



Mr. R. Corman
Office

August 28, 1967

Central Purchasing

Mr. A. R. Anderson

Dow Chemical -
Vinyl Chloride Monomer

Dear Mr. Gorman:

Date of Meeting - August 24, 1967

Dow Visitors - Mr. J. Day - New York Sales
Mr. F. Quigley - Sales Mgr.-Plastics Division
Mr. L. Rice - Production Mgr.

UCC Members - Mr. R. Bower
Mr. A. MacLeod
Mr. F. S. Stanwyck

Dow presented their offer as follows to our counter-proposal of Dow's offer July 25, 1967 for vinyl chloride monomer.

Term - January 1968 through December 1977 (ten years) with cancellation privilege by end of 1974 upon eighteen to twenty-four months prior notice.

Quantity and Price - 1968 - Can deliver at 120 MM pounds per year; possibly up to 150 MM pounds per year at \$.0425 per pound f.o.b. Plaquemine. Will deliver as low as 30 MM pounds per year f.o.b. Plaquemin at same price.
1969 - (a) First half (185 MM pounds) at \$.0425 per pound f.o.b. Plaquemine. If new plant comes on stream by April 1, 1969, price for material to July 1, 1969 will be at \$.040 per pound.
(b) Second half of 1969 - 185 MM pounds at schedule of fixed charge of \$200,000 per month for 400 MM pounds annual rate plus fee of \$.029 per pound plus surcharge of \$.0015 per pound or \$.0370 per pound

Dow feels confident that their plant will produce by July 1, 1969 to extent that deliveries starting July 1, 1969 and on will be at contract commitment.

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Quantity and Price - 1970 and 1971 at fixed charge and fee or \$.035 per pound at 400 MM pounds per year rate except that surcharge of \$.0010 per pound will apply for deliveries in 1970.
(continued)
1972 to end of contract \$.035 per pound plus escalation for labor and material.

For quantities over 400 MM pounds but not in excess of 500 MM pounds price is \$.035 per pound subject to escalation. If requirement is over 500 MM pounds at UCC option and upon eighteen month notice, Dow will extend contract at the higher rate for a period of five years after such increased volume is taken by UCC.

Fixed Charge - \$200,000 per ^{MON} pound, \$2,400,000 per year starting July 1, 1969 based on 400 MM per year.

Cancellation - Dow is firm on cancellation charge of 50 per cent of fixed charge or \$1,200,000 per year.

Escalation - Price to be escalated for:

- (a) Labor at \$.000020 per pound of product for each \$.01 increase in hourly earning. This was reduced from \$.000026.
- (b) Material at \$.00014 per pound of product for each 1 per cent change in Industrial Commodities of Wholesale Price Index. This was reduced from \$.00016.

Transportation - Rail, or truck only. If barge shipments required, prices will be subject to renegotiation and may increase base price.

Terms - Net 30 days

Specifications - Dow took exception to UCC specification on Iron, Non-Volatile matter, Water, Total Organic Impurities, Oxygen. Review of test method procedures is necessary and must be agreed to prior to commitment.

In general with exception of agreeing to extend contract term, to furnish monomer in 1968 and 1st half of 1969, Dow's original proposal remains unchanged.

Cancellation charge remains at \$1,200,000 per year or \$3.6 million total if we cancel by end of 1974. Escalation rates were dropped 23 per cent for labor and 12.5 per cent for material but new rates at conservative increases in indices can increase price of monomer by 1977 by 7-1/2 per cent.

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Analysis of Dow's offer is attached.

Very truly yours,

FSStanwyc:k:ifg
Att.

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