



Cornell University  
ILR School

Labor Research Review

---

Volume 1 | Number 9  
*Labor Tackles the Local Economy*

Article 9

---

1986

## Reindustrialization From Below: The Steel Valley Authority

Mike Stout

---

This Article is brought to you for free and open access by DigitalCommons@ILR. It has been accepted for inclusion in Labor Research Review by an authorized administrator of DigitalCommons@ILR. For more information, please contact [catherwood-dig@cornell.edu](mailto:catherwood-dig@cornell.edu).

© 1986 by Labor Research Review

---

## Reindustrialization From Below: The Steel Valley Authority

### Abstract

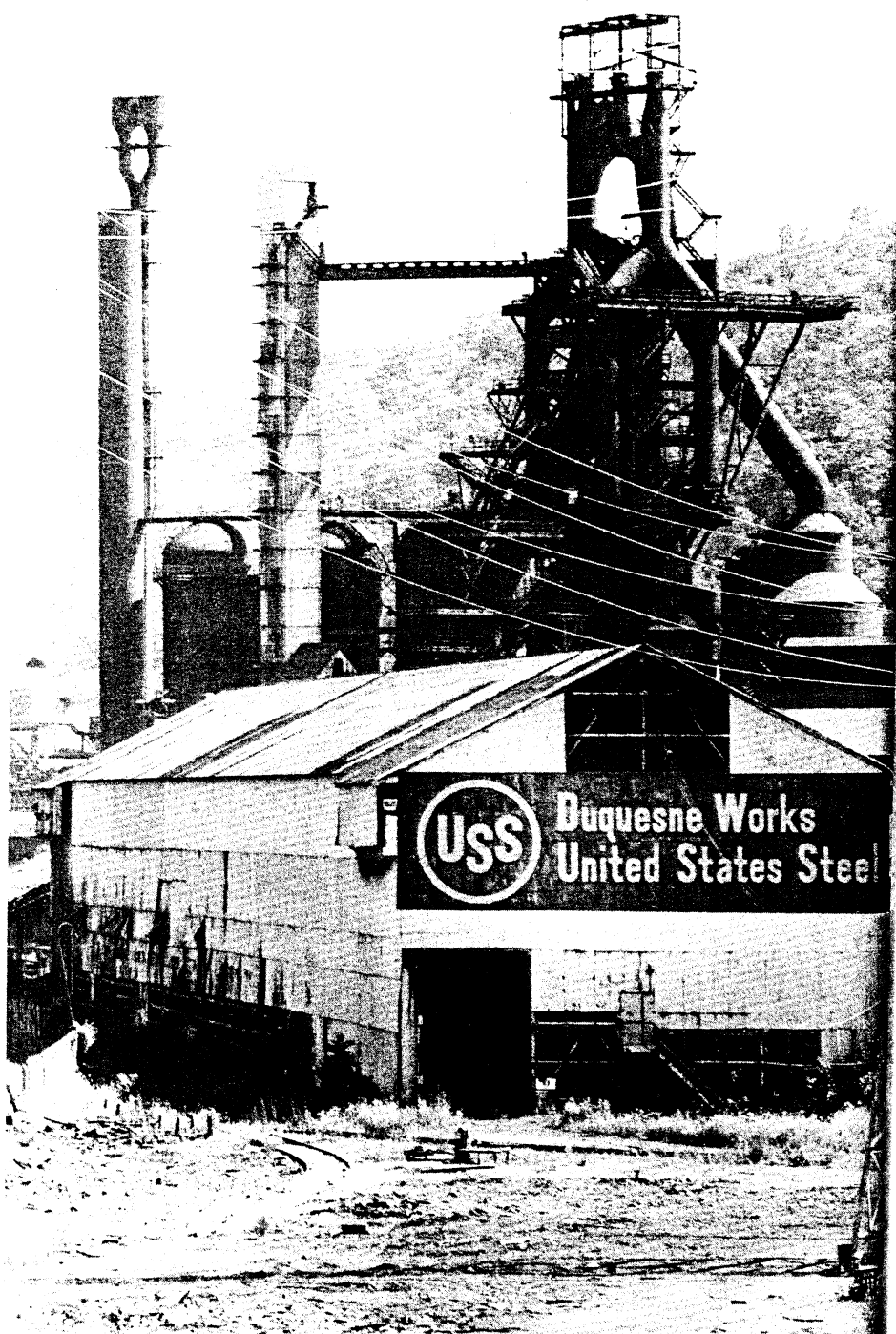
[Excerpt] Trade unionists and community residents determined to save the Monongahela Valley have succeeded in forging an effective instrument for waging their struggle. In January 1986 the Steel Valley Authority was officially incorporated by the State of Pennsylvania. Its board includes representatives of nine municipalities, including the city of Pittsburgh. In the months since the Authority was launched, its power, including the power of eminent domain, has been used to pressure corporations not to abandon manufacturing plants in the Mon Valley region. The fight to reindustrialize the Pittsburgh area is fairly joined, and victory is a real possibility.

