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ALUMINIUM LIMITED

Report
of the twenty-third
Annual Meeting
of the Shareholders of the Company

HELD AT MONTREAL, CANADA

APRIL 26, 1951

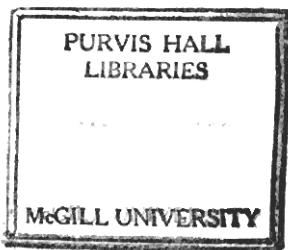
AND

Chairman's Remarks

BY

Nathanael V. Davis

PRESIDENT



PROCEEDINGS

The number of shareholders attending the meeting in person was larger than in any recent year, reflecting perhaps the substantial increase in the number of shareholders that has taken place in the twelve months since the 1950 meeting. The total number of shares represented in person and by proxy was 2,929,185.

Mr. Nathanael V. Davis, President of the Company, acted as Chairman of the meeting. All of the officers and eight of the nine directors of the Company were present, as well as the three candidates for election to the Board named in the proxy statement sent to shareholders with the notice of the meeting.

After the usual formalities and the appointment of scrutineers, the Report of the Directors and the Financial Statements for the year 1950 together with the Auditors' Report were submitted to the meeting. Mr. Davis at that point addressed the shareholders as follows:

REMARKS

OF NATHANAEL V. DAVIS, PRESIDENT

“At this stage of the proceedings, it has been the custom in the past for the Chairman to comment upon the Company's Financial Statements and activities of the previous calendar year. Since each shareholder has received a written Report of the Directors describing the highlights of the year's activities, it is not my intention to comment further thereon at this meeting. I would, however, like to bring you up to date on developments which have occurred since the submission of the Directors' Report on March 21st. At the conclusion of these remarks, if there are questions relating to the Company's

activities during 1950 or developments since that time, the officers and directors present will be glad to attempt to answer them.

“At the outset, I would like to welcome the large number of new shareholders who have acquired an equity interest in the Company. Since the formation of Aluminium Limited twenty-three years ago, there has been a constant and gratifying growth in the number of shareholders. This year, however, added impetus was given by the secondary sale of approximately 335,000 shares. Largely as a result of this distribution, the number of shareholders has increased from 5,000 at the year-end to nearly 9,000 at the present time. I would like to say that the many of us who are entrusted with the ongoing of the business have derived encouragement from the interest shown in the Company.

“Mention should be made of the recently announced increase in Canadian federal taxes. Effective January 1st of this year the federal income tax has been increased from 38% to 45.6%. There is also a 7% provincial tax which makes for a combined new rate of 52.6%. Therefore, as long as the new rates are in effect and to the extent that profits are taxable in Canada, a smaller percentage of gross profit will accrue to the shareholders. The probable impact of the new tax rate can perhaps be described by comparing hypothetically the Company's actual 1950 net income to what it would have been had the new rates been in effect throughout 1950. On the basis of this hypothetical comparison, consolidated 1950 actual net income would have been reduced by \$6 millions from \$32.6 millions to \$26.6 millions.

“There is a great amount of activity in the aluminium industry wherever located, arising out of the increased needs for

aluminium products in a variety of forms. Several companies, including Aluminium Limited, have announced and are undertaking expansion programmes. Nevertheless, much attention continues to be given to the desirability of further expansion. We have devoted considerable time to this subject. These remarks are primarily intended to inform you of the decisions reached and to refer briefly to the considerations which appear to be involved.

“During the past several months, preparedness requirements have been superimposed on the normal commercial demands to a point where many commercial uses have had to be curtailed. As a result, the true commercial or basic demand, which over a period of time is the most enduring and upon which the Company must rely, tends to be obscured.

“The preparedness demands, which include both the needs of current defense requirements and stockpiling for possible future requirements, may be subject to rapid and wide fluctuations. These uncertainties, together with the abnormal curtailment of commercial uses, make it difficult to assess the probable market for aluminium a few years hence. Possibly for these reasons conflicting estimates have emanated from many sources. Generally speaking, however, it is not expected that supply and demand will be in balance for one or two years.

“The present and probable near-term inadequacy of supply is a matter of concern to management. Existing fabricating plants, including those in which Aluminium Limited has an interest, are currently restricted in their operations as a result of metal supplies. Furthermore, the Company is not unmindful that new fabricating facilities are today under construction and reflect tangibly their numerous owners' confidence in an expanding

future for aluminium. Recently, therefore, many markets in which we participate have indicated near-term demands for additional primary aluminium, which we do not anticipate being able to fulfill under the production programme now planned. It should also be mentioned that our desire to meet these demands may be handicapped by power shortages at Shawinigan Falls and Beauharnois.

“These considerations have led the Company to decide to undertake a further and second expansion programme in the Saguenay area which can be brought to completion within a relatively short period of time. Accordingly, the Aluminum Company of Canada, Ltd. will construct new hydroelectric facilities at the Chute Savanne on the Peribonka River capable of generating 200,000 firm horsepower. This power will be available in part for use in existing ingot-producing facilities where the supply of power from others may not be maintained and in part for use in new ingot-producing facilities to be built forthwith under this programme.

