

Is Cyrus Eaton really stepping out?

Moves that would put Georgia-Pacific in control of his important iron and steel interests have made it appear that way. But nothing is certain with Eaton—except the waiting game



Cyrus Eaton discusses his trip to Iron Curtain countries this year. The 84-year-old industrialist's empire has assets estimated at \$3-billion.

For more than 60 years, Wall Street has watched with mingled fascination and irritation while Cyrus Eaton methodically built one of the world's largest, most tightly controlled industrial complexes. Adding to the drama is that it watched him do it twice—once before and once after the Depression. Today, with major holdings in iron, steel, railroads, utilities, and paints, the 84-year-old Eaton controls an empire with assets estimated at more than \$3-billion.

Now it is beginning to look as if Eaton—who sees himself as a confidant of Presidents and commissars—is about to call it quits, though one can never be quite sure with Eaton. Men who make a game of Eaton-watching believe that the octogenarian's intention of yielding control of his important iron and steel interests is a clear sign that he is ready to relinquish the reins. Waiting for him to let go is Georgia-Pacific Corp., the Portland (Ore.) company known primarily for wood products.

The maze. As with most of Eaton's deals, the arrangements being made are incredibly complex, and are being worked out in a very secretive manner. Prices and terms are never publicly discussed. In effect, four companies controlled by Eaton are involved, although only two are actually for sale—Detroit Steel Corp. and Premium Iron Ores, Ltd. Georgia-Pacific already has reached a tentative agreement to merge with Detroit Steel, and it is carrying on preliminary talks with Premium.

But here the plot thickens. Detroit Steel owns about 25% of Cleveland-Cliffs Iron Co., where Eaton has a strong voice, while Premium owns 8% of Steep Rock Iron Mines, Ltd., of which Eaton is chairman. Cleveland Cliffs, in turn, has substantial interests in a number of major steel companies: 678,200 shares of Inland Steel Co.; 392,228 shares of Republic Steel Corp.; 529,300 shares of Youngstown Sheet & Tube Co.; 170,719 shares of Jones & Laughlin Steel Corp.; and 102,432 shares of Wheeling Steel Corp. Furthermore,

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There are all sorts of complicated interrelationships between the four companies.

Wall Streeters trying to put the pieces together feel that on the surface it looks as if Georgia-Pacific will pick up the whole package. If for no other reason, say industry analysts, Georgia-Pacific would be interested in Cleveland-Cliffs for the 350,000 acres of prime hardwood timber which it owns in Michigan's upper peninsula. Says one: "After all, timber and timber products is still Georgia-Pacific's main business."

Of course, Georgia-Pacific is officially silent about the possibilities of its merging with Steep Rock and Cleveland-Cliffs. But a G-P vice-president smiles and says: "If you want to editorialize, you'd be safe in going in that direction. Of course, we'll take each step at a time."

Says a Cleveland-Cliffs financial executive, defensively: "It isn't a sure thing."

I. Going for the money

For Georgia-Pacific—a building materials, paper, and packaging complex that earned \$56.6-million on \$921.7-million in sales last year, a move into iron and steel is not terribly far-fetched—particularly when it comes to the profit and loss statements involved. Detroit Steel, 19th largest steelmaker, earned \$5-million on sales of \$101.2-million in 1966. More tantalizing: Steep Rock—in which Premium holds an interest—has a net income of \$4.1-million on a volume of \$14.4-million, while Cleveland-Cliffs earned \$16-million on a \$85.7-million gross.

Clearly, Georgia-Pacific will be trying to break into a very clannish industry. Iron and steel interests usually don't take kindly to outsiders. Los Angeles industrialist Norton Simon learned this in his adventures at Wheeling Steel. Eaton himself has been considered an outsider in ore circles.

In any case, Georgia-Pacific insists it isn't intimidated: "We've been outsiders in other industries," points out a spokesman, citing the company's foray into the gypsum business.

Takeover? Possibly of greater concern to Georgia-Pacific's management is the question: Is Eaton really stepping down, or will he decide one morning that he would really like to add Georgia-Pacific to his empire? Eaton never has anything to say publicly about his business plans, but close friends—and foes—think that he is through with empire building.

Snaps an Eaton aide-de-camp:

"Not a chance. It would be very bad if someone thought Mr. Eaton was taking over Georgia-Pacific. He will be content to be a minority stockholder. It won't be the tail wagging the dog." Norman R. Comiskey, another Eaton aide, agrees: "Georgia-Pacific will be squarely in the saddle," he says.

Of course, no one knows just how many shares of Georgia-Pacific's 18.5-million outstanding stock Eaton will emerge with in the end. And though G-P has an age limit of 70 for outside directors, a spokesman admits that there are a whole slug of exceptions—enough to pave the way for Eaton if he wanted to get aboard.

To those who think they know Eaton best, the whole deal is most baffling. Says one: "I can see the motivation from Georgia-Pacific's standpoint, but damned if I can see it from Eaton's." With some impatience, an Eaton aide replies: "He simply thinks Georgia-Pacific is a fine company and wants to be part of it."

II. What comes next?

It would seem that securities analysts have enough trouble just trying to gauge what is going on with Eaton's iron and steel interests. But there is also the gnawing question of what Eaton is going to do about his interest in the Chesapeake & Ohio Ry., of which he is chairman; Sherwin-Williams Co., the paint manufacturer, of which he is a large and influential stockholder and director; Cleveland Electric Illuminating Co.; Kansas City Power & Light Co.

Wall Streeters would like to know, too, just what role Cyrus Eaton, Jr., plays in his father's plans; there are continuing rumors that the two are not talking. An aide fields the question this way: "Mr. Eaton has never said he would pass his money directly on to his children anyway. He always told them they'd have to make it on their own." Eaton, by best estimates, is personally worth more than \$100-million.

Ducking. Eaton has not been very helpful in resolving these questions. Not too long ago, the former protégé of John D. Rockefeller, Sr., said: "There are a number of projects of the first magnitude which I am still working on, but which are still of confidential nature."

Certainly, one of these projects is the merger of the C&O into Norfolk & Western Ry. Undoubtedly, Eaton's interest in getting this deal through has been heightened by the final green light that has been given to

the Pennsylvania-New York Central merger.

Then, of course, as a self-appointed ambassador of good will between the United States and Russia, there is always the chance that Eaton will single-handedly try to solve the cold and hot wars of the world. However, although he spent 4½ hours with Aleksei Kosygin last June, he has not been as active internationally of late as he was during the 1950s.

'Tell us.' Said one Wall Street man the other day: "If Cyrus Eaton feels he has something left to be done, it should be to write a detailed account of his business life. I'd like to know how he did it."

So would a lot of other people. The man from Pugwash Junction, Nova Scotia, owns only 129,521 shares of Detroit Steel out of 4-million outstanding, yet controls the company; holds 7,514 shares of Cleveland-Cliffs' 2-million shares, yet manages to name four of its 14 directors; and, with only 115,210 shares out of 8.7-million, effectively holds the chairmanship of the C&O.

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