US Steel to close plant in Lorain, Ohio and lay off 756 workers

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The US Steel Corporation announced this week that it will "idle" its steel making plant in Lorain, Ohio and lay off a total of 756 workers, including 614 workers in Lorain and another 142 workers at a plant in Houston, Texas. The Pittsburgh, Pennsylvania-based company blamed the falling price of oil, currently around $50 a barrel, for the closing of the Lorain mill, which makes pipes and tubes for oil drilling and hydraulic fracturing, also known as "fracking."

The energy sector, which has enjoyed a temporary boom from shale discoveries and rising crude oil production, accounts for 10 percent of steel consumption in the US. US Steel is the largest supplier of steel for pipelines and oil rigs in North America and so-called oil country tubular goods (or OCTG) are its most profitable products.

With the US benchmark price for crude dropping more than 50 percent since June drilling is expected to fall 20 percent a year, according to the Citigroup analysts. The idling of the Lorain and Houston mills comes five months after US Steel said it was halting production at two unprofitable tube mills in McKeesport, Pennsylvania and Belleville, Texas.

The first layoffs will begin on March 8 and continue through May, according to a letter from US Steel to the United Steelworkers. The job cuts are a further blow to Lorain, an industrial town close to Cleveland and on Lake Erie, that has long been hard hit by downsizing in the steel and auto industries.

The news of the plant closure and resulting layoffs underscores the true nature of President Obama's "economic recovery." Corporations are raking in record profits and investors have made fortunes through stock market and energy speculation, chiefly fueled by the Fed's policy of virtually free credit, while the working class has faced an unrelenting assault on its jobs and living standards.

US Steel expanded its Lorain Tubular Operations in 2010, hiring hundreds of workers at the plant because of its close proximity to the Appalachian Marcellus shale deposits that include parts of Ohio, West Virginia, Pennsylvania and New York.

In a letter to Lorain workers, Tom McDermott, president of United Steelworkers 1104, said, "The company has suddenly lost a great deal of business because of the recent downturn in the oil industry. What appeared just a few short weeks ago as being a productive year has most abruptly turned sour." Predictably, the USWA, which has collaborated with the steel bosses' attack on workers for decades, blamed the job losses on "dumping" by Korean and other international steelmakers in the US market.

US Steel, after suffering five straight years of losses, has invested heavily on steel pipes and tubes for oil exploration. The company's OCTG division posted an operating profit of $140 million during the first nine months of 2014, compared to $23 million from the same time frame in 2010. Anticipating losses, big investors have punished domestic steelmakers in recent months, with US Steel losing 50 percent of its capitalization during just one month late last year.

The recent layoffs follow those by Republic Steel in the same area, Lorain, last September when the company laid off 105 workers at its mill blaming production costs. This was in addition to 100 workers who were laid off at its plant in Canton where the company cited "overcapacity" at the Lorain plant as the reason for the layoffs.

Despite those job losses, Republic Steel was awarded state and city tax breaks including a 15-year tax credit worth $4.6 million approved by the Ohio Tax Credit Authority in 2012. The Ohio Controlling Board also approved a $500,000 grant and the City Council also approved $5.9 million in tax and water rate breaks. The company also received a six-year, $40 million "energy

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incentive" from the Ohio Public Utilities Commission.

The United Steelworkers of America held a rally last May in Lorain to denounce South Korea and call for protectionist measures on tubular products from foreign competitors. The union was joined by company officials affiliated with the joint labor-management Alliance for American Manufacturing, as well as Democratic and Republican senators.

The USWA has long promoted economic nationalism and chauvinism to cover up its complicity in the attack on the steelworkers it ostensibly represents. During the 1990s, USWA International President Leo Gerard, advised by Ron Bloom, a former Wall Street investment banker and later President Obama's "manufacturing czar," worked with billionaire Wilbur Ross and speculators to shut down large portions of the steel industry and boost profits by slashing the jobs and pensions of hundreds of thousands of workers.

The union is currently engaged in the company's campaign of ruthless cost cutting known as "The Carnegie Way" after the 19th century robber baron who founded the steel monopoly. This has already led to more than a half billion in savings.

The metropolitan Cleveland area, which includes Lorain, has been devastated by decades of deindustrialization. In 1979, total private employment was 780,000 but fell to 675,000 by 1993, a 13 percent drop. Manufacturing jobs fell from 280,000 in 1979 to less than 190,000 in 1994, a drop of 40 percent.

The largest losses included 19,700 jobs in non-electrical machinery, 15,200 in fabricated metals, and 13,300 in transportation equipment. US Steel closed its Cleveland plant and merged its Lorain operations with Japanese Kobe Steel in 1989. The break up of the USS-Kobe deal ten years later led to the split up of the Lorain operations. The steel bar mill was sold off to Republic Steel, which shut down the blast furnace, and with the complicity of the USWA, significantly reduced its workforce. The tubular operations, retained by US Steel, is now being idled.

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