



GLOBAL PLASTICS LETTER

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“Forecasts for Plastics Management Decisionmaking”

OCTOBER 2001

Dear Colleague:

This changes everything! - we remember uttering those three words at 9:00 AM on Terror Tuesday, Sept. 11, 2001, moments after the terrorist attack on the World Trade Center in N.Y. and later again after the attack on The Pentagon in the Virginia suburbs of Wash., D.C. ... and it did and is still changing everything we believed in as a way of life!

We still grieve along with the rest of the nation – for the loss of lives and for their families and of those still missing. We have received messages from our subscribers around the globe adding their voices of horror and sympathy.

In the aftermath of the unexpected turn of events caused by this horrific deed, we are still trying to determine its effect on the future of the globe and its implications for our plastics industry.

Some things are clear – the U.S. (and most of the free world) must now deal with urgent priorities: Defending the homeland; Fortifying the financial system and critical industries; Dealing with recession (the intermission is over) ... all this means a more activist government, higher defense spending and budget deficits. Fiscal and monetary stimulus is on the way, but brace for the tough times ahead!

How will things change for our world and industry? ... Recession is now certain and economic growth is sure to go negative in 4Q 2001. We were on the brink of an early recovery estimated to occur in early 2001 – but Terror Tuesday changed all that. A bleak six months awaits us and unfortunately external factors will determine any recovery timing – our global sources within the plastic shapes industry tell us that business activity has all but stopped in September and into October. Housing, the one bright spot in 3Q won't escape as housing starts have fallen sharply in Sept. The psychological factor is immense in putting a cap on all business activity – uncertainty reigns!

Government intervention to the tune of \$40 billion will attempt to reverse this historic slide, with payroll tax holidays, temporary corporate tax relief, health care for laid-off workers, extended unemployment insurance benefits and more. Growth should resume by spring, depending on military moves. Recovery should be swift and strong. The major caveat is the war's effect on Middle East oil supply. No one is talking about this one – but it could drive us into inflation fueled by shortages of oil and the concomitant effect on polymer supplies. Look for some dramatic response by either or both sides (Free world/Terrorist) by Oct 11, 2001 - the one month anniversary of Terror Tuesday.

Other changes looming: Video conferencing replaces much air travel for business purposes; Facial recognition systems will be widely used in airports; National ID card will be issued to all citizens. Military reservists on your payroll? – their jobs must be held open and health care coverage continues for 30 days. Importing or Exporting? ... count on delays both ways – double the time it takes to get anything imported. We will keep you informed of other changes that affect your business and everyday life that we see coming, in future issues and on our website.

TRENDS: Some good news for the state of our industry:

- In 2000, the plastics industry provided over 1,500,000 jobs in the U.S.
- Plastics industry shipments totaled over \$300 billion
- When supplier industries are included the above grows to 2,500,000 jobs and \$400 billion

Plastics Wholesale Trade based on the NAICS 42261 (replaces SIC code 5162) was:

- No. of Establishments: 4981
- No. of Employees: 49,500
- Value of Industry Shipments: \$39,874,000

The top three global consumers of selected Thermoplastics (PE, PP, PS and PVC) were: Europe, U.S. and China – in that order, accounting for almost 60% of the world's consumption in 1999. Meanwhile natural polymer (such as polylactic acid based products) will grow 6.4% annually to \$2.9 billion by 2005.

Some E- Business trends – most of the metal sites have closed – most of the plastic sites are still healthy and in a recent survey of industrial distributors: > 72% have websites (96% of those grossing more than \$20 million) > 69% of purchasing organizations are actively pursuing new and improved relationships with sellers via the Internet – by 2004, online purchasing will represent 40% of total purchasing...however only 11% of all purchases will involve price negotiations.

For a real insight to the future, see the article in *Business 2.0*, October 2001 issue, entitled “The Guru’s Guru”, a lively conversation with Peter Drucker, dean of the deep thinkers in business.

