0641978

GRACE

Construction Products Division

TO: J. A. Danneker
R. M. Vining
R. C. Walsh

DATE: September 15, 1983

FROM: R. J. Bettacchi

SUBJECT: August 1983 Monthly Report

cc: R. C. Abernathy
H. C. Duecker
Marketing Department (14)
R. J. Mees/Zono Ajax
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PLAINTIFF'S EXHIBIT WRG-991A

I. Summary

- Although tremolite contamination of vermiculite-based products continues to be a problem in the marketplace (we have seen our first "tremolite-free" Monokote specification out of St. Louis), it does not appear as though the issue is of the same crisis proportion we thought it to be. We have prepared a fact package which is now being distributed to the sales organization and are continuing to handle tremolite inquiries on the subject on an individual basis.

- Complaints on the variability of Monokote 5-SG at Patti's 49th Street Tower job resulted in our monitoring this job and Patti's standard MK-5 job (199 Water Street) also in New York City on a daily basis for three weeks. We concluded that the variability with MK-5SG was about the same as seen with standard MK5 - both were unacceptable. We have initiated a program to define and eliminate the causes of the variability and are postponing further conversions to MK-5SG until this program is completed. We anticipate a four to eight-week delay.

- CAFCO has tested and received approval on some U. L. designs using reduced thicknesses of material to obtain equivalent fire resistance ratings. They have recently used these designs, which result in a lower cost to the applicator, to beat us out of several large jobs in the Central Region. We anticipate that these thickness disadvantages could impact our business in the Eastern and Southern Regions. (As ICBO jurisdictions use different and simplified thickness criteria, we are not presently disadvantaged on the West Coast.) We are in the process of developing a test protocol which will enable us to reduce the Monokote design thickness and again become competitive with CAFCO.

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We met with National Gypsum during the month (they have supplied ~1% of our Gypsum requirements so far this year) to determine their willingness to continue to supply ZOU plaster for the long term. Since they put new or refurbished kettle equipment in the plants from which they presently supply our needs when they switched to the calcidined Gypsum process, we are confident that they will continue to supply. (The only plant not yet converted to calcidined Gypsum is Long Beach and they also plan to add refurbished kettle equipment when this switch is made.) However, we also expect that they will continue to be aggressive with pricing as they perceive (correctly) that without their supply, we would be left with U. S. Gypsum as a single source. Having the capability to self-retard gypsum would open additional sources to us. We have initiated a program to self-retard Gypsum in order to broaden our potential supplier base.

- Polycel shipments for August were 109,000 lbs. representing one of the best months on record. The volume was driven by aerosol demand as both consumer and industrial products are moving well (incoming orders indicate a continued strong showing). The professional business continues to be relatively static as dramatic gains in the Regions are partially offset by market share losses and lower housing starts in Texas. Both Instafoam and Polyseal are moving more aggressively in this market.

- The Distributor Incentive Program for Masonry Insulation appears to be quite successful this year as volume continues to outpace prior year despite a continued market decline. The program will be winding down in September, and we must continue paying attention to our distributors to insure a good year. At the completion of the program, we will recap the "winners" and "losers" to estimate the impact of the program.

- The new improved Thermostud "T" clip was shipped to all plants on August 15, 1983. A mailing of Thermostud information was sent to 2200 Drywall and Insulation Contractors and within three weeks, we received a 3.6% response rate. Letters were sent to distributors and our salesmen to follow up on the leads. We have finalized a distributor slide presentation on Thermostud and plan to get it to the sales organization next month to assist in building distribution for this product.

- Despite the favorable reception given to the Attic Fall Campaign by our customers, initial shipments (August) do not show any marked improvement over the first seven months of 1983. The volume decline continues at a rate in excess of 20% over prior year.

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- We added one new Owens-Corning Supply Center to our customer base in August with the addition of one in Florida. This brings our total to 22 representing 48% of the potential. Florida is presently the leader in using O.C. distribution with 4 of 5 centers as customers of CPD. Our status with these centers is tabulated below:

O.C. Centers That Sell CPD Products

Region	Total O. C. Centers	Distributors of Polycel	Thermostud	Both	Total
Eastern	11	3	2	0	5
Central	9	3	0	0	3
Florida	5	0	4	0	4
Southern	13	6	0	1	7
Western	8	3	0	0	3
TOTAL	46	15	6	1	22

There is still room for further growth as only one of forty-six centers carries both products.

- The Wilder Kentucky Vermiculite Plant has been using SBO treated L-3 concentrate for five weeks. Mine assay yields, which are being achieved by the plant, are averaging 3% higher than the yield from untreated concentrate. Initial reports (which need to be confirmed) indicate that applicator yields with Monokote produced from SBO treated L-3 are higher than from Monokote produced with untreated concentrate. A test protocol is now being established to determine the effect of SBO treatment on L-4 concentrate and ZIC performance.

