Chapter 15
The Harvey intrigue

The federal government had expressed a legal opinion in 1945 and taken action in the next following years that showed its intent to break up the monopoly Alcoa held in the U.S. aluminum industry. But when the federal government provided World War II-surplus refineries, smelters and fabrication plants to Reynolds and Kaiser, it changed a monopoly into an oligopoly. Independent fabricating plants faced the brunt of the Big 3 when it came to acquiring ingot aluminum, and several joint ventures supporting fabricators eventually broke into the smelting business, starting in the 1950s. The first of these attempts to become a primary aluminum producer was made by the Harvey Machine Co., a metal fabricating firm operating in California that secured a site for a new aluminum plant in the Flathead Valley in Montana and negotiated a contract for the purchase of electrical power from the Bonneville Power Administration in 1950. The company also secured a certificate of necessity from the federal government, just as the Korean War began, which designated the proposed plant as a part of the U.S. defense industry and allowing depreciation of the plant for tax purposes within five years. [1]

The Harvey Machine Co.'s net worth was $9 million, company patriarch Leo Harvey told local reporters when the company's plans for an aluminum smelter in the Flathead Valley were first announced. His company's problem was that the Big 3 aluminum producers were not providing enough aluminum to independent fabricators like his company, he said. Harvey also noted that Kaiser and Reynolds had little experience making aluminum when the federal government gave them several war-surplus plants. [2] But by 1952, the cost of building a new aluminum plant had increased by a factor of 1.9 times over the cost in 1940, according to Carleton Green's 1954 history of the Pacific Northwest aluminum industry. Harvey also faced a steep uphill fight in Washington that he had not anticipated – a struggle to line up favorable electrical power rates and federal financing. [3] The bureaucratic politics in the nation's capital were only half the story – Harvey also faced rumors and innuendos from renowned columnists and even Congressmen as the story evolved from an intriguing but difficult proposal to an "affair."

Leo Mayer Horowitz or Leo Harvey was born in Lithuania or Latvia in 1885 or 1887, depending upon the source. According to one account, he was the Jewish son of a small-factory owner who fled Czarist Russia in 1905 because of his political activism. He worked for a while with a large toolmaker company in Berlin before heading to the U.S. in 1907. He attended the Cooper Union School in New York City and then found employment in 1910 with the Hot Point Electric Co. in Ontario, Calif. [4] In 1914, Harvey

hired two men and set up a mechanical business in Los Angeles. His small machinist shop prospered during World War I as it produced parts for the Curtiss "Jenny" airplane. After that, the shop found business machining brass and aluminum parts. [5] Harvey also manufactured, distributed and sold machines, tools, dies and metal products. In 1916, he filed a certificate of doing business under the name Harvey Machine Co. [6]

By 1920, the Harvey Machine Co. had more than 300 employees. Over the next two decades, Harvey's inventive prowess became evident as he took out numerous patents for specialized machinery and equipment, eventually leading to the peel-off, pop-top aluminum can. His clients included the Bendix Co., which used his automatic pilot-light, and the United States Steel Co., which bought a wiring-machine invention from him. During the Great Depression, while many industrial firms cut back work or closed altogether, the Harvey Machine Co. worked at full capacity. [7] The company developed numerous patented tools, processes and products, continuing to grow through the Great Depression and the early years of World War II. A new company, Harvey Aluminum, was incorporated in 1942. [8] Over the years, the Harvey Machine Co.'s products ranged from corsage pins to racing cars as it moved up to making specialized machinery. It was one of the largest such manufacturers on the West Coast during World War II. [9]

Leo Harvey married Lena Brody in California in 1911. The couple had three children – Homer, Lawrence and Carmen. [10] Lawrence Harvey learned about metalworking in his father's shop, completed school at the University of Southern California and Harvard Graduate School of Business Administration, and completed the bar exams by the time he was 23 years old. [11] In 1938, Leo formed a partnership with Lawrence, who by then had been employed with the company for 10 years. The company increased in size, particularly in manufacturing items out of sheet aluminum, aluminum forgings and tubular aluminum. [12] During World War II, the company met an increasing demand for aluminum aircraft parts and spread to four small plants. [13] By war's end, the company had grown from 500 to 1,700 employees, but business had dried up. At that point, the father and son team decided to move into basic metals. [14]

Breaking into the aluminum industry

Lawrence Harvey bought a war-surplus aluminum extrusion plant in Torrance, Calif., in 1946 and persuaded the rest of the family to follow him. The Harvey Machine Co.'s equipment was sold to finance the refurbishing of the Torrance plant. Like fabricators who had sued Alcoa before the war, the new company's biggest problem was finding a large enough source of aluminum. [15] Homer Harvey, who also attended the University of Southern California and enlisted in the Army during World War II, joined his father and

brother to grow Harvey Machine Co. into Harvey Aluminum. [16] In 1942 and continuing through 1957, Leo served as president, Lawrence served as executive vice president and chairman of the board, and Homer served as vice president. The company took on the name Harvey Aluminum in 1942 as a trade name and trademark in newspapers, magazines and other periodicals. [17]

The Torrance plant had started out as a war-time defense project. In 1941, the Reconstruction Finance Corporation financed the construction of a $7 million aluminum rolling mill on 253 acres of vacant land in Torrance, just northwest of Long Beach. The Defense Plant Corporation contracted with the Bohn Aluminum and Brass Co. of Detroit to operate the plant on a seven-year lease. The 375,000-square-foot plant with the largest extrusion presses in the U.S. opened in late summer 1942 at a final cost of $8.1 million and employed 1,000 people during World War II. The plant's products went straight to nearby aircraft manufacturers, but when the war ended the plant went idle. Rep. Cecil King of California was credited for finding a company to take over the idle plant – the Harvey Machine Co. of Los Angeles. The Harveys planned to make the Bohn plant the centerpiece of their company. They relocated their headquarters to Torrance and spent $10 million revamping the plant, which opened on May 3, 1946. Lawrence Harvey, the company's chairman of the board, announced plans to employ 15,000 men. [18] Business was slow in the early post-war years but steadily grew. In 1946, sales of sliding door hardware by Harvey Aluminum reached about $15,000 and its advertising expenditures were about $5,200. By 1959, sliding door hardware sales had grown to $780,000, and advertising expenditures had grown to $45,000. Total sales from 1943 through 1958 reached $279 million. During that time, Harvey's fabrication business manufactured products for construction of residential, commercial and industrial facilities. [19]

But looking ahead, the Harveys knew they needed a more secure supply of aluminum, and that meant producing it themselves. The end of the war provided a rare opportunity – cheap war-surplus aluminum reduction equipment. Much of it was specialized electrical potline equipment, such as rectifying transformers that had no use in other industries. These special transformers converted incoming high-voltage alternating current into lower voltage alternating current that was out of phase with the incoming power by various degrees of separation. When power from these transformers was run through diodes to make direct current power for the reduction pots, the differing phases helped to smooth out the resulting voltage. Fortunately for Harvey, the U.S. government had started the process for disposing of war surplus long before the war ended when Congress passed the Surplus Property Act in 1944. Among the Act's provisions was the disposal of government property "as promptly as feasible without fostering monopoly or restraint of free trade." The Act also required that the Surplus

Property Board submit to Congress a report describing government property and a plan for its disposition. The board's administrator was William Stuart Symington. [20] He went on to serve as the first Secretary of the Air Force from 1947 to 1950 and as a U.S. senator from Missouri from 1953 to 1976.

