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CERTAIN-TEED PRODUCTS CORPORATION

Notes on Discussions in Montreal
4th/5th September 1975

Present: Mr. T. A. Dougherty
Mr. R. W. Miltz
Mr. W.J.W. Smith
Mr. M. F. Howe

A. 1. Mr. Miltz provided details of their anticipated fibre consumption for the years 1976/1980. These are:-

	1976	1977	1978	1979	1980
Chrysotile					
Group 4	27,100	29,500	30,600	31,800	32,300
Group 5	7,400	8,000	8,400	8,700	8,900
	34,500	37,500	39,000	40,500	41,200
Blue	3,800	4,200	4,300	4,500	4,600

All short tons of 2,000 lb.

While these are anticipated consumption figures, it was agreed that they could be equated to their fibre requirements over the period up to 1980. They are substantially lower than those suggested twelve months ago but Mr. Miltz stressed that they may prove to be over-cautious and could be increased if a real revival in pipe demand should occur. These figures certainly mean that Certain-teed's requirements are unlikely to approach the 50,000-ton level by 1980.

2. It was stressed that Certain-teed still regard Cassiar as their first choice with Asbestos Corporation as their second. They are evidently not enthusiastic about either Bell or Havelock fibres but feel that they should maintain contact with Johns-Manville and continue to buy a limited tonnage from them. As to Russian fibres, they remain unenthusiastic about P3 and P4 but P5 is attractive and in quality little inferior to P3 and P4. They understand that representatives of Soyuzpromexport will be visiting them in the autumn.

3. I referred to my forthcoming visit to the Midlothian Mine of United Asbestos, Inc. and suggested that we might add their requirements to our own in order to obtain the best terms. They agreed with this. Messrs. Dougherty and Miltz had met Messrs. Malouf and Plate of United Asbestos on 3rd September and they were promised a car load of MC-200 as soon as production was under way.

4. On the subject of Blue asbestos, I could only speak in general terms, stating that no news had yet been received about the possible arrangement with Central over BT/AD. Mr. Wood of Central will be visiting them late this month and, if possible, we should clarify the situation by then. I pointed out that for 1976 the availability of BT/AD and ML.6 is likely to exceed demand (3,800 tonnes against 3,800 short tons). They had no strong preference as to how the tonnage should be divided and this should be settled with Mr. Wood before his visit. They are hoping to receive some bulk trial quantities of Cape Crocidolite through North American Asbestos Corporation later in the year.

5. I mentioned our current agreement with Cape in respect of Amosite. While they are unenthusiastic about Amosite as a constituent in their pipe mix, I proposed that they should not lose sight of it altogether in case of a future ban on Crocidolite in the U.S. market. They will bear this in mind.

B. <u>Discussion of Certain-teed Matters with Asbestos Corporation Ltd. - 4th September 1975</u>

Present: Mr. M. P. Carson
Mr. A. Johnson
Mr. A. C. Steele
Mr. T. A. Dougherty
Mr. R. W. Miltz
Mr. W.J.W. Smith
Mr. M. F. Howe

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1. Mr. Carson stated that they hoped to provide the full 5,000 tons covered by the existing agreement in 1976 and 1977; this should be possible because Certain-teed had not contracted for any King-Beaver production. It was reported by Mr. Carson that the King-Beaver grades would be eliminated from their range and production would be in British Canadian and Normandie grades for the next year or two. In 1977 grade N-Ex-326-4J will disappear and will be replaced by a 4D grade at the same price.

2. Mr. Miltz enquired what prospects there were of Certain-teed obtaining additional future tonnages of Asbestos Corporation grades. Mr. Steele said that there was little or no prospect so far as Group 4 fibres were concerned but thought that there was some possibility of their being given some Group 5 fibres in and after 1977.

