Asbestos — May 22, 1979

Myers. J.M. believes that short-fiber asbestos growth will be close to zero for the next 10 years.

J.M. may buy 2-3 years production in times of slow demand.

Carey will resist market penetration by lowering price.

Change 1 volume growth to mod low.
Carey overall vol growth to lower value

Page Item (2) change

Analysis of Union Strategy proposals.

J+F will consider ~~to~~ a contract with UCC at $90/ton with reasonable basis for escalation in future.

Specific Strategy Development

Improve Position

Generic A1 - Mkt penetration : constant production $/uncertainty

Specific Strategy

1. Market Penetration SF

Increase market share from 16 to 25 percent by the end of 1981 and increase to 32% by end of plan period

Rationale: Improve position - take advantage of a business opportunity.

Programs

Marketing

(a) sign a long term contract with J4F for 12000 TPY in bulk (J4F must invest to handle bulk)

(b) sell remaining increased share to others.

Projected Requirements

	Bags 1979	Bags 1982	Bulk 1979	Bulk 1982
Kentile	1500	5000	7000	6000
A.B	1000	5000	0	0
Flintkote	1000	5000	0	0
GAF	1800	0	0	12000
Uvalde	0	0		6000
	5300	15000	10000	24000

Engineering

(a) Design and build a 25000 TPY expansion to S.F. circuit by mid 1981 (bulk only) $7 mm (RSK)

(b) modify existing system from .5-1.0 filter regulation - ($1 mm) by 1981

Production

obtain required permits

Q-1 cont

(2) ~~Cons f some~~ const production - viscosity

Maintain market share at 11 % through 1983 and increase to 8% during balance of the plan period

Rationale: Expand market & utilize present capacity - uncertain ~~market~~ environmental conditions do not warrant expansion

Program steps

Marketing

marketing program good to maintain market share through 1983 and decrease to ~~10~~ 8% over balance of plan period

Problem

part of production comes from chemical and part from Shell [illegible].

As follows:

	1979	1983	1988
RE-144	1000	1400	2000
RE 244	1400	1800	1800
	2400	3200	3800

Market	22000	45000	8% gr.

Technology

1. Develop improved packaging and product form.

force entries
a-1

Competitive response - none

Engineering see to share (.5 fiber limit)

Generic Strategy a-2 Hesitation 79-81

Specific Strategy

Maintain market share thru 1981 with no major capital investment for expansion of either S.F or chemical circuits

Rationale. Uncertain environmental factors do not warrant expansion to maintain share after 1983.

A2 Maintain position same/some invest

Specific Strategy

To maintain market share at 11% for the last 7 years of plan

Rationale Environmental factors permit expansion of facilities to participate in high quality portion of business.

Program

Marketing

(a) emphasize large customers sales.

(b) increase technical service effort

Engineering

Design and build a 1800 TPY expansion of the chemical circuit by mid 1983.

Competitive response — none.

CONCEDE POSITION

1979-81 Hesitation

Specific strategy

same as maintain position

Rationale same as above.

82-88

constant production.

same as maintain direction

Constant production - uncertainty
Same as in Improve Direction

ABANDON POSITION

Specific Strategy #1
Sell the facility as an operating plant in 1980

Rationale: Take advantage of opportunity to sell a quickly business facing ~~an~~ an uncertain future because of environmental factors.

EXTERNAL Assumptions for volume and selling price - data provided by buyers

Unit Abandonment

Sales value - current earnings
5, 7 & 10 times earnings.

Internal

1. Increased plant operating cost due to increased environmental restrictions

2. Capital cost for plant expansions

Improve Position costing
Market penetration - SF Cowl production - Visc

1. increased plant operating cost due to increased environmental restrictions (OJM)

2. Operating cost for the new total system. (OJM)

3. Cost of new expansion S.F. KLOTZ
RG 244 5.5 mm
S.F. + 25000 TPY 7.0 mm
Review by Rusty.

4. Capital cost for meeting 5-1 fiber [illegible]

5. Cost of compliance with DOT regulations
KLOTZ

CONCEDE POSITION   COSTING

HESITATION, CONS Prod - SF   CONST Prod - Vicor

1. Same as improve #1
2. Same as No. 4 improve
3. " " No. 5 improve

COST POSITION   MAINTAIN POSITION

1. Same as Improve #1
2. " " " #4
3. " " " #5
4. Cost of chem. expansion   RSK
5. New operating cost

Marketing cost for all cases   mgrs.

