Judge Approves RG Steel Retention Plan

Randall Chase, Associated Press

WILMINGTON, Del. (AP) — A Delaware bankruptcy judge on Tuesday approved a request by failed steelmaker RG Steel to pay $767,000 under a retention program to keep about 20 key employees on the job through the end of the year as the company finishes liquidating its assets.

Judge Kevin Carey approved the retention plan following a hearing Tuesday, overruling an objection by United Steelworkers union attorneys, who said the payments were unjustified and amounted to a gift for employees who will soon be out of jobs anyway.

RG Steel argued that the workers were essential to the company's wind-down and suggested that without the payments, they may leave early or focus on job searches rather than finishing up RG's business.

"These people in many ways are no different than the steelworkers," said RG attorney Brian O'Connor.

O'Connor told Carey that most of the employees are in accounting and finance posts, with salaries ranging from $40,000 to $177,000.

Privately held RG Steel is the nation's fourth-largest flat-rolled steel manufacturer. It sought bankruptcy protection in late May, citing liquidity issues attributed to low steel prices and high raw material costs. The bankruptcy filing came a week after RG announced that it would idle factories in Maryland, West Virginia and Ohio and lay off thousands of workers.

Since the bankruptcy filing, RG Steel has been working to sell off assets in order to satisfy secured lenders who are owed some $450 million and have liens on virtually all of the company's assets.

"They felt that these employees were necessary to allow them to efficiently wind down the business and maximize assets for everyone concerned," O'Connor told Carey.

But David Jury, an attorney for the steelworkers union, said the payments were unjustified, particularly when RG Steel's board approved the retention plan even as the company was negotiating a modified labor agreement with the union that included termination of health care benefits for covered workers and retirees. The company never told the union about the retention plan during those negotiations, he added.

"We can't think of any other way to describe it but as a gift... We think it's a grossly unreasonable exercise of the debtors' business judgment," said Jury, who told Carey

that denying RG's request would send a message to companies in bankruptcy about "a basic notion of fairness."

"I don't view myself as being in the message-sending business. I view myself as being in the dispute-resolution business," replied Carey, who said he was not in a position to substitute his own judgment for the decision by RG Steel, even if that was based on "business judgment plus a little more."

While concluding that the numbers in RG Steel's retention plan have "some reasonable basis" to give incentives to the remaining employees, Carey said he could understand why members of the steelworkers union would consider the payments unfair, especially if they were not told about the plan during negotiations on a revised contract.

Source URL (retrieved on *09/17/2014 - 4:25am*):
http://www.impomag.com/news/2012/11/judge-approves-rg-steel-retention-plan?qt-most_popular=0&qt-recent_content=0&qt-digital_editions=0