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Pres. Iron & Steel Institute
Public Affairs Conference
N. Y. Jan. 14, 1965

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WHAT IS AT STAKE

by

Gerald R. Ford, Member of Congress, Michigan;
Minority Leader, House of Representatives

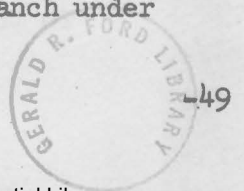
Thank you very much, Mr. Johnston, members of American Iron and Steel Institute. It's a real privilege and a pleasure to be here this afternoon and to participate in this public affairs discussion.

I would like to say at the outset that according to the schedule which was suggested to me, it would take about 45 minutes of your time for my remarks and whatever questions you might ask and whatever answers I might give. I feel very strongly, in a meeting of this sort, that it is far better for me to take approximately half the time for what I should say directly to you, and then to give to each of you an opportunity to ask any questions for the remainder of the time.

Whenever I have a time limitation, or whenever I impose one on myself, I always take the admonition somewhat seriously. This reminds me of a story that happened in our family a year or so ago. My wife and I were attending a dinner where I was to be the principal speaker. I was sitting here, and my wife was sitting on my right and another gentleman was sitting on her right. As the Toastmaster made the introduction she took a little piece of paper and wrote on it K-I-S-S, all in capitals. As I got up to speak, the gentleman who was sitting on her right thought he would make a nice comment, a complimentary remark concerning this note. So he turned to her and said "My, you were thoughtful to pass that note to your husband with 'K-I-S-S' inscribed on it." My wife, Betty, was a little concerned. She didn't know quite how to answer him and said, "Well, I really don't think it means what you think it means," and he, of course, said "Well, what did you intend?" To which she replied, "Well, 'K-I-S-S' as far as this note was concerned, meant 'Keep it short, stupid.'"

It was suggested, when I was talking to Bill Whyte and some of the others, that I might make some comments concerning what is at stake, and may I say with all the sincerity and all the persuasiveness that I can, I don't think I'm exaggerating when I say "at stake." I think there are several basic concepts that are deeply ingrained in our form of government, our political society, that are in some jeopardy today. It is my considered judgment and opinion that unless these basic concepts, which are essential to the preservation of our government, are saved, the situation in the next decade or two could be quite different.

And what are they? First, I think there is the system of checks and balances that has been an essential part of our government that was actually written into the Constitution at Philadelphia almost 200 years ago. I believe most Americans, regardless of political faith, would agree with this concept of the framers of the Constitution. They very carefully drew a form of government which would permit the majority to rule, but would also by and large protect the rights of the minority. One of the very crucial portions of this document, the Constitution, was the delineation of power, or the separation of powers between the Executive Branch under the President, the Legislative Branch under the Congress, and the Judicial Branch under the Supreme Court.



Under the Constitution, if not directly stated certainly implied, each of these branches of government was given a responsibility, a very specific responsibility, but none, nor any one of those branches, under any circumstances, as I see it, was given a superior position. And it is this system of checks and balances that has preserved the integrity of our form of government. To put it quite bluntly, this system has created the environment which has enabled 13 poor, struggling colonies to grow into the nation of 50 states that we have today, a nation that is the most powerful economically, agriculturally, and industrially--and I add spiritually--in the world today.

Now, unless this basic concept of our government is preserved, where you have three coordinate branches of the government, each with a responsibility but no superiority, I am convinced we cannot move ahead as we have in the past. I respectfully say there have been developments in recent months that put in some jeopardy this basic concept of the separation of powers and the checks and balances that have been so beneficial in the past.

The second basic concept, which seems to me must be preserved, is one with which we are all familiar, the two-party system. For the first time in American history, I think, this nation faces a very serious threat of one-party dominance of two branches of our Federal Government. This is a problem that we all must face, and I don't speak here as a partisan, although I have some partisan interests. I can only say that some of us in the Republican Party currently in the House of Representatives feel that this is a very critical issue, and that we intend, in the months ahead, to fight for a strong two-party system. When we have the legislative branch overwhelmingly controlled by the same party that occupies the White House, we have gravely weakened the system of checks and balances.

I might just say, parenthetically, that there are a number of us in the House of Representatives at the present time, who are trying to get the Republican Party on the road to a position of responsibility and respect, so that we can go to the electorate two years hence and get a much more favorable response than we had on November 3rd.

Let me quickly give you three things we are trying to do:

One--We expect to come up with what we call "Constructive alternatives" to the proposals submitted by the Administration. We recognize that there are serious problems, both domestic and foreign, that face this nation today. We believe that the solutions proposed by the Administration are not the only solutions. In fact, we think in many cases there are better ones.

On the other hand, we expect to use what I call "selective opposition." In those areas where we think the Administration is right, it may be that we will support it more ardently than one or the other elements of the Democratic Party. And I think we should.

Secondly, whether we like it or not, public relations in politics is an essential ingredient and we feel that we've got to do better in this regard. To the extent of our competence we intend to do so.

Thirdly, I can say that we intend to make the Republican Party a national party and I would like to add parenthetically, we expect to get the "Eastern establishment," as some people call it, on the team. We hope and trust that we can get people from all other areas of the country on the team. If we do, at least some of us feel that we will have made a constructive start toward strengthening the two-party system.

Now, let me take just a minute, if I may, to suggest what I think you and your industry can do not only to help yourself, but also to preserve these two basic concepts, the separation of powers with checks and balances, and a vigorous two-party political system.

First of all, in my experience with some businessmen, and I underline some, I find a failure to recognize that what transpires in Washington in the Executive Branch of the Government or in the Legislative Branch is important to them. This has changed somewhat and changed considerably among certain elements of the business community. At least in the 16 years I've been in Congress there has been an appreciable increased awareness on the part of business that it has a stake in what goes on day to day in the Executive Branch of the Government on the one hand and in the Legislative Branch on the other.

From Bill Whyte's speech, which I didn't have an opportunity to hear but which I have read, you know that the steel industry has a very high stake, not only in one area of controversy but in many, and this doesn't relate only to the Legislative Branch but to the Executive Branch of the Government as well. Certainly, in the 89th Congress, which opened January 4th, what happens in the Executive Branch of the Government is vital as far as the Congress is concerned, because the Administration has not only control of the Executive Branch but has also better than a 2 to 1 advantage in the House and the Senate. So you can start out with a likelihood that what is recommended and urged by the Executive Branch of the Government will probably, very probably be approved in the House and the Senate.

Now, after you appreciate that you have an interest, and some areas of your industry have been cognizant of that, I think you've got to analyze very carefully what you ought to do. I know from my experience during the last 14 years on the Subcommittee on Defense Appropriations, where I saw our weapons systems develop from an idea on paper to deployment in the field, that research and development plays an important part in how these are put together and used. Through my contacts with industry in this period of time, I have seen industry go from research to development to a product which is sold in the marketplace. But you start with research and development.

You know better than I that in the handling of your own personnel problems you do a great deal of research on what ought to be your policy. And may I respectfully say that in the area of public affairs, politics to some extent, I think you've got to be just as analytical, just as cold-blooded in analyzing what the problem is and the procedural steps that you should take to protect the interests of an important segment of our national society.

Too often, from my experience, business people wait until after an election to really make any contact with a person elected to office. I have seen, in a number of cases, a person come to an office of a member of the Congress, after the election is over, and ask to talk about a problem in which that individual is interested and has a specific point of view, knowing that the member of Congress, whether he's Democratic or Republican, already has taken a position in opposition. Now, if this individual coming into this office, talking to this member of the House or Senate, hasn't participated in the process of helping that person enter politics, helping him get elected, getting acquainted with him, establishing a rapport, his chances of getting his viewpoint to prevail over the previously taken viewpoint, are virtually nil. You might just as well forget it. You've wasted your time. You're entering the ballgame at the wrong stage of the contest.

What you have to do, in my judgment, is to start in the Primary period. As you know, in our 50 states we have a variety of primary dates, some early as March or April, others as late as September, but if you want your best day in Court, may I say, help to find a candidate. Maybe you have one in your own organization. And if you don't have one in your own organization, help to get one and get some of your people to be on his team. Of some consequence, of course, is the financing of a campaign, but I might add that personnel help is far more effective than the mere contribution of dollars. If you have somebody from your organization who is a friend of a person who is contesting in the Primary, and he wins, you have taken a big step forward to success if and when you ever have a need to see that member of the Congress or the State Legislature or the City Council. Of course, after he is selected in the Primary, and if he's successful in the run-off, then in my opinion you have the most legitimate reason in the world to expect that whether it's a problem with some agency of the government, whether it's a problem on legislation, you will get a good hearing and will get his help.

It seems to me that there have been companies that have done extremely well in this regard. Rather than identify a company I would simply like to say that in the last six months I've had some experience with a corporation, a nation-wide organization, that about 10 years ago inaugurated a plan that today I think could be used as a model: at least on a relative basis it's the best I've seen. They have an organization in their home office, I think they call it the Public Affairs Section or Division. They have the nation broken up regionally, and they have people who are knowledgeable politically, and I mean real pros, to represent them in these various geographical regions. They have established a rapport with the members of Congress from these areas and I am sure that they have established a similar rapport with members of the State Legislatures. And then they have representation in Washington, and I've seen instance after instance where a problem would come up and help was essential on legislation or on some other matter, and by the mere pressing of a button or a signal, action is generated back home, and inquiries and suggestions are funneled to the members of the Congress in Washington.

I might say that in one case, just recently, they volunteered to be helpful in my behalf. It was legitimate (you never know how really helpful it was) and there was activity, bona fide legitimate activity that could be put into use and effectively used almost instantaneously.

Now some people will say to you that this is improper - this is not the way to do it. It's contrary to what we have learned in school and in text books over the years. May I answer that by saying this: Under our system we have the right of petition individually and collectively. I believe corporate organizations have a right similar to those of individuals. But if you are going to do it, you have to do it in an organized way.

I happen to have the analysis of the November election put out by COPE which, as you know, is the AFL-CIO political action group. In the first place they analyzed the situation before the election and I had a copy of that. It scared me when I saw it because it was so well done. A look at their post-election analysis proved to me that they, in this case too, had done a masterful job.

And I think that business, if it's to continue to be a vital segment of our political community, an essential element of our society as a whole, that business has to do the same thing. There are a multitude of ways to go about it, or at least there can be variations depending on the business, the size, the kind or organizational structure you have. But I can only say to you that if you are to meet the challenge of those whom you meet across the bargaining table in settling economic issues, if you're to meet their challenge in the political arena, if you are to be as confident as they are, I say with all the conviction that I have, that somehow you've got to adapt your corporate organization to meet this kind of a problem.

I end as I began: it seems to me for the preservation of our political and economic and social system, each of you individually and as a corporate organization must exercise properly your right to petition and this, if done properly, will ensure the preservation of business as an important segment of our economy. I say in closing: others do it; so must you. Thank you very much.

AMERICAN IRON AND STEEL INSTITUTE

COMMITTEE ON PUBLIC AFFAIRS DEVELOPMENTS

Proceedings

Public Affairs Conference

January 13-14, 1965

The Waldorf Astoria

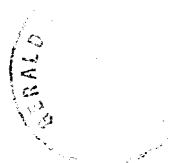
New York, N. Y.



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OPENING REMARKS

by

Logan T. Johnston, President, Armco Steel Corporation

Good afternoon, gentlemen, and welcome to the first Conference on Public Affairs, arranged and conducted by the Committee on Public Affairs Developments of American Iron and Steel Institute.

We have what should prove to be a most worthwhile program. The subject is timely and important--the men who will appear before us during the next day and a half are knowledgeable--all that we need for a successful and significant meeting is your involvement.

Let me stress that this is an intramural meeting--within these walls--there are no representatives of the Fourth Estate here so our discussion will be completely off the record. Let me likewise stress that this is a working meeting. We want and we need your ideas, your experience, your problems--in short, your active participation.

Now let's take just a few minutes to set the stage for our meeting by reviewing the background of this new committee, and this new AISI activity. Why and how did it come into being? What purpose will it serve?

The Directors of the Institute have never labored under the delusion that the steel industry operates in a vacuum. They have always been fully aware that our size and our importance as an industry make our actions and our accomplishments a matter of interest to many individuals and groups. Because we live in something akin to a glass house, and because we don't subscribe to the theory that "People who live in glass houses should take baths in the basement," we have long had a Public Relations Program Committee. This Institute committee serves as an informational bridge for the two-way passage of knowledge and understanding



between the steel industry and its various interested publics.

In recent years one of those interested publics---the one we call "government"---has grown in importance and complexity to the point where the Directors felt that it warranted special attention. Therefore, the Board established a second informational bridge to supplement the Public Relations Program Committee. This was, of course, the Public Affairs Developments Committee which I have the honor to chair, ably assisted by Bill Whyte of U. S. Steel with Leo Teplow as the Institute's staff representative. The Board also decided that this new committee should operate under the same policy group which directs the work of the Public Relations Program Committee.

This new committee made its debut at the Institute's Annual Meeting last May and I'd like to repeat just a few of the introductory remarks which were made then:

"The time for viewing with alarm and gnashing of teeth is past. It is time for all of us to recognize that it has become the business of business to be concerned about the business of government. And it is time for us in the steel industry, when we have common problems, to sing out of the same hymn book."

After seven months of reflection, I would not change that statement, except to add this one thought:

"If we are to sing out of the same hymn book on occasions, our choral offerings will sound best if individually we are in good voice."

This then is the particular mission of our committee--to help us blend our voices into an impressive chorus when the occasion demands; and to offer voice lessons to those of us who may need and want them. However, at no time and under no circumstances will this committee attempt to sing your solos for you!

One of my Armco associates had a plaque in his office which offered this bit of Pennsylvania Dutch philosophy:

"We Grow Too Soon Oldt, und Too Late Schmart."

Gentlemen, when it comes to public affairs, this may indeed be an apt and accurate description of the steel industry.

As you know, we recently conducted a survey of the member companies of the Institute on the subject of public affairs. We wanted to find out about existing programs and to determine the extent of the latent interest in this subject. You'll be receiving copies of the summary report, so I will confine myself now to the observation that our achievements to date fall far short of our aspirations! Present company excepted, of course, we're getting oldt, and its high time we got schmart!

We appear to be crossing the threshold of awareness of the real significance of public affairs to the health and well-being of our entire industry and our respective organizations. That message comes through loud and clear in your answers to the survey questions. And, those of you who have almost single-handedly been doing a job in this area have every right to look back over your shoulders at the rest of us and say,

"It's about time!"



Every one of us in this room is well aware of his obligation to be in a position to anticipate those trends, events and developments which will cast their shadow over the future of his company. That's why we have sales forces and market research teams to warn us about what the competition is likely to do...that's why we have researchers and engineers to keep us abreast of technological changes...that's why we have industrial relations staffs to help us anticipate and deal with the demands of organized labor. But are we adequately organized and staffed to anticipate and deal with the impact of legislative action or agency and bureau interpretations?

Every one of us in this room is probably more cost conscious than ever before. That's why we have industrial engineers and cost accountants to help us hold the line on rising costs...that's why we have suggestion plans and methods improvement plans to encourage our people to come up with cost-saving ideas. Yet are we sufficiently aware that a dollar added to the cost of our products by government action affects our profits just as much as a dollar added by increased labor costs or poor quality control?

Before this committee can hope to be successful, it must first bring about a realistic understanding and appreciation of public affairs. Far too often businessmen tend to equate public affairs with "gut politics" and when the inevitable happens and they get their fingers burned, they take the pledge and forswear any further involvement. Too few of them realize that public affairs is really the study and practice of what might be termed "applied political science."

It is essential that we know and understand the system, structure and the day-to-day operation of our government--not as we learned it in a high school civics class umpteen years ago, but as it exists today. We must be able to anticipate the social, economic and political forces which will inevitably influence the progress of our companies. And above all, we must learn to communicate effectively with this special public we call government...and that requires that we build receiving sets as well as transmitters.

As the steel industry enters Century Two, the dominant mood is one of optimism, the dominant theme is progress and the dominant subject is technological change. But in our fascination and preoccupation with basic oxygen furnaces, continuous casting and vacuum degassing, we cannot overlook another highly significant area of change: I refer to the basic relationship between business and government, and to the generally accepted role of government in our private enterprise economy.

In addressing the Annual Meeting in May I said something on this subject which I'd like to repeat:

"Government is now a partner of business--some even think the dominant partner. Whether or not business wants such a partner is academic. The partner is there... businessmen who are frank with themselves in their moments of introspection know that this partner is not going away, at least in the foreseeable future."

This then is the context of this two-day conference on Public Affairs. Our survey indicated that you already accept and endorse the

ideals and objectives of the public affairs movement, that you acknowledge its relevancy. Therefore, our program will not dwell on generalities or preachments; it will not attempt to rally you 'round the flag by dealing with specific crises, although goodness knows we have enough to go around.

Our program will give you what your survey answers indicated you wanted: not a "why-to-do-it" session, but a "how-to-do-it" session. Our faculty is made up of men who are qualified by virtue of their experience to deal with the subject in the most pragmatic of terms... men who can not only point out the destination, but furnish us with up-to-date road maps to help us get there. And we've even gone so far as to provide "A Ford in your future."

The kickoff man for today's session will be our own Jack Roche, President of the Institute. After he has described the Institute's administrative procedures with respect to public affairs, we will hear from Mr. Walter Petravage.

Walter is Manager of the Public Affairs Department of the U. S. Chamber of Commerce, and will share with us his wide and unique experience in this area.

Following Walter will be another gentleman from the Washington scene, our colleague Bill Whyte, Vice President of U. S. Steel. Bill, of course, is Vice Chairman of the Institute Committee on Public Affairs Developments, and he will discuss some of the primary issues which he feels our industry will face in 1965.

Then we will hear from a fellow industrialist, Mr. Roger Kelley,

Vice President of the Caterpillar Tractor Company. He will tell us about some of the "why's" and "how's" of Caterpillar's public affairs program, and I think his presentation will provide us with some valuable ideas on how to strengthen our individual company efforts.

Our anchor man for the day will be the Honorable Gerald R. Ford, Congressman from the Fifth District of Michigan. As you know, Congressman Ford has just been chosen minority leader of the House, and we are extremely pleased and honored that he could take the time away from his Congressional duties to help us look at public affairs through the eyes of one who holds high elective office.

Tomorrow we will have an equally full and fruitful session which Bill Whyte will describe to you before we shut up shop for the day.

And now, Jack Roche, we are ready to devote our undivided attention to you.

THE NEW EMPHASIS BY AISI ON GOVERNMENT RELATIONS

by

John P. Roche, President, American Iron and Steel Institute

There is an erroneous impression in certain areas of business and Government that the steel industry of America waited until 1964 before becoming aware of the vital significance of Public Affairs in industrial life. Sometimes I believe we hear so much adverse comment in this area that we ourselves become defensive. Admittedly, we did not appoint a Public Affairs Committee at the Institute until last year, but our companies as well as the Institute have been doing work in Public Affairs for years.

Logan mentioned the Public Affairs survey we conducted last Fall. We asked 73 domestic companies to answer a questionnaire -- 66 replied (90%).

62 of 66 companies said they believed Public Affairs an appropriate subject for organized corporation activity.

42 identified an official by name as the person responsible for Public Affairs.

37 companies have a training program to educate employees in practical politics.

Then why does this Conference state as its purpose to encourage companies to undertake or strengthen Public Affairs programs?

Because despite the foregoing encouraging statistics only four companies have a written statement of company policy on Public Affairs.

Because only eight companies have Washington representatives with any responsibility in the field of Public Affairs.

Because 28 companies expressed a need for better communication about significant developments on legislative and administrative matters in Washington.

Because 46 companies expressed a desire to know what other steel companies are doing in this area and equal interest in hearing what successful corporate Public Affairs programs exist outside our industry.

So this Conference serves many useful purposes.

At the Institute staff level, we have been working with Government agencies for years -- Department of Commerce's Business and Defense Services Administration (BDSA) -- Department of Labor -- State Department on International Agencies related to steel. These contacts are relatively routine and seldom involve policy determination. A great majority of these contacts are identified with some specific committee work at the Institute and often, in years past, without any coordinated planning in terms of similar or even contrary interests of other committees.

This brings me to the Public Affairs Developments Committee and its function.

The committee does not plan to take over the Public Affairs functions of the member companies or the many Institute committees which have been dealing with this problem for years. The committee does, however, hope to coordinate the Public Affairs activities of the member companies and the Institute committees so that we bring the weight of the industry to bear in a concerted way on important legislative or administrative matters which affect this industry.

Neither the Policy Committee on Public Affairs nor the Public Affairs Developments Committee plans now or in the near future to recommend opening of an Institute Washington office with registered lobbyists operating on the Hill in our behalf. But both committees do plan to propose a set of affirmative proposals on Public Affairs action to be taken by our member companies in their enlightened self-interest. Twelve chief executives from this industry can be more effective on Capitol Hill in a week of intelligent coordinated pin-pointed effort than a dozen of the best lobbyists.

Furthermore, it's no answer to say that steel executives won't do this job. They will. Last February we proved the point when this industry made the greatest impact of any industry in the country when 18 of our senior executives appeared before the Trade Information Committee and the Tariff Commission on the subject of tariffs and trade.

Please note that I said that the Public Affairs Policy and Developments Committees will recommend affirmative programs relating to legislative action and administrative policy. This means that we will have

a program of principles on which we can be active instead of constantly reacting in a negative fashion to the legislative proposals or administrative decisions of Government people whose interests are inimical to ours or good intentioned public servants who are confused because of our not anticipating their problems with affirmative answers or suggestions.

As a further example of our current efforts, some of the legal representatives of our members have been engaged in very constructive efforts in several areas in Washington. Some of these men are here today, and we're delighted to have you. Our new Public Affairs Developments Committee will be prepared to implement these activities when the time is right.

Other industries, oil and railroads being two, have highly centralized Public Affairs programs with large staff operations in Washington. As I have said, we have chosen a different approach and with good reason. The public thinks of steel in one broad generic sense, but we know that the industry is a highly diverse and singularly segmented industry with a tremendous number of problems that are often as different in the area of Public Affairs as they are in the market place.

Our new committee will, I am certain, be flexible enough in its approach and sensitive enough to the Public Affairs problems of our various product groups to generate effective action on any problem with the full impact of the Institute's broad membership in support. The problems of the large and the small companies will get attention and where needs be -- action. The

ingenuity, imagination and resourcefulness which typifies the diverse interests of our product promotional committees can be transferred to Public Affairs with results equally effective.

My emphasis on individual corporate action in this area does not mean that the Institute through the Public Affairs Developments Committee and Policy Committee will never take an industry position on legislation or administration. Had our Executive Committee and Board of Directors been so minded, these Public Affairs committees would never have been authorized. It should come as no surprise to anyone to see the Chairman of the Public Affairs Developments Committee or the Chairman of the Institute or one of its other officers testifying in Washington within this year 1965 on behalf of an industry position, supported at the same time by the active coordinated effort of all our corporate members with a stake in the problem.