It took nearly five years of education and patient organizing to establish the Steel Valley Authority (SVA). Other communities around the country, suffering similar problems of capital flight, have much to learn from the story of the campaign to establish the SVA. But the most important lessons are easy to tell: You can win community support for the idea that deindustrialization is not inevitable. You can mount a viable struggle to preserve your community's industrial base.

In this article, I will describe our five-year campaign to win public support for our approach to reindustrialization.

### Keywords

Monongahela Valley, Pennsylvania, Steel Valley Authority, SVA



Duquesne Works  
United States Steel

# Reindustrialization From Below

## The Steel Valley Authority

■ *Mike Stout*

Trade unionists and community residents determined to save the Monongahela Valley have succeeded in forging an effective instrument for waging their struggle. In January 1986 the Steel Valley Authority was officially incorporated by the State of Pennsylvania. Its board includes representatives of nine municipalities, including the city of Pittsburgh. In the months since the Authority was launched, its power, including the power of eminent domain, has been used to pressure corporations not to abandon manufacturing plants in the Mon Valley region. The fight to reindustrialize the Pittsburgh area is fairly joined, and victory is a real possibility.

It took nearly five years of education and patient organizing to establish the Steel Valley Authority (SVA). Other communities around the country, suffering similar problems of capital flight, have much to learn from the story of the campaign to establish the SVA. But the most important lessons are easy to tell: *You can* win community support for the idea that deindustrialization is not inevitable. *You can* mount a viable struggle to preserve your

- 
- *Mike Stout is grievance chair of USWA Local 1397 at USS Homestead Works, which was recently shut down. He is a member of the boards of the Tri-State Conference on Steel and of the Steel Valley Authority.*

community's industrial base.

In this article, I will describe our five-year campaign to win public support for our approach to reindustrialization.

### Why Reindustrialize?

Our efforts are based on the belief that saving basic industry is essential not only to maintain a decent standard of living for Mon Valley residents, but also to produce the steel and other products necessary to upgrade roads, bridges, waterways, and other parts of our rapidly deteriorating national infrastructure.

The loss of industrial jobs has a devastating domino effect which is undermining the entire American economy. According to a recent study, when you lose 1,000 manufacturing jobs, you lose an additional 1,000 jobs in the service economy. You put the following service companies out of business: 17 eating places, 13 food stores, 11 gas stations, 6 apparel shops, 3 automobile dealerships, 2 hardware stores, 2 drug stores, 1 sports store, 1 jewelry store, 17 doctors and 5 dentists, and an unknown number of teachers, government employees, etc.

This process of job loss and overall economic deterioration is what we have been witnessing in the Mon Valley the past 10 years. From our experience we know that there can be no "high-tech society" without an industrial base. There can be no research and development without industries to apply the new technology.

