S.D.B. DEC 19 '94

Steve Bennett 19 December 1994

Part of the communication plan we developed for the CC/HSM is a "stock speech" describing the project. It's designed for general audiences, and it can be easily tailored to any group.

I've enclosed a copy. Can I ask you to forward copies to your division managers, for their use?

Thanks.

CC: JG ARS MWB PHE
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Good morning/afternoon/evening. It's great to be here today to tell you about the "World Class" new steel mill we're building at Acme Metals.

We're very excited about this investment. We're building the mill of the future, and we're building it right here, in the Chicago area.

That in itself is pretty amazing. If you drive through Chicago's south side and along the lake in Indiana, you see more abandoned manufacturing facilities than you do new construction. That wasn't the case 20 years ago, but the past two decades have been the most difficult in American steel's century of existence. Steel lost jobs, customers, and facilities, and a lot of people pronounced America's Rust Belt dead.

Well, we're not dead. And, to a large degree, that's because, despite the industry's problems, you, the American consumer, never really gave up on steel. You still want the strength and safety of steel in your automobiles. You want steel's durability in your refrigerator, your work tools, and so many other things you buy.

The American steel industry has gone through two very tough decades, but as an industry, we've invested more than $30 billion to make American steel a world leader again. To give you the products you want.

[Pause]

This fall, Acme Metals began construction of a $372 million continuous thin slab caster/hot strip mill complex, the first of its kind in the world.

The plant breaks a lot of new ground in an old industry:

- In the technology it uses.
- In the quality of steel it will produce.
- In where it's being built.
- And, in that we're not running south or to the non-union Sunbelt to make this investment work. We're going to teach some "old dogs," management and labor, a lot of competitive new tricks.

[PAUSE]

First, let me tell you about the technology.

For years, making a ton of steel has required a whole series of separate steps. You make iron, refine it into steel, cast that molten steel into a shape, and then roll that shape into a finished product: in Acme's case, a coil of sheet or strip steel used for everything from hand tools to agricultural equipment.

The trouble is, all these separate steps take time, consume a lot of energy, are labor-intensive, and waste too much material. It often takes five to ten days to convert that molten

steel into a finished product. And, of course, the more steps in a process, the more expensive it is.

Now, there have been advances. Continuous casting, for example, has eliminated a number of steps.

Unfortunately, our competition, the mini-mills, pioneered the most impressive advance: a technology called a thin slab continuous caster/compact hot strip mill. That's a mouthful, but this one facility can turn a ladle of molten steel into a coil of finished product in just 90 minutes. That's right: *90 minutes*, compared to ten days at Acme Steel today.

But mini-mills make their steel in electric furnaces, using scrap as a raw material. This produces steel inferior in quality to the steel we produce using our integrated blast furnace/basic oxygen process. Our customers like the cost of steel produced by the mini-mills, but not the quality.

What we're doing at Acme is marrying the two technologies, keeping the best of each in our new "mini-grated mill."

We will continue to use the coke oven/blast furnace process to manufacture molten iron, then refine it into steel in our basic oxygen furnace. This produces the high quality steel that has long been the advantage of integrated steelmakers.

But then, we'll take this high quality steel and finish it the way mini-mills do, to cut time and costs, increase our responsiveness, and improve the quality of our products.

It'll be the first mill of its kind in the country because it will be the first time these two technologies are combined. That's why we're calling this a "mini-grated" mill.

[Pause]

The second area in which the new mill really shines is the quality of steel it will produce.

Most of you have heard the word quality so often that it's almost become a cliché. But continuous quality improvement has become a way of life for American manufacturers.

Right now, we're producing the highest quality steel available in our markets. But we're pushing the quality limits of our existing technology, and we know our customers' quality requirements will continue to increase.

As I said earlier, we'll start out with the world's highest quality molten steel, but beyond that:

- We'll condense all the previously separate casting and hot rolling operations into one continuous process, eliminating all handling-related quality problems.

- We're adding the latest in steel technologies to this facility from the caster through the rolling mill, going far beyond what the mini-mills have done. The rolling mill, for example, will have seven rolling stands, not five or six like the competition, and it'll be one of the most powerful in North America.

No one will match this mill's quality. No one.

[PAUSE

Another thing special about our mill is where it's being built.

This is not the first new steel mill built in recent years. But virtually every one, from Nucor in Crawfordsville to Inland's I/N Tek in New Carlisle, has been built in a rural "greenfield" environment. You buy cheap land in the middle of nowhere, hire inexperienced workers who aren't familiar with steel mill safety practices, bring in the earth movers, construct it quickly, and get it operating fast.

But this doesn't do anything for urban areas that are left behind as businesses move farther and farther into the hinterlands. Once vibrant areas decay because local governments strapped for cash can't keep infrastructures from decaying or provide their kids with a good education. Without this business support, we all suffer.

