

PILOT INFORMATION EXCHANGE ON COMMUNITY EXPOSURE VALUES

Background:

The Chemical Manufacturers Association's Environmental Management Committee (EMC) and Health and Safety Committee (HSC) are undertaking a six-month pilot program to determine the feasibility and desirability of establishing an information exchange of CMA member ambient air community exposure values (CEVs). The purpose of the Information Exchange is to facilitate and encourage the exchange of this and related Title III information among CMA members.

Immediate past and current CMA member companies represented on the EMC and HSC are being asked to participate in the pilot program. Member companies represented on CMA's Board of Directors also are invited to participate and any other CMA members which want to participate are also welcome. Participation will be voluntary.

Companies represented on the HSC and EMC are:

Air Products and Chemicals, Inc.	Mallinckrodt, Inc.
Amoco Chemical Company	Mobay Chemical Corp.
American Cyanamid Company	Mobil Chemical Company
Chevron Chemical Company	Monsanto Company
The Dow Chemical Company	Occidental Chemical Corp.
Dow Corning Corporation	Olin Corp.
E.I. du Pont de Nemours & Company	PPG Industries, Inc.
Ethyl Corporation	Quantum Chemical Corp.
Exxon Chemical Company	Rohm & Haas Company
W.R. Grace & Company	Shell Chemical Company
Hoechst Celanese Corporation	Shell Oil Company
ICI Americas Inc.	3M Corp.
Lonza, Inc.	Union Carbide Corp.

Sharing community exposure values and the methods used to derive them is consistent with CMA's Air Quality Program, and with industry's discussions of SARA Title III data with people in plant communities. In addition, the committees want to encourage sharing of technical (health-based) information. To respond to possible legislative or regulatory efforts to regulate community exposure values, companies need to know why various CEVs for the same chemicals are being selected by other member companies in different geographical areas, and on what basis these decisions are being made.

Accumulating this data may increase the exposure of CMA and member companies to certain legal risks. However, the CMA Office of General Counsel not only believes these risks can be limited to acceptable levels, but that a larger interest is involved. The industry needs to fully understand the technical information it is using and communicating in response to SARA Title III. A more precise estimate of potential legal risks and the benefits of this program can be made after the pilot project.

CMA 076296

RATIONALE FOR NEW DEFINITION
OF CHEMICAL SALES

Objective:

The goal of the Dues Study Group was to develop a relatively simple, but equitable, means of assessing dues on chemical products which enjoy CMA support.

Findings Concerning Current Dues Definition:

Analysis of the current definition of chemical sales for dues purposes revealed several deficiencies when measured against the objective described above:

- A. The current definition merely states that dues shall be paid on sales of all chemicals and chemical products, intending, in general, that anything undergoing chemical transformation is included. However, there is no explicit guidance as to what constitutes a chemical product other than specific exclusions which eliminate certain products from the dues base. This gives rise to two problems:
- (1) Many of these excluded items are downstream products resulting from previous chemical manufacturing steps. For example, fabricated plastic products (which are currently excluded) are derived from polymer resins, which, in turn, are derived from basic petrochemical building blocks. This type of exclusion is inequitable since fully integrated companies pay no dues on the entire product chain (since the final product is excluded), while companies who produce just the chemical intermediates are assessed dues. Certainly both types of firms enjoy the same level of CMA support on the manufacture of the intermediates and should pay dues accordingly. Examples of products in this category currently excluded from the dues base are textile fibers and molded or extruded plastic products.
 - (2) The lack of explicit guidelines defining chemical sales results in different interpretations by member firms as to which products should be included in their dues base. For example, it is not clear whether dues should be paid on pharmaceuticals; consequently, some members may pay on this category, while others do not. Similarly, the lack of clarity of some current exclusions (such as the products of mining operations) also results in different interpretations.
- B. The current definition also contains some internal inconsistencies. In October 1987, the CMA bylaws were adjusted to explicitly include products of mixing, formulating and compounding. (This was consistent with the Association's drive to increase its membership.) However, a number of the current exclusions are products which are the direct result of such operations. (Examples are mixed fertilizers and blended pesticides.) Thus, the intent in amending the bylaws is not correctly reflected in the exclusions and reconciliation is required.

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).

