D. Danna - General Offices

August 2, 1967

BIPHENYL/AROCLOR INVESTMENT

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Dear John

This will acknowledge your memo of July 25 wherein you requested more information on the AR type capital estimate prepared by C.E.D.

Attached is a copy of the actual work sheets used by C.E.D. itemizing the equipment costs and the costs of installation. As you will note these costs were calculated by estimators, not by the project engineers. I am sure therein you will find all the information needed to adjust the capital investment for installation in Japan. It is interesting to hear that a Lange factor of 3.4 is being experienced in the oil additive project.

We are most interested in seeing the results of your calculated manufacturing costs and profitability statement as soon as they are developed -- prior to the time a draft of the AR arrives. If you would send me these calcaulations with copies of your work sheets, I would be happy to review them and feed back any comments necessary prior to your first AR draft.

As to your question on the Lange factor used on our preliminary capital estimate of March 14 -- Jim Bright (CED-PE) scaled down the existing plant capital investment by using the "six-tenths factor," then rounding off the resultant figures and adjusting by 85% to give an estimated installed cost of $1.2M in Japan. As you recall, in this type of calculation the Lange factor is not used.

John, I think the attached data is what you asked for; if you need more information, let me know by telex.

Best wishes.

Original Signed By: Dominic Danna

Dominic Danna

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