Acme's new mill is being built next to its existing mill in Riverdale, Illinois, a close-in older suburb. This means there won't be another abandoned plant as an eyesore in the community. Instead, there will be an environmentally friendly, aesthetically pleasing producing mill--producing not only steel, but jobs, tax revenue, and stability. In Acme Steel's case, we pay approximately $7.5 million in taxes in Illinois annually, and our payroll here exceeds $90 million each year. To make our products, we buy more than $280 million in goods and services each year in Illinois.

[PAUSE]

Closely tied to the location of the mill is another revolutionary thing: that is, it's the first mill using this new technology to be built in an existing, unionized facility.

Acme has involved its union, the United Steelworkers of America, in every step of the process from the very beginning of the planning.

Working together, we've negotiated a six-year labor agreement that gives workers job security and assures investors that we'll get the mill built and operating without a strike. We're also working together to find competitive ways of operating the mill. This cooperative partnership is so important to us that we've elected a union-nominated representative to our board of directors.

Let me also mention that the new mill will significantly reduce our consumption of natural gas, which, in turn, will reduce emissions of combustion by-products and do our part in alleviating the ozone problem. It will also use state-of-the art water recycling systems, and air quality control facilities. Acme's $372 million investment will be good for the environment.

[PAUSE]

I've told you about the mill's unique features:

its mini-grated technology,

its world-class quality steel,

how it provides union jobs in an urban area

and its beneficial effects on the environment.

Now I'd like to tell you how the new mill will dramatically change the way we do business. And what these changes mean to all our stakeholders: our community, our employees, our customers, our suppliers and our investors.

[PAUSE]

First, let me tell you what it will mean to our community.

The new facility will mean more tax dollars for Riverdale and Cook County. It will stand out as a bright spot in urban manufacturing redevelopment.

While other companies flee the close-in urban areas and take with them their tax revenues and jobs, we'll be staying put. We'll continue to contribute to the public revenue coffers of Riverdale and Cook County. This means dollars for public improvements, such as roads and bridges, and money to educate the kids who live here. And if our new mill attracts suppliers and customers to the area, that's more dollars, too.

The new facility also means jobs. First, of course, there will be nearly 500 construction jobs during the project's 27-month construction period.

In the long run, when a proposed Phase Two is completed, late in this decade, we anticipate that there will be more jobs at the new mill. And once the new facility is operating, its world class technology will help preserve more than 1,300 jobs at Acme Steel.

And these won't be McJobs. They will be the good-paying, interesting and challenging manufacturing jobs of the future.

[PAUSE]

This brings me to the next group of stakeholders, our employees.

As I mentioned before, our employees are truly our partners in the construction of the new mill. We started working together from the very beginning so that all of our interests could be served. People who work in the new mill will find it a very different environment. It will be lighter, brighter, and cleaner than the mills of the past.

Many of the tasks that are labor intensive, the pick and shovel jobs, will be taken over by modern equipment. Machinery will be controlled by sophisticated process control computers.

Our employees will use their analytical skills like never before.

We also envision a totally different work environment. No time clocks. Employees will work in teams what we refer to as "self directed" teams and be accountable for their own success. In the past, the number of tons you produced determined your compensation. In the future, we hope the success of these teams will be measured by their contribution to the company's performance.

Everyone will have to be highly motivated self-starters, with high levels of analytical and computer skills, able to solve problems and be flexible, and well trained to operate the newest technology.

Much of the traditional worker/management hierarchy will disappear. Supervisors won't

supervise in the traditional sense of the word. They will coach and facilitate, helping those on their teams analyze problems and create solutions. Workers will have more ownership and greater responsibility.

But we aren't waiting until the mill is finished to move toward this new era. We have the best workers in the steel industry at Acme and we've been working together to speed this change now.

For more than a decade, we've had one of the steel industry's most successful Labor/Management Participation Team programs at our steel plant. In 1991 we made employee involvement one of the cornerstones of the Total Quality Improvement process. It's already dramatically changed the culture of our work place.

We're working with employees to design work systems and write job descriptions for the new mill so we can fill many of these jobs from our current employees when we're ready to operate.

And we'll be training our employees in the job skills they will need in the new mill.

We anticipate that we will spend nearly $10 million dollars in training, and have applied to the state for almost $5 million of that in state training funds.

That's a big commitment to our employees, but we're convinced that it will pay off in a more participative, cooperative and productive relationship. We think this relationship is essential to operate a world-class technology competitively and one that will produce dramatic results to our bottom line.

[PAUSE]

This brings me to the group of stakeholders the new mill will have the greatest impact on, our customers.

Our customers are the reason we're in business and the new mill, we're convinced, will absolutely dazzle them.

Acme's customers are a very special breed. They don't buy from the large mills because they need special grades of steel, custom sizes, and special order quantities for their special applications.

