

CHEMICAL MANUFACTURERS ASSOCIATION

EXECUTIVE COMMITTEE MEETING

Monday, September 12, 1988

12:00 p.m. Luncheon -- Courtyard

1:30 p.m. Meeting -- Pavilion 4 Room

The Ritz Carlton

Laguna Niguel, California

AGENDA

TAB

- | | | |
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| 1:30 p.m. | 1. Call to Order and Approval of Minutes
of June 8, 1988 Meeting -- Chairman Kennedy | 24 |
| 1:30-1:45 | 2. Association Activities | |
| | a. Treasurer's Report -- Gary C. Herrman | 1 |
| | b. Committee Appointments -- Charles W. Van Vlack | 25 |
| | c. President's Report -- Robert A. Roland | |
| | o Proposed Distribution Committee Charter --
Phillip R. Griffiths, Exxon Chemical Americas,
Chairman, Distribution Committee | 26 |
| | o Other Issues | |
| 1:45-2:15 | 3. Discussion (if needed) on Board Agenda Items
Not Otherwise Scheduled for Executive Committee
Action: | |
| | o Title III | |
| | o Chemical Warfare | |
| | o Federal Legislative Issues | |
| | o State Legislative Issues | |
| | o Ad Hoc Board Committee Activities | |
| | o Advocacy Committee -- Earle H. Harbison, Jr. | |
| 2:15-3:15 | 4. Proposed Policies | |
| | a. Oil Exploration in the Alaskan National Wildlife
Refuge -- R. David Damron, Hoechst Celanese
Corporation, Chairman, Energy Committee | 22 |
| | b. Process Safety Management Policy -- Gary A. Sunshine | 23 |
| | c. Above Ground Storage Tanks -- Charles T. Seay, Exxon
Chemical Americas, Chairman, Environmental Management
Committee | 19 |
| | d. Waste Minimization Awards Program -- Charles T. Seay | 20 |
| | e. International Trade -- Mark Blass, Air Products
and Chemicals Inc., Chairman, International Trade
Committee | 21 |
| | o Preshipment Notification | |
| | o Multilateral Trade Negotiations | |

CMA 066121

3:15-3:40	6. Title III Release Reduction Program Concept -- Robert C. Forney	
3:40-4:00	7. Proposed Dues Structure Changes -- Robert D. Cadieux	
	o Definition of Chemical Sales	15
	o Maximum Category/Fee Schedule Structure	16
4:00-4:20	8. Proposed Epidemiology Resource and Information Center (ERIC) -- J. Lawrence Wilson, Chairman, Health Effects Committee	18
4:20-5:00	9. Proposed Responsible Care Initiative -- Paul F. Oreffice, Chairman, Public Perception Committee	17
5:00	10. New Business	
5:00	11. Adjourn	

CHEMICAL MANUFACTURERS ASSOCIATION

EXECUTIVE COMMITTEE MEETING

Monday, September 12, 1988

1:30 p.m. Meeting - The Ritz Carlton
Laguna Niguel, California

1. The meeting was called to order at 1:30 p.m. by Chairman Kennedy.
There were present:

Members:	Robert D. Kennedy, Chairman	
	Robert D. Cadieux	H. Eugene McBrayer
	Robert W. Davis	Frank P. Popoff
	Robert C. Forney	Davis B. Richardson
	Bruce C. Gottwald	Robert A. Roland
	Earle H. Harbison, Jr.	J. Lawrence Wilson

David S. Hollingsworth

Secretary: Charles W. Van Vlack
Treasurer: Gary C. Herrman
General Counsel: David F. Zoll

By Invitation: David L. Baird, Jr., Exxon Chemical Company
Mark Blass, Air Products and Chemicals, Inc.
David S.J. Brown, Monsanto Company
Will Carpenter, Monsanto Company
Geraldine V. Cox, CMA
R. David Dameron, Hoechst Celanese Corporation
Clyde H. Greenert, Union Carbide Corporation
Philip R. Griffiths, Exxon America Company
Jon C. Holtzman, CMA
Geoffrey B. Hurwitz, Rohm and Haas Company
Don Kirtley, Hercules Incorporated
Paul F. Orefice, The Dow Chemical Company
Michael A. Pierle, Monsanto Company
Vernon R. Rice, E. I. du Pont de Nemours & Co.
Charles T. Seay, Exxon Chemical Americas
William M. Stover, CMA
Gary A. Sunshine, ICI Americas, Inc.
Ben Woodhouse, The Dow Chemical Company

2. Minutes of Last Meeting The minutes of the June 8, 1988 meeting were approved as distributed.

3. Treasurer's Report Mr. Herrman reported that through the two months ending July 31, the Association had received revenue of \$15,696,800 and had incurred expenses of \$2,058,900. He further reported that due to the success of the membership drive, he anticipated revenues exceeding the amended budget projections by \$400,000 to \$500,000.

4. Committee Appointment Mr. Van Vlack presented the proposed appointment of Mr. Joseph Gatto of the American Cyanamid

Company to the Distribution Committee for a term ending May 31, 1991, replacing Mr. Howard E. DeVoid of the same company. This was approved.

5. President's Report

a. Distribution Committee Charter Mr. Griffiths presented a proposal to revise and update the Distribution Committee's charter, reflecting its advocacy role and its other proactive activities. This was approved as set forth in Exhibit A.

b. President's Comments Mr. Roland reported on the following two items: The proposed development by the Health and Safety Committee of a performance standard for MSDSs; and the current status of the Ruckelshaus-Walker Superfund reauthorization research project and a related, EPA sponsored project being managed by the Conservation Foundation.

6. Board Agenda Items Mr. Seay indicated that with respect to Title III activities in the coming year, the Environmental Management Committee may request additional funds from the Executive Committee for developing the capability to access and analyze EPA's Section 313 release data.

