FILE NAME: Johns-Manville (JMA)

DATE: 1975-1978

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DOCUMENT DESCRIPTION: James Hardie Docs, Part 1 of 2 - Letters, Memos & Media Article

Johns-Manville Corporation

Greenwood Plaza
Denver, Colorado 80217

Health, Safety & Environment Department

March 18, 1975

S. F. McCullagh, M.D.
James Hardie & Coy PTY. Ltd.
Research & Engineering Centre
Box 219, P.O. Granville
New South Wales, Australia 2142

Dear Dr. McCullagh:

Dr. George Wright has asked me to reply to your letter of March 11, 1975, relative to our OSHA and MESA standards.

The Office of Health Standards in OSHA presently is reviewing and probably rewriting portions of the present asbestos standard that was promulgated on June 7, 1972. We are hopeful that they will not lower the future 2 fibers per milliliter TWA maximum allowable concentration. We anticipate that if this allowable level is retained, its implementation date will be moved forward to between July 1, 1975 and January 1, 1976.

Our Mine Enforcement and Safety Administration chose to adopt airborne fiber levels from the OSHA emergency standard of December 12, 1971. There is little difference between the two standards except that the MESA standard, as your letter indicates, specifies the maximum time period and maximum number of occurrences for exposures up to the ceiling concentration of 10 fibers per cc, and does not propose a 2 fiber per milliliter level in the future.

MESA has not indicated whether or not they plan later to adopt the lower fiber level. In my opinion, they will. If they don't, there will be two standards.

Asbestos mines and mills are under the jurisdiction of MESA while asbestos using manufacturing plants are under the jurisdiction of OSHA.

If you require additional information, please contact me directly in Denver.

Very truly yours,

Edmund M Fenner

Edmund M. Fenner, Director
Technical Affairs

CABLES AND TELEGRAMS
"FIBROLITE" SYDNEY
TELEX - - - - 22467

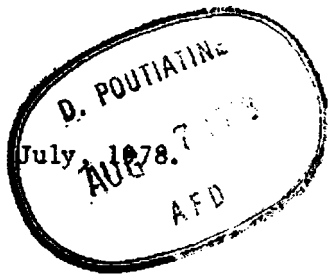
BOX 3935 - - G.P.O.
SYDNEY N.S.W. 2001
TELEPHONE - 2-0279

JAMES HARDIE ASBESTOS LIMITED

ASBESTOS HOUSE CNR YORK AND BARRACK STREETS

SYDNEY. N.S.W. 2000

CHAIRMAN



28th July 1978.

Mr. D. Poutiatine,
Johns Manville Corporation,
PO Box 5108,
DENVER COLORADO. 80217 USA

Dear Dimitry,

Thank you for including me in the party to Main River which I enjoyed enormously.

I was also glad to have had the opportunity of talking with you about the future prospects in asbestos marketing.

I hope that you will be able to come to Australia this year and will be glad if you will let Athol know as soon as your plans begin to firm up. We look like having a massive tourist visitation here in November and need time to wash the glasses and get in stocks.

With best wishes,

Yours sincerely,

J.B. Reid.

Johns-Manville
Sales Corporation

Special Sales Representative/Asbestos Fiber

Ken-Caryl Ranch
Denver, Colorado 80217
(303) 979-1000
Cable Address: Johnmanvil Denver
Telex: Johnmanvl Dvr 454404, Johnmanv Dvr 45705

September 28, 1978

Mr. Athol Higgins
James Hardie & Coy Pty. Ltd.
"Asbestos House"
York & Barrack Streets
Sydney, N.S.W.
Australia

Dear Athol,

Confirming my telex of last Wednesday, I shall arrive in Sydney early on the morning of Saturday, October 21. I expect to be quite tired and therefore will want to spend a quiet weekend without bothering anyone. Please do not ruin your Saturday by coming out to meet me at an ungodly hour. I still remember quite well the way to Menzies.

Most regretably we have decided that this trip is much too brief and hectic for me to bring Irina all that distance even though she would have enjoyed tremendously seeing all of you again. Maybe a better and more reasonable opportunity will present itself at some future date.

Since my visit will be quite brief I was wondering if I could review with you and your people once again the general asbestos and asbestos cement markets in your sphere of influence. Also, I would be most interested to go to your plant and research center. I don't know whether all of this can be accomplished in one or two days, but I have left enough time since I will be leaving Australia around noon on Wednesday. Please plan my stay, if you will, and leave me a brief message in the hotel for my arrival.

I have not answered John Reid's letter but assume you will inform him of my intentions. With all the best.

