SALES REPRESENTATIVE'S REPORT LOOKS LIKE NO MORE FRUEH...

RESPONSE REQUESTED ☐

FRICTION PRODUCTS GROUP

Typed 12/30/80

TYPE OF CALL	DATE
Received 12/19/80	12/18/80 AOT

CUSTOMER	REPRESENTATIVE	REPORT No
FRUEHAUF CORPORATION	L. E. B.	8591
ADDRESS	**CITY**	**STATE/ZIP**
10900 Harper Avenue P.O. Box 238	Detroit, MI	48232
		PHONE 267-1000

OFFICIALS INTERVIEWED

1/8/81

TROY, MI JAN 5 1981

J. P. Silk - Vice President Material
A. G. Schaible - Manager Aftermarket & Accessories Purchasing
N. E. Walker - Regional Sales Manager

COMMENTS

Accompanied by J. J. Lukas, discussed the friction material situation at Fruehauf. Our request for original equipment blocks was 13% per a letter dated November 21, 1980. This was answered via a letter from Schaible indicating that no cost increases would be accepted. A meeting was then held with Schaible and it was ascertained that a 6% increase was more realistic from Fruehauf. A firm review of Abex original equipment numbers was made and discussions held indicating that 12% bottom line from us on original equipment materials was required. They indicate that 12% is more than they receive from Carlisle and Raybestos-Manhattan (they have an engineering approved lining) and as such we are not competitive with either outfit.

Based on our non-competitive position, they must do something to assure that all of their assembly plants are receiving competitive priced axles so the reduction will be from 50% of the Fruehauf business which in normal times manufacturing 40,000 blocks per month, approximately $1,100,000 per year to zero percent. They will take our inventory and materials in process and the phase-out will be coordinated (reference Lukas' letter of December 16th to Schaible).

On the aftermarket pricing, the word is that our January 12, 1981 increase makes us non-competitive by that amount. They gave us a 5% increase in July because Silk felt some responsibility that the aftermarket has not gotten off the ground in three years as well as anticipated when we agreed it should. We must resolve this situation or our $350,000 worth of OES business is also gone. Discussions will be held with Ward, Cappucci and Lukas to determine what will happen here.

They are somewhat in awe of our decisions in these very difficult business times and don't understand why if they are unable to accept these prices that our other customers can. They feel we are out of step with the industry.

Our outlook at Fruehauf I would say is poor due to the fact that as a result of this, they would always have the feeling that the effort might go for "not" because we would back out on our long term commitments for "short term gains." We stated years ago we would agree to be competitive with our industry and at the present time we aren't and as such, we are leaving them to go their own way. We should not expect to get back in for several years. This is a bitter pill for Silk to swallow because of the years of effort developing the appropriate ground work with the management people to allow him to bring on another source after all these years prior to 1978 of purchasing nothing but Carlisle lining. "Maybe you should look at the total Fruehauf account because when you took us on three years ago, you looked at all of Fruehauf and not just the original equipment portion." Other items are available here which may not be available to us, such as overseas programs, non-asbestos, and what happens when the industry turns around. They find it difficult to believe that we are willing to give up approximately 25% of the trailer market.

Purchasing continues to await word from Engineering on our tolerance request for our aftermarket materials and our request to change the drawings on markings. Pricing on our alternatives will be available to them during January of 1981.

Earle

L. Earle Bretz, Jr.

LEB/lb

cc: JJLukas/JWMcCool/file
PHGrim
FACappucci
RLWard