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PLAINTIFF'S EXHIBIT
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SHIPBUILDERS COUNCIL OF AMERICA

Ad Hoc Committee on Asbestos
Minutes

The Ad Hoc Committee on Asbestos held its first meeting on August 8, 1978 at the offices of the Shipbuilders Council of America in Washington, DC. Present were:

David R. Lavalette, Chairman	General Dynamics Corp.
Ann Aya	Sun Shipbuilding & Drydock Co.
Frank R. Darling	National Steel & Shipbuilding Co.
Terry G. Daughdrill	Litton/Ingalls Shipbuilding
Russell Guy	Bethlehem Steel Corp.
Edwin M. Hood	Shipbuilders Council of America
Frank R. Kesterman	Shipbuilders Council of America
Charles Klein	Tenneco/Newport News Shipbuilding
Donald Massengale	Litton/Ingalls Shipbuilding
Norman Portnoy	Todd Shipyards Corp.
Harold Strong	Alabama Drydock & Shipbuilding Co.
Daniel Whichard	Litton/Ingalls Shipbuilding

Guests

U.S. Navy Representatives

Carl H. Horst, CDR JAGC-OJAG
Bernard C. Stapor
Marvin P. Nerseth, CDR JAGC-OJAC
Jerry E. Schultz
M. J. Cifrino

GENERAL DISCUSSION

The Chairman lead a roundtable discussion on the numerous inter-related subjects associated with defining, controlling and compensating asbestos related diseases. It was the sense of the Committee that this information exchange should continue in the Ad Hoc Committee and in the Industrial Health and Safety, Workers' Compensation and Industrial Relations Committees where appropriate.

ESTABLISHING ESTIMATES OF POTENTIAL LIABILITY

The Committee agreed to concentrate its initial efforts on defining the industry's potential liabilities from asbestos related claims and possible alternatives for limiting those liabilities. Accordingly, a questionnaire was developed to generate rough estimates of shipyard employment for the period 1941-present. Once the employment data has been compiled, the Committee will select a range of incidence rates for asbestos related diseases, and estimated benefits which could be paid under the Longshoremen's and Harbor Workers' Compensation Act. Using the data above and assumptions on the life expectancy of the workforce, hypothetical liability figures are to

derived. Once this data is in hand, the Committee intends to prepare a report for the purpose of briefing management on the scope of the asbestos liability problem.

INFORMATION EXCHANGE WITH THE NAVY

The Department of the Navy has stimulated and attracted wide spread publicity on asbestos exposure. In part, this may be attributed to the April 26, 1978 Statement of Secretary Joseph Califano, Department of Health, Education and Welfare. In that statement Secretary Califano states "I have spoken with the Secretary of Defense Harold Brown, and he has directed the Department of Defense personnel to work with us in taking appropriate steps to inform former military and Federal civilian workers in Naval Shipyards."

In connection with U.S. Navy representatives attending the meeting of the Ad Hoc Committee on Asbestos, it was learned that the Office of Workers Compensation Programs, Department of Labor is presently processing 400-600 asbestos claims from present and former employees of Naval shipyards. Benefits paid to Naval shipyard employees on claims under the Federal Employees Compensation Act are reimbursed from the NAVSEA budget. Hence, there should be some incentive to hold down the number of claims filed.

It was agreed that exchange of information was valuable and should continue in the future.

ASBESTOS INFORMATION

Mr. Kesterman provided the group with samples of booklets, papers and newsletters obtained from the Asbestos Information Association. The Committee recommended that the Council subscribe to the monthly newsletter of the Asbestos Information Association at the cost of $48/year.

NEXT MEETING

The next meeting will be scheduled after the attached employment questionnaires are returned to the Council. Note these questionnaires are being sent out under separate cover to the presidents of the member companies.

