of these ephemeral salaried employees, all tied to the company's lost interests in Chile. Place then sought an avenue for the company to make money. Aluminum seemed to be the answer. By 1972, Anaconda's aluminum business had not made much money since it entered the field in the 1950s, although it accounted for about 15% of the Anaconda Company's total sales. In 1972, Anaconda began building a $100 million aluminum smelter in Sebree, Ky., that would move the company from seventh place to fourth as a U.S. primary aluminum producer. [39] The Anaconda Aluminum Co. had announced plans to build the 120,000 ton-per-year aluminum smelter at Sebree on July 24, 1970. [40] The Sebree smelter went into operation by mid-1973 and was designed to be increased in capacity in 60,000 ton-per-year increments to a maximum of 240,000 tons. [41]

The loss of the mines in Chile forced Anaconda to declare a net loss of $357.3 million for 1971 and drove the company to focus on its domestic mines and processing facilities while trimming operations. Compelled to meet financial deadlines in New York, the company closed its zinc plants in Great Falls and Anaconda and sold its vast timber holdings and lumber operations to Champion International in 1972 for $117 million. In 1974, Anaconda terminated between 700 and 1,000 jobs in Butte. Another upcoming 1,500 layoffs in Butte were announced in February 1975. [42] Place used the $117 million from the sale of the timber sector to pay off 30% of the company's $391.5 million in long-term debt. Next he directed an expansion of the company's U.S. copper-mining operations and redirected the company's nonferrous fabrication business to industrial and consumer products. By 1974, nearly 70% of the company's $1.7 billion in sales and $106.8 million in earnings came from its manufacturing operations. [43]

In a Nov. 8, 1971, press release, Place said the company expected to show a profit in the fourth quarter of 1971 before deducting extraordinary charges to income arising from the expropriation of the copper holdings by the Chilean government. The expropriations cost the company about $430 million in assets without compensation along with the loss of two-thirds of the company's copper production and three-quarters of its earnings. The company planned to compensate for the loss by increasing copper production in its Arizona mines. Planned company-wide reorganization efforts would reduce costs by $25 million annually and improve efficiency, he said. The Caribou mine in New Brunswick, Canada, was already shut down. Substantial reductions in the workforce in Butte and Anaconda had already taken place. The lead smelter at Tooele was expected to close by the end of 1971. The zinc refinery in Great Falls was expected to close by mid-1972, putting 800 employees out of work in Great Falls, East Helena and Anaconda. The zinc refinery was built during World War I and would need at least $23 million in investment to make it economical to run. [44]

On March 31, 1972, the Hungry Horse News published portions of the Anaconda Company's 1971 annual financial report. The company wrote off $356 million for its expropriated Chilean copper mines, averaging a loss of $16.28 per share of common stock. The company's income for 1970 was $68 million, but it was a loss of $8.7 million in 1971. The company's aluminum division had $154 million in sales for 1971, a slight increase over 1970, but profits were down as a result of lower prices and higher operating costs, a situation common throughout the industry. To reduce operating costs, Anaconda was consolidating plants. The company's aluminum laminating plant in Fair Lawn, N.J., closed in November 1971, and part of its operations were moved to the laminating plant in Louisville, Ky. On Aug. 31, 1971, the company acquired the Alsco Division of Harvard Industries which produced a line of residential siding, storm doors and storm windows with manufacturing plants in Ohio at Gnadenhutten and Sugarcreek. The company expected its new aluminum smelter at Sebree would be operating by mid-1973. [45]

A 'great horror story'

On Jan. 15, 1972, Forbes published a story on "one of the great horror stories of corporate history" – the demise of the Anaconda Company. The story ran in the Hungry Horse News several weeks later. Since 1969, Anaconda's market value had plummeted from $1.4 billion to $260 million, and about $500 million of its assets had disappeared into the hands of the left-wing Chilean government. Forbes saw three major factors behind the company's fall – the confiscation of its valuable copper mines by the Chilean government, the collapse of the world's metal prices, and poor management decisions. In an attempt to diversify, Anaconda management had spent $800 million on projects outside of Chile that only earned $25 million a year. The company was once rich, both in physical assets and in human resources. Anaconda's scientific and technological skills enabled it to make "500-year plans" for developing mineral discoveries all over the world, but its management never followed through on those plans. When the Chilean government nationalized Anaconda's copper mines, the company's U.S. holdings included three big copper mines, the world's largest copper fabricating business, the sixth largest U.S. aluminum company and a major uranium mine, but the company was certainly losing money in copper, brass and aluminum. Anaconda's move into aluminum was seen as a "misadventure" as it spent $160 million over the past decade and seen only intermittent profits. Instead of retrenching, Anaconda committed itself to another $185 million investment. [46]

As the company's financial woes deepened, its creditors maneuvered in the background, leading to the elevation of former Chase Manhattan Bank Vice Chairman John Place to president. "Anaconda's problems seem to have stemmed from its corporate style of life: its patrician stance, its attitude of affluence," the Forbes article said. "For years it supported subsidiaries, divisions, even whole communities that yielded not a penny of profit, in the confident expectation that one day they would do so. In true 19th century fashion, Anaconda runs its worldwide enterprise out of its richly paneled offices on the fringe of Wall Street. For far too long, it retained its male secretaries and uniformed attendants, indulged its executives in benefits that few other public companies would have tolerated – competitors cite the crew of mechanics the president of a subsidiary maintained to tend his antique car collection." Place began his reorganization by cutting 50% of the corporate staff in New York and by cutting Anaconda's work force throughout the U.S. He closed unprofitable mines and brass fabrication plants, a lead smelter in Utah and the zinc plant in Great Falls. Anaconda was then completely out of zinc and lead. The reorganization efforts paid off as the company found the financial resources to handle important capital costs, primarily $180 million for the Sebree aluminum plant and for pollution control efforts in Montana. But by early 1972, Anaconda's most viable asset was its tax-loss carry-forward. The IRS ruled that the capital losses from the Chilean confiscation were worth close to $300 million. "Perhaps one solution, after John Place has put Anaconda's affairs in order, would be for a more profitable company to acquire the old blue chip," the Forbes article concluded. [47]

