CYANAMID

684

Request For Capital Expenditures/Retirements

REPORTING CLASSIFICATION	DATE APPROVED	JOB ORDER NO.
D-1	11/13/83	PP-5916

DIVISION OR COMPANY: Lymer Product Division

LOCATION: Chicago Plant — J.O. CONTROL POINT: 097

JOB TITLE: Purchase semi - bulk containers

SUMMARY OF AMOUNTS

DESCRIPTION	LOCAL CURRENCY	U.S. DOLLARS
ESTIMATED PROJECT COST		26,461
DISMANTLEMENT EXPENSE		
TRANSFER EQUIPMENT		
GROSS AMOUNT FOR APPROVAL		26,461
LESS TRANSFER EQUIPMENT		
LESS SALVAGE OR TRADE-IN ALLOWANCE		
NET CASH REQUIRED (GOF-3027)		26,461

RETIREMENT DATA

	AMOUNT
COST	
DISMANTLEMENT	
LESS SALVAGE	
TOTAL - CHARGE RESERVE	

ECONOMICS as called for in General Procedure Memo #3 Attachment C. (Attach calculations)

ECONOMICS PERIOD	6 yr.
NET SALES	
NAT (PROFIT/SAVINGS)	14,850
TOTAL INVESTMENT	26,461
% ROI (ON TOTAL INVEST.)	56%
INTERNAL RATE OF RETURN	
PAYOUT OF NEW FIXED CAPITAL	1.23 yr.

REVISION DETAIL (GROSS AMOUNTS)

REV.#	DATE	AMOUNT	CUM. AUTHORIZATION
1			
2			
3			
4			
5			
6			
7			

DESCRIPTION AND REASONS REQUIRED

Funds of $26,461 are requested for the purchase of fifty (50) Air Pallets and ten (10) Taicon bags for shipping semi - bulk quanities of lead stabilizers.

Closed 7/84

SUMMARY OF ESTIMATED COST - Details on GOF-3027 | ESTIMATE NO.: | STARTING DATE: 1 week after approval | COMPLETION DATE:

ITEM NO.	DESCRIPTION	MATERIAL	LABOR	ENGINEERING	TOTAL
1.	Fifty air pallets	23,091		100	23,191
2.	Ten taicon bags	2,770			2,770
3.	Freight	500			500
	NET CASH REQUIRED	26,361		100	26,461

ACCOUNTING TREATMENT

ITEM NO.		DEPR. RATE
	DR $26,461 Containers (700)	20%

ACCOUNTING TREATMENT / ECONOMICS APPROVED BY DIV. CONTROLLER (CHECK BOXES) MJS ☑ ☐ C. Shirley DATE 11/10/83

POST AUDIT PERIOD | POST AUDIT DUE DATE

DISTRIBUTION

APPROVALS

NAME	DATE
PROJECT SPONSOR R. Johnson	10/21/83
H.C. Duffy (?)	10/21/83
[illegible]	11/10/83
DIVISION PRESIDENT/DIRECTOR WB	11/13/83

N14631

DESCRIPTION AND REASONS REQUIRED

Proposed Work and Cost

Funds of ____ $26,461.00

are requested for the purchase of 50 Air Pallets and /0 Taicon bags utilized for shipping semi - bulk quantities of lead stabilizers.

PRESENT SITUATION

Approximately 20% (1.1 m lbs) of the Chicago Plants stabilizer shippments for the year Jan - Sept. 1983 have been in air pallets or taicon bags.

Sales forecast indicate sales in the semi - bulk containers to be:

Air pallets	1.5 M lbs. / yr.
Taicon bags	.5 M lbs. / yr

Add to this a very strong possibility that Southwire will be purchasing 80k lbs/ month in taicon bags.

Both semi - bulk containers are filled to 2k lbs. net.

The plant inventory of semi - bulk containers is

Air Pallets	200
Taicon bags	60

1. See attached letter from J. Druzbacky

JUSTIFICATION

At this writting there are no air pallets available for service in the Chicago Plant, but we have orders for stabilizers in A/P totaling 80k lbs. (All A/P's are out on the road or at Customers)

During the period of 9/12 - 10/4/83, 225k lbs of lead stabilizers packed in A/P were shipped from this location. This relates to annual sales of 3M lbs. High surge demand

Based on the 3M lb. volume (1500 A/P shipments) and a turn-around time of 60 days we require a minimum of 250 air pallets.

The plant inventory of taicon bags appears to be adequate at this time based on 500k lbs / yr (250 taicon bag shippments) and a turn - around of 90 days we require 63 units.

However, sales has indicated that Southwire will be taking 80k lbs/ month in taicon bags so we should purchase 60 units to cover this customer.

At this writting we are short 10 taicon bags for actual shippments. although we indicate a turn - around time of 60 - 90 days there are repeated cases of our customers holding up returns of the semi - bulk containers for 4 - 5 months. We will encourage Customers to return Containers in a reasonable amount of time.

We have submitted bid to Southwire for 1984. We have not yet heard back on our status. Steve Lustig desires to hold up on purchasing taicon bags to service Southwire until we hear whether we have won the contract or not. It is desired to purchase only 10 taicon bags for now.

(Please see next page for Economic Justification)

Economic Justification

Customers are increasingly ordering lead stabilizers in semi-bulk Air Pallet or Taicon Bag containers. This trend is due not only to economies of scale but also to the fact that these returnable containers reduce dusting and avoid the problem of disposing of used paper bags contaminated with lead.

