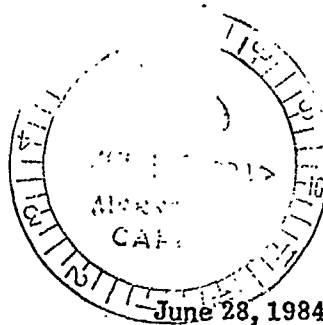


**A/C Pipe
Producers Association**

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H. P. Hart
Managing Director
Griqualand Exploration and Finance Company Limited
Everite House
De Kortestraat 20 De Korte Street
Braamfontein, Johannesburg 2000

Dear Pat:

This letter will confirm our telephone conversation of June 26, 1984 regarding the SAAPAC contribution and the basis on which it was given to and received by the A/C Pipe Producers Association. I was gratified by your reaffirmation of previous discussions and agreements.

Consistent with our conversations in Greece, my March 23, 1984 letter requesting transfer of the contribution, and Strategic Operational Program SOP-01-06 (OSHA-EPA Rulemakings), copy attached, the contribution will be used at the discretion of the AACPP's Board of Directors solely for the A/C pipe sector's defense against OSHA and EPA regulations and their adverse market impacts. These activities will include:

1. Participation in development of AIA/NA regulatory strategies for the OSHA and EPA rulemakings so that the interlocking interests of the crocidolite and A/C pipe industries are represented and safeguarded.
2. Obtaining cooperation of A/C pipe contractors and municipalities to submit written testimony and appear as witnesses in the OSHA proceedings, specifically to testify on the safety/practicality of recommended work practices for installing A/C pipe and on the adverse economic impacts of unreasonable regulations.
3. Assisting Kirkland & Ellis, AIA/NA special counsel, in preparing comments, testimony, analyses, etc. on health and economic/technical feasibility issues for OSHA and EPA rulemakings.
4. Monitoring and testifying in those portions of OSHA or EPA proceedings related to crocidolite and the manufacture and use of A/C pipe.



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5. Undertaking counterinitiatives to oppose an EPA proposed ban on A/C pipe, including
 - o Soliciting support of key municipal officials around the United States, i.e. asking them to intervene with EPA to oppose the ban. Work on this tactic is well-underway. The first phase was done by Staff; member company salesmen will now expand the effort to 150-225 utilities throughout the United States.
 - o At such time that a ban proposal is inevitable, undertaking a customer communications program to lessen the impact of the ban proposal. Staff envisions a direct mail campaign to advise customers that the A/C pipe industry will oppose the ban and remain in the market. Moreover, it is contemplated that this program would continue throughout the course of the rulemaking or litigation.
 - o These two tactics are already in progress and could not or would not be done under the aegis of AIA/NA. We also are considering having AACPP Staff appear at American Water Works Association sectional meetings in core market areas for the purpose of explaining industry's position on a proposed ban.

It is obvious that to the extent AACPP minimizes erosion of A/C pipe markets, our mutual interests are preserved. It would be of no value to prevail in the EPA proceedings or litigation if our customers have ceased to purchase A/C pipe. Hence, there is a need not only to strongly support Kirkland & Ellis' legal activities, but to augment them with market-specific counterinitiatives.

The contribution will be used to cover expenses of all the above activities including witness' expenses (as required), computerized mailing lists, preparation/printing of customer letters, postage, Staff time dedicated to these counterinitiatives, and such legal fees as AACPP may incur from use of Association or special counsel. The contribution will be used solely for affirmative efforts taken under SOP-01-06 (OSHA - EPA Rulemakings). No part will be used to defer Association operating expenses or any of the other four strategic operational programs.

Crocidolite Strategy

Enclosed is a memo from Kirkland & Ellis to the AIA/NA Executive Committee discussing whether there are advantages in advocating a fiber type distinction. They conclude that arguments for differential fiber standards "could prove unhelpful in



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achieving a higher PEL for all asbestos." At the May 21, 1984 Executive Committee meeting, at which AACPP Staff was present, it was decided that no mention would be made about fiber type distinctions in the OSHA proceedings. I have expressed concerns to Kirkland & Ellis that this approach alone may be inadequate — that OSHA may misconstrue AIA/NA's "no mention" strategy as conceding the issue as unimportant. This clearly is not the case for the A/C pipe industry, and this matter will be pressed further. After discussing the potential liabilities of the AIA/NA strategy, with AACPP's Chairman and counsel, it was agreed that A/C pipe industry witnesses will testify that a crocidolite ban should not be considered by OSHA because it is not economically feasible to replace crocidolite and would result in the industry's demise.

Also note the last sentence in the Kirkland & Ellis memorandum. Here, the possibility is raised that the "residual risks" in pipe production using crocidolite, i.e. the risks to workers remaining after the revised OSHA standards are in place, may well be judged unacceptable by EPA. Kirkland and Ellis was considering using crocidolite as a "throw away" card that is, dodging EPA's "residual risk" argument by considering the discontinuation (voluntary or otherwise) of crocidolite use. This theory, however, was advanced before EPA testified at the OSHA proceedings:

There is no convincing evidence of marked differences among amosite, crocidolite and chrysotile in their potential to produce pleural mesothelioma and lung cancer. Evidence of lower potential of peritoneal mesothelioma by chrysotile is suggestive, but inconclusive.

Consequently, as lung cancer and pleural mesothelioma constitute a large majority of asbestos produced cancers and since all commercial asbestos fibers appear to have equal potential in causing asbestosis, it is incumbent on OSHA to develop a uniform standard for all commercial asbestos fibers.

If EPA does not believe in fiber differentials then one must question whether K&E's approach will have any appeal, the A/C pipe sector's opposition notwithstanding. Kirkland & Ellis will be advised that the A/C pipe sector cannot support any further consideration of this strategy.

The OSHA proceedings started on June 19, 1984 with little fanfare. In opening remarks, Director of Health Standards, Leonard Vance, reaffirmed the Agency's disinterest in differential fiber standards. This position was reaffirmed in testimony submitted by Nicholson (Mt. Sinai), the U.S. Environmental Protection Agency, the National Institute for Occupational Safety and Health and the labor unions. Those in favor of differential fiber standards or a crocidolite ban include Dr. Hans Weill, Raymark Corporation, the Motor Vehicle Manufacturers Association and the Friction Products Manufacturer's Council. Please advise if you wish to receive copies of this testimony.



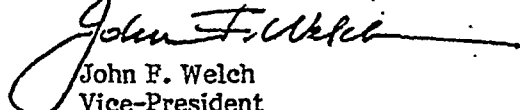
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Pat, thanks again for SAAPAC's strong, positive support of the A/C pipe industry. If you have questions about the status of the proceedings at any time or how the contribution is being being expended, please do not hesitate to call or write.

Very truly yours,

A/C PIPE PRODUCERS ASSOCIATION


John F. Welch
Vice-President

cc: A. H. Kahn, Esq.
Richard Wareham

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Chrono

Copies to: Executive Committee

L. Ambler
L. Taylor ✓
F. Layton