Business Week's Feb. 19, 1972, story on Anaconda's demise also was reprinted in the Hungry Horse News. The article reported that all U.S. copper companies were having problems, but Anaconda was the "sickest." With the loss of its Chilean mines, Anaconda now had to rely on domestic sources of copper ore. The magazine interviewed Place, who expressed optimism in Anaconda's diversification into more profitable areas. But the company's move into aluminum accounted for only 15% of its sales and was a "lackluster venture," the article said. Anaconda apparently entered the aluminum industry as a fabricator and then integrated itself backwards when it realized it needed to be a producer of primary aluminum to make significant profits. To make itself totally independent, Anaconda was building a $100 million smelter in Kentucky that was expected to move the company up from seventh to the fourth largest aluminum producer in the U.S. [48]

The Anaconda Company announced the sale of its Montana lumber mill in Bonner and 670,500 acres of timberlands in May 1972, as the company continued to sell off assets in an attempt to consolidate holdings. Place was in Helena at the time to speak with Montana Gov. Forrest Anderson about the sale. [49] In June, Place answered questions posed by Montana Rep. Dick Shoup regarding Anaconda's financial setbacks and rumors that Anaconda might shut down the aluminum plant in Columbia Falls. Place reassured Shoup that the company had no plans to cut back production at the plant and that the company actually had plans to increase the smelter's capacity. [50] Place joined AAC President Joseph B. Woodlief on April 26, 1973, for a visit to the aluminum plant. "It is important to realize that Columbia Falls is a key element of our whole metal picture," Place said. "If we were to close Columbia Falls, we would be back in the same bad metal supply position we were before we built Sebree." Place also commented on the improved situation with the Anaconda Company and its Montana copper operations. "You go around Butte and Anaconda and you find 'a real up feeling,'" he said. "The Anaconda Company is doing better overall, and we are evidencing our faith in Montana's future in terms of the Arbiter Plant for example. We are also opening up additional mining in Butte… I think we've gone a long way to close the credibility gap that existed between the Anaconda Company and the people of Montana." Place said he had a good rapport with Gov. Tom Judge, Sens. Mike Mansfield and Lee Metcalf, and Reps. Dick Shoup and John Melcher. [51]

On June 30, 1973, AAC petitioned the Montana Department of Health and Environmental Sciences for a variance from Montana regulations on fluoride emissions as it looked for a way to address the Columbia Falls smelter's air pollution problem. Using public information to evaluate the Anaconda Company's financial condition, MDHES staff estimated that sales by the Anaconda Aluminum Co. had grown from $184 million in 1971 to $276 million in 1973. Gross revenues for the Anaconda Company had grown from $946 million in 1971 to $1.3 billion in 1973. Expenditures by the Anaconda Company for additions to plants or equipment reached a high of $122 million in 1972 and then declined to $79 million in 1973. The Anaconda Company's retained earnings grew significantly from $284 million in 1971 to $491 million in 1973. "The tables point out that after a couple of bad years, the corporation is now doing quite well," MDHES said. Earnings per share increased from $2 per share in 1972 to $3.16, long-term debt was at its lowest in six years, and revenues were approaching 1969 levels. "The Anaconda Co. did not fare well by 'yardsticks' of 5-year average performances – not surprising considering the uncompensated 17% reduction of their assets (that is the Chilean copper mine)," MDHES said. "In general, recent history indicates that while the Anaconda Company had a couple of bad years largely because of Chilean government action, it is recovering well. According to the industry and financial analysts, profits and earnings were lower than expected for several reasons, the largest of which was wage and price controls (under President Nixon)." [52]

In July 1973, the Anaconda Company accepted $65 million in cash and $188 million in notes from the Chilean government in compensation for its Chuquicamata and El Salvador copper mines. [53] Place hoped to use the settlement money to expand the company's aluminum operations, particularly in research and development where the company hoped to use nonbauxitic ores to produce alumina. The company owned extensive deposits of kaolin clay in the U.S., and the Jamaican government had substantially raised taxes on bauxite purchased by the company. Place also wanted to use the Chilean settlement money to add two more 60,000 ton-per-year potlines to the

Sebree smelter at a cost of $150 million. [54] On Oct. 24, 1974, Anaconda's quarterly report showed net income soaring 777.5% as a result of the settlement with the new right-wing government of Chile. Sales and operating revenues were up 29.2% at $435.5 million, which included $51.3 million from the Chilean settlement and $59.3 million in U.S. federal income tax carry-forwards. Place also attributed the substantial improvement in net income to a relaxation of price controls and a resulting hike in copper prices. [55]

On Oct. 29, 1974, Place wrote to Sen. Lee Metcalf to correct him on his allegations that a consortium of banks, led by the Chase Manhattan Bank of New York, had taken control of the Anaconda Company, and that because of the Anaconda Company's poor financial health, expansion and modernization efforts by the company at its plants in Montana had been severely cut back. A copy of Places' letter was published in the Hungry Horse News two weeks later. Place said none of the allegations were true. As a former vice-president at the Chase Manhattan Bank, Place himself was the link. He listed some of the financial problems facing Anaconda, including the illegal expropriation of its Chilean holdings and a three-month strike at its Western mines. The company had sold off its timberlands and arranged for $110 million in financing for construction of the Sebree aluminum plant. The company also faced new costs for pollution control bonds in Montana and additional insurance. As a consequence of all these factors, the company had to draw down on its revolving credit line as it tried to establish long-term loans and straighten out its operational difficulties. [56]

