

Contract Profits George Humphrey Firm

Government Faces \$13 Million Loss In Nickel Stockpile Sale to Hanna

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The Federal government is likely to sustain new losses of \$13 million as a result of its controversial Korean War contract with former Treasury Secretary George M. Humphrey's Hanna Smelting Company.

The General Services Administration said yesterday that the company has contracted to buy back at the current market price of about 70 cents a pound the same surplus nickel it started selling the Government more than a decade ago at 90 cents a pound.

John Harlan, director of the GSA's Defense Materiel Service, said the transaction is part of GSA's effort to dispose of 280 million pounds of surplus nickel.

Hanna, said by GSA officials to be the only nickel producer in the United States, has agreed to take 39 million pounds over the next four and a half years



GEORGE M. HUMPHREY
... former Treasury Secretary

and has an option to buy an additional 25 million pounds.

If the company takes the entire 64 million pounds at an average price of 70 cents, it will pay \$44.8 million for a load of nickel it sold to

the government for about \$57.6 million in the 1950s.

Hanna got into the nickel business in 1953 at the request of the government to meet Korean War requirements for ferro-nickel, a hybrid metal derived from iron and nickel ore. It is used to make stainless steel.

The company at that time was headed by Humphrey, who became Secretary of the Treasury a few days after the nickel contract was signed.

Under the contract, the government loaned Hanna \$22 million to build a nickel processing plant. The plant was later sold to the company at the depreciated price of \$1.7 million.

From 1954 to 1961, the output from this plant went into the government stockpile. The average price paid by the government was 90 cents a pound, Harlan said, compared with an average

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price of 62 cents on other stockpiled nickel.

The price said to Hanna was inflated, Harlan said, but it included a sufficient margin to permit the company to amortize the cost of the \$22 million plant.

Harlan was sharply critical of the original Hanna contract when he testified in 1963 before the Senate stockpile subcommittee headed by Sen. Stuart Symington (D-Mo.). He said it provided Hanna with one of the most beneficial arrangements he had ever encountered.

Symington was also critical of the contract and accused former Secretary Humphrey of earning from it "300 per cent profit and windfalls as against costs with no risk on his part whatever." Humphrey angrily denied the charge.

Harlan, who said he still disapproves of the original

Hanna contract terms, predicted that overall the government will make a profit on its nickel disposal program.

On Feb. 5, contracts were signed for sale of 184 million pounds of the surplus. Besides Hanna, the buyers—all Canadian companies—were Sheritt-Gordon, International Nickel and Falconbridge Nickel, Ltd.

The Canadian companies will pay between 70 and 75 cents a pound for the nickel, Harlan said. This is well above the average cost of 62 cents on stockpiled nickel.

The only loss, he said, involves the nickel supplied and now bought back by Hanna. Hanna will make no new profits under the deal, according to Harlan. But the surplus from the stockpile will help the company meet the growing demand for its product.