Sincerely yours,

D. Poutiatine
General Marketing Manager

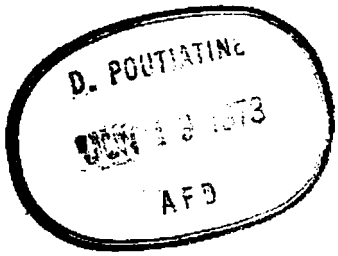
Canadian Johns-Manville Asbestos Limited

Asbestos Fibre Division
Division de la fibre d'amiante

Asbestos, Québec, J1T 3N2
Canada
Phone: 819-879-5431
Cable Address: Johnmanvil
Telex: 055-60827

BCC: [redacted]
D.M. Kelleher - W.H.Q. 2-14

June 13th, 1978.



JAMES HARDIE & COY PTY. LTD.
Asbestos House
York & Barrack Streets
Sydney, N.S.W., Australia

ATTENTION: Mr. Ron K. Willington

Dear Mr. Willington:

Several weeks ago we had a small fire in our warehouse area. As a result, a thin layer of soot covered the exposed surfaces of the piles of asbestos bags. Rest assured that there was absolutely no damage or contamination of the asbestos fibre inside of the bags.

Consequently, we have undertaken the major job of cleaning the soot off these piles. This is a major task and will take a few more weeks to complete. Every effort is being made to insure that the pallet loads are as clean as possible.

Some of the asbestos which was involved in this situation was specifically produced for you and hence we felt you should be notified of this situation.

Thank you for your cooperation in this matter.

M.D. [redacted]
Manager, Engineering and Technical Services.

MDW*sb

Attention: [redacted] 2-14

L. Liebert
Your info.

D. POUTIATINE
JUL 20 1978
AFP

J. Hardie
?

10/7/78 SYDNEY HERALD

Move on asbestosis

MELBOURNE. — The Federal Government will consider setting up a special body to examine asbestosis in industry.

The ACTU asked the Government about the problem of asbestosis at a meeting of the National Labour Consultative Council in Melbourne yesterday.

The ACTU executive decided on Friday to ask the Government to establish a body to investigate asbestosis. Such a body would consist of representatives of the Government, employers, and the unions.

The president of the ACTU, Mr Hawke, said last night that the Minister for Employment and Industrial Relations, Mr Street, had given a positive response to the ACTU's request.

It was hoped the Government would consult State Governments, labour ministers were on the asbestosis problem.

The ACTU executive decision was made during a strike by workers at the Melbourne plants of James Hardie and Co Pty Ltd, major supplier of asbestos cement sheets and pipes, at the Victorian building industry

Eileen Please make copies for Chas & S. Mercer

D. POUTIATINE
JUL 21 1978
AFD

July 11, 1978

James Hardie & Coy. Pty. Ltd.
Box 3935 - G.P.O.
Sydney N.S.W. 2001
Australia

K 7/20/78

Dear Mr. Higgins:

Permastran Pipe
Your letter May 2, 1978

Following are the comments of our product, production and research personnel relative to your questions:

1. Extrusion of Core Pipe:

The opinion of the division and plant extrusion people is that it would be extremely difficult to extrude the 6", 8" and 10" core pipe to the Australian S. D. specification and maintain current wall thickness with existing tooling. If something is finalized with J. Hardy, Co., a short plant trial would be in order to determine the extent of tooling requirements.

The maximum investment per size would be as follows:

6" = $ 7,500
8" = $ 7,500
10" = $11,000

[illegible] time in acquiring the tooling would be approximately [illegible] months after placing an order for the same.

2. [illegible] Mandrels:

Again the difference in core pipe diameter (core pipe I.D. would be larger than standard product by amounts shown on [illegible] above chart) would probably cause problems at the winder with existing mandrels, particularly in the 10" size. If this potential order would be a "one-time" situation prior to J. Hardy Co. entering a license agreement [illegible] producing their own product, Denison could temporarily modify the standard product mandrels for the production run.

Projected cost for this temporary modification is estimated at $5,000 total.

3. Bolting heads:

Shown below is the cost to make new bolting heads. This work might be done in the Denison K & R shop depending on their schedule at the time. Assuming the worst, that the heads would have to be manufactured outside, the lead time would be approximately three months after ordering.

4"	=	$3,000
6"	=	$3,500
8"	=	$4,000
Jet	=	$4,000

4. Hydro-Test Heads:

New heads will have to be made at a cost of $5,000.

5. Our Standard Gasket:

Our standard gasket would still perform satisfactorily even if the ring groove diameter were increased by the same amount as the pipe O.D.

6. B.F. Goodrich Hycar 1051 Compound:

This polymer has a high acrylonitrile content of 41%. We make a Buna II gasket for oil resistance with a acrylonitrile content of 34%, and it also meets all the physical characteristics of the attached ASTM D 1869. Would this gasket be satisfactory? If not, we would have to develop a new compound using the Hycar 1051.

