PLAINTIFF'S EXHIBIT

DOW-1703

HOLLOW GOVERNMENT

EPA's Budget Blues

Despite the rise of America's environmental consciousness and myriad new pollution laws in the past decade *(See "Clearing the Air," page 32)*, the Environmental Protection Agency's operating budget has remained "capped" for more than a decade, reports the General Accounting Office.

The operating budget, which covers all the agency's programs except sewage treatment plant construction grants and Superfund, has not increased in constant 1982 dollars from its fiscal 1979 level of $1.7 billion. EPA's operating budget declined to $1 billion in fiscal 1983 and returned in 1991 to $1.7 billion.

Yet during this same period, EPA has seen a tremendous expansion of its responsibilities, including new duties for hazardous waste treatment and transportation, underground storage tanks, asbestos cleanups and the regulation of drinking water contaminants.

"These numbers tell us that despite high public expectations and growing responsibilities, EPA continues to have no more resources to deal with environmental problems than it did 13 years ago," Richard L. Hembra, GAO's director of environmental protection issues, recently told the Senate Committee on Environment and Public Works.

In testimony on its 1992 budget request before the same committee, EPA Administrator William Reilly defended the agency's programs and noted that Administration proposals include a 7 percent increase over fiscal 1991 for operating programs. More than three-quarters of the increase would be earmarked for implementation of the Clean Air Act amendments passed by Congress last fall.

Nonetheless, GAO charges that increases in the air pollution program are made possible only by cuts elsewhere at EPA. Some $50 million is being cut from asbestos abatement loans and school district grants. Water pollution grants would be cut by $25 million. GAO also is worried about the impact that cutbacks in federal assistance to state and local governments will have on environmental protection.

GAO noted that the annual cost of compliance with environmental regulations, which will have risen from $90 billion in 1987 to $160 billion in the year 2000, will financially strap many communities, especially localities with populations of less than 2,500.

GOVERNMENT EXECUTIVE

MONTHLY

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Riklis faces an avalanche of asbestos liability claims

By HAL DAVIS

Meshulam Riklis the near-billionaire corporate takeover artist has been tripped up by the asbestos mess.

Riklis' wife, entertainer Pia Zadora, may be one of his few remaining assets, if a court ruling disclosed yesterday is upheld.

Facing an "avalanche" of asbestos liability claims, Riklis learned Rapid-American Corp. cannot call on the CNA Insurance Cos. to pay more that $100 in claims.

In a precedent-setting decision, a Manhattan Supreme Court judge held that the "pollution exclusion clause" in CNA's insurance policy applies to "the gradual release or discharge of asbestos contamination."

Justice Carol Huff said court cases that dealt with the discharge or leeching of toxic waste into a creek also applied to "the gradual discharge of asbestos dust and fibers spanning several decades."

If upheld on appeal the ruling could mean tens of thousands of workers made sick by asbestos could find themselves unable to collect compensation payments.

Rapid-American lawyer Stephen Marshall had told the judge that, without CNA's coverage, "Rapid will not be able to survive the growing avalanche of asbestos cases asserted against it."

In a March 21 letter to Huff, Marshall said Rapid had 93 asbestos cases pending with the number "increasing every week."

CNA charged Riklis "fabricated" Rapid's "poverty" as a "ruse" by shifting its assets in a "shell game."

CNA lawyer Charles Booth said Riklis, "a notorious corporate adventurer...has made his fortune shuffling assets from company to company in labyrinthine deals that can rarely be traced."

Booth alleged in court papers that Riklis moved $1.6 billion from Rapid-American leaving "a virtually empty corporate shell."

Marshall called the charges "false scurrilous allegations."

Citing a 10-K form dated January 31, 1988, Marshall said Rapid had assets of "less than half" the $1.6 billion, had liabilities exceeding $900 million and a "stockholder deficiency" a negative net worth of $157.4 million.

"The business ethics of Riklis are not on trial," Huff wrote in her eight-page decision.

Riklis' problems stem from the late 1960s when a company he later bought had briefly acquired, then sold the Philip Carey Manufacturing Corp., an asbestos maker.

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Arkansas Wants To End Unnecessary Removal

An Arkansas legislator hopes a proposed bill will end indiscriminate asbestos removal.

The bill sets a maximum allowable level of asbestos for public access areas in any building in Arkansas.

Those affected would have to be informed of the severity of the asbestos risk and protected from removal actions.

The proposed bill would also require asbestos contamination consultants to disclose any financial interest in the companies performing any removal works.

Those who violate the bill could be charged with a class A misdemeanor.

FROM: ENVIRONMENTAL CONTRACTOR

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Tenneco Automotive Brake, has dedicated its new Cartersville, GA, plant solely to the production of non-asbestos brake friction material. With an estimated annual growth rate of 24%, due in part to a government ban on asbestos material, non-asbestos brake products represent the "fastest growing segment of the automotive parts market," according to Tenneco. TA Brake is a non-asbestos brake manufacturer, supplying brake co-manufacturers and rebuilders. Brake-Pro continues as the aftermarket brake division of Tenneco Automotive.

AUTOMOTIVE MARKETING

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