Charged with the actual disposal of all this war surplus was the War Assets Administration, established in the Office for Emergency Management effective March 25, 1946. American factories had produced massive amounts of weaponry during the World War II. Hundreds of thousands of tons of surplus military equipment, from mess kits to tanks, airplanes and warships were offered for sale as scrap by the War Assets Administration. At the close of World War II, the War Assets Administration was tasked with disposing of two alumina refineries, nine aluminum smelters, three aluminum sheet rolling mills, 10 aluminum foundries, eight aluminum forging plants, seven aluminum extrusion plants, one plant manufacturing aluminum rivets, four plants producing aluminum powder and one plant producing aluminum rod and bar. [21] Jess Larson, a law school graduate who served as an artillery officer in World War II, was appointed general counsel of the War Assets Administration in 1946 and took over as administrator in 1947. He went on to be the first administrator of the newly created General Services Administration in July 1949, where he stayed until Jan. 29, 1953. [22]

Two aluminum smelters that presented an opportunity for a company interested in entering the U.S. aluminum industry were the Burlington, N.J., plant, which was partially dismantled with one potline in standby condition as late as 1950, and the Riverbank, Calif., plant, which remained in standby condition as late as 1950, although some pots had been moved to the side so the building could be used as a warehouse. [23] The Harveys also began to look for raw material suppliers. On Nov. 30, 1948, Burt Noster, a sales manager for the Great Lakes Carbon Co., wrote to Homer Harvey about the company's request for 1,500 to 2,000 tons of calcined petroleum coke per month to be used for anode production at a future aluminum smelter. Noster confirmed his company could provide the material. [24] That same day, Hugo Wilder, an ingot sales manager for Alcoa in Pittsburgh, responded to an inquiry from the Harvey Machine Co. about purchasing alumina, aluminum fluoride, synthetic cryolite and carbon. Lawrence Harvey had told Wilder that his company wanted to bid on acquiring the Riverbank smelter. Wilder wrote back that Alcoa was "quite agreeable" with supplying some of Harvey's needs, but it was unsure about how much carbon could be provided. [25]

The next big step was to find a source of cheap electrical power and a building site. The Harveys found their opportunity in Northwest Montana. The Harvey Machine Co. acquired options on land at the base of Teakettle Mountain near Columbia Falls on May 10 and 11, 1950. The same site was investigated previously by agents from the

Anaconda Company. [26] On May 19, 1950, an editorial in the Hungry Horse News confirmed a rumor running rampant in Columbia Falls that an unnamed out-of-state corporation had acquired options on 800 acres of land just north of Columbia Falls. Electrical power from the Hungry Horse Dam was not expected to be generated until 1952, but the effect on development had begun already. The editorial warned about the dangers of land speculation. The last time that had happened in the area, higher land prices swayed the Great Northern Railway to put its division point elsewhere, and Columbia Falls suffered as a result, the editorial reminded readers. [27]

The Hungry Horse Dam was only 124 feet tall and three years away from completion when the Hungry Horse News published a special issue on June 6, 1950, with details about a possible aluminum plant being planned for Columbia Falls. The front-page headline read in Mel Ruder style, "Would build metals plant in Falls." According to the story, the Harvey Machine Co. was showing further interest in purchasing options on land just north of Columbia Falls. The 90-day options were obtained in early May by the Bank of Columbia Falls. [28] Fifteen days later, the Great Falls Tribune, the Hungry Horse News and the Daily Inter Lake reported in special editions that options to purchase 740 acres of land at the base of Teakettle Mountain had been made by the Harvey Machine Co. for a new aluminum smelter. Harvey spokesmen said they were just looking at the Flathead and were also considering a former magnesium plant site in Nevada, but locals knew that a plant built within 15 miles of the Hungry Horse Dam could get special power rates. A spokesman for the Flathead Citizens Committee, a local booster group, called the media reports "premature" and warned that they could adversely impact negotiations and cause land prices to increase. The committee also warned about the dangers of fumes from the plant on agriculture and water resources. [29] The news caused a stir in the Flathead Valley – estimates were being made that the new plant would employ around 1,500 workers. Ruder noted that locals remembered how unreliable employment forecasts had been for the Hungry Horse Dam and were not "boom conscious" with news about Harvey. [30]

Big news for the Flathead

Splashed across the front page of the June 23, 1950, Hungry Horse News was another story on the Harvey Machine Co.'s plans to build an aluminum smelter near Columbia Falls. Word received by local citizens was that the new plant was committed to operating with one potline, which would increase later to three potlines. Employment would run from 750 to 1,500 workers. The population of Columbia Falls in 1950 was 1,237 residents and growing slowly but steadily. The population of Flathead County was 31,400, but 2,700 were unemployed over the past winter. A key factor favoring the location of the site was the low price of electrical power – the BPA rate within 15 miles

of the new dam was $14.50 per kilowatt-year, compared with $17.50 for the rest of the Pacific Northwest. Other favorable factors mentioned in the newspaper included proximity to the Great Northern Railway mainline, the availability of water and "the nearness of uninhabited Teakettle Mountain." The Harvey Machine Co. reportedly was also interested in acquiring a magnesium plant in Henderson, Nev., which was built and operated by the U.S. government during World War II. The newspaper continued to warn about speculation and dredged up old history about losing the Great Northern division point roundhouse to Kalispell due to high land prices. [31]

The Hungry Horse News continued the story inside with an editorial warning how increasing land prices might drive away the company. The story had been kept secret by the Hungry Horse News but was eventually revealed by the Great Falls Tribune, the editorial said. Rumors had spread around the valley that payrolls might reach $100,000 per week. At the same time, speculators with land outside of Columbia Falls might be interested in luring the company away, the editorial warned. The editorial also reminded readers that predictions for peak employment at the Hungry Horse Dam had reached 4,000 and even 7,000 workers, but the reality was closer to only 2,500 workers. With the dam construction boom fading, area residents were seeing numerous closed businesses, for-sale signs and platted town sites with raw bulldozed blocks but no buildings and no buyers. [32]

Leo Harvey and his assistant arrived in Columbia Falls the next day. The two avoided Chamber of Commerce members and other civic leaders and focused on the job at hand – investigating local conditions that might help or hurt a new aluminum plant. The two checked out weather records, the availability of water, local wage scales, labor history and land prices – and all seemed good, the Hungry Horse News reported. The one bad factor was the local tax structure, citing a 106.484 mill levy for School District 6 outside of the Columbia Falls city limits. The Flathead Valley had often scored low for industry with its heavy dependence on property taxes to finance local schools and government. [33] The next day, June 25, 1950, the North Korean army invaded South Korea, starting a new war. The United Nations, with the U.S. as the principal force, came to the aid of South Korea, while China, with assistance from the Soviet Union, came to the aid of North Korea. The aluminum industry could soon expect war-time demand for aluminum to take off.

The idea of an aluminum smelter being built and operated in Northwest Montana drew quite a bit of attention in Washington, D.C., and Montana's congressional delegation went to bat for the Flathead. On July 7, 1950, Rep. Mike Mansfield wrote to Stuart Symington, as chairman of the National Security Resources Board, about the Bonneville Power Administration and the electrical supply situation in Montana. Mansfield said he

was concerned that the power supply was very tight in the Pacific Northwest, and there was a lot of public and private criticism of firm power being tied to aluminum plants in the region. As a result, the BPA was hesitant about providing more power to the aluminum industry, such as in Montana. But if allocation of Hungry Horse Dam power was not clarified soon, Mansfield said, "power flow from Hungry Horse will be westward and absorbed by domestic consumption – and will not be used for any essential industrial production – i.e. it will be lost as far as national defense use is concerned." [34]

On July 18, 1950, BPA Administrator Paul Raver phoned Mansfield to tell him about a letter of commitment he had sent to the Harvey Machine Co. for an aluminum plant in the Flathead. Raver said he gave Harvey a commitment for 37 megawatts of interruptible power from the Hungry Horse Dam starting May 1, 1952. Raver said he put a 60-day limitation on the commitment because he was not sure what would happen as the Korean situation was heating up. He said there was talk by the Army and Navy about getting World War II surplus potlines at the Riverbank plant started again as the fastest way to get aluminum production up and going. Raver also said he had heard the Riverbank potline equipment might be sent to Reynolds' plant in Jones Mill, Ark., where there was assured power. Power in the Flathead Valley would not be available until spring 1951, Raver pointed out. Mansfield asked Raver for his "frank opinion" about the Harvey Machine Co. "They are a typical small American business that is about to be squeezed out by the big aluminum outfits on the basis of their not giving them metal," Raver said. "They have to depend on the big guy for their metal supply, and unless they make their own metal, they will be squeezed out, and as I see it, I think we ought to do everything we can to encourage this company to keep its head above water, and I think they have a whale of a lot of initiative." [35]

Mansfield told Raver that he had spoken with Rep. Cecil King of California, who had helped the Harveys acquire the Torrance plant, and King was in agreement with what Raver just said. Mansfield said King was a Progressive and he had a lot of respect for him. Mansfield noted that King was not happy about how Jess Larson, head of the General Services Administration, had treated Harvey when the company tried to get the surplus potline equipment at Riverbank – first asking for 10% down, then 20%, and finally 100%. Raver explained more about the draft letter from the BPA committing power to Harvey. "This draft is sent for the purpose of enabling you on the power with your negotiations with the GSA for equipment as you need," Raver read. "The draft of the contract is not to be used by Harvey for competition with others for the purchase of equipment from GSA." Raver also mentioned that there had been problems with leaking information to the press about the BPA's negotiations with Harvey. Raver said he planned to tell Harvey not to say anything more to the press, and that the BPA would provide information to the press through Mansfield, beginning with reference to the

growing need for aluminum for the war effort. Raver also noted that the BPA had been contacted by a Kaiser official who said people in Missoula, Mont., wanted an aluminum plant there, and that Kaiser could put one potline there. Raver said he was concerned "this will put us on the spot if we aren't careful between Missoula and Columbia Falls." Mansfield replied, "Columbia Falls is where the power is, and the quicker we can sign up the Harvey Company, the better." Raver agreed, saying, "That is right." [36]

Hurdles in Washington, D.C.