“Although the generation of power at Chute Savanne will not commence until early 1953, as a result of the decision to construct the facilities without delay it is expected that outside power can be made available temporarily to permit increased aluminium production in the Saguenay area, commencing one year from now. This power and ingot expansion programme, which may be referred to as the Chute Savanne development in distinction to the Chute-du-Diable development now in progress, is estimated to cost approximately \$60 millions and is being undertaken in the belief that the near-term demand will justify bringing in such additional facilities.

“On completion of the two Saguenay augmentation programmes a milestone will have been reached in the development

of your Company. Those who have studied the growth of the aluminium business are familiar with the historical pattern wherein new sources of aluminium production have, in successive stages, sought out distant and often remote areas to obtain low-cost power in regions away from the demand of other industries and other users willing and able to pay higher prices. The economic forces which have directed this historical pattern are as strong today as they have been in the past.

“With completion of the Chute-du-Diable and Chute Savanne hydroelectric facilities, the power potential, based on available water in the immediate vicinity of Arvida, will have been developed to its near maximum. In the other areas of Quebec where the Company produces aluminium the present and future demand for power appears to be such that our ingot-producing facilities at Shawinigan Falls and Beauharnois may be unable to operate at capacity. There are, therefore, strong indications that the Company upon completion of the Saguenay programme will reach a point where either an insufficiency of hydro power or an increase in the value of such power will render further ingot expansion at present sites less attractive economically than in new areas. The situation reflects the rapid growth of industry in Quebec and eastern Canada in which this region may take pride.

“The probable attainment of this point in the history of the Company’s development led the Company several years ago to commence investigating new areas in Canada and elsewhere potentially capable of sustaining new economic production of aluminium. Many sites have been and are being investigated. The site which appears best adapted to development in the near future is in the Kitimat area of the Province of British Columbia.

“It will be recognized that the establishment of production in a new area requires large capital commitments and a long construction period. Although the site in British Columbia is capable of development in stages, the first stage is of necessity considerably more costly per unit of production than a full development. Completion of a first stage would, however, lay the foundation for further expansions capable of being built at substantially lower capital cost per unit of production and on an accelerated construction schedule. As a consequence, any decision to proceed at a new site such as British Columbia must be based upon long range considerations and requires the closest scrutiny not only of the anticipated future markets but also of the underlying policy determining the location of new production so that it may reasonably be expected to subsist and prosper over a long period of time.

“It therefore seems pertinent to review the fundamental forces which determine the locus of aluminium production. The two main economic forces bearing upon the *smelting of aluminium* have been, and continue to be, power and transport. The availability of power at low prices at a site capable of receiving the requisite raw materials without unduly high transportation charges affords an economically desirable basis of production. Non-economic forces are, however, continually at work and are often conflicting. In many parts of the world one finds production of aluminium continued in areas no longer economically adapted to the industry but where artificial conditions have been created which compensate for the cost disadvantages. I refer to tariff walls, subsidies, currency restrictions and other barriers. Forces such as these — which may be referred to as political forces — are beyond the control of the Company and are an ever-present threat to our ability

to sell in the export markets which we must do to survive and prosper. Therefore, in contemplating expansion one must decide the extent to which the economic or political forces shall be permitted to govern.

“In the past, the Company has, in all major undertakings, placed reliance upon economic considerations in the belief that only in this way can the interests of the Company, the consumers and the public at large be harmonized. The alternative would be to locate new facilities within the boundaries of the markets they are intended to serve where they would be relatively immune from the impediments often found when national boundaries are crossed. In most cases, however, such a policy would give greater consideration to elements which tend to burden the cost of producing aluminium and which hamper the free flow of aluminium products. The resulting conditions would, in the opinion of the Company, work against the long-range interests of both producers and consumers everywhere. It is, however, encouraging to note the current trend among most nations to reduce rather than to increase barriers to trade. There is also a growing realization that the economies of nations are interdependent. These trends strengthen our belief that the philosophy underlying the Company’s past development, which put reliance on natural economic forces, should continue to determine the location of future expansions.

“The decision to break ground for production in a new area must reflect confidence in the long-term ability to sell the output of the new facilities. The steady growth of consumption which has occurred since the earliest days of the industry indicates that confidence can be placed in an increasing use of aluminium if prices can be maintained at parallel or descending levels as compared to the price levels of competitive materials.

“Included in the Annual Report which is before you are several charts showing estimated world consumption of primary aluminium and consumption in Canada, the United States and the United Kingdom. These three markets show growth of consumption over the past fifteen years which is relatively larger than the growth of the other world markets. This disparity undoubtedly reflects the economic turmoil which befell many countries as a result of the war. As these countries rehabilitate their economies, as many of them are now doing, it seems likely that their internal consumption of aluminium will increase and that they may again look for outside sources of supply to fill a portion of their internal requirements.