Within the next 30 days Logan Johnston will complete the assignment of liaison representatives from his committee to other principal committees at the Institute. These men will sit with our committees when subjects in the Public Affairs area are discussed to be certain that when an AISI/Public Affairs position is recommended by a committee to Public Affairs Developments the liaison representative will bring to the committee a discussion on the merits and not just a cursory referral prior to consideration by the Policy Committee. Public Affairs Developments is a working committee.

One short reference to staff -- Leo Teplow is committee representative on Public Affairs Developments. He is becoming increasingly

knowledgeable as each week goes by. We have no present intention of hiring a so called expert in this field. No one can say for certain what the future holds in this area. Our Public Affairs Developments Committee will in due course become our expert spokesman. We have several experts on the committee now. A few will prove this point by their appearance on this platform today and tomorrow.

This is our beginning. Your Chairman has approached his assignment with firmness and dedication. This Conference will, I am confident, launch us on a program of profound and far reaching value to this great industry.

* * * * *

THE STEEL INDUSTRY'S OPPORTUNITIES IN PUBLIC AFFAIRS

by

Walter Petravage, Manager, Public Affairs Department
Chamber of Commerce of the United States

Mr. Chairman, I'm compelled to open my remarks with a bow in your direction for several reasons. One of them is the leadership that you are giving to this very significant Public Affairs Developments Committee of the Institute. The other is for the very fine presentation that you made on Public Affairs to which you referred earlier at the Annual Meeting of the Institute in May of last year. I have a copy of it here. I read it immediately following your presentation, was so impressed with it that I sent it to a thousand business executives with Public Affairs responsibilities all over the United States with a note saying that they could well benefit by a very close reading of this. So--a bow Sir, to you.

I'm also indebted to you for another reason because in this presentation in May of last year, you made the following statement: "I am sure that among the 88 member companies of our Institute, there are at least that many different ideas on just what this phrase, Public Affairs really means." Well, I would imagine that at the outset of a conference like this, it would serve a very useful purpose to define to some degree what we mean by Public Affairs because unless we do that, we could be branching off in fourteen different directions which is what you deprecated by implication in your speech last year.

So, I say, I'm indebted to you for that remark because it clued me in as to some of the things that I might, hopefully, constructively contribute here this afternoon. And, I'd like to begin them by trying to, in some degree, define for you what is meant by Public Affairs as I have seen it practiced in companies and organizations all over the United States in the past ten years. Now, I am not suggesting that you will learn anything at all in what I say in the next few minutes. But, I think it's important to review this as a framework for the remainder of my remarks and as a framework for the remainder of this Conference. So, if we will turn the lights out now, I will use this screen up here to help me visualize some of these concepts.

It's not news, again, to any of you that in a free society such as we have in this country, the people are the ultimate source of power. And the people are the ultimate source of power for a reason with which we are all familiar. It's the people who elect the lawmakers who make the laws at local, state and national levels that influence us as individuals, that influence the growth and development of our communities and our states.

But, since this is primarily a business-oriented audience, let's talk briefly about the impact of these laws on business, specifically the steel industry. Now, notice the obvious sequence here. The people, the basic source of power because they elect the lawmakers who make the laws that have an impact on business. Certainly, no long dissertation on this impact is necessary to an audience like this because you're much more sensitive to it than I. You are very sensitive to the fact that there is an impact in these ways: on your right to manage your own business; on your ability to make an adequate profit; and the reverse of that coin, on your ability to control your costs. I have a friend who works for one

of America's major corporations--incidentally, a company which is a good customer of the steel industry--and this friend of mine tells me that his corporation has a rule of thumb that's pretty valid in connection with federal expenditures and the taxes the company has to pay. Here is that rule of thumb: that every time federal expenditures increase by two billions of dollars, his company's taxes increase by approximately one million dollars. Now, his company averages about 5% on sales which means that to get that additional one million dollars in taxes, his company must sell an additional twenty million dollars in goods and this is what drives sales managers, particularly, to ulcers. So, obviously, the impact of government on your companies in terms of costs and profits is very sensitive.

Now, to follow that thought up briefly, let's take a look at some of the issues that were before the 88th Congress, in terms of their first-year costs. Now, these same issues that you see on the screen here will be before the 89th Congress in some modified form and I'm told by our legislative experts that the cost of each of those will very probably be higher as they emerge from the 89th Congress. So this, then, has an obvious impact on your company.

There has been some discussion, as you know, to which you are not insensitive, I'm sure, about such things as a 35-hour work week and double time for overtime. I remember in the last session of Congress, the National Chamber, along with a number of other organizations, called conferences to consider what might be done in connection, particularly, with the double time for overtime legislative proposition. Here is a chart which indicates the approximate increase in your direct labor costs if there was a combination of these proposals: The 35-hour week and the double pay for overtime. Let me interpret that for you. I'm sure your cost accountants are very sensitive to this. For example, if prior to the reduction of the work week from 40 hours, workers are earning \$2.00 an hour and \$80.00 for a 40-hour week, it will be necessary to increase the hourly rate 14.3% to \$2.28 per hour to maintain weekly earnings at \$80.00 for a 35-hour week. But, let's suppose that the employees can maintain an actual work week of 40 hours and the overtime premium for five hours in excess of 35 is $1\frac{1}{2}$. Not double, but $1\frac{1}{2}$ times the standard rate. Then weekly earnings would be \$97.14 and hourly earnings would have risen 21.4% to \$2.42. Now, if the employee can maintain the 40-hour actual work week when the overtime penalty becomes twice the standard rate--in other words, double time for overtime--coupled with the 35-hour work week, his earnings would be \$102.86 weekly and \$2.57 hourly. This rise in hourly rates would then be 28.6%. So, you see, a combination of these two legislative proposals would increase your costs someplace between 14% and 28%--something, I would imagine, that you would be highly concerned about in these days of rising costs.

I had a very interesting experience about six weeks ago. I went on a kind of country circuit conference tour--Los Angeles, Chicago and New York. The audiences were composed of representatives of 350 associations from all over the United States. There were a number of steel related associations represented in these meetings. One of the things that we asked the people in attendance at the meetings was to put on paper for us, would you please, the major problems that face your members. We picked those papers up and we tabulated them and we found that in first place, by far, as a major problem, was government controls and regulations and then second, the profit

picture and third, the labor relations, personnel picture. So, we come back then to this concept of people, lawmakers, laws and their impact on business.

I have a survey here that was made among 10,000 people in 24 different cities all over the United States. I'd like to read you a few of the questions and the answers on this survey: Question #1 - In normal times, do you think competition keeps most prices fair or is government control required to keep them fair? Three out of ten said government control was required. Another question - Which has the greater influence on prices, what the customer is willing to pay or what the company wants to charge? One out of three said what the company wants to charge. They were asked about their ideas on the net profit that business makes--four out of ten said they felt business made a net profit of between 11% and 25%--wouldn't you just love to make that kind of net profit? But even more significant and more important, one out of four had no opinion of the profits of business, and you know as well as I, when people don't know something their imaginations run riot.

I mention this only to point up the fact that if this is the kind of understanding that people have of our business system, our economic system, and if there is any validity to the fact that people are all-powerful as indicated on this flow chart, then how would people with these kinds of attitudes and opinions react to pressures for greater federal regulations and control of business, for a 35-hour work week, for double time for overtime, and all of these other proposals that are going to vitally effect your cost and your profit picture?

It seems to me one of the major and basic factors in a Public Affairs Program, is giving people the understanding of how our business system operates, how your individual businesses work for the welfare of everyone. Now, unfortunately, over the years, businessmen have been prone to talk in grand and glowing generalizations about this wonderful private enterprise system of ours. You see it in articles that appear in employee publications, you hear it in speeches that businessmen make from platforms to educators and school audiences and all types and kinds of groups around the country.

There is nothing, absolutely nothing wrong with this except it doesn't work. It doesn't change attitudes and it doesn't change opinions. You can, almost, when you hear one of those speeches or read one of those articles--you can almost see the flag in the back rising slowly to the top of the masthead while "America, The Beautiful" plays softly in the background. Gentlemen, I'm suggesting that this does not change attitudes and opinions.

I'm suggesting that as some, or many, of you are beginning to do now, that you reach employees with a description of your business and its impact on them in terms of their personal security--in terms of their personal welfare. I make a major point of this because it's becoming increasingly evident that right here is one of the key factors in any Public Affairs Program, whether it be the program of your Institute or the program of your individual company.

Another obvious factor--a major one in Public Affairs--is political education and action. Again, unfortunately, too many businessmen, when they think of political education and action, immediately think of their checkbooks, writing a check for a favorite candidate or their party, closing the checkbook, the job is done. But it just is not done. It requires time, it requires manpower, it requires dedication to getting people selected, nominated and elected at local, state and national levels. And you can perform a real service here if, coupled with economic education, you give your people the training that will permit them to work effectively in politics, get the best possible qualified people elected at all levels of government. Now, Bill Whyte, you know, is a very fine golfer. He shoots in the 70's. Now, if Bill Whyte at the conclusion of this Conference asked me to go up to the Westchester Golf and Country Club and play a little golf, I would immediately say no for this reason. I shoot in the 140's. I would be embarrassed to go and play golf with Bill because I just wouldn't be in his league. I don't know how.

The point I'm trying to make here is many of your own people don't go into politics because they don't know how. They don't know what to do. So, as part of your Public Affairs Program, be it the Institute program or your individual company programs, do something to give your people the training and the understanding and the education that will enable them to work effectively for the candidates and the party of their choice.

Finally, another major and a very obvious factor in Public Affairs is legislative information and action. All of the multitudinous proposals, for example, before the Federal Congress that so vitally affect your business. How can your people or how can anybody communicate intelligent views on these issues if they are not familiar with the pros and cons of the issues? So an integral part of a Public Affairs Program is giving your people, your employees, a better concept and a better understanding of how these issues affect the company but even more particularly, how they affect them as individuals and their security and their own personal welfare.

None of these three factors that I've mentioned is an island unto itself. All of them are inter-related. For example, if you had people with the kind of views which I mentioned, as expressed in this survey, if you had those people urging or not urging their Representatives to vote on such things as increased federal control of business or a 35-hour work week, or double time for overtime, based on the misconceptions revealed in that survey, how would they urge their legislators to vote? The answer to that question is obvious. So, there is an obvious inter-connection and interrelationship between economic education and legislative information and action and an equally obvious interrelationship between political education and economic and legislative action. Now, when you add all of these up, you have Public Affairs.

This might be a good time to get down to 1964 and 1965 and put this into the current framework of what's happening down in Washington in the Congress of the United States. I know what you're going to see in the next couple of minutes, you've read about ad infinitum, so let me give it to you quickly as a setting for some other remarks I'd like to make.

Comparing the 88th and the 89th Congress, the Senate in the 88th had 66 Democrats, and the 89th 68 -- 34 Republicans in the 88th and 32 Republicans in the 89th.

The figures for the House: 257 Democrats to 295 in the 89th -- 178 Republicans to 140 Republicans in the 89th. Now, as you know, going into the election, the Republicans needed to pick-up about 40 seats to gain control of the House. Instead, the Democrats picked up nearly 40 seats, 38 to be precise. The Democratic margin in the House was 3 to 2, it's now better than 2 to 1.

The House has 89 new faces and 4 returnees. The Senate has 8 new faces. Harris of Oklahoma, Tydings of Maryland, Murphy of California, Fannin of Arizona, Mondale of Minnesota, Montoya of New Mexico, Bass of Tennessee and Kennedy of New York, Massachusetts and Virginia. Now, this total of 99 new faces is nearly one fifth of the entire membership of the Congress and the normal turnover is only about 10%.

However, this mere recital of the numbers game as between Democrats and Republicans doesn't tell the most significant story. I think we need to look at the composition of the Congress in terms of Liberals and Conservatives and I know, these two words are much maligned and much ill-used words. As I'm going to use these words, they are defined about as follows: Liberals are persons who are inclined or who tend to seek solutions for our problems at the national level--the federal level--at the control and regulation level. Conservatives are people who are inclined to seek solutions at the local or state level, to depend on initiative and individual responsibility.

Now, in arriving at a Liberal-Conservative scoreboard in the 89th Congress, we can, in terms of those who were in the Congress last Session, look at their voting records and you can tell about where they stand on the political spectrum. As you know, there are a variety of different organizations that publish voting records, including COPE, the Committee on Political Education of the AFL-CIO, and the ADA and the ACA, and the American Farm Bureau and the National Farmers Union. So for the continuing members of Congress serving in the 89th, you can place them fairly accurately on the political spectrum. For those who just came into the Congress, you can take their campaign statements and you can find out who supported them. For example, if candidate X was supported by the ADA and by COPE, the assumption might be relatively accurate that he will be no raving Conservative in the 89th Congress.

So, given those judgments, given those benchmarks, here is about the comparison between the 88th and the 89th Congress. In the **Senate** in the 88th, there were about 56 Liberals as against 59 in the 89th. Forty-four Conservatives in the 88th as against 41 in the 89th. In the House, look at the jump. Two hundred and twenty four Liberals in the 88th as against 267 in the 89th and a corresponding decrease on the Conservative side.

This, as you well know, is already having its effect in the 21-day rule which was just passed in connection with the Rules Committee, which gives the Speaker

the option of calling up a legislative proposal. If it has remained in the Rules Committee for 21 days, he can call it up even if the Committee has considered the measure and rejected it. This has not happened in about 53 years. This could make quite an autocrat of the Speaker.

The change has also been made in Rule 20. On bills passed by both the House and Senate, but in different forms, the Speaker now has been given power to put the question to a simple majority vote of the House. In the past, a single objection in the House could keep such a bill--amended and passed in the Senate--from going to a conference committee for action.

Now, as I have had the opportunity to work with businessmen in Public Affairs around the country over the past ten years, I think I've been impressed by--well, a number of things--one thing in particular. I have always gotten the feeling or usually gotten the feeling that while they pay lip service to the Public Affairs concept, it was a kind of half-hearted conviction on their part and that when the chips were down, they didn't translate their convictions into action. Well, if this continues, I'm going to suggest to you that other groups that have enduring, steel-like convictions and who have proven that they translate those convictions into action, I am going to suggest to you that they are going to have an ever increasing say in the Public Affairs of this country.

Let me illustrate with one group with which you're familiar. Here is the spokesman for that group. Mr. Meany made this statement about one year before the 1964 elections and, bless his heart, he was a pessimist because it wasn't 20 to 25 more seats, it was actually 43 more seats in the House. Their convictions were translated into action long before November 3rd of 1964. Because on August 3rd, 1963 in the Drake Hotel in Chicago, 30 union leaders met in a political strategy session where they pinpointed critical Congressional Districts and decided on how they were going to use money and manpower to win those Districts for their side. The next month, September of 1963, labor leaders from 22 metropolitan areas had a Registration Planning Conference in Washington where they planned their voter registration techniques for metropolitan areas all over the United States.

Three months before the election in 1964, Al Barkan, who is one of the sharpest political operators in the country, made this statement--and this statement was followed through on exactly: "Nothing is as important as the outcome of the election. Drop everything else for the next twelve weeks--go all out."

And Al Barkan, in an interview with Nation's Business, mentioned that they were spending two million dollars on their voter registration drive and that there were approximately 400,000 union officials in the country. He didn't name how many of those were active in the campaign but we know there were thousands and thousands.

I have here a document that I would suggest strongly that you read. It is marked "CONFIDENTIAL" in capital letters underlined, put out by the COPE Research Department after the 1964 elections. I'd like to read you just a paragraph or two from this Confidential Report on the '64 elections. And they went into a dissection of what had happened in virtually every state in the United States. "A comprehensive

campaign plan in Pennsylvania resulted in an increased per capita dedicated to political action which financed the staff of (get this)...financed the staff of twenty-two full-time political organizers in the State of Pennsylvania." And as you know, in that state, they've picked up, according to their counting, two congressional seats. Their report continues, "New leadership in Ohio performed the impossible in reelecting (and I'm quoting verbatim) in reelecting Senator Young and they picked up four House seats. An expanded program in Iowa resulted in a sweep of 6 of the State's 7 congressional districts and reelected a liberal governor by a margin of over 73%."

More than fifty-five million pieces of COPE literature and ten million COPE voting records were distributed in the campaign. Two hundred and thirty-seven of 354 labor endorsed candidates of the House, 25 of 31 candidates for the Senate, and 14 of 22 candidates for Governorships were elected. Gentlemen, please get a copy of this Report and read it. It is most enlightening.

Now, with all this work, which occurred not only in the 1964 elections but which has been going on for the last twenty years, you would expect some results, wouldn't you? Gentlemen, I would like to show you the results on a boxscore beginning in 1946 and going up to 1964.

LABOR'S GROWING INFLUENCE IN CONGRESS

<u>Congress</u>	<u>Senate</u>	<u>House</u>	<u>Elected in</u>
80th	25	83	1946
81st	44	209	1948
82nd	38	183	1950
83rd	36	153	1952
84th	40	190	1954
85th	42	191	1956
86th	53	221	1958
87th	55	210	1960
88th	56	224	1962
89th	59	267	1964

These figures show the number of friends of labor who cast more right than wrong votes by union political standards. Look at how those numbers increased beginning with the 86th Congress in 1958. Look at the House. Two hundred and twenty-one in 1958, 210, they lost ground in '60, 224, 267. So their work has begun to pay off.

I have here the platform proposals that were made by the AFL-CIO to the Democratic and Republican Platform Committees in the summer of 1964 and I would like to show you on three slides the legislative objectives embodied in those platforms. As you look at these legislative objectives, would you please consider the following: The impact of these proposals, if they become law, on your right to manage your own business, on your ability to make an adequate profit, and on your ability to control your costs.

Here are some more of the proposals made to both the Democratic and Republican Platform Committees. And, finally, it might be interesting to compare those proposals with the actual legislative issues that will be handled by the 89th Congress and you have gotten some indication already of what that legislative program will be. Do you see any similarity between the two? I'm not derogating what they're doing--I have the utmost admiration for Al Barkan and the operation he conducts with COPE. This is a professional man who knows Public Affairs and he's working for what their own members consider their best interests.

All I'm saying is: Will businessmen who literally have made this country what it is, will businessmen in the coming years have the same kind of convictions that they will translate into action in their own Public Affairs efforts? I'm inclined to believe that there's a good augury in your organization of your Public Affairs Committee here at the Institute but I would pray with you not to sit back in your own companies and say--We now have a Public Affairs Committee at the Institute, God bless them, we'll contribute to them, they'll do our work, we'll sit down--Amen. It's not done that way. Gentlemen, the burden of the Public Affairs activity is in your own companies. What the Institute can do primarily is to help you with ideas and to supplement the basic work that's done in your own companies.

And so, we come back to your vital interests in the right to manage and make a profit and control costs, and these will be affected by the degree to which you get into solid, substantial Public Affairs work.

Now, there's not time here to get into detail. You're going to hear case histories of Public Affairs Programs that will indicate to you some of the things you can do. I come back again to my conviction-action theme and I'd like to read to you a quote from a man who knew what it was like to experience frustration and experience defeat. His name was Abraham Lincoln and in May of 1856 he said the following:

"We must not belittle nor overlook the facts of our condition; that we are comparatively weak while our enemies are entrenched and relatively strong. They have the political power and right or wrong, at present, they have the numbers. As it now stands, we must appeal to the sober sense of the people; we shall make converts day by day; we shall grow strong by calmness and moderation; we shall grow strong by the violence and the injustice of our adversaries, and unless truth be a mockery and justice a hollow lie, we shall be in the majority."

And about 45 years later Teddy Roosevelt paraphrased that when he said:

"In a Republic like ours, the governing class is composed of the strong men who take the trouble to do the work of government and if you're too timid, or too fastidious, or too careless to do your part in this work, then you forfeit your right to be considered one of the governing and become one of the governed instead."

So I think this adds up to a choice that's ours. Do we have the convictions and will we translate those convictions into action?

Mr. Chairman, that about sums up my remarks. I have tried to inject no humor, no funny stories into this presentation because we are talking about a very serious subject. However, on the theory that maybe a little smile is good for us, if you'll turn the lights on, I'd like to tell you a story.

It seems that in 1864 in the State of Mississippi, there was a young ambitious lawyer who decided he wanted to run for a State Senate seat. Now, there's one problem, as you probably know in Mississippi. At the state level, you have the wet and dry problem. You've got to walk a tightrope. If you come out for the wets, you alienate the drys, and vice versa. So, this ambitious, young lawyer was doing a marvelous job of going right down the center of this tightrope when the Editor of the leading paper in his District, in a front page editorial, demanded that this young lawyer take a stand. The lawyer could do nothing but acquiesce. He wrote a letter to the Editor, the Editor printed it on the front page and this was his stand and this is what he said:

"Dear Editor, I had not intended to discuss this controversial subject at this particular time. However, I want you to know that I do not shun a controversy. On the contrary, I'll take a stand on any issue at any time, regardless of what kind of controversy it might be. Now, you had asked me how I feel about whiskey. Well, brother, here's how I stand on this question. If, when you say, whiskey, you mean the devil's brew, the poison scourge, the bloody monster that defies innocence and dethrones reason, that creates misery and poverty and, yea, literally takes the bread out of the mouths of babes, if you mean the evil drink that toppled the Christian man and woman from the pinnacles of righteous, gracious living to the bottomless pit of despair, degradation, shame, helplessness and hopelessness, then, certainly... I am against it with all my POWER!

"But if, when you say whiskey, you mean the oil of conversation, the philosophic wine and ale that's consumed when good fellows get together, that puts a song in their hearts and laughter on their lips and the warm glow of contentment in their eyes; if you mean, Christmas Cheer; if you mean that stimulating drink that puts the spring in an old man's step on a frosty morning; if you mean the drink that enables man to magnify his joy and happiness and to forget only for a moment life's greatest tragedies and heart-breaks and sorrows; if you mean that drink, the sale of which pours into our Treasury, untold millions of dollars which are used to provide tender care for our little crippled children, our blind, our deaf, our dumb, our aged, infirm; to build highways and hospitals and schools, then brother, I AM FOR IT! This is my stand, I will not retract from it. I will not compromise." AND HE WAS ELECTED.

THE ISSUES AFFECTING STEEL IN '65 -- AND WHAT WE CAN DO ABOUT THEM
by
William G. Whyte, Vice President, United States Steel Corporation

Thank you, Logan, and all of you gentlemen, for this pleasant opportunity to talk with you on a subject dear to me and near to us all: "The Issues Affecting Steel in '65 -- And What We Can Do About Them."

After listening to Walter Petravage I suspect my subject should be, not what we can do, but what we would hope to do.

Among other things, Walter told us that "public affairs is people." With that I agree. But, in the governmental area, public affairs is also issues and problems.

And, gentlemen, of both of them we've got whoppers!

To illustrate let me repeat what the Under Secretary of the Treasury had to say about us, as reported in the New York Herald Tribune on December 29th:

"We'll never have steel under the government's thumb here," he said, which was a most commendable thought, but then his sentence went on: "but there will be a series of misunderstandings and recriminations on through the years unless the steel people recognize that they are a self-administering public utility."

Gentlemen, if that statement accurately reflects the considered judgment of a government official only a step removed from the President's Cabinet, some place along the line we have failed utterly to tell our story.

