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July 8, 1969

Dr. R. Gaze
The Cape Asbestos Company Ltd.
114 Park Street
London W. 1, England

Dear Richard,

I am sorry to be so tardy in replying to your letter of the 23rd June, but I have been travelling quite a little.

Your letter points to the fact that NAAC has been receiving a 5% commission on fibre purchases for customers we are now selling directly and who formerly purchased by contract from the Mines. These customers are Keene Corporation (formerly Baldwin-Ehret-Hill), Carey, Fibreboard, GAF (formerly Ruberoid), and Owens Corning. You also list, in your letter, Johns-Manville and Pittsburgh Corning, however, we have never received more than 2.5% commission on these two customers.

Naturally I accept your decision in this matter and we can revert to the 2.5% basis whenever you wish to have it become effective, although, as you point out, it is a source of some disappointment and concern to me.

I do not know what you have in mind as a commission or financial arrangement for NAAC for next year, although when I was in London recently there was discussion about a 3.5% commission for NAAC on all purchases and contract sales in North America.

I will not trouble you now with the various reasons why I think the relationships we have with these companies are entirely different than those that existed "pre-1955". However, in thinking of any basis of compensation for NAAC for its activities as sales agency or distributor for the Mines it is quite important to keep in mind that NAAC, either by commission or by price markup or both, must achieve enough return to maintain increasingly costly services that our fibre customers require. For example, the customers listed above have each, at various times, insisted that they no longer wanted to purchase

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directly from the Mines and have to pay for the material at the time of shipment from Africa. Further, they have all objected to the annoyances of having to do their own importing of the material through customs house brokers and the troublesome details of filing claims for the shortages that regularly occur on the out-turn of the bags from the vessels, and they do not want to worry about marine insurance, etc. Instead they prefer to have NAAC look after these details leaving to us the in-transit financing costs, insurance problems, the handling of the details in the shortages and the claims at each of the ports, etc., etc.

I have held the opinion that we must provide these services wherever the customer finds it troublesome to perform them for himself -- we must, in fact, make it as easy as possible for the customer to deal with us. This is the one great advantage we have over Central, Kuruman, and Turners in their efforts to sell Blue and Amosite in this market.

These competitive companies, lacking a U.S. distributor, can only quote c.i.f. U.S. port, which is relatively unattractive to most of our customers who have become accustomed to the services we supply. It should be obvious, however, that these services cannot be covered with a 2.5% commission, and for the five companies listed above NAAC has no extra markup with which to provide such services. It is a fact that the Mines also enjoy a higher price from these companies for the grades that they buy than, I believe, any other customer. This is because NAAC has r regularly encouraged increases in the prices to these customers, thus creating the overprice.

I am not sure you are aware of all the services that we perform for our customers, but these are fairly extensive and costly.

Whatever the financial arrangements between the Mines and NAAC that you may plan for the future, I hope you will keep in mind that we have an increasing burden here in the cost of doing business, in increased services, and the administration of these services.

With best regards.

Sincerely,

RECryor/jc