Chapter 41

Saving the plant

The Anaconda Aluminum Co. struggled through the 1970s to be in compliance with state air quality standards for fluoride only to face a more difficult problem – rising power costs. The company sank $42.4 million in upgrading its reduction pots and installing dry scrubber systems to reduce fluoride emissions. It also settled numerous private lawsuits and one big federal lawsuit to account for property damage caused by fluoride emissions. AAC and the other Pacific Northwest aluminum companies had been warned by the Bonneville Power Administration about power shortages since the mid-1960s, and steps had been taken to increase power generation. The conversion of the Soderberg reduction pots to Sumitomo technology not only reduced secondary emissions in the potrooms – it also reduced energy use. But aluminum smelters by their nature consume large amounts of power, so a percentage saved here or there couldn't stop the inevitable. By the mid-1970s, the BPA continued its forecasts for power shortages as regional growth increased demand for electricity, issuing a warning to aluminum producers that they might not get any more power from the BPA when their contracts expired in the 1980s. [1]

Newspaper articles and public talks had kept Flathead Valley residents informed about the BPA's concerns over power shortages. Many locals also were concerned about ARCO's decision to shut down its Montana copper facilities in Anaconda and Great Falls. On Nov. 11, 1980, AAC General Manager Bob Sneddon assured listeners at a local Chamber of Commerce meeting that plant closures elsewhere in the state would not affect the aluminum plant. The future of the aluminum plant rested on three things, he said – power costs, meeting pollution standards and remaining competitive in the global aluminum market. The BPA had warned there wouldn't be enough power for all customers by 1983, and AAC's contract expired in 1987. AAC and other large industrial customers were relying on passage of the Pacific Northwest Electrical Power Planning and Conservation Act to find a solution to the energy crisis, but both House members from Montana were leaning against the bill, Sneddon said. [2] By December 1980, with passage of the Northwest Power Act, AAC contracted with the BPA to purchase 378.6 megawatts of electric power annually, equivalent to the power needs of 120,000 homes. The initial cost was $16.8 million per year, but that would soon triple to $43.2 million per year. [3] In 1979, the cost for power at the Columbia Falls aluminum plant was about $7 million. By 1985, power costs had increased 800% and the plant spent about $70 million for electrical power, or about one-third of its total costs for operation. [4]

There were likely many reasons why ARCO wouldn't want to keep its aluminum smelter in Columbia Falls – long distance shipping costs, the specter of higher power costs, the age of the equipment and even the idea that the oil company had made a mistake getting into the metals business. Whatever the reason, ARCO had tried to sell 40% of its stake in the plant as early as 1982 but couldn't find any takers. [5] In January 1983, local managers at the smelter were informed that ARCO had begun a search for a business partner for the plant. The idea was that a partner would help the plant resume full production and put laid off workers back to work. AAC spokesman Jack Canavan told local media that joint ownership was fairly common in the aluminum industry. According to ARCO Aluminum President Marlan Boultinghouse, ARCO planned to continue as the sole owner of the AAC plant in Sebree, Ky. [6]

Power and markets

The first major setback for ARCO at the Columbia Falls plant was the loss of the rod mill. Construction of the rod mill, which was a subsidiary of the Anaconda Wire and Cable Co., was completed in September 1968. Hot metal from the potlines was hauled by crucible to the mill where it was cast into triangular-shaped bars which would be rolled in tandem into 3/8-inch rod and then shipped to the wire mill in Great Falls. [7] The last shift reported to work at the rod mill on Feb. 28, 1980. Sneddon explained that market changes for cable, particularly in the construction business, made it necessary to close the rod mill. [8] In February 1981, representatives from Condumex, a Mexican fabricator of aluminum wire and cable, visited Columbia Falls to look over the closed rod mill. [9] The first rolling line was sold to Condalum and shipped to Puebla, Mexico in 1987. By Jan. 5, 1988, the second rolling line at the rod mill had been dismantled and shipped by rail to its new owner, Conductores Y Aluminio CA of Venezuela. Overseeing the dismantling for the Venezuelan company was Philip Forty, an Englishman who was entertained during his stay by local smelter workers. The third rolling line was still for sale by January 1988. [10] In April 1988, Plum Creek began using the empty rod mill building to store one week's production from its plywood plant in preparation for the anticipated summer time rush. [11]

ARCO didn't immediately abandon the aluminum division it had acquired from the Anaconda Company. In February 1981, ARCO announced plans to build a $400 million aluminum rolling mill in Russellville, Ky., to help the company expand into new markets. ARCO's strategy was to reduce its dependency on the building and housing markets, which were cyclical, and instead focus on the beverage can market and other rolled aluminum products. The Russellville mill would be the first rolling mill to be constructed in the U.S. by any aluminum company in 10 years and would employ between 400 and 500 workers. Plans were made to expand the casting facility at the AAC plant in

Columbia Falls to supply the new mill. The largest ingot produced at the Columbia Falls smelter weighed 13,000 pounds and measured 190 inches long, 58 inches wide and 13 inches high. About 90% of the plant's output was sheet ingot and was shipped to AAC's rolling mill in Terre Haute, Ind. The remaining 10% was produced as 1,500-pound T-bars or 50-pound pigs and sold to other customers. The new rolling mill in Russellville would be capable of handling ingots weighing 55,000 pounds and measuring 240 inches long, 80 inches wide and 30 inches high. Most of the metal for the new rolling mill would come from the Columbia Falls smelter, but no plans were made to expand smelting capacity at Columbia Falls. [12]

On Jan. 12, 1982, AAC officials confirmed plans to spend $30 million constructing new casting facilities for larger ingots at its aluminum smelter in Sebree. The company also had plans to improve the casting facilities at its smelter in Columbia Falls so it could ship larger ingots to Sebree. The Columbia Falls plant at the time was producing ingots for the rolling mills in Terre Haute. Production levels would remain the same at Columbia Falls, so less aluminum would go to Terre Haute. The Columbia Falls project was expected to be completed by the end of 1983. [13] The Montana economy was still reeling from the closure of the historic metal processing plants in Anaconda and Great Falls, but by early 1982, ARCO also closed down the copper mines in Butte. The AAC smelter in Columbia Falls continued operating, providing $39 million in payrolls and $10 million in local taxes in July 1982, but the economy was worsening and AAC had been forced to cut back production. [14] On Nov. 9, 1982, Lee Smith, the technical operations manager at Columbia Falls, described the company's recent reorganization – AAC had merged with Anaconda Industries to form a new company called the ARCO Metals Co. The smelter plant in Columbia Falls was now to be called the ARCO Aluminum Co. [15]

Rising power costs were not the only problem facing aluminum companies. By 1982, the global aluminum industry was facing a sharp drop in demand caused by a general recession, high energy costs and the substitution of plastics and lightweight steel in products previously made with aluminum. Aluminum orders dropped 15.8% in 1981, accelerating in the final three months of that year. "For the short term, we're going to be scraping along the bottom," Pechiney President Victor Besso told the media. "Over the long term, you will see a completely new-looking industry. Plants will close that will never be reopened, and some countries with high power costs like Japan and Italy will no longer be effective producers." Besso estimated that the average cost to produce aluminum was 60 cents per pound, but aluminum sold for 76 cents at list price and 50 cents on the spot market. Besso also noted that with aluminum being traded on COMEX, prices were subject to wide fluctuations, which hurt chances for finding new markets. Alcoa, Alcan and Reynolds had reported large fourth quarter losses. Analysts predicted a slow recovery because aluminum companies had not understood the severity of the situation and continued to produce aluminum as if the economy was booming. About 23.5% of the U.S. aluminum market went to containers and packaging, 18.5% to construction, 15.8% to transportation, 9.7% to electrical equipment, 6.2% to consumer durables, 5.8% to machinery and equipment, 5.1% to miscellaneous uses and 15.4% to exports. The only sectors which had experienced growth in the last 10 years were containers and transportation. [16]

The BPA announced a major rate increase in early August 1982. The cost of power to the Columbia Falls smelter would increase from $17.80 per megawatt-hour to $26. Sneddon told the media he had expected some kind of increase, possibly as high as $22, but there was no basis for such a big hike, he noted, and the company planned to force the BPA to justify the rates. The Federal Energy Regulatory Commission was expected to rule on the proposed rate increase by Oct. 1. AAC was paying $50 million per year for electrical power at the Columbia Falls plant, and the rate increase would add about $27 million. Sen. John Melcher criticized the BPA's proposal. "They have gone way beyond their indicated upper limit," he said. "BPA has not consulted in good faith with users about this rate increase, and they have not lived up to the necessary requirements." Melcher also criticized the Northwest Power Act, which he described as "loosely drawn and loosely written." He said he had been "talked into going along" with the bill back in 1980. In the meantime, the global price for aluminum had dropped from 78 cents per pound in 1981 to 47 cents per pound in August 1982. A nationwide recession was blamed for the low demand for aluminum. [17]

Turning to labor

Searching for a solution and finding it in labor costs, AAC management asked hourly workers in late August 1982 "to consider our economic plight" and accept a freeze on wage and benefit increases, a freeze on cost of living increases, and a slow-down on escalating health benefit costs. The plant's labor contract was set to expire on Sept. 15, 1983. Aluminum Workers Trades Council President Jim Schmauch said the current contract would not be opened for renegotiation and only concessions on the present contract would be discussed. "I think we have paid quite a penalty already with the layoffs," he said. "We are not beyond helping the plant, but there are a lot of things that need to be answered first." If the union's negotiating committee considered the concessions valid, the contract would have to go to the full membership for a vote. Schmauch also said the union didn't want to link a proposed BPA power rate increase with the wage concession issue. [18] On Sept. 2, 1982, Hungry Horse News Publisher Brian Kennedy commented on the impacts of the BPA's proposed rate hike on the smelter. "AAC is the largest employer and biggest taxpayer in Flathead County," he said. "Threats to the Columbia Falls plant affect us all." [19]

Hourly and salaried employees at the AAC plant began circulating petitions on Sept. 3, 1982, asking the BPA to lower its proposed 50% rate increase. All union members at the plant were asked to sign the petition, which was sent on to BPA Administrator Peter Johnson. The petition drive was a coordinated effort between all 10 aluminum plants in the Pacific Northwest. According to the petition, "in as much as the industry is suffering from the most disastrous recession since the Great Depression… and in as much as the proposed rate structure directly threatens the livelihood and well-being of thousands of workers in the industry throughout the region, and indirectly threatens the business health of numerous communities, we respectfully request an immediate rollback to a more justifiable level of charges which will help, not hinder, the ability of the industry to remain an active, competitive factor in the Northwest's economy." A total of 3,500 employees had been laid off across the Pacific Northwest from a normal 13,000 employees under full production. The AAC plant employed 660 hourly workers, with another 315 hourly workers laid off when the plant dropped to 60% capacity. [20]

