7th June, 1957.

The Hon. Senator Scott,
Federal Members' Rooms,
PERTH.

Dear Senator Scott,

Following on our telephone conversation to-day, I now set out briefly the main points concerning our production and development position at Wittenoom :-

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.

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 common. 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,[illegible]0 miles from their port of distribution but the highest overland freights from mine to port, paid by any company, are £7., 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 £[illegible] 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.

TRANSPORT: During recent months the shipping position from Pt. Samson has been satisfactory. We consider, however, that Pt. Samson is quite inadequate to cope with our projected output during the next few years and we have asked the Main Roads Dept. to construct a road to enable us to ship to Pt. Hedland. This will allow us to divide our shipments and will provide an alternative port should the Pt. Samson jetty be damaged by cyclones, which happens fairly regularly.

TAXATION: We would appreciate any assistance which you can give in eliminating Pay Roll Tax and in arranging other tax benefits in the north, which will help in reducing our costs and making us more competitive with the producers of blue asbestos in Africa.

I hope you have an interesting trip through the North.

Yours sincerely,