7. Shipping Out of L.A. on PAF Line

This would be no problem, except the inland freight from our Denison plant to L.A. would be considerably higher than to the port of Houston.

Based on the above, J. Evensen and I would both like you to seriously consider your Alternate #1 proposal; that is, use our standard product. We have sufficient inventory at present to ship [illegible] to you almost immediately. If you decide to take the [illegible] and spend the money to adjust the pipe to your dimensions, I am also reasonably sure that we will have sufficient capacity to provide your test product needs in 4-5 months.

Sincerely,

David W. Rice
Market Manager,
Pipe Exports

Johns-Manville

Internal Correspondence

To: J. H. [redacted]nsen
D. Pon[redacted]tine
P. E. [redacted]/R. T. Hucks

From: K. J. Whalen KJW.

Date: June 2, 1978

JUN 5 1978

Copies: M. W. Harris
J. R. Cran

Subject: VISIT OF MR. & MRS. FRANK PAGE, JAS HARDIE CO.
JUNE 12, 13, 14, 1978

This letter will confirm agreement with each of you regarding arrangements for this visit.

Monday, June 12th - With Asbestos Fiber Division

1. K. Whalen will provide transportation for Frank Page from his hotel to World Headquarters. Will arrive at W.H.Q. between 9:30 and 10:00 A.M.
The Asbestos Fiber Division will host Mr. Page for this day.

2. Mrs. Irina Pontiatine will arrange to entertain Mrs. Page for the day.

3. "Moke" Harris will host Mr. & Mrs. Page for dinner and arrange for return transportation to the hotel.

Tuesday, June 13th - With Pipe Division

1. Transportation - Tentatively by helicopter to W.H.Q. to arrive at 9:30 A.M. (Taxi or Courtesy Car from hotel to J-M hanger at Stapleton.)

2. J. H. Swensen will arrange for Conference with Marketing People and Production People in Pipe Division.

3. [redacted] - J. H. Swensen has arranged for one of the private din[redacted] in the executive dining area. Arranged to have J. [redacted]ney, F. Pundsack, C. Sulewski and others for lunch.

4. [redacted] - J. H. Swensen arranged for at Columbine Country Club.

5. Mrs. Swensen will arrange to entertain Mrs. Page for the day.

Wednesday, June 14 - With Research and P.D.D.

1. Transportation - K. Whalen will provide. Arrival at R & D between 9:30 and 10:00 A.M.

2. R. T. Hucks will arrange for tour of Research.

Moke to pick them up 6:30 - 7:00 p.m. Monday evening

3. R. T. Hucks and K. Whalen will arrange for Conference and discussion of Research and Development projects.

4. K. Whalen will arrange for lunch.

5. Mrs. Whalen will arrange to entertain Mrs. Page.

6. K. Whalen will arrange dinner for Mr. & Mrs. Page, and return transportation to hotel.

Thursday, June 15 - Departure

K. Whalen will arrange any necessary transportation.

/ms

Johns-Manville

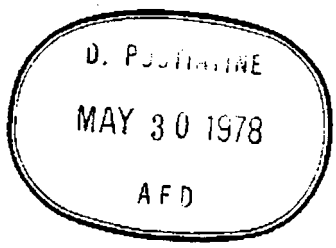
Correspondance Interne
Internal Correspondence

A-To: D. Poutiatine - W.H.Q. 2-14

De-From: R.D. Mallory - AFD Asbestos

Copies: D.M. Kelleher - W.H.Q. 2-14

Date: May 22nd, 1978.



Sujet:
Subject: JAMES HARDIE, SYDNEY, AUSTRALIA

Your letter of April 21st, 1978.

We have investigated the customer's complaint that the grade markings on his trial container of SP5R28 High Density Blocks had been on non-pulpable tape. The tape used by Fibre Development personnel was advertised by the supplying company (3M) as being "Repulpable Tape". They had used this on previous trial shipments of UNK bags and High Density Blocks without complaint.

We are sorry if the tape did not actually prove to be as soluble as the UNK paper wrapper on the High Density Blocks.

Industrial Engineering have finally contacted a supplier who will provide us with a water soluble patching tape made from our UNK paper and coated with a water soluble pressure sensitive glue. Trial quantities of this tape are expected within 3 weeks. When they arrive, we will request Fibre Development to use this tape on all future trial shipments of UNK material. I hope this is satisfactory.

R.D. Mallory

RDM*sb

CABLES AND TELEGRAMS
"FIBROLITE" SYDNEY
TELEX - - - - 22467

BOX 3935 - - G.P.O
SYDNEY N.S.W. 2001
TELEPHONE - 2-0279

JAMES HARDIE & COY. PTY. LIMITED.

