Dr. A. E. Pufahl
Union Carbide Nuclear Company
Building

Mr. R. M. Austin
Mr. H. F. Reichard
Mr. L. P. Twitchell
Mr. T. S. Ary - Mr. W. H. Kohler

June 15, 1959 (Dictated 6/12/59)

Sales Development

PLAINTIFF'S EXHIBIT
UC-2642

ASBESTOS MARKETS

From June 1 to June 9, calls were made on West Coast asbestos consumers to determine the size of the markets and the types of asbestos used in that area. These calls indicate the large potential asbestos markets available on the West Coast to a local producer of suitable quality asbestos. A summary of the customers and their respective required volumes follows:

COMPANY	TYPE	TONS/YEAR
Armstrong Cork Company	7R	2,000
Celotex	7D	30
Certain-Teed	7M & 7D	40
Fibreboard Paper Products Corp.	5K	800
	6D	300
	7K	50
	4K	25
	7M	400
	Shorter than 7 - Arizona material	500-1000
The Flintkote Company	7R	4,400
	7M for tiles	1,000
	5K	240
	7D	120
	7M for roofing	2,900
The W. W. Henry Company	7M	500
Lasko Brake Products Corporation	7K & 7D	480
	5K	200
Mastic Tile Corp. of America	7R06	1,440
Standard Oil of California	7R05	120
U. S. Gypsum Company	7RF-1	400

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The total estimated uses by these customers by grade are:

No. 4	Approximately 100 tons
No. 5	Approximately 1,200 tons
No. 6	300 tons
No. 7	Over 14,000 tons

Not included in these overall totals are uses of 500 to 1,000 tons of smaller than No. 7 Grade derived from Arizona asbestos and the Japanese uses of 40-50,000 tons of No. 5 and No. 6 Grades.

Individual comments on each customer follow:

ARMSTRONG CORK COMPANY
5037 Patata Street
South Gate, California

Interviewed: Mr. William Lowe, Purchasing Agent

Armstrong uses several carloads per week of Grade 7R asbestos. It is purchased mainly from one supplier. Their requirements are up about 25% over 1958, which was not a depression year in their business. They would be glad to purchase at least part of their requirements from us if our quality were equal and if some price advantage could be shown on a delivered basis.

Mr. Lowe will not give us purchase specifications and methods until we have material for them to look at. They would need about 5 lbs. for initial testing and would test any material we submit as long as we told them it was representative of commercial production. The testing would be done at their South Gate plant.

Mr. Lowe felt that the Canadian Government exercised considerable control over the asbestos price and probably would not allow the Canadian asbestos producers to freight equalize with a West Coast asbestos producer - at least on the lower priced items. Such freight equalization would bring the selling price down so low that the Canadian producers would be only exchanging dollars.

If Mr. Lowe's feelings are substantiated, we could probably obtain essentially all of the West Coast asbestos business for at least the cheaper grades. We will further explore the Canadian Government control over asbestos pricing.

6/15/59: Today, I asked Mr. H. J. Scarth, Manager of Purchases, Union Carbide Limited in Toronto, to determine whether the Canadian Government exercises any control over the sales prices on Quebec asbestos. Mr. Scarth checked a source in the Canadian Govern-

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ment and finds that there is no Government control.
(R. M. Austin)

FIBREBOARD PAPER PRODUCTS CORPORATION
475 Brannan Street
San Francisco 19, California

Interviewed: Mr. B. A. Wilson, Director of Purchasing
Mr. J. G. Genet, Purchasing Agent, Raw Materials
Mr. Harry Hoopes, Sales Manager, Insulation Division

Fibreboard uses asbestos in insulation and in vinyl asbestos floor covering (not tile at this time). They are now using 800 tons per year of 5K and 300 tons per year of 6D in asbestos siding; this phase of their business is greatly depressed because of competitive factors but should grow in the near future. They use 50 to 60 tons per year of 7K in asbestos paint. They use 25 tons per year of 4K in insulation and also 4T in magnesium oxide insulation. 400 tons per year of 7M are used in asbestos cement insulation. If a cheaper source were available, they could use an additional carload per month in this field. Long-fiber, South African (Amosite) is used in blocks and pipe covering.

500 to 1,000 tons per year of very short fiber is used in floor covering. This material is shorter fiber than any of the 7 grades and is priced under the 7 grades (under $40). It comes from the Arizona mines, probably via Western Chemical Company in Los Angeles, on a special freight rate.

Fibreboard would be very interested in buying asbestos from a Western source, even if we would "split" the freight savings with them. They gave us their test methods and specifications for all of their requirements. They now buy in pressure-packed, 100 lbs. bags and feel that the Asbestos Corporation has the best packaging system. They would start their testing with 5 lbs. quantities. If satisfactory, they would then go to about 10 tons for a plant run. Mr. Hoopes feels that the total market for short-fiber asbestos on the West Coast is about 50,000 tons per year. This number was confirmed by the California Bureau of Mines.

THE FLINTKOTE COMPANY
Pioneer Division
5500 South Alameda Street
Los Angeles, California

Interviewed: Mr. Arthur R. Hooker, Jr., Director of Purchases

Flintkote uses asbestos primarily for floor tile but it is also used in asbestos shingles and cementing. In 1958, they used 4,400 tons of 7R Grade and 1,000 tons of 7M Grade for tiles. In addition, they used 6 cars per month of 7M and 2 to 3 cars per year of 7D in liquid asphalt and 1 car every 1 to 2 months of 5K.

