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SUBJECT: Italian Talc Source
Societa Talco e Grafite Val Chisone
Pinerolo, Italy
Project No. 0503.00

Mr. G. Lee

I have visited the management, the mines, the mills and the key staff of Val Chisone. In this report I will cover the way the company is organized and the relationship of different people and some business aspects.

Background

Societa Val Chisone (SVC) was organized over a hundred years ago by the maternal grandfather of the present owner Signora Ada Villa Prever. Mrs. Prever is still referred to locally as La Contessa but it is no longer wise or appropriate to address her directly that way since the last reorganization of the Italian Republic. Her company has the mineral rights to the deposits in the Germanasca Valley which is connected to the Chisone Valley. The mineral concession (runs 99 years) will expire in 2006 and is renewable.

In addition to the mines and mills at Val Chisone, SVC owns deposits in Sardinia, as well as operations in France, Austria, Spain and apparently Germany. The talc operations of the company therefore cover industrial talcs for paper, paints and specialized ceramics. But the deposit at Val Chisone alone provides the high grade cosmetic talc which we have used here and still use abroad in J&J.

The company has a network of contacts which keeps them informed of what is going on worldwide in talc. The network involves broker agents such as Mr. Ferry (Chas Mathieu Co. U.S.A.), Cartwright in England and some others in South America and elsewhere.

In addition to that Mrs. Prever has many investments and has been reported to have bought into talc operations worldwide primarily to keep posted on competitive developments.

Her personal fortune has been estimated lately around 400 million dollars but no one knows where it is. The talc operation does not amount to much in her overall wealth. In addition to that operation she owns the hydro-electric plant which provides current for the mine and the entire district in and around Pinerolo. Within the last few years she has acquired a couple large modern apartment operations in Turin and is reported to have a few million in U.S. blue chips but little else has leaked out.

The Management Situation

The principals are as follows:

Mrs. Ada Villa Prever, President and majority stockholder. She has about 50% of the stock of the company which is inactive on the Turin stock exchange. Mrs.Prever is now 76 years old but very alert, agile and keen. She speaks no English and understands none but can apparently rise above any intellectual height required in her native language. She now lives in an apartment over top of one of her buildings where she has offices in Pinerolo. She still retains a very active interest in the talc business but is now trying to give the impression that she is phasing out of all aspects of the business.

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Mr. Gianfranco Villa, age 52, is the son of Mrs. Villa Prever. He has about 30% of the stock. Villa has not had an easy life under a domineering mother. His mother has been trying to groom him to take over the business but he has never quite made it. About ten years ago his mother decided he could not take over the talc business and would give him a chance to prove himself alone. So she bought him a chocolate factory and told him to run it. Not having been born at the top of the class Gianfranco tried very hard but succeeded in losing half a million dollars and sold the place a couple years ago. There are differences of opinion on whether or not he goofed it or was overwhelmed by Swiss competition. Naturally his mother thinks he goofed it.

But Gianfranco now appears to have a new chance at taking over the company partly because his Uncle (Arturo Prever) died and that stock passed to him. Gianfranco has a son 18 years old but his only interest is in motorcycles, cars and girls, of which he has a variety of each in different shapes and models.

* *

The other stockholder of importance is a sister of Mrs. Prever but they do not speak to one another and that lady has only 5% of the outstanding shares.

Thus at present there is no one of proven stature to take over the company although Gianfranco is trying very hard to show his mother that he has what it takes.

* *

Mr. Piero Sartorio, age 50, Technical Director, Chief Mining Engineer and General Superintent:

Sartorio is a graduate of the Montana School of Mines and is extremely competent. Although Mr. Sartorio would not normally be in line to take over the business because he is not a member of the family there is a peculiar relationship which could put him in line for it. About four years ago a disgruntled miner asked to see Mrs. Prever for personal guidance but she was out of town. The fellow then asked to see Gianfranco who was abroad. So he then got in to see Sartorio and promptly ran a knife thru him. Sartorio lost a kidney but his life was saved by Dr. Stefano. Thus Mr. Sartorio took a knife which was intended both for Mrs. Prever and Gianfranco and they are so indebted to him for that and for their lives.

Comments Related to our Present Investigations

The above management situation boils down to the fact that there are only two members of management calling the shots, namely, Signora Prever and her son Gianfranco Villa. Mrs. Villa is alert to keep an eye open for anything her son does which is not up to her way of doing things. It is rather unlikely that Mrs. Prever has full knowledge of the booklet which Gianfranco has published. Although one goal was to increase talc business the real goal was to do something which would show his mother he is a man and not a dunce. That is why it is so important to tread with caution between the two. The worst thing that could happen is for his mother to find out that he launched a booklet on talc which can help pull down the industry. Even if she knows it she cannot possibly be put in a position to have to acknowledge it. Therefore I had the word relayed to Mrs. Prever that I was visiting only to thank them for permitting us to arrange an epidemiological study and to inspect the mine to make sure that the rock types matched the information I would release to the clinical investigators in Turin and U.S.A..