In 1975, the Anaconda Company's worst year ever, the Aluminum Division reported a profit of $17.4 million. [57] On July 9, AAC officials expressed optimism about the aluminum market while visiting the plant in Columbia Falls. James Marvin, an AAC vice-president and former president of the Anaconda Wire and Cable Co. and the Anaconda American Brass Co., noted that he had seen the first signs of confidence in the brass, wire and aluminum sectors of the market. He anticipated a prolonged period of slow business but a step up in demand. Inventories of aluminum were low in fabrication plants, so once the market improved the plants would need much more aluminum. The Columbia Falls smelter was operating at 60% capacity with only 853 employees and plans to furlough another 29 workers. [58]

Hostile takeover attempts

The Anaconda Co. reported serious losses during the first quarter of 1975. Sales and other operating revenues fell to $240.1 million from $409.5 million for the same quarter in 1974. The decline continued in the second quarter when sales and other operating revenues dropped to $254.5 million from $483.9 million for the same quarter in 1974. Following on the heels of Anaconda's business woes, directors at the Crane Company agreed to purchase 5 million shares of Anaconda, equal to about 23% of Anaconda's outstanding shares. Officials at Anaconda told its shareholders that the takeover attempt by Crane posed legal and ethical anti-trust issues. By September 1975, Anaconda filed a lawsuit against Crane claiming the company had violated federal securities and anti-trust laws. Sen. Metcalf called for a hearing on the matter. At the Oct. 8, 1975 hearing before a subcommittee of the Senate Government Operations Committee, Rep. Frank Thomas Jr. likened the Crane's actions to the motion picture "Jaws." [59]

Place warned Anaconda's stockholders about a hostile takeover attempt by Thomas Mellon Evans, chairman of the New York-based Crane Company, on Aug. 26, 1975. Evans aimed at acquiring 22.6% of the Anaconda Company in exchange for "Crane Company subordinated debentures" that were not in the best interests of the stockholders, Place said. A copy of the letter to the stockholders was printed in the Hungry Horse News on Sept. 4 as a warning to residents in Montana about the possible loss of jobs. [60] Crane's offer of $25 per stock was far below the book value of $57.37, but Anaconda was in serious financial problems. The cyclical copper and aluminum markets were in a deep slump, and Anaconda had lost $29.5 million on $793.3 million in sales during the first nine months of 1975. Anaconda's problems stemmed in part from its poor open-pit copper mine designs, where steep walls had significantly increased production costs, and setbacks in its fabrication operations. Anaconda shut down its Twin Buttes copper mine in Arizona after losing $20.3 million in 1973 and 1974 and began phasing out its two-year old Continental East pit in Butte. Anaconda's Connecticut brass mill had been operating at only 50% capacity, and the company closed down its obsolete power cable business in New York and its copper works in New Jersey. [61]

According to a Dec. 1, 1975 article in Business Week, the Crane Company, a manufacturer of steel and valves, had a long history of buying into companies, gaining control, then firing management and selling or writing off marginal operations to increase profits. Since Anaconda stock was widely held, with no individual holding more than 1%, Crane would gain control over Anaconda if the deal went through. Place fought the Crane Company with a three-pronged defense. First, he sought an injunction from the courts. Second, he sought the support of workers in Montana in order to draw Sen. Lee Metcalf into the fight. Metcalf hastily convened a hearing in the U.S. Senate that provided unfavorable publicity about Crane. Third, Place spent $40 million acquiring the Walworth Co., a competitor of Crane that also manufactured valves. The plan was to prevent Crane from gaining control over Anaconda by posing an anti-trust problem, but in November 1975 the courts ruled that Crane could buy into Anaconda after Evans signed a consent order that Crane would not increase its holdings beyond 22.6% or seek representation on Anaconda's board. [62] The Business Week article also reported that copper's market price at 63 cents a pound was substantially below the break-even price of 71 cents per pound. The irony was that in order for Anaconda to become a healthy company again, it needed to do much of the same things Crane might do – close down unprofitable operations. The only profitable operations at Anaconda were a new open-pit copper mine, a new underground copper mine under development, its uranium business and its "superb aluminum operation." Business Week quoted an unnamed industry expert about the new plant in Sebree: "Alcoa designed too good a plant for them." [63]

In the first week of February 1976, word reached Montana that the Anaconda Company might merge with Tenneco. Anaconda was Montana's largest employer with 4,600 employees. After the loss of its Chilean copper mines, Anaconda had dropped to 118th among the top 500 American industrial firms, with sales topping $1.6 billion and $1.9 billion in assets. For the last nine months of 1975, Anaconda lost $29.4 million compared to a profit of $92.5 million for 1974. With the expropriation of its Chilean properties, Anaconda had lost three-fourths of its income. [64] The $500 million Tenneco deal was seen as a move by Anaconda to avoid a hostile takeover by Crane. Anaconda continued to report quarterly losses, with a $39.8 million total for 1975. [65] Tenneco was a diversified Texas-based company with investments in manufacturing, chemicals and oil. In Montana, Tenneco owned a firm that held rights to 200,000 acre-feet of irrigation water. Tenneco was ranked 24th in the top 500 U.S. industrial firms with a net income of $321 million and $6.4 billion in assets. [66] The Federal Trade Commission and the anti-trust division at the Justice Department announced they would investigate the Anaconda-Tenneco merger. [67] Nine representatives from Tenneco visited the AAC plant in Columbia Falls on Feb. 25, 1976. [68]

