

REPORT NO. 1946/4

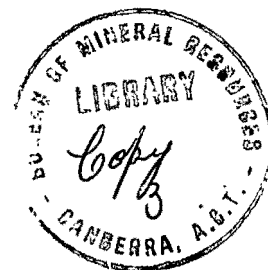


BLUE ASBESTOS IN AUSTRALIA

by

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Two earlier reports on this subject dated November 22nd and December 12th, 1945, dealt with this industry on the basis of information then available and virtually omitted from consideration the activities of the producer and consumer subsidiaries of the Colonial Sugar Refining Company. This company has now supplied detailed information, particularly on its plans for production and it is therefore necessary to review the industry afresh. To give this report maximum value, specific information supplied by the various companies is used and the report, therefore, should be considered as confidential.

1. Producers:

There are two companies engaged in the production of blue asbestos in Australia. One of these is Australian Blue Asbestos Ltd., a subsidiary of the Colonial Sugar Refining Co., and the other is West Australian Blue Asbestos Fibres Co. Ltd., which is owned by the De Bernales interests.

2. Consumers:

There are three companies which between them manufacture nearly all the asbestos-cement products marketed in Australia. They are James Hardie & Co. Pty. Ltd., Wunderlich Ltd., and Asbestos Products Pty. Ltd. The last-named is owned by the Colonial Sugar Refining Co.

3. Prospective Consumption:

(a) Short Fibre:

(i) Within Australia: Present consumption of asbestos, both white and blue, within Australia is at the rate of about 18,000 tons per annum; immediately pre-war it was 9,000 tons. This is virtually all imported short white fibre. Because there will be a considerable demand for asbestos-cement products until the lag in housing requirements has been overtaken, it is difficult to give an estimate for what might be considered normal consumption in post-war years. Some of the companies engaged in the manufacture of asbestos-cement products suggest that consumption will fall to about 12,000 tons per annum. Australian Blue Asbestos Ltd. have suggested that 15,000 tons is a suitable figure to adopt for post-war consumption.

All three consumers have now given specific statements on their attitude to the use of blue asbestos in their products.

James Hardie & Co. Pty. Ltd., the largest consumer of asbestos, state that they will probably use immediately blue asbestos up to 10 per cent of their asbestos requirements, and as experience is gained in the use of the fibre and the behaviour of the products in which it is used, it is anticipated that they will be able ultimately to use up to 25 per cent blue asbestos. This company would be prepared to use immediately more than 10 per cent blue asbestos if it were protected against action arising from defects which might develop from the use of blue asbestos beyond the percentage which the company at present considers it wise to use at the present time. This company would be prepared to use virtually 100 per cent blue asbestos in its Perth factory under the foregoing conditions.

Wunderlich Ltd., the second largest consumer, state as follows:-

"We can only speak with authority from the point of view of the consumer. In this connection many years ago we imported from South Africa considerable quantities of blue fibre. The result was considered unsatisfactory, partly due to the fact that the suppliers did not always supply according to sample, and that there was some fairly low grade material. Anyway, a good deal of trouble developed in the manufactured product, the most conspicuous being the presence of spots on the surface which caused difficulty in painting. It was established fairly well that these blemishes were due to a certain amount of iron content in the fibre, which, of course, is borne out by analysis. Further importations of blue fibre were therefore stopped, and we went back to the chrysotile fibre from Canada which gave no trouble.

You can understand therefore that we wish to go warily in any reversion to the use of blue fibre. The use of up to 20% in our mix does not seem to have any deleterious result, and, in fact, the blue colour of the fibre gives a rather pleasing tone to the surface of the product. It might be possible to mix to the extent of 25% but beyond this we would not care to go."

Asbestos Products Pty. Ltd., the third consumer, state :-

"For the past nine months we have been regularly using a percentage of blue asbestos from Western Australia in our asbestos-cement products and we find there are advantages in using this. We propose to use blue asbestos to the extent of at least 25% of our asbestos requirements".

It seems reasonable therefore, that we can assume that the substitution of blue asbestos for imported chrysotile up to 25% is feasible and may reasonably be expected to be adopted as common practice within a year or two in Australia, that is, of course, if other factors are favourable, e.g. price. This means that the prospective post-war consumption of blue asbestos in Australia is not likely to exceed 4,500 tons for, say, 3 to 5 years, and thereafter will probably fall to between 3,000 and 4,000 tons.

The quantity of blue asbestos consumed will be reduced by the quantity (at present unknown) of chrysotile which may be available from Baryulgil (N.S.W.), since we are advised that this fibre behaves more like blue than imported chrysotile in the asbestos-cement mix.

