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Tom—

a couple articles related to Philip Morris plant closing in KY.

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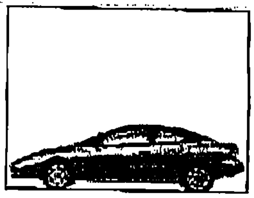

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Phillip Morris to close plant; 1,400 losing jobs

Philip Morris workers walked away from the Louisville plant yesterday afternoon after learning it would close. "I knew it could happen at any time," one worker said. "It was only a matter of time." C-J Photo: BILL LUSTER

By JOE WARD, The Courier-Journal

Philip Morris will close its Louisville plant -- the state's last major cigarette manufacturing facility -- eliminating 1,400 jobs by the end of 2000.

The world's most powerful tobacco company had little to say yesterday as it delivered a brutal lesson to a city whose economy has been linked to tobacco for generations.

"It's all about capacity," said Philip Morris spokesman Rusty Cheuvront. "It's going to allow the company to properly align production with demand."

Philip Morris has operated a cigarette plant in Louisville since 1944, providing some of the highest-paid factory jobs in the city. Workers earned an average of $21.50 per hour, and the loss of the 1,400 jobs will cost the local economy nearly $63 million in annual payroll.

"To be frank, this announcement means a loss of jobs that will really hurt," Louisville Mayor Dave Armstrong said. "But Philip Morris is also a significant supporter of many community activities and causes, and I don't want to see that commitment fade away."

The company invested heavily in the arts, sponsored Kentucky Derby Festival events and other community programs and contributed heavily to such projects as the historic Farnsley-Moremen Landing.

Gov. Paul Patton said Philip Morris officials told him two years ago that closing the Louisville plant was a possibility, but yesterday's announcement came as a surprise.

Patton said he has asked Philip Morris officials to meet with him to determine what, if anything, the state can do to prevent or lessen the magnitude of the layoffs.

Community leaders say Louisville will recover, but the people losing their jobs are reeling.

"Our workers are shocked," said Robert Hines, president of tobacco workers union Local 16. "They don't understand. We've done everything Philip Morris has asked of us."

Employees had expected the plant to close in two or three years, but were not prepared for yesterday's announcement.

Cheuvront, who just a month ago had denied rumors that the plant would close soon, attributed yesterday's decision by the company's board to slumping sales and having more production capacity than the company needs. He said the Louisville plant, which covers several acres south of 17th Street and Broadway, has been operating at 50 percent of capacity so far this year, after operating at 75 percent last year. The company refused to release exact production figures.

Both domestic and export sales are down, Cheuvront said, as a result of the tobacco industry's recent $206 billion national settlement agreement with 46 states, the Asian industry's recent $206 billion national settlement agreement with 46 states, the Asian economic crisis and other factors.

Cheuvront said Philip Morris will consolidate its cigarette production in larger, more modern plants in Richmond, Va., and Cabarrus, N.C. "This action is in no way a reflection on our employees and their performance," he said.

The phaseout of Louisville manufacturing operations will begin this year. When it is complete at the end of next year, it will leave Philip Morris with about 150 workers in its local tobacco leaf processing and warehouse facilities. Joe Phelps, secretary-treasurer of the tobacco workers union, said the closing will come in phases. He said workers will be laid off in July 1999, April 2000 and July 2000, and the final round of cuts will come in December 2000.

Steve Magre, president of the Louisville Board of Aldermen, said the phaseout of jobs is "like getting hit with a right cross. . . . But it was not like we didn't know we were in the ring" and that cuts were inevitable at some point. But, he said, "I hate to see it. Philip Morris is synonomous with Louisville, Kentucky."

Employment at the plant peaked at about 4,000 in the mid-1980s, the company said. A number of retirement packages and layoffs had trimmed the ranks to about 1,900 at the start of this year, Cheuvront said, and 300 retirements and 50 layoffs have occurred since. Louisville, once a major cigarette manufacturing center, lost 1,000 jobs in 1970 when the American Tobacco Co. stopped producing cigarettes in the city. It lost 3,000 jobs when Brown & Williamson Tobacco Corp. -- which still has its headquarters in Louisville -- moved production out in 1981. Lorillard moved 900 cigarette-making jobs to North Carolina in 1984.

Cheuvront said Philip Morris will eliminate about 1,100 hourly jobs and 300 salaried jobs. The largest group of hourly workers are members of Hines' union local, but their number also includes pipefitters, electricians and oilers.

