

"STEEL - AGAIN !"

ADDRESS BY V. W. SCULLY

TO

THE CANADIAN CLUB

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It is a high honour to be invited to speak to The Canadian Club - especially in Toronto. As I reminded you when I was last here, Hamilton (where I live and work) was the founder city of The Canadian Club, and we, in all our modesty, are proud that Toronto and hosts of other communities in Canada and elsewhere adopted our baby.

You have had so many illustrious speakers here that I have found it extremely difficult to think of something to say that might interest you.

Among Carter and Hellyer and Gordon - not to mention all the other personages who have been crowding the Canadian scene for so long - a humble businessman has but a puny voice in the maelstrom.

First, perhaps I might make a simple statement. Despite the claims of others to the contrary, the real burden of developing and maintaining the economy of this country rests on the shoulders of the businessman.

His courage, wisdom, foresight and integrity are the props on which this welfare state rests. Whatever may have been his origin, the immensity of his contribution to Canada's advancement cannot be over-stated.

We are sniped at continually, vilified, lampooned, and generally disregarded when we dare to speak out in what we believe to be the true interests of our communities and industries. However, being resilient and dedicated to our jobs, we just go on rolling with the punches and hurdling as well as we can over the obstacles that are engineered to confound us. The system we call the Free Enterprise System, wherever it has been allowed to function, has brought about great miracles of advancement for all people, and in this Canada is no exception.

When I was here before, I told you something about steel, about this element in the system founded only a few short decades ago and today vigorous and strong, moving forward without hesitation or serious doubt of its destiny. The Canadian steel industry is now able to produce virtually all the steel requirements of this nation and at the same time to supply to export markets throughout the world a significant tonnage of steel products.

We have foreseen market needs; we have kept pace with - in some areas even anticipated - technological developments; we have maintained outstandingly stable prices while steadily improving our products; we have, by and large, excellent relations with our work forces; we have been developing native raw material sources; paying high taxes at every level of government; and, finally, earning reasonable profits for the hundreds of thousands of people who, directly or indirectly, share in the fruits of our labours.

The Canadian steel industry consists, not of just four large integrated companies as is sometimes thought, but of more than a dozen companies, all, within their capacities, serving their customers well and all responsible corporate citizens. Stelco happens to be the largest company in the industry. When I say, "happens to be", I mean just that. The companies that were combined (or should I say "unified"?) in 1910 to compose Stelco were relatively small and in consolidation added up to considerably less than 4% of what Stelco is now. Names that will be familiar to some of you - Wilcox, Hobson, McMaster, Hilton -

these were the architects of success, of financial stability, of vast expansions, and of the highest standard of corporate integrity. From the smallest of acorns they cultivated this giant oak, and those of us who are striving to walk in their footsteps have no illusions whatever as to their stature.

Most of what I might tell you about the past has already been said. For a few minutes, therefore, I thought I might interest you in a brief glance into our crystal ball. Planning in any business has become a complex function. But in these times in which capital spending is immense, the complexities are especially great. This is partly because of the length of time that must elapse before the validity of the data on which spending decisions have to be made can be proven, and partly because the conditions or the rules or whatever you want to call them that governments and Royal Commissions impose or recommend may invalidate the data before a facility comes into operation.

For example, Stelco is investing over \$100,000,000 in the Wabush and Griffith iron ore mines - one in Labrador and one in Northwestern Ontario. Sixty percent of Wabush is foreign-owned, all of Griffith is Stelco-owned. We anticipated that these projects, for up to one hundred years, would provide a large proportion of our iron ore requirements. Both projects are capable of substantial expansion, and both meet all our economic criteria as compared with the opportunities that might exist elsewhere - the U.S.A. or Africa or Australia, for example. When these large iron ore ventures in the underdeveloped pre-Cambrian areas of Canada were undertaken, our planning assumed that the prevailing incentives of depletion, depreciation, and three-year tax-free income would support the projects. Now that the money has been committed and the facilities in being, it is not at all assured that our judgement will be vindicated if certain suggestions are ever enacted into law. Is it too much to hope that the voice of the businessman will be heard when the fate of his enterprise is being considered?