On July 25, 1950, Sen. James Murray wrote to Symington, advocating on behalf of the Harvey Machine Co.'s plan to purchase the three potlines at the Riverbank smelter and move them to the Flathead. Murray pointed out the advantages of independent businesses in emergency times. [37] But already the company was sensing criticism in Washington and needed to respond. On July 26, 1950, Lawrence Harvey wrote to Sen. Murray about allegations that the company didn't have the "know how" to operate an aluminum smelter. Harvey explained that over the past three years, his company had increased production at their extrusion plant by 50% beyond the equipment's design capacity, and the company had never operated an extrusion plant prior to that. Harvey noted that his company had a talented staff and knowledgeable engineers. The Harveys lined up William Blum, a Washington-based attorney, to assist them with negotiations. On July 26, 1950, C.D. Williams, the director of the National Industrial Reserve Division at the General Services Administration, wrote to Blum regarding Harvey's offer to purchase the entire Riverbank plant. Williams said prices had not been set for all the equipment, only the rectifiers, and the rest of the equipment needed to be appraised. Williams acknowledged that Harvey's position was to move the entire Riverbank plant to the Flathead to take advantage of cheap power from the Hungry Horse Dam. The BPA clarified its power offer from the new Hungry Horse Dam on July 27, 1950. In a letter to Leo Harvey, BPA power manager William Dittmer explained that while the original offer was firm power by October 1952, plans had changed with other commitments. The BPA could now offer interruptible power for three potlines in 1952 and firm power for three potlines by 1953. Dittmer said power for new aluminum production plants in the Lower Columbia River area would not be available until around 1957. [38]

Blum presented the Harveys' case for the Riverbank equipment in a 19-page packet sent to Mansfield on July 27, 1950. Blum claimed Harvey was not being treated fairly by the General Services Administration. Blum claimed Harvey had "grandfather rights" to the Riverbank plant following negotiations with the War Assets Administration and GSA in 1948 to 1949. Blum outlined his argument chronologically. Initially, the GSA steadfastly refused to allow the Riverbank equipment to be used off-site, while Harvey wanted one potline from Riverbank moved to the Flathead, with further expansion after that. Harvey

then arranged to buy one potline from the Burlington, N.J., smelter. On July 13, 1950, however, Harvey learned that Kaiser had bought one potline from the GSA on a 25-year loan, and when Leo Harvey asked for the same terms, he was told to pay cash. On July 21, 1950, the Munitions Board indicated it would sell one Riverbank potline to Kaiser, one to Reynolds and one for Burlington. Then on July 22, 1950, Air Force Secretary John McCone told Blum the military needed much more aluminum than was being supplied. [39]

Blum also said some of the letters sent by Harvey to the General Services Administration were not acknowledged or came up missing. On July 14, 1950, Leo Harvey wrote to the GSA, enclosing a cashier's check for $96,080 as 20% down on electrical equipment from two potlines at Riverbank. On July 20, 1950, Lawrence Harvey wrote to the GSA asking if Harvey could acquire the entire Riverbank plant. On July 25, 1950, Blum wrote to the GSA asking if they had received Lawrence Harvey's letter and cashier's check but got no reply. On July 25, 1950, Lawrence Harvey wrote to Hubert Howard, chairman of the Munitions Board, telling him it would be a mistake to restart the Burlington aluminum smelter because it was powered by a coal-fired electrical plant and would be five times as expensive to operate. [40]

Lawrence Harvey said his company needed 20 million pounds of aluminum ingots per year for its extrusion operations but couldn't get enough from the Big 3. Lawrence Harvey said he spent three years trying to get facilities and equipment for an aluminum smelter from the General Services Administration, but when the Korean War began, he was told by the GSA that the Burlington equipment was no longer available. The GSA told Lawrence Harvey that the Riverbank equipment would be divided as follows – one potline to Burlington to make a total of three there, one potline to Kaiser's Mead smelter in Spokane, and one potline to Reynolds' Jones Mill plant. Blum said Harvey had an alternative plan which made more sense – dismantle the Burlington plant and give one potline to Kaiser and one to Reynolds, and move all three Riverbank potlines to a new Harvey plant in the Flathead Valley. Blum explained that Lawrence Harvey's plan would get aluminum production up and running much faster, with the Flathead plant up and running when the Hungry Horse Dam began operating in 1952. The Burlington plant was a war-time asset, not a permanent facility, but the Flathead site would be permanent, Blum said. [41]

On July 28, 1950, the Harvey Machine Co. composed a memo titled "General Services Administration's statement of general policy and its ignorance." The memo stated that General Services Administration's policy was supposed to be to "foster free enterprise and assist in establishment of competitive small businesses by the arrangements for the disposal of surplus property." But, Harvey claimed, "This policy has been flagrantly

ignored by GSA in dealing with Harvey Machine Co., an independent aluminum extrusion concern seeking to go into the production of aluminum to make themselves and other independent fabricators free from the control of the 'Big 3' producers, Alcoa, Reynolds and Kaiser, who cut off their supply of raw materials periodically when their own fabrication needs are more profitable." The memo suggested that the GSA follow its own rules, furnish equipment at fair prices, offer assistance and recognize the high cost of starting aluminum production. [42]

Negotiating for power

The Hungry Horse News reported on July 28, 1950, that Raver had indicated in the past that the BPA would provide enough firm power to an aluminum plant within 15 miles of the Hungry Horse Dam to maintain at least one potline. With that commitment, the Harvey Machine Co. had taken out 90-day options in May 1950 on land near Columbia Falls. [43] Interior Secretary Oscar L. Chapman sent a letter to Raver in late July 1950 stating, "I request that you give serious consideration to the possibility of devoting at least a portion of that firm power (from Hungry Horse) to a new aluminum industry in that area." [44] Raver wrote to Leo Harvey on Aug. 2, 1950, restating the BPA's power commitment terms. The BPA would provide Harvey with 37 megawatts of interruptible power for one potline starting in the spring of 1951, but the power would come from the Montana Power Co. and Washington Water Power Co. because the Hungry Horse Dam would not be operating yet. The BPA would provide Harvey 37 megawatts of interruptible power for a second potline when the first generator started operating at the Hungry Horse Dam around October 1952, or possibly as early as summer 1952. The BPA would make available 37 megawatts of firm power for the first potline when three of the Hungry Horse Dam's generators were operating. [45]

The Hungry Horse News contacted Mansfield on Aug. 3, 1950, regarding the future of the Harvey Machine Co.'s plans. Mansfield noted that meetings over the plan had been hectic and not definite but nevertheless encouraging. Present to discuss the allocation of power from the new Hungry Horse Dam were Sen. James Murray, Reps. Cecil King and Chester Holifield of California, and Interior Secretary Chapman. It appeared that the Harvey Machine Co. had firm commitments for power for one potline, and that the company planned on moving a war-surplus plant from California to Montana. Mansfield pointed out that a plant in the Columbia Falls area would be permanent and not a temporary defense effort. The estimated cost for building an aluminum smelter was estimated to be about $40,000 in capital investment for each employee – making such plants the most expensive in industry. [46]

