

involved, I will say that the total capital expenditure involved was in excess of \$100,000,000.

In conclusion, Mr. Chairman and members of the Committee, we at Armco feel that our company is at a crossroads. Your decisions and actions will to a great degree influence our future direction. I strongly endorse the remarks submitted by Mr. Tom Patton on behalf of the domestic steel industry, and hope that this frank presentation of our company's concern will illustrate the dilemma facing our industry today.

STATEMENT OF NICHOLAS P. VEEDER, CHAIRMAN OF THE BOARD AND PRESIDENT OF GRANITE CITY STEEL CO.

The steady increase in imports of foreign steel is a matter of local as well as national concern. My comments will be about the local aspects of this problem and, specifically, about the impact of steel imports on our company and the Midwest community where our plant and offices are located. I hope to give the Committee on Ways and Means a fresh perspective on the extent to which unemployment and economic hardship could ultimately develop in industrial communities such as Granite City, Illinois. Certainly, the outlook for the future is bleak as long as our government continues to allow the steel industries of Europe and Japan to ship unlimited tonnages of their excess steel to American markets.

Let me make one point clear at the outset. The size of my company has not increased our vulnerability to import competition. Granite City Steel is a small company in comparison with most of the other integrated U.S. producers of flat rolled steel products. However, all our production facilities are concentrated in a single large plant. We are able to realize the operating efficiencies which come with size in the steel industry. Our profits have been above average for our industry in most past years. Our plant is modern throughout and we are able to take care of ourselves as far as normal competitive pressures are concerned.

Import competition is another matter, even for Granite City Steel which has an unusually heavy investment in large, highly automated facilities. The average capital invested per each employee at our company amounts to \$52,447. This is substantial even by the standards of the flat rolled steel industry which is accustomed to using some of the largest and most costly production facilities to be found in modern industry. We have invested more than \$350,000,000 in plant expansion and modernization since 1950 to transform a once marginal and semi-integrated producer into a modern, efficient steel company integrated all the way back to the iron ore mine.

It is occasionally stated that American steel companies have been afraid to go into debt heavily enough to finance the investment required for them to take full advantage of new technologies. Our company would not exist today if several generations of management had not been willing to go into debt very heavily indeed when there was an opportunity for profitable growth.

Our heaviest capital investment has been made during the last 3½ years. Granite City Steel's net worth when we began this program was \$113,027,000. We have since then invested well over that amount—a total of \$135,000,000—in expansion and modernization of our Granite City plant and the development, jointly with Hanna Mining Company, of an iron ore mine and pellet plant only 85 miles from Granite City.

Today our company is stronger competitively than at any time in its history. However, depreciation and interest charges have increased tremendously and our long-term debt is at an all-time high of \$148,189,000. This is the price of growth and we knew what to expect when we began to plan this program. Our decision to go ahead was based on the increasing demand for steel in our 25-state regional market. There was every reason to expect that we would be operating at much higher levels after our new facilities were completed. We would not have embarked on this program if we had not counted on higher volume, consistent with the growth in our market, to pay for it.

The current demand for steel is artificially heavy as a result of strike hedge purchasing. Leaving that aside, we have found that the growth in demand for steel in our market area has taken place as expected but that the additional volume is being siphoned off by imported steel.

Total imports of flat rolled steel in 1964, the year we arranged financing and committed ourselves to our latest expansion and modernization program, amounted to only 1,700,000 tons. Now, with more than three years of construction and breaking in behind us, we see imports of flat rolled steel at a level which is expected to bring the total for 1968 to almost 10,000,000 tons. The consequences are obvious.