

# An Employee Ownership Bank for the U.S.?

A “U.S. Employee Ownership Bank” to foster increased employee ownership throughout the United States has been placed on the national political agenda by the U.S. House of Representatives Committee on Financial Services. Testimony before the Subcommittee on Financial Institutions and Consumer Credit on June 10 focused on expanding employee business ownership in the United States and providing incentives to financial institutions for loans to employees to create ESOPs and worker cooperatives.

The hearing was called at the request of Congressman Bernard Sanders of Vermont to consider a draft legislative proposal to create an Employee Ownership Bank within the U.S. Treasury Department. The United States has lost millions of good-paying manufacturing jobs in just the last few years. The proposal is an effort to combat that negative trend by helping American workers buy their facilities, educating them in employee participation strategies so they can be competitive, and anchoring capital locally in the process.

The proposed U.S. Employee Ownership Bank Act would provide for grants to states, non-profits and cooperative organizations with experience in developing employee-owned businesses and worker-owned cooperatives to provide education, outreach, technical assistance and employee participation training. The proposed Act would also provide for third-party prefeasibility and feasibility studies to determine if the business would be profitable. In addition, the Act would make available loan guarantees or subordinated loans to help employees purchase viable businesses.

Steve Clem, Senior Program Coordinator at the Ohio Employee Ownership Center, testified as part of a panel that included J. Michael Keeling of The ESOP Association; Jim Megson, ICA Group; Frank Adams, Southern Appalachian Center for Cooperative Ownership; and Richard Dines, National Cooperative Business Association. Testimony from this group concentrated on their respective programs and ac-

tivities, the rationale for and benefits of worker ownership and the need for federal policy to encourage employee ownership.

A second panel presented success stories of existing worker owned companies along with stories of failure that might have been prevented if a U.S. Employee Ownership Bank had been in existence. Success stories were related by George Ray, LeFiell Manufacturing, Santa Fe Springs, CA, and Sherry Ceresa, Gardener’s Supply Company, Burlington, VT. On the other side of the coin, the availability of friendly and timely financing could have made a happier outcome for the efforts of Dave McCune, at Massillon Stainless, Massillon, OH; Larry Owenby, Paper, Allied – Industrial, Chemical and Energy Workers International Union (PACE), at RFS Ecusta, Brevard, NC; and for Monty Payne, PACE, at International Paper, Natchez, MS. The OEOC worked closely with Dave McCune in his efforts to save the stainless steel facility in Massillon. His statement is profiled in the accompanying story on this page.

Passage of the U.S. Employee Ownership Bank Act would allow the OEOC and other support organizations to more fully and effectively achieve their core mission of broadening employee ownership by providing a needed financing source to help employees buy the facilities where they work rather than see them close and the production move elsewhere. Every year, OEOC technical assistance sees at least one otherwise viable employee buy-out fail because of a lack of timely, friendly financing. A United States Employee Ownership Bank could help remedy that situation.

The testimony of all parties can be found on the Financial Institutions and Consumer Credit Subcommittee web site – <http://financialservices.house.gov/hearings.asp?formmode=detail&hearing=226&comm=3>. Sanders is now seeking House and Senate sponsors for the proposal. **OAW**

## Bank Could Have Saved Massillon Stainless

*David K. McCune*

*Statement to The Financial Institutions & Consumer Credit Subcommittee of the Committee on Financial Services, U.S. House of Representatives on The U.S. Employee Ownership Bank Act, Washington D.C. June 10, 2003*

Good afternoon, I am David K. McCune, United Steelworkers Local 1124-01 Unit Chairman representing the employees of a longstanding stainless steel cold rolling facility last known as Massillon Stainless Inc., located in Massillon, Ohio.

I am here today to provide you a history of our facility, along with a brief summary of our ongoing efforts to save and reopen the facility in which we worked. We have fought for the last several years to keep our facility operational, not only because of our jobs there, but also because we believe we fight for a piece of American history.

The facility in which we worked was originally part of the old Republic Steel Corporation. We were known as the Enduro Division of Republic Steel. Our facility was the first all-encompassing manufacturer of stainless sheet and strip in the United States. At one time, it had the ability to produce stainless sheet and strip in widths ranging from 3/8” to 60” wide, and in gauges from .009 to .310. For many, many years we were the only stainless facility in the world with 60” capability.

We consider our plant as part of the history of America. The product that was manufactured in our facility over these

past many years contributed to some of the most famous landmarks of our nation, and aided in the arming of our forces during war, along with supplying normal everyday businesses.

If you ever had the opportunity to visit the former World Trade Center, the shiny stainless steel in that big, beautiful, lobby was produced in our facility.

