

ADDRESS REPLY TO  
THE DIVISION ENGINEER  
(NOT TO INDIVIDUALS)  
NPDVE

CORPS OF ENGINEERS, U. S. ARMY  
OFFICE OF THE DIVISION ENGINEER  
NORTH PACIFIC DIVISION  
500 PITTOCK BLOCK  
PORTLAND 5, OREGON

REFER TO FILE  
NO.

26 September 1952

MEMORANDUM

SUBJECT: Haines-Fairbanks Pipeline.

TO: The Chief of Engineers, Corps of Engineers, Department  
of the Army, WASHINGTON 25, D. C.

Attention: General Hardin

1. In February 1952, it was decided that the Haines-Fairbanks pipeline project would be advertised in June or July 1952 and awarded by September. Based on this schedule, it was planned to award a contract requiring a construction schedule to permit minimum throughput not later than December 53 and final completion during the construction season of 1954. The planned schedule was not met because of delays in reaching inter-governmental agreements with Canada.

2. It now appears that the construction contract cannot be awarded earlier than December 52. Advertisement will probably be too late to permit careful inspection of the line by prospective bidders. Because of the steel strike the supply situation has worsened. NPA has now agreed to provide 42,000 tons of pipe on a mill delivery schedule of 7,000 tons per month beginning in January 53 and ending in June. If this schedule were met, the final delivery of pipe in Alaska would probably be in September 53. There is no assurance that this schedule will actually be met.

3. A construction schedule requiring minimum throughput by December 53 involves uncertainty and grave risk for the bidders and such uncertainty and risk probably would be reflected in inordinately high bids.

4. As suggested in our teletype to OCE, 9 September (NPDV 181-9), bids should be invited on two schedules, one for minimum throughput by December 53 with final completion the following year, and the other with completion by November 54 with no requirement for interim partial completion and use. Bids would then require evaluation with consideration of strategic value of earlier line use; economic value of earlier use based on cost differential between tanker and rail haul on the ~~other~~ hand, and tanker haul and pumping on the other; cost differential in the bids, and other possible major factors not known to MFD.

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MEMORANDUM  
TO: OCE

5. The disadvantage to the suggested method employing alternate bids is the time it probably will take to obtain a decision after bids are received as to which of the alternate bids to accept. However, there is no reason why a percentage, or preferably a lump sum evaluation of the worth to the Government of the December 53 beneficial use of the pipeline, could not be made in advance of bid opening. No additional factor contributing to the decision will be caused by the bid opening. If this decision is made known to NPD before bid opening, award could be made without reference to OCE.

6. It is therefore recommended:

(a) That bids be invited for the two alternate schedules discussed above.

(b) That OCE working through G-4, and possibly the Chief of Transportation, reach an early decision as to a proper premium to be paid for the earlier beneficial completion date provided in the first alternate discussed above.

*How much is it worth to  
Defense effort - should  
determine this in advance so as  
to not hold up discussion  
unnecessary.*

*E. C. Itchner*

E. C. ITSCHNER  
Colonel, Corps of Engineers  
Division Engineer

# DISPOSITION FORM

FILE NO. **WNCM** SUBJECT **Construction of POL Pipeline, Prinsvik, Alaska**

TO **ACE, 9-4** FROM **Col Ely** DATE **22 Sept 53**

1. Confirming informal advice furnished to Colonel Langford of your office in September 1953, the District Engineer, Alaska, has been instructed to withhold the issuance of bid invitations for the subject construction pending the receipt of clear approval for the project from the Canadian government.

2. This action has been taken with your concurrence at the request of the State Department. It had previously been planned to solicit bids on 20 September 1953 and to open bids on 5 November 1953.

3. The State Department is currently conducting negotiations with Canada with a view to reaching an international agreement on the pipeline project. However, the progress of these discussions has not reached a stage where it is possible to predict when the project may be released. It is understood that this can not be effected until a formal government to government exchange of notes has taken place and a final commitment of the project is made by the United States and Canada.

4. In view of the above, it appears impractical to meet the desired completion date of December 1954 without incurring excessive costs for suspension of construction under the FY 1954 MIL program. Waiver of this suspension requirement is accordingly requested, so as to allow a normal construction program to proceed over two construction seasons. Final completion would then occur in November 1954.

5. It is urgently requested that steps be initiated through Department of Army channels toward expediting action by the State Department so that any undue delay in initiating construction may be avoided.

FOR THE CHIEF OF ENGINEERS:

*Wm J Ely*  
**WM. J. ELY**  
 Colonel, Corps of Engineers  
 Chief, Military Construction Divisions  
 - Military Construction

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