

UNITED STATES PACIFIC FLEET  
HEADQUARTERS OF THE COMMANDER IN CHIEF

FF1-1  
4330  
Ser 14/

088

19 JAN 1959

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From: Commander in Chief U. S. Pacific Fleet  
To: Chief of Naval Operations

Subj: Micronesian Metal and Equipment Company, Incorporated (U)

Ref: (a) CNO spdltr Op-215/mlr ser 4628P21 of 10 Nov 1958 (NOTAL)  
(b) CINCPACFLT spdltr FF1-1 A9-4 ser 14/4502 of 15 Nov 1958 (NOTAL)  
(c) ADMINO CINCPACFLT msg 072058Z Jan 1959 (NOTAL)

Encl: (1) CINCPACFLT ltr FF1-1 7200 ser 14/2 of 2 Jan 1959  
(2) President Micro Metals ltr of 9 Jan 1959  
(3) Summary of Micro Contract History  
(4) Charter and By-Laws of the Micronesian Metal and Equipment Company, Inc.  
(5) Contract between Micro Metals and the High Commissioner dated 30 November 1951 (Contract Number TT 17)  
(6) Supplemental agreement to Contract Number TT 17 (Contract Number TT 17A) executed 3 December 1951  
(7) Supplemental agreement to Contract Number TT 17 (Contract Number TT 17B) executed 13 August 1953  
(8) Contract of 10 November 1955 between CINCPACFLT and Micro Metals  
(9) Micro Metals ltr of 9 Feb 1953 to CINCPACFLT  
(10) NAVAD SAIPAN CONF msg 091021Z JAN 1959  
(11) COMNAVMARIANAS CONF msg 100126Z JAN 1959  
(12) ADMIN CINCPACFLT CONF msg 112206Z JAN 1959 } in msg folder  
(13) COMNAVMARIANAS CONF msg 140625Z JAN 1959 }

*in Charter Contract folder*

1. Reference (a) stated that Saipan Quarterly Reports showed that Micro Metals continued to ship scrap from Saipan despite mounting indebtedness to the Government and requested advice as to what steps were being taken or contemplated to liquidate these obligations and to insure prompt payments for future shipments. Reference (b) provided an interim reply and stated that the Chief of Naval Operations would be advised further after decisions had been reached on these matters.

2. As a result of the conferences and discussions referred to in reference (b), it was ascertained that the Contractor owed in excess of \$50,000.00 to the Government in unpaid royalties, that the Contractor owed approximately \$25,000.00 in unpaid wages to residents of the Saipan District and that the Contractor owed approximately \$4,600.00 in accounts due Saipan District merchants. Payment of these obligations by Contractor was requested by enclosure (1). Enclosure (2), in reply, acknowledges the past due royalties and salaries, states that Contractor is unable to settle his accounts at this time and offers a proposed plan for contract continuation.

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3. The Commander in Chief U. S. Pacific Fleet has been aware of the mounting indebtedness to the Government and has continued the contract only for the reasons that, until very recently the Contractor's payroll to the Saipan residents has represented a major contribution to the economy of the area, and that the pursuance of the contract has resulted in the cleanup of the areas concerned. It has also been hoped that an improvement in the world scrap market situation would allow Contractor to settle past due royalty payments. It is also known that the High Commissioner of the Trust Territory of the Pacific Islands has allowed the Contractor to continue operations within his area of responsibility for the same reasons and that the Contractor has an overdue account of approximately \$90,000.00 due the High Commissioner. *\$120,000.00  
10/1/50*

4. For the benefit of the Chief of Naval Operations, the history of the Micro contract has been summarized in enclosure (3) and copies of the most pertinent documents in connection with the contract have been enclosed as enclosures (4) through (9).

5. By reference (c) the Naval Administrator, Saipan, was requested to compile and forward a complete recapitulation of all transactions under the contract and other pertinent data in connection with the activities of the Contractor in the Saipan District. It is anticipated that this summary will be received in the very near future and it will be forwarded as detailed backup data for the overdue accounts generally discussed in paragraph 2.

6. The assets of the Contractor on Saipan consist only of contractor equipment and supplies plus an unknown amount of scrap prepared for shipment. Contractor has informally stated that the equipment represents an expenditure of approximately \$100,000.00. The Naval Administrator, Saipan, estimates, however, that only about \$5,000.00 could be realized by a liquidation of this equipment on an "as is, where is" basis.

7. NAVAD SAIPAN, by enclosure (10), stated that he intended to initiate court action on Saipan to protect the interests of the Saipanese creditors. The Commander U. S. Naval Forces Marianas, by enclosure (11), requested the comments of CINCPACFLT. Enclosure (12) was sent with the full realization that it opened the door for individual creditors, acting singly or together, to obtain preferential treatment. Enclosure (13) passed this information to NAVAD SAIPAN.

8. CINCPACFLT contemplates termination of the existing contract for breach of contract by Contractor. It is considered that the proposal offered by Contractor in enclosure (2) is too little and too late and that consideration of it would result only in the continuation of the existing situation. Although it is doubtful that the Corporation has sufficient assets to satisfy claims against it, it is CINCPACFLT's

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DECLASSIFIED UPON REMOVAL OF ENCLS (10) THROUGH (13)  
BY CNO MSG 061949Z FEB 1959 (OP-215)

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belief that a breach of contract action should be brought against the Corporation thereby judicially terminating the contract and at the same time establishing the balances due. Since the only known assets of the Corporation subject to attachment are located in Saipan, it is suggested that action be brought in the courts of the Saipan District. It is requested that the Department ascertain whether the Department of Justice would undertake such an action, or, in the alternative, authorize the Department of the Navy to maintain the action.

RECEIVED  
NAVY DEPARTMENT  
OPNAV CENTRAL MAIL ROOM  
22 JAN 1959

*H. G. Hopwood*  
H. G. HOPWOOD

Copy to:  
JAG (with enclosures)



Log. No. 36461  
Case No. 1-1