Monsanto

FROM (NAME & LOCATION) W.B. Hicks, Brussels.

DATE : 16th October, 1968. CC:

SUBJECT : Biphenyl/Aroclor Project

REFERENCE :

TO : H.S. Bergen,
St. Louis.

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Write WBH

Even though you've come and gone since writing me on September 6 about the Biphenyl-Aroclor project, I have dug into the changes to which you referred and have come to the following conclusions.

First of all I am attaching copy of an Overrun Request which was prepared by MCL in September and came about the time you left Europe. It merely documents the figures which were well advertised to all concerned and makes it official for approval by MCL's Board.

Looking at that you will see that it shows the ROI as not changing significantly even with devaluation and the changes entered by Marketing in the Biphenyl/Aroclor mix.

Several points. I rechecked Cameron to see if his 1969 Budget submissions were different from what went into this overrun request. The answer was no. Comparing original CAR with the revised figures for price changes you will find an overall stand off since the price gains in 1242 DE offset the drop in 1242 NCR.

Your comment about a shortfall of 1.2 M̄ lbs. of dielectric Aroclor in 1969 versus CAR was examined. Excluding ROW sales the total 1969 DE Aroclor sales in the CAR were 5140 M lbs. In the 1969 Budget they are 4675 M lbs. or a difference of only 465 M lbs. This budget includes 200 M lbs. which will be taken from MC rather than Newport as the project shows for business reasons already known to you. On Pyroclor, and again excluding ROW sales, the CAR showed 2,000 M lbs and the 1969 Budget shows 1,510 M lbs. or a difference of 490 M lbs. which is 294 M lbs. of actual Aroclor. According to Don, this was carefully reviewed with you and was understood and accepted as normal deviations from CAR forecasts made two years ago.

On benzene costs. The re-evaluation report used 3.32 ¢ per lb. Purchasing tell me we are now paying 2.94 ¢ per lb. delivered and will increase to 3.0 ¢ per lb. delivered in 1969 and stay there through 1971. On this basis, the September report is on the high side. I'm also told we've done the best that's possible on benzene price so there is no room to complain here.

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Last but not least is the new Capital cost. If you convert £354 M at the $2.80/£ rate you get $990 M as the original project showed. Since then the cost estimate has varied as high as £450 M which is $1,080 M at $2.40/£ rate. The re-evaluation shows £434 M which is $1,042 M. I am told the latest estimate at the plant is for £408 M or $980,000. On this basis they look like they may underrun the original $ value. Let's say they have a good prospect of not exceeding it.

When you roll all of this together I don't see that we have a big problem to be concerned about. The biggest effect was devaluation but, by comparison with most projects, this one comes out fairly well on target. Unless you feel differently I will assume you are satisfied and we will let the subject go at that.

Bill

W.H. Hicks.

WBH/mr.

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