July 8, 1968

TO: R. M. Burns

FROM: R. S. McGranahan

SUBJECT: PAPER MILL CONSTRUCTION

In construction of a new building to house the S & K operation at either Robinson or Elgin, I can see about a 10% to 15% cost differential in favor of Robinson.

Cost of the building itself would vary little, if any, for the two locations for equal area. Labor is a little cheaper at Robinson but the efficiency is probably enough lower to offset it. Any apparent gains from moving out walls and extending the Robinson structure will probably not be realizable in this case since, because of the nature of the operation, we will probably want it in what will be practically a separate building.

Cost savings will come in site preparation, access roads, parking lots, rail siding, and utilities which are already in at Robinson, but all of which must be provided at Elgin. Robinson would require a bare minimum of office space. They might share laboratory space with Victopac. Other services which would require space, if at an independent location, would almost certainly be combined with existing Robinson services in areas presently available for a saving in total space needed.

I do not see any significant difference in installation costs of the paper mill equipment at either location. Discharge of industrial wastes will be subject to state laws either place. There may be some variables in gas, electric power and water costs that should be developed in detail later, but I doubt that these will significantly affect a decision.

Unless back hauls could be developed, I believe transportation costs would favor Elgin. A greater tonnage of materials is used in Chicago and nearly all of the reusable scrap is generated in Chicago, so the saving on these shipments to and from Elgin should offset the added cost of shipping Plant 4 materials from Elgin to Robinson.

The real advantage in Robinson would be operation of the paper mill as part of an already functioning plant with sharing of administration and services with the rest of the operation. This advantage, of course, would disappear if Elgin were to become ultimately a larger operation with the paper mill being only a part of it. However, if we were to put the mill at Elgin now, preparing for expansion into other operations at a later date, we would very likely incur extra costs in site preparation, utilities, land allocation, extra planning, etc., over the 10 or 15% differential already mentioned, which would burden the paper mill heavily during the first years of its operation when it can least stand extra overhead.

RSM/ml