ABANDONMENT

Risk Analysis

Risk categories

Government

Competition

customer

Suppliers

Economics

other external

Internal

external

STRATEGY	RISK SOURCE	LIKELIHOOD	Degree of exposure	OVERALL	COMMENTS
Improve MKT Pen. SHORT FIBER					
GOVT					
	1. Depletion is REDUCED	use TOV basis →			
	2. 3rd party liability before 1977 exceed plan.	50%	double the plan (15000)	$75000	MONITOR WHOLE SUBJECT CONTINUALLY
	3. exp. After 1977 exceed plan	50%	40 M per year liability starting with 1978 no payment until 1998	$20 m/yr liability start in 1978 NO payment until 1998	
	4. NO RISK				
	5. OSHA TLV is REDUCED TO 1 f/cc	50%	(OSHA) operating cost will be increased by — %		
	6. No Risk				
	7. No Risk				
COMPETITION					
	No. 1 NO RISK				
	No. 4 OTHER S.F. PRODUCERS CUT PRICE	50%	sales decreased by 6000 tons after 1983		
	No. 6 ATLAS SHUTS DOWN end of 1979	50%	3000 ADDITIONAL SALES IN 1980 at $118/TON		UPSIDE RISK NO EFFECT AFTER 1980
CUSTOMER					
	CUSTOMER REACTION TO health factor has unacceptable unfavorable impact on sales volume.	ZERO			

UCC 008181

Prior liability.

68 weak label

72 OSHA label

risk is greater for period through 1968 and less from 72 and thereafter.

Defenses – no absolute defense. no definitive case law. Borell case is ambiguous. – We depend on label. and program of education of customers.

J.M. Colo. Warning label is not a defense in the absence of proof that employee read the label. Colo Supreme court decision.

Insulation we do not participate

End user plaintiffs – low risk [illegible] points

Employees of customers – workmans comp. from employer – still free to sue raw materials suppliers. – Mitigating factors – small population. Population is transient. risk is reduced but in next 3 years we will settle our

first case – this will give the damages
2 – 3 per year – not over six figures
$100 – $200,000

We started 1963 – 20 year production
assume 150000 per year 1983. and
for the rest of the plan period

1963 – 1968	NO LABEL
68 – 72	work label
72	OSHA LABEL
78	publicity wide-spread

First case may come at any time – (prior exposure)
Assuming 1st will be filed Jan 1, 1982. First case
settlement 1982 would cost 100 – 200,000

1982 START 150000 / year.
$\frac{7 \text{ years}}{\$1050000}$

STRATEGY	RISK SOURCE	LIKELIHOOD	DEG. OF EXP.	OVERALL	COMMENTS
TECHNOLOGY					
	1. COVERED IN BASIC — NO RISK				
	2. MAJOR BREAKTHROUGH ON SUBSTITUTE FOR SHORT FIBER ASBESTOS	5%	LOSE ALL FLOOR-TILE IN LAST 5 YEARS OF PLAN		
		10%	LOSS OF ALL DRILLING MUD & ALL OTHER NON FLOOR TILE APPLICATIONS IN LAST 5 YEARS OF PLAN.		
INTERNAL					
	1 PRODUCT COST IS higher than plan.	25%	products cost are 10% above plan		unanticipated energy cost [illegible] a large factor
	2 Capital cost is higher than plan.	50%	cost is 25% above estimate		
IMPROVE CONST PROD VISCOSITY GOV.	1,2,3,4 same as 1, 2, 3, 4 above				
	5. Mandeline substitutions	20%	Eliminate 50% of domestic business in all years of plan		
Competition	NO Risk				
CUSTOMERS	~~an~~ recession continues throughout plan.	25%	[illegible] Reduce to zero as of Jan 1980		
Internal	same as No. 9 in market penetration #9; same as #10 — MK. PEN.				

Strategy	Risk source	Likelihood	Deg of exp.	overall	comments
Internal	~~Improved pkg. product form~~	~~50%~~	~~would be to cancel aggressive factor.~~		
MAINTAIN POSITION HESITATION					
GOVT	1 ^{2} 39 same as MKT gen.				
competition	5 same as NO. 1				
CUSTOMERS	SAME AS 7				