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Flintkote would be interested in a West Coast producer of asbestos even though the problem of buying asbestos from us instead of using their own material would be a top-level decision. Mr. Hooker gave us copies of their specifications and their grading methods. He examined our material and felt that it was a very high-quality with no apparent "tale" or "grit." Uniformity of color is very important for their uses.

They would be glad to test our material when representative product is available. Would want 5 lbs. initially and the next step would be a plant run using about 1,000 lbs. Mr. Hooker felt that a profitable operation of an asbestos mill would require processing at least 1,000 tons of ore per day with yield of 12-15% fiber from the ore. He said that the large producers have done away with the manufacturer's discount. Within the last year, at least two ocean shipments of asbestos have been made to the West Coast. This competition has brought about a reduction in rail freight rates for asbestos.

THE W. W. HENRY COMPANY
5731 Bickett Street
Huntington Park, California

Interviewed: Mr. Dale Stutzman, Technical Director

The W. W. Henry Company uses asbestos in adhesives for all building trades, coatings for roof applications, and sealers of the caulking type. The asbestos is used primarily as a filler for viscosity control. This company uses about 500 tons per year of No. 7M Grade. In addition to the Canadian grade specification, they have their own screening test used for each batch of material. We have a copy of their method. They cannot use fiber longer than 7D because of need to separate and brush their end products. Asbestos is purchased in carload quantities in 100 lbs. pressure-packed bags. Henry, like all of the users, buys asbestos on a "spot" basis and does not contract for it. This company would welcome our entry into the market and would be glad to test our material when representative quality is available. Would want a few pounds for initial testing and then go to a full batch requirement of 1/2 to 1 ton. Mr. Stutzman remarked that our material appeared to be very pure asbestos but that it was not well fiberized.

JAPANESE ASBESTOS USES

Interviewed: Consul Nishi Waki - Japanese Consulate

Mr. R. H. Tibbits and
Mr. Takeshi Moricka of Mitsubishi International Corporation, San Francisco Branch
206 Sansome Street
San Francisco 4, California

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Consul Nishi Waki indicated that about 40-50,000 tons per year of asbestos were imported into Japan from Canada but he was unaware of the exact amount and the grades used. He said that, because of several small mines in Japan, imports were limited by quota restrictions.

We were referred to the Mitsubishi International Corporation for further information. Mr. Tibbits was not sure of the Japanese use pattern but wrote to Japan that day requesting full information on size of requirements and the grades required, as well as asking for an indication of the Japanese interest in purchasing asbestos from us. Mr. Tibbits indicated that they would have a strong interest in buying from Union Carbide Nuclear Company because of our stability and proven ability to supply quality products. He indicated that they might be interested in a long-range contract. If so, they would undoubtedly want to examine the extent of our property. Subsequently, we received a letter from Mr. Tibbits indicating that he has asked Japan for the full story on requirements for asbestos and that we should hear from them by the end of June.

LASKO BRAKE PRODUCTS CORPORATION
26th and Magnolia Streets
Oakland, California

Interviewed: Mr. Harry Hunt, Purchasing Agent, and
Mr. Maurice Ridker, Director of Research & Production

Asbestos is used in brake lining and is most important part of their operation. They use about a carload per month of 7KO5 and 7D24 Grades and a carload every 2 to 3 months of 5K Grade. They buy from both Johns-Manville and Asbestos Corporation.

Mr. Ridker has had previous troubles with Arizona asbestos and is very hesitant to change to some unknown quality. However, he would be glad to test our material when good quality is available and, after full evaluation, would probably permit us to share in their business.

MASTIC TILE CORPORATION OF AMERICA
2340 East Artesia Street
Long Beach, California

Interviewed: Mr. Walter Boyd, Plant Manager

Mastic uses asbestos for floor tiling. They buy several carloads (40 tons per carload) per months of Johns-Manville 7RO6. This use is expanding. They would welcome our entry into the field and would be willing to give us an order for a carload immediately. If we enter the market, we can obtain a large share of their business because of our "reputation" and because of our initiation of a price drop. We could never obtain all of their business because of their need for a second source. They have no other buying specification for material.

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When we have representative material, they will be glad to look at a 5 lb. quantity and then go to a ton and then carloads. They would welcome a West Coast asbestos producer. Within the last two months, three groups - including Jefferson Lake Sulfur Company - have approached Mastic concerning their interest in West Coast asbestos.

STANDARD OIL OF CALIFORNIA
Western Operations, Inc.
San Francisco, California

Interviewed: Mr. P. J. Byrne, Buyer, Central Division
Purchase & Stores Department

Standard Oil, as well as many other petroleum producers, purchases asbestos for incorporation into asphalt roofing. They buy 2 to 3 carloads per year of Johns-Manville 7RO5. Their standard purchasing requirements were obtained along with specifications. They would be glad to look at our material when available and would be most interested in our supplying them from the West Coast.

U. S. GYPSUM COMPANY
4500 Ardine Street
South Gate, California

Interviewed: Mr. C. V. Shoek, Purchasing Agent

Asbestos is used by U. S. Gypsum Company as a filler for other products but is not used in roofing material. They use 6-10 carloads per year of 7RF-1 Grade from Johns-Manville. Small quantities of 7K and 7E are used. All purchasing and evaluation would be done in Chicago after initial examination in Los Angeles. With the apparent freight saving, they would be very interested in our supplying asbestos and feel that we could get a large share of the business. They will send us their specifications and test methods.

T. J. Hall/dk

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