3. This led on to a discussion of a revised agreement which Asbestos Corporation wanted to introduce; they claimed that it was being presented to all their large customers. A copy of the draft was presented to us and it has a ten-year term. From the cursory examination that we were able to give to it, it seems a very one-sided agreement indeed but it was not debated in detail. I asked whether any of their customers had yet signed the agreement and was told that two were expected to sign shortly.

   The views of the Certain-teed representatives were that a ten-year contract was unwelcome but they would be prepared to accept it if there were some appropriate consideration in it, e.g. an increase in the agreement tonnage by 1978. The Asbestos Corporation representatives repeated that it should be possible for them to offer some Group 5 fibre later in the period and this might total 2,000 tons of a good 5R pipe fibre. Asbestos Corporation will provide Certain-teed with a car load for examination when the strike is over. I brought up the question of Certain-teed obtaining the best terms quoted anywhere in the U.S. market by Asbestos Corporation and Mr. Carson somewhat reluctantly agreed to this.

   The new Asbestos Corporation draft agreement will have to be examined most carefully and no doubt it will be desirable to co-ordinate our criticisms with those of Certain-teed who will certainly have a number. It was suggested by Mr. Carson that the new agreement, if acceptable, might be between Asbestos Corporation and Certain-teed with Bell referred to as Asbestos Corporation's "representatives" for the purpose of this agreement.

C. **Discussions with Cassiar Asbestos Corporation Ltd. - 4th September 1975**

Present: Mr. J. D. Christian
Mr. T. A. Dougherty
Mr. R. W. Miltz
Mr. W.J.W. Smith
Mr. M. F. Howe

1. Mr. Miltz repeated their concern at the prospect of Clinton closing in 1977. Mr. Christian thought that there was some possibility that it might keep going until some time in 1978 but this was by no means certain. In answer to a further question from Mr. Miltz, he said that the Clinton Mine would run at full capacity until its closure was imminent; this was the only way to achieve profitability. Mr. Miltz drew attention to their large measure of dependence on CT.

2. He asked about developments at Kutcho Creek and Mr. Christian told him that it could be rich in Group 4 fibres but would require an outlay of at least $120 million which was certainly not feasible if the present attitude of the British Columbia Government continued. If Kutcho were to start up, it would produce about 100,000 tons per annum; even if a fairly early decision were taken, Kutcho could not be in production before 1981 and almost certainly it would be later.

3. Mr. Christian had no precise details of anticipated production in 1976 but believed that the joint Cassiar/Clinton output should be not less than that of 1975. If this were so, the 1976 Certain-teed allocation would be about the same, i.e. approximately 30,000 tons. When Clinton closed in 1977 or 1978, he believed that Certain-teed's annual allocation might be no more than 12,000 tons. For this reason he recommended strongly that they should consider buying for stock in 1976 and in the following year. He asked, however, that Cassiar should be advised as soon as possible if Certain-teed's 1976 requirements should fall short of the probable allocation since it was essential that this be offered elsewhere quickly if not required.

4. This presents Certain-teed with a serious problem which was later discussed informally with Messrs. Miltz and Dougherty. In view of their low anticipated requirements in 1976 and 1977 and their contractual obligation to Asbestos Corporation (also their formal or informal obligations to Bell, Johns-Manville and the Russians), they would seem only to require 20,000/22,000 tons of Cassiar grades in each of these years. It would leave a very substantial tonnage for adding to inventory. Possible ways of overcoming this difficulty were discussed including the diversion of some Cassiar fibre to Mexalit in 1976 and 1977 (to be adjusted later on by Mexalit giving up some of their tonnage to Certain-teed) and the possible sale of some of the Russian allocation by

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Huxley in the U.S. or Mexican markets in the same period. Mr. Miltz also sounded me as to the possibility of their relinquishing the 2,000-ton commitment of Bell's 4T until 1978 and, no doubt, this will be put to Mr. Smith in due course. These problems will require very careful consideration and consultation between Certain-teed, Bell and T.A.F.Ltd. when the final figures are available.

