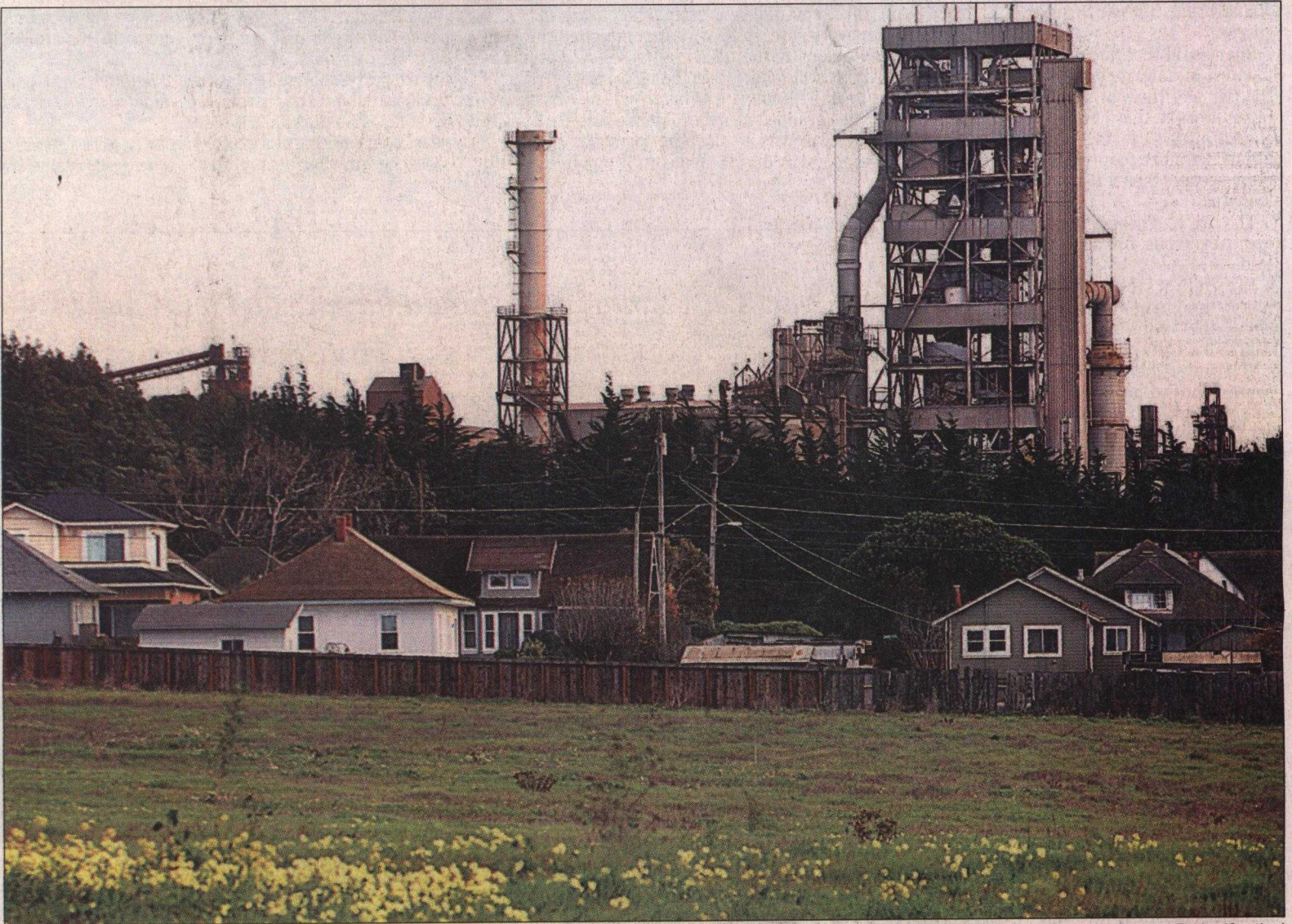


Cemex to close plant for at least six months



Shmuel Thaler/Sentinel

The Cemex cement plant looms large over homes in Davenport on Thursday. Company officials announced the plant will close for at least six months.