In the month of October, 1983, we lost orders for 52k lbs. of stabilizers due to a lack of air pallets. This represents k$17 of marginal income lost.

Plant/Marketing has determined that our inventory of semi-bulk containers should be increased from 200 Air Pallets and 60 Taicon Bags to 250 Air Pallets and 70 Taicon Bags at a cost of k$26.5.

Assuming conservatively that this investment will prevent the reoccurrence of the loss of 52k lbs. of sales twice a year, the investment has an ROI of 55% and a payout of 1 1/4 years.

Cost: $26,461

Savings: Avoid the loss of 52k lbs. sales twice a year at $0.33 per lb. marginal income:

2 x 52k lbs. x $0.33/lb. = $34,300 increased marginal income per year.

	1st Year	Other Years
Savings	$34,300	$34,300
Less Depreciation, 20%	(5,300)	(5,300)
NBT	29,000	29,000
Tax, 50%	14,500	14,500
ITC, 8%	2,100	-
NAT	16,600	14,500
Add Depreciations	5,300	5,300
Cash Return	21,900	19,800
ROI	63%	55%
ROI 6 yr. avg.	56%	

$$\text{Payout} = 1 + \frac{\$26{,}461-21{,}900}{\$19{,}800} = 1.23 \text{ years}$$

N14631.01

CYWI 25-0007320

To:	H. C. Gaffney	Date:	August 23, 1983
Location:	Chicago Plant	Copy to:	R. F. Anderson NA J. F. Daly MG S. M. Lustig NA G. A. Menghi HO F. E. Rudolph AZ
From:	J. S. Druzbacky		
Location:	Bound Brook		
Subject:	AIR PALLET/TAICON BAG SHIPMENTS - SALES PROJECTION		
Reference:			

Attached is lead stabilizer air pallet/Taicon bag shipment forecast from field sales group. Analysis of this data should help us to determine if additional air pallets or Taicon bags are required to meet demand.

Weakness in this forecast is, of course, that we are attempting to assess and quantify a constantly moving target. Potential sales gains--particularly at Essex and BFGoodrich in 1984--could significantly upgrade need for equipment. In addition, Tenneco (400k lbs/yr Cyanamid supply) appears to be seriously considering switch to air pallet system for 1984.

BFGoodrich (Louisville, KY) forecast (air pallets) is based solely on September-December 1983 estimate. 1984 Supply to BFGoodrich is still an open question with sales potential of up to one million pounds per year.

Please review forecasts and call me if you have any questions.

J. S. Druzbacky

AUG 29 1983

JSD:dk
att.

Steve Lastig

Lead Stabilizers - Air Pallet Shipment (Estimate)

Customer	Product	AmCy Est. Sales Per Year (k lbs)	Order Frequency Interval	Quantity Per Order (k lbs)
Anaconda (Watkinsville, GA)	908	18	4 Mos	6
Belden (Richmond, IN)	15	28	2 Mos	4
	593	120	3 Mos	30
	670	2	Annual	2
	908	60	6 Mos	30
Essex				
Pauline, KS	SX-3	120*	4 Mos	40
Tiffin, OH	SX-3	120	4 Mos	40
Ft. Wayne, IN	SX-3	80	6 Mos	40
Lithonia, GA	SX-3	120	4 Mos	40
Anaheim, CA	SX-3	160	3 Mos	40
BFGoodrich				
Louisville, KY	800	96**	Monthly 9/83-12/83	24
	908	48**	Monthly 9/83-12/83	12
Pedricktown, NJ	800	30	4 Mos	10
	908	30	4 Mos	10
Phelps Dodge (Starksville, MS)	563	200	2.5 Mos	40
	988	24	3 Mos	6
Reichhold (Mansfield, MA)	563	60	4 Mos	20
	988	60	4 Mos	20
United Cable (Pottsville, PA)	563	40	Annual	40
		1416		

new projection

1,000

Tennessee

400

/000

3

*Anticipate two 40k-lb orders (Sept-Dec 1983);
Estimate 40k lbs September/40k lbs November.

**Forecast volumes are for period 9/83-12/83 only.

JSD:dk
8/23/83

N14631.02

CYWI 25-0007322

COMMERCIAL FACTORS

This order supports a plant budget for lead stabilizers as follows:

k $/ lbs.	SALES		MARGINAL INCOME		POS	
	lbs.	$	$	%	$	%
Budget all Stabilizers 1983	6,550	4,673	2,304	49.3	1,373	29.4
Actual all Stabilizers first nine months	4,757	2,724	1,482	54.4	823	30.2
Litharge first nine months	176	47	(11)	-	(16)	-

DETAILS OF PROPOSAL

We propose to purchase:

50 heavy duty base - 35 ft^3 capacity air pallets @	23,091
60 35 ft^3 taicon bags @	16,600

PRODUCTION FACTORS

This proposal will not alter product output, quality or cost, but will assure meeting of shipping schedule and maintain our share of the stabilizer market.

CONTINGENT FUTURE COMMITTMENTS

Additonal A/P and Taicon bags will be purchased in the future if sales increase or to replace damaged units.

ALTERNATIVE CONSIDERED

No alternatives acceptable if we are to continue in this business.

RISK

No operating risk involved.

CONCISE SUMMARY

Purchase 50 semi - bulk air pallets and 60 taicon bags to supplement the current inventories of 200 and 60 which will allow the plant to meet sales commitments .