On Sept. 9, 1982, all four members of Montana's congressional delegation signed a letter to the Federal Energy Regulatory Commission asking that the BPA's proposed rate increase be delayed. "As you know, the Pacific Northwest is presently experiencing severe economic distress with unemployment at record high levels," the letter said. "The aluminum industry is particularly strapped at this time by staggering increases in freight rates, high interest costs, weak aluminum sales and declining overseas markets. Power rate increases have also been very steep." The delegation asked FERC to make a thorough review of the impact of the proposed 50% rate hike. The next day, AAC joined with 13 other direct-service industry customers to file petitions for judicial and regulatory review of the BPA's proposed rate hike. The petitions were filed in the U.S. Court of Appeals for the Ninth Circuit in San Francisco and with FERC. When combined with earlier rate increases, the proposed hike added up to 750% in less than three years. By Sept. 16, the workers' petition drive had collected nearly 2,500 signatures in opposition to the BPA's proposed rate increase. "We are tickled to death with the support," Schmauch said. "There hasn't been a business in town and the Canyon that has refused to take a petition." Additional letters had been sent to Peter Johnson by Columbia Falls Mayor Colleen Allison and the Columbia Falls Chamber of Commerce. The Whitefish City Council passed a resolution requesting some rate relief for the plant. Similar actions were expected by the Kalispell City Council and the Flathead County Commissioners. The petitions were to be hand delivered to Johnson at the BPA office in Portland, Ore. [21]

Union representatives turned down the company's request for a wage and benefit freeze when they met with AAC management on Sept. 17, 1982. "Nobody is more aware of the tough times the industry is going through than we are," Schmauch said. "Our plant is only operating at 60% of capacity and we have 315 union members furloughed." Schmauch said he thought the company had not tried everything possible to reduce costs in other areas and that hourly employees "are being asked to bear an unequal share of the burden." The union left the door open for future talks on freezing the automatic wage and benefit increases, but no date was set for the talks. [22] On Sept. 24, 1982, Schmauch and union representatives from across the Pacific Northwest delivered petitions to the BPA offices in Portland. All told, 5,144 of the 46,591 petitions came from the Flathead Valley. The union members were unable to meet with Johnson, who was in Seattle, so they met instead with Roy Eiguren, a special assistant to the administrator. "We felt the meeting went very well and that we got our point across," Schmauch said later. "I don't know if anything will come out of it, but we came away with a good feeling. Eiguren acted surprised at our concern over the situation. He assured us the BPA didn't want to run the aluminum industry out of the Northwest." According to the local delegation, the Flathead Valley was the only area that supported the lobbying effort with letters or signed petitions from every level of government. [23] The new power rate went into effect on Oct. 1, 1982, increasing the cost of power at the Columbia Falls smelter by about $25 million. [24] Political insiders expected President Ronald Reagan to speak about the rate increase when he visited Great Falls to help the campaign of U.S. Senate candidate Larry Williams on Oct. 28, 1982. [25]

An uncertain future

By November 1982, AAC spokesmen were denying persistent rumors that the company intended to curtail production at the Columbia Falls smelter below 60%. [26] On Nov. 9, Lee Smith told the Columbia Falls Chamber of Commerce that the future of the plant was uncertain because of higher power costs and poor metals markets. "We frankly don't know what's going to happen," he said. "We will have to prepare internally for the longer-than-planned economic recovery." That might include cutting production and workers, he said. "In the past three years, the BPA has increased power costs to AAC by more than 750 percent," Smith said. As for whether the plant might close, "There is always that possibility," he said. The uncertainty was made worse by ARCO shutting down copper plants in Montana. AAC had a large inventory of aluminum stockpiled and there could be a four to six month lag time to recovery of the aluminum industry, Smith said. [27] "Someone will ask, I'm sure, if there's a chance that the plant could be shut down," Smith told the Chamber group. "There is always a chance that the plant could be shut down. There is always that possibility, although we would hope that wouldn't happen, but, as pointed out earlier, the reason for locating the plant here 30 years ago was primarily low-cost power and we no longer have that advantage." Smith described the "nightmare of cost escalations" in the past three years, with the annual cost for power at the AAC plant increasing from $9 million to $78 million while the market price for aluminum dropped from 76 cents per pound to 46 to 48 cents. Smith pointed out that market forecasters were wrong in their prediction for increased production in the fall of 1983 because "current orders and projections do not indicate this will happen." [28]

When asked if the plant might curtail production by another 20% in January 1983, Smith told the Chamber group, "That is one of the things we might be asked to do. That could happen, but there's no decision at this point." Smith pointed to other economic factors affecting the plant – higher freight costs, environmental compliance costs, and the growth in aluminum recycling and scrap-metal use nationwide. AAC was making efforts to stay competitive by conserving power, improving metal grades, improving productivity and making plans to purchase additional new foreign technology, Smith said. He concluded by pointing out that pressure brought to bear on the BPA by citizens could make a difference. Three days later, Robert W. Becker, AAC's vice-president of primary operation in Louisville, Ky., told local media that the Columbia Falls smelter was one of the most competitive plants in the Pacific Northwest. "We are not looking at shutting down the plant," Becker said. "We have made no decision on any production curtailments or any layoffs. We are still looking at our alternatives." One of those alternatives, Becker admitted, was a further curtailment to 40% of capacity. By contract, the BPA had to be notified of such a curtailment 30 days in advance, and no such notification had yet been made. [29]

Bob Sneddon and three other plant managers met with Gov. Ted Schwinden in Helena on Nov. 12, 1982, to ask for help with the plant's power problem, while the Associate Chambers of Commerce of the Flathead began a letter-writing campaign to help the plant. [30] By Dec. 2, 1982, legal steps taken by the BPA's direct-service industry customers to stop the rate hike had not been resolved. The DSI customers had filed for judicial regulatory relief in the Ninth Circuit Court of Appeals, but the court said it would not hear the case until the Federal Energy Regulatory Commission had granted final approval to the rate hike. The DSI customers had asked FERC to provide an opinion by Nov. 30, but FERC said that deadline was not realistic. Montana's congressional delegation had written to FERC asking for rate relief. [31] In mid-December, Sen. Max Baucus introduced a bill that would make the BPA more accountable for its actions. The bill would require the Northwest Power Planning Council to review the BPA's budget each year and require the BPA to hold hearings on its draft budget in communities throughout the Pacific Northwest. [32] On Dec. 29, Sneddon told the media that no word was available from ARCO about any additional curtailment at the plant. "Business is bad and we don't see any relief," he said. "The last power rate increase was gigantic and the market is still poor." [33]

Sen. Baucus became a key player in the history of the Columbia Falls aluminum plant from the early 1980s through 2016, mostly by lobbying the BPA for better power rates. Born in Helena in 1941, Baucus' father was an economist and his mother descended from a wealthy Montana ranching family that owned the Sieben Ranch Company. Baucus received a law degree from Stanford Law School in 1967 and spent three years as a lawyer at the Securities and Exchange Commission in Washington, D.C. before returning to Montana where he served as executive director of Montana's Constitutional Convention. He also opened up a law practice in Missoula. A Democrat, Baucus was elected to the U.S. House in 1972 and served three terms. He was elected to the U.S. Senate in 1978 and served to 2016, the longest serving U.S. Senator from Montana. Baucus was confirmed as the U.S. Ambassador to China in February 2016. In the Senate, Baucus chaired the Committee on Finance, the Joint Committee on Taxation and the Subcommittee on Transportation and Infrastructure. He also served on the Committee on Agriculture, Nutrition and Forestry and on the Committee on Environment and Public Works. A moderate Democrat, Baucus received a 74% pro-business rating from the U.S. Chamber of Commerce and a 68% environmental rating from the League of Conservation Voters. As chairman of the Senate Finance Committee, he played a leading role in developing the Affordable Care Act that later became known as Obamacare. [34]

In 1983, AAC laid off roughly half the workers at the plant in Columbia Falls. The timber industry was in a major slump at the same time, making the situation worse for residents of Flathead County. [35] Facing unprecedented economic difficulties, the Aluminum Workers Trades Council negotiated a three-year labor contract with a three-year wage freeze that the company said was necessary to help keep the plant operating. [36] At the same time, AAC's smelter in Sebree continued to operate at 63% capacity despite the weak demand in the aluminum market. [37] As the biggest layoff in the Columbia Falls smelter's history, the curtailment began with an announcement by ARCO Metals of another 30% production cutback on Jan. 6, 1983, leaving only two of the plant's five potlines operating. Between 320 and 350 workers would face layoffs effective Feb. 5. Jim Schmauch noted that the news was not as bad as it could have been. "There was a bright side to this," the union president said. "We have to breathe a sigh of relief that this is only a curtailment and not a total shutdown." He noted that the workers had been anticipating the company's announcement for some time. "The question was how much of a cutback and when," he said. The plant had laid off 325 of its 1,250 workers in February 1982, leaving 925 workers at the plant. [38]

The largest layoff in 27 years would follow seniority starting Feb. 5. About 115 workers slated for layoff were salaried workers. This marked the first year salaried workers would be affected by a layoff. By mid-January, AWTC officials began to make plans to help workers who would be laid off. Schmauch said the union, the company and local banks were working on a benefit plan. Schmauch estimated the cut-off time for seniority for hourly workers was about 12 years at the plant. About 180 workers from the potlines, casting and service crews would be laid off and another 50 from the maintenance department. Overall, employment would shrink from 915 to about 560. Employment at full production was 1,150. Sneddon said he didn't know how long the layoff would last. [39]

In a Jan. 13 editorial, Hungry Horse News editor Brian Kennedy also looked at the bright side. "The worst of our fears weren't realized last week when ARCO announced it was reducing production," he wrote. "Some were waiting for the bombshell that dropped on Anaconda two years ago when ARCO announced it was closing its copper smelter forever. Some thought the company had similar plans for the aluminum plant." [40] In the newspaper's weekly man-on-the-street section, Gary Purdy said the layoffs would affect the local economy, but he hoped the timber industry would pick up. Dorothy Kroll thought the layoffs would have a "drastic effect on everybody," and Dorothy House said the layoffs would create "a chain-reaction that will affect everything." Both Gladys Shay and Tim Werner expected people would spend money more carefully. [41]

By mid-January 1983, higher BPA power rates had forced aluminum plants across the Pacific Northwest to curtail production. Kaiser's smelter operations in Tacoma and Spokane were together operating at 26% capacity, Reynolds smelter operations at Troutdale and Longview were together operating at 43% capacity, and Alcoa's smelter in Vancouver was operating at 40% capacity. The Intalco plant in Ferndale continued to operate at full capacity. Nearly a hundred laid-off AAC plant workers had applied for seasonal work at Glacier National Park. "There is a mixture of relief and bewilderment among the workers," Schmauch said. "Relief that it has finally been announced, and bewilderment among those that will be unemployed. For a good many people here, this is the only place they've ever worked and they don't know what they're going to do when Feb. 5 gets here." The AAC announcement coincided with the announcement that 700 workers would be laid off at ARCO's copper mines in Butte. The Butte workers were provided with an unemployment benefit package, but the AAC plant workers didn't get one and the Aluminum Workers Trades Council began developing a benefit package. [42]

The big layoff

The layoff list for hourly workers at the AAC plant was released on Jan. 19, 1983. A total of 178 production workers and 58 craft workers would be laid off on Feb. 5, along with about 100 salaried workers. The AWTC was working with plant management to set up workshops to help laid off workers and to develop unemployment benefits. A spokesman for School District 6 said no changes were expected in future school enrollment as a result of the layoffs. [43] As the big layoff approached, Brian Kennedy offered free job-wanted advertising in his newspaper to plant workers. [44] The AWTC and AAC management made arrangements for a Feb. 12 workshop to provide advice to laid-off workers. Representatives from various social services, banks and utilities would be present at the workshop to provide information for the laid off workers. [45]

