

29 January 1959

MEMORANDUM FOR THE RECORD

Subj: Scrap metal recovery on Saipan by Micronesia Metals and Equipment Company; conference on

Ref: (a) Conference of 29 January 1959 on above subject

1. At 1030 on 29 January 1959 a conference was held in Room 4E475 with the following persons present:

Mr. Bruce Aitchison, President Micronesia Metals & Equipment Co.
 CDR C. E. MILLER (OF-215)
 CDR C. E. HERRICK (OF-215B)
 CDR R. E. MORTENSEN, Prospective Naval Administrator, Saipan

This conference was convened at the request of Mr. Aitchison, the President and sole owner of MICRO, to discuss the financial problems of subject company and their plans for meeting these problems. Mr. Aitchison was advised by CDR Herrick prior to the meeting and at the commencement of the meeting that CINCPACFLT was the contracting officer and that problems should be discussed with him and that action would be taken only by him or with his concurrence. With this fully in mind Mr. Aitchison requested that the conference be held.

2. Mr. Aitchison related the history of the company and its success prior to 1956 when a series of events, explained by him as the result of poor management in the field and the squeeze of the lower prices of scrap and high royalties payments, caused the financial condition of the company to deteriorate. He blamed himself, in a way, for not supervising more closely and explained that he had invested more than a million dollars in cash in the company plus an additional seventy-three thousand in the past year. He enumerated difficulties with his purchasers in Japan alleging that they arbitrarily refused his scrap, imposed penalties for explosives, improper grading, and unprepared scrap, and did not keep their word in furnishing a letter of credit on the most recent sale.

3. Mr. Aitchison claimed to have had no knowledge of the fact that Saipan labor was not being paid until late 1958 and that he had no written notice of this condition until last week. He deplored the fact that the Saipanese were not paid. He produced some financial exhibits but these were very incomplete and inconclusive.

4. Mr. Aitchison proposed early action to either terminate the contract and liquidate or to renegotiate the contract giving him retroactive relief in the form of reduced royalties and also a share in future profits along with the government. Under this plan he would share in profits prior to the liquidation of the reduced accrued debt. He claimed to have a source of

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working capital in the form of a loan. He says his personal bank account is down to five thousand dollars, but did not say what other assets he has and was not asked. He had only a rough idea of the assets or obligations of MICO.

5. Mr. Aitchison did not explain where the million dollars that he put in had gone and the limited figures that he produced do not show losses or potential losses attributable to the scrap operations of anywhere near this amount. Mr. Aitchison did not mention the fact that he was the Saipan agent of the purchaser and that he, as an individual, received a royalty of one dollar per ton.

6. The proposed reorganization was presented as having the full concurrence of the High Commissioner. Mr. Aitchison proposes that he personally closely supervise the operations.

7. Much of the conference was consumed by narrations of other losses suffered by Mr. Aitchison in various ventures.

8. It was apparent from the conversation that MICO is insolvent, that the assets of the company, consisting of operative equipment and prepared scrap are insufficient to pay the outstanding obligations, though they may be sufficient to pay the Micronesian employees and the costs of liquidation. Continued operation of the company would, if the scrap market holds firm, probably produce enough income to discharge all obligations and possibly give Aitchison some return. Mr. Aitchison's frequent failures in business ventures, his lack of specific information on this company, and his very nebulous plans to meet what he knows to be a critical condition, makes it most undesirable for him to participate in the operations or management in any way during any receivership.

9. It was equally apparent that the only way the government can be paid the royalties due it, is to put the company in receivership, marshal the assets, dispose of those not necessary to the operation, and continue operations on a decreased scale until the debts are paid.

10. Mr. Aitchison was advised that he should prepare and make available a complete set of all financial records of the MICO Metals & Equipment, including documents covering scrap shipments, for CINCPACFLT. After CINCPACFLT has had an opportunity to review the company's operations and records, he would then be in a position to discuss any proposals Mr. Aitchison planned to make. Mr. Aitchison was again advised that discussions with CINCPACFLT were essential to the resolution of the present situation and that he should make arrangements accordingly.

E. MILLER, CDR, USN

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