The Philip Morris announcement said all employees will receive "generous" separation packages. Hines said his union's contract with the company includes 13 to 52 weeks of separation pay, depending on years of service. The company said some benefits will continue for up to 18 months after separation. Workers also will receive help with resumes and other job-search activities. Hourly workers are eligible for job training and continuing education -- including college -- for up to three years after separation.

The company said it will offer enhanced retirement benefits to eligible salaried employees, and may provide better retirement benefits for hourly employees as well.

Hines said the union already had scheduled contract negotiations with the company for next week, and now will use those talks to try to get better separation benefits. In addition, the company and Hines said some of the displaced workers may get jobs at the Virginia and North Carolina plants.

Robert Bordogna, president of Todd Investment Advisors Inc. in Louisville, expressed disappointment at the plant closing, but said it shouldn't have come as a surprise after the tobacco industry's settlement agreement with the states -- which already has driven up cigarette prices by 45 cents a pack.

"You had to expect that they were going to be trying to cut costs everywhere they possibly could. They've got $220 billion spread out over the coming years. That has to be paid for somehow, and you can't get it all back with price increases," Bordogna said.

Brian Eisenbarth, a tobacco securities analyst with Collins & Co. in San Francisco, said, "In general, when you substantially raise the price of a product, it causes quantity sold to reduce. Which means the productive capacity they are using may be too much."

Hines said the union members blame the closing in large part on President Clinton.

"He continues to attack us," Hines said. "He has a special agenda for us -- to get rid of us."

But he said the workers believe the company's investments in manufacturing facilities overseas also play a part -- though he said workers recognize that some such production overseas also play a part – though he said workers recognize that some such production is in response to mandates from countries where Philip Morris sells cigarettes.

Cheuvront said about 27 percent of Louisville cigarette production -- which includes the Marlboro, Virginia Slims, Basic and Benson & Hedges brands -- is for export.

But he said operations Philip Morris has overseas had no bearing on the decision to phase out the Louisville plant. He said he didn't have time yesterday to supply information on those operations, except that they were begun or acquired in the mid-1990s.

An article in the Winter 1998 issue of Tobacco Reporter, a trade journal, said Philip Morris had 10 joint ventures overseas, in the Czech Republic, Eastern Germany, Hungary, Kazakhstan, Lithuania, Ukraine, Russia and Poland. The publication estimated Philip Morris' investment at more than $675 million, and annual production at more than 105 billion cigarettes. Scott Ballin, a consultant with the Washington-based Campaign for Tobacco-Free Kids and a noted anti-tobacco activist, said that yesterday's plant-closing announcement was "an effort by the company to send shock waves through the workers and farmers," to get them "to do the political bidding of the companies in Washington," while the companies themselves "are moving overseas, making profits overseas."

The plant closing sends a shudder down the spines of burley growers, said state Senate President Pro Tem Joey Pendleton, D-Hopkinsville.

"They're thinking, 'What's going to be next?' " said Pendleton, who heads the legislature's Tobacco Task Force. "Here's one of the largest cigarette manufacturers, and it's moving out of Kentucky. . . . Are they going to be in business here in the United States?"

U.S. Sen. Jim Bunning, a Republican, said cigarette makers like Philip Morris "can buy (tobacco) from anywhere. . . . What's the advantage then of buying Kentucky burley?"

U.S. Rep. Anne Northup, a Louisville Republican and a noted critic of the tobacco industry when she was a state legislator, said she doesn't know if the company's overseas operations had a bearing on yesterday's announcement, but said that leaders in Kentucky should have been asking about it.

"The political leadership refused to ask tough questions," she said. "Questions such as, 'Why are you building those plants? What are you doing to protect workers and tobacco farmers?' "

she said tobacco lobbyists discouraged agricultural diversification by assuring state legislators that "as long as we don't do anything to discourage smoking, we don't have to worry about anything else." Now, she said, tobacco farmers have suffered a devastating cut in the amount of tobacco they can grow, and tobacco jobs are disappearing.

"My concern is that there have been a lot of tobacco farmers and workers who have given their hearts and souls and faith to Philip Morris . . . and I don't believe that faith has been well-placed," Northup said.

U.S. DEPARTMENT

U.S. Department of Agriculture figures show that U.S. production of cigarettes peaked at 755 billion in 1996, and then began dropping off. Exports peaked the same year at almost 244 billion cigarettes, then dropped to 217 billion the next year, and U.S. consumption dropped from a 1996 peak of 487 billion to 480 billion the next year.

Staff writers Wayne Tompkins, Sheldon Shafer, Tom Loftus and Robert T. Garrett and The Associated Press contributed to this story.