Roger Beck, an electrician at the AAC plant, told local media he felt confident he could find work outside the plant and that he had a positive attitude about the layoff. “I think if you’re pessimistic or negative, then negative things will happen to you,” he said. Beck began working in the potlines in 1970 and worked his way up to electrician about six years later. He noted that workers who never moved out of the potlines failed to learn a trade that could be useful during a layoff. He also noted that he didn’t have any large debts and his house was paid off. Many of the workers who were laid off earlier had already left the valley to find work, leaving their families behind. Beck spoke favorably of his dozen years working at the plant, although he would not miss the dust and smoke once he was gone. As for what would happen if the smelter closed down for good, “Our parents lived here before this aluminum plant was here, and they got by,” he said. “We’ll get by, we’ll make it.” Dwayne Nelson was facing his fourth layoff in 21 years at the AAC plant. Nelson began working in the casting department at the plant in 1962 and then became a painter in 1969 to avoid shift work. After facing three earlier layoffs, Nelson learned to adjust his lifestyle. “I never buy anything on time anymore so I don’t have a lot of debts,” he said. Nelson planned to apply for unemployment insurance and look for work. “I have never worked through a Republican administration without being laid off,” he noted. His two sons, Lonnie Nelson and Randy Nelson, both potline workers at the plant since 1977, also faced layoffs and difficult financial problems, with families to provide for and house payments to make. [46]

On Feb. 12, 1983, nearly 200 laid off workers attended a workshop session sponsored by the Aluminum Workers Trades Council. A representative from the Montana Job Service office in Kalispell told the workers there was no “stigma” attached to collecting unemployment. Maximum benefits were $158 per week for 26 weeks. Representatives from Northwest Montana Human Resources described the distribution of free commodities, including food. A representative from School District 6 explained the reduced-price school lunch program. Representatives from the First Federal Savings and Loan explained how the bank would allow unemployed plant workers to pay half their normal monthly mortgage payment for six months. A representative from the AAC Workers Credit Union described a barter list kept at the bank. Representatives from the local utilities explained that temporary arrangements for reduced payments were available. [47] AAC hired Human Affairs, a counseling firm from Murray, Utah, to assist the laid off workers. Ada Casazza came to Columbia Falls to advise workers on the sociological and psychological impacts of being laid off. [48] Casazza, a social worker with an office in Whitefish, also provided advice to laid-off workers in the newspaper. [49]

In March and April 1983, AAC offered an early retirement option as a way to reduce the smelter's workforce, changing the retirement age from 65 to 55 with full pension. About 17 salaried employees opted for early retirement, including Vernon Benson, a casting foreman who had worked for Foley Construction building the AAC plant before joining AAC in August 1955; Charles Fisher, the plant's reduction manager, who worked for the Bureau of Reclamation as a mechanical engineer in Columbia Falls prior to joining the AAC plant as mechanical foreman in October 1954; Robert Matteson, a casting superintendent and metal-planning supervisor who left Kaiser in April 1955 to come to the AAC plant; Alan Opp, a general accounting supervisor and cost-planning supervisor who came to the AAC plant in August 1955; and Gordon Saurey, an engineer and process-development supervisor who came to the AAC plant in July 1955.[50]

Local and statewide politicians went to bat for AAC in an effort to change BPA's power prices. On Feb. 10, 1983, state Sen. Roger Elliot of Columbia Falls introduced a joint resolution to the Montana Senate urging the BPA to reduce power rates for direct-service industry customers, particularly the AAC plant. Elliot pointed out that power rates had increased for AAC by 750% since about 1980. He also pointed out the importance of the plant in the local and regional economy. Earlier in the legislative session, state Rep. Mary Ellen Connelly introduced a joint resolution in the Montana House supporting a federal bill sponsored by Sen. Baucus that would create the BPA Regulatory Accountability Act of 1982. The federal bill would provide for review of the BPA's annual budget by the Northwest Power Planning Council. [51] In the last week of February 1983, BPA Administrator Peter Johnson announced that the agency would delay its announcement of another proposed rate increase for about a month so it could be restructured. Johnson explained that changing economic conditions, particularly in the aluminum industry, had forced the BPA to take a second look. The new rate hike would be announced March 28 and become effective Nov. 1. [52]

Sen. Baucus introduced his bill in the Senate on March 1, 1983. The bill required the Northwest Power Planning Council to review the BPA's annual budget in an effort to make the agency more accountable to the public. Baucus cited the high costs of power to the AAC plant as an example of why the bill was needed. [53] On March 15, Rep. Pat Williams joined three other congressmen from Western states to introduce a bill in the House intended to increase public input into the BPA's day-to-day activities and long-range energy planning. The bill would empower the Pacific Northwest states through their representatives in the Northwest Power Planning Council, who would review the BPA's annual budget, and it would permit regional rate-payers to review the BPA's annual budget during a public hearing process. Under the House bill, the power council would receive a copy of the BPA's draft budget each July at the time it was being circulated to the Department of Energy and to the Office of Management and Budget. Under existing arrangements, the BPA's budget was not available for public review until six months later when it was released as part of the administration's general budget proposal. Under the provisions of the 1974 law making the BPA self-financing, the agency's budget would be implemented by the BPA unless Congress specifically disapproved it. An aide to Williams explained that the bill resulted from the public outcry over lack of participation in BPA planning, especially rate increases to aluminum plants. [54]

A new power offer

The political pressure worked, but with mixed results. On March 9, 1983, the BPA suggested it would sell surplus power for $11.20 per megawatt-hour, less than half the regular $26 rate for direct-service industry customers since October 1982. The BPA hoped to sell the surplus power to stimulate the Pacific Northwest economy and increase BPA revenues, but the reduced rate would be temporary. The BPA hoped the rate reduction would encourage aluminum plants to restart potlines and purchase more power. By March 1983, the Pacific Northwest aluminum industry's share of BPA power sales had fallen to 8%, which created a large power surplus and reduced BPA revenues by as much as $100 million. [55] By mid-March, many of the region's aluminum companies were still undecided about whether to take the BPA offer, which was only good through Oct. 31 and would only be available for starting up idled reduction pots. AAC spokesman Jack Canavan noted that restarting just one potline cost about $1.5 million, and to restart three potlines would cost $4.5 million. The short-term nature of the BPA offer made the decision difficult, he said. Aluminum companies were given two weeks to accept the offer. Alcoa was the only aluminum company to accept the BPA offer. Alcoa used the power to restart two of its idled potlines in Wenatchee and one potline in Vancouver. [56]

On March 28, 1983, the BPA announced a proposed 5% rate hike for direct-service industry customers to become effective Nov. 1. The BPA had originally proposed a rate increase of 12%. Jack Speer, AAC's energy manager for the Columbia Falls plant, reacted positively to the proposed increase. "It was our feeling that the increase would be higher," he said. "I was pleasantly surprised that the proposed rate increase wasn't any higher… It's heartening to see BPA really working to get us back in production. It's encouraging to see these rates stabilized." Speer noted that the proposed rates were based on all DSI customers operating at full capacity, and significant penalties were possible if plants did not maintain full production, he said. The AAC plant continued running at 40% capacity while management considered accepting the BPA offer to buy surplus power in order to restart the plant's idled potlines. [57]

By late July 1983, power rates to aluminum producers in the Pacific Northwest averaged $24 per megawatt-hour. Rates had increased 700% since 1979, chiefly a result of problems with construction of new nuclear power plants. A decision in June 1983 to indefinitely delay construction of Washington Public Power Supply System's Satsop No. 3 nuclear power plant was expected to have a downward effect on rates. According to a study by Battelle Pacific Northwest Laboratories, the average cost of power to aluminum producers in the free world was between $17 and $18 per megawatt-hour. In an effort to help Pacific Northwest aluminum producers, the BPA proposed increasing power rates to direct-service industries by only 5% while raising rates to utilities by 27%. The region's aluminum industry wanted direct-service industry power rates to reflect the BPA's actual cost of providing power to their smelters. Spokesmen for the regional aluminum industry claimed that industrial users paid higher rates to subsidize commercial and residential consumers, especially in the case of private utilities that were forced to depend on expensive thermal plants. According to aluminum industry spokesmen, this subsidy amounted to $216 million in 1982. [58]

Initially, AAC turned down the BPA's offer to supply surplus power at less than half the normal DSI rate. The offer was "too brief to justify a seven-week starting up time for a potline," Marlan Boultinghouse said in early April 1983. "Right now we have three major uncertainties facing us – marketing conditions, price of aluminum and price of power," he said. "Longer term commitments for power rates at least would remove one of these uncertainties and enable ARCO Aluminum to design more reliable plans for its employees, its investments and the markets it serves." Boultinghouse noted that encouraging signs were appearing in the marketplace, but they needed to coincide with lower energy costs. The market price for aluminum was 67 cents per pound, up from 45 cents only three months earlier but still below the 75-cent figure aluminum companies were receiving prior to the current economic recession. Jack Canavan pointed to the uncertainties of future power rates – in fall 1982, the BPA had projected a rate hike of 27%, but instead the agency implemented a 50% hike. "This year they project a five percent increase on Nov. 1," Canavan said. "We hope the same thing doesn't happen this time." [59] By April 1983, local residents learned that ARCO corporate officials decided against taking the BPA offer despite the recommendations of local plant management. The news was confirmed by Jack Canavan. "Our recommendation was to start another line," he said. "We thought it was a feasible alternative. We told them we could do it and we would like to do it." ARCO corporate officials, however, looked at the situation from a company-wide view and considered market-wide conditions in turning down the cheaper power, Canavan said. [60]

On May 17, 1983, Boultinghouse told union leaders that ARCO had no intention to shut down the Columbia Falls plant, and he forecast "boom times" in the aluminum industry as soon as 1985. Boultinghouse and his staff came to Columbia Falls from their headquarters in Rolling Meadows, Ill. "My best guess is that we would start back up late this year or early next year," he said. The market price for aluminum was 66 cents per pound, "certainly way better" than early in 1983 when the price was only 45 cents, but it was still below the cost to produce aluminum. Inventory levels were near normal levels, which was a good sign, he said, but resuming full production depended on lower BPA power rates. He described the BPA's proposed rate hike of 5% effective Nov. 1 as encouraging. "We could just not take another increase," he said. As for future projects at the AAC plant, Boultinghouse said a multi-million dollar expansion project for the casting department had been put on hold, but ARCO intended to spend $37 million over four years on projects intended to improve metal quality and decrease power costs. The four-year program would help to freeze production costs and make the AAC plant more competitive. ARCO was still talking to potential partners for the AAC plant, but the talks were in the preliminary stages and he declined to name the companies. [61]

While Boultinghouse was upbeat about the aluminum industry's near future, there were problems in Sebree. On May 26, 1983, the United Steelworkers went on strike at the Kentucky smelter, which had been operating at about 62% capacity. With 580 hourly workers out on strike, management at Sebree opted to continue running the plant with salaried workers. Another 20 salaried workers from the Columbia Falls plant traveled to Sebree to help fill positions. [62] By Aug. 22, nearly 600 Steelworkers had returned to work after being on strike for nearly three months, and the plant was in the process of restarting one of its idled potlines. [63]