Nearly all the jobs that have replaced the lost industrial jobs in the Mon Valley are "minimum wage," mostly in the fast-food chains. And at \$3.35 an hour, you have to work 80 hours a week just to make what you were getting from unemployment insurance. Obviously, both our purchasing power and our standard of living are declining in tandem—each reinforcing the other.

But much as we believe it's essential to save basic industry, we know the "private sector" alone can't do the job. The American economy now works against continued corporate investment in steel and other basic industries. The strong dollar, high long-term interest rates, and the availability of slave-wage labor in Third World countries have combined to make profits in manufacturing lower than rates of return in other industries. We know that the steel companies will never revitalize the steel industry. The huge sums necessary to modernize steel mills can only come through the federal government.

On the other hand, who can imagine a steel industry run by the likes of Ronald Reagan or Jimmy Carter? The mere thought is repulsive to most sane people. *The mills must be owned and*

controlled at the local level, with workers and communities having a say in the decisions that directly affect their lives.

### The Tri-State Strategy

Back in 1981, the Tri-State Conference on Steel—a coalition of community and union activists, church people and local government officials—began to formulate a plan for the creation of a Steel Valley Authority (SVA). Our idea was modeled on the Tennessee Valley Authority, but its design was significantly different in that the SVA would have local representatives and be regionally controlled.

The SVA was designed to serve both the economic and political objectives of Tri-State. It has the legal authority to acquire abandoned but viable manufacturing facilities, raise funding for their purchase and renovation, sell them to new owners or operate the renovated plants itself. It is a mechanism that can give workers and communities a direct say in how capital should be invested in the Pittsburgh area. As I explained in *Labor Research Review* #3 (Summer 1983), an SVA with the power of eminent domain:

opens up the door to the political arena for working people and their allies in the communities and churches. It allows them to stand squarely on center stage and become active participants, instead of passive bystanders.

Legally, the Tri-State strategy was hinged on a Pennsylvania law enacted in 1945, The Municipal Authorities Act, which stated that a public authority has the power to acquire "industrial development projects by eminent domain, including projects to retain and develop existing industries." Several important court decisions since 1981 have reinforced this public right of government to forcibly buy private property and use it for the public good. Most notably, in 1984, the U.S. Supreme Court upheld the State of Hawaii's acquisition of large privately owned landholdings and their subsequent redistribution to tenant farmers.

With our old Pennsylvania law and with recent advances and legal precedents in the use of eminent domain, the stage was set for testing our theories in the real world of depressed Mon Valley communities. All that was needed was to convince local borough officials, with grassroots pressure, to establish the SVA. Our earlier efforts to use the tactic of eminent domain to save plants in this area (at Crucible Steel, Nabisco and Mesta Machine, described in *LRR* #3) only reached the stage of failure or success on the *threat* to use it. None of these struggles ever reached the point where

an authority was actually created with the power and ability to see it through.

Convincing local governments to take such a radical step was no easy task, especially in view of the strong economic and political hold U.S. Steel and Mellon Bank have on the Valley. But we knew it was not impossible. As Professor Robert Erickson, a Tri-State board member, explained in a recent paper he co-authored:

In the milltown municipalities, public officials are generally not paying positions. These small town politicians often have personal ties through jobs, relatives, friends or neighbors with unemployed steelworkers. At the county and state, as well as at the municipal, levels the politicians know that many of the voters in their districts are union people or unemployed. . . . Most of the milltowns had been economically dependent upon one main industrial employer. Many of the municipalities were close to bankruptcy; some had actually laid off the police and fire force, turned off street lights, and failed to meet payrolls. Thus, [we] may explain the potential support for an idea like the SVA from public officials by the interpersonal political networks they occupied, and the structural constraints on the institutions they represented.

Legally, the procedure for establishing the SVA was for a municipality or group of municipalities to give official notice of intent to create the Authority, hold a public hearing at least 30 days later, adopt a formal resolution and file articles of incorporation with the state.

