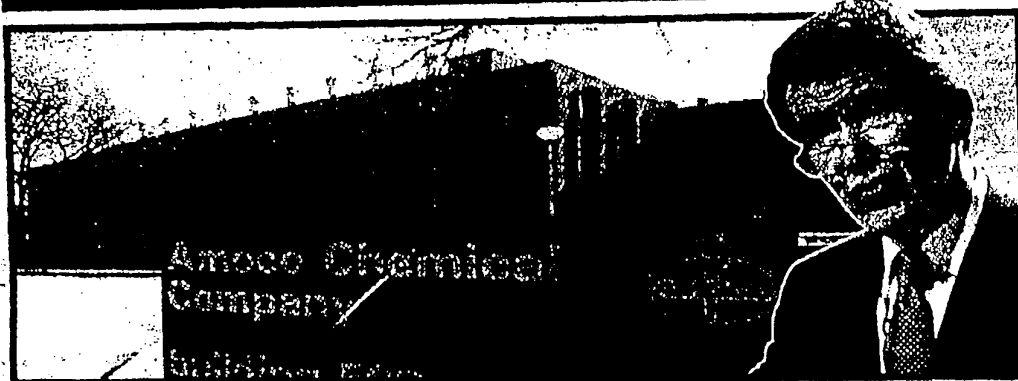


FINANCIAL MAIL

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THE COMPANY CAR OR THE CA



Sir John Browne may face a legal battle after cases of cancer were diagnosed at Amoco's Naperville research centre

Cancer timebomb threat in BP deal

By William Lowther and Simon Frensky

US legal actions 'may cost oil giant billions'

OIL giant BP did not tell shareholders about a potential multi-billion pound legal liability when it merged with Amoco last August.

It left them in the dark about an outbreak of rare brain tumours at Amoco's Naperville chemical research centre near Chicago.

About 8,000 people who worked at the site in the Seventies and Eighties have been screened and about 20 cases of cancer identified, including seven of an extremely rare form of brain cancer called glioma.

The incidence is eight times higher than in the general population, and 10 legal actions have already been filed.

BP says it did not disclose details in the merger documents after deciding that the financial liabilities looked insignificant against the value of the £67 billion deal.

But Grant Dixon, an Illinois lawyer representing the 10 people claiming damages from BP Amoco, said that there is a direct

parallel to lung cancer and asbestosis cases that have created massive liabilities for US firms.

Dixon added: 'It would be conservative to say that BP Amoco is looking at hundreds of millions of dollars in compensation and damages. It could go into billions. This is a very big deal.'

By the time of last year's approach from BP, Amoco had invested millions of pounds in investigating the situation at the Naperville research centre.

It soaked off a laboratory identified as a common factor in a number of cases and built models of the site to look at airflows. It also drilled boreholes to test the ground and even used dummies with nose and mouth sensors to test vapour.

A report is due this month after a two-year investigation by researchers from John Hopkins University in Baltimore, Maryland, and the University of

Alabama at Birmingham. The Naperville centre has earned Amoco billions of dollars with developments that include the raw material for making polyester, oil additives and plastics used in car lights.

Jim Lowry, head of the BP Amoco taskforce investigating the brain tumours, said: 'We have a very unusual pattern of brain cancer here.'

BP agreed that it was told of the situation at Naperville during merger talks. But a spokesman said that investigations had not found an explanation for the deaths and illnesses. 'We are awaiting the outcome of the Alabama and John Hopkins' studies,' he said.

The spokesman added that if the company was found liable for the illnesses it would compensate victims or their families.

'Our lawyers took the view it was not likely to be significant in

terms of the merger — it is a judgment call.

'Amoco did not make any separate financial provision for such a possibility nor has the merged group.

'It is quite common to have lots of legal cases and not mention all of them.'

Last week, the 10 cases already filed against BP Amoco were combined to be heard by a single judge — a vital step on the way to preparing a class action such as those filed against tobacco companies or in the case of asbestosis.

BP is also threatened by possible legal action from alleged victims of Amoco refinery pollution in the towns of Independence and Sugar Creek, Missouri.

A study issued last month by the Missouri Department of Health found 15 cases of brain cancer in areas allegedly affected by the refinery — more than double the number expected. Again, class action suits are threatened.

But BP's merger document reveals only that BP faces cases from the Exxon Valdez oil disaster and that Amoco is in a legal battle with US tax authorities. It

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BP's legal timebomb

adds: 'Not so far as the directors are aware, are any proceedings pending or threatened which may have a significant effect on BP's financial position.'

City lawyer Tina Stocks of Taylor Joynson Garrett said that the omission laid BP directors, including chairman Sir John Browne, open to 'possible criminal and civil liabilities'.

He said: 'If I was handling this, my instinct would be to disclose. Even if the company was insured, I would have set out the liability.'

A US law professor who asked not to be named said the cancer victims might have problems proving liability. 'There are examples of cancers appearing in clusters without explanation. Because of the uncertainty, claims will probably be settled out of court for substantial, but not crippling damages.'

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