AAC eventually accepted the BPA offer for surplus power, and the big layoff at the Columbia Falls plant began to ebb by late spring, about three months after it began. On May 9, 1983, AAC recalled 25 hourly craftsmen and three salaried employees to work in the pot rebuild department, and 17 workers scheduled for layoff were kept on to work in the pot reline department. [64] By early June, AAC began to recall 120 laid-off workers in anticipation of restarting one of its three idled potlines and bringing the plant up to 60% capacity. About 100 of the recalled workers would be hourly craftsmen, and another 20 were salaried workers. Bob Sneddon cited the BPA's temporary offer for surplus power at reduced cost, along with an increase in aluminum prices to 71 cents per pound, as reasons for restarting a potline. He also noted that the BPA was forecasting stable power rates through 1985 and other Pacific Northwest aluminum plants had accepted the BPA offer. It would cost about $1 million to restart Potline 1, which was chosen because it was in the best shape for restarting. [65]

By September 1983, AAC had recalled 80 laborers to begin preparing Potline 4 for a possible restart. Jack Canavan said the decision to restart the line depended on two things – the outcome of ongoing labor contract negotiations and the size of the BPA power rate increase effective Nov. 1, 1983. [66] The first answer came on Sept. 15, when hourly workers voted to ratify the new labor contract by 2 to 1. The contract called for a freeze on wages and restricted cost-of-living increases for three years. The vote encouraged management at the plant to restart Potline 4. Power began to flow in portions of the potline on Sept. 19 as the plant began the tedious process of increasing production to 80% of capacity. A final decision on whether to fire up the entire potline depended on the BPA's decision the following week on a proposed rate hike effective Nov. 1, 1983. If the rate hike exceeded the anticipated increase, then the potline would not be completely restarted. [67] Potline 4 was re-energized in September 1983, and by mid-October AAC plant had recalled about 40 hourly workers to prepare Potline 5, the last idled potline, for a possible restart. The additional workers brought total hourly plant employment up to 745, which was considered enough to operate the plant at 100% capacity. There were also 212 salaried employees. [68]

In early October 1983, however, the BPA announced a 9.4% rate increase for its direct-service industry customers – nearly twice the rate hike it had proposed earlier in the year. The new increase would raise the cost of power at the Columbia Falls aluminum plant from $24.50 per megawatt-hour to $26.80 and cost the plant an additional $6 million to $7 million per year. In addition, the BPA proposed adding a "customer charge" if AAC failed to consistently use power at a level set by the BPA. In that case, AAC could be forced to pay for a percentage of the power it did not use – a contract provision called "take or pay." The new rate hike contributed to an 800% increase since 1979. Pacific Northwest aluminum plants were now paying more for power than 83% of the world's aluminum plants. Higher power costs had turned Pacific Northwest aluminum plants into "swing plants," Bob Sneddon said, meaning they could only operate effectively when aluminum market prices were good. Market conditions had improved and regional aluminum plants had begun to restart idled potlines, but the industry was very cyclical, Sneddon said. The BPA was gambling that the economy would stay strong and industries could continue to operate under the higher rates, he said. George Eskridge, the BPA's Montana district manager, admitted the higher rates would make it difficult for AAC to make a profit. The BPA's original proposal had called for a rate hike of 5% for DSI customers and 29% for its wholesale customers, but the agency made changes after it recalculated its figures, he said. The BPA had not intentionally tried to make DSI customers pay a larger share of the hike, but that was the way the numbers came out, Eskridge said. [69]

Brian Kennedy criticized the BPA's decision to raise rates for the AAC plant by 9.4% instead of 5% in an Oct. 6, 1983 editorial. Kennedy called the BPA's action "true to form" and said its "unreliability is not surprising." He suggested the BPA "tests the water" before each rate hike, but the final figure was "always higher than anyone expects." The agency's unreliability had left direct-service industry customers jumpy and unable to conduct long-term business plans. "BPA's blatant lack of good faith is a poor way to do business," Kennedy said. "If it were anything but a utility, it would have been bankrupt long ago, its customers driven away. But since it is virtually untouchable and its monopoly secure, BPA continues down this road full of curves. And all of its customers follow along. We wish there was an alternative." [70] There was an alternative. In late October, AAC announced it was negotiating with the Montana Power Co. for a three-year power contract. AAC wanted the 60 megawatts of power that had become available after the Anaconda Minerals Co. shut down its operations in Butte. Both AAC and Anaconda Minerals were subsidiaries of ARCO. The power could be purchased for as little as $16.50 per megawatt-hour, compared to BPA's $26.80 rate for direct-service industries. The 60 megawatts would help AAC restart its fifth potline, bringing the plant up to 100% capacity. Approval by the BPA was required before an agreement between AAC and Montana Power could be made. [71]

Alcan and the union

ARCO made an abrupt change in business philosophy by the end of 1983 as it made plans to sell its aluminum division after all. American Metal Market reported on Dec. 13, 1983, that negotiations were underway between ARCO and Alcan Aluminium Ltd. of Canada to sell all or part of ARCO Aluminum's assets, including the Columbia Falls smelter. ARCO Metals President Bill Chamberlain acknowledged the company was seeking a buyer but declined to name any interested party. Included in the negotiations were the alumina refinery in Aughinish, Ireland, the aluminum smelter in Sebree and the Russellville rolling mill. Alcan was already a partner with ARCO for the Aughinish refinery. [72] ARCO announced in the second week of January 1984 that it had sold some of its aluminum assets to Alcan, including the smelter in Sebree, rolling mills in Terre Haute and Russellville, and ARCO's 25% interest in the Aughinish alumina refinery. The Columbia Falls plant was the only reduction facility remaining in ARCO Metals' hands. An ARCO corporate spokesman said the company was continuing to search for a partner or a new owner for the Columbia Falls plant, but employees at the plant were concerned because it was not sold to Alcan. [73]

Anti-trust concerns delayed the sale of ARCO's aluminum assets. On June 19, 1984, the U.S. Justice Department announced that it would not let ARCO sell the majority of its aluminum assets to Alcan. The sale was valued at more than $1 billion. An ARCO spokesman explained that ARCO's main business was oil and gas and the company had decided to get out of the aluminum industry. The Justice Department argued that the transaction would violate Section 7 of the Clayton Act, which barred acquisitions that could substantially reduce competition and tended to create a monopoly. Alcan did not own any aluminum operations inside the U.S. but competed with Alcoa as one of the world's largest producers of aluminum. Alcan was said to supply 10% of the U.S. aluminum ingot market. The top U.S. aluminum producers at the time were Alcoa, Kaiser Aluminum and Chemical Corporation, Reynolds Metals Co., Alumax Inc. and ARCO. The aluminum industry was highly concentrated, with the top four U.S. companies accounting for 65% of primary production. [74] The Columbia Falls smelter was not part of the sale. ARCO Metals and Alcan postponed the deal pending talks with the Justice Department. [75]

The Justice Department announced on Oct. 5, 1984, that a novel anti-trust agreement had been reached which would allow Alcan to acquire most but not all of ARCO's aluminum business. The value of the entire transaction was estimated to be between $700 million and $1 billion. The unusual element in the agreement involved the $400 million Russellville rolling mill, which was still under construction and presented potential rather than actual competition. The Russellville plant was the first new rolling mill to be built in the U.S. in a decade. Under a Federal Trade Commission agreement, ARCO would retain a 60% interest in the new plant, while Alcan would obtain a 40% interest in the plant along with all of ARCO's other aluminum operations, other than the plant in Columbia Falls. ARCO was barred by the Federal Trade Commission from selling the new rolling mill to Alcoa, Reynolds or Kaiser, the top three U.S. aluminum producers, or to sell its 60% share piecemeal. [76] A federal district court issued a ruling in the anti-trust case on Jan. 15, 1985. ARCO had completed construction of the $250 million Russellville rolling mill in 1984. The 175,000 ton-per-year mill produced rolled sheet for aluminum cans, amounting to about 14.4% of the U.S. total in 1983, and the plant was designed to be doubled in capacity at a later date. The court agreed to the terms of a consent decree with the U.S. government that provided Alcan with 40% ownership of the Russellville plant and ARCO Metals with 60%, while allowing Alcan to increase ownership by paying for construction of additional capacity. Other conditions included separating management, sales and communications between the two companies. [77]

Meanwhile, ARCO continued to look for a way to sell the Columbia Falls smelter. On July 24, 1984, frustrated by the Federal Trade Commission's actions, ARCO officials announced that the company intended to sell all its metal producing and fabricating plants – including the plant in Columbia Falls. Bill Chamberlain told Bob Sneddon and other local plant managers that any ARCO plants which were not sold would be shut down, but he had no end date in mind. He also said he expected to hear purchase offers from management and employee groups at some of the smaller ARCO Metals plants. [78] Chamberlain said the best way to sell the Columbia Falls plant was while it was operating at full capacity and as efficiently as possible. Sneddon agreed and told workers that the best way to attract a buyer was to make the plant look profitable. [79] ARCO considered its aluminum operations to be unprofitable – for the first half of 1984, ARCO's metals division lost $102 million, compared with a total of $97 million for all of 1983. The metals division accounted for $1.5 billion in sales out of ARCO's total of $25.9 billion. [80] Citing "unsatisfactory financial returns," Chamberlain said the company intended to make an "orderly divestiture" of its metals business operation, including the aluminum, brass and fabricated products divisions. Later in the day of the announcement, ARCO Metals spokesman John Calcaterra explained what the announcement meant to residents and workers in Columbia Falls. "ARCO told us there are no plans to close anything," he said. "This announcement is not a closure but is announcing the company's plans to offer these operations for sale." Calcaterra's message was intended to reassure employees at the Columbia Falls the plant that it was not about to be closed, and that ARCO was still actively searching for a new owner. [81]

Chamberlain wrote to Columbia Falls Mayor Colleen Allison on Aug. 22, 1984, informing her of ARCO's plans with regard to the plant near Columbia Falls. The letter was printed in full on the editorial page of the Hungry Horse News. Chamberlain pointed out that ARCO intended to divest itself of all its metals business, including the Columbia Falls aluminum smelter. "Even though the Columbia Falls plant does not fit into Atlantic Richfield's long-range business strategy, it has been an efficient and fairly profitable operation," he said. "It remains an attractive asset and should fit into the strategy of some other company looking to diversify into the metals industry. Indeed, because of the capital we have invested in improving this operation, we believe it is now in a stronger position to survive in the future than it was when we acquired it in 1977." Chamberlain explained that ARCO continued to search for a new owner for the plant but added, "The plant's current management and/or employees might possibly want to buy and take over the operation. If there is serious interest in such a plan, ARCO will consider facilitating the transaction." Chamberlain pointed out that if a buyer was not found, it was possible the plant would eventually be closed. He ended the letter by noting the "mutually beneficial" relationship between ARCO and the city of Columbia Falls. "We have always thought of ourselves as good citizens here and in other cities where we have plants, and we have tried our best to act accordingly," he said. "We intend to continue to do so." [82]

