

A STUDY OF ARIZONA COPPER COMPANIES' EARNINGS AND DIVIDENDS

1955-1958 INCLUSIVE, AND FIRST QUARTER, 1959

Source: Companies' Annual Report to Stockholders.

INSPIRATION CONSOLIDATED COPPER COMPANY

A study of the annual reports to the stockholders of Inspiration Consolidated Copper Company for the years 1955-1956 and 1957-1958 reveals that the net income of this company averaged \$7.13 per share for the years 1955 and 1956, when 3-year wage contracts were negotiated, and dropped to \$2.51 per share in 1957 and 1958, when the wage contracts were in effect. This constituted a drop of 64.8% in net earnings, while the average base hourly wage rose from \$2.145 in the 1955-56 period to \$2.361 in the 1957-58 period, a 10% increase. At the same time the dividend paid by Inspiration dropped from \$5.00 per share to \$2.375 per share, a 52.5% decrease. Tables I & III.

MIAMI COPPER COMPANY

Similar figures for Miami Copper Company showed that net earnings averaged \$10.31 per share in the 1955-56 period, and dropped to \$2.87 per share in 1957 and 1958. This was a drop of 72.2% in net earnings. At the same time the dividend paid by Miami dropped from \$5.625 per share in the 1955-56 period to \$2.11 per share in the 1957-58 period; a drop of 62.5%. Base hourly wages rose the same as at Inspiration, namely 10%. Tables I & III.

BAGDAD COPPER COMPANY

The net earnings of the Bagdad Copper Company averaged \$2.12 per share in the 1955-56 period, and dropped to 60 cents per share in the 1957-1958 period, a decrease of 71.7 percent. Bagdad paid a dividend in 1955, and has paid none since. Tables I & III.

### MAGMA COPPER COMPANY

Although the Magma Copper Company had not taken part in the wage negotiations of 1956, it nevertheless conformed to the general wage scale in copper mining. The production of its large subsidiary, the San Manuel Copper Corporation, did not commence until 1956, and reached capacity in 1958. Magma's net earnings were \$5.83 per share in the 1955-1956 period, but suffered a loss of 68 cents per share in the 1957-58 period. In the years 1955 and 1956 the company paid a 5% stock dividend which averaged in value \$4.56 per share. With a loss of \$2,340,548 in 1957, and a small profit of only \$694,474 in 1958, the Company was unable to declare any dividend in either of those years. Tables I & III.

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The above four companies are typical Arizona copper companies which operate their mines in Arizona only. Their copper is refined on a custom basis in out-of-state refineries. Although they are high-cost producers, they are well managed, as is evidenced by the fact that they were able to sell their product at a price higher than the Engineering and Mining Journal quotations.

### PHELPS DODGE & KENNECOTT

The annual reports of Phelps Dodge Corporation and Kennecott Copper Corporation tell a similar story of reduced earnings and dividends, accompanying increased wages. This in spite of the fact that these two corporations had their own refineries and manufacturing facilities which were a large contributing factor in operating at a profit.

For example Phelps Dodge earnings in the two-year period, 1955-56, amounted to \$8.00 per share, and dropped to \$4.11 per share in the 1957-58 period; a decrease of 48.6%. Dividends decreased 33.3%, from \$4.50 per share to \$3.00. Arizona wages increased the same as Inspiration's and Miami's. Tables II & III.

Kennecott's earnings dropped from \$12.41 per share in 1955-56, to \$6.44 per share in 1957-58, a 48.1% decrease. Dividends dropped from \$8.50 per share to \$5.50 per share, a 35.3% decrease. Tables II & III.

### Improved Earnings in First Quarter, 1959

Much has been made of the improved earnings of copper mines during the first quarter of 1959. It is true they compare favorably with the poor results of the first quarter of 1958. But they still fall far short of the earnings these mines were enjoying during the period 1955-56, when the 3-year wage contract was negotiated.

For example, Inspiration's quarterly report showed earnings of \$1.20 per share for the 1st quarter of 1959. This indicated an annual rate of \$4.80 per share, as compared with \$7.13 per share in 1955-1956; a reduction of 32.7%. Hardly a good argument for a further increase in wages, which had already increased to \$2.415 base hourly rate in the first quarter of 1959, as compared with \$2.145 per hour in 1955-56. Inspiration's dividend for the first quarter was 50 cents per share, a \$2.00 annual rate, as compared with a \$5.00 rate in 1955-56.

Miami's first quarter's earnings are not yet available,\* but their dividend for this quarter was set at  $37\frac{1}{2}$  cents per share, a \$1.50 annual rate, as compared with \$5.625 per share in 1955-56.

