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PRIVATE AND CONFIDENTIAL

Asbestos Fibre

Notes of Meeting between St. Gobain-Pont-a-Mousson, Eternit and T&N Limited at Zurich - Dolder, 11th October 1978

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

Apologies were received from Mr. J. Cuvelier (Eternit, France) and Mr. P. Breitenstein (St. Gobain-Pont-a-Mousson) who were unable to attend.

1. The Asbestos Market in 1978

It was reported that, generally, the excessive stocks of asbestos fibre accumulated during 1977 and the early part of 1978 were declining somewhat. But they were still little changed in terms of months' usage. This reflected basically slack demand for asbestos products.

Demand for fibre in the USA is currently at a reasonable level. In Europe, however, it remains poor. It has been further depressed by the weakness of exports of asbestos cement from countries such as Italy and Spain (and the United Kingdom) to the Middle East, North Africa and Nigeria, owing to slackening demand and the development of local production. The Far East (excluding Japan) has been the best region for fibre demand in 1978, while South and Central America have also been fair in relative terms.

Sales of textile fibre have been especially depressed, and mine profits on these grades have been poor. This has meant a greater reluctance by the mines to give discounts on their prices for Group 4 and 5 fibres, for which demand has been less depressed. A demand for premium Group 4 fibres is now developing in East European markets which the USSR has been unable to satisfy, partly because of mill closures. This has had the effect of bolstering the level of world demand for premium asbestos-cement fibres from western sources.

The pattern of QAMA shipments of fibre in 1978 has been erratic. It has been affected by strikes at both QAMA and non-QAMA mines, and also by special factors arising at individual mines. It was also thought that stocks had been brought down from the high levels existing at the beginning of the year. There has been heavy discounting at times during 1978 - for example, by Lake and Asbestos Corporation.

2. Asbestos Fibre Production Outlook

It was agreed that the detailed figures prepared by Mr. Dorner on a mine-by-mine basis gave a generally true indication of the present and likely future fibre production situation. Currently, the closure of the Clinton mine is an important factor. The future of Woodsreef's Australian mine (which is still supplying) is looking very uncertain but this is not important in terms of Group 4 fibre.

Another short-term uncertainty concerns ACL's Asbestos Hill/Nordenham operations. It seemed possible the ACL might not re-open the Asbestos Hill mine after the current winter shut-down. The decision could hinge on whether ACL's proposed price premium on Groups 4 and 5 holds; if it does not, the re-opening of Asbestos Hill might not be justified. Meanwhile, fibre from Nordenham is regarded as very expensive, even in West Germany itself. It was said that it costs almost as much to ship fibre to other European ports from Nordenham as from Canada.

In the longer term the main question marks over fibre production concerned supplies from Rhodesia and the prospects for new mines in Canada and elsewhere. Mr. Dorner's projections envisaged a doubling of output - to 220,000 short tons per annum - at the Rhodesian Shabani mine by 1980. But whether this increase in supply would ever become generally available would probably depend critically upon political factors about which no firm prediction could be made.

The general view was that the opening of new mines in Canada was unlikely. However, the Quebec government is showing interest in the Abitibi prospect, and there could be a 50% chance that a mine would be developed, although there is thought to be little Group 4 fibre involved.

Elsewhere, the Zidani development in Greece, for which a "nil" projection is made in Mr. Dorner's figures, now looks quite likely to come to fruition. But in the USA environmental considerations could be an important factor restricting even the small expansion of output (all in the lower grades) indicated by Mr. Dorner's figures. China was mentioned as a possible future source of fibre, but this can only be regarded as a very long shot at the moment.

3. The Fibre Supply/Demand Balance

The meeting referred to the figures prepared by the Working Party and, in particular, the summary of the projected balance between production and consumption prepared by Mr. Dorner. This is shown on page 3.

('000 short tons)

| | 1976 | | | | | 1980 | | | | | 1985 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 4 | 5 | 6 | 7/8 | Total | 4 | 5 | 6 | 7/8 | Total | 4 | 5 | 6 | 7/8 | Total |
| Production (excl. China & USSR own use) | 997 | 677 | 928 | 888 | 3,490 | 1,141* | 742 | 1,250 | 932 | 4,065 | 1,153* | 733 | 1,346 | 930 | 4,230 |
| Consumption (excl. Czech and China | 1,025 | 691 | 955 | 851 | 3,522 | 1,094 | 759 | 1,016 | 663 | 3,532 | 1,270 | 847 | 1,130 | 619 | 3,866 |
| Balance | (28) | (14) | (27) | 37 | (32) | 47 | (17) | 234 | 269 | 533 | (117) | (54) | 216 | 311 | 364 |

*Assumes no export from USSR of Group 4 fibre to Eastern Europe or elsewhere.