Citing economic downturn, company will lay off about 125

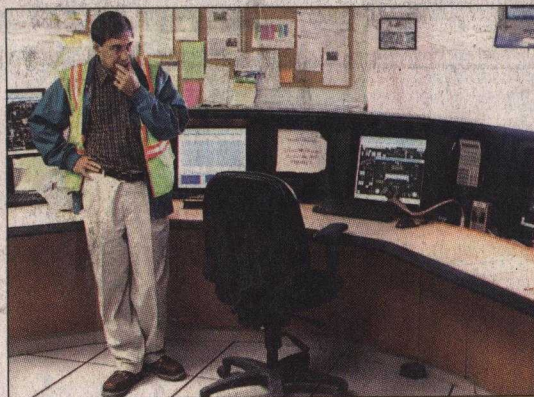
By **SHANNA McCORD**
SENTINEL STAFF WRITER

DAVENPORT — Cemex, the largest cement manufacturer in the nation, plans to pull the plug on the Davenport plant and lay off the bulk of its local work force, about 125 employees, for a minimum of six months beginning March 9, company officials announced Thursday.

The temporary closure of the 102-year-old North Coast factory comes in the midst of a severe

economic downturn, which has translated into a drastic drop in demand for cement across California — especially in the housing industry, Cemex spokeswoman Jennifer Borgen said.

“Demand does not exist right now in California,” she said. “This (closure) is purely the market. If you don’t have demand, you can’t continue to produce cement.”



Shmuel Thaler/Sentinel file

Cemex Vice President Satish Sheth, shown in the Davenport cement plant control room recently, says the company had no choice but to pause production due to the sour economic climate.

Shutdown could affect company's community support

By **J.M. BROWN**
SENTINEL STAFF WRITER

DAVENPORT — When a toilet backs up at Pacific Elementary School, administrator Noel Bock simply calls the maintenance worker.

When Principal Gail Levine is working alone at the nearby Bonny Doon School, a security guard drops by just to make sure she's OK.

Cemex

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A skeleton crew of Cemex employees, based on seniority and skills, will be kept at the plant to maintain the equipment and ensure the factory is ready to run again when the economy bounces back, Borgen said.

This is the first time the company has called for a temporary halt in operations with layoffs since 1992, Borgen said. That closure lasted three weeks, she said.

The Davenport plant, which was previously owned by RMC Pacific Materials until Cemex bought it in 2005, has closed for short periods on several occasions since 1992 due to weak demand, but had avoided letting workers go.

Cemex Vice President Satish Sheth, who also oversees the company's plant in Victorville, said the company had no choice but to pause production.

"The economic downturn is so severe," he said. "The company is dealing with the same downturn we're seeing everywhere else. We just have no place to go."

The Monterrey, Mexico-based company, with operations in more than 50 countries across five continents, is facing financial troubles as the company attempts to refinance more than a third of its \$16.4 billion net debt, according to Bloomberg financial news. It also faces derivative losses of \$711 million while profits plummet on weak cement demand in the U.S., Mexico, Spain and U.K.

In its latest quarterly financial report, Cemex reported a 5 percent year-over-year decline in sales, causing net income to fall 74 percent to \$200 million.

Borgen said the company's global financial struggles did not play into the decision to temporarily shut the Davenport plant.

Cemex came under scrutiny by the Monterey Bay Unified Air Pollution Control District this past summer for emitting the cancer-causing chromium 6 in cement dust blown from the plant. The company intermittently stopped operations while officials corrected the problem.

Company officials say chromium 6 was not a factor in calling for the temporary closure.

The only other Cemex plant in California, in Victorville, will continue to operate with its full staff of 250, Borgen said.

The company operates a network of terminals in Sacramento, West Sacramento, Redwood City and Richmond, which will allow customers of Davenport's cement to continue receiving product made in Victorville.

Davenport's core customer base is in the San Francisco Bay Area, but the plant distributes cement from Sacramento to Bakersfield.

The two-year forecast for construc-



Shmuel Thaler/Sentinel

A weak economy and tight credit conditions, coupled with job losses and a decline in state revenues, have led to reduced cement demand, according to the Portland Cement Association.