- The plant trial of the firemate process was started at the Minnkota Power Co. on August 15, 1983. Although the coal being used for the test contains 9% sodium (most utilities blend to a sodium content of 4.5%) and there were mechanical problems with the soot blowers, initial results look favorable. The test will continue with continuing reduced concentrations of vermiculite until the optimum level is obtained. At an expected dose rate of 2 lbs/ton, this facility could use 3,000 tons/year of L4-L5 concentrate.

- Ore concentrate sales to Gypsum companies (about 20,000 tons per year) are threatened by two events. In the near term, about 7000 tons per year to U. S. Gypsum West Coast plants are at risk as a result of Bill Strong's importation of African Vermiculite. As we ship these plants from South Carolina (U.S.G. will not use Libby Vermiculite) our landed cost is higher than Strong's. U.S.G. has recently approved South African Vermiculite

In the longer term, Westroc Industries Ltd., a Canadian Gypsum company, has developed and obtained U. L. approval for a fire-rated wall board which does not contain vermiculite. If this product is economically viable, our entire volume of concentrate with the gypsum companies is at risk.

- We have negotiated an agreement with Kahalifa Algosaibi Co. which gives them rights to manufacture Zonolite products in the Kingdom of Saudi Arabia and rights to sell in the Arabian Gulf. The agreement, which is subject to approval by both companies, is based on the "heads of agreement" we developed several months ago. The major difference is that the license fee schedule was reduced in return for higher minimums and a commitment to purchase concentrate from GRACE. Subject to Saudi Goverment Approval, we expect the facility to be operational in mid 1984.

- We have announced a 7% price increase on Export Peter's products effective January 1, 1984. We have had a strong negative reaction from one of our key customers (Brinkman in Holland who represents about 30% of our volume.) We plan to meet with Brinkman to discuss our pricing and a strategy for gaining additional market share vs. Plant Products.

- Although sales of Serviwrap remained strong in August (due to a large shipment to Brown & Root for an offshore product), the backlog for pipe wrap is slim as no new major projects are anticipated before year's end.

- The hiatus in roof deck litigation activities has ended with three new Celotex cases being filed in August. Celotex cases now represent 45% of our caseload of 44. On a separate note, JM's attorney has appeared at our oral arguments on August 24th in the Norwich Pharmaceutical case. The appearance, which is the first since Manville's bankruptcy, has led to the speculation that the bankruptcy will be resolved in the near future.

II. Sales and Margin Summary

August gross sales for non waterproofing, non roofing Building Products are $1124M (15%) unfavorable to budget and $806M (11%) unfavorable to August 1982. Virtually, all of the budget under run is due to the shortfall ($1087M) in fire-proofing as the behind budget performance in General Insulation products ($156M), Polycel ($120M) and Serviwrap ($15M) is essentially offset by gains in concentrate ($177M) and Export ($87M). We expect that sales of these product groups will continue this relative performance to budget for the remainder of the year.

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Year-to-date gross sales for these products are $8222M (17%) unfavorable to budget and $3112M (7%) unfavorable to prior year. The largest portion (77%) of the YTD under run is also due to Monokote ($6235). However, the YTD under run in General Insulation ($1522M), Polycel ($1095) and Ore to Outsiders ($51M) is only partially offset by above budget performance in Serviwrap ($149M) and Export ($620M).

Key Sales and Margin Statistics are detailed in Tables I, II, and III attached.

(Tables I, II, and III follows)

III. Product Line Details

Product Line Details are included in the attached reports.

Robert J. Bettacchi

RJB/ko'c

Attachments

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SALES AND MARGIN STATISTICS

		(1)	(2)	(3)	(4)	(5)
					% Variance	
		1983A	1983B	1982A	1983A vs 1983B	1983A vs1982A
		AUG 83 GROSS SALES($000)				
(1)	FIREPROOFING	3333	4420	4401	(25)	(24)
(2)	GENERAL INSULATION	1985	2141	1980	(7)	0
(3)	POLYCEL	508	638	437	(20)	16
(4)	ORE TO OUTSIDERS	508	331	438	53	16
(5)	SERVIWRAP	94	109	84	(14)	12
(6)	EXPORT	176	89	70	98	151
(7)	TOTAL	6604	7728	7410	(15)	(11)
		Y-T-D AUG 83 GROSS SALES($000)				
(8)	FIREPROOFING	21528	27853	25650	(23)	(16)
(9)	GENERAL INSULATION	11242	12764	11678	(12)	(4)
(10)	POLYCEL	2345	3440	2165	(32)	8
(11)	ORE TO OUTSIDERS	2851	2902	2543	(2)	12
(12)	SERVIWRAP	678	529	230	28	194
(13)	EXPORT	1245	625	735	99	69
(14)	TOTAL	39890	48112	43002	(17)	(7)
		AUG 83 GROSS MARGIN($000)				
(15)	FIREPROOFING	1527	2083	1883	(27)	(19)
(16)	GENERAL INSULATION	787	854	782	(8)	1
(17)	POLYCEL	256	337	223	(24)	15
(18)	ORE TO OUTSIDERS	304	193	267	57	14
(19)	SERVIWRAP	23	52	42	(55)	(45)
(20)	EXPORT	70	36	23	95	204
(21)	TOTAL	2968	3556	3221	(17)	(8)
		Y-T-D AUG 83 GROSS MARG.($000)				
(22)	FIREPROOFING	9886	12911	10563	(23)	(6)
(23)	GENERAL INSULATION	4433	4859	4212	(9)	5
(24)	POLYCEL	1192	1831	1076	(35)	11
(25)	ORE TO OUTSIDERS	1695	1722	1540	(2)	10
(26)	SERVIWRAP	328	243	115	35	184
(27)	EXPORT	466	239	287	95	62
(28)	TOTAL	17999	21804	17795	(17)	1