7. Advocacy Committee: State Report Mr. Harbison presented an overview of the Advocacy Committee's recommendations for state advocacy improvements. Mr. Davis, who chaired the committee's State Task Group which developed the report, provided further details of the recommendations and the need to act in the near future. Following the reports, there was considerable discussion of the recommendations which had been reviewed and recommended by the Advocacy Committee the previous day. The Executive Committee agreed to the following:

- o Mr. Davis would make a preliminary presentation of the report's recommendations at the Board meeting the following day.
- o The recommendations would be placed on the agenda for the October Executive Committee and Board meetings.
- o The final recommendations would be mailed to the full Board within several weeks.
- o The Officers would review the recommendations at their October meeting.

8. Proposed Policies and Programs

a. Alaskan National Wildlife Refuge (ANWR) Exploration Mr. Damron presented a proposed policy on energy exploration and development in the ANWR. The proposed policy (Exhibit B) was approved for presentation to the Board.

b. Process Safety Management Mr. Sunshine presented a proposed policy on process safety management. The proposed policy (Exhibit C) was approved for presentation to the Board.

c. Above Ground Storage Tanks Mr. Seay presented a proposed policy on above ground storage tanks. The proposed policy (Exhibit D) was approved for presentation to the Board.

d. Waste Minimization Awards Program Action on the waste minimization awards program was deferred pending the resolution of the Responsible Care and Title III release reduction programs.

9. Title III Release Reduction Program Concepts Dr. Forney led a further discussion of a possible Association program for Title III release reduction. Concepts discussed and observations made included:

- o Set goal of overall reduction, but not a percentage per company per year.
- o Focus on health impacts, not raw data.
- o Good example of cooperative reduction efforts by Houston ship channel companies.
- o Potential for inclusion in Responsible Care Management Practice Codes.
- o Importance of two dates in 1989: availability of computerized data on releases in the spring; and the July 1989 deadline for reporting 1988 data which will be compared with 1987.

It was agreed to continue this discussion at the following day's Board meeting.

10. Dues Structure Changes Messrs. Cadieux and Rice presented the following two proposals for consideration. Information on the proposals and their review by the membership are set forth in Exhibit E-1.

a. Definition of Chemical Sales The revised Definition of Chemical Sales as set forth in Exhibit E-2 was approved for presentation to the Board.

b. Fee Schedule The Executive Committee approved for presentation to the Board the following guidance to the Finance Committee as specifically set forth in Exhibit E-3:

- o The change in the Definition of Chemical Sales does not by itself necessitate any adjustments to the fee schedule.
- o Those companies whose sales are impacted 20% or more by the definition change should be entitled to a phase in period of two (20-30% impact) or three years (more than

30% impact).

- o There should be an upward adjustment of the maximum fee for 1989/90 such that the maximum represents 3.1% of the 1988/89 fees and subsequent annual increases should be made to reflect the proportional increases experienced by those members not at the maximum.

11. Nominating Committee

Dr. Forney commented on the Nominating Committee's intentions for its 1989/90 Executive Committee membership selection process. He indicated that it was the Nominating Committee's belief that: the Executive Committee should remain at no more than 14-15 members; not more than half of those members should be maximum dues payers; maximum dues payers should continue by custom to be continuously represented on the Board but not the Executive Committee; and those maximum dues payers may expect Executive Committee membership in years two and three on the Board, but not in the first year the individual Director serves on the Board.

12. Epidemiology Resource and Information Center

Mr. Wilson presented the Health Effects Committee's proposal to establish on a one year pilot basis an Epidemiology Resource and Information Center (ERIC). During the discussion, it was stressed that ERIC had two principal objectives during its pilot phase: (1) the development of a common protocol for epidemiology studies; and (2) to determine whether ERIC will be able to encourage and support the development or expansion of epidemiology programs or studies in companies which are currently not engaged in these activities to any significant degree. The proposed center as set forth in Exhibit F was approved for presentation to the Board with the recommendation that the search for the ERIC project director begin immediately even though the target start up date for the project is June, 1989.

13. Responsible Care Initiative

Mr. Greffice presented the Public Perception Committee's proposal for the Association to adopt the Responsible Care initiative. He reported on the regional executive contact meetings held during the summer, and the outreach efforts to all member companies to seek their comments and suggestions. Mr. Zoll reported that he and outside counsel had reviewed the proposal and the potential areas where liability might be a concern and that they agreed that it was their opinion that the legal issues were manageable and should not inhibit a decision by the Association to proceed with the initiative. Following discussion and some minor changes to the material included in the meeting book, the proposed Responsible Care initiative (including a \$250,000 1988/89 budget with three staff as set forth in Exhibit G) was approved for presentation to the Board.

14. International Trade

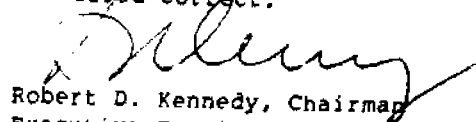
Mr. Blass presented proposed policies on the following two issues: Prashipment Inspection; and Multilateral Trade Negotiations. Both proposals as set forth in Exhibit H and I were approved for presentation to the Board. He also reported that the Ethyl Corporation has agreed to provide the services of Mr. Max Turnipseed, former chairman of CMA's International Trade Committee, to the Association on a full time basis to serve as a special advisor on GATT matters for the next two years during the Uruguay Round of negotiations.

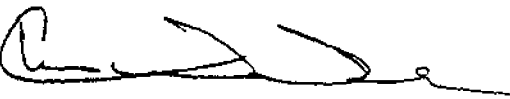
15. Loaned Executives

The Executive Committee requested written job descriptions for the loaned executives requested for the Responsible Care and UNEP projects.

The meeting adjourned at 4:20 p.m.

