

Inter-Office Correspondence

Date December 2, 1985
To Fred Kovalik
Division & Plant Axle & Brake - Galesburg
From Tom Bruggeman
Division & Plant Axle & Brake - Galesburg
Copy to See List
Subject PROPOSED PROGRAM TO DEplete EXCESS R31 BRAKE SHOE INVENTORY
RESULTING FROM NON-ASBESTOS DEMAND IN THE MARKET PLACE.

EAT•N

At your request a recent review was made to determine the total quantity of excess R31 shoe assemblies generated when phasing in non-asbestos lining.

Several assumptions were made in formulating a plan to minimize the amount of additional labor put into the trailer axles and utilizing the maximum quantity of loose R31 shoes while phasing in non-asbestos. They are as follows:

- . "old style" bracket design trailer axle inventory to be depleted first.
- . Marketing will phase in non-asbestos 'by customer' rather than an "across the board" approach.
- . 40% of sales is non-asbestos.
- . RABA will be able to supply April '86 requirements with axles less brakes.
- . Eaton Engineering to approve the use of Italian manufactured 3030-67 non-asbestos on RABA supplied trailer axles by Jan '86.
- . RABA will supply 3030-67 non-asbestos axles to satisfy June '86 sales requirements.

A review of the attached spread sheets with Marketing resulted in a realization that additional excess inventory of R31 shoe assemblies will accumulate on model #1009096 because the phase in of non-asbestos on this model lags four to five months behind other models. We will have to switch out approximately 3000 axles in order to meet a suggested target date of September - October 1986 for a complete phase out of asbestos. The additional shoe inventory resulting from this model is included in the following summary:

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58,200	loose shoes at RABA
9,672	shoes on axles at RABA
38,603	shoes to be returned to RABA for rework
12,916	shoes shipped early October to RABA
1,366	current shoe inventory in Gallatin
31,196	shoe inventory generated from Nov '85 through Sept '86.
151,953	
(9,700)	Current schedules to RABA which will require R31 lined assys'
142,253	Total assemblies to be marketed.

The attached spread sheets do not address all model numbers referenced in the profit plan (Exhibit 1) or the report reflecting RABA Month-End Inventory Quantities (Exhibit 2).

- . Models 1009101 and 1009102 do not have any forecasted sales requirements. Lonnie Dye and I suggest that if no requirements exist by mid '86 shoes be pulled from these axles and sold in the aftermarket.
- . Model 10V requirements are not clearly defined.
- . Other models noted on profit plan (Exhibit 1) are either obsolete or potentially phased out.

I suggest that the following steps be taken in order that the phase in of non-asbestos lining, disposing of R31 shoe assemblies and the depletion of existing trailer axle inventory transpire in a manner most economical to the division.

By December 2, B. Ille designate me as the coordinator for this program.

Meeting held by December 5 with all disciplines involved in executing this program to discuss the following:

- The general contents and logic behind the development of the attached spread sheets.
- Suggested target date of Sept-Oct '86 for a complete phase out of asbestos lined trailer axles.
- Service parts program for marketing R31 shoe assemblies in the aftermarket.
- Approximate monthly or quarterly volumes of shoe assemblies necessary to support marketing program which must begin in Jan '86.

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- Aftermarket target price for R31 shoe assembly.
- . Notify RABA of the following by no later than December 18.
 - April and May trailer axle receipts to be less brakes
 - June trailer axle receipts to have non-asbestos lined brakes (current test results indicate Italian manufactured 3030-67 most favored material.)
 - Suggest RABA secure a quote from Abex (Frendo).
 - Eaton requests a delivered price of \$40 per shoe assembly on 58,200 manufactured by RABA without Eaton's authority.
 - Return loose R31 lining block to Carlisle per the following schedule:

45,000	January
45,000	April
45,000	July
47,328	October
 - A tentative shipping schedule on the 58,200 shoe assemblies will be forwarded immediately if our requested price is met. This shipping schedule must coordinate with the accumulation of shoe inventory in Gallatin and Service Parts projected sales volumes.
- . At the time Eaton Engineering approves Italian manufactured 3030-67 RABA should be notified immediately so that releases can be issued to Frendo.

An aggressive marketing program is absolutely necessary as the demand for asbestos lined shoe assemblies is rapidly diminishing. Current information indicates that 60%-70% of the aftermarket requirements are for non-asbestos.

I recommend that the coordinator of this program publish a detailed monthly update as implementation and completion of the above action items is essential.

It must be realized that the success of the above program will be determined by the market place and its demand for non-asbestos.

TB/

cc: G. Cotter, D. Bryant, L. Dye, W. Hoenea, R. Ille, P. Johnston, J. Lilly,
T. O'Boyle, D. Sims, R. Young

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