Back in 1955 a 25-year forecast of Canada's economic future was made. Steel - of course, was one of the elements studied. During the twelve years that have elapsed, the rate of growth for the industry has been more rapid than was forecast. We have thirteen years to go to the completion of the twenty-five years, and by that time Canadian steel capacity should be 17,000,000 tons - if the forecast is to be fulfilled.- and it is now likely that we shall reach that goal sooner than was expected, twelve years ago.

Much of the growth we have achieved since 1955 has been by the improvement of existing facilities - especially by beneficiating the iron ore charged to our blast furnaces. I believe we have come close to the end of improvements by these means and that therefore new facilities on a large scale will be needed to attain a rate of output of nearly 1,500,000 tons a month. There is no doubt that we know how to do this. As far as Stelco is concerned, our plans are well advanced and we have isolated the problems which still have to be resolved before our next large program of expansion can be undertaken.

I am not sure, however, that we look forward today as confidently as we did twelve years ago. I am not sure that Canada herself is quite as positive of her destiny. Obviously, in steel, we sink or swim with strong, forward-looking and stable national policies. Uncertainty there must always be in our profit-and-loss system, and in steel we have demonstrated our ability to accept the business risks and to survive. But it is appalling to think that experimenters may be allowed, using all Canadian industry as their laboratory, to disregard the economic realities and to test out schemes likely to invalidate the bases on which an industry such as steel must found its future. Change we must have. Even in the short few years I have been in the steel business, I have witnessed a revolution and I am sure that in steel the urge to improve will never diminish - if the rewards for effort continue to be worthwhile.

Like it or not, we, for all of our 3,500 miles of border, adjoin the greatest economic power the world has ever seen. It would be arrant folly to pretend that we can ever escape the influence of that great force.

In fact, we have every reason to extract the utmost benefit we can from its proximity. Were we to adopt rules or systems materially different from those that pertain across the border, we might well have to erect a barrier - not to keep Americans and their money out, but to keep our own people in. This, let us not forget, has happened elsewhere.

We have derived great benefits from our membership in the American Iron and Steel Institute, and also from a somewhat less close association with what was the British Iron and Steel Institute. The British industry may have fallen on evil days; at least its major components are now creatures of the state and what will emerge from this new status remains to be seen. Certainly - if experience means anything - North America could well become a dumping ground for the products of an industry from which the profit motive has been eliminated.

There will be just as dramatic advancements in steel-making and -shaping in the future as there have been in recent years. Our own efforts in direct reduction are now sufficiently advanced that commercial applications are underway. We have already made great progress

in producing steel of greatly increased strength in relation to weight.

Our mills today are rolling sheets of a thinness considered impossible a very little while ago. We have virtually eliminated the noisy rivetting of structural members by introducing high-strength bolts. We have spent millions of dollars to eliminate pollutants and to capture by-products from the effluents of our sewers and stacks. Even the making of steel continuously - for many years a dream - is probably just around the corner. Indeed, because at last research in steel is being undertaken on a massive scale, there probably is no limit to our horizons of accomplishments.

Other developments that are happening in the steel industry include the shift to a completely prepared burden in the blast furnaces of pellets and sinter, the use of oxygen in the steel-making furnaces, improvements in materials-handling, and the extensive use of precise automatic controls.

Ever larger steel-rolling units in all phases of the industry contribute to the production of better quality steels, but bring along another family of problems. The new generation of wide plate mills,

continuous sheet mills, and high-speed rod mills requires large-volume markets, immense outlays on facilities, a high level of skills in maintenance and operation and, consequently, increased uncertainties about an adequate return on investment. While some industries have mastered the trend to miniature-scale rolling and processing, the reverse is the case in carbon-steel production.

You will have noticed certain promotional efforts of the Company to encourage greater use of our products. For instance, the newly available prepainted steel sheets open wide possibilities for the cutting of steel directly from coils into panelling, shelving, appliance and motor covers, and residential siding. You may have seen, or at least heard of, the Mod Town House at the National Home Show in Toronto. We, in collaboration with Consumers Gas and others, developed these prototypes. Through and co-operation with, publicity to architects and engineers, we also expect to see steel in use in a major way in community centres, portable classrooms, sports centres, churches, and service stations.