The Anaconda demise took another turn about a month later when the Atlantic Richfield Co. announced from its offices in Los Angeles that it intended to purchase six million shares of the Anaconda Company for $27 per share. The $162 million offer on March 16, 1976, amounted to about 27% of Anaconda's outstanding stock. The next day, Crane responded from New York City that it would not offer its stock for sale to ARCO. Crane had stopped short of acquiring Anaconda stock after purchasing 4.1 million shares. [69] On March 17, an Anaconda spokesman said ARCO management had never contacted them prior to the announcement, and no more details were available from ARCO about the company's move. Crane held 18.6% of Anaconda's stock by then, and its last offer for Anaconda stock at $22 share had expired. Tenneco had offered $25.50 per share to merge with the Anaconda Company. [70]

ARCO's history traced back to July 1911 when Standard Oil, in the face of a federal anti-trust suit, was divided into several companies. Among them was the Atlantic Refining

Co., which eventually became part of ARCO and part of the Sun Oil Co. In 1964 the Richfield Oil Co., a California-based independent oil company, was exploring for oil on the North Slope of Alaska. Richfield joined with the Humble Oil Co. the next year to win about two-thirds of the exploration leases at Prudhoe Bay. That same year, Richfield merged with Atlantic, which eventually became ARCO. With success in the North Slope, Atlantic-Richfield acquired the Sinclair Oil Co. and became the seventh largest oil company in the U.S. [71] During the mid-1970s, as oil prices soared as a result of the Arab oil embargo and supply manipulations by OPEC, the large oil corporations invested their windfall profits in a variety of directions, including mining, manufacturing and exploration of minerals. All told, the investments added up to about $10 billion per year in the U.S. by the late 1970s. Exxon paid $1 billion for the La Disputada copper mine in Chile, Amoco bought into the Cyprus Minerals Corporation, Penzoil invested heavily into molybdenum and copper, Sohio acquired a piece of Kennecott Minerals, Mobil bought a large share of Falconbridge's nickel operations, and ARCO paid $700 million for Anaconda. [72] By 1976, Los Angeles-based ARCO was a large oil firm with a projected $1.7 billion investment in the Alaska oil pipeline and $350.4 million in earnings for 1975 based on sales of $7.85 billion. [73]

In March 1976, the Atlantic Richfield Co. offered $27 per share for 6 million of Anaconda's outstanding stocks, amounting to about 27% of all outstanding stocks. As a result of the offer, Anaconda and Tenneco called off their proposed merger and the Crane Co. announced it would not tender shares to ARCO. The Anaconda Company announced that it would not oppose the merger. [74] The reasoning behind ARCO's acquisition of the Anaconda Company was never clearly provided in a public forum, but a number of reasonable explanations existed. Informed business sources told the press that the Anaconda Company was an attractive property because of its large carry-forward tax losses from the expropriation of its Chilean properties. [75] Students and teachers in the Geology Department at the University of Montana suggested that ARCO wanted to own the vast library of information gathered by Anaconda on mineralized properties scattered around the world. Anaconda had spent a lot of money on geologists who estimated the value of such properties. [76] According to ARCO founder Robert Orville Anderson, ARCO was interested in the Anaconda Company's mining resources and expertise as a way to launch a major shale oil project, but declining oil prices amidst a glut in the market made that project unlikely. ARCO also might have wanted Anaconda's vast coal holdings in Thunder Basin, Wyo., as a way to diversify its energy portfolio. [77]

The ARCO merger

On March 26, 1976, ARCO announced that it had successfully acquired 6 million of Anaconda's 22 million outstanding stock shares for $162 million. ARCO's total share came to 27% while the Crane Corporation held another 18.6%. ARCO also had a first option to acquire Crane's 4.1 million shares. If successful in acquiring the Crane-held stock, ARCO would end up holding a 45% interest in Anaconda. Since most of the Anaconda stock was widely scattered, it was thought certain that ARCO would soon obtain firm control of Anaconda. [78] On June 15, the Justice Department announced it was filing a lawsuit against the Crane Company for violating the Clayton Anti-trust Act by acquiring the Anaconda Company stock. The government ordered Crane to sell its Anaconda stock and barred Crane from buying stock in any company which bought or sold industrial valves. Crane vowed to fight the lawsuit. [79] Four executives from ARCO's regional offices visited the AAC plant in Columbia Falls in June, by which time the smelter had increased production to 90% of capacity with 900 employees. [80] In July, ARCO announced that it planned to acquire 100% ownership of Anaconda with an exchange of ARCO and Anaconda stocks. [81] On July 2, a preliminary agreement was reached between Anaconda and the ARCO for a merger of the two companies, as Anaconda's board of directors and shareholders agreed to merge with the ARCO. The Federal Trade Commission, however, sought an injunction to cancel the merger on anti-trust grounds and delayed the merger until Nov. 2. [82]

In the July 2 announcement by Anderson and Place, ARCO said it intended to acquire 100% of Anaconda for $546.5 million. ARCO already held 27% of Anaconda's outstanding stock and offered to purchase the rest as a cash-and-stock exchange. Anderson said Anaconda would continue to operate as a subsidiary of ARCO, and that there were no plans to change management at Anaconda. The Anaconda Company had posted the fourth largest decline in sales of all companies on the Fortune 500 list of industrial companies in 1975, a dramatic 35% decline. Anaconda also posted the fourth largest loss at $39.8 million. The acquisition would move ARCO from 15th place to 13th among U.S. industries. Anaconda was ranked 118th. The two companies' combined sales would be $8.4 billion. U.S. oil companies in recent years had begun to acquire companies outside the oil industry without any interference by the government on anti-trust grounds, despite criticism in the public arena. The Crane Company, however, called ARCO's move "a constructive solution to Anaconda's problem" – provided the terms were good. Crane was expected to tender its Anaconda stock to ARCO at the offering price of $32 per share. [83]