Certified correct:


Robert D. Kennedy, Chairman
Executive Committee



Charles W. Van Vlack
Vice President-Secretary

Exhibit A

CMA DISTRIBUTION COMMITTEE

PROPOSED CHARTER

Purpose: Under the policies established by the Board of Directors and within the authority specified by the Executive Committee, the Committee oversees Association programs to insure safe and efficient distribution of chemicals and to promote effective emergency response. In doing so, the Committee will:

- o identify key issues and focus efforts on matters of greatest significance to the chemical manufacturing industry;
- o establish specific objectives on key issues and mobilize resources to produce timely results;
- o develop and recommend to the Executive Committee policies and positions on legislative, regulatory and technical questions;
- o advocate effective and reasonable legislation on the distribution of chemicals;
- o advise the Executive Committee on Association staffing and resources required by the Committee to achieve its objectives;
- o help member companies understand the major trends, developments, key issues, and Association actions in the distribution area;
- o develop public awareness of chemical manufacturing industry contributions to the safe distribution of chemicals;
- o sponsor joint initiatives with other organizations to continue to improve the safe distribution of chemicals; and
- o promote member participation in CMA initiatives.

CMA

EC - 9/12/88

CMA 066128

EXPLORATION AND DEVELOPMENT
OF THE
ARCTIC NATIONAL WILDLIFE REFUGE (ANWR)

BACKGROUND AND STATUS:

In 1987, the Interior Department recommended that the Congress open up 1.5 million acres of the 19 million acre Arctic National Wildlife Refuge (ANWR) for oil and gas exploration and development. ANWR is located approximately 65 miles east of the Prudhoe Bay oil field, which currently accounts for about 20 percent of U.S. domestic oil production. The reserve potential within ANWR is estimated to be equally significant, ranging from 600 million barrels to 9 billion barrels of recoverable reserves.

During the past year, Congress has addressed several legislative proposals that would permit leasing for exploration and development in ANWR. Bills to permit conditioned leasing were reported out of Committees in the Senate and House, although no floor action has been taken. Anti-leasing bills were also introduced, but have not been taken up in Committee. The issue of ANWR exploration and development will carry over into the energy security debate anticipated in the next Congress.

ISSUE:

The U.S. chemical industry is heavily dependent on petroleum-based products for both feedstock and fuel -- seventy-five percent of the industry's energy use is based on derivatives of crude oil and natural gas. Diversified supplies of petroleum products at world competitive cost are therefore of paramount importance to the viability of the chemical industry. For this reason, CMA has strongly opposed oil import fees or quotas which put energy-intensive U.S. industries at a competitive disadvantage in world markets. For this same reason, economically and environmentally sound policies that encourage development of domestic energy supplies are of significant interest to the chemical industry.

The continuing decline of U.S. crude oil reserves and production is of particular concern to energy-intensive industries. The potential resources from undiscovered fields, such as ANWR, present the only realistic opportunity to retard significantly this decline. Development of ANWR is essential to further diversify energy and feedstock supplies at competitive costs, and is in the best interests of consumers, energy-intensive industries, and the Nation's economy.

The chemical industry is increasingly vulnerable to policy proposals that purport to improve U.S. energy security. Several options being discussed would disadvantage all of U.S. manufacturing and would particularly threaten the economic viability of the U.S. chemical industry including oil import fees, import quotas, an oil price floor and mandated diversions of oil imports to the Strategic Petroleum Reserve. While continuing its strong opposition to such measures, the chemical industry must also try to shift public attention toward actions that would enhance U.S. energy security without having a detrimental

impact on the competitiveness of energy-intensive industries or the U.S. manufacturing base.

RECOMMENDATION:

CMA should support legislative efforts to open ANWR to petroleum exploration and development in an environmentally sound manner. Such efforts represent a positive step to improve U.S. energy security and enhance feedstock supplies for the domestic chemical industry. CMA's advocacy role should be directed to participation in coalition efforts with other industrial energy users.

ACTION REQUESTED:

Approval of recommendation.

CMA

EC - 9/12/88

BD - 9/13/88

CMA 066130

PROPOSED PROCESS SAFETY MANAGEMENT POLICY

It is the policy of CMA to urge its members and all manufacturers to produce and use only those chemicals that can be manufactured, used and disposed of safely. Effective performance-oriented process safety management programs are essential to this goal. CMA supports the development of industry guidelines and appropriate regulations which address those program elements shown to contribute to process safety.

Any proposed standard should address the following elements:

- o Hazard identification and assessment
- o Management of change
- o Documentation of rules and procedures
- o Training
- o Incident investigation and follow-up
- o Auditing and inspection programs
- o Pre-startup checks
- o Quality assurance
- o Emergency response
- o Integrity maintenance
- o Process, technical and equipment design information

Where government action is deemed necessary to worker and public safety, CMA recommends that this responsibility rest exclusively with the U.S. Occupational Safety and Health Administration. OSHA has primary responsibility for addressing workplace safety issues, has developed experience in process safety through its Special Emphasis Program and could assure application of consistent requirements across industry.

CMA
EC 9/12/88
BD 9/13/88

**Proposed Policy On
Above Ground Storage Tank Control Legislation**

Background

The Ashland Oil Company spill in Pennsylvania rekindled Congressional interest in the issue of above ground storage tanks. This issue is also a high priority for environmentalists. Five bills are currently before Congress, and hearings may occur later this year. In addition, state legislation is moving forward in Pennsylvania and is likely to be enacted this year. The Government Relations Committee recommends that meetings with key Congressional staff take place as soon as possible to assure the best chance of influencing the legislation that will ultimately emerge in the next Congress. (The Officer's of CMA approved the use of the proposed policy on an interim basis on July 29, 1988, pending review and approval by the Board of Directors.)

Despite the absence of any data to indicate widespread failure or release problems with above ground tanks, there is a perception that the risks of both leaks and catastrophic releases are extremely high. The pending bills attempt to regulate above ground tanks containing hazardous substances or petroleum in a fashion similar to the underground storage tank provisions of RCRA.

