

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 (NPDVV 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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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 at this time - should
determine the advantages in
front hold up discussion
normal.*

E. C. Itschner

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