PLAINTIFF'S EXHIBIT
UC-5119

Legislative and State Activities

In the interests of time it will only be noted that the danger of "retroactive guilt by association" legislation seems to be greatly reduced. There has been sporadic state activity largely directed at asbestos-cement pipe in drinking water use. These do not presently appear to present anywhere near the threat we are facing from EPA and OSHA.

WHERE WILL THIS ROUND OF REGULATIONS STOP?

This is obviously the key question and it is equally obvious that no-one knows the answer. We can only balance factors and opinions and make a judgment.

It is quite clear, first of all, from the regulatory time tables that we are in for several more years of turmoil. This could be even longer if, as is likely, substantive legal challenges are undertaken.

When the industry became aware about nine months ago of the regulatory initiatives it faced, the conclusion was reached that we were up against a crusade where reason and facts were unlikely to prevail. It was highly likely that the courts were the only possible source of relief.

On this basis the AIA/NA hired the Washington law firm of Kirkland and Ellis as special counsel to coordinate and guide our actions with the Federal regulatory agencies. K&E has wide experience in this area and is the American Petroleum Institute's counsel in the OSHA benzene case. The AIA/NA membership has tripled their annual dues from $300,000 to about $1,000,000 to cover the added costs.(1) The AIA/NA is also optimistic that the Canadian mining companies generally are not members, will contribute $350,000 more to the effort.

The Executive Committee of the AIA/NA had a very serious discussion at their last meeting on the question of whether we were in a position such that we might

(1) UCC as a small mining and milling operation pays the minimum dues. This was increased from $2000 to $6000 per year.

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win the battle to obtain liveable regulations in the next several years but lose the war because there were no more customers left. (This may be the most critical problem in our own situation.) The decision was made, however, that the AIA/NA had no choice but to keep up the best fight it could to obtain reasonable regulations to protect the workers, the users of asbestos products, and the general public.

The other area of intagibles that needs to be weighed is the overall regulatory picture. Asbestos may be the bellwether but it is only a small part of the regulatory structure that is being developed.

There is clearly concern today in Congress, in a substantial share of the general public, and even in some unions, that the country is grossly over-regulated. This feeling has manifested itself in the recent Congressional action to limit the FTC authority, the Schweikert Bill to limit OSHA inspections, and a number of bills to allow Congressional veto of regulatory actions. There is also the impact of regulations on energy and inflation that is receiving wide publicity. Finally, even allowing for bureaucratic inertia, the upcoming election can have a significant impact on the regulatory climate.

KEY ASSUMPTIONS

Based on the foregoing facts and generalities, it is suggested that several revisions should be made in the key assumptions of May 1979 that were shown previously. It appears that it is important to include the time element in our considerations. It is suggested that we plan on a period of uncertainty regarding final regulations of 1-3 years followed by several more years to come into compliance. An assumption covering this should be added.

Concerning bans and substitutes, our products are largely in bound form so releases of asbestos are small. There are generally readily available substitutes, however. It seems doubtful that no bans or mandatory substitutions at all will result from the large scale regulatory actions in progress.

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Some moderate factor to account for this in our sales projection should be included.

The assumption of no significant impact from "retroactive" legislation still looks reasonable.

The OSHA conclusions were given earlier. A 0.5 fiber/cc TWA appears to be a realistic assumption. Promulgation will not be sooner than the first quarter of 1981 and effective date could be a year or more later.

The same reasoning used re widespread bans also applies to other regulations. The most likely changes appear to be a numerical ambient air standard and inclusion under the RECRA provisions. This, too, is probably one-two years away.

FOREIGN REGULATIONS

The foregoing discussion has been confined to the situation in the United States. Since about half of our asbestos is now sold overseas a brief comment on foreign regulatory matters is appropriate.

The situation regarding asbestos varies considerably from country to country. In general the adversary position between government and industry is much less extreme than in the U.S. and the public image of business is better. Public interest groups and the media are a significant factor, but do not appear to be as strong as they are in this country. There is also the impression that in the large, most advanced countries, the governmental authorities regard the approaches advocated in the U.S. as much too extreme.

The U.S. regulatory agencies have recently set up regular meetings and information exchange arrangements with their counterparts in the EEC countries. This will facilitate the proliferation of the U.S. approach and the general industry opinion is that Europe will tend to follow the U.S. Based on past observations it seems that the large, heavily industrialized countries such as

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The U.K., Germany, France, Italy, and possibly Japan may end up with more moderate regulations and the smaller, highly socialized countries such as Scandinavia, Holland, and Belgium may go the ban route. The main point is that regulatory matters in most of the countries where our foreign customers are located are moving more slowly and regulations may in a substantial number of cases end up to be less severe than those in the U.S.

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KEY ASSUMPTIONS - LEGISLATIVE AND REGULATORY IMPACTS ON THE ASBESTOS SPU

1. No widespread bans or mandatory substitutions.
2. No significant impact due to "retroactive" legislation.
3. OSHA TLV no more restrictive than 1 fiber/cc TWA.
4. Other regulations (EPA, CPSC, DOT, etc.) not significantly more stringent than now.

FIGURE 1

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