Problem

While the Ashland spill has focused attention on catastrophic releases, Congress clearly intends to establish leak prevention and remediation requirements. These requirements may be of greater impact to the chemical industry than catastrophic release provisions. Potential problems with the current Congressional direction are: (1) lack of adequate data to truly define the magnitude of the perceived problem; (2) development of new, ill-conceived design/operating standards instead of relying on existing industry voluntary standards; (3) application of rigid retrofitting requirements to existing tanks; (4) other inappropriate and restrictive requirements such as liability and financial responsibility; and (5) unreasonable time frames for applying new regulatory requirements to existing tank systems.

Recommendations

The Environmental Management Committee has coordinated its policy development activities with API. Although CMA has some different substantive interests (i.e., chemical tanks versus petroleum tanks, size of tanks, and cut-off for small chemical tanks), the CMA proposed policy on above ground storage tank control legislation is consistent with API's policy. As a result, the Environmental Management Committee recommends the following:

Basic Policy

No additional legislation for above ground storage tanks is needed at this time. However, CMA would support legislation that

requires EPA to collect data to determine the need for additional standards or legislation.

Backup Position

If we later conclude that comprehensive legislation is inevitable, CMA could support legislation that properly addresses the potential problems listed above and that distinguishes between catastrophic releases, spills, and leaks as specified below:

Catastrophic Release Protection

Any catastrophic release protection standards should distinguish between new/reconstructed tanks and existing tanks. For new and reconstructed tanks, CMA would accept adoption of reasonable design standards. For existing tanks, Congress should require EPA to develop a phased inspection and testing program to provide comparable assurance of catastrophic release protection.

Spill Prevention

CMA can agree to spill prevention provisions in legislation that requires secondary containment. The legislative language should be general and EPA should be required to promulgate implementation standards.

Leak Detection/Protection

Leak detection requirements should only apply to on-ground storage tanks. For existing tanks, the standards should have a reasonable phase in period.

Action Requested

Approval of recommendations.

If the proposed policy on above ground storage tanks is approved, CMA representatives will meet with Senate staffers to express CMA's concerns with previously proposed legislation. The Government Relations Committee has advised that CMA needs to carry out these discussions as soon as possible in order to impact how this issue is ultimately addressed as part of comprehensive RCRA legislation. Proposed RCRA amendments will be drafted later this year and will be considered in the next Congress.

A decision to move to the proposed backup position will be based on the outcome of CMA's discussions with Congressional staffers, and an analysis of the extent/scope of the above ground storage tank problem in the chemical industry. CMA representatives plan to discuss with API CMA's substantive positions, and the strategy/timing on moving to the backup positions. We do not anticipate having to resort to the backup positions with Congressional staffers in the near term.

EC - 9/12/88
BD - 9/12/88

CMA 066133

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Proposed Changes:

Industry Model

The basis for the proposed dues structure is to assess dues in accordance with the types of products and activities that CMA supports. As a conceptual starting point, the chemical industry was divided into a series of steps progressing from natural resources, to Category I products (e.g., petrochemicals resulting from chemical synthesis or processing steps involving natural resources) to Category II products (products resulting from blending, fabricating, formulating, etc., of Category I products) to Category III products (products which are sold by CMA members in the same physical form as sold to the ultimate consumer and include in their margin a large component of advertising, marketing or retail distribution expenses). These steps are further illustrated below.

1. The interface between natural resources and Category I is defined as the point at which fractionated or separated components of a natural resource are first subjected to chemical processing/synthesis. The product remains in Category I throughout subsequent synthesis steps. For example, ethane (a natural resource) could be cracked into ethylene (a Category I product), which, in turn, could be polymerized into polyethylene which is sold in the form of flake or chip (also a Category I product).
2. Secondly, the interface between Category I and II is defined as the point at which chemical processing/synthesis stops and formulating/fabricating/blending begins. There are multiple steps taken before the produce is fully converted and sold as a final consumer product. Continuing with the above example, the polyethylene flake could be calendared into a fine gauge film (a Category II product).
3. Finally, the interface between Category II and III is the point at which a Category II product is converted to a product which is in the same form as is sold to the ultimate consumer and the sales price of such product includes a large component of marketing, advertising or retail distribution expense. For example, the polyethylene film could be fabricated into garbage bags and distributed in retail outlets under a brand name (a Category III product).

