

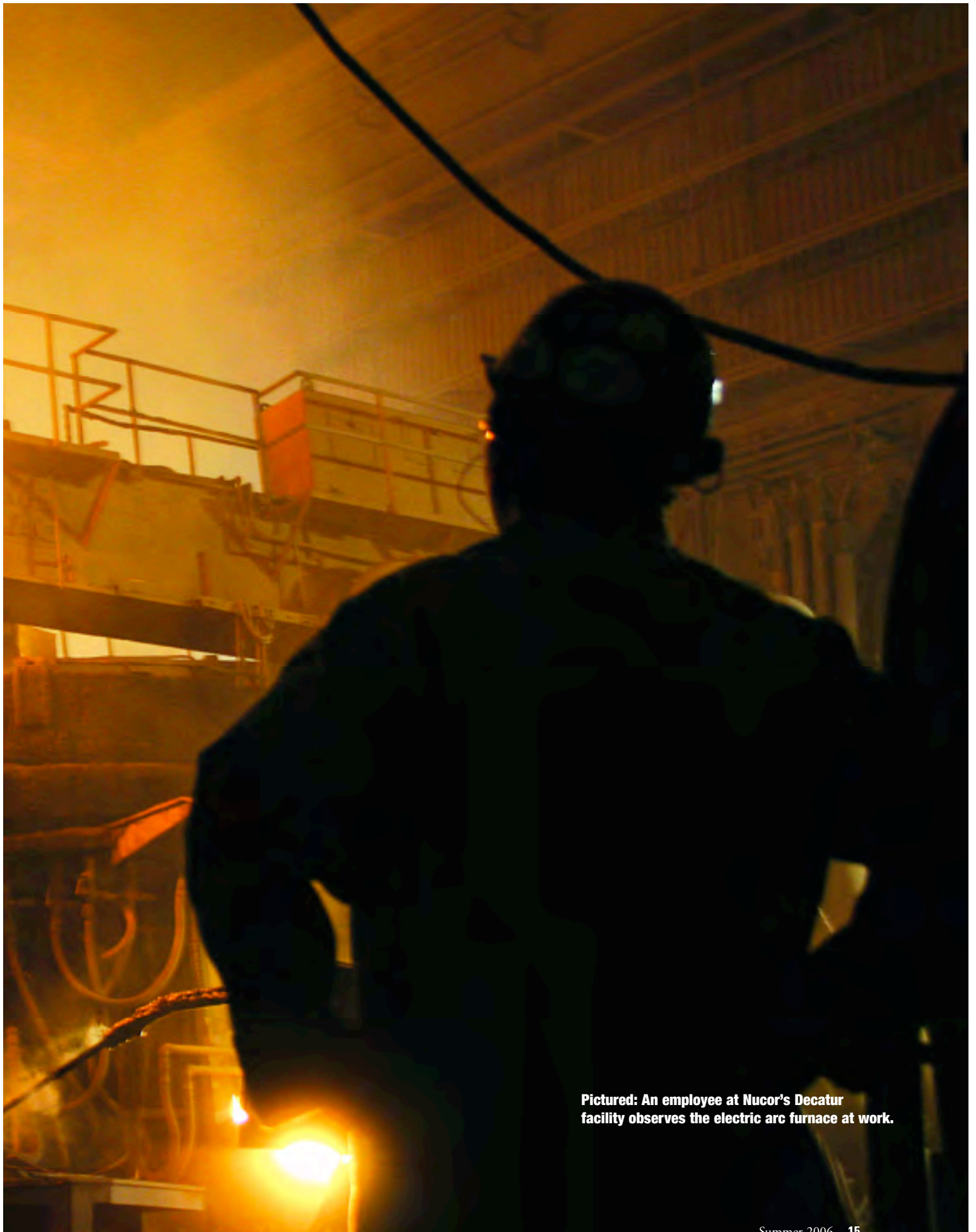
Nucor article below



Hot Times in the Tennessee Valley

BY DEBORAH LOCKRIDGE

Nucor Corp. has worked through a difficult time in the industry to become the world's 10th-largest steelmaker and the biggest steelmaker in the U.S. Key to this astounding success at Nucor Corp., and at Nucor Decatur, is its people.



