

Ardmore

December 17, 1963

General Sales

Mr. J. J. McCaskill

JOHNS-LEXVILLE SHIPMENTS

Mr. W. Abbey - sad

To: Messrs.

Re: Through November 30 with Comments

Mr. J. J. Mayer - Ardmore
 Mr. Smith - Ardmore Legal
 Mr. J. Powers - Ardmore
 Mr. J. Wilson - Paoli

In preparation for discussions you have had with the Johns-lexville people in the past, I analyzed the shipments and outlined some of the problems in a memorandum to you dated July 15 covering the first six months of '63 and then again on September 25 covering shipments through August 31.

A review of the first eleven months of J-L shipments indicates March was the only month in which they did not ship contract minimum for the total company. By month, J-L shipped the following percentages on their contract minimum in board on 3/8" basis in which the total monthly contract figures of 35,160,000 sq. ft. maximum, 14,050,000 sq. ft. minimum are the fixed figures. These totals are for the nine plants: January 103%, February 110%, March 89%, April 125%, May 125%, June 165%, July 176%, August 155%, September 142%, October 173%, and November 139%. I would anticipate they ship over their contract minimum for the month of December, but not by much.

However, there are several plants where J-L has not shipped the contract minimum through the first eleven months and very probably will not make the contract minimum for the year. These include Akron where the total shipments through November amount to 60% of the contract minimum and probably with a poor month in December the shipments for the year out of this plant will be 65% or less, meaning a penalty under the contract. While they had three fair months at Akron the total shipments to date represent 73% for the first eleven months. Again, considering December as a poor month, it would appear that J-L shipments out of this plant would not exceed 72% of the contract minimum for the year, meaning a penalty payment by J-L on Akron shipments for the year 1963. Brunswick is the third plant where J-L has not shipped their contract minimum for the year. While there were two or three very good months, several months in the year found shipments to J-L accounts very poor. Their figures indicate about 93% of the contract minimum for the year. The total for twelve months will probably be close to 90% based on a trend in their sales from this plant for the last few months and considering December as a slow month.

In the other side of the ledger J-L has shipped greatly in excess of the contract maximum out of the Wilmington plant every month except two (February and March). Their total shipments for the first eleven months are 52,775,000 against a contract maximum for this period of approximately 33,000,000. Shipments out of the Sigurd plant have been excellent but there have been two or three months that have dropped their average down so that while they have shipped beyond the contract minimum they will not reach the contract maximum of the Sigurd Plant for the year of '63. Shipments out of Fort Dodge were down in the first three months but since then have risen quite well. Fort Dodge will ship way beyond the contract minimum for the year but will not reach the contract maximum. If shipments out of Fort Dodge continue to improve, the performance of this plant will exceed that of Sigurd. Incidentally, due to location of competitive plants and the freight absorption matter,

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I believe Hanna-Barville's profits by plants should be test out of Fort Dodge and ought to help in compensation for some of profit problems elsewhere.

The other plants, including Blue Rapids, Grand Rapids and New Orleans will ship more than the contract minimum to J-M accounts for the year 1963 but there is still room for improvement in J-M sales efforts if they are to give Bestwall the assistance anticipated when the contract was made.

As in the past, the sale of lath by J-M is poor and the proportion of their lath to board sales is far below that of Bestwall or of the industry.

J-M plaster sales are so poor over all that there seems no justification for continuing to have J-M in the plaster business. Bestwall has a large stock of bags at various plants. The bag analysis made by the Manufacturing Department all show plants with an excessive amount of bags with little or no movement, for J-M plaster. While J-M representatives may make a plea that there are accounts to whom they must ship a mixed case of board, lath, and plaster, I would say, based on a study of their orders, that this is just not so. There are a very limited number of accounts where this is a problem but outside of about two accounts, one of whom is Keystone, in the Ohio area, it should be no problem and I feel that J-M without plaster could get as much board business as with plaster from such accounts.