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Philip Morris will close Ky. plant

1,400 at cigarette factory in Louisville will lose jobs

By Janet Patton
HERALD-LEADER STAFF WRITER

Philip Morris, the world's largest tobacco company, will quit making cigarettes in Kentucky.

The company announced yesterday that it will begin phasing out production at its Louisville plant before July, laying off about 1,400 union and non-union workers by December 2000.

Philip Morris officials blamed the cutback on a drop in cigarette consumption caused by higher cigarette prices.

``Obviously we don't want to just keep making cigarettes if we don't have the demand for it," said spokeswoman Terry Hanson. ``At some point you have to make a business decision."

Reduced production will be absorbed by revamped, larger plants in Richmond, Va., and Cabarrus, N.C.

The tobacco industry, plagued by litigation and higher taxes, has to consolidate costs where it can, stock analysts said.

``They've got a much harsher environment," said Steve Marascia of Virginia-based Branch, Cabell. ``All tobacco companies are looking for ways to cut costs and improve profitability. Profits have been lower across the board for the last two quarters, driven primarily by those two factors."

Smoking has dropped about 5 percent in the last year, most analysts said, and it's predicted to decrease as much as 15 percent over the next few years, primarily because of the higher prices.

The four major U.S. cigarette companies -- Philip Morris, R.J. Reynolds, Lorillard and Louisville-based Brown & Williamson -- announced a $206 billion settlement of states' lawsuits in November. To pay for that and $40 billion in settlements reached earlier with four other states, the companies raised prices by 45 cents a pack.

And the environment keeps getting harsher. Recently, in California, cigarette-makers were hit with a double whammy -- taxes were increased by 50 cents a pack in January, and a jury in a smoker's lawsuit awarded a $51.5 million judgment against Philip Morris.

The company's stock plunged on the news.

Traffic Reports
- Headbone Zone
- The Meeting Place
- TV Listings
- Ticketmaster
- Kentucky Connect Media Kit
- Herald-Leader Advertising Guide
- Kentucky Connect Yellow Pages

EXTRA! EXTRA!
- Buddy Holly
- Calumet Farm
- Everly Brothers
- Primary '98
- College Guide '98
- IPIX Gallery
- Kentucky Car Makers
- Real Beanies
- School Directory
- Street Skills

SHOPPING
- RealCities Shopping Guide
- Out of the Blue Book
- Real Books
- Ticketmaster

The company's stock plunged on the news.

"There are currently something like 400 lawsuits pending against Philip Morris and all it takes is one person to win," said analyst Brian Eisenbarth of Collins & Co. of California. "That's what the market's really afraid of."

Eisenbarth pointed out that all jury victories against cigarette-makers have been overturned on appeal, but the fight is still costly.

"They're bleeding money forever in the courts," said Lars Bergan of Argus Research. "They're getting sued by everybody -- asbestos ~~companies, unions.~~ They're fighting organizations as big and strong as themselves now."

McConnell blames Clinton

U.S. Sen. Mitch McConnell, R-Ky., blamed the industry's troubles and the plant closing on President Clinton.

"It looks as though Bill Clinton is making progress in his continuing assault on Kentucky's No. 1 cash crop," McConnell said. "Since Bill Clinton took office six years ago we have lost over 15,000 tobacco farms and thousands of jobs in Kentucky's tobacco industry.

"Today's announcement ... is an inevitable result of the president's war on tobacco."

But the latest casualty in that war came as a shock to state officials.

Gov. Paul Patton said he learned of Philip Morris' plan only a short time before the company announced it publicly.

"I was surprised and disappointed by the news," Patton said. "I had no inkling that this was coming."

The governor said, however, that state officials had known for some time that if Philip Morris had to cut back its manufacturing capacity, Louisville would be the target.

Patton would be given a chance to meet with Philip Morris officials to see whether the state can do anything to prevent or lessen the layoffs, said Mark Pfeiffer, spokesman for the governor.

The company began notifying workers yesterday morning. Joe Phelps, financial secretary of Local 16 of the Bakery, Confectionery and Tobacco Workers' union, said the union knew a year ago that the plant would be phased out, but it expected that would happen in three to five years.

"This was quite a shock," Phelps said.

The company last year offered early-retirement packages to eligible workers in Louisville, Richmond, Va., and Cabarrus, N.C.

Another older plant, also in Richmond, Va., was closed six months ago. Additional Philip Morris employees, including 140 in Louisville, were laid off Feb. 1.