M. F. HOWE

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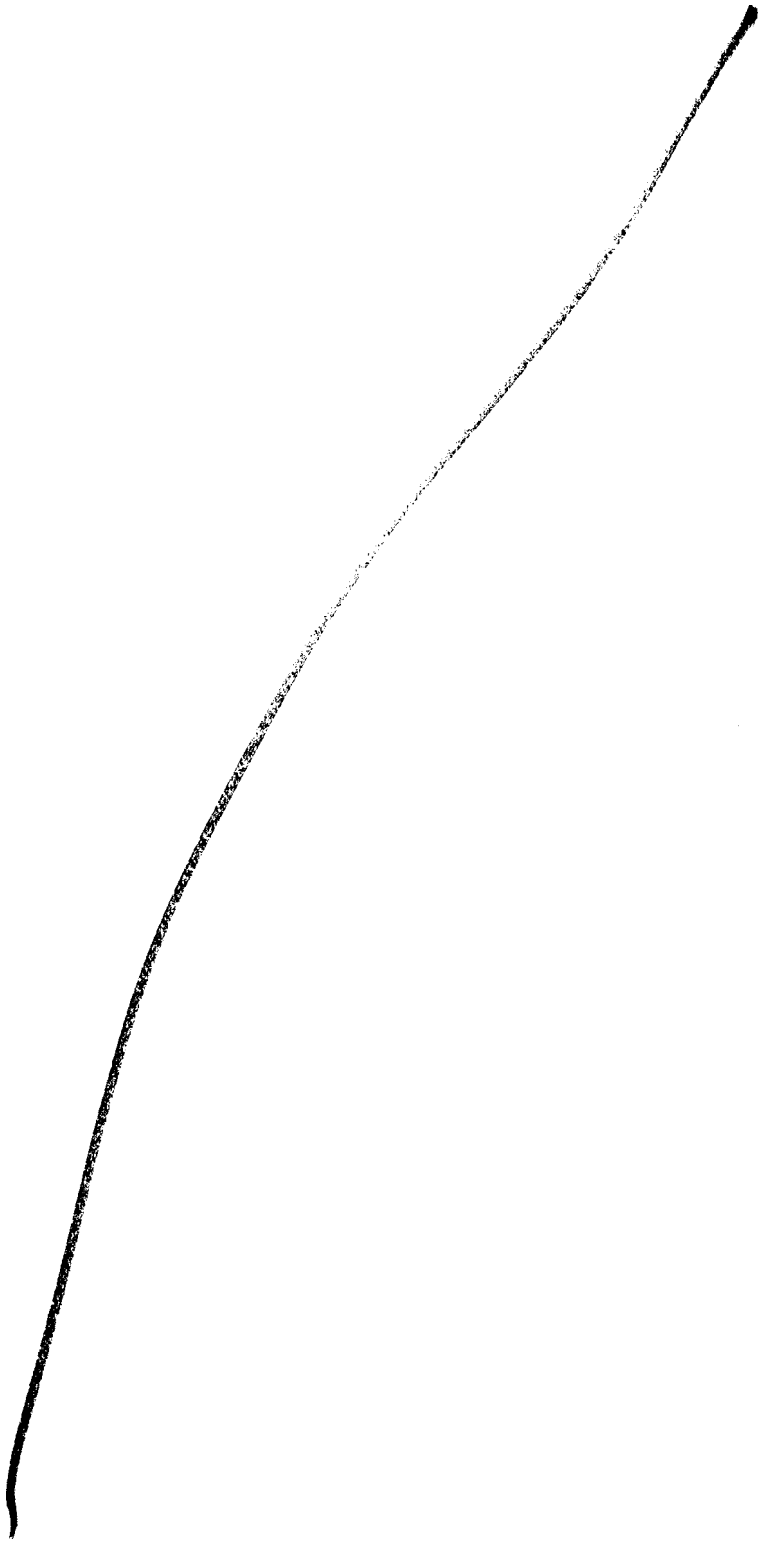
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