U.S. Steel actions rile union, River Rouge; Firm files for tax cut; grievances skyrocket.(News).Terry Kosdrosky. *Crain's Detroit Business* 20.44 (Nov 1, 2004): p3. (1052 words)

Byline: Terry Kosdrosky

Both the city of River Rouge and a union are questioning the corporate neighborliness of the steel giant they once saw as a savior for the area.

U.S. Steel Corp., which owns the 1,110-acre Great Lakes Works in Ecorse and River Rouge, is seeking a 60 percent reduction in its property taxes. River Rouge Mayor Greg Joseph said that would amount to "financial suicide" for the city. A hearing in front of the Michigan Tax Tribunal is scheduled for February.

Meanwhile, the United Steel Workers of America has 2,000 outstanding grievances with the company - and the company has handed out hundreds of five-day suspensions, according to the union. The USWA represents 2,200 workers in the mill. Harry Lester, director of USWA District 2, said 200 grievances a year were typical when National Steel Corp. owned the mill. U.S. Steel bought National Steel out of bankruptcy in May 2003.

More importantly, Joseph and Lester say, a cooperative spirit is lacking.

"I told the plant reps that when they first came here, they didn't ever say, `Hello, we're your new neighbors,' " Joseph said. "There was never even an attempt to get acquainted to discuss any of the issues prior to their filing (with the tax tribunal). They've been very hard-nosed."

Lester said he's had a similar experience.

"We went all out to get U.S. Steel to purchase National when we had AK Steel vying for the company, too," Lester said. "They've done everything they could to destroy the relationship we built up with National Steel. Same goes for how they treat the cities. As far as I'm concerned, they're bad corporate citizens."

U.S. Steel said its investments show what a good corporate citizen it is. U.S. Steel paid $1.1 billion for National, saved about 3,000 local jobs and is investing millions in improvements, said D. John Armstrong, manager of public affairs for U.S. Steel. It also tried to work with the city before filing its claim before the tax tribunal, he said.

The simple fact is that U.S. Steel paid much less for the Great Lakes property than its assessed value.

"The law says the value is based on the value of the property, by what a willing buyer would pay for it," Armstrong said. "We are exploring how we can resolve the situation while minimizing the revenue impact to the cities."

Joseph said River Rouge and Ecorse assess the mill property at about $400 million. U.S. Steel pays about $3 million a year to River Rouge, nearly one-third of the city's $10 million budget. U.S. Steel's tax bill covers the cost of police and fire protection for a year.

U.S. Steel wants a 60 percent reduction in the value based on its purchase price, but Joseph said it's impossible to see how the property was valued in the acquisition. U.S. Steel paid $1.1 billion not only for Great Lakes, but for a mill in Indiana and a mining operation.

"They've never admitted how much National Steel valued that asset of the company," Joseph said. "They made an assumption that the National property in Ecorse and River Rouge is worth about $200 million."

A tax attorney not involved in the case said the tax tribunal judge likely will take a hard look at whether the bankruptcy-sale price reflects market value.

"That's going to be hotly contested, I'm sure," said Jerome Pesick, a partner at Southfield-based Steinhardt Pesick & Cohen P.C. "You have to look at the sale and whether it was an arms-length transaction and whether that reflects market price."

Tribunal judges have wide discretion. They can rule for one side or another or come up with their own solution, Pesick said.

Both Joseph and Armstrong said the sides want to work out an agreement before the hearing. Joseph said so far talks have been held "in good faith."

Lester said that's more than he's been able to get. A cooperative agreement between the union and National Steel that resolved issues outside of the grievance procedure was scrapped by U.S. Steel, he said. That process solved a lot of problems before they became grievances and prevented arbitration more often than not, he said.

U.S. Steel has issued 550 five-day suspensions since taking over the mill, according to the USWA. Workers who asked for safety equipment have been suspended, Lester said. That and other issues resulted in the grievances.

"They basically said, `We'll call you when we need you,' " Lester said. "I'm not used to working that way. I've never dealt with a company like this before."

Armstrong said the company won't discuss its grievance procedures. But he said U.S. Steel needs to make the mill competitive. He also said the transition from one company to another might take some time to smooth out.

Employees at Great Lakes have enjoyed profit-sharing checks and will again this quarter, Armstrong said. U.S. Steel reported net income of $350 million on revenue of $3.7 billion in the third quarter.

"The fact is National Steel went bankrupt, and we're trying our best to be very competitive," Armstrong said. "All of our plants work under the same agreements, and we're making decisions that will keep us competitive and keep good jobs."

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U.S. Steel, union local reach deal on workers at coke plant

U.S. Steel and a union local have resolved a disagreement over employees who worked for a coke plant at the Great Lakes Works in River Rouge that was taken over by a subsidiary of DTE Energy Co.

U.S. Steel initially took back only maintenance workers, which left about 90 laid off. The DTE subsidiary, EES Coke Battery L.L.C., hired about 60 of the 157 U.S. Steel employees when it took over the plant on Zug Island on Oct. 1. Though EES is offering the same pay, some employees didn't want to lose seniority.

But Rick Snay, president of United Steel Workers Local 1299, said U.S. Steel agreed to fill positions at the mill with all ex-workers in order of seniority.

About 50 workers are still laid off, Snay said. That doesn't entirely satisfy Harry Lester, president of USWA District 2. He said no worker should be laid off while the company has contract workers in the plant.

- Terry Kosdrosky

CAPTION(S):

Joseph * Lester

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