Even President Johnson, like President Kennedy before him, appears in some doubt as to whether or not our industry is willing or able to conduct its affairs in keeping with what he calls "the public interest." I can only wonder, as surely you do, whether or not "the public interest" would be better served by a healthy, prosperous steel industry than by one in the condition

ours is now in -- that of being forever used as a political "fall guy" for every economic ill that comes down the pike.

There is little question, then, as to our number one public affairs challenge of 1965 -- the preservation of our freedom to manage our own businesses. I do not suggest that this problem is new to our industry, or indeed novel to industry at large. But I do suggest that in Washington the circumstances are dramatically changed.

Clearly, if we are to preserve freedom of management decision, we have a selling job every bit as demanding and critical as that being waged by AISI to promote the use of steel over competitive materials. In Washington, however, our competition is not aluminum or plastics or glass; rather, it is competitive ideologies. And our customers there swing a mighty club.

In this industry we know how to sell steel. There is no reason why these same sales techniques would be less effective in selling ideas -- ideas that in years to come can predetermine the climate in which we do business.

Let it be crystal clear that I am not unmindful of the fine work that has been done, and is being done, by AISI's Public Relations Program Committee to sell our story to the public at large and to many of its important segments. These are efforts, however, which of necessity must be of the shotgun variety.

In public affairs we must use a rifle. Success in this specialized sales campaign demands that we pick our prospects with great care, know our product thoroughly, and then send the right team to the right place at the right time to do the job. In this arena success demands also that we not

send a boy to do a man's job, for when it comes to selling ideas, Washington, D. C., is as competitive and tricky a marketplace as any in the whole world.

I offer this further suggestion about selling in Washington. Each of us should put at the top of his prospect list the Congressmen and Senators who represent his principal operations. I do not mean just making mental note of their names, I mean taking time and effort to get to know them, just as we do to know customers for steel products. These members of Congress are eager for information. They want to know all about the industries that provide the economic muscle in their districts. Given the facts, they will gladly help when an issue arises that would harm a steel industry whose health means a prosperous Congressional district.

More about that later; now let's survey some of the other important issues of 1965. And of necessity I will limit my remarks to those issues that have a direct effect upon the steel industry.

None is more basic than foreign competition, whether here at home or throughout the world.

And I must say at the outset that this is a controversial subject in many governmental departments. Some pridefully say that in 1964 our nation had a \$6.5 billion export surplus, the best in many years. They argue that this surplus will favorably affect our balance of payments and hence should be good news to all Americans.

But in the steel industry we find it a bit difficult to share the bureaucratic elation over these statistics, for while the over-all export total is favorable, we in steel know that certain segments of industry are

running against the trend.

To this audience I give only one reminder of what has happened to the international trade of our industry these past six years: in 1964 the switch from a favorable to a negative trade balance resulted in a production loss of from 6 to 8 million ingot tons.

The point is, what can we do about it, and where and how does government come in? Unquestionably our industry believes in vigorous and fair competition and is able and eager to compete with the best of them, be they foreign or domestic. We protest however -- we protest most vociferously -- when overseas producers are permitted to invade and disrupt our markets through unfair and destructive trade practices -- in blunter words, through dumping. And gentlemen, for several reasons this problem of dumping is about as complicated, if not as intriguing, as the private life of Elizabeth Taylor.

First, take the law itself, which to the pros is known as the Antidumping Act of 1921. Over the years this statute has become a labyrinth of amendments amending amendments, a legislative nightmare for the businessman, but a lawyer's heaven. A second complication is the administration of this law by two different governmental agencies -- one, the Customs Bureau of the Treasury Department; the other, the Tariff Commission. And finally, every facet of the problem is caught up in a perpetual war -- the bitter never-ending conflict between protectionism and free trade.

To date this maze of governmental red tape has been of little help to the steel industry. But lately and happily, some light has broken through at the Administrative level. Last year, thanks largely to steel industry protests, the Treasury Department reviewed the administrative practices of its Customs

Bureau in the handling of antidumping cases. Ten days ago, on January 3, it directed a number of administrative changes designed to be helpful. We hope they will work.

There is hope of progress in the legislative area as well. A group of steel industry lawyers has been hard at work on amendments to the Antidumping Act that would put more teeth in the law. The object is to make the law a more meaningful deterrent to predatory pricing practices of some of our foreign competitors. Once the barristers can agree on such amendments, they will thereafter coordinate our industry's efforts with those of other industry groups that also want the law strengthened.

Incidentally, speaking of coordinating industry efforts -- how critical this is in so controversial a legislative area as antidumping. Many a friendly Senator and Congressman asked me, "How do you expect me to go to bat for you when one businessman asks for one thing, and another businessman asks for another. Can't you get together and coordinate your objectives before you come to Capitol Hill?" A good question -- to say the least. Seldom, by the way, is the question asked of labor unions. Their coordination of legislative effort is well known in Washington. But, reverting to the antidumping amendments, we know they will have tough sledding this year, for two principal reasons -- first the GATT negotiations will be in progress, which fact invites delay; and, second, the Treasury Department's changes in the administrative regulations are still untested.

These factors could cause our efforts to fail this year, but even so the time so invested will not be wasted. It will pay dividends in '66 or '67. Moreover, unlike the old soldier, unfair foreign competition does not

just fade away. Experience has taught us that controversial legislation such as antidumping is handled with great circumspection in Congress and this takes time. Often two, three, or four years of hard work are needed before final enactment.

Of course, the clincher in our situation will be some early test cases. These will determine the adequacy of the new regulations and, therefore, how badly we shall need additional legislation.

So much for dumping, but one other area of foreign competition needs mentioning.

Many influential people in Washington, notably including Senator Everett Dirksen, the Senate Minority Leader, strongly feel that to the maximum possible extent U. S. tax dollars should be spent in the U. S. Apparently, Secretary of Defense McNamara shares that view. In 1962, the Defense Department increased the "Buy American" protection of domestic bidders from six percent to fifty percent. As a result, nearly all on-shore defense procurement is now going domestic.

Unfortunately, what is true of Defense is not true throughout the Executive branch. In all other departments, the "Buy American" protection remains at six percent generally and at twelve percent in distressed labor areas. The result is that too many U. S. tax dollars are still being spent overseas for transmission towers, rebars, wire rope, structural shapes, and tubular products.

The Intertie program offers a concrete and painful example. This is the largest single electrical transmission program ever undertaken in our country, involving some 700 million dollars, the procurement of some 230,000

tons of transmission towers, and 118,000 tons of conductor wire. The Bonneville Power Administration is charged with the procurement of approximately twenty-four percent of the job.

Now, here's the point: Since 1959, about seventy-five percent of Bonneville's transmission tower requirements have been supplied from Italy. Not only has the six percent "Buy American" protection been proved inadequate, but in addition the Italian firm has been permitted to ship the tower sections into this country as bundles of "like sections" rather than as transmission towers which carry a seven and a half percent higher rate of duty. So we see -- thus far, at least -- that a circumvention of our tariff schedules coupled with an inadequate "Buy American" provision has caused a huge government program to conduct a love affair with foreign steel.

Our foreign aid dollars often work similarly to undermine American industry. For the past two years Congressman Bob Casey of Texas has been fighting to amend the Foreign Aid Act to prohibit the use of foreign aid dollars to build industrial facilities overseas where and when Presidential review should indicate that such facilities will harm our domestic industry. One cannot but wonder how long we will go on using our own tax dollars to finance foreign competition. Twice the Casey amendment has passed the House of Representatives. Each time it has been deleted by the Senate. I think it would be of value for industry, our own included, to get behind Congressman Casey in this effort.

Finally -- one general observation on foreign competition. In dealing with international trade and investment we must strive for ever closer cooperation between our government and our industry. We badly need to generate

a freer, better-organized, two-way communication between business and government on issues of mutual concern in the foreign field.

We of steel have made a fine start in this direction at the Trade Information Committee and Tariff Commission hearings last spring. I earnestly hope we can build on that auspicious beginning.

Let us turn now to raw materials and the important impact of government action on this major cost area of steelmaking.

First, let me illustrate by example what I have in mind. In 1963, efforts were launched to suspend the tariff on manganese for three years. The Congress agreed that the suspension would make our industry more competitive in the world marketplace. The end result was a cost saving of some four million dollars a year to American steel producers. In this instance government was a valuable management partner.

During the current session of Congress, we hope also for three-year duty suspensions on metallurgical grade fluorspar and nickel. Looking to the future, our industry may wish to sponsor the elimination of the thirty cent per pound duty on moly.

The government touches our costs in another important way. It powerfully influences the availability of certain raw materials, especially those in short supply, through its administration of the Federal stockpiles. For example, in recent years, the Congress has directed the release of four materials -- quantities of tin, zinc, moly, and nickel -- of great interest to steel. In this session of Congress, we are working for the release of additional quantities of zinc, as well as a supply of copper, and possibly other metals used in steelmaking.

Senator Stuart Symington of Missouri -- "Mr. Stockpile" in the Senate -- has introduced an omnibus stockpile bill, as he did in the last Congress. We as an industry may wish to support it in our enlightened self-interest. This subject is now before AISI's Critical Materials Committee for study, and we shall soon have its guidance for an industry position.

When we think of tax legislation, we think of the Ways and Means Committee in the House of Representatives -- called by Washington natives "the Committee on Woes and Moans" -- for it is there, pursuant to the Constitution, that all revenue legislation is supposed to originate.

This year Ways and Means will find itself bowed double under the weight of two of the President's top issues -- Medicare and excise taxes. Both issues will take weeks of hearings and study before the Committee can turn to other concerns.

Wire producers in the audience may be reassured to know, however, that the technical amendments to the tariff schedules, which were torpedoed by a ruckus over sugar in the closing hours of the 88th Congress, are likely to be favorably considered by Ways and Means before it submerges in the ocean of Medicare. For those of you who may be unfamiliar with this problem, let me explain that the Tariff Reclassification Act of 1962 opened an unjustified loophole which has permitted a thirty percent increase in the importation of round wire. One of the technical amendments to be considered by Ways and Means in the very near future would close that loophole.

Later in the year Ways and Means will probably undertake what newspaper reports describe as a "wide-ranging overhaul of the Federal-state unemployment compensation program including changes in the amounts employers pay into the jobless insurance fund, the minimum benefits paid to the

out-of-work and the length of time these benefits are paid to certain workers and the number of workers covered." It is also rumored that the Administration will propose setting Federal standards on the minimum amounts of benefits and the duration of their payment.

Another phase of unemployment compensation may also be considered. The idea would be to establish during a period of good business, such as now, a uniform extension of Federal-state benefits to be provided during a recession when such funds run low. This proposal has bi-partisan support, since identical bills to set it up were introduced in the tag end of the 88th Congress by Ways and Means Chairman Wilbur Mills, Arkansas, and John Byrnes, Wisconsin, the top Republican on the committee.

There have been persistent rumors that the Committee might also consider tax credits to induce more industry expenditures in the air and water pollution field and similar tax credits to accelerate retraining. Both of these would obviously benefit the steel industry, but neither is likely to get serious attention in the current session.

In the area of labor legislation, three issues will make most of the headlines, the repeal of Section 14b of the Taft-Hartley Act which permits the enactment of State right-to-work laws, Double Time for Overtime, and the 35-hour Week.

President Johnson's support of repeal of Section 14b makes this number one on the list for consideration by the two labor committees. The two others -- both serious pocketbook issues for the steel industry -- will follow along. The unions will be pushing hard for one or the other or both of these, so the amount of interest the Administration evidences in them will be of great

importance.

You will be interested to know that a subcommittee of the AISI Committee on Industrial Relations will visit Washington later this week to see Assistant Secretary of Labor Reynolds as well as other Administration officials on the problems of Double Time for Overtime in the steel industry. We in the Public Affairs Developments Committee felt it important that we at least make our story clearly known before the Administration position is jelled. The Industrial Relations Committee urged that we make our views known and the coming meetings are the result.

That, incidentally, is a fine example of the way the new Public Affairs Developments Committee can work with other AISI committees for the good of our entire industry.

It also illustrates a type of activity imperative for American business in view of the lopsided party division of the 89th Congress. We will have to speak up, far more than in the past, before proposals are sent to the Congress. This means working more closely with Cabinet Departments, agencies, and even with the White House.

One other issue in the labor field bears close watching. I refer to the expansion of the activities of the United States Employment Service. Congressman Frank Bow of Ohio, in a recent lead article in Reader's Digest, had this to say: "Now it (meaning the U. S. Employment Service) is extending its hand into high school counseling, college placement, company personnel offices, union hiring halls, and even into private industry's executive suites.

"USES is doing all this -- and more -- under the guise of 'helping the unemployed.' But it makes no bones about its ultimate goal. That goal,

according to USES Director Louis Levine, is to build the Employment Service into 'the manpower agency' for the nation, through which all job hiring would be funneled."

To switch to a perennial for the steel industry, let's talk a minute about air and water pollution. Certainly the President -- in his State of the Union Message -- left no doubts about his position. We can therefore be certain this will be a lively subject in the 89th Congress.

You will recall that the Clean Air Act was passed by the last Congress. Even though this new law has not had time to be tested, we are told the Administration will ask Congress to pass new and more stringent air pollution controls. Also in the last Congress a number of costly and restrictive amendments to the Federal Water Pollution Control Act of 1956 passed the Senate and almost made it through the House. This issue will be picked up in a hurry; indeed, the new bill is S.4, sponsored by both Senators Muskie and Boggs, and will be moved through the Senate almost without pausing for hearings.

Here I compliment the members of the Committee on Air and Water Pollution Abatement which reports to the AISI Committee on Manufacturing Problems. They have done outstanding work in Washington in both Houses of Congress. They spent many days working with the Congressional technicians, and I know first hand that their efforts were tremendously helpful to our industry.

Congressional investigations this year are another problem area, as in every year. We will have to keep an eye on the activities of the Antitrust and Monopoly Subcommittee of the Senate Judiciary Committee. This group, as

you know, was formerly known as the Kefauver Committee, but is now headed by Senator Philip Hart, of Michigan. An investigation started last year on industrial concentration and conglomerate mergers is to be continued where it left off in the fall. Indications are that Senator Hart and his Committee will also take a look at the recent Internal Revenue Service ruling that triple damage price fixing payments can be deducted from taxable income.

Over on the House side Congressman James Roosevelt of California and his Subcommittee of the Select Committee on Small Business will resume its investigation into dual distribution. Congressman Roosevelt also heads a Subcommittee of the House Education and Labor Committee which has started an inquiry into multi-employer bargaining. In the meantime, however, the Congressman has announced his candidacy for Mayor of Los Angeles. This could keep both of these hearings on a low key.

Certainly some committee or committees in the House or Senate will once again investigate private pension plans. In 1962 President Kennedy appointed a Cabinet Committee to review and study the growing impact of private pension plans on the economy. The report which was prepared for that Committee has come in for considerable criticism and a number of revisions since its original drafting. What the Administration position is going to be concerning the various proposals in the report is still unknown. But it is anticipated that there will be recommendations concerning the funding of pension plans, the shortening of the vesting period, and something on the control of investments. In this same area Senator Vance Hartke of Indiana will probably reintroduce his proposal from the last Congress which would establish a self-supporting Federal reinsurance program, which he claims would protect the employee's rights under private pension plans.

So much for the issues and problems already ahead. There will most certainly be others, in fact with the make-up of this Congress, lots of others. Like Will Rogers used to say, "If you don't like the weather, just wait a minute." In Washington, if you aren't touched yet, just wait. You'll have your turn.

So what do we do about these problems? How can the Public Affairs Developments Committee be helpful?

First, as a Committee we will continually observe governmental developments right on the firing line in the Nation's Capital.

Second, we will weigh and assess developments as to their seriousness and the probability of action at each stage of the governmental process.

Third, we will communicate and work with the various Committees of AISI and with member companies on the problem immediately at hand and attempt to devise the best course for the common good; and, of course, this communication must be a two-way street.

Finally, we shall help to "muster the troops" and plan the campaign when such action is deemed desirable by the affected AISI Committee and by the Public Relations and Public Affairs Policy Committee of the Institute.

That's what we hope we can do for member companies, and for our industry as a whole. Now let me explain what we can't do. I will illustrate this point by a personal experience.

A year or so ago Nordy Hoffmann, who represents the Steelworkers in Washington, and I were calling on the top leaders of both the Senate and House to explain the seriousness of the dumping problem facing our industry.

One of our visits was to John McCormack, the Speaker of the House. He was most cordial and showed a real interest in our problem. When we had told the Speaker our story, he turned to me and what he said made a lasting impression. He said, "Mr. Whyte, I'm glad you came personally to tell me of your troubles." He went on to say that he didn't see very many businessmen in his office. One he recalled was Crawford Greenwalt, Chairman of DuPont, who had come to see him about the problem of Dupont's divestiture of G.M. stock. Then Speaker McCormack's eyes lit up and he observed, "Mr. Greenwalt didn't send an agent or a representative to tell me his story, he came himself." He concluded our visit by saying that he helped DuPont get its divestiture bill passed.

The point is, gentlemen, the job our industry must do in Washington can't be done by AISI alone, nor can it be done by any one or two or three companies. One lesson I have learned over and over again in my twelve years in the Nation's Capital -- size, in and of itself, is no asset in politics. Indeed, it is usually a liability.

Basically, what I am talking about is a chorus of voices -- the chorus that Logan Johnston referred to at the beginning of our meeting. In this chorus we must all participate.

I have observed other industries in action in Washington, and let me assure you our job can be done. Through the years I've watched the effectiveness of the petroleum industry, the railroads and the textile group just to mention a few. In the last Congress we saw the beef producers flex their collective muscles and come out with favorable results.

So the challenge is clear, the issues are coming again to a head, and I'm confident that our industry will be equal to the task. I only say, as Secretary of State John Foster Dulles once accidentally said in a 1954 Cabinet meeting after he had just completed a flawless 30-minute report on the international situation, "We must not leave a stern untuned!"

Let me wrap this up by leaving this thought with you to chew on at your leisure: The right of petition given us by the Constitution may in the final analysis prove to be the avenue of self-preservation for the steel industry.

WE'RE SOLD ON THE IMPORTANCE OF PUBLIC AFFAIRS

by

Roger T. Kelley, Vice President, Caterpillar Tractor Company

It's been most interesting to hear Bill Whyte discuss "The Issues Affecting Steel in 1965".

As one of the nation's five or six largest steel consumers, we are naturally interested in the major problems facing your industry, and we, of course, stand to benefit as you successfully resolve them.

And you, in turn, are no less affected by rises and falls in our business ... for example, by our effectiveness in competing for sales in foreign markets -- for over one-third of the 625,000 tons of steel you sold us in 1964 was exported in the form of Caterpillar products.

It is only logical then that our close supportive relationship be now further extended to the field of public affairs. I am therefore delighted to be here to share with you our views on the importance of this activity.

Throughout our discussion, you will observe that what is right or practical for Caterpillar in its public affairs is not necessarily right or practical for every company represented here. So we shall simply review our experience, leaving it for you to draw upon such portions of it as you may find useful.

We've had a public affairs department, with worldwide responsibilities, for about five and one-half years. When conceived as a department, it inherited the existing public relations functions which included employee communications and press and community relations. These were then combined with those functions more commonly associated with the term "public affairs" -- such as political and economic education, the analysis of issues, and government contacts -- to form the Public Affairs Department.

In confirming this appearance, both Bill Whyte and Leo Teplow stressed that your conference was to deal exclusively with public affairs; and asked me to steer clear of public relations matters. This, of course, I shall do. But as we discuss public affairs, I do hope to make the point -- a highly relevant one, I feel -- that certain communication tools can and should be involved in the accomplishment of public affairs programs and goals.

Because we believe this, our public affairs program includes not only the responsibility for studying and thinking about public affairs, but also a full box of communications tools that helps us achieve understanding and agreement in these vital areas.

This broader concept of public affairs -- which uses the typical tools of public relations as a means of getting the public affairs job done -- has resulted, we believe, in more purposeful activities than would otherwise be the case. Moreover, because we involve ourselves in public affairs for reasons

that go far beyond mere involvement -- and because we try to confine our communications to those occasions when we have something worth saying -- directed to the audiences that should hear it -- we have been able to assimilate this broader public affairs activity with fewer people and less cost than were involved previously in public relations work.

Now ... what have we done? Instead of attempting to cover the whole waterfront, let's talk about three specific fields of activity: political and economic education ... government contacts ... and issues analysis.

At the outset, in 1959, we believed it was necessary to advance the political and economic education of all Caterpillar employees, and to this end we came close to developing our own set of political and economic education courses. But then some of our people wisely decided to examine existing programs in these two fields before getting involved in course development ourselves. We looked at some 20 programs then in effect or being developed at different companies and trade associations.

From this investigation, we decided to use three conference-type courses produced by the U.S. Chamber -- 8-session and 17-session workshops in free enterprise economics, and the well-known action course in practical politics.

In the past five years we have promoted these courses continually, but without undue pressure and never on a "crash" basis. We have scheduled them both in the community and in-plant -- always on an after-hours basis -- asking the employee to invest not only his own time, but also one-half the cost of the course.

3200 Caterpillar people have completed these courses. They attended in groups of 15 to 20 -- with the selection of the conference leader being a key to the success of the course. The continued participation of our people, together with the results of surveys we've taken from time to time, would indicate that the courses have been well received.

For example: A survey of 50 people who completed the political action course at one plant revealed that most of them had shown little interest in politics before. After taking the course, 22 helped other voters register, 33 discussed politics with neighbors for the first time, 36 followed election campaigns more closely, 7 began writing to their local representatives and congressmen, 16 attended political rallies, 8 worked for their party on election day, and 8 contributed money to their party for the first time.

Our total investment for the whole program is under \$10,000. To put it mildly, we are well satisfied with the results.

Having approached the saturation point with these courses, we now look to the U.S. Chamber and other organizations to develop new training tools -- oriented toward 1965 and 1970 -- that will help us keep pace with fast-moving changes in today's world.

A second phase of our program concerns the important task of government contact. Business lobbyists in Washington and the state capitals have demonstrated their worth in a good number of cases. In our case, however -- though we have a sales office in the Nation's Capitol -- we have no public affairs people, lobbyists or otherwise, permanently stationed there or in Springfield -- the capital city of Illinois -- the state in which over 90 percent of our U.S. employment is concentrated.

This is simply to say that our channels of communication and trade association contacts are such that, when we learned how to properly use them, we haven't yet found professional representation to be necessary. Rather, we have preferred to bring appropriate influence to bear on legislative and other governmental matters by involving key people at plants, offices, and parts depots in the 21 congressional districts and 16 different states in which they are located. Let me mention two of the ways in which we involve such people:

First, we frequently issue what we call a Public Affairs Bulletin, limiting distribution to a relatively small list of just 90 Caterpillar people. With total routings, perhaps 400 of our 39,000 U.S. employees actually read these bulletins. We regard them not as an end, but rather, as a means to an end ... the end being action. In pursuing this target, a given bulletin basically does three things:

1. It informs recipients of existing or proposed legislation, or of the need for legislation, either on a state or national basis;
2. It describes the likely impact of such legislation on Caterpillar, and;
3. It often recommends specific action in terms of letters, phone calls, personal contacts, or whatever method of contact seems most appropriate, considering the issue and the time factor.

