FORM NO. 64 FOIA CH. 4

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File

DATE: October 19, 1954

Ralph Elson, Chief, Contract Coordination Branch

CONTRACT NO. W-7405-eng-276 WITH HARSHAW CHEMICAL COMPANY - PLANT "C" REFINERY

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Background

Although the arrangement for maintaining the Plant "C" Refinery in a standby condition under the subject contract expired on September 30, 1954, the Commission in effect has a year after that date in which to dispose of Government property and equipment now reposing in the plant. The building itself is owned by Harshaw Chemical Company. The Director of Production, by recent memorandum, authorized the Oak Ridge Operations to negotiate with Harshaw in an attempt to reach an equitable agreement under which the Orange Oxide Refinery would be maintained in standby condition subject to operation by Harshaw for the Commission through December 31, 1956. By letter dated October 5, 1954, S. R. Sapirie outlined the problem to Harshaw and requested a meeting. As a result of this letter, a meeting was held on October 15, 1954, in Cleveland.

Discussion

In addition to the undersigned, those in attendance at the meeting were:

Harshaw	AEC
. Hovey, Vice President	E. A. Wende
. Pike, General Production Superintendent	F. R. Dowling
. Cornelius, Manager for AEC Projects	Buford Sparks
. Porvaznik, Manager, Harvard-Denison Plant	A. H. Neumann
. Brown, Attorney	

Hovey opened the meeting and made the following points at the outset:

Although Harshaw has not yet decided to what use they would put the building in which the refinery is now located and in which other work for the Commission has been previously performed, it is their desire that the Commission remove its equipment from the building and turn it over completely for Harshaw's use. From the standpoint of their Company's operations, they are not interested in maintaining the refinery in standby condition.

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They are not interested in maintaining the refinery in standby and using other parts of the building for their own purposes. The arrangement of the building does not permit this type of split and they want all or none for their own use.

Under the recent standby arrangement, the Commission was paying rental of about $4,000.00 per month based on .70 per square foot. Mr. Hovey stated that they would have no interest at all in continuing that arrangement and that if the Commission wants the building retained in standby beyond the years period which we have to dispose of equipment, they would charge in the neighborhood of $18,000.00 per month rental.

Harshaw has no use for the refinery equipment as is or for other equipment from previous operations which is currently being disposed of as surplus. They might be able to use a few individual pieces of equipment such as a couple of MG sets but as a package deal the equipment would be of practically no value to them. In early 1954, as a part of a proposal for refinery standby, Harshaw's ~~bid~~ offered a total of $30,000.00 for all the equipment in the plant. This proposal was rejected by the Commission and Mr. Hovey stated that Harshaw had since concluded that the rejection was a good thing for them. He felt that they would not again make any such offer. So far as the refinery equipment alone is concerned, they would not even want it for nothing, feeling that it would not even be worth the expense of the Harshaw conversion for some other operation.

5. Mr. Hovey did express some desire to bid on a few items of the equipment now being disposed of as surplus. It was concluded, however, that Harshaw would be precluded from doing this in view of their position as agent for the Commission in the disposal program. Mr. Wende pointed out that it might be possible to include this equipment in a package deal in the standby arrangement which we might negotiate.

Mr. Wende then outlined the several types of arrangement which we have in mind and suggested that Harshaw submit several alternate proposals. After some discussion, the following general alternates were agreed upon:

1. The first alternate would provide for maintaining the refinery in standby condition with the Commission retaining title to all refinery property and equipment. The refinery would not be used for other purposes but would simply be maintained in standby with provision for operation by Harshaw for the Commission upon reasonable advance notice, probably thirty (30) to sixty (60) days.

2. This proposal would be under the same conditions as No. 1 above, except that Harshaw would be permitted to use the whole plant and the refinery equipment for its own purposes subject to reconversion and operation for the Commission upon four (4) to six (6) months advance notice.

3. Under this alternate, title to the refinery property and equipment would be transferred to Harshaw immediately or upon completion of the standby or operation. Under this scheme, Harshaw would also be permitted to use the refinery for its own purpose with provision for reconversion and operation for the Commission upon four (4) to six (6) months advance notice. As a separate part of the proposal, Harshaw might include an alternate whereby they would also obtain title to certain other equipment (not refinery equipment) which is now being disposed of as surplus.

In discussing a reasonable advance notice period, the Harshaw representatives contended that it was just about impossible for them to consider any such period as reasonable. They feel that most any type of standby arrangement will effectively preclude them from using the plant for their own purpose. They cannot install any type of permanent operation in the plant, assuming at the same time the risk of having to discontinue it in order to reconvert the plant for operation for the Commission. They simply contended that as long as there is a chance of reconversion, the plant is not of much value to Harshaw. In any event, they would not plan on converting any part or all of the Orange Refinery for Harshaw operations. Mr. Wende emphasized the fact that the chances of having to again operate the plant for the Commission during the period through December 31, 1956 are extremely slim. We do not anticipate that operation will be required, but are desirous of insuring the availability of the plant in case the remote chance of its being required should materialize. It was my understanding that Harshaw finally agreed that a four (4) to six (6) month advance notice period would be satisfactory under these conditions.

It was pointed out to Harshaw that in any event, there would be no requirement to maintain the refinery in standby condition through December 31, 1956. This date applies to operation of the plant should we exercise our option to have it operated. With an advance notice period, the standby period would, of course, be effectively reduced if the plant does not, in fact, become operative. Mr. Wende stated his feeling on a tentative basis that a final notice date of April 1, 1956 could be established. This would mean that if the Commission did not give advance notice for operation on or before that date, Harshaw would then be relieved of further obligation except insofar as they might be involved in disposal of government-owned facilities. It was also agreed that only one notice for operation could be given during the established period. In other words, the Commission would not require the plant to be operated, terminate such operation and place the plant in standby, and then require another period of operation. Once we exercised our option to operate the plant would be either operated through December 31, 1956 or operation would be terminated at some prior appropriate date.

It was agreed that in any arrangement which might result from these negotiations, the Commission would be allowed an adequate period, a minimum of six (6) months after conclusion of standby or operation, to dispose of government-owned facilities.

There was a short discussion regarding the arrangement under which Harshaw would operate the plant should such operation become necessary. It was generally agreed that any such operation would be similar to that in the past under the subject contract in which fixed prices per pound were negotiated quarterly. The problem of cost involved in reconverting the plant for operation in case Harshaw should use it during the standby period for other purposes was briefly discussed but no conclusions were reached. Harshaw will no doubt state their position on this point in their proposals.

The meeting concluded with Mr. Hovey agreeing to submit alternate proposals to this office in the near future.

Ralph Elson

Ralph Elson

cc: E. A. Wende
F. R. Dowling
A. W. Neumann, Cleveland Area Office

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