Phelps Dodge's earnings for the first quarter of 1959 have been reported at \$1.28 per share, a \$5.12 annual rate, as compared with \$8.00 per share in 1955-56. Their dividend rate has been set at \$3.00 per share, compared with \$4.50 per share in 1955-56.

Kennecott's earnings for the first quarter of 1959 have been reported at \$2.03 per share, or \$8.12 annual rate, as compared with \$12.41 per share in 1955-56. Their dividend rate has been set at \$6.00 per share, as compared with \$8.50 per share in 1955-56.

While the copper mining companies are hopeful that the first quarter conditions will continue satisfactorily for the future, there is no assurance that they will do so.

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\* On May 15th Miami reported net earnings of \$1,037,100 for the quarter ending March 31, 1959, or \$1.41 per share. This was an annual rate of \$5.64 per share, as compared with \$10.31 per share in the 1955-1956 period.

TABLE I

## GROSS INCOME, NET INCOME, AND DIVIDENDS PAID IN YEARS 1955, 1956, 1957 AND 1958

Source: Reports to Stockholders by Inspiration Consolidated Copper Company and Miami Copper Company

	Number Shares	Copper Pro- duced or Delivered M-Pounds	Price of Copper De- livered	Total Revenue M-Dollars	Net Income		Dividend Paid	
					Amount	Per Share	Amount	Per Share
<u>INSPIRATION:</u>								
1955	1,181,967	76,293 D	37.53¢	\$ 28,864	\$ 8,321,112	\$ 7.04	\$ 5,909,835	\$ 5.00
1956	1,181,967	70,380 D	42.13¢	30,042	8,527,549	7.21	5,909,835	5.00
Total Two Years Avg.   "   "	1,181,967	146,673 D 73,337 D	39.74¢	58,906 29,453	16,848,661 8,424,330	7.13	11,819,670 5,909,835	— 5.00
1957	1,181,967	71,392 D	29.95¢	21,672	3,724,324	3.15	3,841,393	3.25
1958	1,181,967	85,290 D	26.42¢	22,741	2,207,817	1.87	1,772,951	1.50
Total Two Years Avg.   "   "	1,181,967	156,682 D 78,341 D	28.02¢	44,413 22,207	5,932,141 2,966,070	2.51	5,614,344 2,807,172	2.375
<u>MIAMI:</u>								
1955	743,216	96,674 P	38.29¢	\$ 37,496	\$ 6,496,927	\$ 8.74	\$ 3,716,080	\$ 5.00
1956	743,216	89,547 D	44.47¢	40,590	8,827,475	11.88	4,645,100	6.25
Total Two Years Avg.   "   "	743,216	186,221 P.D. 93,110 P.D.	41.26¢	78,086 39,043	15,324,402 7,662,201	10.31	8,361,180 4,180,590	5.625
1957	747,116	82,438 D	33.78¢	28,632	2,836,527	3.84	2,228,348	3.00
1958	747,116	78,362 D	28.91¢	23,447	1,450,916	1.97	921,020	1.25
Total Two Years Avg.   "   "	747,116	160,800 D 80,400 D	31.41¢	52,079 26,040	4,287,443 2,143,722	2.87	3,149,368 1,574,684	2.11

D = Delivered P = Produced

TABLE I (Cont'd)

Source: Reports to Stockholders by Bagdad Copper Corporation and Magma Copper Company

	Number Shares	Copper Produced M-Pounds	Price of Copper	Total Revenue M-Dollars	Net Income		Dividend Paid	
					Amount	Per Share	Amount	Per Share
BAGDAD:								
1955	541,457.5	22,412,457	38.63¢	\$ 8,957,389	\$ 1,886,406	\$3.48	\$ 279,180	\$0.516
1956	558,957.6	14,301,136	41.13¢	6,190,983	441,618	.79	0	0
Total Two Years Avg.   "   "	550,208	36,713,593 18,356,797	39.60¢	15,148,372 7,574,186	2,328,024 1,164,012	2.12	279,180 139,590	0.25
1957	558,957.6	19,626,415	28.51¢	5,942,504	(399,908)1/	(0.72)1/	0	0
1958	558,957.6	24,464,010	25.22¢	6,434,668	(274,566)1/	(0.49)1/	0	0
Total Two Years Avg.   "   "	558,957.6	44,090,425 22,045,212	26.68¢	12,377,172 6,188,586	(674,474)1/ (337,237)1/	(0.60)1/	0	0
1/   Loss								
MAGMA: (AND SAN MANUEL)								
1955	1,147,337	47,890,643	36.82¢	\$ 18,973,341	\$ 6,227,572	\$5.43	\$5,149,443 1/	\$4.49
1956	1,204,704	126,087,088	41.8¢	43,916,092	7,475,827	6.21	5,557,428 1/	4.61
Total Two Years Avg.   "   "	1,176,021	173,977,731 86,988,865	40.4¢	62,889,433 31,444,717	13,703,399 6,851,700	5.83	5,358,411	4.56
1957	1,204,704	163,585,074	29.6¢	47,165,411	(2,340,548)2/	( 1.94)2/	0	0
1958	1,204,704	190,717,016	25.8¢	54,608,944	694,474	0.58	0	0
Total Two Years Avg.   "   "	1,204,704	354,302,090 177,151,045	27.55¢	101,774,355 50,887,178	(1,646,074)2/ (823,037)2/	(0.68)2/	0	0