I've brought along copies of a bulletin we did some months ago on the President's War on Poverty. If you pick up a copy of this bulletin after the meeting, you will observe that in addition to an analysis of the proposed legislation, it includes a number of alternatives to the solutions originally contemplated in President Johnson's plan. You will also note that -- at the time of the bulletin -- we estimated the eventual cost of the program, as it then stood, at about \$1 million yearly to Caterpillar.

These bulletins are kept in a loose-leaf notebook in which, typically, a parts depot manager or a chief accountant at one of our plants can also quickly find out such useful information as who his representatives are, when their terms expire, and the make-up of congressional committees.

Both bulletins and notebook enable our top managers to be part-time lobbyists -- by making it easy and attractive for them to take the lead in influencing the course of legislation.

Also please observe that the views expressed by local managers -- or by managers whose functional responsibility qualifies them to assess various legislative proposals -- carries considerably more weight with legislators than the views of the public affairs staff man. The latter, after all, can look pretty much like industry's full-time lobbyist, unless he assumes his proper role as back-up man, idea feeder, and coordinator for the front-line managers who contact legislators on key issues.

A second way we stimulate this leadership group is through occasional special events. Last May, for example, we staged what we called "D.C. Day" in Washington ... an event that brought 25 of our top people to the Capitol for a one-day program.

The day began with a breakfast meeting with an equivalent number of national legislators from areas in which we have major facilities. This meeting adjourned in time for congressional committee meetings, and the Caterpillar people spent the rest of the day in carefully planned informal, off-the-record sessions with our two Illinois senators; David Bell, Administrator of the Agency for International Development; Jack Behrman, Assistant Secretary of Commerce; two assistant secretaries of Defense; and Secretary of Labor Wirtz.

These were not just "meet and greet" sessions ... but, rather, purposeful exchanges in which we both spoke and listened on some very specific topics. This kind of involvement, whether in Washington or at the county seat, naturally adds to the experience of the executive who takes part. But its real purpose goes beyond this. It reaches toward an improved understanding, on our part, of the problems of government, and an improved understanding, on the part of government officials, of the need for a more favorable government climate in which we can do business, create jobs, and contribute to the general welfare of our society.

What results have these contacts produced? Here are a few examples:

In 1961, the Illinois legislature alone added approximately \$700,000 to our annual costs. In 1963, it added virtually nothing to our costs. One important reason for this improvement was passage of corrective legislation that put the brakes on skyrocketing costs resulting from abuses of public aid. We promoted such constructive bills when they were before the legislature, and months earlier assisted in developing some of the basic ideas that led to this corrective legislation.

We estimate our share of the Illinois Public Aid Bill at roughly \$500,000 per biennium. Holding the line on public aid costs during the last biennium and saving the "usual" increase of about 20 percent has, in effect, saved us in the neighborhood of \$100,000 in taxes in the last two years.

Another example -- In the months before the 1961 session of the Illinois legislature, we were among those who encouraged the formation of a bipartisan "economy bloc" in the Illinois House. Later, at the request of a bloc member from one of our plant communities, we provided the services of one of our people to do leg work and "keep minutes" for the bloc. In 1963 the bloc came up with 41 detailed, documented suggestions for economy. Although most of these were lost by the wayside, they were widely publicized and helped materially in creating an economy climate in which a Republican legislature and a Democratic governor united in the pursuit of economy. It is worth noting too, that the Public Affairs "leg man" who worked with the economy bloc was sworn into office last week as a Republican freshman in the Illinois House of Representatives.

A third area I should like to cover is that of issues ... because we can scarcely talk about influencing the course of legislation without also discussing the kinds of issues on which we attempt to exert influence.

Here is where, you may have observed, many corporate public affairs efforts seem to break down. For in spite of well-intentioned commitments to public affairs, many companies fail to take a public stand -- for example: in their employee publications -- on major state and federal issues which have a clear and indelible effect on their businesses.

Now as I say this, I'm not suggesting that corporations attempt to pass judgment on every issue that comes down the pike. Subjects on which the corporation expresses a judgment ought to bear a relationship to their own operations. And many do. Here, for example, are some of the issues on which we've taken a public stand within the past year.

A. Peoria referenda on the purchase of new fire equipment; and the construction of new fire stations, a new library, and a new county nursing home.

B. In Illinois, we have --

1. Opposed the institution of any kind of state income tax.
2. Supported proposed improvements in the state budgetary process.
3. Supported an increase in the "foundation level" of state aid to grade and high schools.
4. Supported recommendations for the establishment of a state system of community colleges.
5. Supported a revised state anti-trust law recommended by the Illinois Bar Association.
6. Supported liberalization of the state aid to the medically indigent aged program under the Kerr-Mills Act.

C. At the federal level, we have --

1. Opposed and testified against last year's Overtime Penalty Pay Act, which could have cost us about \$4 million a year and would not have materially contributed, in our judgment, to its announced goal of increasing employment.
2. Further, we have supported the Revenue Act of 1964, initiating cuts in individual and corporate income taxes.
3. Opposed the President's "War on Poverty" ... at the same time offering a 10-point alternative program.
4. Opposed Medicare, while continuing to support implementation and liberalization of state-administered Kerr-Mills programs.
5. Supported a bill proposing establishment of a National Academy of Foreign Affairs.
6. Supported the McClellan Bill, seeking to amend the anti-trust laws by prohibiting certain monopolistic activities among transportation unions.

This is a sampling -- not a full list. And I would again like to emphasize that we analyze and take positions only on those matters that have a relevancy to our own business.

As a corporation of any size faces up to this challenge of taking public positions on issues, it must naturally be responsible and prudent in its actions. But as we check on the experience of other companies, we observe it is sometimes possible to be "too careful". If it is necessary, for example, for a board chairman or a president, to pass on each and every issue on which a company intends to take a public position, then it is evident that such a company will not be speaking out on many issues, or speaking out frequently.

The way we have come to handle this at Caterpillar is that, basically, only two approvals are required, prior to a statement of position: The first, from the manager of our Public Affairs Department; and the second, from the Company officer who has administrative responsibility for the issue concerned. If the issue, for example, concerns wages and hours or labor relations matters, it comes to me for final clearance. If it involves one of our major markets, it goes to our sales vice president. If it involves a tax or accounting matter, it goes to our financial vice president. Only rarely does an issue require approval further up the line; and even when it does, it is the responsibility of the officer who is administratively concerned to determine what further approval or consideration is appropriate.

In the past five and one-half years, we have not yet encountered a situation in which it became necessary to withdraw a pronouncement already made. And, I might inject, the term "pronouncement" is the right word.

The great majority of the issues I've just discussed, it seems to us, have a high degree of public interest. And, since they have a definite bearing on our operations, they ought therefore to be of some interest to our employees. So we have not hesitated to say what we think about tax reduction, or medicare, or monopolistic union practices, in our plant newspapers, in our annual reports, or in letters to employees' homes. And on a subject such as a state income tax -- which has a substantial degree of public interest in Illinois -- we may incorporate some of our ideas in a speech-booklet and make a release to the press on portions of it.

We believe the mission of industrial journalism is to do more than merely please and entertain employees, or to merely inform them where information itself is the only purpose. The real purpose has to be a seeking of employee identification with company goals ... and of understanding and, wherever possible, agreement with those goals.

There are naturally some who have questioned our use of employee publications on such matters. They admonish us that "employees don't like to be told what to do!" Of course, that's true -- as it is true of communication in any context.

Our experience suggests that communicating with employees is just like communicating with customers or anyone else. The majority of people, including employees, can be reached and influenced by communication that is factual, simply and honestly presented, and couched, wherever possible, in terms of reader benefit or interest.

That's a sampling of what we do in the public affairs arena. But -- do the results justify the expenditure of managerial time and company money in these programs? We think the answer is strongly affirmative.

We know, for example, that tax savings to Caterpillar in the State of Illinois -- accomplished in part through our public affairs efforts -- far exceed the money invested in these programs. We know, too, that certain favorable bills have been enacted, and unfavorable bills defeated, partly because of the thrust of our legislative influence.

But justification for the investment finds further significant support in the increased and completely voluntary involvement of Caterpillar people in a wide range of public activity -- seeking such elective positions as precinct committeemen for the party of their choice, township and city councilmen, school board members; and accepting appointive positions in which they give voice, leadership, and support to local Chambers of Commerce, charity drives, boys clubs, YMCA, and church groups.

Caterpillar people, to a considerably greater degree than ever before, are "action" members of their communities -- doing those things needed to preserve the heritage of our free society and to improve both its private and public institutions.

Gentlemen, the public affairs movement -- or whatever you'd like to call it -- has been with us for a decade, and quite extensively for the last four or five years. Yet we still hear debated the question of whether businessmen and business organizations should "get into" public affairs. I hope we can agree this is now a pointless debate. We are in public affairs because the health of the enterprise relies heavily upon the political, economic, and social climate that surrounds it.

There is no one single correct way of doing the job. The really important thing is that something gets done.

And the point of our Caterpillar experience in Public Affairs is simply this -- every business organization can be effective in this field ... and with reasonable investments of its time and talent, can constructively improve the public environment in which it does business.

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THE REPUBLIC PROGRAM

by

H. C. Lumb, Vice President and Director of Law and Corporate Relations
Republic Steel Corporation

Introduction

The public affairs approach recognizes that people are the ultimate source of power in a free society. Their ideas and actions determine who our lawmakers will be--and these lawmakers, in turn, make the legislation and participate in the selection of the individuals who administer the laws under which business and industry operate.

The resulting legislation, as administered, affects:

1. Our right to manage
2. Our ability to control costs
3. Our ability to earn a profit
4. Our over-all planning and decision-making

In short, then, public affairs accepts the basic premise that the economic success of a company or industry is affected by how people think and act and by legislative halls as well as by the economic market place.

Realistically, therefore, today's management must be public affairs minded and should ask itself these important and practical questions:

1. What can we do to increase the public's understanding of our economic system and the many problems faced by business and industry?
2. What can we do to give employees a better understanding of the economic and political issues that affect them and their companies?
3. What can we do to increase the employee's understanding of our political system?
4. What can we do to encourage informed employees to take a greater interest in civic, community, and political affairs?
5. What can we do to affect legislation at the local, state and federal levels?
6. What can we, as individuals, do to support-- by financial and other means--deserving political candidates who may determine the future business climate under which our companies will operate?

Now if we feel that something should be done in these areas, our public affairs program would require that we engage in economic education, political education, issues analysis, and within proper legal limits legislative contact, and candidate support by individuals. These activities would, of necessity, evolve personnel policies that encourage informed employees to take an active part in civic and political affairs for these items, obviously, constitute the core of any complete public affairs program.

With this in mind I'd like to trace quickly the key programs we have developed at Republic Steel. And in my descriptions I'll emphasize the external value to others as well as internal uses with our own people.

Economic Education

First of all, we believe that economic education is an essential part of a public affairs program because an employee must understand economics if he's going to make intelligent decisions or participate realistically in public affairs.

As far back as 1950, we developed an extensive economic education program in cooperation with the University of Chicago. This program was called Basic Economics, and it covered a wide range of subjects--including "Competitive Prices," "Production and Productivity," "Capital Equipment and Depreciation," "The Role of Profits," "Money and Banking," "Financial Statements," "Inflation," "The Ups and Downs of Business," and "Personal Economics."

The program consisted of conference leader guides, evaluation tests, booklets, flannel board presentations, overhead projectors, tape recordings, and a specially prepared textbook entitled Basic Economics, which American Iron and Steel Institute helped finance and distribute.

This textbook, I might add, has been adopted by more than forty school districts and is widely used by business and industry.

The Basic Economics program was given to exempt and non-exempt people and was made available to colleges, high school groups and other companies. I mention this because most industry programs can serve a dual purpose if properly designed.

In 1958 we developed six additional conferences for a new program called Building Economic Understanding. These conferences emphasized the inflationary aspects of our economy, the cost build-up which had taken place in the post-war period, the need for increased productivity, foreign trade and foreign balances, and the highly competitive nature of our emerging economy.

Now this brings up a point that should be given serious consideration. It's our opinion that all educational programs in public affairs should be continuous in their format. We should never assume, for example, that economic education can be done once and for all. New issues, new problems, new people, and new approaches make the continuous design more realistic and more meaningful.

...Up until 1962, our programs were limited largely to exempt and non-exempt personnel, so we decided to reach the bargained-for employee by means of easy-to-read economic booklets. Seven of these booklets were mailed to all Republic employees--and our evaluation shows that they were very well received.

These booklets were released nationally through the Good Reading Rack Service, which sells disposable booklets to American industry. Their latest figures show that about seven million copies of these booklets have been distributed through thousands of different companies.

Our latest venture in economic education is called Exploring Basic Economics. This program is a generalized version of our economic education materials, and it centers around a series of films made for us by authorities drawn from nationally known colleges. These films--and the supplementary audio-visual and written materials--are distributed by Modern Learning Aids to colleges, high schools, film libraries and other industrial organizations.

In public affairs one activity leads to another, so we recently completed an economic education program by means of television tape. This was the outgrowth of a conference leader training program we conducted in South Carolina at the request of the State Chamber of Commerce. You'll receive copies of the brochure that describes this program, but a few remarks are in order.

South Carolina has a complete, statewide closed circuit television system, by means of which it's possible to beam Exploring Basic Economics to 150 companies simultaneously. By using conference leaders drawn from these companies, we're able to train thousands of supervisors and hundreds of teachers at the same time.

In my opinion we're doing a great deal to improve the public's understanding of economics--and thus, to improve the business climate of the entire South Carolina area. This program, in turn, has led to conference leader workshops in North Carolina, Michigan, Indiana, Texas, Virginia, and New Jersey. And as a result, we're exploring with the U. S. Chamber of Commerce the best way to dovetail our activities with theirs.

...Now I've reviewed our activities to give you an idea of what can be accomplished in economic education by an aggressive stand in the field of public affairs. And I might add, we've done these things with a minimum staff and a minimum budget over the years.

Political Education

...Our approach to political education has followed roughly the same pattern...

Our Building Political Leadership program got underway in 1960 with twelve conferences and three workshops in the broad area of political science and precinct political work.

We believe people should have a good background in the values, processes, and structure of government as well as in precinct politics. I must confess, unfortunately, that too many people in industry equate public affairs with a course in practical politics--when in reality, it's just a small part of the over-all field.

In any event, more than 4500 exempt and non-exempt employees--together with three hundred wives--took our political program over a three-year period. Tests, interviews, records of attendance, and personal accomplishments prove to us that the program was well received and accomplished its purpose.

I might mention, also, that all graduates of our economic and political education programs have been certified by schools like the University of Chicago, the College of William and Mary, and Bethany College in West Virginia. This certification has lent prestige to our programs as well as reinforcing the objective nature of the materials presented.

Our political program was run off the company's premises, on the man's own time, and in his home community. It was taught by our conference leaders--and they were trained at Williamsburg, Virginia by our staff and by faculty members of the College of William and Mary.

To date about 900 of the 4500 people who attended our BPL program have become active in political work. We have had over 125 Republic employees become precinct committeemen in one county alone--and a substantial number of employees have been elected to city councils, school boards, and other important civic and political positions. Quite a few have acted as campaign managers for other candidates, and a good number have become quite influential in party work at the city or county level. And, our experience is shared nationally by other companies who have engaged aggressively in political education work.

Our political program was also designed for the greatest impact outside the company. So when the program was developed, we made use of audio-visual aids, movies, booklets, and other materials that have proved useful to high schools, colleges, and other organizations interested in political education.

These materials were also released through Modern Learning Aids in New York--and an estimated 4,000 different organizations have seen fit to use them.

Within the past year our political education efforts have led to the development of movies and public affairs materials for the National Association of Manufacturers. Thus, we have cooperated closely with them in the design and production of their Bill and Susan Boynton Political Program.

We have also helped the Business-Industry Political Action Committee get started by setting up with our own employees an experimental mail order procedure that has set the stage for their present efforts.

Moreover, today we serve on standing committees for both organizations and lend our support to their activities.

Finally, we're planning an educational television program next summer in the political area, to complement the economic education series which is now being offered. In this case, too, we're working out a cooperative approach with the U. S. Chamber of Commerce.

Legislative Contacts

Besides the economic and political education program I have outlined, we have enlarged our legislative contacts at the state and national levels. I needn't go into this with you, except to point out that this area cannot be overlooked by any sizable company working in public affairs.

Personnel Policy

As part of our over-all program we have also developed a personnel policy that encourages people to become active in political affairs. We believe an objective and clearly understood policy is in the best interests of everyone concerned, so I'm making a copy of our policy available for your information.

Clarifying the Issues

At the present time we're rounding out our public affairs program by doing a more intensive job of clarifying the economic and political issues that affect our company and the individual. The impact of many bills cannot be appraised without intensive analysis and there are many national organizations which provide such service, such as the NAM, the U. S. Chamber of Commerce and the American Enterprise Institute. This will help us keep in touch with our economic and political education graduates, and will provide program continuity over the years.

Conclusion

In closing, let me say that public affairs must be regarded as a responsible and high level function in any business. It is concerned with action and power as these affect the business climate, and the operating conditions under which our companies and industries work.

Basically, we can draw several conclusions about this whole area of activity:

First, it's an important activity for any industry or company--large or small.

Second, the programs that make up a worthwhile public affairs effort are of such a nature and complexity that having qualified, experienced personnel should be your ultimate objective.

Third, public affairs must be accepted by top management as a continuing long-range effort of vital importance to the company.

...I believe American Iron and Steel Institute should do all it can to implement a broad public affairs program as soon as possible. And, of course, we at Republic will do all we can to contribute to that effort.

- - -

THE LUKENS PROGRAM

by

Charles L. Huston, Jr., President, Lukens Steel Company

LUKENS WELCOMES THE OPPORTUNITY TO TAKE PART IN THIS PUBLIC AFFAIRS CONFERENCE AND PARTICULARLY TO HAVE OUR SEVERAL REPRESENTATIVES HEAR THE PRECEDING BROAD SCALE AND MEATY PRESENTATION BY LEFT LUMB. THE ACTIVITIES WE PLAN TO DISCUSS IN THE NEXT 20 MINUTES ARE PULLED OUT OF OUR MAIN STREAM OF DAILY LIVING, FOR THE MOST PART. THEY ARE PART AND PARCEL OF THE WAY A MEDIUM SIZED COMPANY LOCATED IN A MEDIUM SIZED TOWN PARTICIPATES DIRECTLY AND INDIRECTLY IN ACTIVITIES AT THE PLANT TOWN, COUNTY, STATE AND NATIONAL LEVELS -- ACTIVITIES THAT RELATE IN VARYING DEGREES TO THE SUBJECT OF "PUBLIC AFFAIRS."

IN THE BELIEF THAT A FEW REMARKS OF AN INTRODUCTORY NATURE ABOUT LUKENS AND ITS LOCATION WILL MAKE THIS PRESENTATION MORE MEANINGFUL, LET US UTILIZE SOME OF THE MAGIC OF PRESENT DAY COMMUNICATION TECHNIQUES TO JUMP QUICKLY TO COATESVILLE IN CHESTER COUNTY, PENNSYLVANIA.

VIDEO

Slide 1 -- Aerial view of
Lukens

Slide 2 -- View of Lincoln
Highway entering Coatesville

Slide 3 -- View of Main St.
business district

Slide 4 -- City Hall

Slide 5 -- Main Office Bldg.

AUDIO

SOUND EFFECT

An airplane fades in, holds a few seconds,
then fades under and out.

NARRATOR

Below is Lukens Steel Company, the
nation's fourth largest producer of plate
steels. The furnaces, rolling mills
and related facilities span over 800 acres
in two townships, two boroughs and the
City of Coatesville. After landing
at Chester County Airport it is only a
few minutes by car to Coatesville where
Lukens has been a principal industry
and major employer since its founding
along the historic Brandywine Creek
in 1810. Today, with more than 5,000
employees it is the largest industrial
firm in the county. Coatesville's business
and residential sections literally grew
in harmony with the growth of the company.
In the center of Coatesville is the seat of
local government, City Hall. Directly
opposite is the Main Office of Lukens
Steel Company.

Slide 6 -- View of Gordon
Jr. High

Slide 7 -- Nurses residence
Coatesville Hospital

Slide 8 -- Electric Furnace
Exterior

Slide 9 -- Electric Furnace tap

Slide 10 -- Vacuum Degassing

Slide 11 -- 140 S&R Mill

Slide 12 -- Construction

While the people of Coatesville have a strong sense of history and deep seated traditions, community institutions are as contemporary as tomorrow's newspaper and as forward looking as bright minds and able leadership can conceive.

Similarly, Lukens has a modern viewpoint. Here are the company's newest facilities:

Electric furnaces ...

A vacuum degassing unit ...

A 140-inch slabbing and rolling mill, and there are others, all working in conjunction with older steel making, rolling, forming and fabricating units to turn out the company's plate steel specialties.

Like most of its competitors, Lukens is planning additional modernization moves.

Present electric furnace capacity will be augmented by an additional 145-ton furnace in the fall. Continuous casting is under serious scrutiny and other refinements, additions and replacements will require an outlay of approximately \$40-million within the next several years.

It is obvious that Lukens believes it has a major role to play in the future of the steel industry.

THAT WAS A QUICK TRIP, BUT HOPEFULLY YOU KNOW US A LITTLE BETTER NOW.

Slide 13 -- Corporate Objectives Book

ON THE SCREEN IS THE PICTURE OF A BOOK, SIMILAR TO THE ONE I HOLD IN MY HAND HERE.

IT IS TITLED "CORPORATE OBJECTIVES" AND WITHIN ITS PAGES ARE GUIDELINES OR POLICY CRITERIA FOR LUKENS DAY-TO-DAY ACTIVITY. THESE OBJECTIVES WERE PUBLISHED FOR DISTRIBUTION WITHIN THE COMPANY SEVERAL YEARS AGO. THEY STIMULATE THE DEVELOPMENT OF GOALS TOWARD WHICH ALL SEGMENTS OF THE COMPANY CAN STRIVE.

Slide 14 -- First Bedrock Objective

THE BEDROCK OBJECTIVES, FOR THE SHORT AND LONG TERM, ARE THE FOUNDATION UPON WHICH THE ENTIRE FRAMEWORK OF COMPANY ACTIVITY IS STRUCTURED. THE GOALS FOR ORGANIZATION, DIVISION AND DEPARTMENTS OF THE COMPANY FLOW FROM THEM.

Slide 15 -- Second Bedrock Objective

WHILE THERE IS NO POLITICAL ACTION OR PUBLIC AFFAIRS DEPARTMENT ON LUKENS ORGANIZATION CHARTS, THE SUBJECT ITSELF IS INCORPORATED WITHIN A VARIETY OF ORGANIZATION AND DIVISION OBJECTIVES.

BROUGHT TOGETHER THESE EXTRACTED OBJECTIVES PROVIDE LUKENS WITH A PUBLIC AFFAIRS POLICY...