Some highlights: “...during the Internet bubble, it was argued that because the Internet is important, it must be profitable. That does not follow. It is doubtful it will ever be profitable – but its impact is unbelievably great! ... the Internet eliminates distance – that is its impact!”

(Note: for a complete transcript of this astounding insight into the future, email us at: insight@globalplasticsletter.com.)

PRICING FORECASTS: Some petrochemicals makers say they are already getting squeezed by higher oil and feedstock prices as a result of Terror Tuesday – this was a situation they faced during the Gulf War in 1991 and prices came down after that short conflict. Now the uncertainty of the duration of this War, coupled with the suspension of activities planned to run an oil pipeline through Afghanistan by Unocal, adds to the turbulence that is brewing in world markets.

Demand is certainly low and all resin prices have weakened across the board. Look for some levelling out in resin and shapes prices going into 4Q 2001 as the conflicting forces alluded to above take hold.

MERGERS, ACQUISITIONS, ALLIANCES AND EXPANSIONS: Goodrich acquires Glacier Bearings from Dana and names it Glacier Garlock Bearings. AZDEL, Inc., jv of GE and PPG, doubles global capacity for its TP composite sheet. Solvay trades its PP business with BP Amoco's polysulfone (Udel) business while Amoco increases capacity 40% in its GA plant.

New PC plant opens in Korea – it's a jv of LG Chemical and Dow – to have an annual capacity of 130,000 tons. Neschen AG, Germany, acquires Hunt Corp. Graphics unit for about \$ 33 million.

Torres Group and Macresur, both of Spain, merge to form Industrias Plasticas TMP and become Europe's eighth largest film producer – agricultural, industrial and packaging films.

DISTRIBUTOR/MANUFACTURER BRIEFS: Modern Plastics, Bridgeport, CT becomes the first plastic shapes distributor in the US to become certified to ISO 9001:2000. Bayer Plastics launches online technical center at www.BayerPlastics.com – includes data sheets and application information for all its polymers, film and sheet. GE has a new CEO – Jeff Immelt who came from the Plastics business and is very involved with GE Polymerland. Former GE CEO Jack Welch has a book out – *JACK – straight from the gut*, which we recommend for its history of the Lexan and Noryl business. Eastman Chemical's Spectar PETG resin, extruded into Vivak sheet by Makroform, Germany, is used as windows for the Skyliner cableway at Expo 2000 in Hanover, Germany.

IAPD's annual convention, scheduled to begin the day after Terror Tuesday, was cancelled and now set to resume Nov. 28-Dec 2, 2001. We will cover for our readers on this new date.

W.W. Grainger donated over \$ 1 Million in cash and emergency supplies to aid rescue and recovery teams at the N.Y. Trade Center site – one of its branches is 2 miles away from Ground Zero and 19 other branches less than 100 miles away also participated. We believe several plastic distributors also participated but have chosen to remain anonymous.

Quadrant announces good first half results showing a 53% increase in profits, with its EPP and Symalit groups leading the way, especially in 1Q 2001 – the integration is going well, the company reports. It now has sales of more than CHF 500 million and 1400 employees in 27 locations in 17 countries.

Bayer Plastics now manufactures Bayfol CR film substrate (a blend of PC and PBT) at its US plant in CT. Georg Fischer AG publishes a book on the history of the 200 year old company – for more info, contact the company at www.georgfischer.com.

PolyHi Solidur launches new, expanded and redesigned website at www.polyhisolidur.com.

Glastic Corp. acquires Great Lakes Plastics, a compression molder in Salem, Mich, US.

British Vita is divesting its 46% interest in Spartech Plastics, which is fueling speculation as to who would buy their shares – GE?; Eastman Chemical?; Bayer?

Bayer is reported to be building a grass roots PC resin plant in India – this would add to its ABS manufacturing investment in India – more PC sheet exports from India are a future possibility.