Pictured: An employee at Nucor's Decatur facility observes the electric arc furnace at work.

Hot Times in the Tennessee Valley

Five years ago, while much of the steel industry was laying people off, closing plants and filing for bankruptcy, Nucor Corp. was buying up steel plants — including Trico Steel's sheet mill on the Tennessee River in Decatur, Ala., a mini-mill that had closed just four years after starting production.

After bringing the plant back online in 2002, Nucor bought a neighboring cold mill in 2004, and in June announced it will spend about \$167 million to build its fourth sheet-steel galvanizing facility in Decatur.

Charlotte, N.C.-based Nucor Corp. earned the top spot in *BusinessWeek's* 2005 "BusinessWeek 50" after its profits soared 17 fold from 2003 to 2004. While soaring steel prices helped, analysts noted that Nucor had done an outstanding job of getting through a very difficult time in the industry, becoming the world's 10th-largest steelmaker and the biggest steelmaker in the U.S.

Key to this astounding success at Nucor Corp., and at Nucor Decatur, is its people. Nucor Corp. became known for its radical pay practices nearly two decades ago, when it was "an upstart nipping at the heels of the integrated steel giants," writes *BusinessWeek*.

An upstart no more, Nucor says it's found a way to become more competitive in the world by paying its employees more, instead of less. The employees, who are non-union, are paid more through production bonuses. The more productive they are, the more they get paid. In fact, two-thirds of workers' pay comes from their bonuses. The more pro-

ductive the employees are, the more productive Nucor is — and the more profitable.

"There is a different culture that Nucor brings versus other steel operating units," says Chad Potter, division controller at Nucor Decatur. "Nucor has a philosophy of self-empowerment. Regardless of their position, people are empowered to make decisions and make things happen. The guys making the steel know best how to run their equipment and should have the responsibility of making their own decisions. The company benefits from the operators' expertise."

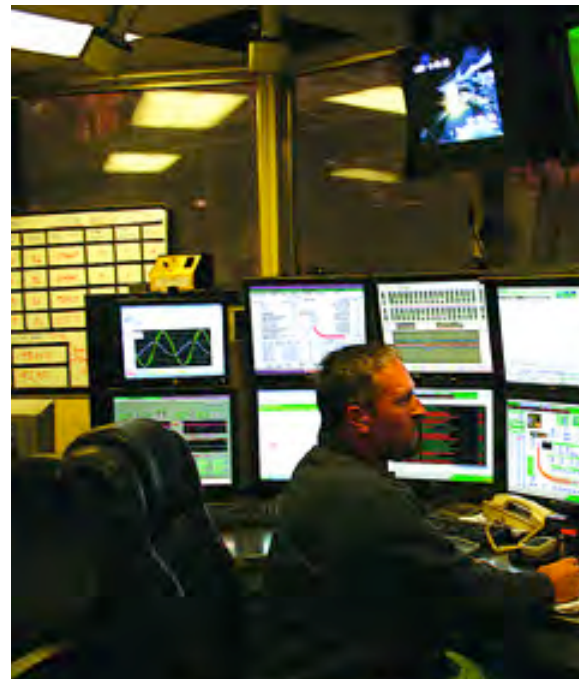
With the production bonuses, Nucor Decatur wages are well above average for the Tennessee Valley area, according to published reports, and the company enjoys extremely low turnover.

"We have a hiring process that allows us to hire people that fit into our culture," Potter says. "We hire people that want to make decisions on their own, that want to be responsible for what they do. They

have an attitude of pride and excitement in their accomplishment, and that's truly what makes the difference here, and at any Nucor plant."

Potter says Trico was producing about 1.3 million tons of sheet steel a year before it shut down. In comparison, he says, "we're estimating to do approximately 2.2 million tons this year, and with some minor capital investment we can exceed 3 million tons."

The Decatur facility is one of four sheet mills owned by Nucor, which started out as a maker of nuclear testing equipment and got into the steel business in the 1960s



in order to make its own steel joists. Then-CEO Kenneth Iverson built his own minimill, using an experimental technology that used electric-arc furnaces to melt scrap metal into finished steel.