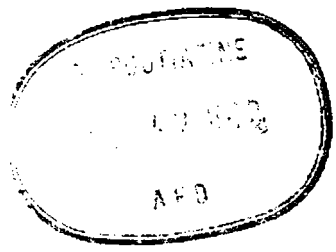
"ASBESTOS HOUSE" CNR YORK AND BARRACK STREETS

SYDNEY, N.S.W. 2000

APH:VS 696

4th May, 1978

Mr. D. Poutiatine,
General Marketing Manager,
Asbestos Fiber,
Johns-Manville Sales Corporation,
Ken-Caryl Ranch,
DENVER, COLORADO 80217, U.S.A.



Dear Dimitry,

Thanks for your letter of April 21st. I also was sorry I missed you when I rang from Vancouver. I had nothing in particular to say, but would have enjoyed a chat. As it was, Lutz filled me in on some of the things happening in your part of the world.

With regard to the wrappers on the high density blocks of SP5R28, the Brooklyn Plant Manager who spoke to Wally was not seriously complaining. The matter is relatively unimportant on the quantity of fibre we have bought packaged in this way, but thanks anyway for your explanation which has been passed on to the people at Brooklyn.

We were pleased to see John Swensen, Wally Volwiler and their colleagues. We hope they gained more from the trip than hospitality would have provided. From our viewpoint it would seem that the visit was to our mutual benefit and is another expression of the spirit of co-operation that exists between our two companies.

My next trip to Vancouver will be in mid June, but at this point in time I don't intend going anywhere else in North America. It is a fairly busy time for us so that I will make the trip as short as possible. I will certainly give you a call while there. I am always interested to get your views on the supply and demand situation and what you see happening to the market for the next few years.

Kind regards to Irina and yourself.

Yours sincerely,

A.P. Higgins,
General Manager -
Production & Procurement.

April 21, 1978

Mr. A. P. Higgins
James Hardie & Coy Pty. Ltd.
"Asbestos House"
York & Barrack Streets
Sydney, N.S.W.
Australia

Dear Athol,

I am sorry that I was not in the office when you called from Vancouver a few weeks ago. I would have enjoyed hearing from you and finding out something about how your business is going.

As it happens Wally Volwiler and John Svensen have mentioned to me some of the highlights of their visit to Australia where, as usual, they were overwhelmed by your hospitality. Wally also passed on to me a sample of the wrapping which was used by us in our shipment of High Density Blocks to Melbourne.

You will remember that at the end of last year you asked us to ship a container or two of SP5R2S in High Density Blocks to the Melbourne plant. These were supposed to be wrapped in water soluble paper.

Since we did not have wrappers showing Grade SP5R2S we used the only wrappers available of Grade Paperbestos #5.

In a spirit of good-will, the Mill personnel decided to cover up the Paperbestos designation with a tape made of non-pulpable paper on which they had inscribed the designation SP5R2S.

The Manager of the Brooklyn Plant brought this to Wally's attention and thought it was rather ridiculous of us to put a non-pulpable tape on pulpable paper. I agree.

Could I ask you to re-assure him that as soon as he decides to purchase from us High Density Blocks in standard quantities we will provide the blocks in the proper water soluable paper wrapping. In the meantime what more can I say than the fact that we all admit that for once we weren't very smart (!) and we apologise for the unnecessary inconvenience.

When is your next trip to the States? If you cannot come to Denver I will stay glued to the telephone waiting to hear news from you.

Best regards,

D. Poutiatine
General Marketing Manager
Asbestos Fiber

cc:
W. H. Volwiler
M. D. Webb - Jeffrey (Attach.)

Johns-Manville

Internal Correspondence

To: D. Poutiatine 2-14

Date: April 19, 1978

From: W. E. Volwiler

Copies: J. H. Swensen

Subject:

As I mentioned to you during our Australian visit, the factory Manager at the Brooklyn, Melbourne, Building Products plant of James Hardie, complained about a non-pulpable tape on paperbestos bags. Attached are two samples of the problem tape. Please see if steps can be taken to eliminate any such tape use in the future, as it does create production problems for Hardie.

