

ARMY AIR FORCES
~~ENGINEERING DIVISION~~
AIR FORCE ENGINEERING COMMAND
ENGINEERING DIVISION
MEMORANDUM REPORT ON

SUBJECT: Conference Between Menasco Manu-
facturing Company and Wright Field
on 14 August 1947.

Date TSEPP/HPR/jam
10 September 1947

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OFFICE TSEPP9 Contract or Order No. _____
SERIAL No. TSEPP-506-220 Expenditure Order No. _____

A. PURPOSE:

1. To report on a conference held at the Power Plant Laboratory, Engineering Division, Wright Field, on 14 August 1947 to discuss the financial position of the Menasco Manufacturing Company and the ability of this contractor to undertake future development contracts on the gas turbine and the ram jet power plants.

B. FACTUAL DATA:

1. The conference was attended by the following:

- Mr. Donovan Tyson, Exec. V.P. and Gen. Mgr., Menasco Mfg. Co.
- Mr. Nathan Price, Director, Power Plant Section, Menasco Mfg. Co.
- Mr. Bruce McNeill, Contract Administrator, Menasco Mfg. Co.
- Colonel R. J. Minty, Chief, Power Plant Laboratory
- Colonel R. J. O'Keefe, Power Plant Laboratory
- Major John Bostick, Aero Equipment Section, Procurement Division.
- Mr. Weldon Worth, Power Plant Laboratory
- Mr. Neil Reichelt, Aero Equipment Section, Procurement Division
- Mr. Joe W. Moots, Service Section, Procurement Division.
- Mr. H. P. Barfield, Power Plant Laboratory.

2. Mr. Reichelt opened the conference with a brief statement as to the purpose of the meeting.

3. Mr. Tyson then discussed the contractor's financial position saying that the Menasco Manufacturing Company had until February of this year suffered from poor management and an ineffectual accounting system. During the last year the company has done an eight million dollar business with a loss of over two and one-half million dollars. Mr. Tyson stated that shortly after he took over at the Menasco Company the payroll was reduced by some \$200,000 per month. At present all bills incurred by the company after 1 July 1947 are being paid currently and all bills incurred before 1 July of less than \$1,000 have been paid off. The remaining obligations involving over 60 creditors and a sum of approximately \$500,000 to \$700,000 are now being liquidated at the rate of 10% per month. Mr. Tyson feels that,

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the company will make money during the next few months and will be in a position to ask for an extension on the Government V loan beyond the present due date of 7 September 1947. The Company should then also be in a position to ask for a loan from private concerns. Mr. Tyson stated that the company's strut business has picked up and that last month was the best month the company has had as far as this line was concerned. Menasco is now back in production on washing machines which is mostly an assembly job, and parts being manufactured by outside concerns.

4. Mr. Tyson stated that the Menasco Manufacturing Company is not in a position to undertake the additional obligations of a five and one-half million dollar ram jet and gas turbine development program which would necessitate the expenditure of some \$500,000 to \$600,000 per month before reimbursement could be received from the Government. Menasco does not have the cash available to undertake such a program and has no way of getting it. The ram jet program is a small item by comparison with the gas turbine program requiring a cash outlay of not more than \$80,000 per month. Mr. Tyson stated that Menasco would need approximately 1/4 million dollars in additional cash to conduct the development program in the manner desired by the AAF. He suggested that this money be advanced by the Government on the basis of their future development contract. This money would be kept in a separate account and would be used only in connection with these contracts. Mr. Moots stated that such an arrangement would not be approved at this time but that he had no objection to Menasco going to Washington to discuss this possibility.

5. Menasco expressed the feeling that they had no basis in view of their present financial picture to ask for an advance payment and they thought any discussion in Washington should be postponed until the company had made sufficient improvements to justify such a request. Menasco also felt that they should wait until they had the complete picture on the proposal which is to be made to Colonel Minky regarding this program by Mr. Gross of Lockheed on 4 September (later changed to 9 September). In the meantime the gas turbine and ram jet program would be carried out at the same rate of development as during the past year.

