Monsanto

FROM (NAME & LOCATION) R. S. Yates - General Offices

DATE August 8, 1967

SUBJECT Aroclor Expansion - CEA 1430

REFERENCE

CC J. O. Bright
H. C. Carder
R. E. Howard
R. P. Stevens

TO : Joe Cresce

You requested, during our review meeting of July 28, that we evaluate another expansion Case IV that would add a minimum amount of capital at Anniston with a larger capacity increase at WGK. In addition, you requested that we review the justification for the individual pieces at Anniston in Case II.

Case IV would include -

1. <u>At Anniston</u>

   Add new (solid Aroclor) flaker in the south end of Bldg. 27. Replace four existing storage tanks with new tanks. Make no changes to existing loading or drumming operation. Estimated cost $525,000.

2. <u>At WGK</u>

   Add 60 $\overline{M}$ lbs./yr. new liquid Aroclor capacity. Add five storage tanks. Estimated cost $1,975,000. The total for Case IV is $500,000 less than Case II but we cannot claim any labor savings in the drumming or reduction of tank car leasing cost at Anniston for this case.

Return on gross investment for Case IV is 15.0% compared to 15.1% for Case II. A more meaningful comparison, incremental return after taxes on new capital, with 1967 as the base year, for this case is 18.6% compared to 17.6% for Case II.

Even this is not particularly significant except to point out that Case IV is not appreciably better on a return basis. You are aware that Case IV will not provide the ability to store minimum inventories, to fill orders quickly and to segregate products which Case II provides. These pluses do not show up on ROI.

The breakdown of Case II at Anniston with justification based on information from the plant is:

DSW 200708

1. Storage tanks, blend tanks, drumming: estimated cost $1,125,000.

   For this case a capacity increase (liquids) of 5.7 $\overline{M}$ lbs./yr. elimination of 15 tank cars (lease) and reduction of 3 men are claimed.

   Incremental return after taxes on new capital with 1967 as the base year is 11.1%.

2. New solid Aroclor flaker, new biphenyl flaker and packaging equipment for both: estimated cost $490,000.

   A capacity increase of 1 $\overline{M}$ lbs./yr. of solid Aroclor and reduction of 2 men are claimed.

   Incremental return after taxes on new capital with 1967 as the base year is 12.0%.

If you have any questions, please call.

R S Yates
R. S. Yates

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Joe Cresce
G. O.

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