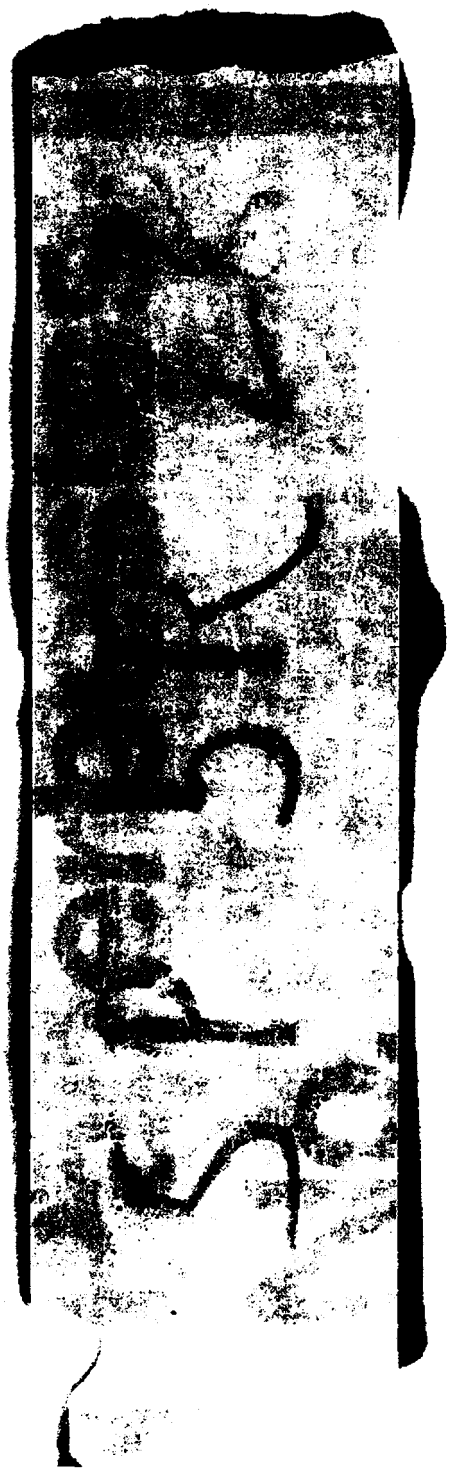
I'd also appreciate it if you'd write them so they'll know the problem is being handled.

Thank you.

Attachments



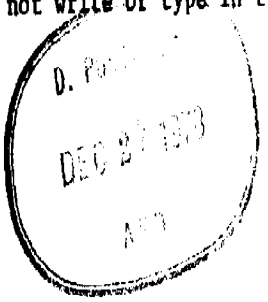
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DEC. 19/78
date

TELETYPE MESSAGE

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To: JAMES HARDIE
location name
SYDNEY AUSTRALIA

TELEX: HARBES AA22467

WHITELY - RE. L/C 3303/26637 P.T.JH INDONESIA - AMEND VALUE TO READ CAN. 403520.00 DUE TO U.S. EXCHANGE OCEAN FREIGHT. CONFIRM. REGARDS

PRINT OR TYPE - BE BRIEF

WHY FILE THIS

cc: L. Fowler

THIBAULT 09952
sender

[redacted] esp. no.

DEC. 12/78
date

TELETYPE MESSAGE

do not write or type in this space



To: JAMES HARDIE
location

name

SYDNEY AUSTRALIA

TELEX: HARBES AA 22467

WHITELEY - YOUR DEC. ALLOTMENT WAS PROGRAMMED ACCORDING YOURTEL 9/5/78. EA-13471

WAS REQUESTED MELBOURNE AND IS GOING MELBOURNE CK TOP ORDER VIA. IF EXTRA TONNAGES

REQUESTED PLS INFORM WE WILL SCHEDULE FOR DEC. SHIPMENT. MATERIAL ON THE 3 ORDERS

ALREADY GONE. REGARDS

PRINT OR TYPE - BE BRIEF

WHY FILE THIS

THIBAULT 09952

sender

[redacted] no.

DATE 12/20/78

TELETYPE MESSAGE

DO NOT WRITE OR TYPE IN THIS SPACE

VIA

To: JEFFREY (LOCATION) R. DUNN (NAME)

☐ MAILGRAM

☐ TELEX

☐ CABLE

F

TELEX NO. ____ CABLE ADDRESS ____

MSG 7006 WHEN 1978 SHIPMENTS ARE COMPLETED DONT FORGET TO SEND TO JAMES HARDIE FIVE PERCENT COMMISSION ON SALES TO THEIR INDONESIAN PLANTS

POUTIATINE 2-13 0838 X3920

PRINT OR TYPE – BE BRIEF.

Form 3-11 GHQ (1/74)

SENDER

RESP. No.