Mansfield wrote to Murray on Aug. 4, 1950, saying he had just learned that the Munitions Board approved the sale of one potline at Riverbank to the Harvey Machine Co. He asked Murray to keep that information confidential, noting that Kaiser's interest in the Missoula area came up "after the Korean situation." [47] Mansfield continued his lobbying for Harvey with a letter that same day to Munitions Board Chairman Hubert E. Howard, enclosing a copy of Raver's letter to Leo Harvey. [48] Three days later, Symington, Mansfield, Murray and Don Treloar, representing the Flathead Citizens Committee, met in Washington to discuss the possible allocation of electrical power from the Hungry Horse Dam and war-surplus aluminum smelting equipment to Harvey. Symington told the Montanans that the decision was up to Hubert Howard. The next day, the Montanans met with Jess Larson, who told them that Harvey was one of five companies interested in buying the surplus equipment at Riverbank and Burlington. The Montanans hoped to meet with Howard and the Munitions Board two days later. [49]

On Aug. 8, 1950, Mansfield spoke on the phone with Oakley Coffee, a prominent businessman in Missoula and a former Democratic legislator, about the Harvey Machine Co.'s plans in the Flathead. Mansfield said he had been trying for the past three to four months to help Harvey acquire one of the three potlines at the Riverbank plant. Coffee was concerned that power from the new Hungry Horse Dam would be sold for $14.50 compared to $17.50 in the Missoula area. Mansfield said he had just learned that Kaiser was interested in doing business in the Missoula area. Coffee said he'd known about Kaiser's interest for a long time. Mansfield said he learned about Kaiser from Robert McCann, a Missoula Chamber of Commerce representative, and that McCann had asked Mansfield to stop backing Harvey and start backing Kaiser. Mansfield said he told McCann that he and Sen. Murray couldn't just drop Harvey like that after all the work they'd done for the company. Mansfield said he'd like to help both Harvey and Kaiser. Coffee said he'd like to see the same Hungry Horse Dam power rates offered to Harvey in the Flathead Valley also offered to Kaiser in the Missoula area. Mansfield said that would be up to the BPA to figure out. "My job is to bring industry to my district," Mansfield said. He also noted that Harvey's option for BPA power from the Hungry Horse Dam would expire in three days. [50]

Mansfield sent three letters to the Munitions Board chairman on Aug. 8, 1950, showing proof that the Harvey Machine Co.'s interest in the primary aluminum industry dated to at least 1948, when Harvey had written to the Great Lakes Carbon Co. and Alcoa about supplies for alumina, aluminum fluoride, synthetic cryolite and carbon. [51] Two days later, Mansfield and Murray met in person with Howard to discuss the matter. Later that day, Mansfield sent a telegram to newspapers in the Flathead informing them that both the Munitions Board and the General Services Administration had allocated one of

the Riverbank potlines to Harvey. Mansfield went on to add that the company was expected to begin construction on the new aluminum plant as soon as possible. [52]

Mansfield received mixed news about the power supply situation on Aug. 10, 1950. BPA Assistant Administrator D.L. Merlett explained to Mansfield in a letter why power cost less for industries located close to the Hungry Horse Dam. To get the lower rate, an industry needed to be within 15 miles of the dam and provide its own transmission lines and substations. If Kaiser wanted to put an aluminum plant in Missoula, they must not be interested in the reduced rate, Merlett said. He noted that the Harvey Machine Co. had been the first to apply for power from the Hungry Horse Dam for use at an aluminum plant, and that the BPA had told Harvey they would make the power available after the General Services Administration provided Harvey with a potline. But then the Korean War situation became an issue. Merlett also noted that the "Kalispell people were aggressive and forehanded in behalf of their community." Merlett also noted that the BPA had advised Kaiser no firm power would be available until 1953 or 1954. [53]

The fight over the site

On Aug. 11, 1950, the Harvey Machine Co. exercised its option on 40 acres of land below Teakettle Mountain. The company paid P.T. Smithey $600 for the 40-acre parcel and renewed its 90-day options on a remaining 660 acres nearby. The land adjacent to the optioned property was owned and farmed by the Dehlboms. [54] That same day, the Hungry Horse News reported that the Harvey Machine Co. was encountering resistance from Alcoa, Kaiser and Reynolds in its plans for the Flathead. According to the newspaper, Harvey had long been a fabricator of light metal products and had purchased aluminum from the Big 3. Kaiser, for example, wanted electrical power from the new Hungry Horse Dam to be sent to Spokane, where Kaiser promised to increase the capacity of its Mead aluminum smelter in Spokane. Furthermore, the Korean War had put pressure on the federal government to acquire aluminum quickly. The government was reluctant to sell one of its war-surplus plants to Harvey for use in Columbia Falls if that would delay national production. The newspaper reported that Montana politicians were putting up a stiff fight in Washington to hold onto power from Hungry Horse Dam. [55]

The stutter steps of progress were spotlighted when it came to site selection. Leo Harvey was inspecting a site below Teakettle Mountain on Aug. 12, 1950 when he announced that construction would begin soon. Fears of residents in the Flathead that the government had imposed a "freeze" on the allocation of war-time surplus potline equipment were calmed a few days later when they learned that the "freeze" would not apply to Harvey. [56] On Aug. 15, 1950, the California business filed articles of

incorporation in the Flathead County courthouse under the Harvey Machine Co. Inc. of Montana name. The company's capital stock was listed at $5 million with a 40-year term of existence. [57] Harvey officials returned to the valley again on Aug. 25, 1950, and explained that several building sites were under consideration. [58]

The building site story began on June 21, 1950, when the Harvey Machine Co. announced it was considering building an aluminum smelter two miles north of Columbia Falls. The plant was expected to employ 2,000 workers with a total weekly payroll of $100,000. Options on 800 acres below Teakettle Mountain were made, but Harvey spokesmen pointed out that a site near Las Vegas, Nev., was also being considered. [59] Then on Aug. 18, 1950, Mansfield learned from a caller that Harvey planned to set up two potlines just north of Kalispell at Rose Crossing – in the middle of the Flathead Valley near the airport. The company reportedly had chosen the new location because of concerns about adverse weather so close to Bad Rock Canyon. Harvey planned for one potline in 1951 and a second in 1952. [60]

That same day, the Hungry Horse News reported that a few Kalispell residents were making a concerted effort to draw Harvey away from Columbia Falls. The group hoped to persuade the company to build its smelter near the county airport, closer to Kalispell but still within 15 miles of Hungry Horse Dam. The Hungry Horse News accused the group of planting "phoney" ideas that the Great Northern Railway would relocate its main line closer to Kalispell in event a new dam was built near Libby, and that the bench land below Teakettle Mountain was often covered with "tremendous" snow during winter. According to the newspaper, Harvey would prefer to locate their smelter closer to Hoover Dam and their fabrication plant in Torrance, but power in that region was "sewed up." [61]

On Aug. 31, 1950, Harold Wilson, owner of the Olney Mercantile north of Whitefish, wrote Mansfield about the Harvey Machine Co.'s plans. Wilson said he had heard the plant might be built in Somers, south of Kalispell on Flathead Lake, and that the Whitefish Chamber of Commerce had asked him to ask Mansfield to urge Harvey to build the plant in Columbia Falls. Wilson said he thought otherwise – Harvey should make their own decision based on good business principles, he said. "This is just one more sample of the feuding between the three little towns, and it is below the belt to try to drag you into it," he told Mansfield. [62]

Dawdling on a site selection had its consequences. The Hungry Horse News reported on Sept. 1, 1950, that the Harvey Machine Co. was obligated under its BPA power contract to begin construction of the proposed aluminum plant by Oct. 1, 1950, and to complete construction by May 1, 1952. An engineer from New York employed by Harvey had surveyed the site below Teakettle Mountain on Aug. 25, 1950, the newspaper reported.

