

Monsanto

FROM: NAME & LOCATION

J.R. Savage - B3NH

DATE: January 28, 1976

cc: J.J. Zeman

JAN 28 1976

SUBJECT: PCB Strategy

REFERENCE:

TO: R.G. Potter
B2SB

The Task Force is near completion of the Dielectrics Business Plan, and I think it will be a good plan that reflects the direction set by Management.

However, I feel that the plan is turning out to be less bold, and paradoxically more risky than it should be, and I think that several members of the Task Force agree. We have all agreed that a General Electric commitment to MCS 1238 is the key to success. We soon will be asking G.E. to accept premium pricing for about $3\frac{1}{2}$ years -- how will we defend that much delay? We are asking G.E. to commit a business of around \$40M to the performance and environmental acceptability of 1238. Yet we are unwilling to demonstrate our commitment to it by making an investment of \$3-5M until after completion of 2-year feeding studies. If G.E. swallows this, it will be for lack of an alternative.

In September, the Industry Committee set up at Russell Train's instigation will publish a protocol for testing and approving replacement fluids. This will open the competition to other companies and reveal the qualification tests that have until now been closely held. If we have not by then seized the initiative by making a public commitment to 1238, we will become just one of several contenders.

I don't mean to suggest that 1238 is a low-risk product -- but a total assessment of risk should include the risk of losing a \$20M worldwide franchise of 40 years standing. Since I will have no continuing responsibility, I am only making this recommendation to you: that when CED comes up with data on low-capital routes in February, Management should be given the opportunity to take a more aggressive posture. This action is shown in the Plan.

J.R. Savage
J.R. Savage

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DSW 185250

STLCOPCB4051496

V. Appendix

A. Potential Problem Analysis - Capacitors

The Task Force applied the Kepner-Tregoe type of analysis to our capacitor program to identify potential problems and determine preventive and contingency actions for those problems with a significant probability. The more significant of the preventive actions have been inserted in the Events Chart. The following is a Summary of the exercise.

Potential Problem:

Adverse medical information is received:

1. Legitimate adverse data from our own or outside studies.
2. Ill-founded accusations from environmentalists or competitors.
3. Inconclusive data after 2-year program.

Preventive Actions:

1. Publish our testing procedures and interim results (with appropriate disclaimer). Review progress with government agencies periodically.
2. Participate with Industry Committee and attempt to ensure that the testing procedure to issue 9/1/76 does not include time-consuming tests that we don't have underway.
3. Ensure that our own program is complete and timely; be ready with facts to refute accusations.

Contingency Actions:

1. PCB equipment should not be dismantled prematurely.
2. If competent adverse data is received:
 - a. Recycle through EC 202 procedure and withdraw 1238 if "no go".
 - b. Re-assess the dielectrics business.
 - c. Consider extended timing if no viable competitor has emerged.

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Potential Problem:

Viable competition emerges to reduce our market share to an unacceptable level (60%).

1. Dow fluid succeeds in power capacitors, perhaps with a sulfone boost.
2. Small capacitors switch to phthallates and/or "dry" technology.

Preventive Actions:

1. Consider further patent actions to block use of sulfones by others.
2. Tout the absence of halogen in 1238, look for weaknesses in competitive fluids.
3. Price 1238 at its proper level considering performance vs. potential competition.
4. Begin aggressive promotion of 1238 as the PCB replacement during 2nd Quarter 1976 to preempt emergence of other competitors after 9/1/76 issuance of testing protocol.
5. Seek contractual commitments from major customers.
6. Cement an alliance with G.E.

Contingency Actions:

1. If market share is clearly lost and competition has no serious weakness, re-assess continuing in the dielectrics business.

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Potential Problem:

Loss of G.E. support.

1. Due to pricing or timing of our capital commitment.
2. Due to more attractive alternatives.
3. Due to failure of 1238 in performance or environmental acceptability.

Preventive Actions:

1. Price 1238 at its proper level considering performance vs. potential competition.
2. Maintain Management contact with G.E. at all relevant levels.
3. Continue the Monsanto/G.E. Research Agreement.
4. Find an approach that would permit G.E. to continue to enjoy Magvar license revenue.
5. Move aggressively to exploit present lead time.

Contingency Actions:

1. Remain flexible on pricing and timing.
2. Possibly consider G.E. share in 1238 investment.

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Potential Problem:

Continuing unacceptable PCB contamination from WGK interim blending.

Preventive Actions:

1. Seek acceptance of a definition of "acceptable" that is not zero.
2. Seek acceptance of expected contamination level of first batches.
3. Consider sites other than WGK.
4. Do the best possible cleanout job.
 - a. Test procedure beforehand.

Contingency Actions:

1. Suspend production and re-assess situation.
2. Consider crash project at another site.

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Potential Problem:

Toll manufacture proves unreliable.

1. Meeting volume requirements on time.
2. Quality control.
3. Yield/cost control.
4. Force majeure event.
5. Security -- confidential information, sales to competitors.

Preventive Actions:

1. Execute well-drawn secrecy agreements and contracts.
2. Inspect facilities re safety, OSHA, and environmental control before signing contracts.
3. Consider earlier manufacture "inside".
4. Carry engineering forward on "inside" manufacture to be ready for a potential crash project.

Contingency Actions:

1. Purchase MIPB from e.g. Tanatex.
2. Accelerate program for self-manufacture.

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