



*A Worker-owned Mine Shows
Bright Prospects*

VERMONT ASBESTOS GROUP

*By WILLIAM L. CLAIBORNE
Photographs by RICHARD HOWARD*

*CHARLOTTE
FOR OUR FILE*

**PLAINTIFF'S
EXHIBIT**

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WHEN THE New York-based GAF Corp. announced last year that it would shut down its \$5 million asbestos mill near Lowell, a pall of dejection hung over the Belvidere Mountain valley like the clouds of lime-rich dust do in the summertime when the big diesel ore trucks roar down the hillside on their run to the clattering and clanking rock crushing machines below.

Quarry foreman Romeo Myott remembers that the news hit like a sledgehammer blow, or "the kind of feeling you can only get by having 23 years of work go down the drain."

Others among the 280 GAF employees



*Company truck hauls rock from quarry
which will eventually be processed
into asbestos fiber.*

thought in more practical terms of where they could find work in a mountainous, undeveloped region of Northern Vermont where the unemployment rate already was over 15 per cent.

But maintenance supervisor John J. Lupien, a Quebec native and veteran of other mines that had either been played out or closed because of bankruptcy, began thinking in another direction entirely.

"I felt sorry for the boys and felt something had to be done," Lupien recalled.

Fifteen months later, Lupien and the mine's other workers, with the support of Vermont's Agency for Development and



Mine workers on lunch break, above, talk business; they're also stockholders. At right, dynamited rock is loaded into truck.

Community Affairs, raised \$2 million and took control of the plant, making it one of the largest employee-owned manufacturing companies in the country.

Now the mine is more profitable than ever before, and the new owners are talking about 20 years or more of successful operations.

What's more, the employees' management of the mine has neutralized a potentially problem-plagued union labor situation and has cut costs so much that embarrassed GAF conglomerate officials reportedly fired the executive who originally recommended the shutdown.

Seven members of the plant's labor union local, including two ranking union officers, sit on the board of directors of the new company, called the Vermont Asbestos Group Inc. Also, the popular maintenance supervisor, Lupien, is chairman of the firm's board, and all of the employees — from plant manager to plant janitor — are stockholders.

"I think we have a pretty stable labor situation," said board chairman Lupien, with some understatement, as he sat in his tool-cluttered office in the plant's truck garage and wiped motor oil from his hands.

Since negotiations for the takeover began, production in the mine has been maximum and costs have been declining so rapidly that the new management in its first months of operation barely had to touch the \$400,000 in working capital it borrowed with a U.S. Small Business Administration loan guarantee.

Equipment repair costs, in particular, have dropped dramatically as the mine workers began demonstrating a newfound respect with their own heavy machinery.

"They realize that we *all* own this equipment now. It's amazing how careful people can be when they want to," said Lupien. "We don't have much business experience, but we know what we're doing," he added.

The success story began on Jan. 31, 1974, when in a terse announcement GAF announced that it planned to close the plant rather than spend more than \$1 million to meet U.S. Environmental Protection Agency anti-pollution standards. The plant had been operating for 42 years, and GAF had controlled it for the last seven.

Lupien, who almost immediately began talking with workers about buying

the plant, soon found himself cast in an unfamiliar role.

"Here we had a bunch of men who have a helluva time dealing with thousands of dollars, and suddenly we're talking about millions," said Lupien, who conceded he was more comfortable himself with arranging three-year auto loans than dealing with Wall Street financial institutions.

With the help of the Vermont Development Agency, the employees group first obtained a one-year extension of the EPA deadline, to March 15, 1975.

"That was critical. This deal never would have gotten off the ground without it," recalled Donald Webster, secretary of the agency which funded a feasibility study that eventually led to the state guarantee of the huge VAG Inc. bank loans.

In the midst of the talks with the federal officials, which Webster recalled were not going well, the EPA inexplicably sent state officials a warning that the nation was running dangerously low on its supply of long, "hooker"-type asbestos

fibers, which are essential in the manufacture of chlorine.

The state officials, noting that Vermont is practically the sole producer of such fibers, threw the warning back at the federal agency, and the emissions deadline was extended soon afterward.

At the same time, Lupien began to abandon his truck garage duties and was flying to New York and Boston to talk with banking executives about a loan.