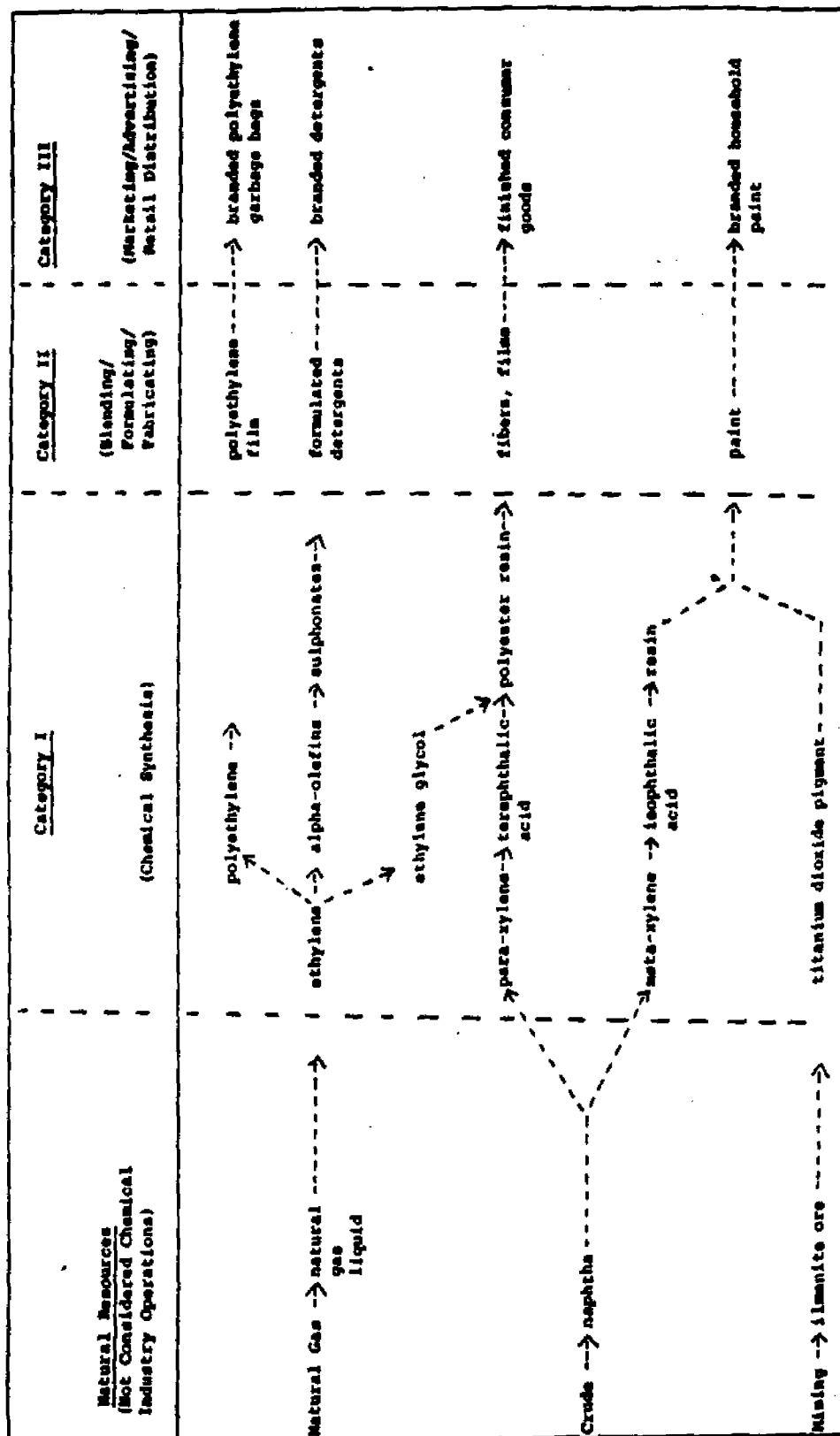
Not all products neatly fit into this mold, but the concept is broadly applicable. Figure I further illustrates this concept.

Methodology for Assessing Dues

The objective in creating three product categories was to acknowledge the decreasing level of chemical manufacturing involved as a product progresses from its basic raw material to a finished good. Accordingly, the level of CMA support is different for each of these categories. Thus, the proposed methodology introduces a three-tiered dues structure which attempts to accommodate these differences.

Category I products clearly enjoy the support of CMA activities and, therefore, dues are assessed at a 100% level on their sale. Similarly, the sale of Category II and III products should generate dues since the production of these goods is also supported by CMA activities. However, there is a large nonchemical component involved in the manufacture of Category II products and an even larger such component in Category III products. Consequently, it is proposed that they be assessed dues, respectively, at a 50% and 15% level. Because there is no simple means of determining the exact value of the nonchemical component of this group, these figures represent a general proxy for the value of the final goods sold which is not supported by CMA.

FIGURE I



Chemical Manufacturers Association, Inc.

DEFINITION OF "CHEMICAL SALES"

As revised October 12, 1987, and approved by the Board of Directors, pursuant to Section 2 of Article IV of CMA Bylaws. For use by each member firm in determining and reporting calendar year "chemical sales" dollar volume to the Treasurer for the sole purpose of membership fee computation.

The term "chemical sales" includes both domestic and export sales of all chemicals and chemical products sold to others, with the exception of the products listed below, and provided that the sales value of chemical products prepared by mixing, mechanical forming or coating operations not involving chemical synthesis shall be equal to market value less the cost of purchased materials used in the production of such products:

1. Interdepartmental (Intracompany) Transfers. (However, transfers outside the specific partnership, joint venture, corporation, division, or other unit of a corporation as approved for membership shall be considered a sale to others and shall be valued at comparable market value).
2. Resale Products (chemicals purchased for resale as such).
3. Products of Mining Operations (except when sold for use in chemical processing). Examples: Phosphate rock, fluorspar, barytes, ilmenite, coal, salt, borax, potash, natural salts, and limestone.
4. Certain Structural Metals and Their Alloys (except when sold for use in chemical processing). Examples: Aluminum, chromium, columbium, copper, hafnium, iron and steel, lead, magnesium, manganese, nickel, tantalum, titanium, vanadium, zinc, zirconium, and all fabricated metal products.
5. Food Products. Examples: Natural extracts, vitamins from natural sources, vegetable oils and fats.
6. Animal Products. Examples: Oil, fats, tallow, grease, animal glue, gelatine, soap, glycerine. (Fatty acids, synthetic detergents, and synthetic glycerine are considered to be chemicals and are not in the excluded group).
7. Carbon, Bone, and Lamp Black. Examples: Electrodes, activated carbon, and carbon papers.
8. Rubber Products. (Synthetic rubber sold as such is considered to be a chemical and is not in the excluded group).
9. Paints, Varnish, Lacquers.
10. Inks, Polishes, Waxes.

*Sales of products manufactured outside the United States, its territories, or possessions should be excluded.

