FILE NAME: RT Vanderbilt (RTV)

DATE: 1974 Nov 7

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DOCUMENT DESCRIPTION: J-M Memo Stating RTV Informed J-M that Inserting Asbestos Caution Labels Would Cause Harm to Business

Johns-Manville

Internal Correspondence

To: See below*

Date: November 7, 1974

NOV 8 1974

From: Paul Kotin, M.D., 4N

Copies: F. J. Solon, Jr.
R. Carter

Subject: TALC LABELING

*W. R. Goodwin, 5W	F. L. Pundsack, R&D
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We have been informed by Mr. Robert Bacon, Assistant to the President of R. T. Vanderbilt Company (a major talc competitor) that J-M's decision to insert asbestos caution labels on all talc shipments will result in "irreparable damage" to Vanderbilt. Mr. Bacon requested that this matter be brought to the attention of the highest level of management, and he stated that he was asking Mr. Hugh Vanderbilt, President of R. T. Vanderbilt, to call a senior officer at J-M to voice their concern and their belief that it is J-M's intention to hurt their company.

The purpose of this memorandum is to alert you to the situation in the event you are contacted by Mr. Vanderbilt. Our decision to label talc was based on our conviction that J-M's talc contains fibrous asbestos and in no way reflects any intention to hurt or destroy the Vanderbilt Company. If you would like additional details on this matter, please call me.

AC 15017-0202

III. Influences

A. External

1. Labeling--During June of 1974 we discussed with various customers the possibility of labeling our talc products. This resulted in an immediate loss of some accounts. Letters were sent to our customers advising that the label would be affixed to our bags effective November 1, 1974. These letters were sent out in September of 1974. The results of the letter in September and the actual labeling November 1 caused a further loss of customers. Our estimate of lost business on an annual basis was approximately 30 percent of our tonnage and 40 percent of our dollar volume. Please refer to my attached letter to P. Kotin which shows this effect.

   R. T. Vanderbilt and Pfizer (California talc) are not labeling. R. T. Vanderbilt is certifying their talcs are asbestos-free, but we have no knowledge that Pfizer is doing the same. We feel that Vanderbil and Pfizer (California talc) will be required to label before the end of 1975.

   The adverse publicity generated concerning asbestos and tremolite has been such that even if we could remove the asbestos label from our talc, it would be some extended period of time, possibly a year or more, before we could regain business lost to asbestos-free talcs.

2. OSHA and NIOSH--Jointly studying asbestos in talc. OSHA has requested NIOSH to study asbestos in commercial talc, and NIOSH is studying asbestos content of talc mines with MESA. NIOSH considers all particles of chrysotile and the amphiboles that have three-to-one aspect ratio and over 5 µ as asbestos fibers. We expect increased activity from state (particularly California) OSHA offices on our talc customers because of tremolite.

3. FDA--Does not appear to be a problem at the moment. Their position stated in the Federal Register March 14, 1975 withdraws their proposed ban of talc in food packaging. The proposed ban drew attention to asbestos in talc and we will have an uphill battle to get back market share we lost.

AL 10327 1919

4. General Market Conditions--See Talc Sales attached

   a. Our ceramic and tile business remains relatively strong in spite of our problems.

   b. Paint is weak due to the economy and our tremolite/labeling problems.

   c. Our plastic business has all but disappeared due to the tremolite problem with the exception of Solo Cup which we started to sell in October of 1974. Solo remains strong but tremolite and the label are an ever present potential problem. Competition from Pfizer is fierce but we manage to hold on because Solo likes our product.

   d. Tremolite, the label, and quality, plus a poor business climate have combined to hurt our sales to the paper industry. Competitors from Montana talcs have been only too eager to point out to our customers that our talcs contain asbestos fiber. This is very rough competition, and coupled with the economy and quality problem makes for difficult marketing conditions, to say the least.

   e. Price increases--We had planned a six percent price increase for talc on an annual basis. We have implemented a three percent (annual basis) increase and have met great customer resistance. It is doubtful that a six percent will be achieved in 1975. A decision to label by Vanderbilt and Pfizer could reduce the pressure on Desertalc and allow for selective price increases.

B. Internal Influences

   1. Ore Quality and Control Related to F.P.S.--The problems with ore quality came about when we were forced to above ground mining. The lack of selective mining has caused virtually all of our problems concerning brightness and acid solubles. The Mining Division is formulating a mining plan which should be completed soon to alleviate this problem.

   Problems encountered at the milling locations result in inability to meet F.P.S. stem primarily from the crude ore being shipped from Warm Springs. This, hopefully, will be corrected by the mining plan mentioned above. Other quality problems were caused by grinds being too coarse and poor plant management. Plans to train and adequately staff quality control personnel have been put into effect by Mining and Research. Plant management and supervision should

AL 10327 - 1920

improve dramatically when the Mining Division implem their new organization plan for Desert Minerals on April 1, 1975.

IV. Action That We Plan to Minimize Unfortunate Influences

A. Tremolite and the Label--We are and will continue to educate our customers on the necessity of proper dust control not only for asbestos fiber, but for all dust which is required by OSHA. Our industrial hygiene studies are very helpful in this respect. We believe and are attempting to convince the customers that they must clean up their plants and control dust to comply with OSHA regulations. By so doing, he eliminates the problem of asbestos.

Wherever possible, we discuss bulk shipments to avoid dust problems.

B. Ore Quality--This problem is critical and compounds our problems with tremolite and the label. We are in constant contact with the Mining Division and communicating our problems in this regard. The formulation and implementation of a good sound mining program properly supervised, will eliminate this problem area.

C. Quality Control Problems at Grinding Locations--Good quality crude is paramount, as it is the one area that the grinding plants have no control over. The training of plant quality control personnel so they know what they are looking for and can interpret their results properly will alleviate the problems of coarse grind. This, with better plant management which should be accomplished with the new plant organization, should reduce these problems to a minimum. T. E. Remmers has been assigned the responsibility of the key marketing liaison person to work and communicate to the Mining Division and to follow problem areas through.

V. Recommendations

The initial crunch of lost business due to the label has been felt. Our business seems to have stabilized. We expect further erosion in paint and possibly the loss of Solo Cup in plastics. Our ceramic business remains strong. We believe we can regain some lost paper tonnage with improved quality from Warm Springs and the grinding location

During April we will phase out production from Los Angeles and move all production to Dunn. Some Cyclo-Fil may have to be made at Los Angeles on an intermittent basis due to capacities at Dunn. The consolidation of virtually all production at Dunn will cause Dunn to run at capacity for six-day weeks. The concentration of managerial personnel at Dunn should improve the plant's efficiency and eliminate many quality, shipping, and outage problems we have been experiencing.

The costs used to arrive at net earnings with the revised forecast were submitted by the Mining Division. The cost includes the fixed cost for the Los Angeles Plant, which are estimated at $200,000 per year while closed down. If we were to dispose of this plant the fixed cost would be eliminated. The cost of operating Dunn and Warm Springs, in my judgment, appear to be overstated. We have never operated Dunn at full capacity with full management capabilities which should insure better efficiency.

We believe we still have a 45,000-plus ton per year business. Mining Division believes this business concentrated at Dunn will improve our profitability. We would like to stay in the California talc business at least until Penhorwood comes on stream, to maintain continuity in the market. The Desert Minerals operation should be reviewed for profitability progress after May results are in.

If this business, with the changes contemplated over the next two months, can be made profitable, it will remain a good small business as Penhorwood should have virtually no effect on Desert Minerals.

AL 10327 - 1922