PLAINTIFF'S EXHIBIT
JM 864

TACK
Dwayne
Richards
Eggleston
Stolchek

October 2, 1967

√W. E. Roush - Denison
E. J. Derichsweiler - Green Cove
I. E. Martin - Marrero
H. F. Daniels - Stockton
M. Sanders - Long Beach

cc:
J. Leasher - Finderne
A. J. Roth - Finderne
R. Rowden - Finderne

Special Handling - Advocate Dibre Excess Charges

There has been a considerable amount of confusion over the procedures to be followed regarding the handling of unloading charges, extra cost of receiving Advocate vs. Jeffrey fibre, etc.

I managed to get a copy of Mike Dunn's original letter on the subject and am forwarding a copy to each plant concerned with the hope that it might at least provide some background and overcome some of the confusion.

As further information becomes available I will forward it on to you. Mike Dunn and the new AFD Controller are scheduled to visit HAC in the next week or so and it is hoped that some of the loose ends can be tied up at that time.

J. F. Knoth

J. F. Knoth
Office of the Controller
Pipe Division

JFK:ct
encl.

MTC 013231

April 27, 1967

P. V. Lindell, Jeffrey Mine

Procedure for Billing Advocate Fibre to Pipe Division

Some questions have arisen about the specific procedure to be used in billing fibre to Pipe Division in the coming season. Most of these were covered in correspondence from Roger Hackney to you, but I do not have a return letter indicating that you had accepted these recommendations. To clarify the matter and to inform some of the copyholders of this memo, I will set out the proposed method in detail for your review. Unlike the Carter Commission, these recommendations can be accepted in whole or in part and appropriate modifications made to arrive at a workable procedure.

General Principle

The Pipe Division will pay Advocate, the amount otherwise paid for equivalent P.V. Jeffrey fibre delivered to that particular plant. This means using the point value prices recently issued for interdivision purposes (i.e. 4-75 $182.98 C per ton) plus the freight rate to the plant (i.e. Green Cove $25.80 C per ton). I am exploring with C. D. Maguire what appears to be the desirable practice of having the billing indicate the equivalent U. S. dollar amount on the bottom so that transactions will be all U. S. dollars. This would follow the same practice we use normally with outside customers. Leo Delaney could then make the appropriate conversions of fibre price and freight rates.

Advocate is then, in effect, selling Johns-Manville Products Corp. on a CIF port-of-entry basis with handling and inland transportation charges allowed.

Since the gain in economical transportation accrues to Advocate, it appears that the responsibility for chartering vessels and selecting size of shipments must rest primarily with CJM as manager of Advocate, and secondarily with the Pipe Division providing effective cooperation. This would mean that Leo Delaney would charter the vessels on behalf of Johns-Manville Products Corp. unless there is reason to believe that GHQ Traffic can do a better job.

Legal Problems

Leo Delaney arranges shipments for plants and customers out of Jeffrey, and in effect is a freight forwarder for these people without any legal obstacles.

I talked at considerable length with Bill Breese about any legal problems involved in having Leo perform this function for J-M Products Corp. The question arises, of course, because effective title transfers to J-M Products Corp. at the first carrier - i.e. at dockside Baie Verte. Bill advises me that a simple power of attorney can be put into effect and that when Leo charters the vessel he should stamp on the documents the following statements:

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Johns-Manville Products Corporation
[illegible]
[illegible] Canadian Johns-Manville Co. Ltd., Manager
Att: L. F. Delaney
[illegible]
As Freight Forwarding Agent

There is, then, no legal obstacle to having Leo Delaney perform this function.

Balancing Advocate Accounts

For a ton of 4-75 shipped to Green Cove, the C.I.F. would be $208.78 Canadian. This would be set up on Advocate's books as $183.00 for a ton of fibre and $25.80 into a special freight clearing account. I will skip at this time the method of conversion to U. S. dollars but can advise Jim if he needs any help in setting up this bookkeeping. Assume for now that all numbers are in Canadian dollars.

When the vessel clears Baie Verte presumably Advocate, acting as forwarding agent for J-M Products Corp., has paid for ocean freight, stevedoring, etc. amounting to perhaps $10 per ton. This would be paid by Advocate and put as the outgo entry partially balancing the input of $25.80 on the freight clearing account.

Upon arrival at the port, say, Jacksonville, unloading charges and inland transportation are incurred by the local Pipe Division personnel on behalf of J-M Products Corp. These bills would be passed along to the Data Processing Center which pays their bills and marked by vessel for chargebacks to Advocate. In this way the legal owner of the fibre would pay these bills, and charge them back to Advocate with full details so that it is possible to keep a complete record of charges by shipment. This would also include any out of line warehousing which had been agreed upon by Delaney acting in liaison with Petersen of Pipe Division.

Upon arrival at the plant, there is apt to be large extra costs as the unloading crew is geared to handle several hundred tons per week and must cope with several thousand tons for a once or twice a year occurrence. The extra cost of such services should be covered in a separate memo prepared by the local finance office manager and charged back against Advocate via the same channel used for inland transportation, etc.

In this way, all the extra cost of handling Advocate vs. Jeffrey are paid by the J-M Corp. people when they occur inside the U. S. They are immediately charged off the U. S. corporation books, back against Advocate with sufficient supporting detail to enable appropriate sub-accounts by shipment on the Advocate books.

On the Advocate books these additional charges would be measured as outgo parts of the freight clearing account.

In this way the profit (or loss in some cases) on each shipment can be calculated, and cleared through to the Advocate statement as a separate section down in

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the area with administrative expense and interest charges. A clear and definite accounting path is possible to this minor but nevertheless controversial part of the Advocate earnings story.

Responsibility

This concept places the prime responsibility upon Leo Delaney to serve as coordinator on shipments. If he served purely as a vessel charterer without looking at the possible high costs of unloading at the plants, there would be a tendency to go for one large shipment per year to each plant, which, while offering economies in ocean transportation, might lose such economies in high handling costs at plants.

For the system to function effectively, we must count upon the cooperation of Fred Petersen in Pipe to advise estimated costs as Leo Delaney develops alternative shipping patterns.

Authorization

I suggest that Karl Lindell communicate with Leo Delaney his agreement with this procedure as far as it goes and any desired modifications. Leo, as coordinator, can get Jan Kaczkowski involved on the accounting end which will require liaison with C. D. Maguire. I have advised Maguire of the basic problems involved and I don't expect problems adapting a procedure to fit whatever is desired. I have also talked to D. C. Josephs, the Pipe Division Controller, who is heartily in favor of this procedure because it does not create any mixup in local plant cost accounting.

The general procedure will fit the prescription set out by C. B. Burnett, provided the point value classes of fibre are the same at Advocate as at Jeffrey.

M. D. Dunn

MDD:mf

cc: D. T. Colton
L. Delaney, Jeffrey Mine
H. F. Washburn
F. T. Petersen
J. B. Kaczkowski, Jeffrey Mine

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