F

TELEX

DATE: 3/2/78

TO: JAMES HARDIE & COY PTY. LTD.
SYDNEY N.S.W. AUSTRALIA

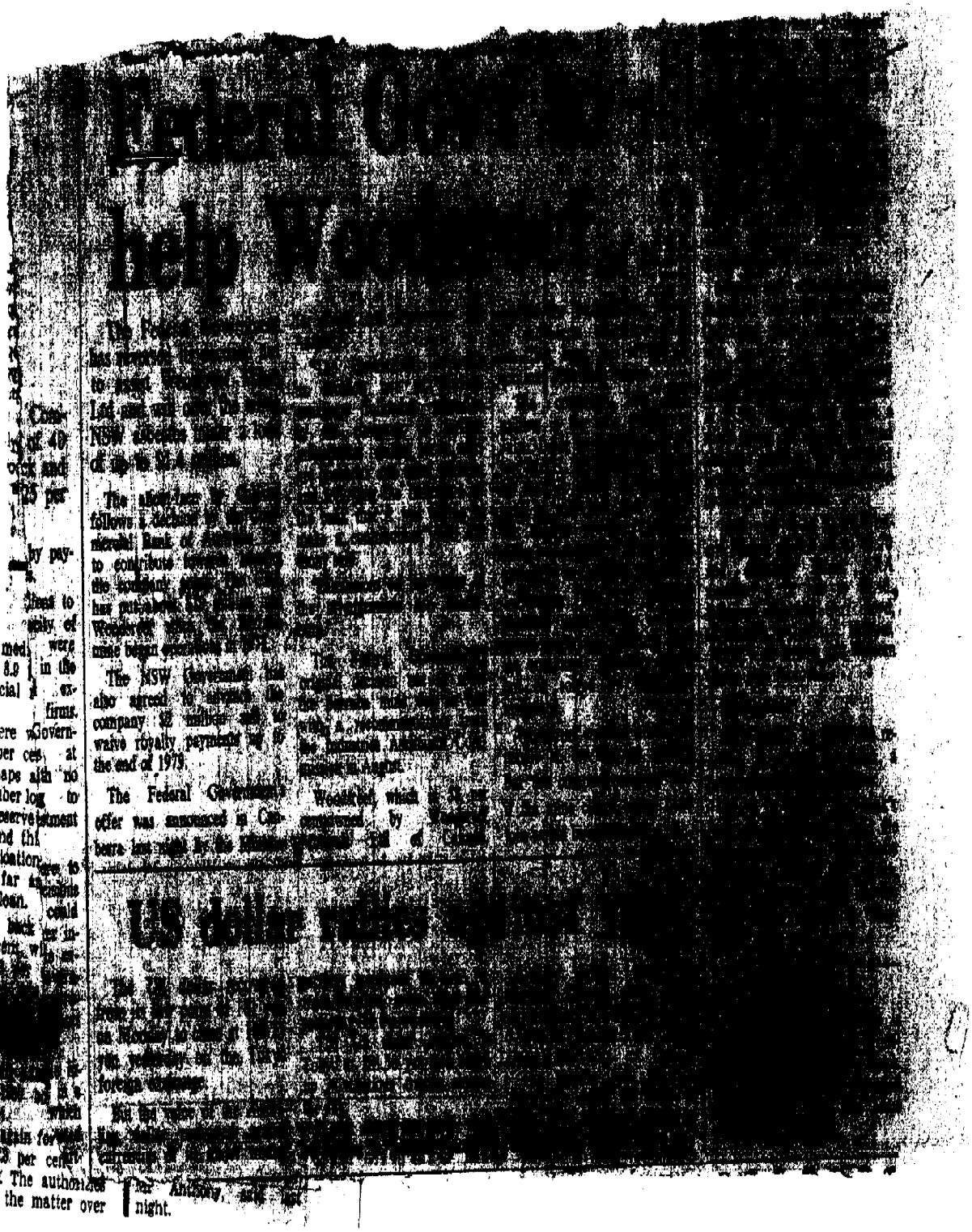
TELEX #SYDNEY(AUSTRALIA) HARBEST 22467

MSG. 1829

WILLINGTON LAST APRIL WE WERE ASKED TO SUPPLY 5R28 INSTEAD OF SP5R28 TO SYDNEY UNTIL FURTHER NOTICE. WHEN YOUR 1978 ORDERS REACHED US THEY SPECIFIED PLAIN 5R28 AND YOUR JANUARY FEBRUARY AND MARCH REQUIREMENTS WERE PRODUCED IN THAT GRADE FOR ALL DESTINATIONS. HOWEVER NOW WE LEARN THAT OVER LAST THREE TO FOUR MONTHS MILL HAS PRODUCED FOR INVENTORY TO COVER YOUR NEEDS 4650 TONS OF SP5R28. MAY WE HAVE YOUR AUTHORIZATION TO DRAW ON THIS INVENTORY IN FUTURE MONTHS AS WE HAVE NO OTHER OUTLET FOR IT IN THE MANNER IN WHICH IT IS PACKAGED. ALSO PLEASE CONFIRM WHETHER WE SHOULD DISCONTINUE COMPLETELY SUPPLY OF SP5R28 OR WHETHER THIS IS STILL TRUE ONLY FOR SYDNEY. THANKS AND REGARDS

POUTIATINE JOHNMANV DVR

D. POUTIATINE 2-14 08383



Federal Government help for Westralia

The Federal Government has reserved [illegible] to assist Western Australia's Lake Kununurra irrigation scheme, it was announced in Canberra last night.

