

ANACONDA COPPER MINING COMPANY

25 Broadway, New York

May 22, 1947

Mr. J. R. Hobbins, President
Anaconda Copper Mining Company
B u i l d i n g

Dear Mr. Hobbins:

Since the East Chicago, Indiana Plant of the International Smelting & Refining Company has been permanently closed down, inventories liquidated, and the property and facilities (with the exception of 15 acres) sold, I believe that a final report on these transactions is in order. As a summary, Mr. Johnson and Mr. Hurless have prepared a Chronological Report entitled "The Closing and Sale of the East Chicago Plant" and a copy is attached hereto. (Exhibit "A")

The question of liquidating the East Chicago operations has been the subject of various discussions and reports during the past 10-15 years. Ever since the decreasing tonnage of lead bullion and increased labor costs became problems at East Chicago, various investigations have been undertaken. Extensive studies were completed in 1938 and 1939 and various economies implemented. With the advent of the war, additional adverse factors caused difficulty at East Chicago, particularly in connection with lead and zinc pigments. While the war was actually in progress, little could be done to change the situation. With the war over, however, late in 1945 and the first months of 1946 various studies were undertaken.

As you know, the American Smelting & Refining Company were again approached in late 1945 and in 1946 concerning a toll arrangement for the treatment of our Tooele bullion along with their own at Omaha. These negotiations led to Mr. H. Y. Walker's proposal of May 1, 1946 which proved to be very attractive to us.

Under the terms of A.S. & R.'s proposal, the International Smelting & Refining Company's average refining charge per ton of bullion was estimated at that time to be \$8.10 as compared with a cost of approximately \$20.00 for East Chicago during the months of April and May 1946. A study by the East Chicago staff indicated that drastic economies would probably result in a \$12-\$14 per ton cost for refining. Since increased labor costs were anticipated, East Chicago would probably have averaged approximately \$14 instead of the lower figure.

N11323

PNYC00C08778

FOR EXHIBIT "B", KINDLY SEE MR. LAIST'S

FILE: ECP-3E

PNYC00008779

Mr. Laist in his report dated May 10, 1946 analyzed the situation in great detail. (See Exhibit "B"). In connection with pigments, several discussions were had during the early months of this year and the situation was outlined in my letter of January 15th to Mr. Laist and again on May 6th to Mr. C. F. Kelley. At that time pigment prices were very low compared to the market prices for lead and zinc metals. In addition, the allocation of lead and the continued short supply of secondary zinc made it very difficult to operate the zinc oxide and white lead plants at a profit. Even anticipating the elimination of O.P.A., the outlook for 1947 was not very encouraging.

Additional data with reference to the East Chicago situation is furnished by a group of studies and reports. The most important of these are tabulated below and copies are attached for ready reference:

- Exhibit 1. Data on an Electrolytic Lead (Betts) Refinery at Toeale.
- Exhibit 2. Supplementary Information Regarding Betts Refinery at Toeale.
- Exhibit 3. Estimated Construction and Operating Costs for a Betts Refinery at Toeale.
- Exhibit 4. Estimate on New Money Operating Cost of a Betts Plant at East Chicago.
- Exhibit 5. Estimated Cost of Building a 2500 Ton-Per-Month Betts Refinery at East Chicago and Engineering Details.
- Exhibit 6. Comparison of Parkes and Betts Process Costs.
- Exhibit 7. Analysis of Lead Refining Costs by Accounting Department at East Chicago.
- Exhibit 8. Bullion Metal Recoveries 1940-1945.
- Exhibit 9. Discussion of Overhead Costs by Mr. Laist.
- Exhibit 10. Breakdown of East Chicago Overhead Expenses by Mr. G. E. Johnson.
- Exhibit 11. Further Discussion of Overhead Costs.
- Exhibit 12. Outline of Terms by AS&R for Treatment of Toeale Bullion.
- Exhibit 13. Bismuth Cost Data.