J-M sales of joint system products, while better in comparison to their lath and plaster sales are disappointing as an overall figure, compared to the sale of Joint System versus board products as experienced by Bestwall. There are some indications, however, that J-M is increasing their joint system sales in some locations but the movement out of Akron, New Orleans, and Wignard is very poor.

During the past several months I have had little comment from J-M people relative to pricing, adjustments, etc. After the change in the pricing setup made last February and adjusted in August of '63 to reflect the increase in mill case price for several board products which went into effect August 1, Bestwall has made only three concessions to J-M.

A \$.15 cwt. allowance was given on board shipments out of the Akron plant into New York City and Long Island in a desire to encourage their taking shipments from Akron to relieve some of the pressure on Wilmington. This is still in effect.

The prices out of the Home Plant on board shipments made from Home into the State of Texas which had been raised slightly by the change of August 1, 1963 were dropped back to the same price for these items as shown in the February 1, 1963 revised price list.

The third price concession was made on 1" Coreboard into Philadelphia where a discount of \$.05 per thousand was made for a specific job. We also had approved making the ribs for the job and shipping in carload quantities out of the Fort Dodge plant into Philadelphia and meet Bestwall's case price plus freight out of the Akron plant to the same destination.

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The Wilmington situation is still difficult with J-M's great demand and the Bestwall success on hard sales. It has been necessary to supplement the quantity available by shipping from Akron to Wilmington for reshipment to accounts. J-M has steadily refused to make any payment to compensate Bestwall for the extra freight and warehousing charges. You are aware of the two methods which were proposed, one of which resulted in deductions from J-M invoices during June, July and August and later had to be taken off the books by a policy adjustment which totaled for the three months nearly \$10,000. In this regard, the Bestwall sales people complain that Bestwall sales efforts are penalized because the plant runs out of many items frequently, and so much of the business is on a "load and go" basis, or an early morning delivery on the day following the order.

It should be realized that the net cost to J-M from Bestwall for the various gypsum products they have for sale are close to or a little less than what they were at the start of the contract. The various increases in the selling price to the customer in the field have meant better profits for J-M.

I am confident that one of the difficulties in the past still may be a factor. This comes from slight differences in the way the profits are arrived at, particularly insofar as the percentages are concerned when the two companies discuss this particular point.

My November 1 memo to you covered the large monetary complaints generally referred to. The specific complaints which remain open on which there is any discussion are relatively small. However, J-M still loses "nickels and dimes" by not following through on many of the small adjustments which they must make.

We have put J-M on notice that their Firestart (Bestwall's Firestop) will be changed to be the same as Bestwall's after the first of the year and that when the change has been accomplished the per cent discount on this product will be dropped so that the cost to J-M will go up approximately \$.50 a thousand at that time.

In conclusion I would recommend that J-M be required to pay their penalties on failure to take the contract minimum out of the three Bestwall plants noted above and that Bestwall object to any further increase in discounts to J-M without strong proof that J-M is losing money on the arrangement. As has been stated many times in the past, the profit J-M gets on this gypsum business is based on no investment other than for some literature, labels and containers.

You asked a question relative to freight absorption. Remember that Bestwall has nothing to do with J-M freight charges and hence is not in a position to say what the J-M freight absorption would be. Attached to your copy of this memorandum is a copy of a memo from the Cost Department dated October 3, which shows the freight absorption by plants for Bestwall for the first eight months. In blue pen alongside of them are the freight absorptions for the same items and locations as reported March 15 for the year 1962. I have put a red "+" mark where the freight absorption has increased to Bestwall. This may be a guide but you realize, of course, that Bestwall distribution can be and is generally much different than J-M distribution. Notice, however, that the absorption in all three categories is down out of Wilmington by Bestwall. As analyzed many times in the past, with the large percentages of J-M shipments to the accounts (to the large ones) on Long Island, their freight cost is a small part of their percent profit on shipments out of Wil-

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