The announcement follows a decision by the Australian Bank of Commerce to contribute [illegible] to the scheme. The bank has purchased the [illegible] Wesfarmers, which [illegible] made begin operations in [illegible]

The NSW Government has also agreed to advance the company $2 million and to waive royalty payments up to the end of 1979.

The Federal Government's offer was announced in Canberra last night by the [illegible]

US rules rules

[illegible] for Anthony, and [illegible] night.

...USTRALIAN Wednesday October 23 1974 ...11

...LIAN

Govt reverses Barraba decision

THE Federal Government will offer a loan of up to $1.4 million to assist in maintaining operations at the Chrysotile Corporation Ltd asbestos mine at Barraba, in northern NSW.

The offer is based on the willingness of the NSW Government and the Commercial Bank of Australia also to contribute toward keeping the company in operation, the Deputy Prime Minister, Mr Anthony, said last night.

...medium and long-...8.9 per cent com-...cial rate of 9 per

...ere was plenty of ...per cent long-term ...tape as low as 8.7 ...ber loan.

...eserve Bank pulled ...nd this was taken ...lication that rates ...far as they were ...loan.

...back to a long-...ent, with a maxi-...8 per cent. Some ...on this belief and

...g-term bond yield ...y below 9 per cent, ...ing 8.836 per cent. ...1969 bonds were ...nt. ...e again for a long-...8.8 per cent, and ...en. The ... ...ie the market rate.

...ri... ...fi...

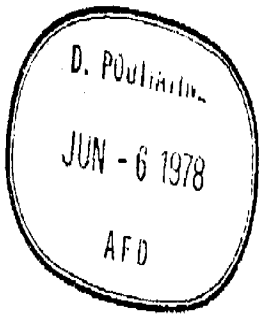
...ment ... ...ies. First issue to ... ...ears. They found ... ... and the ... ... $30 mil... ...at attractive rates of ...rest."

... ...

JUNE 2/78
date

TELETYPE MESSAGE

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To: JAMES HARDIE
location

name

AUSTRALIA

TELEX: AA22467 HARBEST

PLEASE HAVE P.T. JAMES HARDIE INDONESIA REVISE THEIR L/C NO. 3303/25339 FOR DOLLAR VALUE TO READ CAN. $484010.00 DUE TO INCREASE IN OCEAN FREIGHT. REGARDS

PRINT OR TYPE - BE BRIEF

WHY FILE THIS

DUNN 09371
sender

resp. no.

MAR. 17/78
date

TELETYPE MESSAGE

do not write or type in this space

To: JAMES HARDIE SYDNEY AUSTRALIA
location name

TELEX AA 22067 HARDIEST

WILLINGTON - MAR. 8 WE RECEIVED CAN. $90467.16. KINDLY CONFIRM WHICH INVOICES ARE COVERED BY THIS AMOUNT. REGARDS.

PRINT OR TYPE - BE BRIEF

WHY FILE THIS

DUNN 09371
sender

resp. no.



Behind the balance sheets

Asbestos no major hazard for Jas Hardie

By KEVIN TROY*

A casual reading of the report of proceedings at the recent annual meeting of James Hardie Asbestos Ltd might suggest that the company is facing a major employee health problem in relation to asbestosis.

The group chairman, Mr J. B. Reid, referred to the danger to health posed by occupational exposure to asbestos dust but noted that Hardie's main asbestos cement products, flat sheets and pipes, contained only about 10 per cent of asbestos blended in by cement and other agents.

Hardie's have spent over [illegible] on dust control equipment.

An employee health and safety program is being extended to [illegible] asbestos cement products of the [illegible] necessary to keep the potential risks associated with asbestos well within acceptable limits.

Health problems [illegible] Mr Reid referred to [illegible] at a meeting convened by the New York Academy of Sciences in 1964 but [illegible] notice by the Workers Health Action Group may now be an important factor unsettling the Hardie share price which this year has dropped from $4.60 to $3.50 before recovering to its current $3.90.

Strenuous competition

Where the health factor is most relevant to Hardie is in the [illegible] imported asbestos fibre for 20 per cent in [illegible] 10 per cent in 1968, 17 per cent 1973, [illegible] improvements in warning and dust [illegible] methods are introduced into Canadian [illegible].

Hardie enjoys a strong position, virtually on its own, in the manufacture of asbestos cement products in Australia. But it meets strenuous competition from a wide range of other building materials, a factor recognised by the Trade Practices Commission in allowing acquisition of Wunderlich.

The Hardie balance sheets of the past few years certainly reveal a changing picture sufficient to justify a re-assessment of the fundamental situation. But such reconsideration should not be prejudiced by belated health-scare headlines.

The major impact on Hardie has been the strain of carrying through a major capital expenditure program under inflationary conditions at a time of restrained demand.

