PLAINTIFF'S EXHIBIT UC-436

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UNION CARBIDE

INTERNAL CORRESPONDENCE

CHEMICALS AND PLASTICS

270 PARK AVENUE, NEW YORK, NEW YORK 10017

To (Name)	Mr. F. D. Dexter	Date	September 18, 1968
Division	Chemicals & Plastics	Originating Dept.	Pulp and Paper
Location	270 Park Avenue 29th Floor	Answering letter date	
Copy to	Mr. T. W. Carmody	Subject	Effect of Asbestos Business Plan on Pulp and Paper

CONFIDENTIAL

Dear Mr. Dexter:

We discussed three asbestos cases alternative to the 1969 Preliminary Plan. Others may emerge from discussions with Mining & Metals Division -- and I presume you will be considering this in light of their land equity.

This is to give you a realistic feel for the financial effects the Pulp and Paper market area would realize in the event of abandonment of asbestos. Obviously, its effects on our ability to sell products to the industry other than asbestos will depend very much on how we handle the matter.

The P & P asbestos customer list for 1968 and 1969 is made up of more than 30 accounts (Table I). Of these, 13 are regular purchasers, the remainder buying in carload lots on an infrequent basis during various stages of mill testing.

Four accounts -- Simpson Lee, Riegel, Glatfelter, Hammermill -- are purchasers of small regular quantities of "T", likely can be eased out back to TiO_2 with some recrimination.

Nine accounts, designated as "hard core", have been on the books for some time. Their uses are characterized by one or more of the following:

(1) Developed and selling proprietary paper products based on asbestos usage.

(2) Installed particular handling equipment involving capital outlay.

(3) Reversion to use of substitutes (for asbestos) represents sizable loss in savings.

As indicated, the "hard core" group comprises 4,670 tons of 1969 sale of HP out of the 5,100 ton total; and 600 tons of "T" out of the 1969 1,700 ton total of the Plan.

Boise Cascade, using 1,800 tons of HP in 1969, makes of the order of 90,000 tons of paper therefrom, at a savings of better than $2.00 per ton. They are a coating chemical prospect, not yet an appreciable customer. Quick withdrawal of asbestos without some phase-out could precipitate legal threat. Phase-out might be estimated at 6-9 months requiring 900 tons of Asbestos HP.

Longview uses HP for pitch control in Kraft bag stock. Could revert to talc -- or possibly a new J-M asbestos product -- but likely would insist on a transition time; estimate phase-out at 6-9 months and 500 tons HP. No prospect for other P & P products.

International Paper Co. is a prominent prospect for coating chemicals at a number of mills; current sales run about $50,000 per annum. Our opportunities for the short term run up to $1 MM latex potential at one mill alone.

> Ticonderoga has installed handling equipment, pipe lines, etc., with a capital outlay of about $6,000 to use "T". Will be highly sensitive to termination because of emphasis on restricting investment in an old mill being replaced (in one year) by nearby mill under construction. Could expect strong recrimination from local people and repercussions throughout the I.P. organization -- including possible debit for the capital outlay.
>
> Tonawanda has established a new grade of paper using HP -- is selling upwards of 5,000 tons per annum. Could contend they would lose this sale having a sales value to them of over $100,000. Coupled with the Ticonderoga situation this could give us a very tough atmosphere in I.P.

Brown has shifted an appreciable part of their TiO_2 usage to "T". This has meant extensive testing in a series of paper grades over a long time. Could revert to TiO_2 with a loss of savings amounting to $50,000-60,000 per annum. This obviously would have some effect on our coating opportunities, now under evaluation, to an immediate extent of $150,000. Minimum phase-out time estimated at 9 months.

Kimberly-Clark at Munising uses very small amounts of HP in a "wet" sandpaper. This use was developed 4 years ago and makes a superior product according to Munising. Current sales of other paper chemicals to the K-C organization amount to $120,000 per year. Cut-off of Munising may put this in jeopardy as well as additional coating chemical prospects of the order of $300,000.

Conwed uses 1,200 tons HP per annum in manufacture of mineral board for ceiling tile use. Use existent for 3+ years in the course of which starch reduction in the composition (using HP) has permitted them to obtain higher fire ratings on their products. Could shift them back to the use of Amosite asbestos; however, availability of Amosite, effects on fire rating, etc., up in the air and undoubtedly would cause strong repercussions and possible suit. Estimated phase-out is 9 months and 600 tons. Conwed is a customer-prospect for Coatings Intermediates Division sale of WC-130.

Prairie State is a small regular user of HP for "gunk control" (asphalt, polyethylene, etc.) in wastepaper stock source. Could be shifted back to talc -- but likely under duress because of superior asbestos performance. Not a customer for other products. Estimated phase-out is 6 months and 150 tons.