Slide 16 -- Public Affairs Policy

WHICH YOU SEE BEFORE YOU NOW AND A COPY OF WHICH YOU WILL FIND IN YOUR FOLDER ENTITLED "COMPANY POLICIES."

PARTICIPATION IN PUBLIC AFFAIRS FOR LUKENS IS A NATURAL AND EVOLVING PHASE OF BUSINESS LIFE. IT IS A PROCESS RATHER THAN A PROGRAM.

THERE ARE A COMBINATION OF REASONS WHICH INCLUDE SIZE AND SINGLE PLANT OPERATION THAT MAKE IT LESS THAN NATURAL FOR LUKENS TO BE INVOLVED IN PUBLIC AFFAIRS NATIONALLY ON THE SAME SCALE AS THE LARGER COMPANIES. IT WAS MOST NATURAL, HOWEVER, FOR US TO GO TO WASHINGTON A YEAR AGO TO TESTIFY BEFORE THE TARIFF COMMISSION AND THE TRADE INFORMATION COMMITTEE ABOUT UNFAIR COMPETITION FROM FOREIGN PRODUCERS OF PLATE STEELS. IN PARTICULAR OUR TESTIMONY RELATIVE TO THE GROWING IMPORTS OF PLATE STEELS FROM THE NEWCOMER -- MEXICO -- AS WELL AS A NUMBER OF OTHER FOREIGN COUNTRIES WAS REVEALING.

TESTIMONY PRESENTED IN THOSE HEARINGS WAS PUT INTO A SPECIAL INFORMATION PACKAGE AND SENT TO ALL COMPANY STOCKHOLDERS AND TO A SPECIAL LIST OF COMMUNITY REPRESENTATIVES. PUBLISHED IN THE COMPANY MAGAZINE AND LOCAL NEWSPAPERS, IT WAS THE SUBJECT OF A NEWS FEATURE FOR THE RADIO STATION THAT SERVES THE PLANT COMMUNITY.

IT WAS EQUALLY NATURAL FOR US, IN JUNE OF 1962, TO CALL THE NATIONAL GOVERNMENT'S ATTENTION TO AN ALARMING SITUATION CONNECTED WITH THE GOVERNMENT'S PURCHASE FROM FOREIGN SUPPLIERS OF PLATE STEELS FOR U. S. NAVY SHIP CONSTRUCTION. REFERENCE WAS MADE TO A REVIEW OF PROCUREMENT POLICIES BY COMMERCIAL SHIPBUILDERS WHICH MUST COMPETE WITH GOVERNMENT SHIPYARDS ON NAVY SHIPBUILDING PROJECTS, AND HOW SUCH REVIEW MIGHT RESULT IN ADDITIONAL PURCHASES FROM GERMANY AND JAPAN TO TAKE ADVANTAGE OF THE LOWER COST OF FOREIGN STEEL.

PARTICULARLY DID WE STRESS HOW IT COULD APPEAR THAT THE GOVERNMENT WAS SAVING MONEY, IF CONSIDERATION WAS GIVEN TO PRICE ALONE. HOWEVER, WHEN UNEMPLOYMENT AND TAX REVENUE LOSS WERE CONSIDERED THEN THE SAVING ON PRICE BECAME A NET LOSS TO THE GOVERNMENT.

SENATOR HUGH SCOTT OF PENNSYLVANIA REACTED PROMPTLY AND DIRECTED AN APPEAL TO THE WHITE HOUSE WHICH WAS FOLLOWED BY THE DEFENSE DEPARTMENT AGREEING TO AWARD A CONTRACT FOR 2,000 TONS OF CARBON STEEL FOR THE CONSTRUCTION OF THREE GUIDED MISSILE FRIGATES TO THE LOWEST BIDDER OFFERING AMERICAN STEEL. AT THE SAME TIME, THE PRESIDENT APPOINTED AN OFFICIAL IN THE DEPARTMENT OF DEFENSE TO EVALUATE PURCHASE CONTRACTS OF THAT NATURE FOR THE GOVERNMENT.

STATE LEVEL

IF WE WOULD USE A GRAPH TO INDICATE LUKENS ACTIVITY IN PUBLIC AFFAIRS AND ACROSS THE TOP OF THE GRAPH WOULD WRITE, FROM LEFT TO RIGHT, NATIONAL, STATE, COUNTY AND LOCAL, YOU COULD FORECAST CORRECTLY THAT THE PERCENTAGE OF COMPANY INVOLVEMENT WOULD GROW HEAVIER AS THE INDICATOR LINE MOVED ACROSS THE FACE OF THE GRAPH FROM LEFT TO RIGHT.

SOME OF YOU WILL RECALL THE HIGH DEGREE OF ACTIVITY IN MANY PENNSYLVANIA QUARTERS DURING THE 1963 ATTEMPT TO WRITE SOME MUCH-NEEDED CHANGES INTO THE UNEMPLOYMENT COMPENSATION LAW SO AS TO CLOSE THE LOOPHOLES THAT PERMITTED EXCESSIVELY HEAVY DRAINS FROM THE FUND AND RENDERED PENNSYLVANIA TAXES NON-COMPETITIVE WITH NEIGHBORING STATES. DURING THOSE EXTREMELY ACTIVE DAYS, LUKENS INDUSTRIAL RELATIONS PEOPLE WERE IN CONTINUING CONTACT WITH MEMBERS OF THE STATE HOUSE AND THE SENATE, BOTH IN THEIR HOMETOWNS AND IN HARRISBURG. SPECIFIC INFORMATION WAS PROVIDED ABOUT THE COMPANY'S PAYMENTS INTO THE FUND AND WHAT COULD BE EXPECTED IN THE MONTHS AHEAD IF THE VERY LIBERAL PROVISIONS OF THE LAW WERE TO STAND. PAYMENTS WERE PROJECTED IN BOTH SIZE AND THEIR AFFECT UPON COMPANY EARNINGS TO COVER THE VARIOUS CHANGES PROPOSED. CONSULTANTS IN THE FIELD WERE USED EXTENSIVELY.

THE GOVERNOR OF PENNSYLVANIA RECEIVED SUFFICIENT SUPPORT FOR FINAL LEGISLATIVE ENACTMENT OF THE PROPOSED CHANGES IN THE LAW IN STORMY BUT SUCCESSFUL SESSIONS OF THE STATE LEGISLATURE.

CONTACTS WITH OUR STATE REPRESENTATIVES ARE ON A CONTINUING BASIS AND BY NATURE VARIED. LUKENS PEOPLE ARE ASSOCIATED WITH THEM IN NUMEROUS LOCAL AND AREA PROJECTS RELATED TO SUCH THINGS AS SCOUTING, Y.M.C.A., COMMUNITY CHEST, INDUSTRIAL DEVELOPMENT, WATER CONSERVATION, ETC. THEY ALSO ARE MEMBERS OF THE COMMUNITY REPRESENTATIVES GROUP WHICH WE KEEP INFORMED ABOUT COMPANY PLANS AND PROGRESS AND ABOUT WHICH I'LL COMMENT SHORTLY.

IT IS AXIOMATIC THAT WHEN A NUMBER OF PEOPLE WITH LEADERSHIP QUALITIES ARE PULLED TOGETHER AS PART OF AN INDUSTRIAL ENTERPRISE, SOME WILL JOIN ORGANIZATIONS AND ACCEPT IMPORTANT COMMITTEE POSTS. THE DEGREE OF THIS ACTIVITY IS DEPENDENT IN SOME EXTENT UPON THE AMOUNT OF COMPANY ENCOURAGEMENT. WE BELIEVE THAT BALANCED ACTIVITY OF THIS NATURE CAN BENEFIT BOTH PARTICIPANT AND THE COMPANY.

LET ME CITE AN EXAMPLE. THE HEAD OF OUR TAX DEPARTMENT IS A MEMBER OF THE TAX COMMITTEE OF THE PENNSYLVANIA STATE CHAMBER OF COMMERCE. DURING THE COMPANY'S FIRST FULL YEAR OF EXPERIENCE IN ELECTRIC FURNACE STEELMAKING, HE WORKED WITH PEOPLE FROM THE STATE BUREAU OF SALES AND USE TAX WHO CAME TO THE PLANT TO MAKE A TAX AUDIT.

IN DUE TIME THE AUDITORS FROM THE STATE INDICATED THAT THEY BELIEVED WE HAD INCORRECTLY COMPUTED OUR OBLIGATION UNDER THE STATE SALES TAX LAW AS THEY INTERPRETED THE LAW TO APPLY TO THE ELECTRIC FURNACE INSTALLATION. THE DIFFERENCE IN OUR TAX COMPUTATIONS AMOUNTED TO APPROXIMATELY \$1 -MILLION AND, NEED I ADD, IN THE STATE'S FAVOR.

THE CHAMBER OF COMMERCE ARRANGED A MEETING BETWEEN REPRESENTATIVES OF INDUSTRY AND MEMBERS OF THE GOVERNOR'S STAFF WHICH INCLUDED THE SECRETARIES OF REVENUE AND COMMERCE AND THE GOVERNOR'S EXECUTIVE SECRETARY. THE GROUP RECOGNIZED THE SERIOUS IMPACT THE STATE AUDITORS' SALES TAX INTERPRETATION COULD HAVE UPON COMPANIES BUILDING MANUFACTURING FACILITIES IN THE COMMONWEALTH. IT WAS DECIDED THAT THE LAW DID NOT CONTEMPLATE TAXATION OF THIS NATURE.

STATE AND COUNTY LEVEL

IF YOU HAVE DRIVEN ALONG ROUTE 30 IN THE COATESVILLE AREA YOU MAY HAVE NOTICED HOW EASILY "THRU TRAFFIC" CAN MOVE AROUND THE CITY BY MEANS OF A HIGH SPEED BY-PASS. THIS WAS NOT ALWAYS THE CASE. IT WAS A TOUGH BATTLE GETTING THE BY-PASS; NOT MUCH PROGRESS WAS MADE UNTIL A LUKENS OFFICIAL MOVED INTO THE PRESIDENCY OF THE LOCAL CHAMBER OF COMMERCE.

THE COMPANY RECOGNIZED THAT A BY-PASS WOULD HELP REDUCE THE TRAFFIC BOTTLENECK GROWING PROGRESSIVELY WORSE IN COATESVILLE, WOULD BE OF IMMEDIATE BENEFIT TO TRAFFIC EAST AND WEST AND WOULD NOT AFFECT ADVERSELY TRADE IN DOWNTOWN AREAS. ACCORDINGLY, THE NEW CHAMBER PRESIDENT, WITH THE HELP OF OTHER LUKENS CHAMBER MEMBERS, REACTIVATED THE TRAFFIC COMMITTEE AND ARRANGED MEETINGS WITH THE STATE SECRETARY OF HIGHWAYS. BEFORE CONSTRUCTION COULD START, PENNSYLVANIA HAD A CHANGE OF GOVERNORS, BUT CONTINUING THE ADMINISTRATION BY THE DEMOCRATIC PARTY. CHESTER COUNTY IS TRADITIONALLY REPUBLICAN. CONFIDENTIALLY, WHEN THE NEW CHIEF EXECUTIVE WAS APPROACHED ABOUT THE BY-PASS, HE WANTED TO TRADE IT FOR SUPPORT FOR HIS LEGISLATIVE PROGRAM. AT THAT POINT THE TRAFFIC COMMITTEE WORKED THROUGH THE COUNTY COMMISSIONERS AND WHEN THERE WERE MEETINGS IN HARRISBURG THE MINORITY PARTY COMMISSIONER, WHO WAS OF THE SAME POLITICAL FAITH AS THE GOVERNOR, CARRIED THE BALL.

SINCE WE BROUGHT YOU INTO COATESVILLE BY PLANE A FEW MINUTES AGO, LET US LOOK FOR A MOMENT AT THE COOPERATIVE EFFORT BETWEEN LUKENS, CHESTER COUNTY COMMISSIONERS AND COMMUNITY GROUPS THAT BROUGHT INTO BEING THE CHESTER COUNTY AIRPORT AT WHICH WE LANDED.

FOR SOME TIME, LUKENS PILOTS CONDUCTED THEIR OPERATIONS AT AIRPORTS IN WILMINGTON, DEL.; PHILADELPHIA, LANCASTER AND READING, PA. WE ALSO LEARNED THAT PLANE PASSENGERS WHO CAME TO COATESVILLE AND OTHER SECTIONS OF THE COUNTY ON BUSINESS HAD TO LAND AT COMMERCIAL AIRPORTS OUTSIDE OF THE COUNTY. IT BECAME INCREASINGLY EVIDENT THAT AN APPROVED AIRPORT WAS NEEDED WITHIN THE COUNTY. THE COMPANY COULD HAVE BUILT A PRIVATE FIELD AND HANGER BUT IN LINE WITH BEDROCK OBJECTIVES DECIDED INSTEAD TO PUT COMPANY FUNDS INTO A PUBLIC FACILITY WITH RESULTING MUTUAL BENEFIT TO THE COMMUNITY AS WELL AS TO THE COMPANY.

A COMPANY OFFICER WAS THE SPARKPLUG TO GET THE COUNTY COMMISSIONERS TO SPONSOR THE PROGRAM. THEN HE SERVED AS CHAIRMAN OF AN ADVISORY AND FUND RAISING GROUP THAT DID A LARGE PART OF THE WORK INVOLVED IN SITE SELECTION, GETTING STATE AND FEDERAL AID, SECURING A PERMANENT BASE OPERATOR AND PUTTING THE AIRPORT ONTO A SOLID OPERATING BASIS.

EXAMPLES SUCH AS THESE ARE NUMEROUS. CURRENTLY LUKENS PEOPLE ARE WORKING WITH THE CHESTER COUNTY WATER RESOURCES AUTHORITY ON A LONG-RANGE PROGRAM OF FLOOD CONTROL. THIS WILL PROVIDE ADEQUATE WATER SUPPLIES FOR INDUSTRIAL USE AS WELL AS TO MEET RECREATIONAL REQUIREMENTS OF PEOPLE IN THE BRANDYWINE WATER SHED. I MIGHT POINT OUT THAT THE COMPANY COULD HAVE PURCHASED A NEARBY WATER RESERVOIR (ICEDALE DAM) AND HELPED ASSURE ITSELF A STANDBY WATER SUPPLY IN DRY SUMMER MONTHS. BUT, AS IN THE CASE OF THE AIRPORT, LUKENS ELECTED NOT THE PRIVATE ROUTE BUT THE PUBLIC ONE WHERE THERE WOULD BE MORE MUTUALITY OF BENEFITS.

LOCAL LEVEL

WHILE THE COMPANY'S INTEREST AT THE NATIONAL LEVEL HAS BEEN STIMULATED BY THE INCREASING IMPORTANCE OF PUBLIC AFFAIRS, PARTICIPATION AT THAT LEVEL IS NOT THE EASY GOING, NATURAL THING FOR US. IT HAS TO BE PLANNED. QUITE THE CONTRARY IS THE CASE ON THE HOME FRONT BECAUSE WE LIVE AND WORK AMONG THE PEOPLE INVOLVED. MANY OF THEM, 324 BY ACTUAL COUNT, ARE ON WHAT WE CALL OUR LIST OF COMMUNITY REPRESENTATIVES. INCLUDED ARE BUSINESSMEN, EDUCATORS, GOVERNMENT OFFICIALS, DOCTORS, OFFICERS OF SERVICE CLUBS, CLERGYMEN, THE NEWS MEDIA, BARBERS AND BEAUTY SHOP OPERATORS.

WE COMMUNICATE WITH THESE PEOPLE WITH SUFFICIENT FREQUENCY -- EITHER AT BREAKFAST OR DINNER MEETINGS, OR BY LETTERS -- THAT THEY ARE NOT SURPRISED TO HEAR FROM US OR TO BE INVITED TO A LUKENS MEETING. FOR THIS REASON AND OTHERS, SUCH AS SELECTIVE CONTACTS WITH INDIVIDUALS OR SPECIAL INTEREST GROUPS, WE CAN SIT DOWN WITH OR CALL UPON GOVERNMENT AND OTHER COMMUNITY PEOPLE AS THE OCCASIONS REQUIRE AND THE CONTACT IS ACCEPTED AS A VERY NORMAL AND NATURAL THING TO DO.

FOR EXAMPLE. CITY COUNCIL FACED A PROBLEM COMMON TO MANY TOWNS, THE PROSPECT OF REDUCED TAX REVENUE DUE TO LOWER PROPERTY VALUATIONS AS THE RESULT OF SOME BUSINESS MOVING TOWARD CONCENTRATED SHOPPING CENTERS. ELEVATING REAL ESTATE TAXES WOULD HAVE MEANT A 12 MILL BOOST TO MAINTAIN THE REVENUE STATUS QUO AND THAT WOULD HAVE COST LUKENS \$67,126.32.

THE CITY FELT THAT A \$10 OCCUPATIONAL PRIVILEGE TAX WAS THE ANSWER. THAT RAISED MANY PROBLEMS TOO. IN OUR CASE, SOME OF THE PLANT UNITS ARE IN COATESVILLE AND SOME IN ADJOINING TOWNSHIPS. OUR TAX AND PERSONNEL PEOPLE WORKED CLOSELY WITH THE CITY CONTROLLER'S OFFICE IN DEVELOPING PROCEDURES, FORMS ETC. THE CITY ACCEPTED WITHOUT QUESTION OUR LIST OF ELIGIBLE TAXABLES AND FURNISHED FORMS THAT OUR TABULATING EQUIPMENT COULD HANDLE READILY.



VERY PROBABLY ONE OF THE REASONS WE FIND OUR DAILY CONTACTS SO EASY TO MAKE AT THE LOCAL LEVEL IS BECAUSE THE COMPANY ENCOURAGES ITS PEOPLE TO PARTICIPATE IN LOCAL GOVERNMENT AND CIVIC AFFAIRS. AT LEAST ONE IN EVERY 60 LUKENS EMPLOYEES HOLDS AN ELECTIVE OR APPOINTED POLITICAL OFFICE. THE FIGURE WOULD BE MORE IMPRESSIVE IF WE COUNTED THOSE WHO FURNISH LEADERSHIP IN VOLUNTEER CAPACITIES.

IN THE CITY OF COATESVILLE AND IN NEIGHBORING COMMUNITIES WHERE LUKENS PEOPLE LIVE THEY ARE REPUBLICAN AND DEMOCRATIC COMMITTEEMEN, COUNCIL MEMBERS, A MAYOR, TOWNSHIP SUPERVISORS, SCHOOL DIRECTORS, JUSTICES OF THE PEACE, ASSESSORS, AUDITORS, TAX COLLECTORS, CONSTABLES, POLICE AND FIRE CHIEFS.

MY FINAL COMMENT IS IN THE AREA OF INDUSTRIAL ECONOMICS. TO PROMOTE A BETTER UNDERSTANDING OF THE SUBJECT AND, AT THE SAME TIME, TO ENCOURAGE YOUNG PEOPLE TO CONSIDER ENGINEERING AND INDUSTRIAL MANAGEMENT AS CAREER POSSIBILITIES AND TO EVIDENCE THE COMPANY'S GENUINE INTEREST IN PUBLIC SCHOOL EDUCATION, LUKENS DESIGNS AND EXECUTES SPECIAL PROGRAMS FOR COMMUNICATING WITH SECONDARY SCHOOL TEACHERS AND STUDENTS. IN APRIL WE SHALL CONDUCT OUR FOURTH ANNUAL FACULTY SEMINAR AND STUDENT MANAGEMENT CONFERENCE.

TWENTY-FIVE TEACHERS FROM THREE NEIGHBORING HIGH SCHOOLS WILL VISIT WITH US SEVERAL DAYS IN ADVANCE OF THE THREE-DAY STUDENT CONFERENCE. WE AIM TO PROVIDE THE TEACHERS WITH AN OPPORTUNITY TO ADVANCE THEIR KNOWLEDGE IN THE AREAS OF ECONOMICS, INDUSTRIAL MANAGEMENT AND THE AMERICAN COMPETITIVE ENTERPRISE SYSTEM THROUGH FORMAL PRESENTATIONS AND GROUP DISCUSSION.

SIXTEEN STUDENTS FROM THE SAME SCHOOLS WILL SURPRISE US, IF PAST EXPERIENCE BE A RELIABLE INDICATOR, WITH THEIR INTEREST IN THE PLANT VISITATION, CLASSROOM TYPE INSTRUCTION AT THE PLANT WITH COMPANY PEOPLE AS INSTRUCTORS, AND INDIVIDUAL MEETINGS WITH MEMBERS OF MANAGEMENT. STUDENTS AND THEIR PARENTS, TEACHERS AND COMPANY PEOPLE WILL JOIN IN A DINNER MEETING TO CONCLUDE THE PROGRAM.

NOW WE HAVE TOLD OUR STORY. IT'S NOT PERFECT BY FAR, BUT IT SPRINGS FROM THE WAY WE LIVE AND HARKENS BACK TO OUR UNDERLYING PHILOSOPHY THAT WHAT APPEARS GOOD FOR LUKENS IS ONLY SO IF IT ALSO BENEFITS OTHERS. WE SHALL CARRY MANY CONSTRUCTIVE THOUGHTS BACK HOME FROM THIS CONFERENCE FOR STUDY, FOR WE SEEK CONTINUAL IMPROVEMENT IN OUR PUBLIC AFFAIRS PROGRAM. POSSIBLY THIS CONFERENCE WILL BE THE CATALYST THAT WILL STIMULATE ALL OF US TO RE-EVALUATE OUR OBLIGATIONS IN THE AREA OF PUBLIC AFFAIRS AND APPRAISE ANEW WHAT WE CAN DO AND THE VIGOR WITH WHICH WE CAN TACKLE THIS INCREASINGLY IMPORTANT JOB.

OH YES, WE MUST GET YOU BACK TO NEW YORK NOW!

THAT'S EASY.

Sound of jet plane coming in for a landing.

Slide of entrance to Waldorf Astoria.

HERE WE ARE!

TOOLS OF THE TRADE

by

Richard A. Armstrong, Executive Director, Effective Citizens Organization

Representing an organization dedicated to the concept of public affairs, it is indeed encouraging to see this evidence of your interest. I commend the action you have taken and want to assure you of the cooperation of the Effective Citizens Organization. The organization feels closely akin to the steel industry --- particularly this year, since Edward Myers of the United States Steel Corporation is our President.

I have been asked to discuss the tools of the trade. In other words, the services, materials, and organizations that can be of help to you in establishing a public affairs program --- or in improving your present public affairs activities. Unlike those who started in public affairs five or ten years ago, you have a tremendous advantage today, in that there is an abundance of material and competent organizations available to help you.

There are many in the business community who feel that public affairs activities must of necessity be limited to the giant corporations. We would suggest to you that this is not the case. If time would permit, we could document instances of smaller companies that are carrying on a commendable public affairs effort. It's quite true that some companies spend hundreds of thousands of dollars annually in their public affairs activities. However, some companies are able to carry on a creditable public affairs program at negligible cost. Several aspects of public affairs---and some of the most important aspects---require no financial outlay on the part of the corporation at all. A policy statement, for instance, represents basically a change of attitude on the part of management---or in many cases, simply an explanation

of what management's attitude actually is: and if I were to look for a theme to encompass my remarks today, it would be that politics or public affairs is like yard goods--you can buy it by the yard. In other words, expenditures can be limited to what you can afford. Many of the costs of public affairs materials have been prepaid through your support of trade and business associations.

