

Texas City, Texas

May 28, 1963

Vinyl Chloride Monomer and Polymer

W. E. Alexander

H. H. Bible

~~W. I. Burkett~~

R. T. Clark

C. P. Fullerton

F. E. Reese

C. L. Knowles, Jr. - St. Louis

Dear Chet:

This will confirm the comments made to you by phone on May 23 concerning the draft of the vinyl report you are preparing for Messrs. Bible and Eck.

From this end (the monomer end) it appeared the report implied that monomers were responsible for the major economic problems of vinyl. You indicated you had not meant to impart such an impression into the report. I know you hope both monomer and polymer can be made to perform better.

With regard to acetylene costs (page 4), we pursue every process we hear of to the degree possible to ascertain economics. We have no reason to believe the 6¢-type literature costs are more than figments of salesmen's imaginations. You are acquainted with Tenneco and Diamond experience with new processes. Monochem use the BASF process (Chemico) as we do. We had occasion in the past year to compare the performance of our plant with a more recently designed (about 1958) Chemico plant of Rohm & Haas at Deer Park, Texas. We concluded that current BASF process has not yet developed, in terms of yield and unit capacity, to the level of the Texas City plant. Accordingly, when we hear of cheaper acetylene than that which we have, we can only despair that our own accounting system does not similarly distort the facts.

I asked why 1963 performance (page 2) was so far below the 1963 budget (Table III). You stated that \$150,000 of the \$180,000 lost in the first quarter was due to Chocolate Bayou variances. I questioned whether polymerization of vinyl in Massachusetts afforded an advantage in the distribution of polymer. You maintained that polymer was sold all over the United States, including Texas, and that the shipment of polymer from a Massachusetts point was not an element of strength.

In discussing costs, we agreed it possible for any cost numbers to be produced, depending upon how one keeps his books. Basically, Dow might have an advantage over others in that they are the world's largest producer of chlorine. Others should have economics similar to ours. Carbide at Texas City practices a balanced process much like our own. Ethyl uses our process. Because of

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merchant acid, they can no longer value HCl at higher value than we as they could in past years. Accordingly, Ethyl's economics should be quite near to ours. They could get in serious position, should tetraethyl lead markets slump with the two new producers on the scene.

Miscellaneous comments include that Dow polymerizes at Midland, shipping VCM there from either Freeport or Plaquemine. We agreed this would be more expensive than shipping from Texas City to Springfield. Escambia (page 8) buys from Ethyl at 7.35¢ delivered. Table VIII shows that the bulk of the future cash flow, if we remain in the business, comes from the monomer operations rather than the polymer. As in time your report will be cited to locate trouble points for greatest effort, perhaps this point should be made; were the report to be used for a decision to remain in the business, it could be ignored. I don't believe I mentioned Table VII-B items specifically. Changes on it would include the Dow location at Midland; we ship to Great American at Fitchburg, Mass; we ship to Cary at Burlington, New Jersey (50 M pounds) in addition to Flemington.

You asked for an updating on oxidative chlorination. While rebuilding the unit after the explosion, you will recall new data on explosive limits were obtained, which differed markedly from original data. These showed the 1-1/2 years of operation had been in a flammable range. To be safe methane diluent was increased from 15 mole% (35 M lb capacity, 94% ethylene yield) to 25%. Subsequently we have relaxed to 22% (30 M lbs and 88% yield). Studies are still in progress on devices to permit safe operation under the original conditions. The Research and Engineering men concerned with the problem feel they will succeed. We expect to be closing in on answers early next month. Further report changes you are planning appear to me quite desirable. We shall look forward to seeing the re-issue. Certainly hope these joint efforts will contribute to improved performance in the line.

Original Signed By
R. W. KIENKER

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