PNYC00008780

- Exhibit 14. Lead Bullion Refining Costs 1936-1945 Inc.
- Exhibit 15. East Chicago Lead Refining Repair Costs 1936-1945 Inc.
- Exhibit 16. R. G. Bowman's Proposals to Reduce East Chicago Overhead Costs.
- Exhibit 17. Comparison of Cost of Producing Refined Bismuth by AS&R at Omaha and East Chicago.
- Exhibit 18. Reduction in Ventilation Costs Provided Betts Plant Built at East Chicago.
- Exhibit 19. May 15, 1946 Estimate of Parkes Process Refining Costs at East Chicago.
- Exhibit 20. Additional Estimated Refining Costs for East Chicago.
- Exhibit 21. Bullion Treatment Comparisons Omaha vs. East Chicago.
- Exhibit 22. Additional Bullion Treatment Comparisons Omaha vs. East Chicago.
- Exhibit 23. January-April 1946 Including Costs of Refining East Helena and Tooele Bullion at East Chicago.
- Exhibit 24. Bullion Metal Recoveries at East Chicago 1940-45 Inc.
- Exhibit 25. Additional Estimates by R. G. Bowman Regarding East Chicago's Future Refining Costs.
- Exhibit 26. Revised Comparison of East Chicago By-Product Treatment Costs.
- Exhibit 27. Comparison of Cost of By-Products Treated at East Chicago, Omaha and Tooele.
- Exhibit 28. Cost of Recovery of Bismuth Through Omaha Compared to Recovery by White Lead Plant.
- Exhibit 29. Metal Payments Omaha and East Chicago.
- Exhibit 30. Estimated Cost of Construction of Parkes Process Refinery at Tooele.
- Exhibit 31. Cost to Shut Down East Chicago Refinery.
- Exhibit 32. Muffle Zinc Oxide Costs East Chicago.
- Exhibit 33. Relation Between Pigment Prices, Metal Prices and Profit
- Exhibit 34. White Lead Plant Operating Cost Estimates.

Discussions were continued in May and June, and these clearly indicated that our Company would not again have an excess of lead and zinc metals which could be advantageously marketed as pigments in place of the metals. This was the exact reverse of the situation that existed when in each case we started to produce white lead and later zinc oxide. On May 22, 1946, final decision to shut down and liquidate East Chicago was made.

Between June 1st and 3rd notices were sent to all pigment customers that East Chicago would discontinue operations as soon as raw materials were used up and warehouse stocks sold and shipped. Lead and Bismuth customers were not involved because the arrangement made with AS&R called for delivery to Anaconda. Sales of lead and bismuth metals in time to continue shipments to customers in the usual way.

In early June it was also decided to seek a buyer for the East Chicago Plant and acreage adjacent thereto. After discussion, it was agreed that we would retain all equipment and operating supplies in the East Chicago Plant and only liquidate raw materials and finished products in order that the plant could be sold in condition to operate. Our Engineering Department was authorized to make an appraisal of the machinery, buildings, equipment and real estate. This was completed in great detail, the summary of which is as follows:

	Original Cost	Replacement Cost (New)	Value as is
	\$	\$	\$
All Buildings	1,376,450	2,116,850	966,940
All Equipment	1,361,066	1,901,095	689,890
Services	251,114	388,936	145,812
Total without Land	2,988,630	4,406,881	1,802,642
Value of Land as estimated by Mr. Boschen			
62.615 acres @ \$3300 per acre -			206,630
Total value of land plus buildings, etc.			\$2,009,272

Two additional reports marked "Exhibits 'C' and 'D'" give details concerning the liquidation of personnel at East Chicago. It is also of interest to note that during the operating life of the East Chicago Plants the following items were produced for sale:

	Lead Refining 1912-46	White Lead 1920-46	Zinc Oxide 1921-46
Bismuth lbs.	3,442,544	348,969,200	908,627,800
Tin "	75,054	lbs.	lbs.
Lead "	3,234,534,089		
Antimony "	31,105,317		
Copper "	1,803,523		
Silver ozs.	151,863,616.60		
Gold "	664,421.166		

Shortly after public announcement of our shutdown was made, representatives of various companies approached both the East Chicago Plant and my office relative to purchasing our facilities. By late July, East Chicago had completed operations and were cleaned up enough to receive visitors interested in studying our plants with a view to making a bid for our facilities. During July and August discussions in New York City and East Chicago were carried on with the following companies:

Calumet Iron and Supply Company
 U. S. Reduction Company
 Pennsylvania Railroad Company
 Chromium Mining & Smelting Co.
 American Zinc, Lead & Smelting Co.
 A group of International Smelting & Ref. Co. employees
 Eagle-Picher Company
 Gardiner Metal Company
 Goldsmith Bros. Smelting & Refining Co.
 National Lead Company
 Metal & Thermit Corp.
 Nicholson, Porter & List
 Chemical Service Corp.
 Capitol City Wrecking Company
 Northern Indiana Public Service Corp.
 Weiss & Weiss
 Hugo Neu
 Chicago Association of Commerce
 Consolidated Products Co., Inc.
 Ethyl Corporation
 Hart & Whetstone Real Estate

Representatives of practically all of the above companies visited East Chicago at least once and, in some cases, several times.

Numerous proposals were made by representatives of the above companies, all of which clearly indicated that our original idea was sound and that we could expect to receive more for the facilities at East Chicago if we could find a buyer who would use

PNYC00008783

the plants for the production of lead and zinc pigments and at least treat secondary lead products in the refinery. These considerations reduced our active list of prospects to the following:

1. American Zinc, Lead & Smelting Company
2. A combination of a paint company with Calumet Iron & Supply Co. and U. S. Reduction Company
3. Eagle-Picher Company
4. National Lead Company

By the middle of August, it had become apparent that neither the American Zinc nor the Calumet Iron combination would pay approximately 50¢ on the dollar for the value of the plant and the land as it then stood and as shown in the appraisal summary of \$2,009,272. Discussions among our own officials had previously developed the opinion that even after allowing for the parts of the plant that hardly any purchaser would be able to use, that nevertheless the plants should be worth between \$800,000 and \$1,000,000.

Discussions with Mr. Howard Young of American Zinc developed an offer of \$500,000 as being their top price. Mr. Weinstein of Calumet Iron indicated that he might go as high as \$450,000 but no higher. These offers were logical since American could not use the lead refinery to any extent and Calumet Iron intended to scrap much of the plant or else lease it out to others.

Discussions with the National Lead and Eagle-Picher Companies were followed by several inspection trips to the plant by members of each organization. By the middle of September, it was evident that the Chicago group of the National Lead Company were most anxious to acquire the plant, although their interest was not duplicated by the New York officials of National. On the other hand, the Eagle-Picher Company having recently sold their Cincinnati, Ohio Plant, were very seriously interested in using our East Chicago facilities as a substitute. After conferences in New York and later in Cincinnati, an agreement was made between International Smelting and Eagle-Picher which was signed on September 27, 1946 with the provision that Eagle-Picher would take possession as of October 1st. (See Exhibit "E")

The Agreement with Eagle-Picher provided for payment of \$800,000 for the appraised items and in addition the purchase of certain raw materials, 10 acres of land and operating inventories with a final total after checking inventories, weights and assays of \$990,712.26. (See Exhibit "F")

Mr. J. R. Hobbins

May 22, 1947

-7-

Prior to making the Eagle-Picher agreement, the old Blast Furnace slag pile was sold to the Baldwin-Hill Company for \$20,000. This addition makes a total of \$1,010,712.26 for the East Chicago properties in addition to what was realized from the sale of metal and pigment inventories.

Respectfully submitted,

F. O. Case

F.O. Case:Mc

PNYC00008785