In 2004, Nucor Decatur purchased the adjacent cold mill from





Worthington for about \$80 million. In June, Nucor Corp. announced it would build its fourth sheet-steel galvanizing facility at Nucor's Decatur location, to help meet tremendous growth in the Southeast for sheet-steel products.

"The cold mill has been a suc-

cessful investment, and a new galvanizing line is an obvious next step at our Decatur operations," says John Ferriola, executive vice president. "The automotive market in the Southeast continues to grow, and we are positioning ourselves to further service that market as well as

other value-added markets."

Potter notes that Nucor's other three sheet mills already have both cold roll and galvanized capabilities, so the galvanized line puts it more in line with its counterparts.

Both the cold roll and galvanized expansions allow Nucor Decatur to

add value to the steel it produces. In the cold mill, chemical baths smooth the steel's surface and it can be rolled through more machinery to make it thinner. In the galvanizing facility, steel will be dipped in melted zinc at extremely high temperatures, giving it a zinc coating that protects the steel surface from rust and corrosion.

The facility will produce galvanized sheet metal up to 72 inches wide, 7 inches wider than the conventional width. That extra width will give Nucor more flexibility in marketing its product.

In addition to the auto industry, the zinc-coated product can be used in appliances, heating and air conditioning units and buildings. The company already has started talking to potential customers, and if the steel market remains strong, it could mean even more expansions in the future.

The new galvanizing line will add 100 employees with average gross wages of \$70,000 a year to the more than 600 workers already employed by Nucor Decatur. At press time, the start date was not set.

"We're in the midst of doing permitting, and we're waiting for finalization of some regulatory items and some tax items before we start, but we're hoping to start in the last quarter of this year," Potter says. The project will take 20 to 24 months to complete, and will require as many as 300 construction workers at the height of construction.

The Decatur location makes sense for Nucor. Not only is it close to a number of automotive plants, but also, Potter says, "being on the Tennessee River places us in a very



After bringing the plant back online in 2002, Nucor bought a neighboring cold mill in 2004 (above), and in June announced it will spend about \$167 million to build its fourth sheet-steel galvanizing facility in Decatur.

nice area. The Tennessee River has a wide reach regarding shipping locations. It provides cost-effective shipping, and we can participate in large geographical areas."

In addition, Nucor Decatur officials emphasize that city, state and federal officials worked hard to make the galvanized project a reality, just the latest in a history of community support.

"The community has just been a fantastic place to run this business," Potter says. "The local officials, the local community really support us, and we have fantastic team members from this area."

Jeremy Nails, president and CEO of the Morgan County Economic Development Association, notes that Nucor revived what had been a fairly fledgling steel industry in Decatur.

"With first Trico's and now Nucor's presence here, we are now

in the steel business, which we were not even in 10 years ago," Nails says, noting that Trico started operations in 1997. "They've definitely made an impact as far as diversifying our manufacturing base and growing and enhancing the number of jobs and investment that have been made here in this community."

A number of steel processors have moved in and contributed several hundred additional jobs to the community, Nails notes. The new galvanizing line, he says, "opens up new markets for us, and we've been in contact with several steel suppliers already that need to be in close proximity to that new galvanizing facility."

Nucor's Potter notes that Decatur has done a good job of attracting industries to the area. "When we purchased the Trico assets, Decatur was already an industrial population, so we've got the benefit from



all the hard work the state and local officials did in bringing up the industrial area in Decatur.”

Area officials don't just stop at attracting businesses, however. “We have a really close partnership with all our industries in this area,” Nails says. In a visitation program, economic development representatives visit the various companies and go through a questionnaire to find out

what's going on in the manufacturing sector and what issues there are that officials could help with.

“Our local municipalities and county government have been real supportive, and understand that manufacturing and the industrial base add a lot to our community,” Nails says. “I think overall you'll find in Morgan County that we work as a team here with our

regional, state and federal partners, and you can tell from the presence of 19 Fortune 500 companies that we've been successful, and the companies have been successful that have located here.”

That's certainly the case with Nucor, which *BusinessWeek* called “one of the great American industrial success stories of the past two decades.” ■