PERSONNEL: Victrex USA announces appointment of 3 new business managers – Bill Pelke for the western region, Tim Herr for the semiconductor chip manufacturing industry, and Thad O'Brien for the automotive industry. Ensinger/Hyde names Fran Alder as Marketing Manager, Medical and Dave Mildenstein, Marketing Manager, Semi-Conductor; Chris Ranallo VP Ensinger is responsible for the Hyde division. Sales is handled by three teams - Team East with Bruce Dickinson heading and Team Central led by Ken Pitchcock and Team West headed by Martin Wood. Rick Phillips is President of the combined companies, Larry Resavage is Marketing Head and Dave Pinson leads the Penn Fibre unit.

WEBSITES OF INTEREST: www.plasticsrendezvous.com and www.polymerplace.com

The above are new and of interest to the plastic shapes industry.

INDUSTRY INTERVIEWS: ... Continuing our interview with **Craig Hampton**, VP Marketing, The Nytef Group – the first part of which appeared in our September, 2001 issue.

Q. Who comprises your top management?

A. *We have a very flat management structure within The Nytef Group, for increased operational efficiency. M.R. “Jay” French, Jr. is the CEO, Tom Boney is the President, M.R. “Jack” French III and J. Charlie French are Executive Vice Presidents, Rich Rose is Director of Finance, and I hold the position of Vice President, Marketing.*

Q. Any expansion plans? Any acquisitions you can talk about?

A. *We’ve just completed fairly major capital equipment expansions at three of our facilities to meet demand for certain products. As we grow, this process will continue, along with throughput improvements and other continuous improvement initiatives. We’re particularly proud of the recent ISO 9002 certification of our Woodhaven, NY manufacturing facility.*

Regarding acquisitions, although we are always on the lookout for companies that would seemingly be a good fit with our strategy and our business culture, there is nothing specific at this time that I can talk about.

Q. What percent of your sales does Commercial Plastics (as part of GE Polymershapes) represent currently?

A. *No comment.*

Q. What are your plans for e-commerce?

A. *We are actively developing an interactive website, with leading-edge functionality. I’ve long admired many of the things that GE Polymerland has accomplished with their website, most of which are designed to help existing customers do business with them in a more efficient and cost-effective manner. We plan to have many similar features on our Nytef Plastics site. The first iteration of our site is scheduled for late fall, with upgrades during the first quarter of 2002.*

Q. How do you see the business model for plastic manufacturers in the 21st century?

A. *How much room do we have in this issue of your newsletter? But seriously, to sum it up, everything in the past that the industry has viewed as a differentiator or competitive advantage, is either rapidly becoming or has already become simply the price of admission to play the game. The entire industry is talking about the ramifications of acquisitions, rationalization and other sweeping changes, with many predictions being made about the future. But in the midst all of this discussion, I think one thing is clear—we’re all going to have to continue to improve the way we do business, constantly focusing all of our efforts, both internally and externally on one thing—our customer.*

Q. What advice would you give a plastics marketing person starting out in today’s industry?

A. *From a pragmatic viewpoint I would say first, totally immerse yourself in all aspects of this industry because your business is going to expect some immediate results, particularly in terms of competitive benchmarking and product/market focus. A good marketing manager should be able to begin laying out the strategic blueprint pretty quickly and with a good deal of confidence. Second, look outside our industry for best practices—there is an incredible amount of excellent information regarding marketing concepts and practices, most of which is directly transferable to our industry and available to any newcomer to marketing that is willing to do the research.*

Q. What do you consider your greatest accomplishment?

A. *This question couldn’t have been timed better! I’ve just celebrated my 28th wedding anniversary with my beautiful wife and our two sons, and the answer is easy—the greatest accomplishment (which is very much a mutual accomplishment) is my ongoing relationship with my wife and best friend, Jan.*

Thank you.

Information contained in this newsletter has been taken from trade and statistical sources that we consider reliable but we cannot assure its accuracy or completeness. Any opinions expressed reflect our judgement as of this date and are subject to change.

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