“The Company is hopeful that, if it is in a position to offer low-priced aluminium, it will be able to participate in the growing requirements of many foreign markets which have not been large consumers of imported metal since the war. This possible growth in demand, plus an anticipated continuation of the historical long-range growth in all markets, has led the Company to prepare itself to maintain at least its relative position as a traditional supplier in international markets. To do so necessitates laying the basis for expansion in a new area. Accordingly, a decision has been reached to commence construction of a first-stage development in British Columbia. The programme envisages the excavation of the necessary tunnels beneath the coastal mountains and a powerhouse cavern sufficient for 800,000 horsepower, also the installation of generating equipment and aluminium plant facilities to produce 80,000 to 100,000 metric tons per year. It is planned to provide the necessary alumina facilities in the Caribbean area.

“The construction work is of such a nature that an elastic construction schedule may be adopted without adding substantially to the overall capital cost. This elasticity permits a flexible development programme which will be determined from time to time in accordance with the Company’s estimates of potential demand. The total capital cost of the integrated first-stage British Columbia development, including the required alumina facilities, is estimated at \$160,000,000.

“Although the annual rate of expenditure and the estimated completion date will depend upon the construction schedule adopted, it is currently planned to proceed without delay under a schedule which, if maintained, will bring in production of the first aluminium in British Columbia in 1954. Estimated expenditures this year under the programme now in effect will be \$23,000,000. It should, however, be remarked that if at any time the Company considers that there are sufficient indications that the additional output will not find markets, the construction schedule will be lengthened to coincide with the estimates of future requirements and with the resources available to the Company.

“The combined developments at Chute Savanne and British Columbia, which will increase usable integrated ingot capacity by 150,000 metric tons per annum, will call for a total capital expenditure of approximately \$220,000,000. Prolonged study has been given to the financing of the combined programme. Having regard for the funds now in hand and assured, the Company believes, under present estimates, that the financial arrangements for the combined developments have been substantially completed. The Company further believes that such additional financing as may be required can be handled on a normal basis.”

Upon the conclusion of Mr. Davis's remarks the special by-law permitting the directors to declare and pay dividends either in Canadian or in United States currency, at their option, was confirmed by an overwhelming majority, by far exceeding the number of votes necessary.

The election of a board of twelve directors then took place, in keeping with the terms of the special by-law increasing the number of directors of the Company from nine to twelve that had been duly sanctioned at a Special General Meeting immediately preceding the Annual Meeting.* Unanimously elected were:

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|---------------------|------------------------------|
| Dr. Earl Blough | Elmer G. MacDowell |
| Dr. Donald K. David | Hon. Leighton McCarthy, K.C. |
| Nathanael V. Davis | Edwin J. Mejia |
| James A. Dullea | George O. Morgan |
| N. Baxter Jackson | R. E. Powell |
| Paul LaRoque | John L. Sullivan |

that is, the nine retiring directors and three new directors, Messrs. David, Jackson and Sullivan.

The meeting concluded with the re-appointment of Messrs. Price Waterhouse & Co., of Montreal, as Auditors of the Company for the ensuing year.

In terminating the proceedings of the meeting the Chairman drew the attention of those present to the exhibit that had been installed in the room. The exhibit had been prepared by Aluminium Limited's fully-owned subsidiary, Demerara Bauxite Company, Ltd., for eventual presentation to the new museum being established by the British Guiana Government at

* 2,919,096 votes were cast in favour of sanctioning the by-law and 3,968 against.

Georgetown, B.G. It showed the nature of the housing, hospital, and recreational facilities that have been built over a period of years at Mackenzie, B.G., for the employees of the Demerara Bauxite Company, Ltd., and illustrated the steps in mining, processing and shipping bauxite.

At the meeting of the Board of Directors of the Company, convened following the Shareholders' Meeting, the Board declared a dividend of 90 cents U.S. currency per share, payable June 5th to shareholders of record May 7th, 1951. The dividend declared and paid in the previous quarter was 75 cents U.S. currency per share. All the retiring officers of the Company were re-elected or re-appointed as follows:

Nathanael V. Davis, President
R. E. Powell, Senior Vice President and
Director of Operations
James A. Dullea, Senior Vice President,
Secretary and Chief Secretarial Officer
Dr. Earl Blough, Vice President
Elmer G. MacDowell, Vice President and
Chief Sales Management Officer
Edwin J. Mejia, Vice President and
Chief Public & Employee Relations Officer
George O. Morgan, Vice President
Dana T. Bartholomew, Chief Financial Officer
H. H. Richardson, Chief Technical Officer
J. F. Evans, Treasurer
Paul LaRoque, Assistant Secretary and Assistant Treasurer
Dorothy Casselman, Assistant Secretary
D. M. Kertland, Assistant Treasurer