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ALUMINIUM LIMITED

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

HELD AT MONTREAL, CANADA

APRIL 24TH, 1952

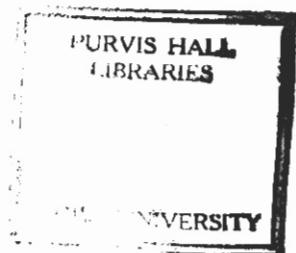
AND

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, which as mentioned by the Chairman reflected the substantial increase in the total number of shareholders in the Company that had occurred since the 1951 meeting. The total number of shares represented in person and by proxy was 3,425,628, or approximately 83 percent of the total number of shares outstanding.

Mr. Nathanael V. Davis, President of the Company, acted as Chairman of the meeting. All of the officers and ten of the twelve directors of the Company were present.

After the usual formalities and the appointment of scrutineers, the Report of the Directors and the Financial Statements for the year 1951, 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**

"It is customary at this time for the Chairman to comment on the affairs of the Company. The Annual Report to Shareholders and the Company's letter of February 26th reported that 1951 earnings were reduced as a result of increased depreciation and that earnings during the next few years will be similarly affected if, as it is expected, the Company continues to take accelerated depreciation charges during the years 1952 to 1957. The amounts involved are large and it seems appropriate to make further reference to the relative provisions under the Canadian Income Tax Act and to comment upon certain con-

siderations which entered into the determination of last year's charge and which are likely to enter into the determination of the amount of such charges to be taken in the years 1952 to 1957.

“The Canadian regulations permit the taking of depreciation on facilities under construction and further provide a considerable degree of flexibility in the taking of accelerated depreciation. When it is considered that both reported earnings and taxes payable are affected by the amounts charged to depreciation the leeway given under Canadian practice places a heavy responsibility upon your board.

“One of the important tasks facing the Company is to finance the current expansion programme in a manner calculated to be in the best interests of the shareholders. Broadly speaking, three methods of raising capital are open to the Company: the sale of additional shares, the creation of additional debt, and the utilization of funds generated within the Company. It is the latter method which will be referred to in this discussion and which might be termed internal financing.

“In the normal conduct of business retained profits and depreciation form the two main sources of cash generated within the Company. To the extent that depreciation charges are taken in excess of the amortization of plant spread over its estimated useful life, taxes and net earnings are reduced with the result that larger cash resources are made available internally. In order, therefore, to augment the amount of internal financing and thereby reduce the need of other methods of financing

accelerated depreciation charges were taken in 1951. To signalize the concept that the charges allowed under the regulations, and taken in 1951, represent something more than a fixed rate of amortization of the facilities over their estimated useful life, as is normally implied by the word "depreciation," the term "capital cost allowance" has been used interchangeably with the term "depreciation and depletion" in last year's accounts.

"Generally speaking, high depreciation charges will accrue to the long-term interests of the shareholders if there is confidence that the facilities under construction will prove to be profitable assets through their lifetime. Assuming profitable use of the facilities in the future and barring increases in the already high rates of profit taxes, the reduction in earnings during the period of heavy depreciation will provide a basis for increases in earnings when depreciation charges are reduced; moreover, fewer sources of outside capital will have been used in creating the new facilities. By the same token, the reduction in taxes payable during the period of heavy depreciation will provide a basis for increased taxes when depreciation is taken at lower levels.

"For the year 1951 your board established depreciation charges at a rate which is calculated to increase the funds available to the Company from internal sources by a maximum amount deemed to be consistent with the interests of the shareholders based upon the maintenance of a reasonable profit level. Your board is of the opinion that a continuation

of this policy will prove to be in the long-term interest of the shareholders.

“One other consideration merits reference. Other aluminium producers, particularly in the U.S.A., are undertaking expansion of their ingot-producing facilities under conditions which permit them to write off a substantial portion of the capital cost of the facilities over a relatively short period. The economics of the aluminium industry are such that under normal conditions capital charges form a significant part of the cost of producing ingot. It follows, therefore, that when facilities have been substantially written off apparent cost advantages will accrue to their owners. The depreciation policy being followed by your Company should enable the Company to maintain its relative competitive position with other producers.