"We hit the brick wall many, many times. They didn't exactly laugh at us, but their answers were, in effect, a laugh at what we were trying to do," Lupien recalled. Eventually, a consortium of seven Boston and Vermont banks agreed to loan the purchase price and the deal headed toward a closing.

"Going to the banks and asking for millions of dollars was a new experience. I learned something about the way the bigshots operate," Lupien said.

He also learned a few things about setting up a corporation, issuing stock, establishing a corporate hierarchy and writing a prospectus.

Two thousand shares of stock totaling \$100,000 were sold to employees and their families, and a 15-member board of directors was named, including seven hourly wage earners, seven salaried employees and one outside businessman.

The directors include a steam shovel operator, a mechanic, a yard man, a warehouseman, two ore testers and a shift mechanic. The salaried employees on the board include the general manager, a purchasing agent, the mill superintendent, the quarry foreman, a development engineer and Lupien.

After screening a half-dozen applicants, Lupien hired as his general manager a Vermont accountant and businessman, Gerald Hammang, who subsequently became the firm's president.

The 280 shareholders are evenly distributed among the labor force, with most employees owning from six to ten \$50 certificates and none owning much more than 100. "It only took two weeks to sell the stock, which is pretty good when you consider that money doesn't grow on trees around here," Lupien said.

Early in the negotiating stages, Lupien said, it was decided to organize the company in the traditional corporate structure rather than try to establish a cooperative management.

"We decided you can't have all the stockholders making the day-to-day decisions. Somebody has to be boss, and that's okay, as long as we know who owns the company," he said.

The makeup of the company, Lupien

acknowledged, has created some corporate anomalies. In theory, Lupien, as board chairman, could fire president Hammang, and Hammang could fire maintenance supervisor Lupien.

"We don't worry about those things much. There's no conflict, and I like to stay close to the men on the job," said Lupien, who only infrequently strays into the administrative offices several hundred feet away from the truck garage.

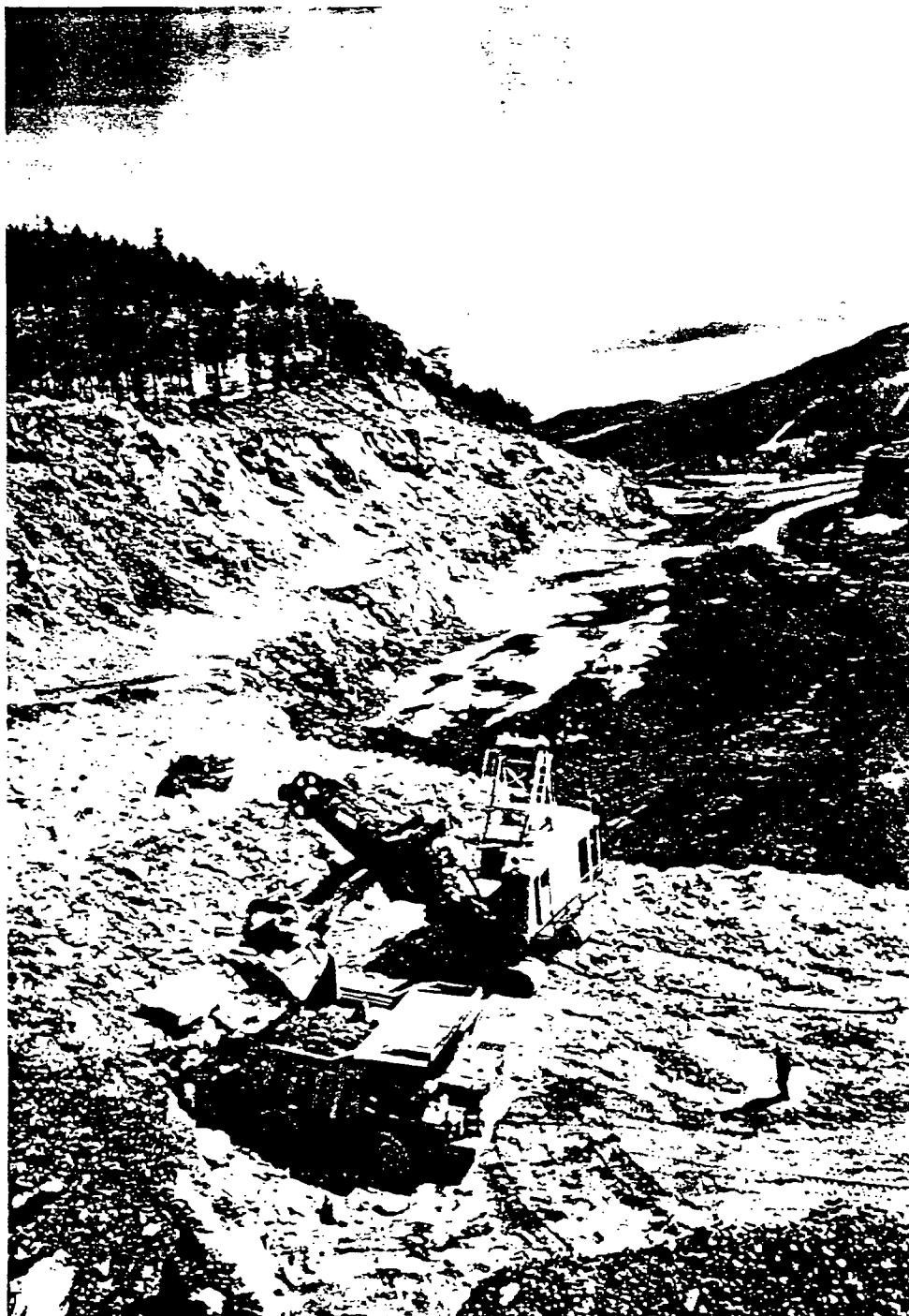
Hammang, too, is deferential, calling Lupien "the man who really is responsible for the mine still operating."

During a recent visit to VAG Inc. board chairman Lupien was seen over-

hauling a truck transmission, installing some high-voltage power lines in the maintenance garage and climbing into a pit to work on a heavy dump truck. He also kept track of the plant's overall production, which totals 40,000 tons of finished asbestos fibers a year, and monitored the firm's profit line.

VAG Inc. Lupien noted, has benefited from four recent price increases in asbestos in the Canadian market, its biggest competitor, and from a recent slump in Canadian asbestos workers.

With the danger of a strike at VAG Inc. almost non-existent, the company has found sympathetic customers pulling for





V.A.G. officers include John Lupien, Chairman of the Board (upper right), Larry Brown of the Board of Directors (upper left), shovel operator Henry Murphy, Board member Ed Domina (center) and quarry foreman Romeo Mucci (right).



its survival as an employee-owned enterprise.

"They really want to keep us in business. They're paying their bills faster than they normally would," said Lupien, adding that one big corporate customer deposited \$100,000 in a bank and told VAG Inc. to draw from the account as it shipped asbestos. Oddly, GAF Corp. has become one of the major customers of the company it sold out to the employees it had planned to lay off.

VAG Inc., according to company officials, has established a good relationship with the environmentalists, and is in the process of installing \$1 million worth of filtering and vacuuming equipment to meet federal standards.

"In 42 years, this plant has had 1,800 employees, but we've had only 17 workers come down with lung disease. We care about our people and want to make

it safe here, but we also know that the atmosphere in Vermont makes it safer for this kind of operation than other places in the world," Lupien said.

Despite projections by GAF that the mine could be exhausted of top quality asbestos in a few years, recent tests conducted by the new owners seem to promise a longer life for VAG Inc. Two open pit ore bodies assure that operations can continue for 12 years, Lupien said, and recent core samples have shown that underground veins are good for another ten years after that.

Commenting on the company's relations with the union, the United Cement, Lime and Gypsum Workers, Lupien thinks the worker-stockholders may decide to drop out of the international and form a local employees association.

"They" is "we" now. These guys bought a \$5 million mine for \$100,000,

and they know they have a pretty good deal going. They'll know how much they can afford to pay when the contract comes up," Lupien said.

He added, "We're proud of what we've put together. I'll admit it was a hard time, but I think we're going to have some good years here." Alfred Lupien said he has been asked to visit some troubled mines in Florida and New Jersey to explain to the employees how it was done in Lowell.

Quarry foreman Myott, however, said he wasn't sure the mine takeover could be repeated without the cooperative spirit found in rural Vermont.

"I know this kind of thing could never happen in New York, because people are too indifferent to each other. You have to live in this kind of job and care for each other's well being to know what I'm talking about," Myott said.

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