In August 1976, the Anaconda Company was removed from the list of 30 companies used to calculate the Dow-Jones average at the New York Stock Exchange and was replaced by the Minnesota Mining & Manufacturing Co. [84] On Oct. 13, the Federal Trade Commission issued a complaint seeking to stop the ARCO-Anaconda merger, claiming it would lessen competition in the production of uranium oxide, or yellowcake, and in the production and sale of copper ore and refined copper. [85] Anaconda shareholders had gathered to vote on the proposed merger, but the Federal Trade Commission complaint delayed the vote. ARCO offered Anaconda shareholders $33 per share and much needed cash for the hard-hit metals and mining company. Under normal conditions, Anaconda was expected to make $1 billion in net sales. Although miners had dug under Butte for more than a century, new technology was expected to yield an additional 421.8 million tons of ore running to 0.49% copper. Anaconda also had plans to mine beneath Butte's business district at depths of 2,400 feet or more. The ARCO-Anaconda merger prospectus was full of optimism. [86] Anaconda shareholders gathered again and on Nov. 1 voted in favor of the merger. [87]

Two days later, U.S. District Judge D. Dorcht Warriner refused to block the merger as requested by the Federal Trade Commission, but he stayed the merger for another 48 hours to allow government lawyers a chance to review their case for appeal. Lawyers from ARCO and Anaconda argued that the merger would strengthen competition in the copper and aluminum markets. Under the terms of the merger, Anaconda shareholders would receive a one-half share of ARCO common stock and $6 for each full share of Anaconda common stock. [88] On Jan. 12, 1977, ARCO officially took over the Anaconda Company for $760 million in cash and shares after a successful fight with the Federal Trade Commission. [89] The merger was concluded after the U.S. Court of Appeals for the Fourth Circuit in Richmond denied the FTC's request. ARCO argued that Anaconda's competitive position had seriously eroded in recent years. Whereas Anaconda was the third largest copper producer after Kennecott and Phelps-Dodge, it did not have sufficient funds to develop its huge copper reserves. ARCO also noted that it had sold 50% of Anaconda's uranium properties in Live Oak County, Texas, to address the FTC's concerns. The new ARCO subsidiary would retain the Anaconda name and continue to function as a separate subsidiary. [90]

In a January 1977 interview by ARCOspark, a newsletter published by ARCO's employees communications department, Place talked about the recent merger. "We'll retain our name, but instead of having 100,000 stockholders, we'll have one – Atlantic Richfield," he said. "The parent company will be involved in approving capital expenditures and helping with other decisions. In the last five years, we've eliminated some unprofitable operations and reduced our payroll in the process. We expect to continue to operate with the same philosophy that we've had all along." Place pointed out the profitability of the Aluminum Division when compared to the rest of the company. The division was vertically integrated, from its 27% interest in the Alpart bauxite mine and alumina refinery in Jamaica to its smelters in Sebree and Columbia Falls. According to the newsletter, the combined assets of ARCO and Anaconda totaled $9.37 billion, which would put the combined company at 12th place in the Fortune 500 list, just behind General Electric and just ahead of U.S. Steel. The combined sales of both companies would total $8.4 billion, which would put the combined company at 13th place. [91] The Anaconda Company's headquarters offices were moved from New York City to Denver in mid-1978. As a company, Anaconda's revenue in 1977 totaled $1.5 billion, its expenses were $1.4 billion, and its net income at the end of the year was $87.9 million. Anaconda's revenue in 1978 was $1.6 billion, its expenses were $1.5 billion and its net income was $79 million. [92]

On March 8, 1979, according to the New York Times, ARCO announced that it had made a provisional agreement with the Federal Trade Commission concerning its divestiture of the Anaconda Company. Under the agreement, ARCO would be allowed to keep the Anaconda Company but would be required to sell its interests in copper properties and refining and smelting assets in Montana and Arizona and would be barred from reinvesting in the copper business. ARCO agreed to sell off its 100% interest in the undeveloped Heddleston copper ore deposits northwest of Helena, its 100% interest in the undeveloped Ann Mason and Bear properties 50 miles southeast of Reno, Nevada, its 20% interest in the Inspiration Consolidated Copper Co., which was controlled by the Oppenheimer family of South Africa, and its 50% interest in the Anamax Mining Co., a partnership with Amax Inc., which produced and refined copper in Arizona. [93] What wasn't reported in the media was that by 1980 the Securities and Exchange Commission was still holding back full approval of the merger pending resolution of a federal air pollution lawsuit alleging fluoride impacts to the Flathead National Forest and Glacier National Park. That lawsuit was settled by August 1980. [94]

ARCO shut down its copper smelter in Anaconda and its copper refinery in Great Falls in 1980. The plant closures meant a loss of 1,000 jobs at the smelter and 500 jobs at the refinery. The Anaconda Copper Co. blamed federal air quality standards and economics for the decision to close the plants. [95] The bleak news around Butte and Anaconda led to strong criticism by locals. On Oct. 1, 1980, it was reported that Anaconda-Deer Lodge County Commissioner Luke McKeon had publicly demanded that the Montana Legislature force ARCO to reclaim land in Deer Lodge Valley that had been damaged by a century of copper processing. [96] University of Montana history professor K. Ross Toole, a widely known sharp critic of the Anaconda Company, wasted no time commenting on the closures. "We must resolve now to take control of our economic destiny," he said in an Oct. 23, 1980 opinion piece in the Missoulian. [97]