11. Mixed Fertilisers. (Synthetic components such as urea, ammonium and sodium nitrates and sulfates are considered to be chemicals and are not in the excluded group).
12. Mixed Pesticides. (Manufactured or synthetic components are considered to be chemicals and are not in the excluded group).
13. Coated Fabrics and Floor Covering.
14. Formulated Detergents. (Manufactured or synthetic components are considered to be chemicals and are not in the excluded group).
15. Molded or Extruded Products. Examples: Bristles, combs, brushes, containers, and similarly fabricated plastic products; mechanical rubber goods; films formed by extrusion such as saran, polyvinyl chloride, polyethylene and polypropylene. (Cellophane formed by chemical reaction and synthetic resins and plastic materials in unfinished form such as liquids, molding powders, flake, sheets, rods and tubes, are considered to be chemicals and are not in the excluded group.)
16. Petroleum Products. Examples: Lubricating oils, gases, greases, waxes.
17. Fuels. Examples: Coke, diesel oils, gasoline.
18. Tar, Asphalt, Pitch, Creosote. Examples: Roofing, paving, wood preserving products.
19. Naval Stores. Examples: Turpentine, rosin, pine oil.
20. Wood Products. Examples: Wood pulp for paper and rayon manufacture.
21. Industrial Gases. Examples: Helium, argon, neon, oxygen and nitrogen. (When sold for use in chemical processing, these products are considered to be chemicals and are not in the excluded group).
22. Equipment and Devices.
 - a. Physical Facilities. Examples: Coke ovens, gas producers, electrolytic cells, sulfuric acid plants, cutting and welding equipment, tractors, mowers, sprayers, pumps.
 - b. Devices. Examples: Fuses; blasting accessories; signals; jet perforators; ammunition, powder cartridges; cameras; photographic accessories, including light-sensitized film and paper; instruments; welding rods; batteries.
23. Textile Fibers and Fabrics. Examples: Rayon, "Dynel", saran, nylon, "Dacron," "Orlon," "Acrilan," "Creslan", "Fortrel," "Kodel," "Zefran," cellulose acetate, glass, and asbestos, including staple, yarn, tow, and knitted, woven, and felted fabrics.

**COMPARISON OF CHEMICAL PRODUCTS
UNDER CURRENT DEFINITION AND PROPOSED NEW DEFINITION**

Current Exclusions

Status Under Proposed Definitions

- | | |
|--|--|
| 1. Interdepartmental (Intra-company) Transfers. (However, transfers outside the specific partnership, joint venture, corporation, division, or other unit of a corporation as approved for membership shall be considered a sale to others and shall be valued at comparable market value.) | No change. |
| 2. Resale Products (chemicals purchased for resale as such). | No change. |
| 3. Products of Mining Operations (except when sold for use in chemical processing). Examples: Phosphate rock, fluorspar, barytes, ilmenite, coal salt, borax, potash, natural salts, and limestone. | No significant changes intended. However, the language is changed to make clear that direct products of mining operations (ores) are excluded. Chemical products, such as titanium dioxide and barium carbonate, resulting from the chemical processing of mining products, are Category I products. |
| 4. Certain Structural Metals and Their Alloys (except when sold for use in chemical processing)). Examples: Aluminum, chromium, columbian copper, hafnium, iron and steel, lead, magnesium, manganese, nickel, tantalum, titanium, vanadium, zinc, zirconium, and all fabricated metal products. | No change. |
| 5. Food Products. Examples: Natural extracts, vitamins from natural sources, vegetable oils and fats. | No change. |
| 6. Animal Products. Examples: Oil, fats, tallow, grease, animal glue, gelatine, soap glycerine. (Fatty acids, synthetic detergents, and synthetic glycerine are considered to be chemicals and are not in the excluded group.) | No significant changes. Natural animal and vegetable products are excluded. Synthetic products such as synthetic fatty acids, detergents, rubber and glycerine are Category I products. |

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| 7. Carbon, Bone, and Lamp Black.
Examples: Electrodes,
activated carbon, and
carbon papers. | No change |
| 8. Rubber Products.
(Synthetic rubber sold
as such is considered to
be a chemical and is not in
the excluded group.) | No change. |
| 9. Paints, Varnish, Lacquers. | The manufacture of paints, varnishes
and lacquers involves substantial
chemical manufacturing operations
followed by blending/formulation.
These are either Category II or
Category III products*. |
| 10. Inks, Polishes, Waxes. | Inks and polishes are produced
through chemical synthesis/proces-
sing followed by formulation, and,
therefore, are included as Category
II or Category III products*. Syn-
thetic waxes are considered Category
II or III products*; natural waxes
are excluded. |
| 11. Mixed Fertilizers. (Syn-
thetic components such as
urea, ammonium and sodium
nitrates and sulfates are
considered to be chemicals
and are not in the excluded
group.) | Individual synthetic fertilizers
are Category I products while
blends of such compounds are
Category II or III products*. |
| 12. Mixed Pesticides. (Manu-
factured or synthetic
components are considered
to be chemicals and are not
in the excluded group.) | All pesticides (crop protection
chemicals) are considered Category
II or Category III products*. Most
are sold as formulated products. |
| 13. Coated Fabrics and Floor
Covering. | The production of coated fabrics
and floor coverings (vinyl tile,
carpet, etc.) involves substantial
chemical manufacturing operations
followed by mechanical forming.
These are included as Category II
or Category III products*. |

*See the Revised Definition, Paragraph B(2) and (3) for the definition
of Category II and Category III Products.

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| 14. Formulated Detergents.
(Manufactured or synthetic components are considered to be chemicals and are not in the excluded group.) | Synthetic detergent compounds sold as such are Category I products. However, formulated detergents are considered Category II or Category III products*. |
| 15. Molded or Extruded Products
Examples: Bristles, combs, brushes, containers, and similarly fabricated plastic products; mechanical rubber goods; films formed by extrusion such as saran, polyvinyl chloride, polyethylene and polypropylene. (Cellophane formed by chemical reaction and synthetic resins and plastic materials in unfinished form such as liquids, molding powders, flakes, sheets, rods and tubes, are considered to be chemicals and are not in the excluded group.) | The production of plastic resins involves substantial chemical manufacturing operations. If the resins are sold as such (e.g., as chip or flake), they are Category I products. If the resins are molded or extruded into articles (e.g., films or fabricated products) by a CMA company, they are considered Category II or III products*. |
| 16. Petroleum Products. Examples: Lubricating oils, gases, greases, waxes. | No significant change. |
| 17. Fuels. Examples: Coke, diesel oils, gasoline. | No change. |
| 18. Tar, Asphalt, Pitch, Creosote. Examples: Roofing, paving, wood preserving products. | No change except creosote is included as a Category II product due to its associated environmental issues. |
| 19. Naval Stores. Examples: Turpentine, rosin, pine oil. | The production of turpentine, rosin and pine oil involves substantial chemical processing. These are, therefore, included as Category II or III products*. |
| 20. Wood Products. Examples: Wood pulp for paper and rayon manufacture. | No change. |

*See the Revised Definition, Paragraph B (2) and (3) for the definition of Category II and Category III products.

