

BRIEFING PAPER

We would like to bring to your attention a circumstance of potentially unfair competitive practice that Avco Systems Division is presently experiencing and which represents a most serious threat to our mainline business. The specific competitor at issue is Fiber Materials Incorporated (FMI), of Biddeford, Maine. We believe that FMI has acted to corner the supply of a specialized, high-strength graphite fiber material, called Thornel-50, manufactured in limited quantities by Union Carbide, and required by Avco to produce certain carbon/carbon materials under contract to the U.S. Air Force.

While still incomplete, our understanding of the FMI situation is largely based upon information provided by sympathetic customers, who themselves, are helpless to exert corrective influence within the Governmental bureaucracy. Since our inability to get Thornel-50 has already caused substantial Avco Systems Division layoffs, will probably cause significantly more reductions, and could severely jeopardize the long-term viability of our entire Strategic Systems mainline business, we strongly seek a solution to this problem.

As historical background, Avco Systems Division is the acknowledged pioneer in the development of three-dimensional reinforced materials for application in strategic missile systems. The emergence of FMI to the market place is Avco-derived. In the late 1960's, Mr. W. Lachman,

President of FMI, was employed by Avco in the materials fabrication area; in 1969, he launched FMI based on that experience. He has since hired several senior Avco employees to broaden FMI's capability. FMI's total employment is currently estimated at 300.

The current competitive problem evolves from philosophical differences between Avco and FMI. FMI has undertaken an aggressive series of steps to secure a monopolistic hold on the carbon/carbon business which Avco feels is not in the best interest of the United States. Some of the steps taken by FMI include:

- (a) FMI has placed orders for the full production of Union Carbide T-50 graphite fiber for the next one to two years so competitors could not obtain the required material for performance on Government contracts. This has been done in spite of the fact that all U.S. Government orders now active would not require more than 2000 lb/year of the T-50 material and the total production is in the range of 5-6,000 lb/year.
- (b) Through the Maine Congressional delegation, FMI has placed pressure on DoD, Navy and Air Force personnel not to give Avco/SD contracts which could be construed to be second source for materials fabricated by FMI and developed with FMI IR&D funds. This activity is a pure marketing ploy since Avco has internally developed the capability to build nearly all of the items FMI has fabricated, plus

several others. In addition, Avco has patent coverage on many of the materials which FMI is now selling. In fact, FMI may well now be infringing on Avco patents.

- (c) Press releases have indicated that FMI is selling to foreign governments carbon/carbon materials of the type which use high strength graphite fiber. This would seem to be an improper use of scarce strategic materials and against the best interest of the U.S. Government. On the other hand, Avco has specifically been directed not to sell carbon/carbon materials to foreign governments. Selling T-50 products to foreign governments could be the market for the additional T-50 fiber being purchased by FMI.

In terms of resolving this problem, Avco requests your direct intervention with the Office of the Assistant Secretary of Defense Installation and Logistics and with the Department of Commerce Order Board to help us obtain 100 lbs. of Thornel-50 graphite fiber to meet our immediate needs. The next step would be to have the Government establish raw material supply priorities which would prevent the current FMI "corner" strategy from occurring again. Following these steps, Avco would like the Massachusetts delegation to inform the DoD, Navy and Air Force secretaries that they wish Avco/SD to get fair treatment in getting carbon/carbon preform and billet contracts and that they will be greatly concerned if FMI gets unfair competitive advantages through Congressional pressure.

In summary, Avco/SD is prepared to discuss in detail with you the history of our reentry materials business and the implications of this questionable FMI business practice on employment in the Avco Lowell facility. Avco desires to obtain the same type of cooperation and help from the Massachusetts delegation that Senator Muskie and the Maine delegation have given FMI. In particular, we wish to assure that:

- (a) Avco will get the 100 lbs. of Thornel-50 fiber that is required now to continue our on-going government projects.
- (b) Avco can obtain a continuing Thornel-50 fiber supply that is required to maintain its business. We have bought about 600 lbs. per year over the last few years.
- (c) The Massachusetts Congressional delegation demonstrate that they are interested in keeping carbon/carbon business in Massachusetts and are willing to apply pressure of the type being exerted by the Maine delegation for the interest of Massachusetts.
- (d) If carbon/carbon is a legitimate export product, that Avco be given the same export rights that FMI apparently has.