6. The point was brought up that Mr. Price does not have the patent rights on the gas turbine power plant. These patent rights are the property of Lockheed Aircraft Corporation by virtue of two years work (conducted by Mr. Price) prior to the first Government development contract at a cost of \$83,500. Lockheed has received no return to date on this investment. It was stated by Menasco personnel that according to the existing agreement Lockheed will have after 1951 all the background patent rights on the gas turbine and ram jet power plants.

7. Mr. Price stated that he had no financial interest in the gas turbine engine other than a very small royalty in the event commercial applications were found. Mr. Price also stated that the ram jet development was closely tied in with the gas turbine program both from a facilities standpoint and from a personnel standpoint.

8. Mr. Tyson brought up the question of Lockheed's taking over the gas turbine development program. He feels that such an arrangement would not be desirable since Lockheed was an aircraft concern and engine developments had never fared well when under aircraft companies. Mr. Price felt that should the development program be taken over by Lockheed he would not be in a position to exercise the control over the program necessary to carry out the desires of the Government. Both he and Mr. Tyson agreed that it would be far less desirable than bringing in an engine concern.
9. Mr. Tyson stated that the ideal arrangement would be to have a three-way agreement between Menasco, Lockheed and some engine company, each having an equal voice in the matter.
10. Mr. Worth suggested that Menasco was handicapped in negotiations for financing because they did not have the license rights for the commercial use of their engine.
11. Mr. Price stated that he would cooperate with the Government in any way possible in regard to this gas turbine development program and that he would go along with whatever the Government desires. He also stated that in the event that there was no other way out he would attempt to form a corporation to carry on this development. The question of an East Coast engine company taking over the development program was answered by Mr. Price with the statement that he and some of his engineers would be willing to go East for a time (2 years) to see the development finished but would want to return to the West Coast thereafter.
12. Mr. Price brought up a discussion of a facilities picture by stating that he had located an air facility much nearer the Menasco plant than the San Bernardino Base. The plant, a Government owned butadiene plant operated during the war by the Shell Oil Company, has nine compressors of 5,000 GPM capacity and an operating pressure of 60 lbs. per square inch. Mr. Price presented a possible arrangement using an I-40 combustion chamber and turbine in conjunction with this air source to obtain approximately 12,000 hp. This would supply power for compressor tests and at the same time would provide a source of air for ram jet testing. However, test cells would have to be built involving an expenditure of \$50,000.
13. Col. O'Keefe stated that he would not believe that this expenditure for test cells would be allowed in view of the present developments regarding facilities.
14. Mr. Tyson and Mr. Price pointed out the difficulties involved in moving the entire program to the San Bernardino Base on the basis that personnel involved, many of whom are property owners in the Los Angeles area, could not be expected to move to San Bernardino. A certain insecurity would also be involved with these individuals.
15. The question was raised by Colonel O'Keefe as to why Menasco had originally only asked for the test cells at San Bernardino but was now asking for the use of additional buildings was answered by Mr. Price to the effect that 60% of the production work on the ram jet development program involved outside procurement and that by obtaining the sheet metal shop and the large machine shop Menasco would be able to do this work themselves.

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16. Mr. Moots stated that the San Bernardino deal had been approved in principle but not in detail according to Colonel Payne.

17. Mr. Price said he was very much interested in obtaining a test facility nearer to the Menasco Plant.

18. Colonel Minty then stated that he definitely wanted the gas turbine program to continue and that he wanted Mr. Price to head it. Colonel Minty also stated that he would not make a decision on the matter until after he had talked to Mr. Gross of Lockheed and heard his proposal.

C. CONCLUSIONS:

None.

D. RECOMMENDATIONS:

None

Distribution:

- TSEPP
- TSEPR-2 ✓
- TSEPE ✓
- AC/AS-4 ✓

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Concurrence:

