

Sins of the fathers

October 2, 2004

SMH

Industries — that of the man whose family ran the business for nearly a century. Ben Hills reports.

JOHN BOYD REID's signature on the typewritten memo has faded with the decades and generations of photocopying. But there is no doubt he was worried about the newspaper cutting he attached.

Based on an article in the *British Journal of Industrial Medicine*, it was headlined "Urgent Probe Into 'New' Killer Dust Disease" and it recorded an epidemic of a rare and deadly cancer of the lining of the lung called mesothelioma — 76 deaths had already been reported at just one hospital, the London School of Hygiene & Tropical Medicine.

Most of the victims were people who had worked in the asbestos industry up to 33 years earlier. But, even more alarming, seven were women whose only exposure to asbestos dust had been cleaning their husbands' work clothes, two were children whose sisters worked in the industry, and several others just happened to live within one kilometre of an asbestos factory.

It was 1966, and the world was about to learn that "the miracle fibre of the 20th century" — from which everything from brake linings to insulation, water pipes and house cladding was made — was in fact an insidious killer. Today, an estimated 100,000 people are killed every year by asbestos disease around the world and the final toll is expected to be 10 million agonising deaths.

In Australia, the man-made plague would strike harder than in any other country because our per capita use was the highest in the world — in the early 1950s half the houses in NSW were made of "fibro". James Leigh, the country's leading asbestos disease statistician, estimates that 27,000 Australians have been killed by asbestos cancers, and that there will be another 27,000 deaths by 2020 when the epidemic should peak — 54,000 avoidable deaths.

Reid had recently been appointed a director of James Hardie Asbestos, Australia's largest asbestos products manufacturer, with thousands on its payroll and factories in all states. The company also had stakes in asbestos mines in South Africa and Canada, and was to establish factories in Indonesia and Malaysia.

Reid, who today is 74 and still active in the business world, is one of Australia's wealthiest men, with assets estimated at \$181 million. He remains a big shareholder of James Hardie, although he retired after 23 years as its chairman in 1996. Back in 1966 when he was sent that clipping he was a director, the third generation of his family on the board.

Although it continued to carry the name of its founder, James Hardie Industries (it quietly dropped the word "asbestos" from its name and the wall of its Sydney CBD offices in 1979), the company would more accurately be referred to as "Reid Industries". Andrew Reid, a Scottish migrant, bought out his partner James Hardie in 1911, founding a corporate dynasty that would last 85 years.

The company was headed successively by his sons Andrew Thyne Reid and Sir John (Jock) Reid, and his grandson John Boyd Reid. Even after it went public in 1951, the extended and influential Reid family continued to control it through interlocking shareholdings and trusts which held around 20 per cent of the shares.

According to Jock McCulloch's book *Asbestos — Its Human Cost* (University of Queensland Press), it was run like a family business — it was necessary to have a personal introduction to secure a job and jobs were for life, however long that might be. Many of the young men hired to work at its Camellia asbestos plant were post-war European migrants and orphans from the Burnside orphans' homes at Parramatta who were called "Reid boys".

Educated at blue-blood Scotch College in Melbourne, with a law degree from Melbourne University, Reid was being fast-tracked to take over the business. That article about mesothelioma had been sent to him by James Hardie's partner in Tasmania, who was understandably "concerned about this sort of information getting around Australia".

Reid forwarded the article to the company's personnel manager, one E.T. Pysden, seeking his comments. Pysden's one-page reply is one of the most damaging documents to emerge in the decades of litigation in which more than 3000 asbestos victims have sued James Hardie for compensation, because of what it reveals about the company's corporate culture.

"The article is not new," Pysden wrote to Reid. "It is merely one of many reports of world studies which have been conducted since 1935 when the association between exposure to [asbestos] dust and carcinoma of the lung, mesothelioma of the pleura, tumour of the bladder and uterus and other fatal complaints was first recognised.

"The best advice you can give your friend is to (1) ignore the publicity — dust is a fact — denials merely stir up more publicity (2) do something positive about engineering the dust hazard out of existence."

In fact, the vast depositories of documents uncovered in the litigation, show incontrovertibly that the dangers of asbestos had been known to the company's management for decades. That is why it has already been forced to shell out hundreds of millions of dollars in compensation to workers and consumers killed and injured by its products — and, according to last week's Jackson report, may be liable for as much as \$2 billion more.

And, says Tanya Segelov of law firm Turner Freeman, which has run hundreds of asbestos cases for James Hardie victims: "There is no doubt that the Reids had personal knowledge of the dangers [of asbestos]. They were intimately involved in the business. Employees knew their faces — they used to walk around the factory floors."

The first workers' compensation case for asbestosis was brought against James Hardie in 1939, when the company's co-founder, Andrew Reid, was still at the helm. In the 1940s there were several awards for "asthma" and "bronchitis" and in 1952 the NSW Department of Public Health found dust counts of double the legal limit and evidence of lung damage in two workers at James Hardie's asbestos mine at Baryulgil, near Grafton.

By 1957, the Victorian State Health Department had stepped in and ordered X-rays of workers in "dusty" industries — principally James Hardie's asbestos products factory at Brooklyn in western Melbourne. A report by Dr Gordon Thomas found that there were an alarming 539 cases of lung damage, and recommended "it is imperative that

conditions improve in the dusty trades”.

Andrew Reid’s son Sir John (Jock) Reid was chairman of Hardie at the time, and he read the report. However, a letter he wrote to the company’s British partners, Turner and Newell, conveys little sense of urgency and refers to “the supposed danger of asbestos dust”:

“We have always been conscious of the possible risks in our own works and have taken what steps we could to minimise any danger to men working in the vicinity,” he wrote. “The provision of masks and other protective methods fall down to a very large extent due to the refusal of the men to wear them ... we hope there is practically no risk of trouble.”

Devastating evidence of this lack of safety consciousness was given in one court case by Peter Russell, who was the company’s national safety officer in the early 1960s, and who testified that dust levels in the Camellia plant, where 600 people worked, were allowed to run at eight times the-then supposedly “safe” level. Asbestos particles had been detected three kilometres away, and workers in the personnel office 200 metres from the factory frequently telephoned to complain about “snowstorm conditions” in their offices.

Russell wrote, prophetically, to management in 1964 warning that asbestos was “one of the most dangerous of all industrial poisons” and that “the company could, in future, become a sitting duck for claims not only for ... asbestosis, but for cases of lung cancer and possibly heart conditions”.

These warnings, said Russell “were brushed off”. “It seemed to me that their only concern was covering their backside. The prime concern of James Hardie during this period was its bottom line.” Eventually, he resigned saying that “I could not live with my conscience any more”.

That attitude is borne out by a confidential memo from the Camellia factory manager, one A.D. Woodford, who wrote in 1966 of the need to protect sales against “ignorant fear of asbestosis”, warning that “already manufacturers of competitive products in the insulation field which do not contain asbestos are using the bogey of asbestosis as a factor to boost their own sales”.

Concerns were raised directly with John Reid by the company’s long-standing chief executive, Ted Heath, in the mid-1970s. Heath, according to his widow, Patricia, was sent on a study tour of the Johns Manville asbestos plant in Atlanta, Georgia, and commented to her “Oh God, it’s so clean. Their safety regulations are so stringent — they bury all their waste.”

Patricia Reid told me in an interview: “I think he came to the conclusion that there was no way you could make it a safe product. He told John Reid he would not stand up and tell the men it was a safe product.” Heath retired unexpectedly in 1978 at the age of 53 and was dead four years later of causes including pleural fibrous bony plaques — lung damage that can be caused by asbestos.

Throughout the 1970s evidence accumulated from around the world of the massive damage asbestos was causing to industry workers, consumers and innocent bystanders. By the end of the decade, 250 companies were being sued in the US, 100 new claims a month were pouring in, and Johns Manville — the world’s largest asbestos company, which was in partnership with James Hardie — alone had 5000 claims.

However, at James Hardie's head office there is no evidence the warnings were being taken sufficiently seriously. In 1974, the company's medical officer, Dr S.F. McCullagh, wrote indignantly to *The Medical Journal of Australia*: "The industry is well aware of the hazards of asbestos ... we should remember asbestos has saved more lives than it has claimed."

Output continued apace and profits boomed. In 1978, John Reid boasted: "Every time you walk into an office building, a home, a factory; every time you put your foot on the brake, ride in a train, see a bulldozer at work ... every time you do or see any of these things the chances are that a product from the James Hardie group of companies has a part in it."

What measures were taken to mitigate exposure to asbestos dust or warn of its dangers were too little, too late. At the 1979 annual meeting, Reid revealed that the company was negotiating a product warning with the Health Department — but insisted there was no cause for concern as "only" 100 workers had contracted asbestosis in the previous 15 years.

It was not until 1987, 21 years after John Reid read that article on mesothelioma, that the company finally stopped using the asbestos on which it had built its fortune — and whose safety and superiority it had vigorously promoted — for almost a century.

It had, in fact, been experimenting with other fibres for more than 40 years, but only now did it judge it worth the investment (an estimated \$3 million to convert the Camellia factory alone) to switch from deadly asbestos to the harmless timber pulp and plastic it puts in its products now.

Reid's reputation as a doyen of corporate Australia has not been dented by the Jackson inquiry — as well as James Hardie he had lengthy stints on blue-chip boards such as Qantas, Coles Myer and BHP, and raised money for worthy charities such as the Salvation Army and the Girl Guides.

A patron of the Australian Graduate School of Management, he was awarded the John Storey medal for "distinguished contribution to management" in 1985 and given an honorary fellowship this year, despite the public outrage then engulfing the company his family ran for most of the 20th century.

He declined an interview for this article, declaring through a spokeswoman that he was no longer connected with the company, although he remains a significant shareholder. Just how significant is impossible to tell, because his holdings are buried in trustee companies — in May *BRW* magazine estimated his holding at 25 million shares, which would make him the company's fifth-largest shareholder.

No one is suggesting that Reid is personally legally liable for the deaths and injuries suffered by his workers and customers during his tenure — although it is interesting to note that in France, Claude Chapin, the managing director of a defunct asbestos company, has been arraigned on criminal charges of poisoning, involuntary homicide and involuntary wounding of six of his workers who contracted asbestos disease.

It is also worth noting the evidence of Peter Russell relating to a management committee meeting in the early 1960s, at which his attempts to improve the safety of asbestos processing at Hardie's plants and to place product warnings on its materials were again rebuffed. "I raise(d) the point that we had a moral obligation not to give those other users a false impression that there was no problem with asbestos."

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