

RAYBESTOS-MANHATTAN, INC.

UNITED STATES ASBESTOS DIVISION

Manheim Pa. 17345



E. P. STEPL
GENERAL MANAGER



September 30, 1969

Mr. Wm. S. Simpson
BRIDGEPORT

Messrs. Kennedy, Patterson and myself visited the Marshville plant of Johns-Manville on Sunday, September 28. Representing Johns-Manville were Messrs. Moreno, Vice President of Johns-Manville, Goodell, Plant Manager of Marshville, and Young, Division Controller.

A great deal of secrecy surrounded our visiting the plant, and the time in the plant was limited to about two hours due to personnel coming to work at various times throughout the day. The majority of the discussions were held at a nearby motel and much of the reported information accumulated from key personnel during that time.

Attached to this summary is a report of our findings divided into seven areas of presentation -

- 1) Conclusions on production facilities.
- 2) Recommendations on existing cloth and tape products.
- 3) Recommendations to produce Vee-Lok cloth.
- 4) Estimated cost to implement recommendations on existing cloth and tape and recommendations for the production of Vee-Lok cloth.
- 5) Summary of book values.
- 6) A summary of fringe benefits for salary and hourly employees.
- 7) A detailed discussion of the plant.

Based on the information presented it is recommended that Raybestos-Manhattan acquire the plant, if a reasonable price can be negotiated. In the preliminary discussions with Mr. Moreno he had indicated a price of \$1.2 million, based on a book value of approximately \$1.1 million. A detailed analysis of the book value showed that over \$100,000 of the Marshville book value actually was associated with equipment in the research facilities at Manville. The true book value of assets at Marshville is reduced as of the end of 1968 to \$927,000. Allowing 1969 depreciation the book value would be reduced to \$862,765. During our discussions with Mr. Moreno I indicated that in view of the reduction in book value I felt there should be a corresponding reduction in the original asking price. While in the preliminary discussions he indicated he would not consider dickering on price, I was pleasantly surprised to find that on Sunday he was willing to negotiate regarding the selling price. I believe the facility can be purchased for about \$1 million.

Further discussions with Mr. Moreno resulted in a new approach in our thinking regarding the acquisition of this facility. This is due to the fact that Johns-Manville would desire to remain in the asbestos textile business from a sales standpoint as long as they had a private brand supplier for their products, such as we could be. This is due to the fact that Johns-Manville have a built-in requirement for these textile products in their building materials operations. Through their distributor organizations and their contracting firms they sell over \$1 million worth of textiles a year in this arrangement. They would not want to lose this

to sell sales a year. This plant is currently supplying for them. As such, the bulk of that capacity as it stands today could be used for sales, rather than for the production of Vee-Lok cloth as we had originally anticipated.

- Preliminary discussions again indicate that Johns-Manville would be willing to purchase these textile products from us at a discount of 15% from the R/M list price. This would allow us to return a reasonable profit on a private brand basis. They are willing to enter into a sales agreement with us, either on a long term or short term basis, as our wishes may be. As such, we must consider the use of this facility on a dual basis, (1) for acquisition of their existing business which can be developed at a profitable level and, (2) as a source of additional Vee-Lok cloth for our operations.

The recommendations are broken into two groups; one showing what needs to be done for existing cloth and tape products, and, second, the necessary changes in the facility to produce Vee-Lok cloth.

As pointed out in the conclusions, the plant has good buildings, but the equipment, although sound, is badly in need of repair and maintenance. There is an obvious need for asbestos textile manufacturing knowledge and know-how, and good textile management, techniques and procedures. It is unbelievable to witness the inefficiency that is prevalent in the facility.

Obviously, they can tolerate an inefficient manufacturing operation such as this because of the excellent built-in outlets they have in the marketplace for their products.

I have indicated that this business could be profitable as private brand when sold at 15% below the R/M price. This profit can be achieved when efficient manufacturing operations are installed in the facility in line with the recommendations. It was felt the manufacturing costs at Marshville could be developed so they would be no higher than those at Charleston. As such, I have used Charleston's manufacturing costs as a basis to estimate what profit before taxes could be made on the Manville business. Assuming Marshville to be a plant of the U. S. Division and the Johns-Manville account handled as a House account, on six styles of cloth in three different grades our profit before taxes would range from a low of 12% to a high of 35%.

The total cost to equip this facility comparable to Charleston and Mannheim is estimated at \$294,000 and would require at least a year's time to accomplish all these phases. A good percentage of this expenditure is needed for maintenance items that have been ignored in this facility. In order to accomplish this program it would be necessary for Raybestos-Mannhattan to have a high calibre asbestos textile man in charge of the operation as Plant Manager. I believe we have such a person available within our corporate organization.

If the money is spent to improve the carding facilities, the addition of new speeders would be all that would be necessary to produce 50 rolls of Vee-Lok cloth a week. We were receiving about 65 per week from Charleston. As such, we could produce this volume of cloth for Vee-Lok and increase our sales in the neighborhood of \$1.5 million at a profitable level while operating this facility. Requirements for Vee-Lok cloth beyond the 50 rolls per week would require additional capital expenditures. However, there is sufficient floor space in the existing buildings for expansion.

It is recommended that we proceed with the acquisition of this facility in that we are essentially buying the Johns-Manville asbestos textile business which will give us a volume increase of at least \$1.5 million at a profitable level and, at the same time,

acquire facilities that will provide Vee-Lok cloth for our own operations and an existing building for further expansion. Trained personnel is available and start-up expenses should be limited to the inefficiencies in existence until such time as we could change procedures and equipment.

Differences in fringe benefits are very nominal. The extent of past service liability for pension purposes is still being determined at the time of this writing.

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Attachments