Shmuel Thaler/Sentinel

Some Cemex workers worry the plant will never reopen.

tion industries nationwide is "significantly weak," according to the Portland Cement Association, an organization based in Illinois that conducts research and market development for the cement industry.

A weak economy and tight credit conditions, coupled with job losses and a decline in state revenues, have led to reduced cement demand, said the association's spokeswoman, Patti Flesher.

The association reported a 12.8 percent decline in cement demand in 2008 and predicts an 11.9 percent decline in 2009 and a 2.1 percent drop in 2010.

Public construction accounts for nearly half of all cement use in the

country, and states like California suffering poor fiscal conditions are cutting back on such spending, Flesher said.

The association said cement use fell 31.7 percent nationwide in the residential market, and expects to see a 16.9 percent reduction in 2009.

A rebound is expected in the second half of 2010, Flesher said.

Meanwhile, Cemex employees Thursday expressed fear about personal finances, the ability to find other jobs while the plant is closed and the possibility of the plant never starting again.

Dave Sher, 55, an electronics electrician at Cemex for 10 years, plans

to file for unemployment.

"This came right out of the blue. But at the same time, we knew they couldn't keep the plant open when they're not making any cement and not selling any cement," Sher said. "They say the intention is to hire us all back when the economy improves. We hope."

Cindy Escobar, a Cemex employee of 18 years, is an officer with the United Cement, Lime and Gypsum Workers union.

The question she heard the most on Thursday from colleagues was "if and when there's a date for returning."

"There's not," Escobar said. "Of course, people are scared maybe the plant won't start again."

Cemex plans to continue seeking permits to expand its quarry in Bonny Doon, which Borgen says is "a clear indication" that the company doesn't plan to make the temporary closure permanent.

"Expanding the quarry is key to our future there," Borgen said.

Company officials say they are one of the highest paying blue-collar job providers in Santa Cruz County, with hourly pay ranging from \$17 to more than \$30.

Employees will continue to receive health benefits for at least a year, she said.

Some members of the management team in Davenport will be offered relocation or transfers to different plants, Borgen said.

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But the maintenance worker and security guard don't work for the schools. They work for Cemex, the North Coast cement maker that on Thursday announced a temporary closure driven by a moribund construction market.

News of the six-month shutdown and lay-off of more than 100 employees in March sent waves of worry among those who benefit from Cemex's generosity. Besides helping schools and other organizations, the company has worked to restore the habitat surrounding its 10,000-acre property.

But residents of Davenport, a town of 400 largely built around the 102-year-old plant, also rejoiced at the prospect of living without its irksome byproduct, the cement dust that coats everything from cars to clothes hangers.

"I think it will be wonderful because the health hazard is just so large," said 40-year resident Marcia McDougal, who along with husband Bruce used to own the landmark Davenport Cash Store and Whale City Bakery Bar and Grill. "I think it will be great for all the little kids that play outside under all that terrible stuff."

In October, air pollution authorities recorded chromium 6 levels 10 times higher than allowed by state environmental standards. Authorities believe the cancer-causing chemical came from Cemex, which has since run tests continually to ensure acceptable levels.

But like others, McDougal acknowledged the economic impact of the closure.

"We never want people to be out of work," McDougal said.

While only a few of the plant's employees still live in Davenport — it once was a company town — the shutdown will be widely felt.

The company plans to continue providing the town's water and paying for half of the county's cost of processing it.

Dinah Phillips, a spokeswoman for the county, said the Cemex shutdown is not expected to be "an appreciable hit" to the county's projected \$6 million sales tax base, but is "going to be one more piece of a dwindling pie" that includes a drop-off in state funding and property tax revenue. Phillips said area social services likely will see increased demand due to workers left unemployed by the closure.

Levine is worried about the toll on schools.

"It's shocking, and I think all the implications about them closing, we haven't even realized them," she said.

The company shelled out at least \$25,000 last year alone to support the Pacific and Bonny Doon school music programs, and gave \$20,000 to Pacific for a new library. The company also routinely loans workers to fix electrical or plumbing problems at Pacific, and provides a volunteer security patrol for the Bonny Doon School on nights and weekends.

Cemex has not told schools whether it will be able to maintain donations, Bock said. "I would say we're pretty nervous."

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