

## G-P chief: Asbestos deal would be 'earthshaking'

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A plan to end all asbestos litigation in the United States would eliminate the "single biggest" problem at Georgia-Pacific, Chairman and Chief Executive Pete Correll said Thursday.

"It would be earthshaking for Georgia-Pacific," he said in an interview. "We would be partying in the street."

The plan would create a national, privately funded trust to pay people with asbestos-related diseases. If it becomes reality, Georgia-Pacific, a \$23 billion forest products company, "could get on with our lives," Correll said.

In Thursday's editions, The New York Times said businesses, unions and key U.S. senators had reached an agreement in principle to end asbestos lawsuits. Under the plan, asbestos victims would be paid more than \$100 billion from a privately financed trust over the next three decades.

The trust would have to be approved by Congress and President Bush. Correll confirmed that Georgia-Pacific has been "actively involved" in the discussions leading to the agreement.

Though some skepticism surfaced Thursday, Correll said he expects the settlement, or a similar plan, to happen because of the strength of the coalition, which includes Sen. Orrin Hatch (R-Utah).

Asbestos exposure has dogged the forest products company for several years. As of Dec. 28, Georgia-Pacific settled, had dismissed or was in the process of settling about 269,700 asbestos claims, according to its annual report. It currently is facing about 66,700 cases.

The company has set aside \$665 million to pay asbestos-related costs and claims through 2012. Georgia-Pacific's reserve, though, has not placated Wall Street, which believes its financial exposure to be much higher.

As a result, Georgia-Pacific's stock price has remained stuck in the low teens. If the settlement ultimately is approved, Georgia-Pacific stock quickly would jump into the \$20 range or higher, said Chip Dillon, an analyst at Salomon Smith Barney. "The market hates uncertainty and loves certainty," he said.

The potential impact of the proposed settlement quickly became evident. Georgia-Pacific stock rose nearly 5 percent, closing Thursday at \$15.36, up 71 cents.

The asbestos claims stem primarily from building products manufactured by Bestwall Gypsum Co., which Georgia-Pacific acquired in 1965, and from Georgia-Pacific's own gypsum business. The company discontinued the use of asbestos in the products in 1977.

Correll said when he took over as Georgia-Pacific's CEO in 1993, asbestos was not a pressing concern. "We regarded it as a non-issue," he said.

That changed when the "big players" in the asbestos arena went bankrupt and attorneys began targeting other companies such as Georgia-Pacific that sold joint compounds that contained the carcinogen.

"We ended up as a standing, deep-pocket target," Correll said. "It has certainly been penalizing our shareholders and our bondholders significantly and had an impact on the morale of the company."

Correll estimated that 60 percent of the money that Georgia-Pacific pays to settle asbestos claims goes to lawyers and 20 percent to people who are not sick. "This is a terribly broken system that needs to be fixed," he said