If you ever visited the Empire State Building, the shiny stainless steel trim was produced in our facility, not to mention some of the unseen heavy construction material.

We produced the shiny ornamental stainless you see in and on the Chrysler Building as well.

These are just a few examples of our contribution to our nation's history.

Our facility also contributed to the arming of our fighting forces in WWII, Korea, and Vietnam. The workers in our facility feel that through the production of high quality stainless armor plate, we have contributed not only to our nation's freedom but also to the freedom of many other nations of the world.

And as I mentioned earlier, our product is seen by nearly all of you, depending on your health, and your eating habits, on a weekly if not daily basis. When you are sick and need care, many, many of the hospitals and doctors' offices east of the Mississippi river utilize stainless steel produced in our facility. Anywhere you might see stainless in a McDonald's Restaurant built prior to 1999 east of the Mississippi River, it was more likely than not produced in our facility.

So I believe you might understand, with our contributions to our nation's building history, our contribution to our forces in time of war, along with our contributions to people's everyday lives, why we are proud of, and willing to fight for, the continued existence of the facility and our jobs there.

Because so many of us are second and even third generation steelworkers of the facility, we believe we fight for our fathers and grandfathers as well as a piece of American history. A history that not only we, but a history that our fathers, grandfathers, and yes, even our some of our grandmothers contributed to through these many, many years of stainless production in Massillon, Ohio.

It is because of our willingness to fight for survival that I am here today. Had an Employee Ownership Bank existed last year when I was first made aware of the financial position of the company, we would still be in operation today rather than hoping and praying that our last interested entity steps forward, purchases the facility, and in the process saves our jobs and a piece of everyone's American history.

I will share with you a brief story of our most recent efforts to save the facility, along with why I believe we were unsuccessful, at least to this point, in saving the facility.

Last April through a joint Labor/Management Steering Committee, the employees were notified that the company's financial position was eroding and that cost-cutting measures would need to be implemented. Ever since the initial purchase of the facility by Jindal Strips Ltd., I had been inquiring about their interest in an ESOP, but I believe due to our cultural differences, the ownership remained unwilling to explore shared ownership with the employees. You see, Jindal is a company from India where employee involvement is, well ... taboo.

Most people were amazed I was able to get the manage-

ment group to involve themselves in a team-based work system; and no one was surprised when I could not convince them to share in the ownership of the facility. But in July of last year management approached me to explore the possibility of an ESOP.

It was at this time we requested representatives of the Ohio Employee Ownership Center come to the facility and explain the *how's* and *why's* of ESOP companies. At that meeting, it was decided to do a pre-feasibility study and that its findings would determine what course if any could be taken to save the facility and our jobs. The pre-feasibility study rendered a decision that the Company had waited too long, the business was now in dire straights and an ESOP was not an option. It was also at this time our efforts became a "Save The Facility" effort through the hopeful identification of a Strategic Partner.

We followed guidelines set forth by the OEOC, and after interviewing several firms it was jointly decided that Locker Associates headquartered in New York City presented us the best opportunity to identify a potential strategic partner. With funding from the OEOC, generous donations by the City of Massillon, and help from both the District and Local Union, we were able to retain Locker Associates to begin the search.

Locker Associates contacted many entities and was in the process of identifying a potential partner when the Owner/CEO of Jindal Strips Ltd. arrived at the facility last September and informed everyone he no longer desired to be part of the facility in any capacity, and shortly thereafter announced the impending shutdown of the facility.

At this point the effort to save the facility by identifying a purchaser became an "Employee Only" effort.

Rather than bore you all with the many ups and downs we have endured these past several months, I will give you but one example of why I believe we would be operational today had an Employee Ownership Bank existed. Locker Associates identified a long-standing domestic company that was willing to purchase the facility and include the employees in ownership, but because of the general financial climate in the steel industry at the time, this entity was unable to identify a lending institution willing to invest in a shut down stainless cold rolling facility.

Ladies and gentlemen, it is at this point that I truly believe had the proposed Employee Ownership Bank existed we would have been able to jointly purchase our facility in a partnership with this entity. But because no such vehicle exists, I find myself out of work and hoping that our last interested party will step forward and purchase the facility and save our jobs.

Should they decide to not purchase, our jobs and our piece of American history will cease to exist forever. The site will be razed, the equipment sold, most likely to a Third World nation, and the machinery that has produced material that has fought three wars, aided in the construction of some of this nation's most notable buildings and landmarks, will be producing stainless steel in another county only to be shipped back into our country at the cost of American manufacturing jobs.

I appreciate everyone taking the time here today to listen to the story of our plant, and of our most recent fight for survival, but most importantly you are here today to hopefully take a giant step in the direction of creating a vehicle that will help workers of this nation help themselves now and in the future. **OAW**