Once Tri-State understood the process and had laid the educational foundation in the milltowns, all that was left was a lot of hard work organizing and mobilizing to see it through. The battle to save the Duquesne Works of U.S. Steel provided fertile ground to test our theories in practice.

### **The Battle to Save "Dorothy Six"**

During the first nine months of 1984, Tri-State organizers had little success in convincing local officials and municipalities to form the Authority. While several mayors, borough councilmen and state legislators joined with us, municipalities balked at actually taking the necessary steps. "Dorothy"—the last blast furnace at USS Duquesne Works—changed that.



*...Unemployed steelworkers who winterized the Dorothy Six blast furnace at the Duquesne Works of U.S. Steel in December 1984.*

The officially announced shutdown of USS Duquesne Works was actually made on December 29, 1983, only four days after Duquesne blast furnace workers were given the prestigious "Iron Master Award" for breaking production records. Although workers were shocked and angered by the announcement, the realization that the mill would never operate again had not sunk in, and there was little protest.

But ten months later, when USS announced that it was totally demolishing the blast furnace (Dorothy Six) and the relatively modern Basic Oxygen Process (BOP) furnace, it was as though lightning had struck a sleeping giant. All of a sudden, the boroughs and workers woke up one day after being married to U.S. Steel for half a century to discover that the company had filed for divorce, packed its bags, and said, "by the way, I'm taking the house and furniture with me too." The announced demolition was the spark that lit a forest fire that was to smolder for the next 15 months, and galvanize the necessary interest to form the Steel Valley Authority.

On October 19, 1984, Tri-State organizers met with a group which included eight state representatives and senators, four Congresspersons, numerous borough officials, representatives from religious and academic circles, and representatives of the



Steelworkers' International, District and USWA Local 1256 at Duquesne. Out of this meeting, the "Save Dorothy Six" campaign developed a strategy with four objectives:

- 1) to prevent the demolition of the mill by any means necessary, legal or otherwise;
- 2) to conduct feasibility studies, paid for by the USWA and local governments, to determine the viability of the facility;
- 3) to set up a mechanism (the SVA) to take the mill from USS and transfer it to new owners; and
- 4) to secure the financing necessary to restart the mill and equip it to operate competitively.

After we had given public officials a hastily organized bus tour of the closed Duquesne Works, we won immediate support from the USWA International and the County Commissioners. The County, the City of Pittsburgh, the International, and Duquesne Light Co. pledged \$150,000 for an initial feasibility study. Winning the support of the USWA top leadership was an important step in getting the participation of the Duquesne local as well as other unions. Likewise, without the support of the County Commissioners, other political officials would have been reluctant to join the battle.

With pressure coming from all levels, and with talk spreading of a sitdown in front of the plant gates, U.S. Steel's December 10 demolition date was delayed, and a reprieve granted until the feasibility study could be completed. USS set a new demolition date of February 2, 1985.

While this gave us the time to organize support for an alternative, it also meant that the mill had to be protected from the ravages of winter weather and the possibility that USS would dismantle it a piece at a time.

With the cold winter months fast approaching, the huge steel and iron-making furnaces had to be "winterized" to prevent pipes and other equipment from cracking and being irreversibly damaged. U.S. Steel officials stated publicly they would do nothing, since their expressed desire was demolition. In December 1984 former Duquesne maintenance workers, acting on their own, entered the mill and spent five days winterizing the furnaces—without pay and with their own tools and equipment, pumping hundreds of gallons of freon into the pipes.

Obstructionist as ever, U.S. Steel forced the workers to put up a \$16,000 insurance policy in the event someone was injured. The monies for this and the supplies were fronted by the Steelworkers International and repaid later through an aggressive door-to-door

collection by the local and Tri-State, as well as through the sale of T-shirts, buttons and bumperstickers reading, "Save Dorothy! She Can Work."

As Professor Erickson stated in his paper, "Winterization was a critical and dramatic moment in the strategy to save the mill from physical damage and demolition. It drew specifically upon the skills and expertise of laid-off steelworkers. It was a small-scale demonstration of worker self-management—no supervisors or bosses planned or were involved in the job."