An editorial in the June 22, 1980 Missoulian described good news for Columbia Falls – an analysis of the Pacific Northwest aluminum industry by the U.S. Commerce Department's Office of Industrial Economics concluded that the AAC plant was unlikely to close. According to a report on the impact of anticipated power rate increases on the Pacific Northwest aluminum industry, inefficient aluminum plants would suffer as electricity rates increased, but the AAC plant would survive because it was modernizing. "It's time to face the facts," BPA Administrator Sterling Munro told the Pacific Northwest Industrial Power Council on June 16, 1980. "Electricity rates will be going up – and at a faster clip than general price inflation." [98] By July 1982, the AAC plant in Columbia Falls was still running, providing $39 million in payrolls and $10 million in Flathead County taxes, but the aluminum market was worsening and AAC had been forced to cut back production. In a July 8 editorial in the Hungry Horse News, Brian Kennedy pointed to the bright side – ARCO was still investing heavily in capital projects at the aluminum smelter, including a new casting facility, a new warehouse and exploring new Sumitomo reduction pot technologies. [99]

On Jan. 6, 1983, ARCO announced it would cut back 1,000 positions as it suspended its copper mining and milling operations in Butte and curtailed production at the AAC plant in Columbia Falls. All 700 remaining jobs at Butte would end by June 1983. The company had stopped mining in the 2,000-foot deep Berkeley Pit and stopped pumping water out of its mines in April 1982. Mining had continued at the smaller East Berkeley Pit. The company's aluminum division was also facing hurdles. Curtailing one of the five potlines at the AAC plant would bring the aluminum smelter down to 40% of capacity. AAC Plant Manager Robert Sneddon blamed low metal prices and high power costs for the aluminum smelter curtailment. [100] The last hourly workers at ARCO's copper operations in Butte were laid off on June 30, 1983. That included the East Berkeley Pit crusher and concentrator. The company negotiated a labor contract in case it decided to reopen operations there. About 140 of the remaining 200 salaried ARCO personnel would be laid off by the end of the year. Meanwhile, locals noticed that copper miners in New Mexico were returning to work after a year off despite low copper prices. [101] Between 1970 and 1985, the Montana economy lost a total of 3,325 Anaconda Company jobs. Copper mining was not likely to come back in Montana. U.S. copper mines could not effectively compete with those in Third World countries, historian Michael P. Malone wrote in 1985. In Chile, the best-paid copper miners working for Codelco earned only one-tenth the amount of American miners. [102]

ARCO investments in aluminum

Reaction at the AAC plant in Columbia Falls to the public announcement about the ARCO-Anaconda merger on Jan. 13, 1977, was enthusiastic as management, workers and locals expected ARCO would have the money needed to fund the $35 million air pollution control program under construction at the AAC plant. [103] ARCO showed support for the Aluminum Division from the start. On Feb. 23, AAC announced plans to expand operations at the Sebree aluminum plant in Kentucky. Production capacity would be increased from 120,000 tons per year to 180,000, about the same size as the smelter in Columbia Falls. The expansion would cost $80 million and would be completed by mid-1979. The Aluminum Division was headquartered in Louisville, Ky., and included an interest in a bauxite mine and alumina refinery in Jamaica, primary aluminum smelters in Columbia Falls and Kentucky, a large rolling mill in Indiana, extrusion plants in Florida and Puerto Rico, secondary smelters in Florida and Mississippi, aluminum siding and window manufacturing plants in Ohio, an architectural products plant in Georgia, and three plants in Kentucky that produced industrial and household foil and containers. [104] In March, AAC announced plans to spend $16 million expanding its rolling mill in Terre Haute, Ind. The plant's capacity would be increased by 20,000 tons with the construction of 45,000 square feet of additional mill space and the installation of two cold rolling mills. Both mills were expected to be in operation by the third quarter of 1978. The new mills would produce light-gauge sheet aluminum and foil. [105]

AAC had been strengthening its upstream operations prior to the ARCO merger. In late 1976, Anaconda announced it would pay Alcan $140 million for a 25% stake in the 800,000 ton-per-year Aughinish alumina refinery in Ireland. Alcan had tried to interest other companies in the refinery as a joint venture for several years. Anaconda's alumina share from the refinery would be 200,000 tons per year. When combined with another new alumina source, Anaconda would no longer be dependent on Reynolds Metals Co. for alumina from either the Alpart joint venture with Reynolds and Kaiser in Jamaica or the Reynolds refinery in Corpus Christi, Texas. The third partner in the Irish refinery with Anaconda and Alcan was the Dutch metals firm Billiton, a wholly-owned subsidiary of Royal Dutch Shell. As the Anaconda-ARCO merger was finalized, some analysts believed the two big oil companies, ARCO and Shell, had created a "well-oiled" joint venture in Ireland. [106] On Jan. 4, 1977, Anaconda announced it had settled a lawsuit against Reynolds over alumina sales. Reynolds was required to pay Anaconda $4 million, and a contract for delivery of 360,000 tons of alumina by Reynolds to Anaconda was cancelled. Then in July, it was reported that Anaconda was looking into forming a partnership with Reynolds to build a $600 million alumina refinery in Western Australia. The news came two weeks after Alcoa and Reynolds canceled plans for a partnership in a $650 million alumina refinery in Western Australia. [107]