St. Regis (Rhinelander) uses HP on a regular basis as a retention aid. Likely paper product amounts to 20,000 tons per year and savings of $50,000 or more. The St. Regis organization is an immediate prospect for over $200,000 worth of coating chemicals business. Phase-out time estimated at 6 months and 150 tons.

In the aggregate the "hard core" group presents existing sales (apart from asbestos) for Pulp and Paper products of about $200,000 -- with another $500,000 in prospect. Total liabilities (for capital outlays) could amount to $15,000.

In addition the "hard core" group buys important dollar volume of goods from other corporate divisions; as Table I shows, this adds up to $7.0 MM -- mostly for polyethylene film.

The degrees of influence on our business are dependent on how abandonment is undertaken:

(a) If we were to phase out over a period of 9-12 months we may avoid serious effects on other business, suits, debit claims for equipment, etc. At best we might lose another $50,000 of existing sales (coating chemicals) and other liabilities perhaps of the order of $5,000-10,000.

(b) Immediate termination -- such as by January 1, 1969 -- undoubtedly would bring all of the above pressures to bear. We would estimate the influence on 1969 (apart from asbestos) to be $150,000 of NIFS and $50,000 of contribution income -- with liabilities of $15,000-20,000. We can make no estimate of the impact of a possible suit -- such as by Conwed. The influence of this abrupt action on 1970 is estimated at $200,000 of coating chemicals sales and $60,000 of contribution income. The impact may be greater if our work with the total industry is taken into account -- and reliability as a supplier is made an issue. Beyond current users are numerous large accounts who are in various stages of testing asbestos. While we feel we can close down these programs without immediate retaliatory actions, there is no question these people have expended time and effort. They represent a prominent customer list for other Pulp and Paper chemical products.

This commentary is reduced to tabular form as given in Table II. As of now, we have no alternative but to proceed with asbestos marketing to the paper industry on the basis of the 1969 Preliminary Plan as it stands.

This includes the position we will continue to take with our Marketing and Sales people at our September 23-25 sales meeting, various mill trial programs, etc. This underscores the urgency of clarifying an intended Asbestos Business Plan at an early date -- so that we may attempt to minimize the impact on over-all business.

Very truly yours,

A. E. Pufahl

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AEP/dh

Attachments

TABLE I

CURRENT 1969 ASBESTOS SALES PLAN

	Tons HP	Tons T	Other P & P Sales $ M	Identified UCC Sales $ M
HARD CORE				
Boise Cascade	1,800		Prospect	-
Longview	800		No	-
International				
Ticonderoga		200	$50 M now	$2.2 MM PE
Tonawanda	100		$1 MM prospect	
Brown		400	$150 M prospect	$90 M PE
Kimberly-Clark, Munising	50		$120 M now	-
Conwed	1,200		-	$100 M WC-130
Prairie State	360		-	-
St. Regis (Rhinelander)	360		$200 M prospect	$4.5 MM PE
	4,670	600		
PHASE OUT				
Simpson Lee		180		
Riegel		240		$150 M PE
Glatfelter		100		
Hammermill		100		
		620		
ADVANCED TRIAL STAGES				
Weyerhaeuser (2), Wausaw, Nicolet, Blandin, Oxford, Champion (2), W.Va. P&P, Northwest, Union Camp, Kimberly-Clark (other), Scott, Crown Zellerbach, Georgia Pacific +	430	480		
TOTALS	5,100	1,700		
	$540 M	$493 M		

TABLE II

FINANCIAL EFFECTS ON P & P
$ M

	1969 Preliminary Plan	Phase Out Asbestos 9-12 Mos.	Terminate Asbestos Jan. 1
AREA			
NIFS			
Asbestos	$ 1,033	$ 320	$ -
Chemicals	9,971	9,921	9,821
	$11,004	$10,241	$ 9,821
Overhead			
Asbestos	140	30	-
Chemicals	1,011	1,011	1,011
	$ 1,151	$ 1,041	$ 1,011
Contribution Income			
Asbestos	67	34	-
Chemicals	3,087	3,072	3,027
	$ 3,154	$ 3,106	$ 3,027
Possible Liabilities		5-10	15-20

	1970 Preliminary Plan	Phase Out Asbestos	Terminate Asbestos Jan. 1 (1969)
AREA			
NIFS			
Asbestos	$ 1,174	$ -	$ -
Chemicals	11,126	11,126	10,926
	$12,300	$11,126	$10,926
Contribution Income	$ 3,553	$ 3,348	$ 3,318