[63] Seven days later, the Hungry Horse News reported that Harvey's options on land north of Columbia Falls would soon expire, and it was believed the company intended to build its plant closer to Kalispell and near the county airport. Two large front-page photographs displayed aerial and internal views of Kaiser's Mead smelter near Spokane – a hint at potential air pollution problems that could affect farms in the Flathead Valley. [64] In early September 1950, the Whitefish Pilot reported that Harvey officials had been seen around the Flathead looking at potential building sites. The latest was a 300-acre spot in Martin City, a boom town in the Canyon not far from the Hungry Horse Dam. The site at the base of Teakettle Mountain had been discarded apparently. The Hungry Horse News, which the Whitefish Pilot editor said had made a "specialty of keeping track of the developments," had said a site at Coram, just east of Martin City, was most likely. [65]

Ruder promoted the bench land below Teakettle Mountain as the best site for a new aluminum smelter in a Sept. 15, 1950 editorial. "No spot in the Flathead has been spat on more than the peaceful section at the foot of Teakettle Mountain on the banks of the Flathead River, next to the Great Northern mainline," he began. Ruder was angered that lobbyists from Kalispell had persuaded the Harvey Machine Co. to locate its smelter near the county airport at Rose Crossing. In describing the many advantages of the Teakettle site, Ruder noted that "the spot, while still in the valley, would not create a Pittsburgh-like section in the midst of valuable farming acres." Ruder also mentioned that a third potential site was being considered in Coram, up the Middle Fork canyon and closer to Glacier Park. [66]

But elsewhere in the same issue was a report that land in Martin City also was being promoted as a site for the smelter. Martin City Mayor Vern Greene offered to sell 300 acres of his own land for one dollar. He said the land offered good drainage and was only two miles from the Hungry Horse Dam and 2 1/2 miles from the Great Northern Railroad main line, between the Hungry Horse Dam and Martin City. That made four possible sites in the Flathead – Teakettle, Rose Crossing, Coram and Martin City. Greene acknowledged that Martin City residents preferred the Teakettle or Coram sites but were offering the company a fourth alternative. [67] A week later, a Hungry Horse News editorial conceded that the "probable location of the Harvey plant is near Coram." The editorial continued to warn about land speculation and suggested that wages at the aluminum plant would be substantially less than in construction, such as at the Hungry Horse Dam, but jobs would be year-long and not seasonal. Only 300 workers would be needed if just a single potline was constructed, the editorial added. [68]

A Harvey representative was scheduled to speak about the company's plans at a meeting of the Flathead Industrial Council in Columbia Falls on Sept. 27, 1950. The

favored site by that time was in the Canyon near Coram. The Coram Boosters Club had contacted the company and reported that land prices were within reason. The problems facing Harvey had little to do with high land prices, however, and more to do with overall financing and locating materials to begin building the plant by the BPA deadline of "before snow flies." [69] The Flathead Industrial Council meeting was held in the Columbia Falls City Council chambers. KGEZ radio broadcaster Don Treloar and James Edmiston, from the Conrad National Bank, described their involvement in the aluminum plant negotiations since its inception. Following delicate negotiations in Washington, four war-surplus potlines had been divvied up between four large firms, with one potline going to the Harvey Machine Co. Aluminum was an important defense material, and Harvey was well financed, the two men said. It was expected that the Hungry Horse Dam would not provide power in some seasons, so additional power might have to come from the BPA power grid, they said. [70]

BPA administrator Paul Raver was in Kalispell two days later to talk about the future of an aluminum plant in the Flathead Valley and the future of the BPA. Raver said a power contract had been signed with Harvey Machine Co. Power from the Hungry Horse Dam would be made available for industry in Montana, with additional power provided through the BPA power grid system. He cited a new phosphate plant near Butte as an example. Raver said he expected the population of the Columbia Basin to increase by 2 million people, and power generation was needed to supply jobs for those people. But he also forecasted power shortages as the economy grew. [71] Harvey's contract called for 37 megawatts of interruptible power beginning in the spring of 1951, and for 74 megawatts beginning around December 1952. [72]

Under the terms of the proposed BPA contract, once Harvey's aluminum plant began operating, the Montana Power Co. would provide supplemental power through wheeling contracts whenever the BPA could not provide interruptible power, Raver said. Power would be delivered to the aluminum plant via the Kerr-Hungry Horse 115-kilovolt transmission line until completion of the Spokane-Hot Springs-Hungry Horse 230-kilovolt transmission line. The BPA would charge Harvey $17.50 per kilowatt-year for interruptible power. By 1953, once the Hungry Horse Dam was operational, with 2 million acre-feet of stored water in its reservoir, a 20-year contract would go into effect providing Harvey with 37 megawatts of firm power and 37 megawatts of interruptible power. At that time, the BPA would charge the plant $14.50 per kilowatt-year, the rate for plants within 15 miles of the Hungry Horse Dam. To be eligible for this lower rate, the aluminum plant had to supply its own substation facilities and pay transmission charges from the Hungry Horse Dam. [73] Mansfield issued a press release by telegram that day announcing the terms of the BPA power contract. The first potline could be operating by spring 1951, with a second potline operating by 1952, Mansfield said. [74]

Boomers and planners

The question of a smelter location seemed to clear up when M.D. Darkenwald, Lawrence Harvey's assistant, announced on Oct. 9, 1950, that the company would build its plant at Rose Crossing. Darkenwald said 595 acres of land had been purchased on both sides of the highway and next to the Great Northern Railway branch line to Kalispell. One reason for choosing the Rose Crossing site was its central location in the valley, Darkenwald said. The plant would start with two potlines and might include a rolling mill. Initial employment would be about 350 workers, but that could increase to 1,500 with five potlines. Plans called for using local labor with training facilities for workers. Options to purchase 700 acres of land below Teakettle Mountain had expired, he said. [75] Headlines in the Flathead newspapers shouted the Rose Crossing announcement. It was reported that bulldozers would soon be at the site to begin construction of a two-potline plant. The announcement was hailed by Mansfield, Treloar and Edmiston. [76]

Three days later, Darkenwald called the Hungry Horse News and assured disappointed residents in Columbia Falls that once the smelter was in operation, rolling mills and other fabrication plants would be set up throughout the Flathead Valley. "Apparently what the Harvey Company wants most from the local people is support for Glacier View Dam," Ruder wrote in an Oct. 20, 1950 editorial. The Hungry Horse Dam alone couldn't supply that much power, the editorial implied. Ruder also addressed opposition to industrial growth in the Flathead Valley. "Let's take it in stride that industry coming to the valley is not all good," he wrote. "Fortunately, an aluminum plant does not pollute streams. In the nature of a smelter, there are some fumes, which we have been assured can be controlled. There are great sections of the nation more highly industrialized than can be anticipated for the Flathead. We will not be a dominant industrial area, nor did many of us come here to develop the Flathead into a baby Pittsburgh. On the other hand, let's be practical and recognize that we must create conditions in this valley where men can expect to work the year around." [77]

In mid-November 1950, Darkenwald wrote to Columbia Falls Mayor John O'Connell explaining why the company chose the Rose Crossing site. The site had sufficient flat land to allow for industrial growth around the smelter, including fabrication plants. The site below Teakettle Mountain, on the other hand, was threatened by electrical storms in nearby mountains and strong winds blowing through Bad Rock Canyon from Glacier Park, he said. [78] On Nov. 22, 1950, Darkenwald announced that clearing at the Rose Crossing site would begin within 30 days. Darkenwald told Don Treloar that Harvey planned to build a four-potline plant and then expand it to six or nine potlines. From 500 to 700 workers were needed to operate a four-potline plant, and Harvey intended to

hire nearly all the workers locally. [79] Darkenwald cited increasing demand for aluminum for increasing the size of the proposed plant to four potlines, with room for more growth. He also said the cost of the new plant had increased from $11 million to $40 million. Because of power limitations, the plant would start with only one potline and expand as the BPA brought its power grid into the Flathead. [80]

Surveying began at Rose Crossing on Nov. 28, 1950. [81] Ruder editorialized about land speculation in the Rose Crossing area on Dec. 29, 1950. Farm land near the Harvey site was selling for $10 to $20 per front foot, and he believed Kalispell real estate firms were promoting new business districts. Ruder pointed out that no such business districts existed adjacent to Kaiser's smelter in Spokane, and he described the boom and bust land speculation that took place as a result of the Hungry Horse Dam. [82] On Jan. 17, 1951, the Great Northern Railway announced that its survey for a Rose Crossing siding was completed. By January 1951, however, residents in the Flathead were expressing widespread concern about potential damage caused by fumes from the Harvey smelter if it was built at Rose Crossing. [83]

In September 1950, as the Korean conflict became more of a full-blown war, Congress passed the Defense Production Act, authorizing the government to speed up development of critical war-time industries, such as aluminum production, by accelerating amortization for tax purposes, guaranteeing loans, offering subsidies to offset high power costs and ensuring a market for all metal produced. One month later, the government called for an increase in aluminum production nationwide by 500,000 tons per year, thereby doubling the nation's pre-Korean War capacity, at a cost of about $500 million for aluminum smelters alone. A difficult problem in attaining the increase was the need for 1,500 megawatts of electrical power. Potential sources of new power included natural gas-fired generating plants in the Texas Gulf region or new hydroelectric dams in the Pacific Northwest. By September 1952, more than $500 million in new defense production facilities had been certified for construction in the Pacific Northwest, representing 230 certificates for 158 different firms. [84]

