H. S. Bergen, St. Louis

October 23, 1968

D. S. Cameron -- Brussels
H. N. Dahlstrom - Brussels

BIPHENYL/AROCLOR PROJECT

Your memo 10/16

W. B. Hicks -- BRUSSELS

Thanks for your memo, Bill, and your investigating this subject.

There are still some facts that I don't understand which I do think need clarifying.

Specifically, in the MCL Overrun Request 9407R by their revised figures they show a drop in total pounds volume of some 800,000 pounds (including biphenyl which was a gain). On the other hand, they show an increase of annual net sales of 32,000 pounds ($76,800). In taking an average sales price of 17¢ a pound for the 800,000 pounds reduction of business, this is a sales loss of approximately $136,000. This coupled with the $76,800 sales increase gives a total dollar amount of approximately $213,000 to be made up by price increases. To my knowledge, there were no price increases planned and if there were, on the total volume of 16,750,000 pounds, this would amount to an average price increase on the total poundage of approximately 1.25¢ per pound. Is this realistic?

While I agree that the ROI has not changed significantly, assuming that the numbers are right on the overall project on the incremental expansion, I am sure that the decrease would be much more significant.

Don Cameron and I did discuss the reductions in pounds for the dielectric Aroclors and I think we all hope that we will do better than the forecast. I have pointed out to Don that we were naturally anxious to achieve our project and that certainly our goal should be in that direction. We must do more things to make this happen and more emphasis on the dielectric Aroclors for transformers is a must. Hopefully, with the U.K. re-organization, there can be greater strength and perhaps we can gain leverage. Let's hope so.

I was relieved to learn of the Aroclor cost reduction due to the fact that we will be able to buy purchased chlorine cheaper than we can make it ourselves. I assume this project is still going forward. I agree there is little we can do about the benzene cost situation and the capital cost situation has also been discussed.

DSW 200513

In essence, I still feel that we have cause for concern because we have dropped volume, we have not increased sales price and rising benzene costs will be offset by purchased chlorine savings so this all adds up to a poorer return than anticipated. Obviously, we must strive to get our volume up and institute price increases wherever possible.

I would appreciate your answer on some of the arithmetic outlined earlier and I know that Don and Norbert will be doing all possible to take care of the marketing side.

H. S. Bergen

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