The idea of the union workers taking over ownership of the AAC plant had already gained traction by the time Chamberlain contacted Allison. In the end, however, union officials declined to pursue the plan because they were unable to come up with the necessary financing. [83] On July 31, 1984, Aluminum, Brick and Glass Workers Local 320 President Lowell Eckelberry announced that the union was considering some way to buy the AAC plant to keep it running. "We don't have much of an alternative," he said. "If somebody doesn't buy the plant, they're going to close it." Regarding the idea of the workers buying the plant, "We're not going to turn our backs on the idea," he said. "We're going to fight until the door is shut." Eckelberry said he hoped to attract support from Gov. Ted Schwinden at the AFL-CIO convention later in August. Eckelberry said the idea originated with Ray Sorenson, who had been employed at the plant for 17 years and worked in the paste plant. Eckelberry said he discussed the idea with other union leaders, the Columbia Falls Chamber of Commerce and former plant manager Ed Woster. "It's a golden opportunity, and with a little work we can buy the plant," Sorenson said. "If the plant closes down, it will hurt the community, valley and state. This is a nice place to live, so let's keep it running and continue living here." Sorenson estimated it would cost about $200 million to buy the plant – that included $100 million for the plant and $100 million in operating capital. [84] In early August, members of Local 320, representing production workers at the plant, voted in favor of considering Sorenson's proposal. "We would need help from the community, state and federal government," Sorenson pointed out. "A key to the plan is getting a break from the BPA." [85]

On Aug. 7, 1984, however, the Aluminum Workers Trades Council's executive board voted against the proposal. "We simply don't have the money," AWTC President Marvin Torgerson said. The council, which represented Local 320 and a dozen other unions, was in favor of a new owner for the plant, but the council also did not want to give the impression that "whatever is asked, we will give to keep the plant going," Torgerson said. "It is too early in the game to make those decisions, especially when people are still in a state of shock over ARCO's decision to sell the plant." [86] Public reaction soon followed. In an Aug. 9, 1984, letter to the Hungry Horse News, Robert Waltmire urged the workers to support buying the plant from ARCO. Waltmire, who worked at the plant, explained that three future scenarios existed – ARCO would close down the plant and take a large tax write-off, resulting in losses of tax revenue for state and local governments and losses of jobs for the community; a new "conglomerate" would buy the plant from ARCO and then operate it for a short time before closing it and taking a large tax write-off; or the employees would buy the plant and save the community from an economic setback. Waltmire called for community support in the workers' effort to buy the plant. [87] In an Aug. 16 letter to the Hungry Horse News, James R. Conner said he agreed with Waltmire and called for an employee-buyout of the plant. Conner said he was considerably disappointed that the AWTC had voted against the proposal, and he expected the plant was heading for closure. Conner pointed out that it could take a long time to raise the money needed to buy the plant and called for action. [88]

New power offer

Prospects for the Columbia Falls aluminum plant changed in early August 1984 with news that the BPA was considering offering its direct-service industry customers lower rates for six months, reduced from $27.70 per megawatt-hour to $22.70. Aluminum production in the Pacific Northwest had declined to about 80% of capacity, and the BPA offer would require that DSI customers sustain their current operating levels for the six-month period. The rate reduction would save the Columbia Falls plant about $7.5 million. [89] On Aug. 29, ARCO announced it had accepted the BPA offer for an 18% reduction in power rates beginning Sept. 1 with the condition that the smelter continued operating at its current level for the six-month period. The plant was operating at 93% capacity and it expected to increase capacity to nearly 100% by the end of the year. [90] One of the back stories explaining why the BPA was offering lower rates to its DSI customers was that the power agency had become current on all scheduled interest payments owed to the U.S. Treasury for debt on construction of Pacific Northwest hydroelectric dams and transmission facilities on Sept. 30. [91]

In late February 1985, ARCO and 13 other direct-service industry customers agreed to accept another rate relief offer by the BPA. Altogether, the DSI customers signed up for 2,262 megawatts of power under the new rates on a take-or-pay basis for a four-month period from March 1, 1985 through June 30, 1985. ARCO would pay $19.80 per megawatt-hour under the new offer. The BPA said it wanted to help keep the region's aluminum plants operating as aluminum prices dropped from 77 cents per pound in January 1984 to 52 cents in February 1985. ARCO plant spokesman Jack Canavan said the offer was good news although short term, and he noted that the average power price at aluminum plants in the free world was $17 per megawatt-hour. Prior to September 1984, the ARCO plant was paying $25.80 per megawatt-hour. [92] By mid-April 1985, ARCO had not yet chosen one of the five rate plan alternatives the BPA had offered Pacific Northwest aluminum producers. According to Lee Smith, ARCO had suggested one of the options – increasing the availability of interruptible power over firm power. Another attractive option for ARCO was tying the price of power to the global aluminum price, Smith said. In any case, the company was seeking immediate rate relief. "The only option we oppose is the 'do nothing' choice," he said. [93]

In fall 1984, top executives at ARCO announced once again that the company was considering getting out of the aluminum business in order "to concentrate on the business that they know best – the oil business." [94] On Oct. 2, ARCO officials met with Gov. Ted Schwinden, local government officials, union leaders and members of the state's congressional delegation to discuss the future of the plant in Columbia Falls and to dispel rumors of an impending closure. Marlan Boultinghouse was adamant that the plant would not be shut down while noting the imbalance between the high cost of power and the low price of aluminum. Flathead County Commissioner Mel Wollan said he came away feeling confident the plant was secure for the time being. For one thing, ARCO was obligated to notify the BPA six months in advance if the company planned to shut off power to the plant. [95]

Boultinghouse talked to the press in Columbia Falls the next day. “We have not set a date to close this plant,” he said. “We have not thought about closing it down, and we have no plans to do so. There is no hidden agenda.” ARCO continued to search for a new owner for the plant, Boultinghouse said, noting that interested parties existed in Japan, Europe and the U.S. Earnings for ARCO Metals had been negative for the past three years, and ARCO’s earnings had flattened out. “ARCO’s intention is to put more emphasis on its core business, which is the oil business, and concentrate on what they know best,” he said. Boultinghouse noted that the chances of finding a new owner for the Columbia Falls plant would diminish if aluminum prices stayed low and energy prices continued to climb. The strength of the U.S. dollar also encouraged more imports of cheaper foreign aluminum, he said. When U.S. aluminum companies resumed full operations after the recent recession ended, the aluminum market was swamped and prices had tumbled, he said. [96] Skepticism about the plant’s future was the norm among local residents. An Oct. 18, 1984 cartoon in the Hungry Horse News poked fun at the notion that ARCO management were telling workers the truth about whether or not the plant might shut down. [97]

In December 1984, results were released from a study by Commodities Research Unit Consultants Inc. of New York on the competitiveness of the Pacific Northwest aluminum industry. The economic consulting firm was hired by the region’s direct-service industry customers in response to the BPA’s high and unpredictable power rates. The study found that the region’s aluminum industry was at a competitive disadvantage because of high power costs, but other factors also hurt the industry. One was the slow growth in automobile and electrical equipment manufacturing, which meant a weak demand for aluminum in the market and increased competition between aluminum producers. Increased aluminum recycling, reaching nearly 500,000 tons in 1983, was reducing the need for primary aluminum from smelters. Meanwhile, new smelters were being built in areas with low-cost energy and raw materials, including Australia, Latin America, Canada and Asia, which increased competition for Pacific Northwest aluminum producers. In addition, a trend toward aluminum pricing based on commodity trading rather than long-term producer/consumer supply and demand pricing, had increased the volatility of aluminum market prices. [98] The days of an industry dominated by an oligopoly held by large vertically-integrated global companies seemed to be ending, to be replaced by commodity traders who held stakes in mining and shipping and various swing plants – including alumina refineries and aluminum smelters.

In February 1985, ARCO restated its intention to sell all of its interest in the Columbia Falls plant. [99] In the first week of February, two representatives from a Norwegian aluminum company visited the plant, while Chamberlain announced that ARCO would sell its American Brass Co. subsidiary by mid-summer. [100] As aluminum prices continued to fall and no interested buyers came forward, rumors began to spread at the plant and in the community that the Columbia Falls smelter would be closed and sold for scrap. "We had a poor reputation in the industry as a high-cost inefficient producer," Lee Smith recalled a decade later, but the reputation was undeserved, he emphasized. [101] In March, managers and union representatives met with workers and outlined plans to make the plant more attractive to a new buyer. The plant's workers were urged to "make this plant the best it can be" by "doing the best job that you can do." Don McMillan, the plant's special projects manager, said local managers did not feel the future of the plant was hopeless. He pointed out that the recent Norwegian visitors were "very impressed with our operation." The Norwegians, however, were concerned about both high power rates and the cost of labor since the U.S. dollar was strong against foreign currency, and they made no comment on whether their companies might want to buy the plant. Meanwhile, ARCO concentrated on selling other metals business assets while looking for buyers of the Columbia Falls smelter in Australia and Japan. [102]

In March 1985, Alcan shut down one of the three potlines at its Sebree smelter and laid off 250 workers. The company blamed low aluminum prices, increasing competition with cheaper foreign plants, a strong U.S. dollar which made U.S. products too expensive on international markets, and high aluminum inventories resulting from the weak aluminum market. [103] By April, ARCO was still trying to sell a 40% stake in the Columbia Falls plant but had no takers. Many of ARCO's metals holdings had been sold off one-by-one. ARCO still owned 60% of the Russellville rolling mill along with the Columbia Falls smelter. About a third of all the aluminum produced in the U.S. in 1985 came from the Pacific Northwest, and the Columbia Falls smelter accounted for about 4% of the U.S. total. But nearly a quarter of all the aluminum consumed in the U.S. came from foreign smelters. To make the Columbia Falls plant attractive to potential buyers, ARCO kept it running at 100% capacity despite high labor and power costs and an oversupply of aluminum worldwide. The key, according to Bob Sneddon, was competitive power rates. Wages and benefits cost $40 million, he said, and even if the employees worked for nothing ARCO could lose $5 million in 1985. A 25% cut in the plant's $70 million power bill over two years would mean more than a 25% cut in wages and benefits, he noted. [104]

Rep. Pat Williams visited Columbia Falls in early April 1985 and discussed the future of the aluminum plant. “Montana continues to need a mix of good agricultural base combined with mining and timber and aluminum,” he said. “Our future can’t rest alone with resources like Glacier Park, as grand as it is.” Williams said Congress was considering budget legislation which would drive up BPA’s electrical rates even further. “There’s a proposal by the administration to require BPA to pay off its loans ($6 billion worth) at an accelerated rate and at a higher interest cost,” he said. The proposal was aimed at reducing the federal deficit and could force BPA rates to increase by 50% to 80%. “That means 80 percent of the aluminum plants in the Northwest will close, and according to the aluminum industry, Columbia Falls would be the first to go,” Williams said. He complimented efforts by locals to save the plant from closing. “Both BPA and ARCO tell me the community support for this plant is outstanding,” he said, urging citizens to keep up the effort. [105]

Another power offer

On April 30, 1985, the BPA announced new power rates for aluminum producers who were threatening to close down smelters because of high power costs. The new rates, scheduled to run for 27 months beginning July 1, would lower the cost of power from $26.70 per megawatt-hour to $24.70. The BPA had increased rates in the past to help pay off the $6.2 billion debt attached to the Washington Public Power Supply System’s three nuclear power plants. [106] By fall 1985, many of the Pacific Northwest aluminum companies were experiencing hard times because of energy problems, reported James Stromberg, Reynolds’ new West Coast power manager. Martin Marietta had shut down its smelter at The Dalles and put it up for sale, Comalco had purchased Martin Marietta’s Goldendale smelter and then closed it, Alcoa had shut down two of the five potlines at its Vancouver smelter, Reynolds was running two of five potlines at its Troutdale smelter and had shut down one of the six potlines at its Longview smelter, and Kaiser had shut down four of eight potlines at its Mead smelter in Spokane. “Yet the industry in Washington, Oregon and Montana is still giving it the ‘old college try’ in its attempt to stay in the region,” Stromberg said. The Pacific Northwest aluminum industry’s goal was power rates that were competitive with other free-world smelters, Stromberg said. “It’s important to stress that tying the industrial power rate to the preference rate is absolutely and totally essential,” he said. “Equality between these two rates is justified under the Northwest Power Act and fully supported by power system economies. BPA needs to establish this equity relationship through a long-term policy rather than reconsidering factors involved in every rate case.” [107]