The ARCO-Anaconda merger was followed by numerous investments at the aluminum plant in Columbia Falls. AAC completed the conversion of 600 reduction pots at the smelter to the Sumitomo processing system by April 1980. The new system brought the plant within Montana State Board of Health emission standards, reduced electrical use by 15% and improved working conditions inside the pot rooms. [108] By May, the $1.1 million remodeling and expansion to the change house and other facilities at the plant was nearing completion. The change house doubled in size with 6,000 additional square feet, and a new shower and locker facility was built for female workers. The parking lot had 400 new spaces, all equipped with electrical outlets for vehicle crankcase heaters. Office renovation took place in the personnel department, the purchasing department, medical services, employee training and the safety department. [109] By November, expansion and remodeling at the plant included projects in the office building and a large mechanics shed which would be used to assemble the new French-made pin-pulling cranes scheduled to begin arriving by January 1981. Expansion and reorganization was also taking place at the garage and in field maintenance, and 40-by-60 foot steel storage buildings were being built for each potline. Other projects included building restrooms for female workers, two new foremen's offices and a new lunchroom. [110]

ARCO investments at the plant in Columbia Falls also included specialized equipment for the potlines. In January 1980, crews began testing new ore trucks for delivering alumina to the smelter's reduction pots. Designed specifically for the AAC plant, each truck cost $176,439 and was expected to reduce fluoride emissions by spreading the ore more evenly over the crusts of the reduction pots. Each new truck could carry 15,000 pounds of alumina, three times the capacity of the seven existing ore trucks. [111] In February 1981, crews began assembling the first of 11 new pin-pulling cranes shipped from France. Five AAC workers traveled to the French factory to see how the cranes were assembled, and a special work area was constructed at the AAC plant for building the cranes. The company planned on assembling one crane per month. The $300,000 cranes were designed and manufactured by Electrification Charpente Levage. [112] Robert DeBuire, a mechanical structural engineer, started the ECL industrial crane business in Lille, France, in 1947 with a focus on developing pot-tending machines for the primary aluminum industry. Over time the cranes became more and more sophisticated, handling functions such as crust-breaking, anode changing and metal tapping. The cranes reduced heavy manual labor and protected workers from exposure to dust and fluoride fumes. ECL cranes were also developed for carbon plants and cast houses. [113]

By May 1981, the first of the 11 new French-made pin-pulling cranes was nearly assembled at the AAC plant and ready for a test run. One reason the first crane took longer to assemble was because the bills of laden were written in French. "For a while there we were flipping through the French dictionary to find out what we had," AAC construction supervisor Bob Emerson said. By 1999, the mechanical and electrical blueprints used for repairs to the ECL cranes were still the originals, written in French. The electrical prints were sent to an electrical engineering firm in Spokane where they were translated to English and transferred to AutoCAD. [114] By mid-August 1981, training sessions were underway for operators and maintenance workers for the new cranes. Two of the 11 new cranes had been assembled and put into operation. Emerson said the new cranes were a success because they removed men from hazardous tasks like pin dogging and because of the air conditioned booths for the crane operators. [115]

Temperatures around the pots in summer could reach 130 degrees. Pin-pullers still needed to go out onto the crane deck to tighten the clamps which connected the pins to the DC buss bars above the open-topped Soderberg anode, but the new ECL cranes supplied breathing air to helmeted workers during pin dogging. With the former pin-pulling cranes, a worker stood right on top of the anode and turned a hand wrench to dog the pins. The liquid paste-type anodes used at the plant prior to the Sumitomo conversion often flared up during pin pulling, with flames reaching 40 feet high – right up to the roof. Several of the older pin-pulling cranes had caught on fire and burned completely up. By 1999, the complete pin-pulling operation, from pin dogging to pin pulling to delivering pin racks with a forklift to running pin sanding machinery, was all done by one worker, a job that previously required as many as four. Ergonomic improvements also included mechanical arms to assist in holding heavy pneumatic wrenches for pin dogging. These were good examples of efficient use of machinery, but some union people were concerned about job elimination. [116]

From 1955 through 1968, the anodes in the reduction pots at the AAC smelter were made from wet paste that became liquid on top of the anodes. According to a July 1993 CFAC newsletter, "If there was a crack in the anode, very violent 'pin blows' occurred." From 1977 through 1987, Sumitomo dry paste was produced in the paste plant for anodes, which "virtually eliminated pin blows," the newsletter said. "Pitch levels were reduced which gave a better potroom atmosphere. Anode spikes and dusting were a problem." From 1988 through 1993, a new dry paste was used with even less pitch that resulted in stronger and denser anodes and reduced spikes. The amount of pitch used in anode briquettes decreased from 33.1% to 27.1% from 1955 through 1993, while the anode's compressive strength increased and electrical conductivity improved. [117]

By February 1982, even as the AAC plant continued with plans to shut down 60 pots, crews were conducting soil tests at possible building sites for a new casting facility. The sites were located between the rod mill and the machine shop and south of casting. The plan called for completion of the new casting facility by December 1983 in conjunction with AAC's new rolling mill in Kentucky. Other construction projects at the plant included a new bulk storage warehouse and a second shed for repairing ECL pin-pulling cranes. The main warehouse at the plant contained more than 30,000 items worth $6.5 million. [118] Effective Aug. 1, the aluminum smelter in Columbia Falls operated under a new name – ARCO Metals Co., a division within the Atlantic Richfield Co. The headquarters for ARCO Metals would be based in Rolling Meadows, Ill., near Chicago. The headquarters of the Anaconda Aluminum Co. was in Louisville, Ky. Williard Chamberlain, president of Anaconda Industries, became president of ARCO Metals and Richard Van Horne, president of AAC, became senior vice president of public affairs for ARCO Metals operating out of Los Angeles. Bob Sneddon continued as plant manager for the Columbia Falls smelter. Anaconda Industries was a manufacturer of metals and alloys, including brass mill products, metal hose, magnet wire, centrifugal castings and static castings. The combined sales for ARCO Metals and AAC in 1981 were $1.3 billion, and combined assets for the two companies in 1981 were $1.5 billion. With the consolidation, the only company operating with the name "Anaconda" was Anaconda Minerals, headquartered in Denver. [119]