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TABLE III

KEY PROJECT LINE DATA, [illegible] 1985 [illegible]

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
		VOLUME (DOLLARS)					GROSS SALES($000)					GROSS MARGIN($000)				
					$ Variance					$ Variance					$ Variance	
		83A	83B	82A	83A to 83B	83A to 82A	83A	83B	82A	83A to 83B	83A to 82A	83A	83B	82A	83A to 83B	83A to 82A
	FINEPRINTING															
(1)	Manchester	3704	4270	4775	(23)	(23)	20574	26095	24700	(23)	(17)	9430	12450	10085	(24)	(7)
(2)	3300	32	42	41	(23)	(22)	511	675	618	(24)	(17)	235	337	318	(30)	(26)
(3)	Other	20	16	21	81	40	343	162	234	80	47	221	124	150	79	38
(4)	TOTAL	NA	NA	NA	NA	NA	21520	27053	25650	(23)	(16)	9886	12911	10563	(23)	(6)
	GENERAL INSULATION															
(5)	Attic	343	351	400	(5)	(16)	1082	1181	1254	(6)	(13)	522	540	577	(5)	(10)
(6)	Masonry	1433	1312	1388	0	3	4900	4885	4791	0	4	1918	1880	1845	1	17
(7)	Indust.	444	530	475	(16)	(6)	1607	2150	1812	(16)	0	914	1070	874	(15)	5
(8)	Otherform	90	105	120	(7)	(22)	482	520	583	(7)	(17)	275	308	327	(11)	(16)
(9)	Thrlsy	6335	5876	6040	(34)	5	1010	1547	985	(35)	3	378	508	341	(26)	11
(10)	Plainbd	18867	25387	20765	(26)	(10)	1500	2361	1917	(32)	(17)	361	431	350	(18)	0
(11)	Other P/S	NA	NA	NA	NA	NA	263	332	338	(21)	(22)	75	102	90	(27)	(24)
(12)	TOTAL	NA	NA	NA	NA	NA	11242	12764	11670	(12)	(4)	4433	4850	4212	(9)	5
	POLYCEL															
(13)	Profess.	208	280	204	(31)	0	1045	1498	938	(30)	11	580	888	514	(35)	11
(14)	Consumer	191	237	187	(19)	2	998	1231	876	(27)	2	647	804	407	(26)	10
(15)	Indust.	71	95	78	(26)	(9)	329	458	349	(28)	(6)	157	220	155	(31)	1
(16)	Two-Comp	14	48	0	(71)	NA	73	255	0	(71)	NA	20	112	0	(83)	NA
(17)	TOTAL	NA	NA	NA	NA	NA	2345	3440	2185	(32)	8	1192	1831	1076	(35)	11
	GRC to OUTSIDERS (Tons)															
(18)	Licensees	10140	10800	11377	(6)	(11)	984	1040	1033	(5)	(5)	580	840	615	(6)	(3)
(19)	Gypsum Co	12974	11100	11320	17	15	1215	1026	943	18	29	720	600	585	21	23
(20)	Agricul.	3220	3200	2822	1	14	170	181	151	(2)	18	80	73	70	(5)	(1)
(21)	All Other	4429	6500	4073	(32)	9	474	656	416	(28)	14	297	408	280	(27)	14
(22)	TOTAL	30760	31600	29600	(3)	4	2851	2902	2543	(2)	12	1686	1722	1540	(2)	10
	SERVIGRAP															
(23)	P300-500	1110	881	420	25	158	386	310	158	25	142	187	144	81	30	131
(24)	V850	283	157	58	80	376	245	132	53	86	385	121	59	26	105	388
(25)	Other	NA	NA	NA	NA	NA	47	87	18	(46)	157	20	40	8	(50)	138
(26)	TOTAL	NA	NA	NA	NA	NA	678	529	230	28	194	328	243	115	35	184
	EXPORT															
(27)	Intracomp	NA	NA	NA	NA	NA	443	0	192	NA	130	118	0	71	NA	67
(28)	Zonolite	NA	NA	NA	NA	NA	540	506	363	7	49	232	194	161	20	44
(29)	Peters	NA	NA	NA	NA	NA	262	121	180	117	46	116	45	58	161	100
(30)	TOTAL	NA	NA	NA	NA	NA	1245	625	735	99	68	466	239	287	95	62
(31)	TOTAL	NA	NA	NA	NA	NA	[illegible]	48117	43932	(17)	(7)	17275	21806	17795	[illegible]	1

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