P. G. Benignus - St. Louis

October 30, 1970

Matsushita - Capacitor Aroclor

→ H. S. Bergen
T. L. Gossage
T. Katayama - Tokyo - MMK

JOHN DURIAND
TOKYO - MMK

Dear John:

Katayama's informed us that Matsushita consummated a contract with Universal Mfg. Co., USA, to supply Aroclor 1242 capacitors, which will require about one million pounds of Aroclor 1242.

We are acquainted at Universal located at Patterson, N.J. They are one of our largest independent manufacturers of fluorescent lighting. They own our good customer, Electronic Components Inc. at Bridgeport, Conn. where Aroclor ballast capacitors have been made since the mid 1940s. Recently, after considering building an Aroclor capacitor plant in Taiwan, EC elected to build and finished construction of their second plant at Totowa, N.J. Also, recently EC entered manufacture of motor-run air conditioning capacitors to expand their business.

These people are long standing friends of ours. Several of their management people were formerly with General Electric at Hudson Falls, N.Y.; have close ties there and in fact buy some ballast capacitors from GE. Some time ago they told us that they were buying some ballast capacitors from Matsushita. They said that these units are essentially as good, but not quite as good as the units they produce themselves, using MC Aroclor 1242.

The Aroclor capacitor business is fiercely competitive, costs are the watch word and our Aroclor pricings are subject to scrutiny, especially in the above outlined circles.

On this point, while we are pleased to supply the 60,000 lbs. Aroclor 1242 that Katayama urgently requested and if needs be we can easily supply the 1M lbs, -- no one as yet nominated a price per pound CIF Japan.

This brings to mind our involvement with Matsushita at 14.50¢/lb. CIF when they had consummated a contract with Advance Transformer in Chicago for ballast capacitors, about 4 years ago. This is well below your domestic market price and on top of it, Matsushita got duty draw-back, as the units were exported back to the USA. Our domestic customers of whom GE was not the least one to complain do not look kindly onto this activity by Matsushita. Fortunately our involvement with this has now expired and we must look toward a more realistic basis. The excuse given for this transaction was that it would hold open

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the door pending your MMK production. However, this does not appear to have materialized as Katayama points out that Matsushita have not convinced "Clark" (no doubt our good friend Ray Clark at EC) that your quality is acceptable.

All of this underwrites the need and desirability for us to consummate with Matsushita the package arrangement that Howard Bergen and I discussed several times as being favorable for both MC and MMK. In essence this is that MC would supply Aroclor 1242 to Matsushita to cover their needs for the capacitor to be exported to the USA and that MMK instead of Kaneka would furnish their other domestic Japanese needs for Aroclor.

If you can get a substantial outlet for your MMK material at Matsushita (say 4 to 6 times the amount MC would supply), we would help you establish such a package by offering our MC Aroclor at a low competitive price. However, not as low as 14.50¢/lb. CIF Japan.

Our present FAS price in carload drums is $0.187/lb. This is 1.05¢/lb. higher than up to July 1, 1970 when we raised our domestic price due to PCB pollution expenses. An additional 2¢/lb. increase is anticipated in early 1971.

Universal Mfg. - Electronic Components purchase in bulk, now priced at 16¢/lb. delivered. With the anticipated 2¢/lb. increase, shortly they will be looking at 18¢/lb. Presumably this would be in terms of MCS 1016 instead of our present Aroclor 1242. The MCS 1016 material is more biodegradable and is headed for replacement of capacitor Aroclor 1242 in our country to minimize the PCB pollution problem. This raises the point that capacitor exported to the USA by Matsushita had better also contain MCS 1016 instead of Aroclor 1242. Our standard domestic price for this in car load drums is expected to be $0.207/lb. delivered. This then would be our FAS price. As our freight cost from New Orleans to the main Japanese ports is 3.14/lb., it follows that our standard CIF price for MCS 1016 would be essentially 23.8¢/lb. Of course this is 9.3¢/lb. higher than the 14.50¢/lb. Matsushita has been paying us for Aroclor 1242, on a contract basis, Ex USA.

We give you this economic background to show what we are up against. Suppose we took as much as 5¢/lb. off of the 23.8 we would still be at 18.8¢/CIF. This might be entertained, only if it will help you get Matsushita's domestic business away from Kaneka.

Katayama phoned us yesterday. We told him that we can supply the 60,000 lbs. of Aroclor 1242, needed promptly, but that he needs to give us some guidance about pricing. The 14.50¢/lb. CIF level is no longer satisfactory. We also offered to talk with Ray Clark at EC about accepting your product quality.

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Please let us have your views about the economics needed to allow you to consummate the contract package arrangement with Matsushita to purchase MC Aroclor 1242 (MCS 1016) for their capacitors exported to the USA and purchase MMK Aroclor 1242 for their domestic needs.

Best regards,

P. G. Benignus

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