It was felt that, if anything, the consumption projections might be too high. However, the same might be said about the production estimates. The production risks regarding Rhodesia and Asbestos Hill, and the rather slight chances of major new mine openings (see section 2 above) at least suggested a need to allow for a safety margin, particularly in respect of Group 4 and 5 fibres. Bearing this in mind, it was considered that the supply/demand balance shown in the table on page 3 gave an approximately correct indication of the likely future position.

It was pointed out that the figures - relating to both supply and consumption - could be quite significantly affected by the assumptions made about exports from the USSR and consumption by Eastern European countries other than the USSR. Considerable uncertainty surrounds the assumptions made. It was therefore decided that the Working Party should try to collect information on imports of USSR fibre into as many countries as possible. Since the meeting, Mr. Horner has instigated this research, in conjunction with other members of the Working Party.

4. Asbestos Fibre Prices

With the market strengthening only slowly from its weak state in 1977 and 1978, QAMA producers might find it difficult in 1979 to achieve the goal of phasing out discounts and returning more generally to list prices, particularly as the latter are being raised by more than market conditions at first appeared to warrant. List prices are due to be raised from 1st January 1979 by 6% in the case of Johns-Manville (who give a 1% discount for cash within 30 days) and by 7% in the case of Lake and Bell, across all grades of fibre.

ACL are, however, going for larger increases - 12% on 4T, 9% on 4D, 4K, 5D and 5R, and 6% on textile and Group 6 fibres. It was recognised that there are special reasons for ACL's higher price rises, including the negotiations with the Quebec government, the decision that is faced over whether Asbestos Hill should be re-opened after the winter closure (see section 2 above), and the need to recoup declining sales revenues on textile grade fibres. Nevertheless, ACL would need to have regard to their competitiveness.

It was felt that, even without continued discounting, the increases in list prices proposed by most QAMA producers will be insufficient to cover expected cost increases in 1979. Costs are likely to rise by more than 6%, with "environmental" costs adding to the general rate of inflation, which has been boosted in Canada by dollar depreciation.

In 1980 the producers are likely to feel that there is some "catching up" to be done on the general rate of inflation. But whether they will be able to do this depends basically upon market trends in the latter half of 1979 and early 1980.

4. Asbestos Market in Quebec

Although the political situation vis-a-vis the asbestos industry in Quebec remained very uncertain and government interference was likely to continue, the meeting felt reasonably optimistic about prospects there.

It was felt that the Quebec government negotiations over ACL were likely to be protracted. ACL appear to want to drag out the negotiations in the hope that the political impetus of the Parti Quebecois will be declining by the time the negotiations come to a head.

The meeting felt that a government-sponsored asbestos research organisation was almost certain to be established, involving a levy on producers of 1% of sales revenues.

5. Asbestos and Health

The meeting felt that public and official pressure on this issue will continue. It has already become very much a "public" issue in Europe and the USA; and it is now following a similar trend in certain developing countries - for example, Colombia and possibly Mexico and Brazil.

It was felt that an independent International Medical Panel was now required. International co-ordination of public relations and advice (to producers and users of asbestos products) would also be desirable.

7. Asbestos and Research

It was agreed that there was no one substitute for asbestos. Alternatives in the textiles area would obviously be different from those in plastics reinforcement and cement reinforcement; and, within each of these areas, there could be different substitutes according to the final uses of the various products.

It was reported that work was proceeding on alternative, non-asbestos cement reinforcements, but that fully satisfactory solutions to the problems involved had yet to be found. This was particularly so with pipe where a solution seemed unlikely to be found in the short term. One possibility might be the substitution of a proportion of the asbestos normally used in an a-c type furnish. Meanwhile, a-c pipe furnishes have been cheapened following research and development work to this end.

Another means of maintaining the market for a-c products was felt to be the development of on-site precautions - for example, "damping down" techniques in sawing. But these precautions would involve cost advantages against non-asbestos substitute products, and it was vital now to keep the installed cost of a-c competitive.

Finally, it was pointed out that the urgency of seeking substitutes has been reduced over the past 2-3 years in the sense that the fear of actual and prospective asbestos fibre shortages has receded. However, long-term demand trends, combined with the asbestos health issue, suggested a need to keep up momentum on the development of substitutes.

8. Future Collaboration

It was confirmed unanimously that occasional meetings like the present one, backed by the studies made by the Working Party, served a useful purpose, even if no specific action or decisions flowed directly from them.

It was agreed that the Working Party should continue to review and up-date its fibre consumption and production data and projections. It should, in the short term, attempt to collect more data on imports of Russian fibre (see section 3 above). For future "summit" meetings, the Working Party should prepare brief analyses of the economic background to the current and short-term future market for asbestos in the major markets - European countries in particular.

The next "summit" meeting was tentatively arranged for 29th October 1979 in Brussels or Paris.