

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., March 8, 1962.

HON. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: The Governor of the Virgin Islands, the Honorable Ralph Palewonsky, signed an agreement with a subsidiary of the Harvey Aluminum Company on February 8, 1962, looking toward that firm's locating an alumina plant on St. Croix. This agreement, about which you wrote on February 15, does contemplate a plant costing about \$25,000,000 to reduce bauxite to alumina; the alumina would be subsequently shipped to Harvey's plant at The Dalles, Oregon, for reduction to aluminum. The Legislature of the Virgin Islands ratified this agreement on February 19, 1962, which step was a prior condition to its becoming binding on either party.

Contrary to the information which you have received, this move was not made under my sponsorship, at my suggestion, or with my approval. I hasten to add, of course, that the foregoing statement does not imply any disapproval on my part, but simply that this was a matter wholly within the competence of the local government. Governor Palewonsky has kept me informed since negotiations with Harvey became serious last summer, but we both recognized that the decisions involved could and indeed must be made by the Virgin Islanders' own Governor and their elected representatives. This Department has long shared Governor Palewonsky's concern about the lack of sufficient industrial and commercial enterprises in the Virgin Islands to afford an adequate living to its population, but decisions on the type of industry to seek, the particular firms, and the specific details of an agreement, are all local matters.

As to whether the United States Government has given its approval to such a project, I would say "No" insofar as the specific agreement mentioned above relating to the project's location in the Virgin Islands is concerned. However, Harvey did enter into a still valid contract with the United States in September 1955 which, among other things, provides for the construction of a facility of this nature somewhere.

Regarding your questions 1, 2, and 4, we suggest that you may wish to ask these of the Defense Materials Service, General Services Administration, which is administering the subject contract, DMP-78, because that is the agency with complete, first-hand information on these matters.

You ask, in question 3, if there is any tax advantage to Harvey's locating in the Virgin Islands as opposed to locating in the United States. We assume you mean as opposed to locating "elsewhere" in the United States, since the Virgin Islanders are not only just as American as any other of our citizens, but probably need economic development worse than most of our other communities.

Insofar as local tax advantages are concerned, we would be unable to make any comparisons, since we take for granted that whatever alternative sites Harvey may have considered in the United States for its plant would also have involved considerable local tax concessions, in accordance with usual industry-attraction practices of many states and local communities. However, we do believe there are two potential financial advantages of a non-local nature which should be mentioned.

The first potential advantage is that should the United States import duty on alumina, now suspended, be reinstated, savings would accrue to Harvey through its not having to pay such import on this alumina. This result would follow from the fact that the Virgin Islands are outside United States Customs area.

The second, potential tax advantage of a non-local nature would materialize if Harvey (a) invests at least \$15,000,000, (b) produces at least 50,000 short tons of aluminum, and (c) has a net profit on operations in the Virgin Islands. Under such circumstances Harvey would pay, constructively although this would not be the precise technical position, an income tax which would be but 25 percent of the Federal income tax it would pay were it to locate in the mainland of the United States.

Lastly, you ask if the contract were approved by Interior would it have been done on the basis of need for increased facilities for producing aluminum. Of course Interior has not and will not approve the contract for location in the Virgin Islands. If this contract were subject to our approval we would not have given such approval on the basis of present need for more aluminum facilities. We would have referred a decision on such a limited basis to the Office of Emergency Planning, even though we are well aware that there seems to be no need at the present time for increased facilities for producing aluminum. However, this proposed plant will only produce alumina, replacing that which is presently being purchased abroad, and will not increase at all Harvey's capacity for producing aluminum.

If, however, you are referring to the contract executed in September 1955, while Interior was not involved in such contract, it is our understanding that it was entered into by the United States because of the then existing or anticipated need for increasing facilities for producing aluminum.

Sincerely yours,

STEWART L. UDALL,
Secretary of the Interior.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., May 2, 1966.

HON. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: Your letter of April 4 requests information concerning Government purchases from the Harvey Aluminum Company, now known as Harvey Aluminum (Incorporated), during the past 15 years. We believe you have reference only to those purchases with respect to which General Services Administration has cognizance, and the information contained herein has been prepared accordingly.

Aside from the possibility of routine supply contracts covering aluminum extrusions which, in any event, would have been on a competitive bid basis and with respect to which we doubt that you have any interest, there have been only two contracts with the Harvey Company during this period. One of these contracts was evidenced only by a Letter of Intent issued December 19, 1950 and accepted by Harvey on January 4, 1951 providing for the construction of primary aluminum reduction facilities in Kalispell, Montana with alumina facilities at a point to be determined in the Northwest and bauxite facilities, capable of producing 72,000 short tons per annum of primary aluminum, the Government agreeing to purchase if