PLAINTIFF'S EXHIBIT
UC-2643

UNION CARBIDE
THE DISCOVERY COMPANY

Calidria ASBESTOS
UNION CARBIDE CORPORATION • MINING & METALS DIVISION • P.O. BOX 579 • NIAGARA FALLS, N. Y. 14302 • TELEPHONE
Tel: 716-278-3367

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THE ASBESTOS SITUATION

INTRODUCTION

In spite of the current economic conditions and the widespread negative publicity about asbestos, the world demand for this valuable mineral continues to increase. World production is almost 5,000,000 TPY. Canada contributes 1,800,000 tons and the USSR is estimated to produce 1,500,000 to 2,000,000 tons, most of which is used internally. Most of the Canadian production is exported with the U.S. obtaining 42%, or about 750,000 tons. Total U.S. consumption is almost 850,000 TPY.

CURRENT SITUATION

Following is a summary of the current production situation in Canada:

Company	Typical TPY	Estimated Current TPY	Remarks
JM	720,000	500,000	Landslide 1/75
Asbestos Corporation	350,000	0	Strike (w/o strike would only be 260,000 due to fire 12/74)
Carey	200,000	0	Strike
Lake	230,000	0	Strike
Bell	60,000	0	Strike
Cassiar	120,000	120,000	
United	100,000	100,000	
Hedman	7,000	7,000	
Advocate	78,000	78,000	
	1,865,000	805,000 (43% of typical)	

Assuming that the U.S. continues to receive 42% of Canada's production (and this was the case for the first quarter of 1975), U.S. receipts would be 340,000 tons. This is only 45%, or 410,000 tons short of normal Canadian imports.

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Published production rates of U.S. companies are: UCC - 40,000, Atlas - 30,000, Vermont - 40,000 TPY. Assuming much of the Vermont production is used captively by GAF, and making certain adjustments to the other numbers, asbestos available from U.S. sources is probably no more than 60,000 tons. This is a mere 15% of the shortfall from Canada and is indicative of the severity of the asbestos shortage and its effect on many Union Carbide customers.

During the last several years there have been attempts to remove asbestos from applications where the health hazard is potentially severe. The only significant success has been in sprayed insulation and fireproofing materials, but these accounted for only 3-4% of U.S. consumption. No satisfactory substitute has been found for major consumers and current "crash" attempts have met with little success.

The shortage has caused many plant cutbacks or shutdowns and these will increase in number and frequency as the strike continues. Most indications are that the strike will last through the end of the year and that the shortage will continue for 3-4 months thereafter until the world "pipeline" is filled.

NOTE: The above information is based on an article in the June 1975 issue of "Industrial Minerals":"Asbestos-Production Losses Prolong the Shortage."

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"CALIDRIA" POSITION (Confidential)

"Calidria" products can compete with Canadian in four primary applications, as follows (with annual tonnages): Vinyl/Asbestos Floor Tile - 125,000; Asphaltic Compounds - 50,000; Tape Joint Compounds - 13,000; Drilling Fluids - 15,000; for a total of 203,000 TPY. The previous numbers are within the U.S. and we normally export about 20% of our plant capacity. It is obvious that we can supply only a fraction of the demand and that sales of UCC chemicals can be severely affected by the asbestos shortage, not only from plant cutbacks or shutdowns but also because of disgruntled asbestos consumers.

We are attempting to satisfy old customers while providing Union Carbide's Asbestos business with some assurance of continuing sales after Canadian asbestos is more available, without losing sight of the effect on other Corporate businesses. We are also trying to avoid shutting plants down by providing partial requirements to as many consumers as possible. The following actions have been taken or are under consideration:

1. Tape Joint Compounders - We have tendered requirements contracts to eleven companies for a total of about 350 TPM of SG-210, which is essentially our plant capacity for this product. Seven of these contracts have been signed and two others are in final negotiations. Two are with distributors who will allocate their receipts to companies of their choice. The contracts expire December 31, 1976 and are for the partial requirements of Ruco, Ashland Oil (not TJC), National Gypsum, Proko, U.S. Gypsum (not signed yet), Welco, and Georgia-Pacific. Starting September 1, orders from these companies will be moved to the top of our shipping list (we have orders for 1200 tons of SG-210 to be shipped in August and we will produce only about 350 tons so it is obvious that many will go without). Companies who will not be receiving material will be so notified. Any SG-210 which is surplus to the contracted quantities will be shipped to our warehouses to facilitate allocation, which will be handled by the appropriate regional "Calidria" salesmen. The contracts are basically "take or pay" but there are escape provisions based on pricing, the health issue, etc. We are not forcing anyone to use asbestos; but we want them to obtain part of their future requirements, if they have any, from us. Except at the customer's insistence, we are not asking anyone to commit to more than 50% of their asbestos requirements.

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2. Floor Tile - We are being asked to supply 5-10 times our capacity. We have advised all customers that we can supply only in bulk hopper cars for the present and we expect this to be true even after improved Canadian asbestos availability. We have been supplying Uvalde in bulk for over three years and plan to supply all their needs. Other companies have contracted a bagger or will transfer our asbestos pellets from bulk cars into other containers on a "make-shift" basis. We plan to extend contracts to most companies by August 22 to guarantee supply now in exchange for their guarantee to purchase part of their requirements from us through 1976. Most of them are asking where to sign.

3. Asphaltic Compounders - We are supplying HPO to replace Canadian 7M or similar grades. This is basically a new application for us and therefore we are not generally dealing with "Calidria" customers of long standing. We have or will offer about 350 TPM of HPO to about ten companies and distributors (again we could contract for far more than we can produce). The companies include DAP, H.B. Fuller, Gardner-Martin, Kelly-Moore, Metropolitan Roofing and Monsey Products.

4. Export - Most of our exports go to Japan and their economy is still very depressed. We intend to supply their normal requirements and not accept new business that is related only to the Canadian shortage.

5. Other - We plan to provide at least 75% of our drilling mud distributor's requirements because of long-standing purchase history. We are supplying partial "Canadian" requirements to some customers with a good purchasing history for our Resin-Grade products, or to those for which there is a direct benefit for other products of the Corporation.

Prepared By: John L. Myers
John L. Myers
Marketing Manager

Note to UCC Associates: The section of this report headed "Calidria" Position contains some information which should not be revealed to outsiders. Your cooperation in this matter is appreciated. Copies of the article from "Industrial Minerals" are available from this office. Please contact me if you have any questions concerning the situation.

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