Frank Kesterman

Frank R. Kesterman
Vice President and
Secretary

SUMMARY RESULTS
ALLEGED ASBESTOS RELATED DISEASE QUESTIONNAIRE

A. EMPLOYMENT (1)

Years	Tot. Avg. No. Employees on Payroll (as of Dec. 31)	Tot. Avg. Employed Annually (Including turnover) (2)	Estimated Total Different Employees (3)
1941 - 1945	440,200	704,300	1,760,800
1946 - 1950	80,000	128,000	320,000
1951 - 1960	81,000	129,600	567,000
1961 - 1970	104,000	166,400	728,000
1971 - 1975	146,000	233,600	584,000
		GRAND TOTAL	4,563,800

B. WORKERS' COMPENSATION CLAIMS

Period of Filing	No. Claims Filed for Alleged Asbestos Related Diseases
1960 - 1965	5
1966 - 1970	10
1971 - 1975	159
1976 - 1978	294

C. THIRD PARTY AND LIABILITY ACTIONS (4)

Period of Filing	No. of Actions
1960 - 1965	0
1966 - 1970	3
1971 - 1975	5
1976 - 1978	125

(1) Insufficient data was reported regarding approximate average age of workforce.

(2) Turnover rates assumed to be 60%/yr. or column 1 X 160%

(3) Column 1 payroll at start of each period plus 60%/yr. x yrs. in period

(4) This includes actions brought by or on behalf of members of employees family and other actions such as enjoinment by asbestos producers and/or suppliers regardless of merit or result.

ASBESTOS SURVEY - REPORTING COMPANIES

ALABAMA

AVONDALE

BATH

BETHLEHEM (ALL)

GENERAL DYNAMICS (ELECTRIC BOAT)

GENERAL DYNAMICS (QUINCY)

JACKSONVILLE

LITTON-INGALLS

NASSCO

NEWPORT NEWS

NORFOLK

ROHR

SEATRAIN

SUN

TODD (ALL)

PLEASE RETURN COMMENTS TO KESTERMAN BY DECEMBER 4th.

SHIPBUILDERS COUNCIL OF AMERICA

Ad Hoc Committee on Asbestos
Draft Report to the Board of Directors

The Ad Hoc Committee on Asbestos has reviewed the facts associated with the asbestos claim potential and has reached certain conclusions as follows:

1. The number of workers compensation claims and third party litigation actions is increasing exponentially as can be seen from the results of the SCA asbestos questionnaire attached. The potential liability for workers compensation alone is in the $billions. For example it has been estimated that for claims where the last exposure occurred before the 1972 amendments to the Longshoremen's and Harbor Workers' Act, the claim value will probably be under $100,000 per claim. However, where exposure last occurred after the 1972 amendments, the value of a claim will probably be in the range of $250,000-$750,000 including escalation and litigation costs. Even the most conservative assumptions made about claim experience in the future will produce a figure which could be potentially ruinous for the industry. This is particularly true since Federal Government advisory initiatives are likely to result in claims being filed by or on behalf of a substantial portion of all respiratory disease and cancer victims who ever worked in a shipyard. Given the liberal presumptions under the LHWCA successful defense of unwarrented claims is exceedingly difficult.

2. It is clear that the shipbuilding/ship repair industry could not have known of the alleged correlation between asbestos exposure and cancer until the 1960's or later. In fact, the U.S. Government required asbestos to be used, provided specifications and maintained responsibility for public health standards. Therefore, the Government is the ultimate "responsible party", even more responsible than asbestos manufacturers. The Committee believes that the case for Government responsibility should be documented for possible use in litigation, and to convince the Government that it should support some type of indemnification of shipyards or victims. There is added merit in this concept to provide legal recourse for former employees of the many shipyards that have gone out of business. After proper preparation, it is recommended that meetings be held with the Department of Defense, Department of Labor and the Maritime Administration to gain their support for this approach.

3. The indemnification sought could be in the form of "white lung" legislation or a National Toxic Substances Indemnification bill. The Committee recommends that, the Council pursue Toxic Substances Indemnification legislation because of the likelihood of additional substances being related to occupational diseases and growing to epidemic proportions. In addition to asbestos, shipyards must be prepared to deal with welding fumes, lead fumes, silica dust and a host of other toxic or carcinogenic substances. The mechanics of such a legislative remedy have not been thought out. The proposed legislation would have to have sufficient safeguards on presumption of casual relationship, mal-administration, and offsets to workers compensation and social security programs. The source of funds would be the U.S. Treasury and most likely a general tax on industry.