In September 1950, Ruder traveled to Spokane to for a firsthand look at Kaiser's 234-acre Mead aluminum smelter. Ruder reported that "Mead is a clean plant, and the heat factor isn't too bad." The smelter's 1,100 workers earned a minimum wage of $1.32 per hour, he said. The twelve 740-foot long potrooms housed six potlines – five with contracts for firm power and a sixth with a contract for interruptible power. Kaiser purchased bauxite from Alcoa's mines in British Guiana and refined the bauxite into alumina at a Kaiser plant near Baton Rouge, La. The Great Northern Railway and other railroad companies transported the alumina to Spokane. Much of the aluminum produced as ingots and pigs at the smelter went to Kaiser's rolling plant in nearby

Trentwood, which employed 2,500 workers in a 53-acre building. [85] Another article in the paper clarified earlier stories about war-surplus potline equipment acquired by Harvey – the equipment included only electrical rectifying equipment and not potline equipment, such as reduction pots. [86] Ten days later, Columbia Falls Mayor John O'Connell and Columbia Falls Chamber of Commerce President James Connole wrote to Leo Harvey to offer assistance. Temporary office quarters in the town hall and temporary use of a 40-by-120 foot two-story warehouse were offered rent-free. This was not unprecedented – O'Connell and Connole described assistance the local community offered to the Plum Creek timber mill when it came to Columbia Falls in 1946. [87]

In a Dec. 15, 1950 editorial, Ruder discussed the possibility that natural gas might be piped into the Flathead as a result of the Harvey aluminum plant. If the plant attracted other industry, particularly fabricating plants, the Montana Power Co. might bring in natural gas from the Pakowki reserve in Alberta, Ruder said. The idea had originated in an article in the Spokane Spokesman-Review and was attributed to Harvey spokesmen, he said. Apparently, the company was considering building an alumina refinery in the Flathead, but Ruder noted that freight costs put the Flathead at a competitive disadvantage compared to places with shipping access, like Portland, Ore., Longview, Wash. and Everett, Wash. Two railroad carloads of bauxite were needed to produce one carload of alumina, not including other raw materials consumed in the process. But Ruder noted in a separate editorial that during World War II, the government intentionally spread defense plants across the country to make them more difficult to attack. Spokane, being far from the coast, benefited during World War II and became an industrial center, while the Flathead Valley lost population to industries on the West Coast. According to Hamilton Owen, a member of the Columbia Falls Chamber of Commerce, the National Security Resources Board still wanted defense plants dispersed – but it didn't want them located too far inland. [88]

The idea of placing an alumina refinery in the Flathead Valley drew concerns from environmentalists. On Jan. 4, 1951, E.B. Scovel, president of the Flathead Sportsmen's Association, wrote to Mansfield about any plans to build an alumina refinery in the Flathead. Scovel noted that assurances had been made about no water pollution from a proposed aluminum smelter in the Flathead, but an alumina refinery posed a different type of threat. He cited information from J.W. Severy, a professor at Montana State University, who said alkali wastes from an alumina refinery could end up in the Flathead River and pollute rivers and lakes all the way downstream from Flathead Lake to Pend Oreille, Idaho. The waters "will be so heavily polluted as to knock out all normal fish populations and also to possibly unfavorably affect human populations," Scovel said. According to Severy, "it is possible to control these wastes, but that unless legal

restrictions are imposed, it may be cheaper to dump into the nearest water," Scovel said. Montana had weak anti-pollution laws, and since the refinery would rely on natural gas and not power from the Bonneville Power Administration, the government didn't have a direct way to influence how an alumina refinery would be built. On the other hand, if the federal government helped to finance the construction of an aluminum industry in the Flathead, it would have some say, Scovel pointed out. [89]

Struggle and confusion

Meanwhile, politics and bureaucracy collided in Washington, as Montana's congressional delegation continued to promote Harvey. On Aug. 23, 1950, Mansfield learned from his secretary that Charles E. Wilson, chairman of the Defense Mobilization Board, had not heard from Harvey's representatives in time to secure a loan the company needed to build their aluminum plant in the Flathead. Wilson said this left "doors to further proposals absolutely closed." [90] On Sept. 22, 1950, Rep. King told Mansfield over the phone that Harvey was moving faster than other aluminum companies – Harvey was first to put money on the line, first to have a power site approved by the Munitions Board, and first to submit a proposed bill of sale for needed equipment. King said the Munitions Board had authorized providing Harvey needed smelter equipment if Harvey could assure that aluminum production would be up and running within a year. But the General Services Administration needed to decide if a bill of sale should be conditional – even if Harvey paid in cash. Harvey had paid $547,000 in cash for equipment from Riverbank, King said. [91]

The matter moved to the realm of dramatic rhetoric in early December 1950 when Leo Harvey sent a seven-page essay to Mansfield titled "Free enterprise and aluminum." Harvey referred to the growing Korean War situation and described the historical fight for freedom by Americans – including facing down tyranny and dictators, and now to the east and the west, the "claws of communism." Harvey said there was need for more than just talk, and one of the most important statutes in the past decade was one that provided government-surplus property to small businesses. He cautioned that the government should not be blinded by the great industrial giants, that "the power of monopoly is insidious." [92]

Later that month, on Dec. 20, 1950, the Harvey Machine Co. announced that it had the backing of GSA Administrator Jess Larson for construction of an alumina refinery in the Flathead. The company noted that the government might provide some help for the project. [93] Larson confirmed the report a few days later, reporting that Harvey would produce 72,000 tons of aluminum per year at its proposed Flathead plant. Larson said the plant would be privately financed, but the government would provide some

assistance. Meanwhile, Harvey continued to work on plans for an alumina refinery to be built next to its smelter at Rose Crossing. The alumina refinery reportedly would utilize natural gas piped into the valley from Alberta. [94] Leo Harvey provided more details in a Feb. 26, 1951, press release. Arrangements had been concluded with Blyth & Co. Inc. to handle the company's financing, and the estimated the cost of a smelter and an alumina refinery was around $90 million. [95] The next day, Leo Harvey announced that financing for the company's Flathead smelter would be entirely private, and construction on the plant was expected to begin soon, he said. [96]

Harvey meanwhile was continuing talks with the Bonneville Power Administration. On Feb. 9, 1951, BPA Administrator Raver informed Darkenwald by letter that the BPA was in the process of completing power supply contracts for delivery of 111 megawatts of power for three potlines, with the first potline going into operation by May 1, 1952. In response to an earlier inquiry by Harvey for additional power for expansion at the plant, Raver told Darkenwald "you can go ahead with your planning with all reasonable confidence that additional firm power can be made available for three additional potlines," using about 129 megawatts of power. The additional power would be generated by "a new project in western Montana" by about 1957 to 1958. [97]

As Harvey's plans dragged on and seemed to change from week to week, Flathead residents began to question the California business. By the end of March 1951, about 100 men had applied for work at the proposed smelter, but very little had been heard from the company for a long time. [98] Ruder noted in a June 15, 1951, editorial that June 21 would mark the one-year anniversary since the Harvey Machine Co. first announced its intention to build an aluminum smelter in the Flathead. Ruder described the ups and downs of the past year, as locals worried whether Harvey would ever build a plant, and he pointed out that some type of industrialization was necessary in the valley to provide jobs, homes and a decent living for its 35,000 residents. "It would seem that Dr. Paul Raver, Bonneville Power administrator, and other Department of Interior officials are sympathetic to the Flathead's problem," Ruder wrote. He noted that Harvey was seeking a loan from the Reconstruction Finance Corporation. "While the California firm deserves no medals for public relations, it has a good name in manufacturing, and efficient plant operation," Ruder said. "Our thought is that the Harvey Machine Co. still looks like the best bet for the Flathead despite the year of hesitation." [99]