To make sure the winterization was not in vain, laid off Duquesne workers set up a trailer and began manning a 24-hour vigil outside the plant gates to be sure USS didn't harm the mill. At one point when it appeared that a viable piece of equipment was about to be removed, 50 workers blocked the plant entrance. USS was forced to show local union officers what was being taken out, and a USS vice president downtown was ordered by USS Chairman David Roderick himself to notify the union of *anything*, no matter how small, that was to leave the plant. From this point on, local union officers freely entered the mill to make periodic inspections and make sure nothing vital was being removed.

On January 18, 1985, more than 500 people participated in a plant gate rally in Duquesne in zero degree weather. Speakers included Jesse Jackson, who declared the Mon Valley "the Selma of the plant shutdown movement," as well as USWA President Lynn Williams and Pittsburgh Mayor Richard Caliguirri.

On January 29 the first feasibility study was released, reporting that the Duquesne furnaces not only were viable, but that a growing market existed in this country for the semi-finished steel they could produce. More than 800 people packed a small church hall in Duquesne to hear a summary of the report. Two days later, as talk of plant gate resistance grew stronger, the February 2 demolition date was again extended—this time until June, when a more thorough marketing study could be completed.

Over the next few months, Tri-State—assisted by veteran anti-war activists from the Catholic Thomas Merton Center—conducted teaching sessions on nonviolent resistance for union workers and other involved citizens. A steady stream of high-level officials, including Lane Kirkland and several U.S. Senators and Congresspersons from outside the area, toured the Valley and held press conferences in front of the mill to publicly support our effort.

On May 18, 1985, a giant parade and rally was held in Duquesne, attended by more than a thousand people in the pouring rain. Despite the opposition of Duquesne borough officials, the parade included fire engines, numerous public officials and high school

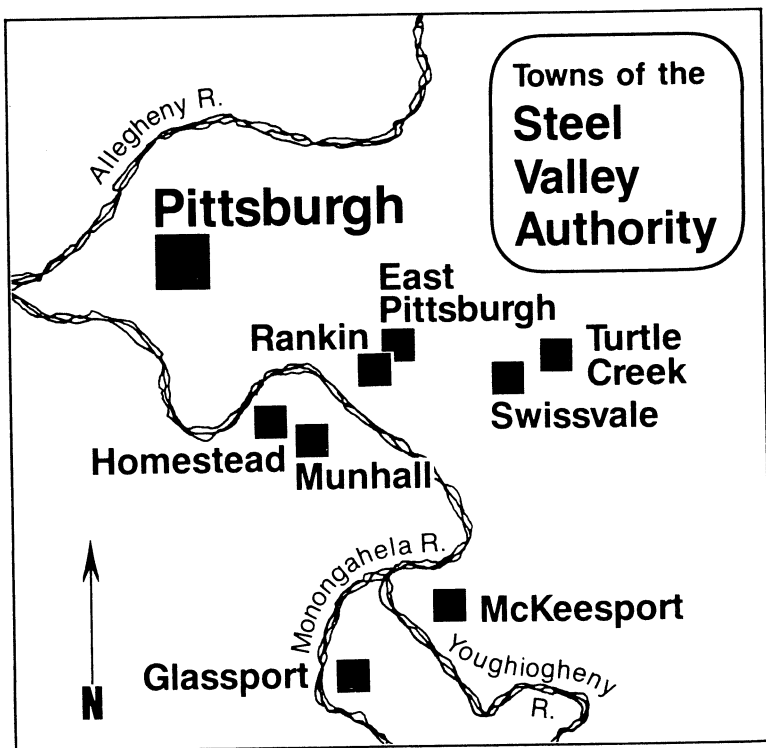
marching bands.

