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AKRO Commodities Corporation, 'Proposed Outline of Relationship with Republic of Korea on Scrap Disposal'

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Summary:

Proposal sent through John W. Staggers to invest in four smelting plants in Korea for processing scrap.

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PROPOSED OUTLINE OF RELATIONSHIP WITH REPUBLIC OF KOREA ON SCRAP DISPOSAL

Reference is made to the original submission, in reference to the subject, made by the AKRO Commodities Corporation to the Republic of Korea through Mr. John W. Staggers, a revised copy of which is attached hereto and made a part hereof. This proposal, in light of Mr. Staggers' recent trip to the Republic of Korea, has been examined and reconsidered in order to provide practical conformity to the present requirements, both economic and physical, existing in the Republic of Korea. These requirements appear to be:

(1) A shortage of transportation facilities, thereby requiring the reduction of scrap to maximum economic size for minimum transportation requirements.

(2) The inability of the Republic of Korea at this time to make available any of its scarce monies for the employment of labor or processing of scrap material.

(3) The diversion by the U. S. Armed Forces of considerable valuable non-ferrous scrap from the use and control of the Republic of Korea.

In light of the foregoing, we are revising our program to permit the following positive steps to overcome the obstacles previously stated:

(1) The establishment of central collection areas and planning of smelters placed in such areas for the specific purpose of overcoming the transportation difficulties and providing for strategic reduction of material in a manner calculated to make maximum use of transportation available.

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(2) The accomplishment of the foregoing by the availability of private capital (U. S. dollars) to purchase and acquire smelting plants and machinery necessary, compensate technical and scientific personnel and pay directly the large numbers of Korean labor essential to a gathering and processing program.

(3) The initiation of this program at the earliest possible moment in order to minimize the diminution of scrap assets by immediately salvaging the easiest processible non-ferrous scrap, such as brass shell casings and other non-ferrous materials. In this instance, failure to act in the near future would result in a possible elimination of these highly desirable materials as items of value in the Korean economy. It is not the purpose of this presentation to restrict itself to the reduction of non-ferrous metals. However, because of the comparative ease in the utilization of these commodities, this category does present the most immediate high dollar return. AKRO has spent considerable time analyzing existing available smelter machinery in order that they might ascertain the furnaces that are best suited to this program in Korea. A final conclusion in this regard would necessarily be deferred until an on-the-spot appraisal of the picture in Korea has been made. But on the basis of information now available it is the considered opinion of AKRO that reverberatory non-crucible type oil-fired furnaces present the most feasible production avenue. These furnaces operate on a rocker-type principle, and are susceptible of operation with a minimum of mechanical assist and consequently become almost self-sustained from an operational standpoint in areas where central power units and central power is unavailable, which,

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according to our understanding, is true of most Korean areas. The advantages accruing to this type of equipment are many. High on the list are:

(1) Elasticity of operation. This type of furnace can be erected in a reasonably short period of time in almost any area.

(2) Portability of equipment. This type of furnace is easily movable as circumstances require from one area to another, thereby permitting multiple operation at minimum expense.

(3) These furnaces can be operated singly or in battery, as circumstances require. We propose to start with a minimum of four furnaces, although the program at peak can require 10 or more furnaces.

The pattern of priority controls now being considered by the Office of Defense Mobilization of the U. S. Government makes it imperative that AKRO Commodities Corporation obtain early contract commitments from the manufacturer for the assured future delivery of the equipment above described. In order to accomplish this fact, it is necessary for the AKRO Commodities Corporation to place substantial money deposits with the manufacturer and such procedure is not justified unless it is indicated by the Republic of Korea that, in principle, the program proposed is both feasible and practicable. Necessarily, the contractor will require some safeguard assurances before the initiation of a large-scale operation. Among these will be:

(1) Assurance of the availability of necessary transportation facilities which will be held to a minimum and determined in conjunction with the appropriate officials of the Republic of Korea.

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(2) Period of orientation in which the contractor and his supervisory personnel are enabled to make an accurate appraisal of material involved and an orderly program of conversion to get an evaluation of productivity and the evolvement of proper and practical working techniques. During the period aforementioned, which it is estimated would be approximately of six months' duration, it will be necessary for the Republic of Korea to permit the contractor to gather, segregate and dispose of such material as is economically feasible with reference to initiating smelter operations at peak productive capacity. At the expiration of such period, when the smelter operation is ready for initiation, then the Republic of Korea shall provide the contractor with such building structures as are necessary for the carrying out of the furnace operation.

The contractor proposes to provide the Republic of Korea the following:

(1) The conversion of an inert asset into dollar credit by an orderly program of collection, segregation and sale of dormant scrap.

(2) The contractor proposes to furnish and at his own expense compensate all technical engineers and direct Korean labor essential to the carrying out of this undertaking.

(3) The contractor proposes in the initial period of this relationship to provide such auxiliary machinery, including trucks, as is necessary to the gathering and segregation and to acquire such machinery from its own fund.

(4) In the event that the 4 months' preliminary period confirms the present conclusions that smelters are warranted, the contractor

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proposes to provide such smelters in such amounts as appear to be economically necessary to the successful carrying-out of the program.

In order that there be no misunderstanding to the above, it is respectfully pointed out that the contractor will require reimbursement for out-of-pocket expenditures from the sale of the products involved and that any agreement will specifically set forth this understanding. However, in order to afford the Republic of Korea maximum assurance regarding the contractor's intent and ability to perform, the contractor is willing to furnish a bond warranting his ability to furnish the material, including but not limited to trucks, boilers, presses, cranes, and all other necessary equipment, essential to the carrying-out of this program, including the smelter operation. It is understood that the Republic of Korea will, in turn, provide the contractor with appropriate indemnification assurances for material purchased and monies laid out for the benefit of the Republic of Korea in the event of destruction or disaster occurring by acts of war or political upheaval.