Monsanto

FROM (NAME & LOCATION) H. S. BERGEN - B2SL

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SUBJECT DIELECTRIC FLUIDS STRATEGY

REFERENCE Your Memo of March

TO : R. H. Munch - 1760

cc P. G. Benignus - B2SH
T. L. Gossage - B2SL
A. J. Koenig- B2SL
R. M. Kountz - F4WA
C. Paton - B2SH
W. R. Richard - T3A
J. R. Savage - B2SL

You and Paul are to be complimented on the statement of overall strategy you have presented. You are also to be complimented on your assessment of the technical and commercial risks and the "wheel of fortune" that you have developed.

In order to make a "total dielectric fluids strategy" I feel this should encompass the total team effort of Research, Marketing, Manufacturing, Engineering, and the Medical Department. We should get a specific timetable on who, what, and when. Normally these types of strategies are prepared by Marketing and Tom Gossage has asked Cumming Paton to take on the overall responsibility of making a "total" strategy.

There are several things I feel strongly about and they are as follows:

1) The recent Japanese action of banning all PCB's for all uses including dielectric use may cause a political and emotional reaction both in the U.S. and abroad. We must explain why their reaction is different from ours (Paul Benignus is writing this up). We must alert our people, as well as our customers on this move. The Japanese announcement will add fuel to the fire that replacements are possible and both internal and external uneasiness will result. We must anticipate this and develop the plans to handle this situation.

2) The Monsanto special undertaking and the requirements for either $50 million net worth or suitable insurance coverage will trigger the smaller manufacturers, in particular, to look for substitutes. Having talked to practically all of these on the telephone myself and some in person, I know they would rather pay $1.00/pound for a product for which they do not have to sign a special undertaking or take the necessary insurance coverage. These are companies

who make specialized capacitors. The large volume power capacitor users will be much more responsive to the price and less concerned with the net worth or insurance coverage requirements.

On the other hand, Westinghouse and others have told me they are concerned that the Government--or even Monsanto--might legislate against them and "they must be prepared for the alternatives".

Therefore, in my mind for whatever reason there is a distinct need for replacement products and we must let the industry know what we are doing about it and that we have some alternatives to offer them. I think our basic strategy is clear in that we will point up the significant improvements we have made already with 1016, as well as getting more biodegradation information via the pond experiments to which we last week reached agreement with Peter Marsh.

Secondly, we will start first with a selected key list of people for evaluation of the new product and tell others that we are working on new products but not offer samples until the selected key accounts have proven it out.

3) I feel strongly that we must go to someone else in addition to G.E., if for no other reason than timing and confirmation--and for other uses than power capacitors. G.E. as we have all agreed is the leader in power capacitors. On the other hand, we cannot overlook Westinghouse reaction to a new product. Westinghouse is also dedicated to coming up with a new product, which is another prime reason we must keep in contact.

For legal as well as timing reasons I would also select one or two specialized capacitor producers to work with us on this new product. This could be someone like Electrical Utilities or perhaps Jard, where we have close technical and emotional contacts. The smaller companies will give us a more prompt reaction and will look at it from a different viewpoint than G.E. or Westinghouse.

4) Based on our recent episodes of timing on the NC Phosphate project and the NCR Santosol 100 project, we must get Engineering, Manufacturing and the Medical Department involvement very early so the timing of the whole project gives

sufficient consideration by all functions so that the crisis element is minimized. I am asking Art Koenig to be the controller of the timetable once the team agrees on what that timetable is in the who, what, and when section. We want a minimum of panic and a maximum of communication and coordination.

H. S. BERGEN

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