The Pacific Northwest media made hay with the Harvey story. On June 7, 1951, the Spokane Spokesman-Review ran a story stating that the Harvey Machine Co. was abandoning its plans to build an aluminum smelter near Kalispell because of high construction costs. The withdrawal of Harvey and New York-based Apex Smelting from the U.S. aluminum industry had freed up BPA-supplied power, according to the article,

and Kaiser planned to use the power for a new $5 million potline at its Mead smelter. Negotiations also were underway with Independent Aluminum of Youngstown, Ohio, for a new smelter to be located near the Grand Coulee Dam, the article reported. [100] The next day, the Spokesman-Review reported that an eighth potline at the Mead smelter would use uninterruptible power made available by Harvey's withdrawal. That same day, a Harvey engineer wired the Hungry Horse News to deny the story. [101] The back-and-forth news further frustrated Flathead residents. On Aug. 2, 1951, a Kalispell businessman expressed his exasperation, saying, "During the last year or so this aluminum plant news has been the hottest – and the coldest – we've ever had." Delays in getting the project started had affected residents across the state, as workers and their families prepared to move to the Flathead Valley in pursuit of work. [102]

Harvey's plans for the Flathead required two things from the nation's capital in addition to potline equipment – money and electrical power. On May 31, 1951, the Harvey Machine Co. filed an application asking for $70,274,861 in government assistance for construction of a four-potline aluminum smelter near Kalispell and a second aluminum plant near Tacoma, Wash. The government responded on June 14, saying it was impossible to consider the loan on the basis of the amount of equity capital Harvey was expected to put up. However, the government said it might consider loaning money for a three-potline plant. The next day, Harvey downsized its request to $50 million and promised to put $6 million in the new company in exchange for stock. Interior Secretary Chapman, however, announced on July 28 that Harvey officials had told him they could not come up with the $7 million needed to secure the Reconstruction Finance Corporation loan. [103]

A group of investors were located to back Harvey. On Aug. 27, 1951, it was announced that agreeable terms had been reached, and that the Defense Production Administration had approved a $46 million loan for Harvey. The Interior Department, however, reversed itself on Sept. 17, arguing that a power shortage existed in the Pacific Northwest. Mansfield, who continued to back Harvey's plans for the Flathead, demanded full information on the delays. Montana Gov. John W. Bonner entered the fray by wiring a telegram to Defense Mobilizer Wilson suggesting there was no power shortage but instead an attempt to divert Montana hydroelectricity out of state. "People who never before admitted there is a power shortage are strangely crying out to high heaven about one in the Northwest," Bonner said. "I believe the application of the Harvey Co. is being used merely as a pretext by those who want to sap Montana of her water facilities and resources." [104]

The search for financing

News from Washington dribbled out a little at a time with confusing results. Mansfield told the Hungry Horse News on June 18, 1951, that Harvey's aluminum plant would be built in the Flathead Valley, but the size of the plant would depend on the size of the loan it received from the Reconstruction Finance Corporation. Meanwhile, an AP news story reported that Harvey would begin construction of the plant within a week. [105] Then on June 20, 1951, the ABC radio station in Spokane reported that the Harvey Machine Co. had secured the RFC loan. The next day, the Hungry Horse News contacted Mansfield's office, which labeled the ABC report "premature." Mansfield's secretary said progress was being made in obtaining the loan, and an announcement might be made in eight days. Harvey was encountering an "uphill fight" to become the nation's fourth aluminum producer, Mansfield's secretary said. [106]

On July 20, 1951, Leo Harvey wrote to Interior Undersecretary Richard Searles with an update on the Harvey Machine Co.'s $46 million loan application. The company was required to come up with $7 million in equity capital, but when Harvey went to Wall Street investment houses, he discovered that "equity capital of the sort required is currently virtually unprocurable." He said he was told the reason was Federal Reserve requirements. "We are now at a stage in the project where the need for money is immediate, and we cannot wait until the public absorbs the debenture issue," Harvey said. In June 1951, the company surveyed aluminum users about their interest in regular purchases of aluminum ingot and learned that the demand was millions of pounds per year. Harvey told Searles his company hoped to raise some of the equity capital needed for the federal loan through these aluminum users. Harvey also explained that the company had heavily invested in engineering and construction plans and had placed orders worth millions of dollars. He said the company's out-of-pocket outlays so far were around $1.5 million. He also noted that to meet schedules, the company needed to start pouring concrete soon before the Montana winter arrived. Summing up, Harvey proposed putting up $3.5 million in equity capital for the loan in the form of plant site land, engineering and construction services, equipment that was already purchased, cost of relocating equipment and $1 million in cash. On top of that, the company would provide $2 million in working capital once the plant was operating. [107]

Interior Secretary Chapman issued a press release about Harvey's requested loan conditions on July 28, 1951. The Harvey Machine Co. had informed the Interior Department that it could not come up with the $7 million in equity capital needed for the $46 million loan, but Chapman was considering Harvey's proposal, "which would give the 1,500 independent fabricators in the country an opportunity to participate in the ownership of the plant, on the basis by which they would be able to call on the plant

for aluminum pig in the ratio of their invested capital." Harvey would put up $3.5 million in cash, land, equipment and engineering, and $3.5 million would be in the form of stock sold to 1,500 U.S. fabricators, Chapman explained. The new plant would produce 54,000 tons of aluminum ingot per year. He also noted that most of the aluminum produced in the U.S. by Alcoa, Reynolds and Kaiser was used in their own mills and fabricating plants. Chapman said Harvey's proposal was in line with President Truman's desire to draw more small businesses into defense mobilization. Chapman concluded by noting that Harvey would consult more with the Interior Department, and if Harvey could not meet the loan requirements, the Interior Department would give Harvey's certificate of necessity for aluminum production to another company. [108]

In a heated July 29, 1951, letter to Mansfield, Leo Harvey complained about how his company had been treated by GSA Administrator Jess Larson. Harvey noted that GSA's "Basic Policy" was to promote competition, foster development of independent businesses and discourage monopolies. He said there was little justification for Larson to turn down Harvey's loan request because Harvey was two days late in submitting its offer. "These are small matters and do not touch the core of the problem," Harvey said. "The administrator knew of our keen interest in the matter." Harvey said he personally told Larson back on July 7, 1950, that his company was interested in negotiating for the war-surplus potline equipment at Riverbank. "It is therefore basically not understandable that on the 10th of the same month, Kaiser submitted his proposal and the same was accepted in a few days, before we were even permitted to make an offer," Harvey said. He also noted that Larson's claim that he demands cash for all offsite use of facilities was incorrect, that a substantial amount of equipment had been sold to Kaiser, Reynolds and others on terms of 5% down and a 25-year balance. Harvey said his company should get the same terms. He said the industry was dominated by a "trimopoly" of Alcoa, Kaiser and Reynolds. Harvey closed by noting that his company knows what it's doing. "The bugaboo of 'know how' has been thrown against us many a time," he said, pointing to the success of his company at running a large extrusion plant and his large staff of engineers. [109]

Good news for Harvey came on Aug. 2, 1951, when Mansfield issued a joint press release with Sen. Murray and Rep. Henry Jackson of Washington announcing that Interior Secretary Chapman had recommended approval of the Harvey Machine Co.'s $46 million loan request to the Defense Production Administration. They noted that the DPA still needed to approve the loan. [110] Chapman had told the Montana congressional delegation that about $12 million of the loan would be used to build an alumina refinery near Everett, Wash., leaving only $36 million for the Flathead smelter. The loan was subject to approval by Manly Fleischman, the DPA administrator. The 20-year loan would carry an accelerated tax amortization of 85%. One problem facing Harvey was

how to raise the $7 million needed to receive a direct loan of $46 million from the federal government. Harvey had raised only $3.5 million and intended to float stock for the other $3.5 million. [111]

Ruder described the political battle the Harvey Machine Co. faced in an Aug. 3, 1951 editorial. “What doesn’t get into print are entanglements Harvey encountered in their plans for potlines in northwestern Montana,” Ruder wrote. “There was the influence of Kaiser and the other two aluminum producers. It is logical business sense for them to not want a fourth producer. The power not used here could be readily consumed at the Spokane Kaiser aluminum plants. Kaiser’s men were also past masters of knowing their way around in Washington. Harvey definitely is not.” [112] Two weeks later, Ruder gave his opinion of Harvey’s idea of selling stock to aluminum fabricating companies in order to secure a federal government loan. He said it was a good idea because it might bring additional industry to the valley. Ruder pointed out that Harvey was the fourth largest aluminum fabricator in the U.S., and Harvey could use the output of an aluminum smelter. [113]

