Monsanto

FROM (NAME & LOCATION) St. Louis - General Offices

DATE April 8, 1970

SUBJECT PCB DISPOSAL

REFERENCE

TO : H. S. ~~Bergen~~ - HBERG

cc: P. G. Benignus - PBENI
A. J. Koenig - AKOEN
D. A. Olson - DOLSO
W. B. Papageorge - WPAPA
W. R. Richard - WRICH

In your memo to Bill Papageorge you state that "...we will have to have some volume of pay-out on a capital investment ..." on our disposal business. While this is true, we need to be more explicit as to what we must pay for. There are two approaches to determining this which can be made financially equivalent:

1. Capitalize as a cost center on which direct ROI is expected. Show revenue from disposal fees as part of Income from Sales. Set the fee high enough to cover operating cost, depreciation and SARE, plus an acceptable profit.

2. Capitalize as back-up capital for Aroclor production. Show revenue from disposal fees as an offset against COGS. Set the fee to cover operating cost and depreciation. Adjust pricing of Aroclor products to achieve a return on the additional capital.

Note that while in both cases the consumer pays Monsanto the same amount of money, he is more likely to actually return the Aroclor for disposal in the second case.

J. R. Savage

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