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PROPRIETARY

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Date May 9, 1969

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Subject MULTI-TEMP

Art, I have attempted to prepare the brief summary report you requested on the product called Multi Temp. It is my understanding you wanted me to specifically cover three areas of interest to Manufacturing: (1) cost projections prepared several years ago on the entire Multi Temp product line, (2) a brief review of the product itself, including its advantages, disadvantages, problems in processing and the like, and (3) my own personal thoughts on the product especially as to how it relates to the total high temperature insulation market.

Multi Temp is completely free of asbestos. If we were selling Multi Temp today, we would have the only asbestos-free, rigid high temperature product on the market. As you know, it is our hope and plans to have an asbestos-free calcium silicate (Kaylo) product on the market in about a year. The activities of Selikoff, the adverse public reaction to the use of insulating products containing asbestos and the presence of asbestos-free Kaylo and Multi Temp in our product line would without doubt all contribute to OCF's regaining its rightful position of leadership in the high temperature insulation market. Once we regain this position of leadership we can expect it to have a positive effect on sales of related glass fiber products such as pipe, roofing, IS board, duct insulation and the like.

When MultiTemp was dropped several years ago, two reasons were given; one was the refusal on the part of our distributor to inventory and handle two lines of high temperature insulations for the same market; the second was the relatively low gross margins being achieved as well as projected for Multi Temp pipe insulation.

Recent discussions with Marketing indicate the real reason for dropping Multi Temp was low gross margins. A feasibility report prepared and issued by Justin Boeker's group back in 1965 projected a gross margin level of 21% for Multi Temp pipe. This same report projected a gross margin level of 33% for Multi Temp block. (It should be noted a projected gross margin of 33% for Multi Temp block is actually higher than the gross margins we expect to achieve on Kaylo block during the next several year period.)

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PLAINTIFF'S
EXHIBIT

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A. J. Pearson

May 9, 1969

J.
i-Temp

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I want to caution you in drawing too many conclusions from Boeker's 1965 cost projection. Conclusions reached in 1965 are no longer valid since many of the process and market parameters have also changed. When Boeker prepared the 1965 cost projection for Pfeifer, apparently everyone was thinking big. They were projecting a multimillion dollar market for Multi Temp and a similar size market for R-2 fire-rated acoustical products. They envisioned a multi saturator, multi oven, multi molding press (for Multi Temp pipe) operation requiring an investment of substantially more than a million dollars. As a further complication in interpreting data from this cost projection was the fact the facility was designed to process R-2 fire-rated tile, R-2 fire-rated ceiling board, Multi Temp pipe, Multi Temp Block, and Multi Temp fittings (if economical) all on the same facility.

It is my understanding you are considering resuming the production of Multi Temp block and wanted my thoughts on the subject. Although I do not have cost data to back up my position, I am convinced we could produce all of the Multi Temp block Marketing could sell during the next several years and we could do it in on a facility similar in size to the R-2 facility at Newark. Furthermore, I believe we can produce Multi Temp block with a gross margin level over 30% level, we will have to come up with a new one-step process (not yet invented).

The R-2 facility at Newark was torn down recently and most of the mixing, pumping, suction equipment transferred to other areas for use in other operations. However, two of the more expensive process items, namely the R-2 oven and ware racks, remain and could serve as the nucleus for rebuilding the operation at minimal cost.

At this point, I would like to get in my two cents worth. If the decision is made to again produce and market Multi Temp block and pipe, we have no choice but to locate the facility at Newark where the pipe molding presses are located. However, if production is to be limited to Multi Temp block, I would recommend the facility be moved out of Newark. There is nothing personal in this recommendation. I just believe we would have a more efficient and more profitable operation if located elsewhere. My choice for facility location would be Berlin. I have a number of reasons for this recommendation and would like to elaborate on these in greater detail in the following paragraphs.

The R-2/Multi Temp saturating facility was considered as one of the dirtiest operations by the Newark Plant hourly employees. It was dusty and the employees usually ended up covered with wet clay slurry on their clothes. Most of the newly hired help at the Newark Plant were assigned to this area. Our problem was they transferred out to cleaner jobs faster than we could train them. I am not kidding when I say you would see almost all new faces each week. The R-2 facility was operated not only with minimum supervision but also with unskilled, untrained and quite often undesirable help. All of these factors combined to lower product quality levels and job efficiencies. A further complication was our inability to control labor costs. This was due to our inability to transfer the workers to other jobs during the long drying cycles. A five-man crew could saturate in 2-3 hours sufficient material to fill up the drying oven. The operation was then shut down for 3-8-1/2 hours (depending on thickness of the ware being processed) while the ware was being dried. For Union reasons, these men could not be temporarily