Steel contributes to more durable and safer transportation systems through new construction in steel, all the way from galvanized bridge decks to steel-reinforced concrete and steel tubular guard rails. The steel industry exhibit at Expo '67 should stir ideas on the broad scope of the new forms of steel.

We feel that the public will benefit from the better living and working conditions made possible by steel. Work will be safer and more productive with the machinery, the buildings and the service facilities made of and by steel.

The creation of new products, the improvement of quality, and the mechanical aids to work and to the home should help Canadians move more quickly up that never-ending grade to a more productive and a fuller life. If the political and social climates are in tune with the new potentials that are stirring within our industry, considerable progress toward ^{greater} prosperity is already within our grasp.

And here perhaps I might interject that politicians at all levels and of all parties should be on our side in thinking up ways and means of helping industry to become more efficient, more profitable, and more national - i. e. in the sense opposite to provincial. Killing the fatted calf or the goose that lays the eggs has become a favourite sport of legislators. An example is our great Lake Ontario whose shores encompass industrial activity scarcely matched anywhere else in the world. One cannot enter or leave this inland sea without paying tribute. Indeed, it is the only one of the Great Lakes that suffers this unjust handicap. The locks and channels from Taconite Harbour on Lake Superior to Buffalo on Lake Erie, maintained by the Government of the United States of America, are untolled. But the example our Government is setting could easily result in retaliatory impositions if Canada persists in this silly and short-sighted policy. You, I am sure, can think of other situations where obstacles to advancement are lightly enacted.

At Stelco we feel confident that the Canadian industry will keep well in the front rank if we are not inhibited from directing our efforts in the way we in the industry believe to be the most promising of adequate reward. We have found that service to our customers is the absolute "sine qua non" of successful marketing and that such service includes not just product quality and timely delivery, but direct assistance in the selection and application of the product itself. A good demonstration of our stature and attitudes can be witnessed at the Steel Pavilion at Expo. We were one of the first industries in Canada to commit our companies to participate in this great fair. While necessarily modest - i. e. relatively - I believe you will find the Steel Pavilion worthy of your attention. However, apart from this, I suggest that you look about you and regard the almost infinite evidence of steel usage in and about the Expo site. Indeed, it is a commonplace to say that without steel, this great event could not have been staged at all.

Competition has been as sharp in steel as in any other industry.

We believe it has been a great spur to growth, to efficiency and to technological advancement. Indeed, those who believe in the survival of the Free Enterprise System must accept the fact that the System must fail if by agreement or rule of law or instrument of state ordinary competition ceases.

Price is often regarded as the only measure of competitive forces. This, of course, is not so. Quality, service and dependability are about of equal weight with price, and in many instances may prove of greater significance to a sophisticated buyer. In steel the tasks of trying to improve quality of product and of service are never done and never will be in any industry as healthy and vigorous as ours.

You have been very patient with me and I hope my favourite topic has not been without some interest to you. I would be remiss if, before closing, I were not to make even a brief reference to steel people.

The recruitment, training and advancement of our men and women are tasks to which we devote the closest attention. We have been able to attract to our companies the very best at all levels of our needs, and in this regard alone the future of the industry is assured.

While Hamilton, as well as being the origin of The Canadian Club, is the steel centre of Canada - nearly 60% of all Canadian steel is made there - we are not unmindful of the fact that there are other important communities - such as your metropolitan area - growing towns and cities with voracious appetites for the output of our mills. We look upon all of these as essential to our progress, and we exert every effort to cultivate the opportunities they offer.

Having said so much about steel, I should not like to leave the impression that we live by steel alone! It is our constant endeavour to seek out opportunities to render even better service, to cultivate good will, to support worthy causes, to earn reasonable profits and, probably most important of all, to be respected corporate citizens. That you have invited me here again indicates perhaps that our efforts are not entirely in vain.