The Anaconda legacy

The end of the Anaconda Company gained near mythological status. The company's timeline began with an unusual name, thanks to an Irish prospector named Mickey Hickey, forward thinking about copper by a hands-on mining engineer named Marcus Daly, and the backing of the legendary Haggin-Hearst-Tevis mining syndicate. What followed were the hallmarks of great industrial empires – consolidation, domination, vertical integration, exploration, accumulation and then, according to some accounts, inner rot in the far-away towers of New York City. An online encyclopedia entry on the Anaconda Copper Mining Co. ended with a section on semiotics and the "Copper Collar" – a metaphor used to describe a person or company directly influenced or controlled by the Anaconda Company. [120] The company's role in Montana history has been dredged up in many political discussions decades after its fall. On Feb. 17, 2016, for example, newspapers across Montana carried an opinion piece by Evan Barrett, a professor at Montana Tech who was critical of Montana gubernatorial candidate Greg Gianforte's suggestion of appointing a person from industry to head up the Montana Department of Environmental Quality. Barrett recalled the time between Sept. 30 and Dec. 11, 1980, when Anaconda's reign over the state's economy, politics and government finally came to an end. At the time, oil prices had increased 10-fold because of the Arab oil embargo and the formation of OPEC, Barrett said, and Congress enacted a "windfall profits tax." The big oil companies spent some of their "excess cash" acquiring mining companies, Barrett said, including ARCO's acquisition of Anaconda. [121]

People in Montana saw that as potentially a good thing, Barrett said. They hoped ARCO would invest money in neglected Montana operations after Anaconda spent so much in

Chile instead, including modernizing the smelter in Anaconda and the refinery in Great Falls to meet new stricter environmental standards. Instead, ARCO officials soon announced the closure of the Anaconda and Great Falls plants and the Berkeley Pit in Butte – and offered $5 million in three community assistance funds to Montanans. Within a few years, ARCO closed the Butte mines and concentrator and sold the AAC smelter. But on Nov. 4, 1980, Ted Schwinden was elected governor of Montana, Barrett said. Schwinden had helped establish environmental laws and standards. At the same time, the lame duck Democratic Congress was able to push through the new Superfund act, and President Jimmy Carter signed it into law on Dec. 11, 1980, before the Republicans took control of the U.S. Senate. ARCO soon discovered it couldn't cut and run from its responsibilities to Montana, Barrett said. By 2016 and several billion dollars later, the cleanup work still continued, Barrett pointed out. The difference between those billions of dollars and the $5 million ARCO initially offered showed the difference between trusting corporations and forcing them to clean up sites under penalty of law, Barrett said. [122]

The height of the Anaconda Company's influence in Montana was in 1920, according to Michael Malone, at which time the company dominated the economic, social and political life of the state. The company owned the "Richest Hill on Earth" in Butte along with smelters, refineries and reduction works in Anaconda, East Helena and Great Falls. It also owned hundreds of thousands of acres of timberland, lumber mills, a powerful chain of newspapers and a powerful "Siamese twin" – the Montana Power Co. During its heyday from 1900 until World War II, the Anaconda Company controlled so much power in Montana that the state earned an unsavory reputation as merely "a corporate asset." [123]

The Montana Power Co. met its demise about two decades after the Anaconda Company. Formed in 1912 when the Anaconda Copper Mining Co. merged with several small hydroelectric plants, the Montana Power Co. served the largest power consumer of any utility in the nation – Anaconda. In 1928, American Power & Light, an East Coast holding company, bought all the outstanding stocks of Montana Power, but by 1940, more than three-quarters of Montana Power's electricity continued to go to Anaconda and its railroad – only 5% went to Montana residents. In 1950, American Power & Light was dissolved and stockholders regained control of Montana Power. According to Malone, Montana Power and Anaconda were never formally joined, "but they might as well have been." [124] Management decisions led to the demise of Montana Power starting in 2001 when the company sold its hydroelectric plants to PPL Montana and transitioned into Touch America, a fiber optic telecommunications company, not a power company. The move left the company in financial ruin and cost the shareholders about $3 billion in lost stock value. [125]

On July 14, 2004, about 50,000 to 60,000 shareholders of Montana Power Co. and Touch America tentatively won a $67 million settlement in the second largest class-action settlement in Montana history. The largest class-action settlement was the $97 million awarded in 1998 in the Columbia Falls Aluminum Co. profit-sharing case. Kalispell lawyer Dana Christensen represented Touch America CEO Rich Gannon in the Montana Power case. [126] Christensen worked for the Kalispell law firm Christensen, Moore, Cockrell, Cummings & Axelberg. In 1994-1999, Christensen represented Jerome Broussard in the Columbia Falls Aluminum Co. profit-sharing case. On Jan. 18, 2011, Christensen was interviewed by Sen. Max Baucus about replacing U.S. Judge Donald Melloy at the federal court in Missoula. According to a May 3, 2011 questionnaire for the U.S. Senate Judiciary Committee signed by Christensen, he was the only person recommended to Sen. Baucus by the committee for the position of U.S. District Judge for the District of Montana. [127] Opposing Christensen in the Montana Power case was former Montana Supreme Court Justice Frank Morrison Jr. of Whitefish, who represented Montana Power shareholders. Morrison had represented Loren Kreck in the multi-million dollar class action air pollution lawsuit against the Columbia Falls smelter in 1972. Montana Power Co., which by 2004 no longer owned hydropower facilities and owned only power distribution equipment, eventually became NorthWestern Energy. Touch America filed for bankruptcy in June 2003. NorthWestern, saddled with $2.2 billion in debt and falling stock prices, filed for bankruptcy in September 2003. Attorneys fees came out of the $67 million settlement, Morrison said. [128]

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