At ECO we have established criteria for determining whether a company has a public affairs program. Very quickly, I would like to sketch out these four basic tenets of public affairs--and then later, we will examine the tools that you have available in each of these areas.

First of all, the company must have a policy that permits and encourages political and governmental participation. In a way, it seems odd that only a few years ago, most corporations had a diametrically opposed position. Many employees still think that the corporation reflects the same attitude that it had in the 30's.

A second guidepost for a public affairs program is the use of educational materials in the area of politics, economics, and government.

Thirdly, we advocate that the corporation communicate with its employees on issues--not political issues per se, but governmental and economic issues.

And finally, a company should have either a full or part-time public affairs officer--responsible for coordinating and following through on all phases of public affairs. In the large corporation we have seen a new profession emerge--that of the public affairs officer. In smaller firms this job is done efficiently by an officer who has this as a collateral responsibility.

Now, let's take each of these areas and discuss them in more detail. I don't envision it as my responsibility to try to discuss any of

these facets in terms of rationale. This is the task of others on your program. I am the mechanic. In other words, not to discuss the "why" but the "how to".

Let's start with policy. Generally policy statements are couched in terms of good citizenship and attempt to place governmental and political activity on the same plane of respectability the corporation gives to civic, charitable, and community activity. A policy statement may take many forms. It may be a speech by the President, an article in a house organ, or the more formalized adjunct to the policy manual. Very often it's treated as a separate entity and is used as the subject for an inter-office memo or a booklet that is distributed to all employees.

The best approach to creating a policy statement would be to start by familiarizing yourselves with the statements of other companies--both inside and outside the steel industry. There is very little originality or pride of authorship in this area and if you study the policy statements of 20 or 30 corporations at random, you will almost certainly be struck with their similarity. Most of the statements being issued today are simply composites of existing statements. My recommendation would be, therefore, to take some 20 or 30 statements--study them carefully, and pick and choose those phrases and paragraphs that might best suit your company's particular need.

Where do you get these statements? This is easy. Write to us at ECO. We would be delighted to send you a representative cross-section of such statements. Or, visit the ECO office--where we have some 75 statements on file. The public affairs department at the U. S. Chamber would be delighted to furnish you similar information.

Judging from experience, your problem in regard to policy is not in constructing the statement itself; nor getting your legal department or your top management to approve. The real difficulty comes in selling top and middle management that the company really means what the policy says. And to do this, they must be sold--rather than told.

Let's take a look now at the field of educational programs. And again, we'll see an abundance of materials that did not exist six or eight years ago.

It's an axiom in the business community that economic education should precede political education. Some are inclined to question this priority when dealing with management personnel. Unfortunately, economics is very difficult to teach. ECO surveys indicate beyond question that the preponderance of companies engaged in political education are enthused with the results and, conversely, discouraged with the economic education results. Therefore let us leave the question of priority aside and examine each field separately.

The ACTION Course in Practical Politics, developed by the U. S. Chamber of Commerce, has had the most widespread use. It was prepared specifically for business people. It is non-ideological...uses the case study technique; and the fact that over half a million people have been exposed to this program attests to its usefulness and value. The cost of the materials is negligible and it has many other favorable features. For further information on the ACTION Course, contact Walter Petravage at the U. S. Chamber of Commerce, or your local Chamber. Many local Chambers continuously run these programs and if you haven't already taken advantage of this opportunity to have some of your people participate, you might want to consider it. Most corporations that use the ACTION Course

prefer to use it internally.

The NAM has been active in the field of political education for several years and they have a variety of training materials that are available to you at small cost. Some of these materials use the group discussion technique. Others are reading courses and still others use a combination of visual aids and discussion sessions. The newest program available from the NAM relies heavily on visuals. It's called the Boynton Story. It's a four-session course with a film for each session. It is extremely well done and has been enthusiastically received.

One of your own members--Republic Steel--has developed an excellent program in conjunction with the political science department of the College of William and Mary. It's indeed a tribute to the sincerity and dedication of Republic--who have invested tens of thousands of dollars in this program, that they have made it available to others. The program is thoughtful and thorough, makes use of a number of visual aids, and includes the cooperation of William and Mary in the process of training discussion leaders and recognizing course graduates. I am sure that Mr. H. C. Lumb will be glad to give you further information about it and advise you on its use.

There's a private firm in New York City called Public Affairs Counsellors. This firm has developed a course called ACT--Applied Citizenship Training. Representatives of the New York office are available to conduct orientation seminars for your top management and conduct training sessions for the discussion leaders who use the course. This company has been retained by U. S. Steel for over five years; and in the process has been responsible for giving political education to over 10,000 U. S. Steel employees. PAC has a number of other fine clients, including the Pacific Gas and Electric Company, Allen-Bradley, and Detroit Edison.

ECO conducts a variety of training seminars that are available to industry on an in-plant basis. We conduct one-day seminars for top management; one- and two-day practical politics workshops for high-level management. We also have a three-day seminar to train discussion leaders in the use of practical politics courses. We have been retained to conduct such sessions for Armco Steel, Esso-Humble Oil, Corning Glass Works, First National City Bank, and others. We would be delighted to give you further facts and figures on these programs.

As you can see, there are a number of materials that are available to you in the field of political education. Which is the best? This is a decision that you alone can reach. I would suggest to you that all of the materials and all of the programs are good. But we all know that excellent materials can be mediocre in unskilled hands; and poor materials can sparkle with adriot leadership. It therefore makes sense to train discussion leaders in the use of the materials. It will be money and time well spent.

In planning your political education program, don't overlook your high-level management people. Your public affairs program needs their enthusiastic endorsement. I am not suggesting that they be given an overdose of precinct mechanics and operations--but rather a measure of sophistication on how to deal with politicians and political problems. Here again you can design your own program or make use of those available through Public Affairs Counsellors or ECO.

As mentioned earlier, the field of economic education is quite complex. For the moment, let's forget these difficulties and plunge again

into the resources that are available to you. Economic illiteracy is a fact of life in the business community and the fact that economic education is difficult should not be a deterrent.

Of necessity, we are going to have to retrace some of the ground that we covered in political education. The U. S. Chamber has economic education programs available. You will recall that there was a great deal of interest in economic education shortly after the last war. The program developed--HOBSON--How Our Business System Operates--was given wonderful use. The growth of the public affairs movement in the late 50's brought with it other programs. The U. S. Chamber has a basic economic education course called The American Competitive Enterprise Economy. It has been used with effectiveness for a number of years. A newer course has been developed patterned largely along the lines and techniques of the ACTION course. It's called Freedom Versus Communism and it attempts to teach our free enterprise system by comparing it with Communism.

The NAM has been developing and distributing economic education material for years. One of their most recent efforts in this field is a reading course.

Public Affairs Counsellors has a course following the techniques used in their ACT program. Again, the staff of PAC is available to train discussion leaders.

The University of Chicago has had a great deal of experience in the field of economic education for business people and information is available upon request.

Your own Republic Steel Company has a program of their own-- developed by Gene Michelin. Republic has many years of experience in the field of economic education carefully documented by "before and after" surveys. You will find them cooperative in terms of making their materials and expertise available.

The American Economic Foundation distributes a number of books, pamphlets, and visual aids. Most of these materials are designed for young people, but you might find they have application if you intend to carry economic education down to the bargaining unit.

Before leaving the educational field, I would like to mention the work of two other organizations. Brookings Institute has done a marvelous job over the years to acquaint business people with our Federal government. A series of one-week seminars are conducted throughout the year in Washington. These sessions are designed primarily for those unfamiliar with our Federal government, but available to all. Perhaps the most surprising thing about the Brookings program is that the sophisticates, as well as newcomers, sing its praises.

The Ford Motor Company has developed, in the last year, a program to make their people better acquainted with local government. They established a basic format that you can follow inside your own corporation. A copy of their manual is available through the ECO office or directly from the office of Civic Affairs at Ford.

Next we come to the area of communications. More companies than ever before are communicating on issues with their employees, and the question of whether or not a company should communicate on

issues has become largely academic. The only debate that's taking place today is on the types of issues that should be used. Should they limit their efforts to industry issues--or should they broaden their scope to issues that affect the business system as a whole?

There are many, many sources of issues material. Some of these may come to you in raw form--in others they are partially cooked--in still others they are pre-digested. Again, let's start with the national business organizations. The U. S. Chamber has a monthly bulletin called "Here's The Issue". It presents both sides of the issue--and does a creditable job. It's available at a cost of about one dollar per employee per year, and reproduction rights are also available.

The NAM has a number of issue services available to its members. If you are not already on the mailing list, by all means ask to receive their legislative research and reports on specific problem areas.

Bipac has just developed a newsletter called Politics, and an analysis of high lights from the Congressional Record. Most of your companies probably support the American Enterprise Institute. This organization issues in depth analyses of legislation and regularly issues monographs on long-range economic and governmental problems.

Your own trade associations are doing a fine job in the field of issues and if you are not receiving the material from the American Mining Congress and MAAPI, by all means, do so.

The First National City Bank in New York has a monthly economic analysis bulletin called the Monthly Economic Letter. This is available without charge and I urge you to ask to be placed on their mailing list.

It should also be noted that the concept of public relations has enveloped the Federal government. Every agency and every bureau regularly publishes descriptive materials on their purposes and programs and proposals. A post card will put you on the mailing list. The Democratic National Committee and the Republican National Committee periodically issue position papers on legislation in various problem areas. A note to either of the headquarters will put you on their mailing list. There are also single interest organizations that are sources of specific information on specialized problems. An inquiry to the ECO office will bring further details.

The resource list on issues could go on and on. Let me wind it up by mentioning one further service of ECO. We have a Communication Exchange. When a company develops an interesting approach of their own to a particular issue they furnish the ECO office with a supply of the article. Every month the companies that participate in the Exchange receive a copy together with reproduction rights.

Finally we come to the role of the Public Affairs officer. This is a new profession, its infancy passed, currently suffering the growing pains of adolescence.

The Public Affairs Committee of the AISI should be a useful and valuable tool for industry public affairs people. Obviously you intend it to be such--and I trust you will periodically gather together to exchange ideas and discuss common problems.

In addition to your own trade associations you will want to participate in local, state and national forums that focus attention on

public affairs problems. The NAM Congress and the Annual Meeting of the U. S. Chamber merit your time and effort. And twice each year ECO conducts Roundtables for Public Affairs officers in Washington. The program at these Roundtables will not suffer by comparison in any quarter, but this is only part of their value. Equally important is the opportunity to rub shoulders with your counterparts in other industries. For your problems are their problems--and theirs yours. Until we recognize this--and give it more than lip service--we will not have the unity of purpose we need to fulfill our public affairs mission.

SOURCES OF PUBLIC AFFAIRS MATERIAL.....outlined by Richard A. Armstrong,
 Executive Director, Effective Citizens Organization
 in talk before The American Iron and Steel Institute,
 New York City.....January 14, 1965

American Economic Foundation --	51 East 42nd Street, New York, N. Y. 10017 Fred G. Clark, General Chairman
American Enterprise Institute --	1200 17th Street, N.W., Washington, D. C. William J. Baroody, President
Brookings Institution --	1775 Massachusetts Avenue, N.W., Washington, D.C. Walter Held, Member, Senior Staff
Democratic National Committee--	1730 K Street, N.W., Washington, D. C. 20009 Sam Brightman, Deputy Chairman for Public Affairs
Effective Citizens Organization--	1601 Eighteenth St., N. W., Washington, D. C. 20039 Richard A. Armstrong, Executive Director
First National City Bank--	399 Park Avenue, New York, N. Y. 10022 E. Sherman Adams, Vice President
Ford Motor Company--	The American Road, Dearborn, Michigan Thomas R. Reid, Director, Civic & Governmental Affairs
National Assn. of Manufacturers--	918 16th St., N.W., Washington, D. C. 20006 Robert D. Buehler, Asst. Dir. of Public Affairs
Public Affairs Counsellors--	350 Lexington Avenue, N. Y., N. Y. Joseph J. Eley, President
Republic Steel Corporation--	Republic Building, Cleveland 1, Ohio L. C. Michelon, Director of Public Affairs
Republican National Committee--	1625 I Street, N. W., Washington, D. C. Robert Smalley, Director of Public Relations
University of Chicago--	Chicago, Illinois Walter Fackler, Dean of the Grad. School of Business
U. S. Chamber of Commerce--	1615 H Street, N. W., Washington, D. C. Walter B. Petravage, Mgr., Public Affairs Dept.
American Mining Congress--	1200 18th Street, N. W., Washington, D. C. Julian D. Conover, Executive Vice President
Machinery & Allied Products Institute --	1200 18th St., N. W., Washington, D. C. Charles W. Stewart, President

COMMUNICATION--THE HEART OF A PUBLIC AFFAIRS PROGRAM

by

A. Hugh Forster, Director of Public Affairs, Armstrong Cork Company;
Chairman, Public Affairs Committee, United States Chamber of Commerce.

Having been briefed on everything that happened at your session yesterday, it occurs to me that to come here this morning to speak on "Communications -- the Heart of a Public Affairs Program," is almost belaboring the obvious.

Yesterday you heard from Walter Petravage that economic education -- political education and information -- and legislative information and action -- are the essential elements of a Public Affairs Program. This is Communications. You heard also from Bill Whyte on legislative matters of importance to business generally and to the Steel Industry in particular. The gentleman from Caterpillar Tractor, Mr. Roger Kelley, emphasized that Caterpillar believes communications to be an integral part of public affairs.

And the speakers this morning have emphasized this again and again. So it would seem to me to be beating a dead horse to death to talk in great detail this morning about the communications aspects of Public Affairs.

I think, instead, we will just mention the basic areas of communications that are involved -- with a few comments on each -- and then do some introspective thinking about our own ideas and concepts of communication.

The position I find myself in today reminds me of a true story concerning my son. One thing Bill didn't tell you about me is that

I am the proud father of six children. This, I assure you, gives me a communications workshop at home every day. My wife and I had two daughters before we finally got a son. I'm very happy to report that in his younger days, at least, this son looked up to me, patterned his behavior after me and sought my advice on important matters.

One week-end, my wife and I were preparing to go away for a football week-end, and we engaged a beautiful young baby-sitter named Jane -- a high school girl -- to stay with the children. As we started to leave Friday evening, Jeff was lying on the floor in the living room watching television.

My wife said to him: "Now, Jeff, you may stay up to see two more television shows and then you must go to bed. When you go to bed, you may sleep either in your own bed or in bed with Jane. What do you want to do?" He looked up at me and said, "Daddy, what would you do?"

I asked myself that same question -- what would I do -- in considering what to say here since so much has already been said about communications in Public Affairs. My answer was to treat the subject in two ways. First, briefly examine the basic areas of communication that are involved in Public Affairs; and second, evaluate our own ideas and performance in this very critical area.

The basic areas, it seems to me, are these:

1. First, policy. A number of speakers have emphasized the importance of determining your own policy with respect to Public Affairs matters -- specifically and definitely -- and then communicating this to the organization so everyone knows you mean it and are abiding by it.

2. The next area, beyond policy, is training -- training in politics -- in political action. The film you've just seen is a very excellent start for a Training Program. But there is another training area -- that has been emphasized again and again, certainly by Lefty Lumb this morning -- economic education, both in the formal sense and in the informal, continuing sense. By the latter I mean using your own business as an example of the economic system in action and interpreting daily what you're doing, why you're doing it and how it relates to the economic principles we want people to understand.

3. Another very important area of communications is the one dealing with issues. This includes both internal communication with members of your own organization concerning the pros and cons of issues, as well as official communication from your organization to elected representatives and appointed administrative officials concerning issues. This is a gigantic field. Many people devote full-time to it as they must because our society is getting progressively more complex and governmental matters become correspondingly more complex -- like the one Bill Whyte has just mentioned -- reapportionment. Implicit in the whole idea of communicating effectively on issues is a point that has been mentioned, but I want to emphasize it again. It is that a company must be willing to take a stand on issues. If we are unwilling to do so, we can't be very effective in convincing

others of what is the proper position on each issue.

But it seems to me that the most important point in communications with respect to public matters is the one of plain numbers. We've communicated a lot with a few people. We have to communicate with many thousands more. We have to learn how to convince a majority of people that our form of society, our form of economic organization -- a free market -- is the right philosophy that this Nation was not only founded on but has grown great on.

Today we do not have a majority of people who believe this -- or understand this. This is merely another way of saying that the degree of economic illiteracy we have in the United States is tremendous. We've got to do something about it. This is the number one communications job in the whole Public Affairs area.

With that in mind, I'd like to ask nine basic, searching questions about our performance in this area of Public Affairs and communications. How we answer these questions will have something to do with whether we're going to be able to get the majority of people to believe in and live by a philosophy of limited government and a free market.

The first question we need to ask ourselves is:
What do we individually mean by a Public Affairs Program? What is our concept of it? Do we mean that it's just political education -- just economic education -- or just a consideration of issues? Is the program just for management people and not for rank and file members of the organization? I submit that the proper answer perhaps for this question is that a Public Affairs Program is all of these things. It's political education, it's economic education -- both formal and the informal

continuing type -- it's consideration of issues, and it's for everybody -- management and everybody else in the organization. Because if it isn't for everybody in the organization, then we're not going to get on with that big job of convincing a majority of people what is the proper economic philosophy.

The second question I'd like to ask is this: What's our purpose? What are we really trying to do when we spend money and time on a Public Affairs Program? Are we trying to get people to vote Republican or vote Democrat? Are we just keeping in style with the latest management fad? Other companies have a Public Affairs Program, so maybe we'd better have one, too? Or don't we really know? As I said a moment ago, policy is all-important here. I believe we need to think this thing through clearly for ourselves and determine specifically what we are trying to achieve in the Program. I cannot emphasize too much the importance of having policy in sharp focus. My own answer to the question is that our purpose is to preserve a society founded upon limited government and individual freedom with a free market. This is really what we're trying to do. I submit that it's later than we think. Congressman Ford yesterday, I understand, made this basic point.

We could draw an analogy between our Nation and a motor car. Some people say today, "What are we worried about? Look how the economy is prospering. Let's not rock the boat. Everything is going fine. Let's not worry. We can afford all the social excesses that we can legislate."

But like an automobile, our economy has been running at top speed and we've taken the carburetor out or at least the top off the carburetor. The car is still moving because we have momentum. But I believe

very deeply that there will come a time when our excesses will catch up with us. We'll lose our momentum and discover that the carburetor is gone. I don't believe our Nation is quite as healthy economically as it would appear to be on the surface. It has momentum but does it have the stuff from which the momentum was generated? I wonder. Our big job is to be sure that the carburetor is kept in the car and never removed.

The third question I'd like to ask is this: Are our actions in this field in harmony with our words? An old axiom of communications is that "your actions speak so loud, I can't hear what you're saying." So our actions must be in harmony with our words. If we preach, for example, the importance of the free market and free enterprise and how wrong it is for the government to subsidize activities, and then turn around and accept a subsidy for our own particular purpose -- we are then violating, by our actions, the principles we say we believe in.

It's highly important for businessmen, particularly, to have their actions in agreement with their words and their philosophy. We've got to live the free enterprise philosophy that we say we believe in.

The fourth question I'd like to ask is this: Do we have a double standard in this particular area? Do we as executives in a business say that everyone must be active in the Public Affairs field? We say, "Go out and get busy. Work in your Precinct. Work for the party of your choice." But do we do it? Is the standard such that we can say others should do it but we don't have to ourselves? We shouldn't have a double standard.

The next question, the fifth one I'd like to ask is: Do we imitate or innovate? We hear that someone else is doing a particular thing.

Do we then just copy it without even analyzing whether it fits our particular business, our particular situation, our particular community? I think we do tend to imitate too much. We need to do more innovating. We need to apply a lot more imagination and ingenuity to the whole job of communicating these abstract ideas to people than we've put on it so far. Innovation in this field is desperately needed.

The sixth question is this: Do we try to measure objectively the effectiveness of our communications on Public Affairs? Or do we just accept its effectiveness on faith? The words sound good to us, so they must be good. But it's sometimes a very sobering experience when you do measure the effectiveness of a program in this area. In the spring of last year, as Chuck Huston mentioned, a critical matter was up for consideration in Pennsylvania -- Unemployment Compensation reform. On this issue, we wrote many stories for our Plant newspapers in Pennsylvania. Each of those papers also has a Plant Manager's column in which he editorializes. The Plant Managers wrote column after column about the importance of these reforms passing the Pennsylvania Legislature and urging employees to write their elected representatives. You would think that with all this eloquent prose we put together -- and I assure you it was beautiful and sounded wonderful to us -- a lot of letters should have been written by our people. We made a check with the Senator and the four Representatives from the Lancaster area, and they received six letters from our non-managerial personnel. Now that's not too bad, but it certainly isn't good. We need to do this sort of objective evaluation of our communications more frequently. It might spur us to put more imagination and ingenuity into doing a progressively better job.

The seventh question I'd like to ask is this one: Do we sometimes mistake the media of communication for the message? Do we get so involved with writing letters, publishing a Plant paper or an employee magazine, or holding meetings -- that we think these media in themselves are the answer? Actually, it is much more important to put our time and thought on the nature of the message that these media are going to carry because we need to find ways to touch people -- to make issues important to people. Unless we do this, we're not going to be successful.

We have a statement of policy at our company with respect to internal communications that would seem to be applicable also to Public Affairs. The objective of internal communications in our organization is to get employees to understand, accept and act on the premise that helping the business be successful is in their own economic best interests. We try to interpret this theme again and again in all of our actions and in all of the words we put in our publications.

The eighth question goes a bit beyond the communications aspect of Public Affairs, but it's a highly important in the ideological battle in which we are engaged. It is this one: Do we businessmen particularly have an "I'll-take-my-marbles-and-go-home" attitude with respect to politics?"

Let me explain what I mean by that. As we look at the total scene today, we find that there are fully as many differences of opinion in the Liberal camp as there are in the Conservative camp -- if I may use those two terms. And yet, when the chips are down, the Liberal camp -- extreme Liberals and Neo-liberals -- all hang together as a unit. They don't say, "Well, you're not Liberal enough for me so I won't go along with you."

They go along together and they win battles. Unfortunately, we have the "I'll take my marbles and go home" approach in the Conservative camp. If a man is not quite conservative enough for us, we tend to say, "He won't get my support." But he may be a heck of lot more conservative than his opponent. We all saw many, many examples of this in last fall's Congressional elections across the Nation. Businessmen must learn that politics is the art of compromise; that we must always make a choice; that we cannot say -- "This guy isn't good enough for me, so I'm going to take my marbles and go home." We must stop fractionating ourselves and learn to play politics the way it's played to get the better candidate every time there is a choice to be made.