Stromberg noted that “the industry needs to have rate relief – soon, and for the long haul. Aluminum markets are depressed, and no one is predicting with any degree of certainty just when they'll rebound." Stromberg also pointed to the economic impacts from closed aluminum plants. "Each time 100 aluminum workers are laid off, about $3 million in payroll vanishes," he said. In its newest offer, the BPA set power rates for direct-service industry customers for 27 months with an annualized average of $22.80 per megawatt-hour, but the average rate around the world was $16 to $17, Stromberg noted. Aluminum companies were looking at different power rate options, including tying the rate to aluminum's global market price. All Pacific Northwest aluminum companies had signed contracts with the BPA's new incentive power rate. The new rate, effective from Sept. 1, 1985 through June 30, 1986, was $18.80 per megawatt-hour for 2,240 megawatts across the Pacific Northwest under take-or-pay contracts. [108]

The regional aluminum smelters also had to compete with other areas of the U.S. The total capacity of the 10 aluminum smelters in the Pacific Northwest in 1985 was 1.5 million tons per year, and the average weighted power rate in the region was $22.80 per megawatt-hour. The capacity of the five aluminum smelters in the Southeast was 811,000 tons per year with a power cost of $28. The capacity of the six smelters in the Ohio Valley region was 1.1 million tons per year with a power cost of $24.10. The capacity of the four smelters in the Gulf Coast region was 745,000 tons per year with a power cost of $26.30. The capacity of the three smelters in the Northeast region was 480,000 tons per year with a power cost of $18.50. [109]

The BPA and the federal government wanted the Pacific Northwest aluminum industry to survive in some form and continue to provide economic benefits to local communities, according to the power agency. Evidence of this policy came in the government's urging for public participation in the matter. In March 1985, former Interior Secretary Cecil Andrus told the Kalispell Rotary Club that the region's aluminum plants were "fighting for their survival" because of high BPA power rates. Andrus described how power rates to direct-service industry customers had increased 800% in several years while foreign competition increased. The region's aluminum plants paid the BPA about $1.3 billion for power in 1982 – about one-third of the BPA's revenues. If the aluminum plants closed, their loss would be felt throughout the regional economy, he said, and the difference in BPA revenues would have to be made up in power rate hikes to the customers who remained. "The benefit of the DSIs is not only in the jobs they offer but also that they contribute to lower power costs for everyone," Andrus said. He warned against the notion that high-tech industry could replace the region's basic industry, pointing out that $5 an hour jobs did not compare favorably with the $10 per hour jobs paid at aluminum plants. Andrus encouraged people in the Flathead Valley to write to their congressmen and to the BPA asking for additional power relief to the aluminum industry. [110]

In a talk to the Columbia Falls Chamber of Commerce on March 12, 1985, George Eskridge, the BPA district manager in Missoula, said the BPA was taking its case to the people and conducting a study of the industry's impact on the regional economy. "Your problem is our problem," Eskridge said. The region's aluminum plants bought about 30% of the BPA's power, he said, and if they left the region other consumers would have to make up the difference in revenues. He estimated power rates could increase by 15% to 20% as a result of regional aluminum plants closing. Eskridge noted that power rates for direct-service industry customers had increased nine times since 1980. The Martin Marietta plant at The Dalles had closed and was for sale, the plant at Columbia Falls was for sale, and three other Pacific Northwest plants were at risk of closing down. He said the BPA would publish a draft study in April proposing five options to deal with the problem: 1) arranging long-term rates that would fluctuate with global aluminum prices; 2) having the BPA fund modernization of aluminum plants in order to conserve power; 3) arranging so aluminum plants could buy power from the open market; 4) exchanging firm power for interruptible power as the regional power surplus disappeared; or 5) taking no action. The BPA planned to hold public meetings around the Pacific Northwest to receive public comment on the draft study, Eskridge said. [111] The BPA began conducting public hearings across the Pacific Northwest in April as part of the study. A public hearing was scheduled to take place on April 22 at the Columbia Falls High School. [112] The hearing turned out to be the largest gathering of people in the history of Columbia Falls.

A grassroots effort

On March 21, 1985, a group calling itself We Want The Plant was organized for the first time to support the ARCO plant. Led by Columbia Falls Mayor Colleen Allison, the group expanded to 57 members within a week's time. The group enlisted help from the community to stop the closure of the plant while conducting an informal study of the plant's economic impacts on the Flathead Valley and distributing petitions asking the BPA to lower power rates to aluminum plants in the Pacific Northwest. The group enlisted the help of Jack King, president of Valley Bank, and Bob DePratu of DePratu Ford in Whitefish. They also contacted Gov. Ted Schwinden along with state and national legislators. Results of the group's economic survey indicated that 15 Columbia Falls businesses would close if the aluminum plant shut down and 193 employees would lose their jobs at those businesses. The survey also indicated that on average about 30% of the business conducted by local firms was conducted directly with the plant. [113]

According to information gathered by We Want The Plant, in March 1985 the aluminum plant employed 1,006 workers and paid out $28.7 million in wages and salaries and another $11.8 million in benefits. The plant was the largest taxpayer in Flathead County, paying $2.65 million in taxes and spending more than $6.8 million at local businesses. Contributions to the local United Way from plant employees and the company in 1984 totaled $32,559. Contributions to other community activities in 1984 came to $19,608. [114] All told, the ARCO plant's workers represented 4,363 direct family members, including 2,490 children of workers. A total of 390 families directly related to plant workers lived in Columbia Falls, 272 lived in Kalispell, 100 lived in Whitefish and 32 lived in Bigfork. About 580 of the families indicated in the survey that they would be forced to move out of the area if the aluminum plant closed, and 156 families indicated they might lose their homes or major possessions. It was estimated that for each aluminum plant employee, there were 2.9 workers in the Flathead County who were directly or indirectly tied to the operation of the plant. [115]

On March 14, 1985, the Hungry Horse News published a man-on-the-street interview asking Columbia Falls residents if they would be willing to pay higher power rates if it meant lowering power costs for the ARCO plant. Per Hjulstad, Leonard Houston and Edith Palmer agreed it might be worth it, depending on how much the rate hike was for residents. Yvonne Metcalf was not sure it was a good idea since her power bill had already gone up $10 per month. [116] In a March 28 editorial, Brian Kennedy commented on the We Want The Plant grassroots group and its effort to stop the plant from closing. Kennedy said the community no longer needed to sit by wondering what it could do to help save the plant because it could focus its efforts through the new organization. "The worries about the plant's uncertain future remain, but at least now we can attempt to make a difference," he said. [117]

Mayor Allison played an important leadership role in the support effort for the aluminum plant. Allison had worked as a secretary at the Anaconda Aluminum Co. plant from 1956 through 1960. She later described the style of management at the plant as very structured and formal, modeled after the Anaconda Company. In a July 1988 interview, she stressed the importance of industrial growth to the city. "Without the aluminum company and the timber companies and the spin-offs of those, Columbia Falls would perhaps be just as it was in the early 1940s," she said. Allison retired from her job as secretary for the School District 6 superintendent in June 1988 so she could spend more time working to bring more industry to the area. She had recommended that the city council establish a Columbia Falls Economic Development Corporation to apply for grants for the city to use to purchase land for leasing to future businesses. In July 1988, Allison sat on the boards of the Flathead Regional Development Office, the county's land planning and zoning department, and the Flathead Economic Development Corporation. [118] In July 1986, the Columbia Falls Chamber of Commerce awarded Allison with its Citizen of the Year award for her work organizing the People For Jobs grassroots group that helped aluminum plant in 1985. Kennedy praised Allison in a July 30 editorial in the Hungry Horse News. [119] Allison responded in an Aug. 6 letter to the editor by crediting all the people involved in the People For Jobs campaign to save the aluminum plant. [120]

In April 1985, as talks continued about the Columbia Falls plant's future, experts gathered data on the local economy to determine what impacts would follow a plant closing. Unemployment rates for the Flathead County hovered at just under 8% with 2,250 people out of work. Closing the smelter would mean another 1,006 unemployed residents, increasing unemployment in the county to 11.4%. This situation was not unprecedented – ARCO laid off half its workers in 1983 while the timber industry was in a major slump. The key difference would be if the jobs were lost permanently, a scenario which would affect other parts of the local economy. According to Bob Rafferty, a research chief at the Montana Department of Labor and Industry, 2.2 jobs would be lost for every job lost in a basic industry, meaning about 2,212 more people would be out of work if the ARCO plant shut down, increasing unemployment to 19.27%. A survey of 91 Columbia Falls merchants in March 1985 found that most felt their business would decline drastically if the plant closed. Another consideration was the type of wages paid to the aluminum workers. According to Rafferty, most new jobs created in Montana were not as high paying as those in the metal manufacturing industry. He also pointed to the situation in The Dalles, Ore., where the Martin Marietta aluminum smelter shut down and the effects were beginning to be seen throughout the local economy. [121]

Columbia Falls Chamber of Commerce President Steve Marquesen suggested that the ARCO plant workers were already being cautious about their spending, and the effects on the local economy were already being felt. A survey of plant workers indicated that at least 30 businesses would close immediately if the plant shut down and workers had to seek employment elsewhere because the businesses were owned by the workers themselves or their families. Tax revenues would also be affected by a shutdown. The ARCO plant currently paid $2.65 million in property taxes and personal property taxes – nearly an eighth of the total Flathead County tax base of $24 million. It was estimated that the AAC plant paid its employees $28 million in salaries and wages, which amounted to at least $5 million in combined federal and state income taxes. A survey found that nearly 60% of workers at the plant would leave the area to find work if the plant shut down. The drain in population was expected to impact all social services provided by state and county governments to residents in the Flathead Valley. Judy Berardi, a founder of the We Want The Plant group, pointed to the situation in the town of Anaconda after ARCO closed down copper smelting there. Housing prices in the town of Anaconda fell 50% for older homes and 20% to 30% for newer homes. The Anaconda-Deer Lodge County commissioners were forced to eliminate their entire 1982 budgets for weed control, senior citizens, summer recreation programs, city court, building inspection, the arts and civil defense. [122]

