HSD

Bill Papageorge

A Question of Time

"WE'RE playing for time," says William B. Johnson, chairman of Illinois Central Industries, the diversified holding company for the railroad of the same name. By that Johnson means he is convinced that his railroad has a bright future once it gets over some very rough hurdles. One hurdle is Interstate Commerce Commission approval of IC's proposed merger with the much smaller Gulf, Mobile & Ohio Railroad, a merger that promises some definite cost savings.

Another hurdle, and a formidable one, is labor costs. Try as he has for greater efficiency, Johnson has been kept on a treadmill by steadily mounting wage bills. Long-range, he hopes to persuade the rail unions that they will be better off if they grant concessions and agree to less featherbedding in return for more money.

Also long-range, Johnson has high hopes for IC's mouth-watering real estate in and around Chicago. In one deal, IC sold off $83 million worth to a real-estate joint venture in which it has a one-third interest. Johnson hopes for $1 billion in development on that one. And there's much more where that came from. "We've been carrying $300 million worth of real estate on the books at next to nothing," he explains.

But what about the near future? "You don't buy groceries with future hopes," Johnson says. To buy groceries, he has been turning IC into a virtual conglomerate. IC already owns Abex Corp., a fine acquisition in the capital goods field. He backed away from a deal to buy MSL Industries, a conglomerate, but on Feb. 2 he bought Pepsi-Cola General Bottlers, a $95-million (sales) outfit that will put IC squarely into consumer goods. And IC also plans to acquire, for stock, H.F. Philipsborn & Co., a privately owned Chicago mortgage banker, and thereby enter the financial services field.

All this diversification plus the generally healthy nature of the railroad's territory enabled IC to report $3.02 a share in profits for 1969, up from $2.76 in 1968—one of the better showings in the railroad business. Obviously IC is in good shape to play for time while Chairman Johnson and IC President Alan Boyd (the former Secretary of Transportation) work to deliver on the potential of the railroad and the real estate. ■

Johnson of Illinois Central

All in the Family

RICHMOND, VA.'s Ethyl Corp. is a publicly owned company, but if you look a little closer you'll see a cozy family enterprise. Seventy-one-year-old Floyd Gottwald, patriarch of the clan, is chairman of the executive committee. Last month Patriarch Floyd gave his 47-year-old son, Floyd Jr. (board chairman since 1968), the added title of chief executive officer. A month earlier, he had named his younger son Bruce (36) as president.

In a strict sense, the Gottwalds do not control Ethyl, holding only about 15% of the 10 million shares outstanding. But Floyd Gottwald, whose Albemarle Paper Co. acquired Ethyl Corp. and then adopted its name, has built it into a $500-million-a-year maker of gasoline antiknock compounds, paper, chemicals, plastics and aluminum products.

How is Ethyl doing? Not well of late. Oxford Paper, acquired in 1967, has been a drag on earnings, which hung around $2.50 for three years. Debt—mostly incurred in buying Ethyl from General Motors and Standard Oil of New Jersey—is a hefty $230 million *vs.* $160 million equity. The stock is 15, down from 50 in 1967.

But the company's biggest problem is spelled p-o-l-l-u-t-i-o-n. Its lead antiknock additives cause pollution, and their use could be banned or reduced, leaving Ethyl bereft of its main money-maker. Atlantic-Richfield has announced it will market a lead-free gasoline in California, which will banish lead additives in the early 1970s. Ford and GM have promised to build a motor to accommodate it.

The Gottwalds claim they aren't worried: "There just isn't any substance to all these pollution arguments," says Floyd Jr. At last report Ethyl had some $123 million cash and over $60 million in annual cash flow, even with earnings lagging. So the possibility of further diversification definitely exists —if the Gottwalds have the skill to grasp it. ■

The Gottwalds of Ethyl (Floyd and Bruce)