

The little mine that did: Workers, owners save Troy Mine from closure

By MICHAEL JAMISON of the Missoulian | Posted: Sunday, January 31, 2010 6:00 am
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TROY – Tami Steiger still cannot forget that sudden feeling, way down there in the pit of her stomach, the quick twist of panic when she heard her job was on the block.

“It was bad,” she said. “It was the scariest day of my life. No one in the room said a word, I guess because everyone was just as scared as me.”

It was a full year ago and more, she said, and management had gathered crews at Troy Mine to hear the news.

The economy was bad, the bosses said. Production costs were rising. Metal prices were tanking.

“We’d always taken these jobs for granted,” Steiger said. “Until we thought we might lose it, we didn’t realize what we had.”

What they had were 180 of the highest-paying jobs in Lincoln County. What they also had were mortgages, truck payments, kids in college.

“It was a nightmare,” Steiger said.

But somehow, some way, in the space of one year, the crews at Troy Mine have emerged stronger than ever. No one lost a job, and it looks like no one will. Pay cuts are being paid back, “and we’re like a completely different company coming out,” Steiger said.

“We’re definitely going to be tighter, as a company and as a community. Personally, I give a lot of the credit to the way management handled it.”

By management, Steiger mostly means John Shanahan, CEO of Revett Minerals.

He’s a Wall Street guy, with an office in New York City, a guy with an educated Australian accent whose skills have more to do with leveraging stocks than leveraging rocks – in short, not the sort of man you’d expect a bunch of Montana miners to embrace.

And yet.

“What this is,” Shanahan said, “is a fantastic story about the little mine that could. The guys up there are tremendous, and what they’ve accomplished is nothing short of amazing.”

When Shanahan took over at Revett, the mine was running strong and getting stronger. By the middle of 2008, he said, copper was selling at \$4 a pound, and silver at \$20 an ounce.

“It was good,” he said. “Very good.”

“But it was amazing how fast it went bad,” said Earlene Jellesed, who’s in charge of accounts payable at the mine. “In a matter of about a week, the bottom just fell out.”

That \$4 copper plunged to \$1.25, and the \$20 silver collapsed to just \$8.

By late 2008, Shanahan said, “the world sort of fell apart for mining companies. We were faced with a very clear decision to make. Do we close it down, or not? Clearly, it was not economical to keep it open.”

Shanahan thought he knew about job losses. After all, he worked on Wall Street and had seen many offices go dark amid a global recession.

Mostly, he said, a job loss meant taking an ego hit at the country club.

But not so in Troy.

“For me, not being from that area, it was a real eye-opener how important those 180 jobs really were,” he said. “That’s a huge hole, 180 jobs out of Lincoln County. It hits families, schools, the whole tax base. I quickly realized that it wasn’t about the company, or even the individual workers. It was about the whole community.”

Shanahan was pushed hard by Tim Lindsey, the relatively new chair of Revett’s board. Lindsey is an astute businessman, with a long and successful resume, but he’s also a native son of Troy, and now calls the area home once again.

Lindsey made it known, Shanahan said, that the clear choice was anything but clear.

And so, as manufacturing and industrial jobs were shed by the hundreds throughout northwest Montana, and mine after mine closed down nationwide, “we crunched the numbers hard,” Shanahan said. “It was tight, but we thought maybe we could do it, if everyone bent their backs and worked a lot harder and a lot smarter.”

Which is how, in December 2008, Steiger and Jellesed and everyone else came to be sitting in that meeting room.

The first order of business was to issue employees a WARN notice, required whenever a large employer thinks it might fold. The second order to business was to make it clear that management had no intention of folding.

The workers agreed, in a shocked silence, to take a 10 percent wage cut. Management took a 20 percent hit. Shanahan's pay reduction was deepest of all.

Crews also agreed to work harder, and to eliminate every ounce of waste.

Steiger, who works at the underground crusher, said she often saw slightly used drill bits – expensive pieces of equipment – coming through the crusher. “Now, we sorted them all out, and they'd come down and pick out the best of the worst and use them again, until they were spent.”

Maintenance, she said, swept through the mine, fine-tuning all the machines to avoid costly breakdowns. No one tarried – it was

100 percent, from clock-in to clock-out.

“We knew it,” she said. “If we didn't rally, we'd be down for good. We did it together, because if one guy was wasteful, it cost everyone.”

The team effort, Shanahan said, was the surprising result of a decision made years ago, before he even came to Troy Mine. When the mine reopened in late 2004, management decided to spend extra time and money training locals – rather than hiring the usual “tramp miners” who tend to float from job to job.

The idea, Shanahan said, was to create an established work force for Revett's planned Rock Creek Mine, which the company hopes to open nearby.

“So what we have,” he said, “are people working here who have a real stake in the place. They know each other. They went to high school with their shift supervisors.”

Jellesed's husband works with her at the mine. So do her two sons-in-law, and a couple of nephews. Steiger has a couple of brothers with her at the mine, and a son and a daughter, as well.

“This place isn't about a job,” Jellesed said. “It's about families. No one wanted to walk away and move out of state.”

And so they did what they had to. This hardest year saw the lowest rate of turnover since the mine reopened.

The crews, Shanahan said, made less and produced more, straight through 2009. Shifts competed to outdo each other, and slowly the mine emerged from a sea of red into the firm footing of the black.

Management, meanwhile, was not idle. The company restructured millions in debt, even traded shares to buy down the balance sheet. They settled safety violations with federal regulators, hired new safety staffers, and resolved a lawsuit related to the 2007 death of a miner in an underground collapse.

“We really have a fresh start in 2010,” Shanahan said, and although management hasn’t bounced back up from its 20 percent pay cut, worker wages will be fully re-established as of Feb. 1.

That last was huge for Jellesed, whose family could only watch “as the nest egg was getting smaller and smaller.” Now, the extra 10 percent will once again be spread out among all the local merchants, trickling through the broader economy.

Mike Holcomb, a crusherman at the mine, already is looking at a new truck.

Shanahan also locked in metals prices with his buyers, hedging against future downturns. In fact, he said, he now has 50 percent of his copper production hedged for 2010, and 25 percent of his silver. Those price guarantees will cover 75 percent of the mine’s operating costs, while still allowing him to play the rising market with about 65 percent of total production.

(Today, prices are back up to about \$3 copper and \$17 silver, and Shanahan could have bet it all on continued price improvement, “but after what these guys did for us over the last year, we were duty-bound to make sure we stayed open and healthy through 2010.”)

But the real benefit, Shanahan said, is the new relationship between management and workers, and between company and community. They all, it turns out, need each other.

Shanahan has initiated an employee stock program, to make all the miners owners, and he’s looking for ways to invest in community projects.

“He actually showed up, in person, and talked straight to us,” Steiger said of her top boss. “If they’d just handed us a note, or posted a notice, then I think it would’ve been a lot different reaction. I don’t think I’d be working today.”

But she is, and Shanahan is planning a spring trip to Troy, to ride in a long-distance bicycle race. It was a challenge from his workers.

“I said if I can get my big butt around that mountain on a bicycle, then they have to join me in some Habitat for Humanity projects,” Shanahan said.

“This is a story of perseverance and ingenuity during one of the toughest economic times this county’s ever seen,” he said. “To me, it’s really remarkable what a band of 180 people can do when they come together and have some faith in each other.”

He’s still watching the quarterly numbers, of course, and watching them closely, but he’s also watching for opportunities to partner with townsfolk on community projects.

“And in the long run,” he said, “that will ultimately be the measure of just how successful a company we’ve become.”

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