The impact in Flathead County was not expected to be as drastic as in Anaconda since the economy was more diversified. Tom Kelly, an hourly worker at the plant, took out a Small Business Administration loan when the plant laid off workers in 1982 to 1983 and opened up a small car repair business. He returned to work on the potlines when the plant began rehiring. “It’s been a tough go,” he said about the local economy. “This is a hard valley to work in – workers are really money-conscious. Except for ARCO and maybe Plum Creek, this is a low-wage, high-cost area. But I think I can still stay in business if the plant closes. And to be honest, I’m not so sure the plant is going to close.” Marvin Torgerson, president of the Aluminum Workers Trades Council, held up hope about the plant’s future. “There really isn’t much else we can do (but hope), except make the plant more attractive for a buyer,” he said. Torgerson was worried about the effect a plant closing would have on other workers at the plant. “After working 25 years or so, they could lose their way of life through no fault of their own,” he said. “It has a devastating effect on the way they think. For some it could be very traumatic.” [123] At the end of 1987, the Montana Job Service reported that 17,945 workers in Flathead County were employed in all sectors of the local economy. Of those, 3,122 or 17.4% were involved in some sort of manufacturing, compared to 7.5% for the state of Montana as a whole. The figures showed that Flathead County had only 7% of the state’s population but 16% of the state’s manufacturing workers. Manufacturing jobs in Flathead County provided nearly $20 million in wages and salaries in 1987, and the average pay was $471 per week, according to Job Service calculations. [124]

The big rally

By late March 1985, members of the We Want The Plant grassroots group were busy organizing for the BPA hearing scheduled for April 22 at the Columbia Falls High School. Speakers were being lined up in support of the aluminum plant. The group’s steering committee included Joellen Estenson, Cheri Melby, Steve Marquessen, Darrel Olson, Alida Blair, Allen Jacobson, Helen McMillan, secretary, and Mayor Allison, chairperson. [125] In a March 28, 1985 letter in the Hungry Horse News, David Bristol urged local residents to show their support for the ARCO plant by attending the hearing. “Let’s fill up the auditorium and have such an over-flow crowd that the meeting has to be moved to the gymnasium,” he said. [126] By early April, the We Want The Plant group had attracted the support of numerous government officials in its effort to save the aluminum plant. Gov. Ted Schwinden agreed to testify. The group put together information packets that would be mailed to 5,000 addresses in the Columbia Falls area. Postage would be paid for by School District 6. The packets contained results from the group’s informal survey on the impact of the plant on the local economy. Mayor Allison was scheduled to attend a meeting of mayors from Washington State in Tacoma on April 10-11 to discuss the impact of closed industries on local economies. [127]

By the second week of April, the grassroots group had arranged a number of important speakers for the upcoming hearing, including Sens. Max Baucus and John Melcher, Rep. Pat Williams, several Montana legislators, the Flathead County commissioners, Flathead County mayors, and representatives from local community organizations, schools, professions and businesses. In mid-April, the Montana House introduced House Joint Resolution No. 51 requesting the BPA “establish fair, just, and reasonable power rates for the Northwest aluminum industry to allow the industry to meet competition in the world market.” According to the resolution, the region’s aluminum industry was “essential to the economic stability of Montana and the region” by providing 10,500 jobs, paying $28 million in state and local taxes, providing $450 million in revenues to the BPA and spending $409 million on freight and material purchases. The region’s aluminum industry provided 35.5% of the BPA’s revenues but only received 29.5% of the BPA’s power, and loss of the aluminum industry would result in higher power rates for other BPA customers. According to the resolution, the “loss of the region’s aluminum producers would devastate the economies of Montana and of the Pacific Northwest.” [128]

In mid-April, Columbia Falls resident Einar Samuell described to the Hungry Horse News the impact on the small town of Glendive, Mont. when major businesses were lost between 1979 and 1984. The town’s population plummeted from 12,000 to 8,000 when Burlington Northern and Mountain Bell moved their district offices, a drought hurt agriculture and the oil boom came to an end. “The Glendive community gave little encouragement for BN to stay in Glendive, although it may not have made any difference,” Samuell said. “However, in the Flathead Valley we can make a difference in keeping the aluminum plant.” [129] In a statement to the newspaper, the Aluminum Workers Trades Council explained their position on a possible sale of the ARCO plant. The council had negotiated labor contracts for the plant’s workers “in a responsible manner for 30 years and the record shows this,” the union group said. The workers knew how important it was for themselves and their community to keep the plant operating. “The labor costs per pound of aluminum produced at the Columbia Falls plant are still lower than the average labor costs for other aluminum producers in the United States,” the council concluded. [130]

In mid-April, Dale Jessup, the administrator of North Valley Hospital in Whitefish, and Gene Johnson, the administrator of Kalispell Regional Hospital in Kalispell, sent a joint letter to the BPA outlining their support for the Columbia Falls aluminum plant. Basing their estimates on what happened to a 125-bed hospital in The Dalles, Ore. after the aluminum smelter closed there, the two estimated a 10% loss of revenues if the Columbia Falls plant closed. A 10% loss could not be easily absorbed by patients and health insurance providers, they said, noting that many of the hospitals' workers were spouses of aluminum plant workers. The ARCO plant had supported the hospitals as well as community-wide health care prevention programs, and several hospital board members were plant employees, they said. ARCO had contributed to ambulance associations, chemical dependency programs, the emergency helicopter transport team, hospital building projects and other health care and social programs. On April 18, Joe Helgeson, manager of the Flathead Electric Cooperative, said that if the ARCO plant closed, the Co-op would be forced to raise rates to its 8,000 customers. The Co-op bought all of its power from the BPA, and if aluminum plants closed, the BPA would be forced to raise rates to make up for lost revenues. Helgeson was in favor of an incentive rate for the aluminum industry so long as the Co-op's customers "aren't hurt too badly." Bob King, division manager for Pacific Power & Light, also supported the ARCO plant. He described the future of PP&L's customers as a "no-win situation" since rates would go up in either case. [131]

On April 18, the Hungry Horse News published an advertisement by the BPA for its upcoming public hearing. The ad explained that if the region's aluminum industry shut down, not only could rates go up for other customers to make up for lost revenues, but there would be a loss of jobs and tax revenues. "Big questions. Big problems," the ad said. "Someday soon, somebody's going to have to do something about them. Even if it's a decision to do nothing. Some day's here. Somebody is us. And that includes you. We're already hearing from industry. But it's your destiny, too. And since the BPA belongs to you, we could sure use a piece of your mind." [132] Brian Kennedy ran his editorial on the BPA hearing in the same issue on the front page under a large banner headline saying "Attend BPA meeting Monday." Kennedy explained that the BPA hearing was one of nine to be held throughout the Pacific Northwest. "Columbia Falls will host one of the most important meetings here in years Monday when the Bonneville Power Administration comes to town," he said. "On the line is the future of the ARCO Aluminum Co. plant and the 1,006 jobs it provides." If power rates for the region's aluminum smelters were not reduced, some of the plants would surely close, he said. In the case of the ARCO plant, reduced power rates were crucial to finding a new owner for the plant. Kennedy pointed out that closure of the plant "would financially affect EVERY SINGLE person in the county through much higher taxes and higher utility rates. That's guaranteed." [133]

Kennedy also pointed out how the effort to save the ARCO plant had united different parts of the local community. "The We Want The Plant committee is made up of folks with varying backgrounds and professions," he said. "But they're working toward a common goal and it's heartening to see people work so hard for something." [134] The man-on-the-street interviews in the April 18 issue asked the question, "How important is ARCO? Do you plan to attend the April 22 BPA hearing?" Bob Allen, the Flathead County auditor, said the company was very important to the area. Michael Keedy, the Flathead County district judge, said the company's importance "can be measured as much in emotional terms as economics." Sue Haverfield, the county clerk and recorder, called the company "crucial" and said, "If ARCO pulls out, it's going to hurt all the way down the line." Chuck Rhodes, the Flathead County sheriff, said the company was "very important to the tax base." They all considered going to the hearing. [135] In a letter to the editor, R. Glenn Kennedy, a retired 30-year employee from the aluminum plant, urged the community to support the We Want The Plant group. He pointed out that if the plant closed, taxes would go up, property values would go down and power costs would go up. He urged readers to attend the hearing and to sign petitions supporting the plant. [136]

The Daily Inter Lake summarized the difficulties facing the BPA in its attempt to help the aluminum industry in the Pacific Northwest in an April 21 editorial. A study team had come up with five possible solutions: 1) if no action was taken and electrical rates remained high, it was likely that nine of the Pacific Northwest aluminum plants would close, jobs would be lost and electrical rates would go up for other customers; 2) direct-service industries, like aluminum plants, were currently guaranteed only 75% of the power they required, but if these plants were guaranteed only 50% of the power they needed, then rates could be reduced and the BPA would not have to build new power plants immediately; however, eventually the surplus would be used up and aluminum plants might have to find more expensive power elsewhere; 3) direct-service industries could be paid to make their plants more efficient by conservation and modernization efforts, thereby avoiding the problem of building new power plants, but difficulties in obtaining the necessary financing to modernize aluminum plants hampered that option; 4) tying electrical power rates to the global price for aluminum would mean that electrical rates would drop when aluminum prices were low, but this option did not ensure stability in BPA revenues and would be hard to administrate fairly; 5) direct-service industries could purchase power from other sources, such as B.C. Hydro in Canada, but B.C. Hydro had already informed the BPA that it could only supply a limited amount of power, and the BPA could be stuck with excess power it couldn't sell to aluminum plants and no way to pay back the federal government for its long-term investment in the power system. [137]

More than 3,200 people crowded into the Columbia Falls High School on April 22 in support of keeping the ARCO plant open. The meeting was sponsored by the BPA in order to gauge public opinion over possible rate-relief options for the aluminum industry in the Pacific Northwest. The fire marshal sent away more than 100 people as the crowd spilled into the lobby and lined the balcony at the high school gym. George Eskridge had expected no more than 2,000 people to show up. "It made an impression on us," he said. Bob Ratcliffe, a BPA deputy administrator, said he was "overwhelmed" by the "absolutely magnificent" gathering and added, "This has to be the crown jewel of the 13 meetings BPA is holding in the Northwest." Gov. Schwinden was interrupted by applause several times during his speech as he urged the BPA to lower power rates for aluminum producers. [138] Mark Smith, representing Sen. Baucus, called the event "one of the most important public meetings in Columbia Falls history." Ben Cohen, a state legislator from Whitefish, said, "I don't think we have to be ashamed of providing power subsidies for the aluminum industry to compete in the world market." John Harp, a state legislator from Kalispell, argued that "it's important that we make sure this plant stays solvent" to help the local economy. Morris Brusett, a Montana representative on the Northwest Power Planning Council, argued, "It makes no sense to us to send current power surplus down the line to California while our industries are being shut down." [139]

Mayor Allison presented a petition with 6,000 names of people supporting lower power rates for the aluminum industry. Roger Elliot, a former state senator from Columbia Falls, presented a copy of a resolution he sponsored in the 1983 Legislature calling for lower BPA power rates. AAC Plant Manager Bob Sneddon explained that low power rates were needed to make the plant attractive to potential buyers. Steve Olson of Norwest Bank in Kalispell described the impact on the community and local economy of layoffs by Boeing in Seattle, arguing, "I don't think it has to happen here." Flathead County Commissioner Allen Jacobsen said, "It's hard for me to comprehend the sales of surplus electricity to areas out of the Northwest at one-half the cost charged to customers in the Northwest." Commissioner Henry Oldenburg pointed out, "The federal government made a contract with the people of this valley and we don't like broken contracts. We've just begun to fight." Sheriff Chuck Rhodes explained that if the ARCO plant shut down, it would mean a 12% budget cut and a loss of 10 law enforcement personnel. Rhodes added that plant employees served on volunteer emergency services, and cited Jack Thompson as an example. [140]