Mixed news came to Harvey on Aug. 23, 1951, when Defense Mobilizer Charles Wilson called Mansfield and said the Harvey Machine Co. had turned down their latest proposal. “It is settled, and the whole thing is off,” Wilson said. [114] Wilson called back and clarified his first call – Harvey had not run out of time after all. “I may not have anything to do with it,” Wilson said about the loan’s future. “However, it would seem to be a natural with the power up in the Flathead for them to get into it.” [115] The Hungry Horse News learned about the phone calls and reported that the federal government would consider the applications of three or four other companies. Mansfield and Murray requested a final yes-or-no ruling from the government over Harvey’s plans. The federal government had recently reorganized, and Harvey’s loan application fell under the Reconstruction Finance Corporation and the new Defense Metals Procurement Administration. [116] That same day, Mansfield wrote to the Kalispell Chamber of Commerce praising the night and day work of Don Treloar in Washington trying to iron out differences between Harvey and the Interior Department. Mansfield said Treloar “was to a very large extent responsible for the success we have accomplished up to this time.” [117]

The Harvey Machine Co. responded to the negative news on Aug. 25, 1951, when Darkenwald told the press that the company’s application for a $46 million RFC loan was not dead. Darkenwald said there was no deadline for the company to agree to the loan conditions. “There has been no decision,” he said. “We have rejected nothing.” [118] Harvey kept working at a plan that would work, but in August 1951, the company rejected a federal plan calling on Harvey to repay the loan by using half of its net

operating revenue. While the loan had Interior Department approval, it also needed approval by the Defense Production Administration, which had gotten bogged down. On Aug. 24, 1951, Sen. Murray's son Charles told the AP that chances for an aluminum plant in the Flathead were still good, even if it wasn't Harvey – three companies were interested in the project: Spartan Aircraft Co., Curtis Wright Aircraft Co. and Olin Industries. Other sources hinted that the Anaconda Company was interested in the project, but Anaconda officials said commitments would not allow them to enter the aluminum business. [119]

The political tides turned again on Aug. 27, 1951. Harvey announced it had approval from the Defense Production Administration for the $46 million loan. The loan was formally agreed upon on Aug. 29, 1951, and the terms were drawn up. [120] DPA officials confirmed the loan approval on Aug. 19, 1951. A total of $32 million would be used to build a three-potline aluminum smelter in the Flathead with a capacity of 54,000 tons per year, $11 million would go to building an alumina refinery in Everett with a capacity of 108,000 tons per year, and $3 million would go to construction of ships to bring bauxite to Everett. The Reconstruction Finance Corporation would act as an agent for the DPA for the 20-year loan at 4.5% interest paid quarterly beginning after the Harvey plants were operational. Harvey was to put up $8 million in equity, including $2.5 million to be raised before any federal money would be made available, $3.5 million to be raised within 18 months, $2 million to be provided in working capital on completion of the plants, and a $1 million performance bond to be signed by Leo Harvey. No dividends were to be paid until the loan was paid off. One condition of the loan allowed Harvey to reserve a "substantial" part of the aluminum ingot production for sale to aluminum fabricators who lacked a dependable supply. [121] The DPA would also require Harvey to set aside 50% of all profits for 20 years to repay the loan. If everything worked out right, Harvey expected to produce 54,000 tons of aluminum per year, about 7% of total U.S. production, within two years of starting up. [122]

Harvey shot down

Mansfield traveled to the Flathead on Aug. 30, 1951, with news of the loan approval. According to Mansfield, the $46 million loan had been approved by the Defense Production Administration, but it was still in the hands of the Reconstruction Finance Corporation, which would have the final say. [123] The next day, Mansfield received word from his Washington office that a letter of intent to Harvey had been signed earlier by the DPA – the loan was going forward. [124] On Sept. 17, 1951, however, the Interior Department did an about-face and requested that the DPA delay its decision and hold off on the loan. The Interior Department cited uncertainty about the power situation in the Pacific Northwest and talk of a possible power shortage. Rumors were also floating

that the “Harvey affair” had become a “political football.” On Sept. 19, Mansfield demanded full information about the loan hold-up. Additional reports were made public stating that the BPA had available power for an aluminum plant, and that the hold-up on the federal loan was not due to a power shortage. BPA officials said they knew the loan was under review but added that there should be adequate power for an aluminum plant once the Hungry Horse Dam was operational. On Oct. 5, Harvey asked for permission to go ahead with production of aluminum under the RFC’s $46 million loan. There were no replies from federal officials, even after local citizens asked for answers. [125]

With the Harvey Machine Co. essentially ruled out, politicians and the media picked up the pieces and regrouped. On Oct. 26, 1951, the Hungry Horse News praised the efforts of Sen. Zales N. Ecton of Montana in promoting Harvey’s plans. Sen. Ecton sent a telegram to Montana newspapers stating that “regardless of whether (Harvey) can meet the requirements of the government, or not, I am confident that an aluminum plant will be built in the Kalispell area which will be ready to use power from Hungry Horse as soon as electric energy is available.” Ecton concluded by describing the long-range goals for the state’s economy. “We intend to develop industry in an orderly way as power is produced,” he said. “Montana needs permanent industry, and we will not permit one kilowatt of energy to be diverted out of this state which will place a limitation on either present or future industrial development.” [126] Four days later, Sen. Murray announced that the Harvey Machine Co. was unable to secure the $46 million Reconstruction Finance Corporation loan. Murray said he had supported Harvey’s plans for a long time. “My paramount interest is in the establishment of an aluminum industry in Montana and not in who shall be operator,” he said. Murray said the Interior Department had asked the RFC to hold up action on the loan several weeks earlier because of concerns about power shortages in the Pacific Northwest – but that came after the Interior Department and the Defense Production Agency had approved Harvey’s loan application, Murray noted. [127]

Even bigger news came on Nov. 6, 1951, when Mansfield announced that the Anaconda Company and Harvey had formed a partnership to build an aluminum smelter in the Flathead. According to an Anaconda official in Washington, D.C., Anaconda would build and operate the plant, and Harvey would retain an interest. By late November, however, officials at the Interior Department and the Department of Justice said the Anaconda Company was “not fit” to enter the aluminum industry. This news set off a flurry of letters and telegrams by Montanans critical of that viewpoint, but the Interior Department and the Justice Department stuck with their claims. Finally on Dec. 13, 1951, Manly Fleischman and the Defense Production Administration announced it had agreed to back the Anaconda Company and Harvey as aluminum producers. [128]

Lining up raw materials, potline equipment, a power contract and a federal loan were four of Harvey's goals. A fifth was better tax rates. In 1951, the Montana Legislature passed a bill, introduced by delegates from Flathead County at the request of the Harvey Machine Co., which provided that new industrial property would be taxed at 7% of its assessed valuation for the first three years and at the regular rate of 30% thereafter. [129] The first industrial company to benefit from the new law was the Victor Chemical Works. On July 27, 1950, Mansfield announced over the radio that a 25-year electrical power supply contract had been signed between Victor and the BPA. Victor would use the power to produce phosphorous, a vital defense material, at a new $5 million plant near Butte. The plant would have access to 21 megawatts of interruptible power from Columbia River dams beginning in the fall of 1951. The plant would receive power later from the Hungry Horse Dam, once the new dam's generators were in operation. [130]

Soon after the Victor Chemical Works began operations and claimed benefits under the new tax law, the company faced government opposition. Victor paid half its taxes in protest in 1952 and appealed unsuccessfully to the Silver Bow County Board of Commissioners and the Montana State Board of Equalization. After both boards ruled against Victor, the case was taken to Silver Bow District Court, where the company lost again. Victor then appealed to the Montana Supreme Court in 1954. The high court ruled against Victor on Sept. 19, 1956. Montana's 1919 property tax law, which provided for tax rates of 7% to 100% depending upon the class of property, had withstood numerous legal challenges over the years, but the 1951 law was ruled unconstitutional because it discriminated against existing industries in the same property class. When the high court's ruling was announced, a spokesman for the Anaconda Company in Butte said the mining company had never sought such a tax law in all its years, but once it took over the Harvey Machine Co.'s plans for an aluminum plant in the Flathead, the Anaconda Company decided to claim advantage from the law. From 1953 through 1956, a total of $317,215 in tax money from the Anaconda Company plant site near Columbia Falls was held up under protest and unavailable to local government and schools. Registered warrants were used to keep schools operating under the promise to pay back the money. [131] The Flathead County Treasurer reported that it made attempts to contact Anaconda Company lawyers about the money in October 1956 without result. [132] Then in early November 1956, Anaconda Company lawyers filed papers officially dropping the company's tax protest, freeing up the revenue for local schools and government. [133]

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