Consequently, I think it would be inadvisable and dangerous to try to set up a meeting with Val Chisone management to go over our strategy of information release. I recommend against that idea. It will serve no positive purpose right now and could trigger Gianfranco to go off on a week or two drunk.

We all here must realize that the Italians have always claimed to know that they have the best talc. They have always known that it was safe. To them, our massive exercise in epidemiology is just an American way of going about something which has been obvious to them for the past hundred years. Not only that, Mrs. Prever calls the shots but does not want any manifestations which make it obvious. Gianfranco does not strike me as dumb but it is not easy to keep his attention for more than a couple minutes at a time. If we tried to get the two of them together, there is no way to anticipate how he would act.

It would be risky to set up a visit with the principals to explain our talc strategy in Pinerolo or Turin. I tried the idea on Dr. Stefano but he has grave misgivings and Mr. Ferry is dead against it.

Earlier I had a subconscious fear that G. Villa might scoop the medical data. But I had an hour alone with Gianfranco and am convinced he will not use Rubino's findings for personal gain. He knows that the medical articles to be published will not mention J&J or SVC. But he also knows that the credit will go to his talc by word of mouth through the talc industry.

Other business matters

The labor situation at Val Chisone seems rather quiet at the present time. The mining operation involves about 250 people and the milling about 150. The talc is extracted under extremely difficult conditions at elevation of about 7500 feet in sight of the French Alpine border. There are several union groups to which the workers belong; some communist, some socialists, others conservative. Although an upheaval could occur at any time relations between management and labor seem good. Of course as of last week there was no Premier in Italy and no one knows how it will go or how stable it will be after a Premier is in office. Of course a communist Premier would be very disturbing to the Val Chisone management.

The company is presently under government inspection and government has taken their books for audit. None is sure what prompted the government audit but there is the possibility that it is a precursor to a move to raise taxes of those operations controlled by the elite such as Mrs. Prever and her son Gianfranco.

Although there is an inflation rate running now at about 25% per year SVC is in better shape to combat labor demands than some other Italian manufacturers. That is because only a token of their output is sold in Italy and the bulk goes to stronger money countries with a lower inflation rate such as U.S.A., West Germany, and Austria. The result is that harder money comes back to them from the talc exports and ceramic insulators (which they also fabricate) and on balance they can keep afloat better than some others.

During the past two years SVC has had visitations from two major U.S. companies. The one was Johns Manville and the other was Pfizer. The Italians were not quite sure why each company came but assumed they wanted to explore buying the operations. In the case of Pfizer Mrs. Villa was afraid that Pfizer scientists were trying to find something poisonous in her talc and I gather they were treated very politely and put on a merry-go-round inspection of the underground workings till they were thouroughly confused. As I have explained above, the mining rights (not the property) have been awarded to Mrs. Villa's ancestors so that the actual property cannot be bought unless she elects to transfer the privilege with a 99 year renewal arrangement.

A word about the size of the deposit. At present SVC draws about 50,000 tons of the high grade cosmetic talc from the Fontane-Crossetta sectors. Naturally, the Italians do not disclose the magnitude of the high grade talc reserves. They like to have the word go round that they cannot draw more than present output because they have to conserve their reserves and keep their loyal workers and their families happy and prosperous. We can write that off as good business particularly in view of present political climate in Italy.

The facts on the magnitude of the deposit are other than the Italian story above. I checked maps in the Mineral Research Institute of France before going to Italy and find the Fontane deposit is one of a group of about five which trend north from the present workings. The indications are that even the present workings have of the order of five to seven million tons of talc and that the

formation will repeat to the north of the present co-ordinates. That could mean the existance of four or five ore bodies each of the order of five million tons or so.

The Val Chisone strategy is to provide the market with only that tonnage of high grade talc which brings the highest price per ton. This is apparent in some market schemes which Mrs. Villa has executed in recent years. When a talc ore is reported to be up to Italian grade she sends Gianfranco off to take a look at it. His objectives are to see whether the property should be ignored or bought into. Sometimes a close match comes to their attention such as the Korean, Manchurian, or Indian talcs. In such cases where Gianfranco finds the foreign talcs competitive but does either not like or trust the owners then he and his mother make arrangements to buy the talc off the markets where it could upset the Italian talc reputation. That has been happening with Korean talc and has happened with the Indian talc. I do not know what disposition is made of talcs bought off the the market for defense protective reasons.

In short, Val Chisone is a massive, keenly run operation. The unknown is what is going to happen when the matriarch Signora Villa expires.

W.H. Ashton

paj

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