The ninth question -- the last question -- I want to ask is this one. And this question, I think, we must ask ourselves individually. How knowledgeable and articulate are we -- each one of us -- with respect to our economic system and our ideological philosophy? Could each of us, for example, go to the mat with a wily college professor in defense of our system if he were a fast-talking Liberal? Could you defend our system? Are you articulate enough to do it? It seems to me that the starting place for success in public affairs begins right here. Until each and every one of us has deep-down, bed-rock conviction about the factors that made this Nation great -- a philosophical conviction that we've thought out ourselves by reading and discussion and one that we really believe in -- until we have this, we can't get to first base in communicating the principles to others or in persuading them to our point of view.

This is the first order of personal training.

In conclusion, may I tell you a true story, an experience I had in mid-October of last year. It illustrates the main problem we have which is numbers -- getting more people to believe as we do. I had occasion to go to a college campus in mid-October of last year to make a talk with respect to college recruiting. Enroute to the college, which shall remain nameless, it happened that I could go through one of the so-called marginal Congressional Districts where the incumbent was a man put in office by the AFL-CIO. A strong candidate was running against him -- a conservative -- a sound businessman with experience in politics.

I was met by a friend at the airport some distance from the college. Enroute we stopped for dinner at a hotel in the largest town in the district. We thought that after dinner we might stop in to visit the campaign manager of this conservative Congressional candidate to see how the campaign was progressing. We found the hotel mobbed with people. We could hardly get a seat in the restaurant and had a difficult time getting service. There were about 350 people attending a COPE meeting on absentee balloting in the hotel that evening. COPE had numbers of people.

After dinner -- when we finally got fed -- we went one block down the street to the campaign headquarters of the opponent of COPE. We walked in -- and it was the loneliest place you've ever seen. One person was there -- the campaign manager, a fine young attorney. He was seated in the midst of debris -- discarded releases, stacks of literature, empty coffee cups, old battered typewriters -- but he was all alone. Not a single volunteer was with him.

There's no further point to that story, gentlemen, except that just for absentee ballots, COPE had over 300 people out to work. Where were the business managers that night to work for COPE's opposition? They weren't there. They were home, I suppose, or otherwise disposed. If we are ever going to establish a countervailing force to COPE, we must influence numbers of people. We can't do this job with one lonely campaign manager in an office.

Finally, I'd like to tell a story that I heard in this room sixteen years ago from a man in the Steel Industry, Clarence Randall. It's about Joshua and the Battle of Jericho. As Mr. Randall told it, he said that we all know the story of Joshua -- how he had legions to fight the Battle of Jericho but they couldn't win because the city was walled. The Lord told Joshua that if his legions would blow their trumpets, the walls would come tumbling down.

In those days, they didn't have any G.I. issue trumpets. Each man got his own trumpet. Some were long, and some were short. Some were tinny and some were brassy, and some were squeaky. But they all got them. They got the trumpet they could play -- that they knew how to play best. But they all blew them at the same time -- and the walls came tumbling down.

The problem we're all faced with in Public Affairs -- as well defined at this excellent conference -- is to get numbers of people to support a sound economic philosophy. We can do it provided we all work in this field -- not just some of us but everybody. We all must get into the act and blow the trumpet that we know how to blow best. And we've got to do it all together. Then, perhaps, the wall of misunderstanding may come tumbling down.

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DOES PUBLIC AFFAIRS PAY DIVIDENDS?

by

Thomas R. Reid, Director, Civic and Governmental Affairs Office
Ford Motor Company

I am very pleased to have this opportunity to be with you. And for three particularly good reasons.

First, my Company is one of your industry's best customers. The automobile is about three-fourths iron and steel.

Second, Ford Motor Company is one of you in a very real sense. We produce some two million ingot tons of steel each year.

Third, you and I share a common interest in achieving for our companies a harmonious and profitable relationship with society.

I am aware that, although this is part of a meeting devoted to fostering more proficiency in civic and governmental affairs, it is not a gathering of novices in the field. You are a sophisticated audience.

Probably not many of you heard Logan Johnston address the New York Sales Executives Club two months ago, but in his excellent speech that day Logan quickly won over the crowd with a neat observation. I'd like to borrow it now.

No mean slouch as a salesman himself, Logan noted that he was surrounded by experts. "I feel," he said, "like a man shopping at a lingerie counter who accidentally runs into his wife. Whatever he says, it better be quick and it better make sense."

I'll try not to talk too long and I hope to talk sense.

In brief, my intention is to demonstrate to you that there is a clear-cut case for developing and maintaining a good civic affairs activity on the basis of dollars and cents return alone. I intend to show that such an activity is not only an opportunity to enhance profitability -- it approaches being a duty of management.

If we can show that a good public affairs program does pay dividends, as I believe, then our stockholders and executive officers have a right to expect that the program be launched, pushed and developed to the utmost, just as we do marketing programs, public relations, or advertising.

In promoting the idea of business in public affairs, the usual appeal is to the effect that business must serve as a good citizen, working for the common weal and guarding the community. In short, we should do it because the public needs us.

I would be the last to deny business' civic responsibilities, but let's face it -- the major goal of any business is to earn profits by providing goods and services consumers want as efficiently as it can. And, in so doing, we also provide jobs for employees, markets for suppliers and tax revenues for the betterment of the community.

You've probably noticed that not many communities fight to keep business and industry out. And the communities which have organized campaigns to attract new industry are legion.

Why the press to round up new plants and businesses? They are wanted because of their economic benefits -- the new jobs and payrolls and purchases they bring the community -- not because they may breathe new life into city hall or inspire new efficiency in the county building.

As Mr. Henry Ford II once observed, "In the long effort to gain for business a fair measure of popular acceptance, and to avoid punitive repression by governments, many business firms have tended to become somewhat hypocritical. They invariably emphasize in their public postures the non-economic side of the Company. They foster the impression that the corporation is in business mainly to support worthwhile civic causes, lead fund-raising campaigns and march in the Fourth of July parade." End quote.

Sure, we have civic duties. Certainly, we should be judged on how well we perform them. But the real test of our social usefulness is how well we succeed in business, so that we can continue to serve customers, pay dividends, meet payrolls and buy goods and services.

The point, as I see it, is that our public affairs functions can have a direct, as well as indirect, bearing on profitability. Our work in this area is a legitimate exercise of citizenship. It is an answer to a dual responsibility -- to the society in which business operates and to the owners and operators of that business.

A sound, properly-functioning public affairs program will be to the public good. But it also will be to the corporation's good and I would suggest that we put a financial yardstick to our public affairs activity occasionally.

This means we must determine results in ways other than counting the number of men and women who've taken our courses in practical politics, or totaling the number of brochures distributed, or measuring the thickness of our public affairs scrapbooks.

Education and publicity about the necessity and advantages of political action are fine. But so are results that show on the Company books.

To test my thesis that we can and should measure the effect of our civic work on our financial performance, I decided to conduct a small-scale research effort. I made a limited, informal poll of some of the country's better known businesses, including some in this room.

The early returns indicate that management can reasonably expect to see some financial results from a good public affairs program. Indeed, many of the programs can show they more than pay their own way. However, there also is an indication that either through timidity or ignorance a program may be so limited in scope and resources as to offer nothing but the most theoretical and imponderable benefits.

In our survey, we used the names of about 70 men who are listed in the Effective Citizens Organization directory as their company's public affairs officer. We asked each man for examples of actual monetary savings in his own experience in the field. We promised to report the findings without company identification exactly as reported to us.

I must admit that the answers received so far, from about a third of the group, have not been wholly encouraging. About half of the letter writers apologized for not being able to offer us examples.

But when I dug into the remaining half, which did offer examples, it was an exhilarating experience.

Those who provided examples cited 44 instances in which their programs had contributed materially and concretely to company financial results. The total of their estimates of savings was \$21,146,000. And it was emphasized repeatedly that these were conservative estimates.

Let's get down to cases.

For convenience, I have broken our findings down into three categories -- one for those cases in which a company can clearly determine the savings achieved; another for cases of actual savings, but of indeterminate amounts; the third category for those cases in which the dividends cannot be expressed in cash values, but in terms of intangible benefits such as preserving management's right to manage or otherwise protecting its freedom or functions.

First, the clear instances of dollar savings.

The "biggest dividend" mentioned by any public affairs function stemmed from the effective action of the Washington office of a large, international industrial company that, in my view, has an excellent public affairs program. Several years ago legislation was proposed to revise the taxing of foreign source income and end tax avoidances by persons or firms overseas through tax dodges that were either obvious or devious.

The Washington staff of the company I have in mind organized and spearheaded an effort to show Congress that the proposed legislation should be revised so that it actually covered the abuses, while at the same time protecting

legitimate foreign investment. In the end, the proposal that would have meant an additional \$10 million annual tax burden to the company was substantially revised. Under terms of the revision the company computed that it had an annualized benefit of \$4 million.

At the other end of the savings spectrum, but significant in another regard, was the example cited by a company that operates in Pennsylvania. As you know, Pennsylvania recently conducted a major overhaul of its Unemployment Compensation Act and now has an excellent system. But it probably wouldn't if this company hadn't acted forcefully and quickly.

The bill passed the crucial test in the legislature by just one vote. And a plant manager of this company can prove that he convinced at least one hostile legislator to change his original conviction and support the revision. Another of the company's plant managers, located in a key area, having had the same briefing on the legislation, persuaded the union in his plant that its propaganda against the bill was wrong. The local came out in support of the bill.

The savings for this company were not large -- \$10,000 for the first year -- but the change affects most business in the state and has had immense impact. Many industrial development people feel that it has removed a serious bar to industrial growth and expansion in Pennsylvania.

Virtually all states have revenue problems, a situation that makes for some outlandish tax legislation. It also demands of business intense concentration on revenue bills.

In one midwestern state an intelligent and aggressive legislative analyst for an industrial concern is credited with singlehandedly stopping some extremely harmful taxation that would have cost his employer alone some \$600,000 annually

Fearing the outcry from the electorate if a direct tax increase was sought, the administration had proposed a tax on business that would be felt only indirectly by the voter. Suggested was a three percent tax on utility services, fuels, machinery and construction materials. However, when the analyst showed officials the effect on his company, compared with taxation in other states, the matter was dropped. The company received a direct benefit and the public an indirect one although it probably never really was aware of the issue

One state needed money for its hunting and fishing programs so it proposed to tax all marinas. But the bill was a "sleeper." It had almost passed before it was discovered that a marina was defined as any business enterprise with dock and piers on any water in the state and, further, that the tax would be three percent of the value of the adjacent inland property.

A company that would have faced an annual \$1 million levy pointed out the effect of the bill, but was met only with the suggestion that the rate should be modified. Although, in the face of the opposition, the sponsors finally came around to the view that marinas should be defined properly, the bill ultimately failed.

In another state a public affairs representative was called on to serve as chairman of a group charged with drafting plans for a major state tax overhaul. This man became the major spokesman in the campaign to win public acceptance of the thesis that a sales tax was preferable to other levies aimed specifically at business. The concept won public, legislative and administration approval and the company, which had provided the wheelhorse worker in the campaign, can note an annual saving of \$1,960,000.

Unemployment Compensation taxes are a major drain on business coffers, and the U. C. programs attract considerable attention from legislators conscious of the labor vote. A number of the dividends reported in our survey dealt with the handling of proposals for U. C. legislation. One company tallied a \$170,000 annual saving for its part in defeating an unnecessary rise in U. C. tax rates; another a \$750,000 dividend for the success of its employees in protesting to their legislators against an administrative ruling that would have raided the U. C. fund to pay benefits to persons who were on paid vacation; another up to half-a-million dollars yearly for its part in defeating an unjustified extension of U. C. benefit periods.

Two years ago a major appliance manufacturer discovered that his merchandise being stored in public warehouses in one state was assessed for property taxes while the same situation did not apply in bordering competitive states where the company did business. Other industries faced similar situations. As a result, the warehousing industry faced a massive loss of business across the state lines.

A major legislative effort, with the appliance maker in the vanguard, was launched and the inequity was erased with repeal of the statute. Not only did the company save \$350,000 and others proportionate amounts, but the state's warehousing industry was spared a mortal blow.

Public affairs dividends are earned in many areas. They may come from activity on the local level. One company estimates it saved itself \$25,000 annually in preventing an unwarranted annexation of its property to a municipality, another calculates a similar saving of \$165,000. A third company believes its opposition was instrumental in forcing a school district to use an accumulated surplus of \$180,000 before coming to the taxpayers for additional money.

The dividends also may stem from careful attention to major state problems. One company analyzed soaring public aid costs in its state, cooperated with the state chamber of commerce in working for progressive legislative and administrative changes and today can look to probable savings of some \$80,000 in its annual tax bill alone. Another corporation was a leading force in an educational campaign to see that several important state constitutional revisions did not lose by default. Today it computes that the effort is paying off at the rate of at least \$25,000 annually.

I should point out that, while much of what I've been discussing is in the area of legislation or constitutional revision, it isn't merely expertness in the legislative field, or ability to sell a case to the public, that matters in public affairs. Fully as important is the accomplishment that stems from ability to work with departments and bureaus of government. And this ability comes from

having men whose job it is to work with government regularly, not as part of some hastily organized emergency brigade of well-meaning but inexperienced callers from company headquarters.

As examples of how important it can be to your companies to achieve harmonious relationships with governmental agencies, I should like to cite several examples from Ford Motor Company experience. In Ohio, not too long ago, we discovered that we (like virtually all other industrial concerns in the state) were in possible violation of an obscure regulation requiring that welds in pressure piping must be inspected by the state at \$25 per weld. While inspection was theoretically a sound requirement, absolute compliance would have cost Ford \$260,000 annually -- we made more than 10,000 such welds each year.

Our Regional Civic and Governmental Affairs manager in Ohio, in extensive discussions with state officials, was able to bring about a revision to satisfy the state's requirements and avoid the thousand-dollar-a-day cost of the original regulations. The answer was provision for certified company inspectors, licensed by the state to perform the inspections.

In another instance -- same state, same company, same man -- we avoided an emotional issue with a union and worked out an agreement that saved the Company an estimated \$71,000 annually. The plant had agreed with the union to grant workers permission to stop for lunch without punching out on the time clock. Years later a state inspector objected, because of wage-hour regulations, and was prepared to insist on his position. This would have revived the issue

with the union. Again, meetings were set up by our regional manager with state representatives and eventually an accommodation was reached which satisfied the state, the union and the company.

Do public affairs programs pay off?

One man who responded to our poll ended his report with a group of four miscellaneous items that by themselves had meant a saving to his company of one million dollars yearly. That was, he observed, ten times the cost of operating his department.

Of course there cannot always be a neat, monetary measure of your success, even when you may know that you have achieved a definite savings. Let's look at Category Two, the responses in which our correspondents acknowledge dividends but give examples for which a definite dollar value cannot be calculated.

One instance involved a defense supplier being forced to pay taxes on government equipment loaned to it for carrying out the contract. An engineer who had graduated from one of the Company's political training courses testified before legislative committees and won the company a much-needed exclusion from the levy.

In another state a large company interested itself in the state budget, provided research manpower to a budding "economy bloc" in the legislature and after two sessions saw a rising trend in state expenditures definitely slowed. One of the company staff members who helped in that drive is now a legislator himself.

A retailer, finding that over half the customers and employees of its downtown store came there by public transit, enlisted the aid of employees in backing an attempt to update the charter of the municipal bus transportation system. The campaign succeeded and the transit system, and the store, won an important victory.

A company which operated a sizeable plant along a freeway discovered late in the game that plans were well along to condemn for a traffic turnaround what in essence was its front yard. Not only would the property be disfigured, but essential plant traffic patterns would be eliminated. To protests by company legal counsel, every city agency coldly commented that it was too late to revise plans.

The problem then was turned over to the company's public affairs office. Having had previous friendly dealing with the city administration, the staff started at the top, in the mayor's office, and worked down through the other agencies. In this series of meetings the company presented an alternative plan under which it agreed to donate to the city a smaller, but adequate portion of land, which would preserve the basic integrity of the industrial site. In turn, the company asked for a piece of unused city-owned frontage around the corner. The company's persistence and positive approach paid off and the deal was consummated -- to each party's advantage.

In another case involving a governmental reversal of position, my own company took an important role in successfully representing to a midwestern legislature that state requirements for industrial ventilating equipment needed

major revision and updating in the light of modern engineering standards for such equipment. Cooperating with a leading engineering firm, we made the case that requirements of the old law were archaic and impractical and that new legislation would be desirable for the state as well as helpful to industry. Today that state and its industry have such legislation.

At this point I'd like to tell you how a \$2,000 investment paid off. A company newly involved in civic affairs put on a skillfully devised political participation program for its employees. So well was the program conceived and carried out that the company received nationwide recognition for the effectiveness of the program. The director of the effort, commenting that he's still amazed at the results, sums up:

"...it is quite apparent that we have received hundreds of thousands of dollars worth of favorable publicity for what I consider to be a minimum investment."

A few final examples will wrap up my report on this survey. These incidents I am about to describe prove the point that public affairs dividends come not only in varying amounts but in different guises. They may not only help your balance sheet, but they may even have the effect of keeping your plants in operation.

That is the point made by one industrial firm. It found that a metal, vital to its processes, was locked up in government stockpiles. If it weren't made available quickly, production would halt. The company, which had consistently employed its resources in civic and governmental activities,

convinced Congress of the need for quick legislative action and got its material in time.

Much of what is done in public affairs is of this nature -- keeping the company going, protecting it from unfair or inequitable law or ruling, guarding its rights and its freedom.

One company sees its fight against several hot legislative issues of the moment as representing its "very survival in these areas." Another reports that "The most important work we accomplish is not in defeating widely publicized adverse legislation but in heading it off before it actually takes form. By keeping our legislators and congressmen informed of our industrial problems and maintaining favorable relationships with them, we often are able to guide them away from action which would be damaging to our company and industry as a whole."

This man might have been referring to such efforts as protecting the patent rights of a company doing government work, or to the rejection of proposals that a pharmaceutical manufacturer should be required to employ a full-time pharmacist at every one of his retail or wholesale distribution points.

He might have been commenting on one company's trials in having to develop a legislative consensus that it was both unwise and unjust to give an automatic preference to local industries bidding for state business. Until this company acted, it appeared the legislature would enact a law which might have required the taxpayers to pay up to 10 percent more for the privilege of buying a locally made product.

The intricate machinery of our government and the delicate mechanisms of our economy need careful attention. There are no 24-month warranties in either, and unless business regularly does its part in tending to the maintenance of free institutions the process may suffer a major breakdown.

Recently I read this plea for public affairs action by George Champion, Chairman of the Chase National Bank,

"Almost to a man...legislators tell us that one of the most distressing aspects of public service is the apathy toward pending legislation that they find among business leaders. Those in the positions of leadership in the community, they say, usually wait until a particular bill has gone all the way through the legislative mill to final enactment, then come around to complain about what's wrong with it."

Was Mr. Champion talking about men such as this group? I think not.

And yet, I must confess to a lingering doubt that there is full awareness in your industry, as well as in the general business community, of the full benefits that can flow from public affairs activity.

Although our survey has not turned up as yet any examples of public affairs dividends from among the steel companies, I know that they must be there and fully expect that we will be receiving specific case histories within your industry. Your public-spiritedness and sense of civic responsibility are well known and your management certainly should know how valuable your public affairs programs are, or can be. Certainly this should be the case after you have finished with this excellent conference.

By tonight this audience will have been listening for two days to an outstanding group of experts on corporate public affairs programs. There would be no point in my exhorting you to increase your accomplishments in public affairs. The names of several steel companies are synonymous with civic responsibility.

But I should like to express the hope that this assembly of steel industry leaders will spread the gospel that public affairs programs are profitable. I would like to see increased awareness among our colleagues that public affairs does pay dividends.

The more than \$21 million in cost savings reported in our sampling represents only a small fraction of the savings the business community realized, as a result of the public affairs efforts of the companies directly involved. The dollar benefits from those actions spread in widening circles throughout the economy.

Public affairs programs do pay dividends. And the checks are not all made out to the public. Some of them can be made out to your own company.

1-13-65

FUND RAISING

by

Herbert Johnson, Vice President, General Services
Jones & Laughlin Steel Corporation

I appreciate the privilege of participating in this first Public Affairs Forum of American Iron and Steel Institute. We have heard many useful discussions of policies and procedures--the whys and wherefores of corporate participation in public affairs. Now we must consider one of the more mundane aspects of the problem--fund raising.

To call a spade a spade, we are discussing political fund raising. I will also state at the outset that my personal opinions may very well be evident from time to time. This subject has been described as "sensitive" and "delicate." Both descriptions are correct, because in the area of political fund raising we are attempting to convince employees to contribute their own money for a cause which is not tax deductible and to which the company itself is prohibited from contributing. I hope that by the time I have concluded, you will not have concluded that my treatment of this subject has been insensitive and indelicate.

Why should corporations be interested in political fund raising? One reason is that the cost of political campaigns has assumed astronomical proportions with the advent of television. The commission on campaign costs has estimated that the general election campaign costs in 1960 were \$165 - \$175 million. Marshall McNeil, the Scripps-Howard columnist, has estimated that the 1964 presidential, senatorial and congressional campaigns cost at least \$100 million. A second reason is that the present base of contributions is much too small. In 1960, 60% of the money contributed by individuals to the National Committees of both parties came from about 4,000 people. I am sure most of you would agree that management has a duty to instill in its associates the conviction of individual importance of individual support for causes and candidates. Members of management can do this by example--by leading as they do in all matters for which leadership is required.

A large part of the thrust of this Conference has been devoted to the premise that we need more involvement of individuals in political affairs. Encouragement of employee giving will inevitably result in increased employee interest in political affairs. The old maxim that where the purse is, the heart will be also is perhaps particularly applicable when we talk about contributions of after-tax dollars.

Not to be overlooked is the self-interest of the company which must live in a political climate with both political parties, but is prohibited from making financial contributions.

The extent of corporate involvement in political fund raising covers the spectrum from a complete "hands off" policy in many companies, to cases where company officers (in their own name, but not in their official company position) make formal solicitations on a partisan basis. Between these poles are the companies who support community activities to encourage political contributions; those who use radio and space advertising for public service messages urging political contributions; those who use company magazines to spread the message; some who have direct mail appeals on a bi-partisan basis; companies who send out literature and pledge cards for both parties and some who make direct appeals personally or by mail, or both, and follow up by asking that contributions be channeled through the corporation.

The type of fund raising effort which a company selects will be dictated by its objectives and by the expected participation in the campaign. It is probable that a company may adopt different techniques in suggesting political contributions for wage earners and for management employees.

There are a number of splendid programs designed to encourage rank and file employees to make political contributions. Generally speaking, these campaigns, since they are aimed at large numbers of wage-earner employees, possibly in scattered locations, are conducted by mail using pledge cards which are returned by mail to party headquarters. These campaigns are, of course, completely bi-partisan or non-partisan and the employee's choice remains confidential. The recommended contribution is frequently in the range of \$1 up to 2 or 3 hours pay. Among companies which have successful campaigns of this type are:

Aeroproject General Corporation	Marquardt Corporation
Ford Motor Company	Pacific Gas and Electric
General Electric	Travelers Insurance Company
Hughes Aircraft Company	Western Electric Company
Koppers Company	

Information about and assistance in setting up such programs is available from such organizations as the Chamber of Commerce of the United States, Washington, D. C., and Effective Citizens Organization, Washington, D. C.