1/ Earned surplus transferred to Capital Stock (\$546,360 in 1955 and \$573,670 in 1956) and to Capital Surplus (\$4,603,083 in 1955 and \$4,983,758 in 1956) upon distribution to stockholders of a 5% stock dividend on stock held at October 27, 1955 and November 2, 1956.

2/ Loss.

TABLE II

## GROSS INCOME, NET INCOME, AND DIVIDENDS PAID IN YEARS 1955, 1956, 1957 AND 1958

Source: Reports to Stockholders By Phelps Dodge Corporation and Kennecott Copper Corporation

	Number Shares	Copper Produced M-Pounds	Price of Copper Delivered	Total Revenue M-Dollars	Net Income		Dividend Paid	
					Amount	Per Share	Amount	Per Share
<b><u>PHELPS DODGE:</u></b>								
1955	10,142,520	514,954	37.49¢	\$ 356,456	\$ 73,804,099	\$ 7.28	\$ 40,570,080	\$ 4.00
1956		540,361	42.11¢	423,873	88,430,000	8.72	50,712,600	5.00
Total Two Years Avg.   "   "	10,142,520	1,055,315 527,658	39.86¢	780,329 390,165	162,234,099 81,117,050	8.00	91,282,680 45,641,340	4.50
1957		492,835	29.97¢	292,538	45,403,000	4.48	30,427,560	3.00
1958		437,148	26.16¢	274,060	38,007,000	3.75	30,427,560	3.00
Total Two Years Avg.   "   "	10,142,520	929,983 464,992	28.18¢	566,598 283,299	83,410,000 41,705,000	4.11	60,855,120 30,427,560	3.00
<b><u>KENNECOTT:</u></b>								
1955	10,821,653	1,053,430	36.6¢	\$ 555,939	\$125,516,000	\$11.60	\$ 83,868,000	\$ 7.75
1956		1,164,410	41.6¢	578,067	143,154,000	13.23	100,100,000	9.25
Total Two Years Avg.   "   "	10,821,653	2,217,840 1,108,920	39.2¢	1,134,006 567,003	268,670,000 134,335,000	12.41	183,968,000 91,984,000	8.50
1957		1,119,996	28.9¢	480,200	79,252,000	7.32	64,930,000	6.00
1958		1,020,620	25.4¢	404,998	60,121,000	5.44	54,340,000	5.00
Total Two Years Avg.   "   "	10,821,653	2,140,616 1,070,308	27.2¢	885,198 442,599	139,373,000 69,686,500	6.44	119,270,000 59,635,000	5.50



TABLE III

EMPLOYMENT AND WAGES IN ARIZONA COPPER MINING

1955-1958 Inclusive, and Jan. Feb. & March, 1959

Source: Arizona Employment Security Commission

	<u>Average Employment</u>	<u>Average Weekly Hours 1/</u>	<u>Average Weekly Earnings</u>	<u>Average Hourly Earnings 2/</u>	<u>Base Hourly Earnings 3/</u>
1955	11,700	47.0	\$ 104.81	\$ 2.23	\$ 2.075
1956	13,200	47.0	111.86	2.38	2.215
1957	14,000	43.74	106.00	2.42	2.324
1958	13,533	39.80	95.49	2.399	2.399
Jan. 1959	13,600	43.2	108.43	2.51	2.420
Feb. 1959	13,600	45.1	115.01	2.55	2.414
Mar. 1959 P	12,400 *	47.0	121.73	2.59	2.411

P = Preliminary

\* Drop due to temporary interruption of some copper mining operations due to labor-management dispute. Full operations were resumed during the third week of the month and copper mining employment had returned to the mid-February level by the end of March.

1/ Actual hours worked.

2/ Includes overtime earnings.

3/ Base hourly rate is a straight time rate, and is obtained by dividing the Weekly Earnings by the Weekly Hours plus 50% of the excess hours over 40 hours.