PLAINTIFF'S EXHIBIT

CAP-560

Asbestos-Cement Pipe and the Municipal Market

by

William R. Perrell
Assistant General Sales Manager
Cement Asbestos Products Company

Presented to

Association of Asbestos Cement Pipe Producers

November 8, 1973

Asbestos-Cement Pipe and the Municipal Market

Asbestos-cement pipe is the finest water pipe available for today's municipal water system.

Now we in the A/C industry know that to be a true statement.

Then why do more than half the consulting engineers and waterworks officials in the United States disagree with us? Why is cast iron pipe Number One and A/C pipe Number Two? Why, across the United States every day, are cities paying more for cast iron pipe rather than our pipe? Is it because cast iron has been around longer? After all, they did have a 300-year head start on us. That may be part of the answer, but longevity cannot be the only answer.

Why is cast iron the most popular water pipe today? Their ability to sell a lesser product for a higher price did not come overnight. They have been developing and nurturing their sales techniques for years -- and they have been doing it together.

The Cast Iron Pipe Research Association was formed in 1915 with the one purpose of promoting and selling cast iron pipe. Through their UNITED efforts, the cast iron companies have convinced the majority of the consulting engineers and waterworks owners in

CAPCO JEN 0026080

the United States that cast iron is the better water pipe and, therefore, worth the premium price.

They did this, not by having the ultimate in water pipe, but by uniting their efforts, working together, to sell their product.

Maybe it is our fault they are Number One and we are Number Two.

We have a better material for the municipal market -- why shouldn't we be Number One.

How can we be Number One.

Just one year ago we took our first step toward challenging the iron industry for their position in the municipal market with the formation of our Association of Asbestos Cement Pipe Producers. We have done away with our "go it alone" policy and have formed the beginning of a unified effort to give direction to the promotion and selling of A/C pipe.

I don't want to give the impression that our new Association is a magic formula for taking control of the municipal market. It's far from that, but it is a start in the right direction.

In fact, the biggest crisis ever experienced by our industry -- the health issue -- is looming before us right now.

The credibility of our material is being challenged. How we answer this challenge will determine our industry's future. The cast iron industry has been using this health issue as a scare tactic across the country in attempts to discourage potential A/C pipe customers from specifying and buying A/C pipe.

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The Cast Iron Research Association is condoning and even encouraging this type of activity.

To date, we have done nothing to curtail their activities -- only race to put out the fires they light. Every time this issue has come up this year, with the help of Joe Jackson we met the situation head-on and came away with a victory for our industry.

Although unsuccessful, unprofessional and unethical, we would be naive to think the competition will relax this type of negative selling.

This issue has to be answered once and for all, and we are working toward that answer now. Vindication for our product could be several months away. During the interim period we cannot expect Joe Jackson to don his fire helmet and put out every fire that is lit.

Our salesmen, regardless of company affiliation, must be trained and ready to answer any inquiries pertaining to this subject, whether in an engineer's office or a city council chamber.

It has been suggested that our Association conduct training seminars to better equip our salesmen so when confronted on this issue they will have the correct answers. We must all be prepared and willing to discuss this issue and what our industry is doing to resolve the point in question.

What better way to resolve this question than the three parties that are currently looking into the matter -- the A/C pipe industry, which initiated the study; the EPA, the concerned governmental agency; and the AWWA, the almanac of the municipal waterworks men working together to resolve the matter and reveal the truth.

CAPCO JEN 0026082

With this behind us, there will be nothing in our way to go after the title as the Number One water pipe for municipal market.

On the more positive side, due to raw material cost, A/C pipe does have an economic advantage over cast iron. This should not be taken lightly. Any time a city can get an 8-inch line for the price of a 6-inch, it's just good, sound economics and engineering practice to do so. We will continue to maintain a price advantage; and even with our raw material cost on the increase, it can in no way compare with the increasing cost and shortage of scrap iron.

The economic factor was the only reason A/C pipe lost the rural market to PVC in the late 60's. The financing agencies insisted on the lowest priced material available that would do the job. Their philosophy of "some water is better than no water" was considered sufficient for the rural customer. But what about the municipal customer? His demands are more -- he must have a water system that carries every available specification, plus his needs for fire protection must be met.

