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PRIVATE & CONFIDENTIAL

Asbestos Fibre

Notes on Meeting between St. Gobain-Pont-a-Mousson,
Eternit and Turner & Newall Ltd. - Manchester, 3rd November 1977

Present: Mr. C. W. Newton, T&N
Dr. M. Graf, Eternit (Switzerland)
Mr. J. Cuvelier, Eternit (France)
Mr. E. de Bruyn, Eternit (Belgium)
Mr. P. Breitenstein, St. Gobain-Pont-a-Mousson
Mr. R. Dörner, Eternit (Switzerland)
Mr. A. Nelson, T&N
Mr. J. D. Froggatt, T&N

1. The Current World Asbestos Fibre Demand
and Supply Position and the Level of Fibre Inventories

It was agreed that all major users of asbestos fibre had accumulated excess stocks during the past year. The initial increase had come about as a reaction to the ending of the Canadian miners' strike in 1975. To some extent, anticipation of price increases and the build-up of contingency stocks against risks to supplies from Southern Africa have contributed to the build-up of stocks. But the main reason why inventories have continued to be in excess of requirements has been the depressed level of activity in the construction industry, especially in Europe.

The excess of inventories is probably greater than it might appear at first sight, since most major companies are attempting to pursue policies to reduce the level of fibre stocks - from, say, 5-6 months' usage to 3-4 months' usage for plants in Europe.

Against this background, demand for fibre has been very slack in 1977, and the outlook for 1978 looks rather bleak. Little or no improvement in demand is expected in Europe and Japan, though a marginal pick-up is likely in the USA. There is also some evidence of a pickup in Latin America although even here inventories are currently higher than for some years. Similarly, some improvement may take place in fibre markets in the Far East and Middle East, but demand will still be lower than had been expected earlier.

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In response to these poor market conditions, fibre production in Canada may be lower in 1978 by some 15-20%. Fibre exports from the USSR to traditional markets may also suffer, but this may cause the USSR to seek new markets, thus further depressing the market for fibre from Western sources.

Present indications are that Canadian fibre prices will be held at the new levels announced for 1978, and that reductions in output will be the chief response to soft demand conditions. Nevertheless, there is bound to be pressure on Canadian producers to cut prices in order to maintain sales, particularly as the USSR may well indulge in price-cutting, while African producers are unlikely to reduce output.

2. The Long-Term World Asbestos Demand and Supply Position

Revised fibre demand projections for 1980 and 1985, which had been circulated before the meeting, were discussed. It was pointed out that the estimates for 1976 related to "apparent consumption" (that is, production, plus imports, less exports) rather than to actual usage. Accordingly, because of the large build-up of stocks in 1976, the consumption figures shown for 1976 exceeded actual usage in a number of countries. West Germany and Japan are known to be important cases in point. It was decided to carry out some investigations into trends in fibre inventories held by mines and major users in 1977 in the hope of establishing a firmer base from which to make projections of fibre consumption (see also Section 5).

Even leaving aside their over-estimation of actual usage in 1976, the revised demand projections were generally lower than those made in 1976. This would imply smaller deficiencies in Grade 4's and 5's in the early 1980's than has been anticipated in the 1976 study. Moreover, the general feeling of the meeting was that even the revised demand projections were more likely to over-estimate than under-estimate future rates of consumption.

Revised fibre production estimates had not yet been completed. The feeling was, however, that production by certain established producers (e.g. Johns-Manville) might be down on earlier projections; that certain marginal mines might be forced out of business by the depressed short-term demand situation (United Asbestos has already become insolvent); and that no new mines are likely to be opened in the foreseeable future.

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Thus, production projections are also likely to be lower than those made in 1976, so that the possibility of deficiencies in Grade 4's and 5's remains.

The meeting was unable to come to any firm conclusions about the likely long-term balance between fibre supply and demand. It was felt that this must be reconsidered during the course of 1978 in the light of the completed revisions to the production estimates, the information it is proposed to gather on movements in inventories during 1977, and a subsequent attempt to disentangle short-term from long-term factors affecting demand.

The Competitiveness of Asbestos-Cement Products

The main conclusions of the joint study on this topic were accepted by the meeting. These conclusions had been circulated prior to the meeting.