21. Industrial Gases. Examples: Helium, argon, neon, oxygen and nitrogen. (When sold for use in chemical processing, these products are considered to be chemicals and are not in the excluded group.)

Gases produced by separating the components of air are excluded unless sold for use in the chemical industry in which case they are Category I products. Gases produced by chemical processes, e.g., chlorine, are considered Category I products.

22. Equipment and Devices.

No change.

a. Physical Facilities.

Examples: Coke ovens, gas producers, electrolytic acids, sulfuric acid plants, cutting and welding equipment, tractors, mowers, sprayers, pumps.

b. Devices. Examples:

Fuses; blasting accessories; signals; jet perforators; ammunition, powder cartridges; cameras; photographic accessories, including light-sensitized film and paper; instruments; welding rods; batteries.

23. Textile Fibers and Fabrics.

Examples: Rayon, "Dynel", saran, nylon, "Dacron", "Orlon", "Acrilan", "Creslan", "Fortrel", "Kodel", "Zefran", cellulose acetate, glass, and asbestos, including staple, yarn, tow, and knitted, woven, and felted fabrics.

The production of textile fibers and fabrics involves substantial chemical manufacturing followed by mechanical forming. These are considered Category II products.

CHEMICAL MANUFACTURERS ASSOCIATION

WORKSHEET FOR CALCULATING CHEMICAL SALES SUBJECT TO DUES

A. Gross Sales in 1987 of Category I Chemical Products as defined in Paragraph (B) (1) of the attached Definition of Chemical Sales: _____

B. Gross Sales in 1987 of Category II Chemical Products as defined in Paragraph (B) (2) of the attached Definition of Chemical Sales:

Gross Sales _____ X .5 = _____

C. Gross Sales in 1987 of Category III Chemical Products as defined in Paragraph (B) (3) of the attached Definition of Chemical Sales:

Gross Sales _____ X .15 = _____

D. Total Sales in 1987 subject to dues (A+B+C): _____

Company _____

Name _____

Date _____

Upon completion, please return to:

Mr. Gary C. Herrman
Vice President, Treasurer
Chemical Manufacturers Association
2501 M Street, NW
Washington, DC 20037

CHEMICAL MANUFACTURERS ASSOCIATION
PROPOSED DEFINITION OF CHEMICAL SALES

BACKGROUND

At the June 6, 1988 Greenbrier meeting, survey results of the proposed Definition of Chemical Sales were presented. The survey encompassed feedback from all companies on the Board of Directors. Based on the favorable conclusions, the Board tentatively approved the proposed definition, pending a full membership survey. This decision was reported to the entire Association at the annual business meeting, and a final survey was mailed on June 20, 1988.

Results from the full-membership survey were generally favorable and consistent with earlier findings. These findings have been combined with the Board of Directors' results and are presented in the attached table. The proposed definition of chemical sales could result in a modest increase in the sales base used for computing Association dues.

ACTION REQUESTED:

1. Approval of the proposed Definition of Chemical Sales as described herein to be effective for the year beginning June 1, 1989. Implementation of the definition and the phase-in schedule are discussed in detail in tab number 17.

Attachment

CMA

EC - 09/12/88

BD - 09/13/88

CMA 066145

Chemical Manufacturers Association, Inc.

DEFINITION OF "CHEMICAL SALES"

As revised ,19XX, and approved by the Board of Directors, pursuant to Section 2 of Article IV of CMA Bylaws. For use by each member firm in determining and reporting calendar year "chemical sales" dollar volume to the Treasurer for the sole purpose of membership fee computation.

A. DUES BASIS

Dues shall be based on the sales of "Chemical Products", including domestic and export sales of products manufactured in North America. Sales of products manufactured outside the United States, its territories or possessions, are excluded. Interdepartmental or intracompany transfers shall not be considered sales except that transfers outside the specific partnership, joint venture, corporation, divisions, or other unit of a corporation as approved for membership shall be considered a sale to others and shall be valued at comparable "Market Value."

B. DEFINITION OF CHEMICALS SALES

Dues shall be assessed on sales using a three-tiered structure, in accordance with three different categories of chemical products, and dues levels. Dues shall be paid on 100% of Sales of Category I Chemical Products as described in paragraph (1) below; on 50% of Sales of Category II Chemical Products as described in paragraph (2) below; and 15% of Sales of Category III Chemical Products as described in paragraph (3) below.

(1) Category I Definition

Category I Chemical Products shall include all products of chemical manufacturing operations, except those described below in Categories II and III. Examples are petrochemicals including aliphatic, cycloaliphatic and aromatic hydrocarbons and their derivatives such as alcohols, ketones, amines, ethers, aldehydes, esters, nitrites, amides and halides; organic and inorganic industrial chemicals such as acids, anhydrides, salts, caustics, sulfates, nitrates and halogens; organometallic compounds (such as tetraethyl lead) and polymers in unfinished form including plastics and elastomers such as polyolefins, polyvinyl chloride, polyacrylic, polyurethane, polyacetals, cellulosic polymers and styrene/butadiene rubber.

(2) Category II Definition

Category II Chemical Products shall include products whose manufacture involves a substantial operation not involving chemical synthesis such as fabricating, blending, formulating or extracting, especially when such operations raise significant environmental or health issues. This group is not intended to include sales of final consumer retail goods, which are defined below as Category III products. Hence, the following examples pertain to industrial sales or sales of products in semifinished form, rather than retail sales.