“The foregoing comments lead quite naturally to the critical question of the extent to which the increased production from the facilities being built by your Company, as well as others, will find profitable markets. Without attempting to give a categorical answer, the studies made by the Company and by others who are familiar with the industry provide a guide to the probable future demands for aluminium.

“Over a period of years aluminium has demonstrated its usefulness and has found a large percentage of its total consumption in the fields of construction, transportation, electrical equipment, and in the packaging and container business. The growing use of aluminium in these major fields has resulted in part from aluminium’s ability to compete more and more

favourably both technologically and economically with other materials and in part from aluminium's participation in the over-all growth in the demand for all major metals. Increases in population and generally higher standards of living have been, and will continue to be, important factors influencing the growth and demand for aluminium and for all other metals.

“You will have noted in the Annual Report two charts showing on a volumetric basis the price and production relationship between aluminium and certain other nonferrous metals. Although it would probably be unrealistic to expect the recent relationship between prices to continue indefinitely, the figures do show that the aluminium industry has attained a position where in the years ahead it can reasonably expect to compete favourably with most of the common nonferrous metals in a large number of uses. Taking a long-range viewpoint, the relative economics of production under present methods and the known availability of raw materials appear to favour the future of aluminium over its nonferrous competitors.

“The relationship between aluminium and steel appears pertinent. We estimate free world output of steel during 1951 at 190,000,000 short tons and primary aluminium at 1,700,000 tons. The United States and Canada together accounted for 57% of the steel and 74% of the aluminium output. Taking these two countries as a unit, aluminium production expressed in tons was 1.2% of steel during 1951, compared with 0.87% in 1945 and 0.20% in 1935. It is apparent from these figures that, although aluminium production today is only a small

segment of steel output, a fractional replacement of steel with aluminium, although insignificant in relation to over-all steel production, would have a marked effect upon the demand for aluminium.

“Comparing steel and aluminium prices on a volumetric basis, it is interesting to note that the price ratio of aluminium ingot to steel billets in the U.S.A. was approximately 6 to 1 during 1935, that a decade later it was 3.2 to 1, and that in 1951 the ratio stood at 2.3 to 1. Further improvements in the volumetric price relationships may be subject to question but a reasonable forecast based upon current methods of production would appear to give aluminium the expectation of small advantages in the years ahead.

“It is relevant to note that in fields where the use of any single material is large and continuous a steady source of adequate supply is often an important consideration in determining the choice of the material to be used. As production of aluminium increases and total supplies become more plentiful it is a reasonable expectation that large potential users will be more willing than they have been in the past to turn towards aluminium in the fields where the economics of its use are sound. Increased availability of aluminium should, therefore, stimulate its use in fields which by their very nature require sizeable and continuous supplies.

“These comments attempt to highlight some of the prominent relationships between the demands for aluminium and a few of its competitive materials. If as seems reasonable, they point

to a continued growth trend for aluminium in the years ahead, actual consumption will depend upon the ability of fabricators to convert aluminium into forms useful to the public.

“In many of the highly industrialized areas of the world — and particularly in the United States and the United Kingdom — important segments of the existing aluminium fabricating facilities are not being utilized either as a result of the shortage of aluminium for commercial purposes or because such facilities cannot be used for defence production. Added to the foregoing, it is encouraging to see that established and highly experienced fabricators of other metals are devoting more of their facilities to the fabrication of aluminium. In the industrialized markets there is, therefore, a currently idle portion of the fabricating industry which may be considered a reserve potential for the future commercial utilization of aluminium.

“In many other areas of the world, industrialization is in its early stages. The existing fabricating facilities in these areas are not extensive but in many cases are being enlarged and new plants are being established. Although your Company’s activities in these fields tend to be obscured by the size and scope of the Canadian ingot expansion programme, the Company has continued to encourage the further development of fabrication where market considerations have justified it. The Company has also in many cases enlarged and improved the facilities of its subsidiaries in the lesser developed areas. The development of aluminium in these areas should keep pace with their over-all industrialization.

