

MR. M. F. HOWE

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MEH/AN

TURNERS ASBESTOS FIBRES LIMITED

Discussions with Certain-teed
on the Supply Agreement

Present: R. W. Miltz (V.P. - Materials Management, P.P.G.)
W. A. Krivaky (Group Exec. - Piping Systems Prod.)
T. A. Dougherty (Senior V.P. - P.P.G.)
T. Decker (Corporate Contracts and Agreements)
M. F. Howe
A. Nelson

A. Discussion and Negotiation

1. In the main discussion was with Miltz though Dougherty and Krivaky were present during both preliminary and concluding sessions. Progress on the first day was excellent with ready acceptance by Miltz that the existing Agreement had never operated as intended since Rhodesian U.D.I. and that T. & N. did not have sufficient fibre available to meet Certain-teed's requirements from its own Mines. All known sources of fibre were reviewed and progress made by each company in negotiating supply agreements was discussed. We placed emphasis on C-T maximising its use of Russian, Asbestos Corporation and J-M fibres and this was accepted. Great stress was placed by C-T on the need for T. & N. to use its maximum possible influence to secure the minimum reduction in Cassiar's allocation to C-T after the closure of Clinton.
2. On the second day negotiations on the preliminary drafting of a new Agreement were held with Miltz. Unfortunately the good progress made previously received a set-back when Miltz tabled a draft amendment to the Agreement which had been prepared in 1974 but not signed. A copy of this amendment is attached and whilst it is better than the original Agreement in reality it merely regularises C-T's right to buy from other sources but does not release T. & N. from the obligation to supply fibre to meet any shortfall.
3. It was agreed that whilst the form of this amendment could be followed for drafting purposes the content was far more onerous than we jointly intended. An amended Clause 2 was drafted and tentatively agreed as follows:

- "2a. Since it is recognized that Turner & Newall no longer has the capability to furnish Certain-teed's fibre requirements from their own asbestos fibre mines, it is recognized that no longer will Turner & Newall be obligated to furnish Certain-teed's total requirement as outlined in the original agreement dated 4/16/62.
- 2b. However, on Certain-teed's request, Turner & Newall agrees to continue to assist Certain-teed in developing alternate sources and will use all reasonable influence on those sources to furnish Certain-teed requirements of fibre tonnage in the requested grades.
- 2c. In the best interest of both parties, it is agreed that in September of each year, prior to the finalizing of any Certain-teed fibre commitments, Certain-teed will meet with Turner & Newall for the purpose of discussing their requirements and to determine the fibre sources which will be most advantageous to Certain-teed on a long-term basis. At this meeting, it is further agreed that there will be an exchange of any fibre information, technical or otherwise, which could be beneficial to either party."

It was also agreed that Clause 3 could remain or be omitted at the discretion of C-T and that Clause 4 would be omitted.

4. At this stage in the negotiations Miltz felt it was necessary for him to seek the advice of the Corporation's Legal Adviser responsible for Agreements, Tom Decker, on Clause 3 in particular. Our assessment of hearing only one side of this telephone conversation led us to believe that Miltz got a "flee in his ear" from Decker for conducting negotiations with us without involving a lawyer. Miltz was at pains to point out both then and at a subsequent short meeting with Decker that our discussions on a new Agreement were very preliminary and that there would have to be considerable further discussion involving lawyers before anything was finally signed.
5. Subsequent to the meeting with Decker, Miltz was less positive about the finalization of an amended Agreement than he had been previously. He did, however, agree to prepare a revised draft along the lines indicated for use by both parties in discussions with their respective legal departments and senior Boards. He hoped that it would be possible to sign it during A.N.'s proposed visit in September.

B. Impressions and Conclusions

1. Generally we made worthwhile progress during the visit towards an amended Agreement which would be advantageous to T.&N. Miltz is obviously keen that C-T should do their

own purchasing and negotiating whilst making the fullest possible use of T. & N's moral commitment to assist and apply pressure where necessary. He is considering asking St. Gobain to help also.

2. MWH feels that if an amended Agreement can be agreed which is no more onerous than that discussed, then we should offer to incorporate a clause to the effect that T. & N. will use its best endeavours to keep prices to C-T from Cassiar equal to those charged to T. & N. companies and a further clause that T. & N. will continue to offer fibre testing and evaluation facilities to C-T free of charge. AN does not agree that either of these clauses should be conceded unless C-T specifically request them.
3. Problems may well arise before an amended Agreement can be signed if C-T's legal department become heavily involved. Our impression is that they are seeking a much stronger Agreement incorporating tonnage commitments etc.

A. NELSON

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