On May 23, the second feasibility study was released. Confirming the fact that a growing market existed for semi-finished slabs, it identified customers (other steel companies that finish steel) that had been interviewed and lined up. Several days later, USS delayed demolition of the mill for a third time, this time indefinitely. Thus, the initial two phases of our strategy had been overwhelmingly successful.

### The Rise of the Steel Valley Authority

The campaign to save Dorothy aroused tremendous public support, paving the way for achieving another crucial part of our strategy: formation of a Valley-wide Authority with the power of eminent domain.

Ten borough councils were targeted to join and appoint representatives, many taking four or five meetings to convince sceptical officials to pass the initial resolutions. When it came to the second phase of the process, Tri-State organizers canvassed entire



communities, turning public hearings into mass town meetings with anywhere from 150 to 400 people.

By June, nine milltowns (excluding Duquesne) had passed the final resolution to join the Authority; soon they had all appointed their three representatives—which included prominent Tri-State members, union officials from the USWA and the United Electrical Workers (UE), rank-and-file workers from other unions, community activists from unemployed groups, retirees, church officials and prominent members of the small business community. The predominantly working class, pro-union composition of the appointed directors strongly contrasts with all other authorities, dominated by corporate and political elites.

Thus another crucial part of our strategy had been accomplished: the creation of a new political structure with the legal power to wrest control of plants from their present overseers.

### **Financing: The Death Knell for Duquesne**

While the first three phases of our strategy seemed arduous, the final phase—finding the capital to buy, start up and operate the giant mill—proved insurmountable.

According to the first feasibility study by Locker Associates, \$200 million would be needed. In the second half of 1985 meetings were underway with a City of Pittsburgh economic planner to put together a public-private buy-out of the mill. Based on the figures cited in the Locker study, the city planner felt confident this amount could be pieced together. It was at this critical juncture that Tri-State organizers strayed from our original path.

In mid-1985, after completion of the marketing study, the financing or cost study was turned over to the internationally renowned investment banking firm of Lazard-Freres. This study was to define what renovations and new equipment would be needed to make the facilities viable, and to enumerate the exact costs of starting up and operating the mill for the first three years.

From the beginning, Lazard-Freres confined its study to starting up Duquesne purely as a slab-producing entity, and focused on obtaining financing from *the private sector only*. The Tri-State Conference, on the other hand, had theorized from the earliest days of the campaign that the Duquesne furnaces could only be rescued in conjunction with various finishing facilities in the Valley that were being phased out, such as the plate and structural mills at Homestead. This kind of operation, we understood clearly, could only be accomplished with massive public expenditures and government intervention.

As the Lazard study dragged on and on in the latter half of 1985, the high tide of hope in the Valley slowly ebbed. In January 1986 Lazard released its study, concluding that there was no hope of attracting the capital needed to reopen the mill, which Lazard estimated at \$304 million.

According to Lazard, its figure was much higher than the original estimate because the earlier studies had not taken into account the variable sizes needed in the slab market and thus the need for an expensive, two-strand continuous caster. At this cost, Lazard projected, even if the workers took a one-third pay cut and the mill ran at 90% capacity, the mill would lose \$27 on every ton of steel produced.

At a press conference on January 8, 1986, USWA and coalition leaders officially ended the struggle to save Dorothy Six. Our coalition was too local and too weak. Given the large amounts of capital needed and the absence of viable public funding alternatives, the coalition was forced to turn to sectors of finance capital to rescue the workers from private capital itself. While some will argue that we had no other choice, especially in view of the balance of forces at the time, nevertheless, it was the investment bankers that sealed the fate of Dorothy Six.

### **The Fight for Brake and Switch**

Though Dorothy died, the political momentum she created made it possible for us to continue.

The SVA was legally incorporated with the State of Pennsylvania on January 31, 1986, and held its first official meeting on February 18. The top order of business was saving the Westinghouse Airbrake (WABCO) and Switch & Signal plants owned by American-Standard, a multinational conglomerate that was shutting them down and running away to the nonunion South and Canada.