These programs are a useful step in the process of broadening support of political parties and enlisting the interest of more citizens in the political problems of our country.

Over and beyond the type of program we have talked about is another aspect of political fund raising. Let us examine for the moment two problems faced by all companies. Frequently, financial committees of both parties suggest informal "quotas" for employees of our companies both in headquarters cities and in other cities where the company has important operations.

As a practical matter, the broad-based programs previously discussed do not solve this problem because the quotas are generally intended to be applicable to management employees. A second problem is the realistic problem of the company's relations with elected officials of government. We are all aware of the frequent necessity of requesting information, understanding and help from elected officials. Elected officials have serious problems of raising funds to finance their campaigns in each election. Human nature being what it is, they will no doubt have a more ready ear for those who have helped them solve their problems. Since the corporation cannot make a financial contribution on its own behalf, the problem is one of "identifying" with contributions made by its employees. Accomplishing this objective inevitably necessitates more disclosure with respect to the employee's contribution than is consistent with the broad-based, confidential choice type campaign used with rank and file employees. Attempting to resolve this problem often involves both aggravation and frustration.

STORY

Setting up a program of solicitation among management employees to accomplish the objectives of meeting quotas and getting identification for the company with the employee contribution might be done somewhat as follows:

First, a goal may be established which is adequate to meet management's evaluation of what is needed. The needs must take into account realistic obligations to all political parties and candidates. With the goal established, a formula can be adopted which can be expected to attain the goal. A formula may be established as a percentage of salary ranging from a figure something like one-quarter of one percent at the \$10,000 salary level to a suggested contribution of one percent or more at the top levels.

Establishing a formula serves two purposes--in the first place, it is essential in order to evaluate the prospects of attaining the goal. In the second place, one of the basic questions in everyone's mind when solicited for a contribution is "How much do you expect?"

When the goal and formula have been established, the solicitation itself can begin. A letter to each management employee at his home from the Chairman of the Board, the President or other top executive officer is desirable. This letter should spell out the reasons for the solicitation in much the same way as is done in the broad-based campaigns. The letter should explain the reasons for recommending a formula gift. A contribution may be suggested to specified political organizations or candidates of either party at the employee's option with emphasis on the bi-partisan nature of the appeal. Up to this point, there is not much difference between the broad-based campaign and the campaign restricted to the management group. Now, however, comes the "sensitive" and "delicate" problem. In order for such a campaign to meet its objectives, two things are necessary:

1. The company must know whether, to whom, and how much the employee contributes.
2. The company must be able to identify itself in some way with the employee's contribution.

At this point, I believe the company should cease being sensitive and face the problem. I suggest the company be forthright and ask the employee to permit the company to transmit the contribution to the political organization or candidate chosen by the employee. There is an obvious element of persuasion involved. The employee knows that the company knows whether he gave, to whom, and how much. Some employees are reluctant to have their political preferences known. However, if the company does a good job of making its appeal on a bi-partisan basis, this reluctance will in time disappear or diminish. As to the resentment on the part of the employee about the company knowing whether and how much he gave, I see no real reason to differentiate between a political solicitation and a solicitation for such causes as the United Fund. In these types of campaigns, we are dealing with management employees who have citizenship responsibilities, and neither the company nor the employee should pretend in either case that it is none of the company's business.

It will be no surprise when I state my opinion that a solicitation on this basis is more effective than one where the appeal is impersonal and the result is unknown.

The end result of a personalized campaign such as the one that I have described is that goals can be met, the company can achieve identification with contributions made by employees and the employee is effectively encouraged to meet his citizenship responsibilities. If everyone does his part, the individual burden is not onerous and if the company's position has been effectively communicated, there will be a minimum of resentment and a maximum of achievement.

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PUBLIC AFFAIRS AT THE STATE AND LOCAL LEVELS

by

Russell K. Branscom, Vice President, Bethlehem Steel Corporation

Others -- not I -- have the assignment of concluding this first Institute conference on public affairs; and I certainly do not want to trespass upon them. However, I would like to say at the very beginning of these remarks that this meeting has been extremely interesting and informative in so far as I personally and my company are concerned. I am sure that each of you shares that view as to yourselves.

Also, at the beginning, I should express the realization that I was not asked to participate in this conference because of extraordinary knowledge of the subject nor because Bethlehem Steel Corporation has any miraculous methods of handling its public affairs at the state and local level.

However, we have been active in this work for many years; and we have come to believe that this aspect of public affairs calls for particular attention and effort on a day-to-day basis. It is not very glamorous, but in our judgment it is the most important phase of public affairs to an individual company -- that is, if any phase of public affairs can be characterized as more important than another. One reason why we regard public affairs at the "grass roots"

as so important is that legislative or administrative changes in the areas of our operations are felt very directly, particularly from a competitive cost standpoint. When I refer to the costs of doing business as affected by state and local public affairs developments, you may need only one example of that: State and local pressures to control air and water pollution directly affect the costs of the individual steel companies -- and to a very substantial extent. "Grass roots" public affairs in the air and water pollution area is, of course, a story in itself, which would take more time than we have this afternoon.

That leads me to suggest that public affairs at the state and local level cannot be reviewed with full perspective and emphasis in the brief period of this presentation. Therefore, I must restrict these remarks to some general observations; to describe briefly the development of public affairs in our organization; and to relate several case histories as illustrative of what can be accomplished at the state and local level.

As you know, there is a very narrow line between general community relations work and public affairs at the "grass roots". When one of our plant managers takes a particularly constructive part in the work of the local hospital, that is good community relations; but it is at the same time an example of good public affairs, because it conveys a good image of the company in the eyes of the public generally, including the political leaders.

And when, through that example, I refer to the participation of local management in community betterment, I am led to suggest that local management people, the non-professionals, can perform a most essential role in strictly public affairs matters as well. That is true at the local level certainly and to a substantial extent at the state level and even, on occasion, at the national level. Why, for example, should we defer to our Washington representative to wait upon Congressman Jones when the local plant or district sales manager has known Jones and his family for years?

In other words, although our professional public affairs people have a most significant part to play, including policy guidance to our operating and sales people in the field, we believe we should give our management at the "grass roots" a full measure of authority and responsibility for public affairs. They know the territory.

In addition, there are many other non-professionals in management who, because of special interests and talents, serve with local and state government bodies and administrative agencies, such as planning commissions, welfare boards, zoning boards and many others. Their association with the company improves its standing in the community and provides it with valuable information and assistance in the public affairs field.

Public affairs is really not so new -- it has always been carried on by each company represented here -- but the difference is in the extent of it, the organization and sophistication, and the way we now go about it. There was a time, for example, when our company would rarely take a position, either advocating or protesting, in the field of legislation or public administration -- certainly not in the open for all to see. If we were disturbed about some piece of proposed legislation, we would not usually breathe a word to our state legislators or the city councilmen. Maybe it was because as the largest employer in the community and sometimes in the state, we did not want to give an appearance of domination; or maybe it was because we were not aggressive or were not properly organized; or maybe it was because we were simply afraid. But for whatever reason, we would often express our concern only to the state manufacturers association or the local chamber of commerce -- after all, we paid our dues to them to represent us. That was public affairs of a sort, but it was ineffective.

In saying that, I do not mean to be critical of the business associations. Many of them have done fine work in public affairs -- and here, to be sure, I include the Chamber of Commerce of the United States and, as Jack Roche suggested this morning, many of the state business organizations. But presenting the case for business is not solely their job; it is also ours, acting alone or in concert with others. And we at Bethlehem finally began

really to recognize that and also our public affairs responsibility generally -- along about the end of World War II.

Bethlehem's organized public affairs program, like that of others, was born of necessity in response to the increasing influence of government on business. From the outset we had a good organization base to build upon; namely, one of the first Community Relations departments, certainly in the steel industry, whose assignments included the reading of proposed legislation and the routing of bills to other departments for comment, although, as I have said, we usually did little more than that about it. But finally the time had come to speak out, to let our legislators and government officials know where we stood, whether they were Democrats or Republicans, and to be unafraid.

In shaping our program, we were guided by the belief that Bethlehem, as a member of the business community, has the right and the obligation to make known its views on issues which affect company interests and those of our employees, our stockholders, our customers, or our suppliers.

During the years of development of Bethlehem's public affairs program, which is, of course, a continuing process, we have tried to keep several basic objectives in mind:

One, to build and maintain good political relations on a non-partisan basis at all governmental levels.

Another objective is to improve our methods of analyzing proposed legislative and administrative changes, consulting internally and preparing our presentation to the proper government people by the proper Bethlehem representatives. That involves, in turn, an important matter of approach; that is, when any Bethlehem representative goes to our legislators, he is armed with information. He knows what he is talking about. Nothing, it has seemed to us, can impair the effectiveness of a public affairs program quite so much as simply saying, in effect, "Please, Mr. Councilman, vote against proposed Ordinance 200" and have him reply with such unanswered questions as -- "Just why should I vote against it? How would my voting against this proposal really do more good than harm in the general interest? Do you have any language revisions to suggest? Any alternative proposals?"

A third objective is to encourage our management to contribute to, and participate in, political activity in their respective areas.

And a fourth objective is to strengthen our relations with business organizations, other companies, and the many groups which are concerned with legislation and public administration.

At present, in addition to our immediate staff, twelve employees devote all or nearly all of their time to public affairs. Passing over the effective work of our Washington office as

outside the scope of this talk, our activities center on the seven states in which we have our principal operations: Pennsylvania, Maryland, New York, Indiana, New Jersey, California, and Washington and the counties and cities in those states where we have operations or other important interests.

Our public affairs people review legislation introduced in the seven states and localities to which I have referred, as well as legislation pending in the Congress. To give you an idea of the size of that activity, in the past two years over 70,000 bills were reviewed and evaluated.

As I indicated earlier, our public affairs staff keeps in close touch with our steel operations, mining, and shipbuilding management at operating locations to encourage their participation in public affairs at the local level.

Now, to turn to several examples of our public affairs activities.

Of course, we have all had experiences in this "grass roots" political business that are amusing, but trying. We can dispose of those oddities with a couple of examples:

Because we once invited him to a World Series game in New York, a legislator who shall be nameless has become an annual solicitor of a pair of the few World Series tickets our

people are able to get. And, more often than not, he votes contrary to the way we would like him to!

Recently, a West Coast legislator inquired as to whether we could furnish him with a ship model. He didn't want just any old model. He wanted one that was built to scale, but no more than seven feet in length. Moreover, he wanted it to be a model of a ship that had called at West Coast ports and had some historical significance. Some of our people thought he might like a model of the battleship, Massachusetts, but it didn't come up to his specifications. It was only 30 inches long overall!

And, of course, there is always the legislator who wants a job for his son-in-law or brother-in-law in order to get him out of the house!

So much for that kind of public affairs experience -- and there is a certain amount of it. But we should now proceed with a few examples of more serious public affairs business.

In California, we are working with the California Manufacturers Association and with representatives of other California companies to gather legislative support for retention of that state's "Buy American" act, which has been on the books for many years, and has been of value in stemming the flow of foreign materials into California.

In 1963, several bills were introduced in the legislature to weaken or repeal the act. We were successful in opposing all of them. But during the past year pressures for repeal of the law have been renewed. Our Pacific Coast sales manager has testified at length in behalf of the "Buy American" act at two subcommittee hearings of the California legislature. His formal presentation -- preparation of which was coordinated by our public affairs people -- represented the combined opinions, carefully documented, of our sales, operating, legal, and industrial and public relations departments.

Our efforts to save California's "Buy American" act have not been limited to appearances at committee hearings. Bethlehem's public affairs people have developed and are actively pursuing an extensive legislator-education program, which includes visits by state senators and assemblymen to California plants so that they can see at first hand the stake California employers and employees have in the "Buy American" act.

And to give credit where due, in the fight to retain this act, a number of union officials have proved to be willing and effective allies.

However, in Maryland, organized labor gave us quite a battle on reformation of the unemployment compensation laws.

The move to reform the Maryland law -- to tighten eligibility provisions and, at the same time, to provide increased

benefits -- required the cooperation of virtually the entire Maryland business community. As the state's largest employer, we were in the vanguard of the reform movement.

Our people, including unemployment compensation specialists, personally contacted legislators and officials of the state administration. Our UC technicians testified at hearings conducted by a legislative committee, and were available to provide information to our legislators.

The reform bill passed and was approved by the Governor.

However, the battle was only half won. Organized labor succeeded in obtaining enough signatures to put the subject on the ballot as a referendum.

The business community faced up to the challenge. Committees were formed, letters were written, speakers bureaus were organized, and an extensive newspaper, radio and television campaign was mounted to alert the electorate to the importance of the new law to the state's economy.

More than three dozen companies participated in underwriting advertisements -- and under Maryland law these companies had to stand up and be counted by signing the ads and paying for them individually.

The managers of Bethlehem's Maryland operations directed educational letters to every one of our 30,000 employees in the state.

This massive coordinated effort paid off. The voters upheld the new law by a substantial margin.

The general manager of our Lebanon, Pennsylvania, plant learned that the city council had scheduled a public hearing on a proposed revision of the Lebanon City Electrical Code.

He reviewed the proposed ordinance and concluded that it would be detrimental to our operation. He alerted our home office public affairs people, and the code was studied by them and by our legal department. They provided our Lebanon manager with language to exclude the Lebanon plant from coverage.

Our manager then began direct negotiations with the chairman of the city planning board, and expressed his opinion to selected city councilmen. He also informed other local industries of the problems a revised code could present.

All this action resulted in Code revisions which were not prejudicial to industry.

Last year, the county executive of Baltimore County, in an effort to balance his budget, recommended a new tax on fuel and an increase in the county utility tax.

Our tax people determined that the proposals would be harmful to the competitive position of our Sparrows Point plant, and to Baltimore County industry in general.

Bethlehem representatives contacted councilmen in advance of the council session to determine their views on the proposals. The general manager of our Sparrows Point

plant wrote to the county executive and to 22 other Baltimore County officials and city councilmen, expressing Bethlehem's opposition. We asked other Baltimore County industries to send representatives to the hearing. And the chief accountant of our property tax division testified at the hearing on the effect of the proposals. As a result, the council voted down the tax proposals and pared the budget accordingly.

Our general manager promptly sent "thank you" letters to each member of the council and to the other officials concerned. "Thank you" letters are a standard part of our public affairs procedures, and have proved very effective in helping us maintain good personal relations with public officials.

After completion of a new general office building at our Lackawanna plant, the need for a traffic circle on the main highway at the entrance to the plant became obvious to us. Auto traffic was extremely heavy and presented a safety problem. Our job was to convince the New York State Department of Public Works that a traffic circle was needed. People from the plant and from our home office kept in close contact with public works officials at the local level in Buffalo and at the state level in Albany. They also enlisted the support of other companies near our plant. It took a lot of effort. But it was worthwhile; the circle has been completed.

And so has this talk, except for this brief conclusion:

We believe that the essential ingredients of an effective public affairs program at the state and local levels are:

Public affairs staff people who are alert, aggressive and imaginative and who are thoroughly familiar with the operations of the company and the various public and private agencies and groups interested in matters of public concern;

Cooperation between members of the staff and other members of the company's management;

Regular and frequent contact and cooperation with other companies and business organizations;

Development of good relations on a non-partisan basis with government people at both levels; and, finally,

Just plain hard work.

WALDO R. ...



PUBLIC AFFAIRS AT THE STATE AND LOCAL LEVELS

by

Richard J. Nelson, Manager, Civic Affairs, Inland Steel Company

The society of which our country's founding fathers were a part placed a heavy emphasis on the role of local government, and to a somewhat lesser extent, on colonial or state governments. By modern standards, it was a simple life, and difficulty of communication and lack of scientific development gave no suggestion that circumstances would change. Men of common sense and good will were generally adequate to fulfill the responsibilities of local public office and the promise of freedom and a new way of life motivated them to accept such service.

Fortunately, there existed an extraordinary group of leaders dispersed throughout the several colonies who were equipped and willing to deal with the more profound challenge of what to do about a central government, if and when freedom from Great Britain was achieved. Able as they were, it took over a decade of convention and debate, research and drafting, inspiration and compromise before our Federal Constitution was ratified in 1787. Each of us has a pretty good idea of what was provided for in that memorable document - even though our individual interpretations are colored by our personal philosophic bents.

The great achievement of the drafters of the Constitution of 1787 was that, despite their or anyone else's inability to anticipate the extraordinary changes that were to take place in the United States and the world in the years ahead, they created a document that has continued to serve, and serve well, to this very day. I submit that, despite the protestations of some of our

friends, contemporary society in the United States has not overrun the Constitution, but rather has been well contained within it. I submit further, that it is not reasonable for any of us to expect that there should be no shifting in the locus and administration of power in our several levels of government when we consider the degree and breadth of change that has taken place in the past quarter of a century alone.

It is fashionable to quote Alexis de Tocqueville in discussing matters of American political philosophy. This usually insightful commentator observed in 1835:

"I am strangely mistaken if the Federal Government of the United States is not constantly losing strength, retiring gradually from public affairs, and narrowing its circle of action. It is naturally feeble, but it now abandons even the appearance of strength. On the other hand, I thought that I noticed a more lively sense of independence and a more decided attachment to their separate governments in the States. The Union is desired, but only as a shadow; they wish it to be strong in certain cases and weak in all others; in time of warfare, it is to be able to concentrate all of the forces of the nation and all the resources, and in time of peace its existence is to be scarcely perceptible, as if this alternate debility and vigor were natural or possible.

"I do not see anything for the present that can check this general tendency of opinion; the causes in which it originated do not cease to operate in the same direction. The change will therefore go on, and it may be predicted that unless some extraordinary event occurs, the government of the Union will grow weaker and weaker every day."

Now, lest I be accused of doing Tocqueville a disservice, perhaps even of quoting him out of context, let me skip a paragraph or two of his writing, and complete this reference with his final thought on the subject:

"The future conceals the final result of this tendency and the events which may check, retard, or accelerate the changes I have described; I do not pretend to be able to remove the veil that hides them."

I presume to quote to you at such length only because I would like to suggest that historically there has been an ebb and a flow in the location of power between the states and the federal government. Few would dispute that we are presently in a period where federal power may well be at a peacetime high. There are several obvious reasons for this: Although not at war in a formal sense, our commitments in Vietnam and to a lesser extent in other parts of the world, along with the general tension that reflects the cold war, place a heavy responsibility on our national defense establishment.

One of the gravest and not always obvious threats to a reasonable and healthy distribution of power in the federal-state relationship has been the preemption of many of the likelier forms of taxation by the national government - particularly the graduated income tax. The ability to perceive and present a solution for legitimate government services is meaningless unless the agency of government involved has adequate revenue to apply to the problem. As Joseph Loftus, writing in the January 6th New York Times put it:

"Fifteen states. . .are considering new sources of revenue, or higher rates on the old sources. A few are troubled by financial crises. The trend to Federal dependence, with rare exceptions, seems unabated."

A recent development that puts this issue in even sharper focus was the suggestion by Walter Heller that, because the general prosperity was generating such large tax revenues for the federal government, some of this money should be distributed to the states to help them with their financial problems.

Without attempting to analyze the many aspects of this proposal, it would seem at minimum to reflect a philosophy that the federal government has not only taken over the lion's share of the tax potential, but that it should keep that share permanently. The states would be relegated to a secondary and ignominious role of being allocated that largesse that might be available in the more prosperous years. The enactment into law of the Heller proposal would probably destroy any chances for a meaningful renaissance of state and local government.

I address myself now to a third reason why we currently have a disproportionate share of power in the federal establishment. There is nothing novel about this point. Informed observers in both parties have been calling attention to it for a generation. I refer to the failure of state and local government to perform adequately.

Over half a century ago, there came to being in the state of Wisconsin, a movement known as the "Wisconsin Idea." A small group of idealistic young men cherished the notion that the developing body of knowledge in the fields of administration and the social and natural sciences could be systematically applied to the government of their state. To a remarkable degree they achieved this object. Unfortunately, and less remarkably, this standard of excellence has withered away in Wisconsin and many other of the states that aspired to it.

Your own experiences with the host of government agents with whom you have contact, will, I suspect, confirm this observation.

Factory inspectors, tax assessors, highway engineers, pollution inspectors, fair employment practices investigators, to

name just a few of the categories, are typical of the local and state government personnel that steel and other industries must deal with day in and day out.

I do not charge that all, or even most, of the persons in the categories I have cited are incompetent or dishonest. In fact I deplore those who cavalierly demean this group by doing so.

I do say, that for a variety of reasons, the training and quality of too many of this group is not adequate. More regrettably, they frequently do not operate in an environment that leaves them free to do that which they know is right. Let me give you an example: Some months ago, in a state I shall not name, representatives of our company were alerted to the fact that specifications for highway culvert pipe made out of steel were to be changed in a way that would make it virtually impossible for steel pipe to compete.

According to the best information we could receive, the proposed changes did not originate on the technical or engineering level of the highway department, but rather at a higher level by those responsible for general policy. Those of us concerned with steel never were able to get a hearing before a proper forum - and the specifications were changed.

It was small consolation to find out later that the apparent motivation for the change was pressure from the state's business development department that was trying to attract a plant that produced pipe of a competing material to locate in the state.

Unfortunately this is not a completely atypical experience in state government. No one took any money. Each state employee involved probably rationalized his role as doing something in the best interests of the state and its citizens. Unfortunately

though, everyone also involved had communicated to him the notion that such problems are not to be resolved straightforwardly, and in the open, but by the subjective judgment - or even the whim of a higher-up.

What permits this sort of situation to exist? What can be done about it? One obvious answer is that it exists because of spoils politics. Qualified persons are discouraged from making careers in state and local governments because of lack of reasonable job security, inadequate pay, and lack of professional prestige. And who is responsible for these conditions?

To a large extent, our legislative bodies - the city councils, the county boards, and the state assemblies. The acid test of a republic is the quality of the representatives of the people.

In closing, I would like to make two general recommendations that I believe all of us should have in mind in dealing with state and local government problems.

The first is that, we should all resist the temptation to deal with dishonest or incompetent officials - on their level. I well understand the extreme frustrations that can flow from trying to resolve a complex problem with important economic consequences with persons with whom it is seemingly impossible to communicate. However, I have had enough experience in state government to know that the "old pros," the cynical employees, soon categorize any company with which they deal. Be honest and be firm - and you will be dealt with accordingly - or even left alone.

My second thought is that we must remember that weak individuals and agencies in government are symptoms - and not causes. We should address our attention and energies to the

causes. We must persuade able people to run for local and state office. We must set examples by providing that our own employees can. We must support measures that will permit competent persons to hold public office without undue sacrifice to themselves and their families. We must inform ourselves about issues, and communicate our views to our representatives.

Finally, remember, there is no panacea. Someone has said that the contest for good government is a race for the long-winded.

My final admonition then is - "keep in training!"