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UNION CARBIDE

INTERNAL CORRESPONDENCE

PLAINTIFF'S EXHIBIT
UC-4589
52A

CHEMICALS AND PLASTICS • P. O. BOX K, KING CITY, CALIFORNIA 93930

To (Name) F. H. Larronde
Division 38th floor
Location New York

Date October 13, 1969

Originating Dept.

Answering letter date

Copy to R. W. Rebholz

Subject

The fixed investment and depreciation figures you asked for are:

	Cost	Book	Depreciation 1969	Depreciation 1970
Mine	746,996	652,333	12,872	11,523
Mill	2,898,846	1,261,451	218,317	185,419
Total	3,645,812	1,913,784	231,189	196,942

These are from 12-31-68 scrolls, so there would be some changes in 1970, but at least it will give you the idea.

DISTRIBUTION

Distribution expense at the plant is divided into export packaging, product storage, and shipping expense. In 1969 these were budgeted at $61,658 and we are running pretty close to budget. Costs of product shipment to warehouses and cost of warehousing are not available in King City. In the past we have sold everything F.O.B. the plant or warehouse, so our distribution costs do not include freight.

MARKETING

I think a basic mistake was made in relaxing our efforts in the paper market. In 1970 (or sooner) I would go to one or several distributors who are in the paper additives business. If possible, I'd add Bert Barton to the group and have Barton, Ingalls, and Dickson making joint calls and catalyzing the efforts of the distributors' salesmen. We had a good tonnage here once, and I think it can be regained.

In the floor tile area, one man can probably cover the country, since there are only a few outfits that are open-Uvalde, Kentile, American Biltrite, and GAF. I think Walt Young could keep track of this area. A substantial price cut for 2000+ TPY customers who will go to bulk handling is probably our most effective way to get this market.

The coatings, adhesives, and sealants area is a tough one, because it's so fragmented, but most products going into it have high margins. I don't think it's possible to have group I continue to market our products in this area if we're no longer part of group I. Since we

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can't set up an effective 10-12 man asbestos sales force overnight, the only way I see to go is through re-sellers or agents. We have good men such as Byrne, Myers & Rhodes who can assist with technical questions, make joint calls, etc.

The oil well mud business is in pretty good shape, but we need to lean on UC Petroleum all we can to get added business from them on conventional wells and a fair trial for our Hydrophobic product on the north slope.

The limited penetration we have in the tape-joint business indicates that we are probably limited to the Southwest and West coast by freight costs. Since the margin is very low even at full capacity, I would not assign a very high priority to this business. John Myers can probably continue to handle it.

Our new AX-35-R experimental pigment for latex paint is under a development agreement with Major Paint and no R&D or tech service effort by us is expected. When and if it is released for commercial use, it probably should go thru our agent, or agents, in the coatings business. John Myers has been responsible for AX-35-R and should continue with it.

930 PROJECTS

Resin-Grade 244 will probably outgrow the semi-works plant in 1970. A new 5 ton/day plant will cost about $400,000, depending on how much surplus and second-hand equipment we can use.

RESEARCH AND DEVELOPMENT

With respect to R&D, I think we should move back into the new product development effort as our technical service permits. Certainly more than one man is required to support an pulp and paper effort, and should be added as soon as possible. Vinyl asbestos floor tile is in trouble from seamless floor and indoor-outdoor carpet competitaion, so I doubt if it would pay us to do much R&D work in this area. For 1970, our technical service efforts should predominate as we try to realize the full potential of the markets we know about now. Development of new or improved products should be supported by the asbestos business itself. A budget of $250,000 for 1970 would be my guess at this time.

JOHN
John A. Riddle
Plant Manager

JAR/clg

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