Aluminum Workers Trades Council President Marvin Torgerson noted that the average age of ARCO workers was 41 years old with 13 years of service. "We are too young to retire and getting to the age when it's difficult to find work in today's job market," he said. Group organizer Judy Berardi said, "We want to save the quality of the life that we have in Flathead County." She explained that if the ARCO plant closed, her husband would lose his job, her business would be hurt, her utility bills would go up, her property taxes would go up, and her son's school would lose money. Mary Moe, representing the School District 6 Education Association, pointed out that closing the aluminum plant would mean a loss of 10% to 15% of the school staff over five years since the plant paid about $2.5 million toward education in the valley. Jim Wagner of Bigfork reminded the BPA officials of efforts to reduce power consumption by residents. “We have conserved and we’ve done all you’ve asked of us, yet our rates are now increasing even faster,” Wagner said. “We have learned to cut back. Will you?” In reference to the failed nuclear plants that the BPA invested in, Steve Cox of Kalispell said simply, “Whoops (WPPSS) is an expression of a mistake, and it’s yours, not ours.” Ed Grogan, of the Whitefish Chamber of Commerce, pleaded, “We all should be willing to sacrifice 15 to 20 percent (higher power rates) to keep this industry alive.” [141]

Gov. Schwinden and other speakers urged the BPA to lower power costs to aluminum producers in the Pacific Northwest. “Without significant long-term electricity rate reduction, the Columbia Falls plant will close,” Schwinden told the crowd. He described the plant as “vital not only to the economic health of Columbia Falls and the Flathead Valley, but also to western Montana and the entire region. Loss of the plant would clearly be an economic disaster.” Schwinden called for immediate action by the BPA and explained that a decision by next year would be too late to save the plant. Bob Sneddon told the crowd ARCO was trying to locate a buyer for the plant. “Fair, competitive and stable power rates will make this plant more attractive to a potential buyer,” he said. “If a buyer is not found, this plant faces closure.” The success of the turnout, the largest gathering in Columbia Falls history, was largely attributed to efforts by the We Want The Plant group. The group also sent four members to a similar BPA-sponsored meeting in Spokane, where Judy Berardi described the efforts by the Columbia Falls group. She received the loudest applause of all 43 speakers at the Spokane meeting. [142]

Three days later, Brian Kennedy described the gathering in an editorial. The 3,200-plus people who crowded into the gymnasium made up the largest public gathering in Columbia Falls history, he said. “Only a few football games here have attracted more of a crowd,” he said. The half-dozen BPA officials “looked rather small and a bit uncomfortable on the podium,” Kennedy noted. “With 3,200 pairs of eyes and ears trained on them, that’s understandable.” He pointed out that only 27 people showed up at a similar meeting in Salem, Ore. The impact of the meeting, Kennedy believed, should be significant on both the BPA and ARCO. The oil company’s reputation in Montana had declined after the company abruptly closed copper operations in Butte and Anaconda. The role of the BPA in the future of the aluminum smelter in Columbia Falls was now well known to the residents of Flathead County. [143]

Finding a new owner

Following the April 22 public hearing, Judy Berardi and volunteers from We Want The Plant traveled throughout the Pacific Northwest delivering their message. They met for

45 minutes with BPA Administrator Peter Johnson, a person they hadn't expected to see. He told them not to give up in their efforts to save the plant and that public input was needed to sway congressmen to back any decision the BPA might make to provide lower electrical rates for aluminum plants. Every aluminum plant in the Pacific Northwest was losing money, he told them. The group also traveled to a BPA-sponsored public hearing in Spokane attended by 675 people and to The Dalles, where the aluminum smelter had been shut down since December 1984 putting 700 people out of work. Berardi described what she saw in The Dalles. "There was total despair and hopelessness," she said. "We talked to people who had lost their homes and some whose friends had committed suicide." But the BPA hearing in The Dalles only attracted 132 people and another in Portland only attracted 69. More than 3,200 people attended the hearing in Columbia Falls, the largest in BPA's history and more than the combined total for the 450 hearings the BPA had held in 1984. [144]

In an April 25 letter to the Hungry Horse News, Ed Hula predicted the ARCO plant would close down soon. He pointed out that the people in Butte, Anaconda and Great Falls were surviving without ARCO and suggested that the city of Columbia Falls start negotiations to take over one or two of the aluminum plant's water wells for the city water system. [145] In a May 2 letter, state Rep. Mary Ellen Connelly congratulated all of those who helped support the ARCO plant at the April 22 hearing. Connelly suggested that the best alternative was for the BPA to charge aluminum smelters lower rates in exchange for increasing their share of interruptible power. Connelly also called for effective conservation efforts by direct-service industry customers. "If the DSIs make it through the next five years, we will be running out of surplus, so we must begin building in new resources, of which conservation is the cheapest," she said. In his May 2 letter, Mike Kessler commented on remarks made by Ed Grogan at the BPA hearing. Kessler noted that Grogan had suggested residents pay 15% to 20% more for power in order to help the ARCO plant continue to operate. Kessler agreed that he wanted to see the plant continue operating, but he believed other alternatives existed in the BPA's draft study. Kessler also noted that Gov. Ted Schwinden opposed any solution that raised the rates for residents. [146]

In a May 2 editorial, Brian Kennedy questioned ARCO's plans to save the plant after the community tried so hard to influence the BPA. "After last Monday's meeting, most wondered if it had done any good," Kennedy said. "Will the plant shut down anyway, despite our efforts? Does ARCO feel any obligation to the Flathead Valley and the thousands of people living here? Are you willing to help us?" Kennedy wanted to know if ARCO was seriously searching for a new owner for the plant, and whether ARCO was willing to approach the BPA on the community's behalf in support of lower, more stable power rates. [147]

By May 2, organizers of the grassroots effort to save the plant had begun planning for a trip to Washington, D.C. on May 13. Originally called We Want The Plant, the group was now organized under the name People For Jobs as it became a region-wide organization. Judy Berardi, Don McMillan and possibly a third representative planned to lobby in Washington for lower BPA power rates, immediate rate relief and an acceleration of the BPA rate option study. “One year from now is two years too late for The Dalles (shut down in December) and will be one year too late for the rest of the aluminum industries,” Berardi said. Gov. Schwinden was already in Washington trying to “open some doors” in preparation for the community group. The group hoped to meet with U.S. Energy Secretary John Herrington and the region’s congressmen. Two or three representatives from other areas with aluminum plants would also be lobbying in Washington. The Columbia Falls group also planned to enlist the aid of former Interior Secretary Cecil Andrus to help them spread their message to the region’s media. So far the group had gathered 21,000 names on their petitions. [148]

Five days after Kennedy questioned ARCO’s efforts in a Hungry Horse News editorial, ARCO Aluminum President Marlan Boultinghouse came to Columbia Falls to assess the situation at the aluminum smelter. He assured plant managers and union leaders on May 7 that no deadline existed for selling or closing the plant and that ARCO was making an effort to find a buyer for the plant in order to keep it from closing down. Boultinghouse said ARCO had contacted 16 potential buyers in three countries since February 1985. With aluminum selling at only 55 cents per pound, power rates needed to drop substantially for the plant to stay viable, he said. Boultinghouse had also met with Mayor Allison, who was chairperson of the People For Jobs committee. Allison said after her meeting that Boultinghouse was impressed with the community support and urged residents to continue lobbying the BPA for electrical rate reductions. Boultinghouse had plans to join Mayor Allison and union leader Marvin Torgerson in a May 9 meeting with Gov. Schwinden. [149]

On June 20, 1985, the Hungry Horse News reported that ARCO Chairman Robert Anderson planned to recommend to his board of directors on June 24 that the aluminum plant in Columbia Falls should be handed over to the plant’s employees if a buyer could not be found. The plan called for giving 90% ownership to the employees and 10% to an aluminum company other than ARCO. Anderson had told the Montana congressional delegation about his plan on June 19, and Sen. Melcher had relayed the information to the newspaper. According to Melcher, the idea was made initially by Brack Duker, a former ARCO executive who headed an effort to purchase the plant. “Duker is confident the Columbia Falls plant is competitive and there for the long haul,” Melcher said. “Anderson said he has a great deal of respect and confidence in Duker’s judgment.” He added that Anderson had not been able to find a buyer for the plant despite a diligent effort by ARCO. There had been little interest by potential buyers, and only two representatives from Norsk-Hydro had toured the plant. Melcher described the news as "very encouraging and reassuring" in light of the news coming out of Butte and Anaconda in the past few years after ARCO shut down operations there. Bob Sneddon said he was surprised by the announcement and cautioned workers at the plant that the employee ownership proposal "is in its infancy and that there are hundreds of details to be worked out before it could become a reality." [150]

ARCO was expected to announce its decision on June 28, 1985, for two proposals it had been reviewing for acquisition of the aluminum smelter in Columbia Falls – one by Duker and another by a Dallas-based metals company. ARCO officials declined to name the Texas company. Duker, an ARCO employee for 10 years, had explained his takeover proposal to Montana's congressional delegation earlier in Washington. If his proposal was acceptable, Duker had 45 days to organize an investment corporation and raise $10 million to $20 million in working capital. ARCO would recover its investment in inventory and accounts receivable and would loan the new company $8 million to $9 million in working capital. Duker's plan was for the Columbia Falls plant to process alumina ore for other companies, which would allow the plant to operate with lower costs and eliminate the need for long-term alumina supply contracts. [151]

Duker said the plant's success in the future hinged on three elements – power rates, freight costs and labor costs. He told the Hungry Horse News on June 25 that his takeover plan provided for "majority equity participation" by both hourly and salary workers in the form of profit-sharing or common stock. "I have no intention of asking employees to dig into their own pockets in this deal," Duker said. "That's not the way it will be set up." He also said he would not attempt to manage the plant and would retain the same management team currently operating the plant. "My role would be to work on negotiating contracts with customers and in the financial transactions necessary to set up the operation," he said. If ARCO turned the plant over to him, he would resign from the company and possibly look at working in real estate in Columbia Falls and Kalispell, but he pointed out that his proposal was only a "concept and general set of proposals" at the time and there were "many uncertainties" ahead. [152]

While the public mulled over this news and Duker hustled to find financing, Flathead locals learned about a new potential buyer. In late July, it was reported that the Revere Smelting Reduction Co., which operated a lead recycling plant in Dallas, Texas, had approached ARCO about purchasing the Columbia Falls plant. The Hungry Horse News reported that Revere had a checkered past stemming from numerous battles between the company and state and city governments over lead emissions and contaminated soil around Revere's plant in Dallas. After looking at the records, Mayor Allison said that she would rather see the Columbia Falls plant close than have Revere take over. [153] But Revere wasn't actually at the top of ARCO's potential buyers list in July. On Aug. 1, ARCO sold its stake in Alpart, an alumina refinery in Jamaica jointly owned by ARCO, Kaiser and Reynolds. [154] The joint venture was created in 1966 to include bauxite mining and alumina refining – the Anaconda Company's first move into bauxite and alumina as a producer, and its equity and share in the refinery's output neatly matched its primary capacity in Columbia Falls. [155] Selling its Alpart stake was part of ARCO's overall effort to get out of the aluminum industry – but it was also part of the oil company's strategy to divest itself of the Columbia Falls smelter and sell the plant to Brack Duker and Jerome Broussard. [156]

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