A coalition even broader than Duquesne's emerged, as well as strong Residents Committees in the towns of Wilmerding and Swissvale where the plants are located. With some 2,300 jobs endangered, the SVA and the coalition vigorously escalated their efforts, honing their tactics and strategy with the lessons of Duquesne.

In early February, a positive "business retention study" was released, including a detailed analysis of the social and human cost of the shutdowns. Nearly a dozen plant gate rallies and vigils were held, with anywhere from 150 to 300 workers and community activists participating. An actual model for buying and operating

the plants is being widely publicized, consisting of a tripartite ownership: a third public, a third private, a third ESOP.

The SVA has actually begun eminent domain proceedings, by forcibly (but legally) entering the Switch plant in April and the Brake plant in July in order to assess the buildings and machinery. The SVA is also in the midst of a court battle to obtain an injunction to stop further removal of vital machinery and equipment from these two facilities.

The funding necessary to buy and operate these plants is in the tens of millions as opposed to the hundreds of millions needed for Duquesne. This is an amount attainable with the combined resources of local and state governments, along with private sector sources. During the summer of 1986, Tri-State and the Coalition to Save Brake & Switch mounted a major organizing drive, caravanning through the industrial centers of Pennsylvania and holding town meetings to promote our public-private model as well as the fundamental thesis that government must step in and play an active, material role in saving jobs and the state's manufacturing base. This campaign will culminate in a large rally and lobbying effort at the state capital in the fall, just before the election, demanding public monies to save Brake and Switch and other viable plants being phased out. In 1985 the State of Pennsylvania had a surplus of some \$250 million in its General Budget, and this is the money we're going after.

In order to squeeze funds out of the private sector, Tri-State will rev up another campaign against the banks, using the Community Reinvestment Act (CRA) as a springboard. The CRA is a relatively unknown federal law passed in 1979, stating that banks and



lenders have an ongoing obligation to meet the credit needs of low and moderate-income communities within their primary service areas. While the law has primarily been used by community groups protesting home mortgage redlining of residential properties in old neighborhoods, nothing prevents the law from being used for commercial or industrial credit needs.

### **Tri-State Expands Regionally**

With the tremendous amount of favorable media attention focused on Mon Valley struggles the past two years, the Tri-State office has been flooded with calls asking about the SVA, eminent domain, and the worker-community-local government coalition concept. Not only plant shutdown and unemployed groups, but government officials from Michigan, New Jersey, Maryland, and Massachusetts have inquired.

Realizing that hundreds of towns and areas in the tri-state region (Pennsylvania, Ohio and West Virginia) were confronting the same problems, Tri-State convened a conference on "Regional Reindustrialization" in December 1985. It attracted 125 union, community and church activists, academics and government employees from eastern Ohio, West Virginia and Western Pennsylvania.

In early 1986 we dispatched an organizer to Cleveland, where he is working with the local unemployed council and the USWA to build a Cleveland plant shutdown coalition. Similar efforts are underway in Columbus, the Wheeling-Steubenville area, and in Morgantown, West Virginia.

At the same time, activists and academics are working on the other leg of our regional strategy. This consists of:

- making an inventory and assessment of regional industries, plants and resources, and
- putting together a comprehensive regional plan, the heart of which is revitalizing steel, coal and rail and upgrading the area's fast-crumbling infrastructure.

A regional approach is critical because many of the area's facilities are interlinked. When one is shut down, it has an adverse effect on numerous others. For instance, a closed Duquesne Works restricts the supply of semi-finished slabs to Cyclops, Sharon and Armco steel companies. Similarly, the decline in river traffic because of the poor state of most locks and dams has meant a drastic decline in the demand for barges that use steel plate from mills such as Homestead. This has led to the closure of Dravo's barge-building facility and of the plate mills at Homestead. As various parts of the region's industrial structure are destroyed,



*... Members of the Steel Valley Authority from nine municipalities, at the SVA's first meeting in February 1986.*

remaining sectors become less and less viable.