Capital spending has been reported in successive years at $2 million (1973), $5.4 million, $12.2 million, $18.4 million, $12.6 million and $32.2 million in 1978 including $19 million for Wunderlich.

Apart from the Wunderlich acquisition, this capital expenditure program includes new factories at Wood, Queensland, Tamagreen, Indonesia, and Minto, Vale, NSW, which is to be commissioned early in 1979, as well as an extension of its interests in plastics through acquisition of Gay-Dor.

Inventories have grown from $19.7 million in 1973 to $58.3 million in 1978, and trade debtors from $12.2 million to $33.5 million.

The growth of inventories is notable in its impact on funding requirements.

Inventories have grown from 19 per cent to 32 per cent of the total balance sheet or, put another way, year-end inventories were 44 per cent of 1978 sales vs 28 per cent of sales in 1973.

This inventory situation reflects:

The impact of inflation.

A deliberate increase in stocks of raw materials.

Additional stock to support new manufacturing plants.

A build-up of finished products in the face of temporarily weak demand in some areas.

On the liabilities side of the balance sheet, the capital spending program and higher level of investment in working capital is reflected in the growth of long-term debt successively from a marginal $300,000 in 1975 to $18.9 million in 1976, $25.6 million in 1977 and $49.9 million in 1978.

As directors commented in their 1977 report, such reliance on external financing "represents a major change in funding policy and is largely due to the new projects on hand, but the effect of inflation is also a factor, bearing in mind rising costs particularly of raw materials and finished goods."

This change of policy has reduced the equity ratio from a very high 0.73 in 1975 to a more normal (and still very sound) 0.59 in 1978, both figures benefiting from directors' policy of revaluing fixed assets each year.

Static sales

An examination of the revenue accounts shows a variable but overall well-maintained first trading margin over the last six years within the range of 17.5 per cent in 1975 and 21.8 per cent in 1973 with 1978's figure a little below average at 19.1 per cent.

This reflects virtually static sales volume compared with the previous year tempered with the impact of the price [illegible] in Victoria.

Other differences on the profit figure include the interest cost of borrowings, now $6 million versus $300,000 in 1975, and the depreciation impact of fixed asset revaluation, now $8.8 million versus $1.3 million in 1973.

On the positive side, the 1978 net profit figure of $17 million benefited, inter alia, by $317,000 from investment [illegible] and $370,000 from trading profit [illegible] adjustment.

Shareholders have been required to support the company's finance requirements with dividend payout ratio dropping from an already low 31 per cent in 1973 to an extremely moderate 24 per cent in 1978.

Image and a high visibility of products may be significant determinants of share market ratings. The following comments extracted from the 1978 report may prove of interest.

"It is important to emphasise once again the wide applicability of asbestos cement products in new building construction.

"In years past the casual observer could easily identify them.

"Today we produce textured and decorated products; others are used skilfully in conjunction with a variety of materials so that they are not identified so readily in schools, bus terminals, commercial buildings, hospitals, coal mines, recording studios, railway stations — to name but a few."

Government decisions

Apart from the market in new building construction, the company is also making strenuous efforts to penetrate more deeply into the renovations-handyman markets.

The pipe business in water supply, drainage, sewerage and telecommunications is heavily dependent upon the policy decisions of Government. But, on the other hand, present and future expansion in the mining areas offers substantial and profitable opportunity in Western Australia and Queensland especially.

A major bright spot overseas has been the winning of the balance of the contract for supply of asbestos cement pipe to the Forty-two Cities water supply scheme in Indonesia.

* Mr Troy is a partner of the Sydney stockbroking firm of Ord Minnett.

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MSG 1829. WILLINGTON LAST APRIL WE WERE ASKED TO SUPPLY YOU INSTEAD
OF SP5R28 TO SYDNEY UNTIL FURTHER NOTICE. WHEN YOUR APPLICATIONS REACHED
US THEY SPECIFIED PLAIN 5R28 AND YOUR JANUARY AND FEBRUARY AND MARCH RE-
QUIREMENTS WERE PRODUCED IN THAT GRADE FOR ALL DESTINATIONS. HOWEVER NOW
WE LEARN THAT OVER LAST THREE TO FOUR MONTHS WERE SUPPLIED AND PRO-
VENTORY TO COVER YOUR NEEDS 4650 TONS OF SP5R28. PLEASE ADVISE YOUR
AUTHORIZATION TO DRAW ON THIS INVENTORY IN FUTURE MONTHS BECAUSE WE
OTHER OUTLET FOR IT IN THE MANNER IN WHICH IT IS [illegible]
CONFIRM WHETHER WE SHOULD DISCONTINUE COMPLETELY [illegible]
WHETHER THIS IS STILL TRUE ONLY FOR SYDNEY, [illegible]
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