Monsanto

FROM (NAME & LOCATION) W. A. Kuhn -- St. Louis

November 11, 1968

SUBJECT: CEA 2080 - SOLID AROCLOR EXPANSION

REFERENCE:

TO: R. Haupt (ANNISTON)

CC:

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As you have suggested, Bob Kountz and myself have considered the possibility of expansion via single large capacity line with dismantling of the existing line.

The suggestion has merit, but will not be followed for these reasons:

- Capital investment for the double sized line would normally be about 50% higher than for the addition of the smaller line proposed. Even when this is discounted by potential capital savings via reuse of instruments, control room, etc., I estimate the additional investment would be about $200,000 to $250,000. Even the reuse of instruments is shakey. Monsanto has relearned the lesson several times that it doesn't pay to shut down an old line until after the new one is operating satisfactorily. This means that cannibalization of the old plant is rarely practical. In the case of solid Aroclors, our sold out position makes continuity of production doubly important.

- Manpower savings do not appear to be as clearly defined as simply one man, "around the clock" for each line. Regardless of which alternative we picked, against forecasted sales, we would operate the facilities at only about 60% to 75% of capacity. With two lines, one would operate at full rate (probably on 5460) for the entire year with the other operating part time producing the other products as needed. With a single big line, we'd probably have an all or nothing intermittent labor situation.

- Granted that a single new line would require less maintenance -- but the loss of flexibility, the increased cost for inventory control, and the possibility for loss of all (instead of half) production during an unscheduled shut down tend to offset this advantage.

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- Conceivably, scale-up could be a problem. The chlorinator diameter would be increased about 50% and the still pot about 40%. This in itself would not deter us, but why face this possibility unless it's to our advantage?

- Finally, it would be necessary to write off the remaining undepreciated investment of about $300,000. This loss in itself more than offsets any legitimate savings that I can visualize.

W. A. Kuhn

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