In particular, it was the general view of the meeting that, if fibre prices (expressed in local currencies) were to continue to rise by much more than the general level of inflation in the industrialised countries at least, the market share of asbestos-cement products would be endangered. It was pointed out that this situation owed something to the fact that, prior to 1972, asbestos fibre prices had tended to rise by less than those of most other materials, and that this had led to the development of markets for asbestos-cement goods that were marginal. These would be the most subject to erosion now that fibre prices were relatively high.

The general feeling of the meeting was that the mines were now conscious of the implications of these competitive trends for their fibre prices. Nevertheless, any recognition of the need for moderation in pricing policies also implied that the opening of new mines would be discouraged even further.

The question was raised of user companies buying fibre in excess of their needs in order to support the mines over the short-term depression in demand, so as to encourage a steady trend in fibre prices relative to those of competing materials, rather than disruptive jumps. This was recognized as a highly complex question on which each company would have to make up its own mind.

General Factors Affecting Future Trends in the World Asbestos Fibre Market

During the course of the review of the world fibre supply/demand balance and competitive trends in asbestos-cement products (Sections 2 and 3 above), the impact of the asbestos health issue and the development of substitutes for asbestos was discussed.

On asbestos and health, the general feeling was that there had been a general hardening of attitudes and a quickening pace in the movement towards tighter regulations. Nevertheless, there was considerable variation, even among the industrialised countries, in the degree to which the issue was affecting asbestos-using industries.

Norway appears to be following Sweden towards closure of its asbestos-cement industry within three years. In the UK the publicity given to the issue had had some minor influence on demand for asbestos-cement products, but this was hard to isolate from other factors. Tighter asbestos dust regulations were expected to result from the official inquiry now taking place, but it was hoped and expected that these would not prove prohibitive. There was considerable uncertainty about the effect of the health issue on demand for asbestos textiles.

The asbestos health issue was becoming a factor in the German construction industry, but there was as yet scarcely any noticeable effect in the construction sector in France or Italy.

It was felt that further legislative pressure directed specifically against the use of crocidolite was unlikely; but attention was drawn to possible EEC regulations on this.

The meeting felt that the posture the asbestos industry should adopt on the asbestos health issue was to recognise that the use (or rather mis-use) of asbestos can be dangerous if proper precautions are not taken, but to demonstrate positively the great progress that has been and is being made towards its safe use.

On the question of substitutes for asbestos, it was felt that, while the asbestos health issue had given impetus to their development, doubts about the long-term availability (say, 25-50 years) and relative price of key asbestos fibre grades were a more fundamental factor. The effects on demand for asbestos are beginning to be felt in a small way in flat sheets, but the development of corrugated sheets and pipes using glass rather than asbestos reinforcement is still some way off. In the meantime, it was felt that it is vital to maintain the market for asbestos-cement, not only as an end in itself but also to ensure an orderly transition to substitute products if and when this became necessary.

5. Future Collaboration and Work on Market Trends in Asbestos Fibre

It was agreed that:-

- (1) Further collaboration between Eternit, St. Gobain and T&F on studies of asbestos fibre supply and demand trends was worthwhile and should continue.

- (ii) Eternit, in conjunction with T&N, should complete revised projections of asbestos fibre production.
- (iii) The three companies should attempt to make estimates of the movement in fibre inventories between the beginning and end of 1977 for the miner and user plants in which they have interests, with a view to assessing more accurately the current level of actual fibre usage. The effects on the total revised fibre consumption estimates would have to be inferred from the partial data collected.
- (iv) The fibre consumption estimates and the supply/demand balance should be reviewed again in the light of (ii) and (iii) above.

It was also agreed that a "working party" meeting should be held to review the results of work on (ii)-(iv) above. This meeting was provisionally fixed for the second week of May 1978, with 10th May the most probable day. A further "summit" meeting would also be held; and this was arranged for the morning of 30th October 1978 in Zurich.

Finally, it was agreed that it should be indicated to Johns-Manville (Mining Division) that their collaboration at the next "summit" meeting (but not as yet in the working group) would be welcome, provided they have something relevant and positive to contribute. It was further agreed that this invitation should be extended orally on an informal, personal basis, rather than in writing.