Once strong labor-community coalitions are built in a number of sub-regions, the basis will be laid for regional pressure on the federal government and for united action: real reindustrialization from below.

### **Conclusion**

For the first time in this area a strong, community-based coalition is beginning to mount a serious challenge to the prerogative of corporations and banks to make all investment decisions, shut down viable plants, and otherwise do with capital what they like. For the first time, the community and workers are demanding a voice in the economic future of this area. While U.S. Steel has buried the Duquesne furnaces, the lessons being learned will continue to smolder, igniting more and more fires each time they shut down another plant.

The issues of deindustrialization and disinvestment have been taken off the back burners and put on the front pages. As the *Pittsburgh Post-Gazette* editorialized, public officials have been "spurred into a more active and creative role in the formidable job of shoring up the region's shrinking base of manufacturing industries."



The popularity of using eminent domain as a viable tactic to save jobs is spreading. Long used against us, workers and their communities are discovering that we can "turn the guns around." Not only is a worker-community coalition attempting to use it to save the Brake & Switch plants, other communities here are checking out various uses of this weapon. This summer in Indiana, Pa., where a violent 7-month-long strike is being fought by 200 workers against the McCreary Tire Co., public officials have threatened to use eminent domain to settle the strike, by transferring ownership of the plant to another buyer who is waiting in the wings.

Not only did the Duquesne battle spur the creation of the Steel Valley Authority, it raised the painful reality that without *direct* government intervention at *all* levels, this country will lose much of its manufacturing base in the next five to ten years. And the only way to get any response out of "big government," state and federal, is through grass-roots organizing in conjunction with local government action. When enough small fires smolder at the local level, the heat will go up at the regional and national levels.

More and more people have come to see that the shutdown of the steel mills and the loss of our manufacturing base is not a union problem or an industry problem, but an *American problem*. Without manufacturing, there is nothing to apply high tech to, services are drastically cut, sabres rattle, and the military budget becomes even more bloated as Reagan moves to defend his new manufacturing base overseas. Likewise, as a result of their involvement in the plant shutdown battles directly affecting their lives, a sizable number of blue-collar workers in this area are beginning to see the need to oppose Reagan's military adventures abroad.

Perhaps the most important lesson learned in the course of these battles, the most bitter pill to swallow, has been the question of *capital formation*. As stated in my *LRR #3* article, "getting funds to pay the former owner 'just compensation' for a plant (once eminent domain is used) will be a whole battle in itself, and certainly a difficult one."

In successful fights where eminent domain has been threatened (at Nabisco in Pittsburgh and Morse Cutting Tool in New Bedford, Massachusetts), either the current owner was "persuaded" to stay or a third party (another private buyer) was waiting in the wings. In local battles such as Duquesne and Brake and Switch, where the current owner is not only unwilling to sell but hell bent on stopping the takeover, third parties have been unwilling to step into these adverse situations.

Two things can be said about this.

First, projects where the work force is in the hundreds and that require only a few million dollars, *can be won* locally, by directing our fire at local and state government, as well as at private sources through mechanisms like the Community Reinvestment Act—because in fact this amount of capital is actually there. But this will only come about if local coalitions put together *very specific funding mechanisms* and organize region-wide or state-wide movements directed mainly at the public sector to force implementation of such plans.

But projects that require hundreds of millions of dollars will only be won by mounting multi-state, regional or even national campaigns, which will only come about when numerous local plant shutdown coalitions are hooked up together in a cohesive, ongoing battle.

Organizers, activists and progressive-thinking people must understand that the disinvestment problem will not go away, and the drive to lower our standard of living will continue unabated. The American populace must be woken up to the need to rescue our country's manufacturing base and the fact that reindustrialization can only come successfully from below, through a strong grass-roots movement of the people. This has got to have the same character as the union movement of the 1930s, the civil rights, women's and anti-war movements of the 1960s and 1970s. It's got to be that massive, that militant and that persuasive. ■