

Office Memorandum • UNITED STATES GOVERNMENT

TO : OP-02

DATE: 3 February 1959

FROM : OP-215

VIA : OP-02B *has per*

SUBJECT: Micronesia Metal and Equipment Company, Incorporated

Encl: (1) Proposed JAG ltr to Department of Justice
(2) Proposed msg to CINCPACFLT

1. The Micronesia Metal and Equipment Company was incorporated in the Trust Territory of the Pacific Islands on 30 November 1951.
2. The Company is currently engaged in recovery of scrap metals in the Saipan, Yap, Palau and Truk Districts of the Trust Territory of the Pacific Islands. It has a business office on Guam and in California, the latter being the main office where the principal records of the corporation are maintained. The corporation sells ferrous and non-ferrous scrap in Japan and the United States.
3. The corporation is now insolvent, being unable to meet its current obligations. Its principal known debts consist of royalties due to the High Commissioner (\$140,000) and CINCPACFLT (Saipan District \$52,694), wages due to Saipanese employees (\$25,000) and book accounts with local merchants (\$4,600). The known assets consist of equipment (\$20,000) and a small amount of scrap on Saipan, and several thousand tons of scrap in the balance of the Trust Territory.
4. The President and sole stockholder is Mr. Bruce Aitchison, formerly of Encino, California and currently living in Rockville, Md.
5. Since 1953 the corporation has shipped 61,680 tons of scrap on which it has paid \$378,961.36 in royalties. An additional \$52,693.51 was reported as due and payable on 31 December 1958. More royalties may have accrued since this date on last fall's shipments. The last substantial royalty payment was made in the last quarter of calendar 1957.
6. The total royalty payments to the Government of the Trust Territory (Interior and Navy) exceed \$1,200,000. Income to the corporation is estimated to exceed \$10,000,000. There is no information available at this time upon which to base an estimate of the corporation's costs, but Mr. Aitchison advises that he has invested, and lost, over one million dollars in cash in this venture. There is no record of withdrawals made by Aitchison.
7. Mr. Aitchison has proposed that royalties be reduced retroactive to 1955 as market conditions and unanticipated casualties have made what appeared at that time to be a profitable arrangement into a losing one. This proposal has not been acceptable to the contracting officer, CINCPACFLT.
8. Saipanese creditors (merchants) filed suit against the corporation in Saipan on 19 January and attached corporate assets. Concurrently CINCPACFLT referred the

question of future action to CNO recommending the institution of a breach of contract action by the Navy directly or through the Department of Justice.

9. The CINCPACFLT letter was referred to JAG for comment. Enclosure (1) is a proposed JAG letter to Justice officially referring the question to them for action. It is recommended that this draft be approved.

10. Mr. Aitchison is demanding a conference with CINCPACFLT to discuss the matter and repeat his request for a new contract. It is believed that this conference should be held simultaneously with a creditor's conference attended by representatives of all interested parties, Justice, CNO, COMNAVMARIANAS, the High Commissioner, and NAVAD Saipan so that a uniform course of action can be taken to protect all creditors and salvage as much as possible. Enclosure (2) advises CINCPACFLT and the other interested parties of the reason for the proposed conference.

Very respectfully,


C. B. MILLER
Commander USN

Capt Aitchison, JAG nothing Rabin Memos approval of his ltr - 1045 4 Feb 59 [initials]