The elected officials and other public servants in the employ of every city have an obligation as guardians of the public funds to give him what he demands, yet spend the city's dollars as prudently and wisely as possible. Therefore, the only philosophy a municipality should be guided by is "to get the best water system for the available dollars." This eliminates cast iron pipe. It does meet all the required specifications -- but even under the most ideal conditions, its cost runs considerably more than A/C. Then if polywrap or cathodic protection is added, the cost goes even higher.

How can any city truly justify installing cast iron pipe?

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This philosophy also eliminates PVC pipe. PVC pipe lacks the necessary credentials to even qualify for consideration as a municipal water pipe. Even with the proper credentials under their belt, they have the resin shortage to contend with.

The growth that the PVC industry has enjoyed in the past has come to a halt and could even decline in the coming years.

The resin shortage is real!

It will be a long time before PVC pipe will be a factor in the municipal market. The PVC pipe that will eventually become our competition for this market will not be a low-priced item. In order for it to gain all the necessary approvals, it will be a thick-walled, tested, costly water pipe. So the economic advantage PVC has in the rural market will not be available to them in the municipal pipe market.

Those of us that manufacture both A/C and PVC pipe must be careful that in our enthusiasm for a new unproven material, we do not become over zealous and erode an already established A/C pipe market. So, with the shortage and high cost of scrap iron and the shortage of resin for PVC pipe, the municipal market should belong to A/C pipe. What we do with it is up to us.

There is a sense of revitalization sweeping our industry. The gloom that was present a few years ago is gone. A new breath of life came into our industry last fall when our A/C Pipe Producers Association was formed. We have finally joined together in a united effort to promote and sell A/C pipe. We need to promote our Association within our industry as well as in the marketplace; pursue a course of good, solid advertisement to get our message to the waterworks market through the proper trade journals; show interest in other

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associations related to our industry; promote and sell our pipe in all cities, not just the ones already using A/C pipe. Unfortunately, what waterworks personnel in predominately cast iron cities know about A/C pipe they have learned from a cast iron salesman.

Three weeks ago at the Southwest AWWA Section meeting in El Paso, a water department manager, from a town of 25,000, stopped by our booth, looked at a sample of PVC on display, and said, "Yes sir, that's the coming thing." Then, glancing at our A/C pipe sample, he said, "I'd never use that pipe!" I asked why; he replied, "It's no good." I asked why; he replied, "I don't know, it's just no good." In further conversation he admitted he had never used A/C pipe, and he had no idea why it wasn't any good. He went on to say he'll be needing some 12-inch soon and would call us. Now maybe he told me that just to get out of our booth. The point is, he is typical of the men in the waterworks industry with buying power that have learned about our pipe from our competition.

The iron boys have done their job; now it's time for us to do our job. Let's start an education program in these anti-A/C cities. Let's introduce them to the Twentieth Century pipe. Let's tell them how we have taken the pipe, Mazza, developed in 1913, and improved it to meet their needs. If they are not using A/C, let's ask WHY. Let's convince them that A/C pipe is the best pipe for their needs. If our salesmen are sincere and know their product, they will have positive results.

Earlier this year a city in the southwest was in the process of making the change from cast iron to A/C and, due to a conflict between the A/C companies involved, the city changed the 8-inch and up to A/C but left the 4 and 6-inch cast iron. The majority of the pipe purchased since that time has been 6-inch. This is how NOT to work a city.

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Let's convert the cities to A/C. Then, and only then should we compete for their business.

The days of one A/C pipe company trying to "spec out" another A/C pipe company should be a thing of the past.

When we are competing with another type of material for a city's business, there is no room for this type of negative selling.

If we are to challenge the cast iron industry for the municipal market, we must do it together.

I have always believed that you don't deserve an order unless you ask for it -- let's knock on every municipal door and ask for the order.

A/C pipe IS the finest water pipe available for today's municipal water system -- and there is no valid reason why it should not be included in every water system in these United States.

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