- a. Paints, Varnishes, Lacquers.
- b. Inks, Polishes, Synthetic Waxes.
- c. Crop Protection Chemicals, except genetically-engineered products.
- d. Mixed Synthetic Fertilizers. (Individual components such as urea, ammonium and sodium nitrate and sulfate are considered Category I products. Blends of these individual components are considered Category II products.)
- e. Formulated Detergents.
- f. Molded or Extruded Synthetic Products. Examples: Bristles, combs, brushes, containers, and similarly fabricated plastic products; mechanical rubber goods; films formed by extrusion of materials such as saran, polyvinyl chloride, polyethylene and polypropylene.
- g. Chemicals extracted without chemical synthesis from natural sources such as coal and wood products. Examples: Creosote, turpentine, rosin, pine oil.
- h. Textile Fibers and Fabrics. Examples: Nylon, polyester, acrylic, cellulose acetate (including staple, yarn and tow) and knitted, woven felted and coated fabrics and floor covering.
- i. Synthetic Rubber Products. Examples: V-belts and conveyor belts.

3. Category III Definition

Category III Chemical Products are those which meet the description of Category II Products set forth above, but which, in addition, are sold by CMA members in the same form as sold to ultimate consumers and include in their margins, a large marketing, advertising, or retail distribution component. Examples include branded formulated detergents, tires, household paint, and pesticides sold to the final consumer.

C. EXCLUSIONS

For the guidance of CMA members, several products which are not considered Chemical Products subject to fee are as follows:

1. Resale Products (chemicals purchased for resale and sold as such).
2. Direct Products of Mining Operations. Examples: Phosphate rock, fluorspar, barytes, ilmenite, coal, salt, borax, potash, natural salts, and limestone. However, chemical products, such as titanium dioxide and barium carbonate, resulting from the chemical processing of mining products, are meant to be covered as Category I Products.
3. Structural Metals and Their Alloys. Examples: Aluminum, chromium, columbium, copper, hafnium, iron and steel, lead, magnesium, manganese, nickel, tantalum, titanium, vanadium, zinc, zirconium, and all fabricated metal products.
4. Animal or Vegetable Products. Examples: Oil, fats, tallow, grease, animal glue, gelatine, glycerine, vitamins from natural sources, natural rubber products. (Synthetic fatty acids, synthetic detergents, synthetic rubber and synthetic glycerine, are considered to be Category I Chemical Products, however, and are not in the excluded group.)

5. Carbon, Bone, and Lamp Black. Examples: Electrodes, activated carbon.
6. Natural Fertilizers.
7. Refinery products from lube oil base stocks. Examples: Lubricating oils, greases, waxes, asphalt.
8. Fuels. Examples: Coke, diesel oils, gasoline. (However, fuel additives prepared by chemical synthesis such as tetraethyl lead and MTBE are Category I products).
9. Gases derived from air, except to the extent sold for use in the chemical industry. Examples: Helium, argon, neon, oxygen and nitrogen. (All gases produced through chemical processes are considered Category I products. Example: chlorine gas.)
10. Equipment and Devices, including:
 - a. Physical Facilities. Examples: Coke ovens, gas producers, electrolytic cells, sulfuric acid plants, cutting and welding equipment, tractors, mowers, sprayers, pumps.
 - b. Devices. Examples: Fuses, blasting accessories; signals, jet perforators; ammunition, powder cartridges; cameras; photographic accessories, including light-sensitized film and paper; instruments; welding rods; batteries.
11. Pharmaceuticals (including over-the-counter drugs), cosmetics, personal health care products and food additives.
12. Wood Products. Examples: Wood pulp for paper and rayon manufacture.
13. Tar, Asphalt and Pitch.
14. Products of genetic engineering. Examples: Recombinant DNA, monoclonal antibodies, interferon.
15. Ceramics, including powders and formed or molded components.

June 8, 1988

CHEMICAL MANUFACTURERS ASSOCIATION
PRELIMINARY CONSIDERATIONS ON THE
FEE SCHEDULE FOR THE 1989/90 FISCAL YEAR

BACKGROUND:

The charter of the Finance Committee of the Association includes the responsibility to recommend a "schedule of fees" to fund the approved budget and activities of the Association. At the March 6, 1989 meeting, the Finance Committee will prepare recommendations on the "schedule of fees" for the 1989/90 fiscal year. These recommendations will be based on 1988 calendar year sales and will represent the first time the new definition of chemical sales is used as the basis for recommending a fee schedule for the Association.

During the review of the Definition of Chemical Sales, the Executive Committee commissioned the dues study group to evaluate the existing fee structure (attached) including the maximum dues level, and implementation issues. Recommendations to be considered by the Finance Committee include:

1. Fee Schedule

The proposed definition of chemical sales introduces only a modest expected increase (approximately 3%) in the overall sales base. Therefore, no structural changes to the existing fee schedule sales classifications or proportional rates (for all nonmaximum payers) are required at this time.

2. Maximum Dues Level

Questions arose at the last Executive Committee meeting regarding the appropriateness of the maximum dues level. Subsequent analysis by the study group indicates that the proportion of dues paid by an individual firm at the maximum had increased somewhat less than the increase in total dues for the entire membership. Thus, the study group recommends a new maximum level for fiscal year 1989/90 in the amount of 3.1% of total Association dues. This figure is based on the average percent of total CMA dues paid by an individual maximum dues paying company over the past decade. For the future, the study group recommends that the maximum category be adjusted each year in proportion to the change in the total CMA dues base.

3. Implementation

Survey results indicate that the level of dues may change significantly for some Association members as a result of implementing the new definition of chemical sales. Thus, the study group recommends a phase-in schedule for increases attributable to the new definition. Firms with a change in dues of more than 30% will be phased in over a three-year period while those with changes between 20% to 30% will be phased in over a two-year period. No phase-in procedure is recommended for changes of less than 20%.

ACTION REQUIRED:

Approval of above recommendations as general guidance for Finance Committee deliberations.

CMA
EC - 09/12/88
BD - 09/13/88

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