They want the high strength steels that make tools so strong and durable, and the precisely heat-treated steels that make tape measures so flexible and resilient. Customers use these special steels in cutlery, lawn mower blades, agricultural implements and in medical equipment such as oxygen tanks. They are also found in transmission bands in your car, fasteners that mount the engine under the hood and for auto seat frames. They're also used

in aircraft brakes and television picture tubes.

Our largest customer is our steel-using subsidiaries that consume about 40 percent of our steel output, converting it into steel strapping, welded steel tube and automotive jacks.

Before we committed to the new steel mill, we asked our customers about their needs. They told us we had a great reputation for quality, but our competitiveness was diminishing because of high operating costs and our size limitations.

They said they wanted wider coils than our 30-inch maximum, larger coils, lighter gauges and improved product consistency.

That's exactly what our new continuous thin slab caster/hot strip mill complex will produce.

The mill will also allow us to maintain our substantial quality advantage over the mini-mill producers because Acme will remain an integrated steel producer. As I said earlier, mini-mills use scrap to feed their electric furnaces, which results in higher levels of copper and other residual elements in finished steel. This isn't the kind of steel our customers want.

We'll be the first in the world to use the high-quality blast furnace/basic oxygen furnace steelmaking process to feed the new continuous thin slab caster to provide a superior product to our customers.

And the tremendous decrease in time to finish the steel--remember I told you we're reducing the finishing time from 10 days to 90 minutes--will enable us to much more quickly respond to our customers needs and support their flexible production schedules.

And we'll be able to produce this high-quality steel much more efficiently, which will help us work in partnership to lower our customers' manufacturing costs.

The new mill's increased capacity will allow us to serve more customers. The new technology's improved productivity and yield will give us nearly 700,000 tons to sell in additional commercial markets, compared to only 420,000 tons available today. Our ability to produce up to sixty-inch wide and larger coils will greatly expand Acme's potential market.

And we will be able to meet our customers' increasing quality demands into the next century.

[PAUSE]

The new mill will also create an exciting opportunity for our suppliers to become a part of this state-of-the-art process.

Just as our current process requires the highest quality materials from our suppliers, the new

mill will take this quality standard into a new dimension. We'll be forming partnerships with suppliers to assure the consistency and quality of our final product.

Suppliers who supply quality to us will stand out in their marketplace, which will increase their sales.

[PAUSE]

Now I come to the final group our new mill will affect, our shareholders. Those are the people, some of whom may be in this room, who are interested on the return on their investment. And $372 million is a pretty significant investment.

Steel has traditionally been a cyclical industry. For investors, the highs of the business cycle have been great but the lows have been really dismal. Steel stocks have gone from "dead" in the 80's to the hot stocks of today.

The mill of tomorrow will make Acme Metals' performance far less susceptible to the down swings in the business cycle. How will it do this?

First of all, by lowering our costs. The new plant at full capacity will reduce our energy usage per ton of finished product by 46 percent.

Labor requirements per ton will fall by 48 percent and finished product yield will increase from today's 78 percent to more than 90 percent. Taken together, this means our total manufacturing costs will decrease by about 20 percent.

Reducing costs will prove critical to assuring the long-term competitiveness of our steelmaking subsidiary in all phases of the business cycle.

Second, the new mill will allow us to expand our share of present markets and open new market opportunities. Because this new technology is ideally matched to the size of our steel business and our customer base, it will result in higher quality steels for our customers. Again we will offer the high quality output of integrated mills and the manufacturing flexibility of mini-mill technology to our customers, which will help us further penetrate our markets.

Third, it will provide substantial benefits to Acme Metal's three steel-using subsidiaries: Acme Packaging Corporation, Alpha Tube and Universal Tool & Stamping.

All three subsidiaries have reduced their manufacturing costs, increased their productivity and improved the quality of their products and services in the past years. As they continue to improve their performance, they look to us, as their chief supplier, to provide a consistent supply of highest quality steel at competitive prices. Their bottom line is our bottom line and the new mill will help expand and strengthen our steel-using operations.

Fourth, the new mill will be built so that we will be capable of expanding production from one million to two million tons, at a later date, at a relatively modest cost.

And fifth, we have structured a financial plan that will maintain our strength and provide financial flexibility during the construction and start-up periods.

For all these reasons we know the new mill will bring enhanced returns to our Acme shareholders. We believe, for example, that the new, more competitive Acme Steel will remain profitable during steel industry downturns, and produce record earnings on the up cycle. That's very good news for our shareholders.

[PAUSE]

I've shared with you today some of the reasons we're so excited as we watch the earth being moved and the steel beams rise just across the road in Riverdale. As the construction continues, we're ushering in a new era of steelmaking, one that not only benefits us, but will help strengthen the steel industry and assure its place in a stronger American economy. And that benefits us all.

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