(ii) Oversea: In view of the large production of short fibre in Canada and South Africa the prospect of exporting short fibre from Australia does not seem hopeful. On this point, following personal enquiries abroad, the managing director of Australian Blue Asbestos Ltd. states:

"It is possible that 500 to 1,000 tons per annum could ultimately be placed in the United Kingdom and Europe and 2,000 to 3,000 tons per annum in U.S.A. In the latter case, the market is in process of development and the present demand is, owing to heavy residual war stocks, almost nil."

(b) Long Fibre:

(i) In Australia: The demand in Australia for long fibre is so small as not to warrant discussion.

(ii) Oversea: When Australian Blue Asbestos Ltd. first proposed to engage in the production of blue asbestos, they considered that they would produce a considerable percentage of long fibre and it would appear that they anticipated finding a market for it overseas. West Australian Blue Asbestos Fibres Co. have made what seem to be somewhat extravagant statements about the prospective markets for blue asbestos abroad, but from inquiries made and as stated in my report of 12th December last, it seems likely that there will be a glut of long fibre for some years to come. Confirming this, the Managing Director of Australian Blue Asbestos Ltd. states that he recently visited England and America to investigate the possible market in those countries for blue fibre. He reports on his visit as follows:-

"The existing market for long blue fibre, i.e. grades 1 and 2, is very small and, after discussion with the principal users and distributors, it appeared unlikely that a large market could be built up at any appreciable premium over No. 3 prices. It is possible that some small quantity, up to, say, 300 to 500 tons per annum, could be placed but any other long fibre produced would, for the present, have to be reduced in length and sold as No. 3 grade. For most of the important uses to which No. 3 is put, strict adherence to a specified fibre length is as important as the price, and fibre longer than the specified length is a detriment."

4. Prospective Production:

According to information supplied to Capital Issues Control by West Australian Blue Asbestos Fibres Co., the prospective production of this company is as follows:-

Capacity of Present Plant		Capacity of proposed augmented Plant	
	tons.		tons.
No. 3 fibre (short)	1,200	:	2,190
No. 1 fibre (long)	360	:	630 (calculated from ratio of first column)

Australian Blue Asbestos Ltd. state that their production of fibre of all lengths is at the rate of about 700 tons per annum, but that they have now almost reached the stage in their mine development programme where rapid increase in production would be possible. They further state that prior to commencing operations, they estimated that the industry could be established on an economic basis with a production of 4,000 tons per annum, but they now consider they must produce and sell at least 6,000 tons per annum to be able to show any margin of profit on their investment.

Examining the question of production still further, it will be noted from the figures given in the table above that 77% of the fibre produced by West Australian Blue Asbestos Fibres Co. is short fibre suitable for use in asbestos-cement products. Australian Blue Asbestos Ltd. state that their experience over the past 18 months indicates that 75% of their production will be short fibre.

Thus, we have one company indicating that it cannot operate profitably with a production of less than 6,000 tons of which 4,500 tons will be short fibre, and the other company proposing to produce 2,820 of which approximately 2,200 tons will be short fibre.

5. Price:

The present price of short fibre supplied by West Australian Blue Asbestos Fibres Co. is stated to be £45 per short ton c.i.f.

Sydney or Melbourne.

It seems to be generally agreed that £45 per short ton is about the highest price consumers can afford to pay for short blue fibre considering the price and availability of imported white fibre.

6. Summary and Conclusions:

Of the two companies producing blue asbestos, one has plans to produce 2190 tons of short and 630 tons of long fibre. The other states that it cannot operate profitably unless production reaches 6000 tons of which 4,500 tons will be short and 1,500 tons long fibre. If those plans are realised there will result a production of 6,690 tons of short fibre and 2,130 tons of long fibre.

The prospect of exporting other than small quantities of fibre - long or short - at a profit seems remote. There is no market within Australia for long fibre. The prospective demand in Australia for short fibre is likely to be about 4,500 for 3 to 5 years and thereafter to be between 3000 and 4000 tons.

Apart altogether from the question of the price of Australian-produced blue asbestos compared with that of the imported short white fibre with which it is competing in the home market, the conclusion seems inescapable that the prospective production of the two companies cannot find a market and that even if only one of them remains in business, production might have to be adjusted to prospective consumption.

Even if only one company remains in business, some form of price subsidy may be required. Further, under this condition, a price subsidy would appear to be inevitable if the price of imported fibre falls and/or it is confirmed that the long fibre produced cannot be sold at a profit. In stating that price subsidies would be necessary, it is assumed that it is the government's wish that the continuance of this industry should be assured.

Perhaps before taking any further action such as referring the whole problem to the Prices Commission or the Tariff Board, it would be advisable for officers of this Department and officers of the Mines Department of Western Australia to hold a discussion and this may conveniently be arranged in the near future when the Under Secretary for Mines, Western Australia, attends the next M.I.A.P. meeting in Melbourne in late February or early March.

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Director.

Canberra, A.C.T.
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