“Canadian consumption alone, although appreciably increasing, is insufficient to maintain our ingot operations at profitable levels. The extent to which your Company will prosper will therefore depend upon its ability to sell in export markets. In serving these markets the Company is subject to the vagaries of currency restrictions and other trade barriers, such as quotas and tariffs. To offset the risks inherent in serving export markets the Company has concentrated on the development of low-cost producing facilities and has looked to all export markets in its sales.

“In recent years the Company has substantially increased its exports to the United Kingdom and to the United States — these countries now being our two largest export markets. To an extent consistent with defence demands the company has, however, continued to maintain a position in other export markets which for many years have relied on us as a source of supply. As production increases the Company expects to be able to meet the full demand of all our traditional markets.

“As we view the future there are likely to be dislocations and even difficult periods of oversupply when defence demands diminish in the face of rapidly expanded ingot-producing facilities, but the past and probable future relationship of aluminium to competitive materials, together with the extensive and highly developed fabricating capacity in the industrialized markets and the development potential of other areas, should create over the years a healthy demand for the existing and planned ingot-producing facilities. Your Company

will strive to share in supplying the over-all demand by making ingot available at economic prices to the many fabricators in all markets, and by assisting in the further development of the fabricating industry in areas where economic and political considerations and the demand for development seem to justify such steps.

“Before closing I would like to refer briefly to two subjects of a more immediate nature. In March of this year the Company announced that Aluminum Company of Canada, Ltd., was considering plans for raising approximately \$90,000,000 of additional funds from outside sources during 1952 to provide for an increase in the estimated cost of the current expansion programme and a substantial acceleration in the rate of construction expenditures as well as for working capital. Aluminum Company of Canada, Ltd., is now engaged in negotiating for an issue of \$90,000,000 of debentures to be offered in the United States. Aluminium Limited proposes to guarantee the new debentures. Pending completion of this financing Aluminum Company of Canada, Ltd. has concluded arrangements for one-year lines of credit aggregating \$90,000,000 with a number of Canadian and United States commercial banks.

“Today’s estimates are that the expenditures during the period 1951 to 1954 inclusive may be approximately \$20,000,000 greater than the previously announced estimate of \$360,000,000. On the basis of today’s estimates the proposed \$90,000,000 financing by Aluminium Company of Canada, Ltd. will be adequate to complete the present pro-

gramme. If inflationary or other forces result in further increases in cost or create the need for more working capital it may be necessary for the Company to consider additional financing in the years ahead.

“As has been announced, the Aluminum Company of Canada, Ltd. has submitted a revised offer to the United States authorities to supply the United States market with 1,110,000 short tons of aluminium ingot over the period 1952 to 1958. Acceptance of this offer would not necessarily alter the Company’s expansion and financing programme as described above.”

Upon the conclusion of Mr. Davis’s remarks the election of a board of twelve directors took place. Unanimously re-elected were:

Dr. Earl Blough	Elmer G. MacDowell
Dr. Donald K. David	Hon. Leighton McCarthy, Q.C.
Nathanael V. Davis	Edwin J. Mejia
James A. Dullea	George O. Morgan
N. Baxter Jackson	R. E. Powell
Paul LaRoque	John L. 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 consisted of a scale model showing the City of Arvida, the Arvida Works of

Aluminum Company of Canada, Ltd., and the Shipshaw power development, together with display panels describing the new hydroelectric installations being constructed by the Company in Northern Quebec. The Chairman also invited the audience to witness a showing of a sound-colour film entitled "Packaged Power" recently produced for Aluminium Limited.

At the meeting of the Board of Directors of the Company, convened following the Shareholders' Meeting, the Board declared a dividend of \$1 U.S. currency per share, payable June 5th to shareholders of record May 5th, 1952. The dividend declared and paid in the previous quarter was \$1 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