7th June, 1957.

The Hon. the Premier of
Western Australia,
Treasury Buildings,
Barrack Street,
PERTH.

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Dear Mr. Hawke,

Because of the interest which you have displayed in our project in the past, you will doubtless be interested in knowing the position as it stands at present and I will therefore briefly set out the main features :-

PRODUCTION: Production rate of fibre has increased from approximately 4,500-tons in 1955 and 8,500-tons in 1956 to a current rate of 1,000-tons per month. Our aim is to increase output to about 17,000-tons in 1958, 25,000-tons in 1959 and to 35,000-tons p.a. if and when the market justifies production of that order.

MARKETS: The demand for our product overseas has been maintained and we have entered into an arrangement to supply Johns-Manville Corporation of New York with quantities increasing to 16,000-tons p.a. over the next few years. Our other customers are world wide and we are optimistic regarding the continuance of the demand for our fibre.

NEW PLANT: In order to make our product competitive with that of the African producers and to cope with the expanding market, it has been necessary for us to build another treatment plant at our new mine site. Estimated cost of the first stage of this project is £350,000 and we hope to have it in operation late next year. Tenders for the work are now being let to Perth firms.

TRANSPORT: Over recent months the shipping position on the North coast has been generally satisfactory and the port is being kept reasonably clear. As we expect to increase our output rapidly during the next two years, however, we trust that every attention is being given by your Departments to the port and shipping facilities.

PLAINTIFF'S EXHIBIT
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Our projected output is considered by us to be far beyond the capacity of Pt. Samson and we asked some time ago for an alternative road to be constructed between Mulga Downs Station and Woodstock on the Pt. Hedland road. We regard this road as most important, as it will not only allow us to divide our shipments between two ports and so save congestion at Pt. Samson, but it will provide an alternative outlet should Pt. Samson jetty be again damaged by cyclone, as has occurred during the past three years.

COSTS: By incurring major capital expenditure on new plant and by increasing output and sales, we are making every effort to reduce cost of production. We are very concerned, however, about the ever increasing freights and port charges both on our coast and to overseas ports. The recent increase in State Shipping Service freights both ways will mean a cost to us of approx. £40,000 p.a. when we are producing at a rate of 20,000-tons of fibre p.a. As we already incur a disadvantage of approximately £3. per ton in overseas freights to practically all world ports as compared with freights paid by our competitors, any increase in freights and charges from Pt. Samson to Fremantle is a serious burden. The blue asbestos mines in Africa are located up to 1,000-miles from their port of distribution but the highest overland freights from mine to port, paid by any company, are £5., whereas the equivalent cost to us is now in excess of £15. In comparing our costs with those of our competitors, we therefore operate at a disadvantage of £13 per ton of fibre on overall freight charges alone, and this is exhorbitant on material priced at £98 per ton f.o.b. Fremantle.

If competition in the blue asbestos business should become keener, the additional freight charges which we carry are sufficient to make our position untenable even though we expect our direct production costs to, ultimately, compare favourably with those of the African producers.

We cannot rely on increased prices to offset the continually rising costs as Canadian and Russian fibre would replace our product if the price should rise above its true value. Russian fibre is already penetrating our European market and we know that their enquiries have extended to Japan and other countries.

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HOUSING: I am pleased to advise that all houses in Wittenoom are now occupied but we have recently had to turn away married men seeking employment with us. The Housing Commission has agreed to build 9 houses, i.e. eight which were not completed under the original contract and one to replace the one which burnt down last year. I would request that construction of these houses begin at the earliest, so that maximum stability be given to our labour force.

Yours faithfully,
For AUSTRALIAN BLUE ASBESTOS LIMITED.

Director.

Cc for -
The Managing Director - 1.
P.O. File - 1.

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