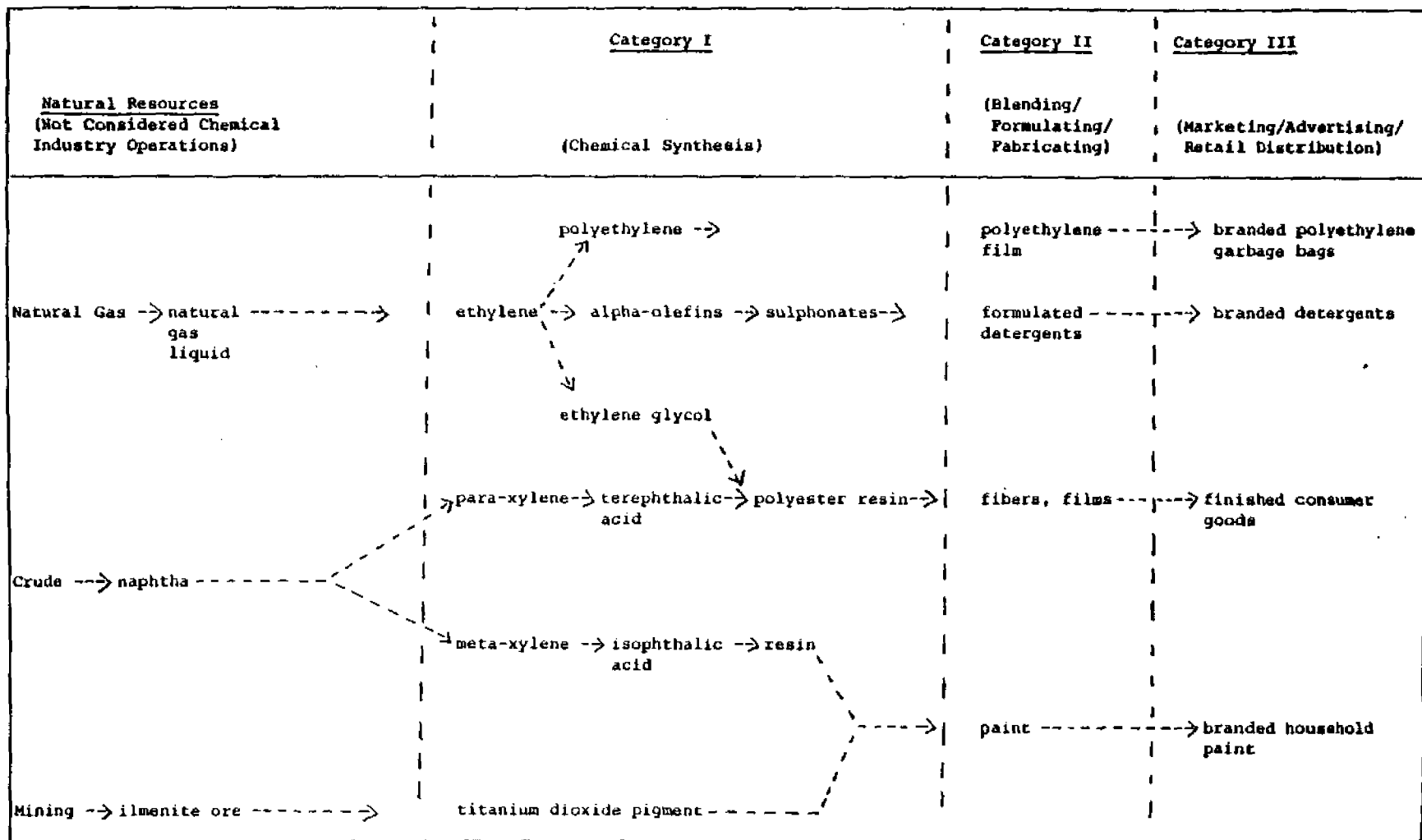
Not all products neatly fit into this mold, but the concept is broadly applicable. Figure I further illustrates this concept.

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.

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

11. Mixed Fertilizers. (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: Fusees; 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

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| 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:

Fusees; 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

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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.

**CHEMICAL MANUFACTURERS ASSOCIATION
MEMBERSHIP FEE CLASSIFICATION
(Chemical Sales Basis)**

Fiscal Year Beginning June 1, 1988

The following schedule of fees was established
by the Board of Directors as provided under the
CMA Bylaws Article IV, Section 2.

Chemical Sales Calendar year 1987 \$Million	Membership Fee
Canadian Members	\$ 7,500
Under- 10.0	\$ 7,500
10.0- 25.0	\$ 10,000
25.0- 50.0	0.0371%*
50.0- 100.0	0.0339%*
100.0- 400.0	0.0309%*
Over- 400.0	0.0277%
Maximum Fee	\$460,000

* Up to but not more than the membership fee which would be obtained by multiplying the minimum amount of the next higher chemical sales bracket by the percentage factor applicable to the higher bracket and not less than \$10,000.

PROPOSED ASSOCIATION INITIATIVE:
RESPONSIBLE CARE: A PUBLIC COMMITMENT

BACKGROUND

The CMA Board Public Perception Committee has proposed an initiative designed to help the chemical industry improve its performance in the management of chemicals. At the April and June Board of Directors and Executive Committee meetings, the committee described the need for the initiative and the committee's progress in framing the program.

This summer, the Public Perception Committee, in conjunction with CMA's Officers, held three regional Executive Contact meetings to discuss the Responsible Care proposal. One hundred eighteen industry leaders representing eighty-eight CMA member companies attended. There was widespread support for an initiative such as Responsible Care to help the industry improve its performance in health, safety and environmental quality.

Executive Contacts who were unable to attend one of the regional meetings or designate a representative were sent letters enclosing all materials prepared for the regional meetings. The letters urged the executives to review the materials and provide their feedback prior to the September Board meeting. A copy of the final recommendation has also been sent to every Executive Contact.

RECOMMENDATION

The Board Public Perception Committee recommends approval of the following:

I. CMA adopt the Responsible Care initiative which includes the following elements. A description of each element is attached (Exhibit A):

- o Guiding Principles for Responsible Care of Chemicals;
- o Codes of Management Practices;
- o Public Advisory Panel;
- o Member Company Self-Evaluations of Management Practices;
- o Executive Leadership Groups;
- o Obligation of Membership.

As the Public Advisory Panel, Executive Leadership Groups, and self-evaluation process program elements are developed, they will be brought forward for Executive Committee and Board consideration and approval prior to being implemented. As Codes of Management Practices are developed by the CMA standing committees, they must be discussed with the Public Advisory Panel and distributed for comment to the CMA membership, prior to being brought to the Executive Committee and the Board of Directors for approval.

II. Approve that participation in Responsible Care is an obligation of membership. This will require the Executive Contact of each member company to make a commitment to Responsible Care by:

- o Signing the Guiding Principles for Responsible Care of Chemicals statement (Exhibit B);
- o Communicating the commitment to Responsible Care to employees; and
- o Instructing management to make good faith efforts to implement the Codes of Management Practices, participate in the self-evaluation process, and meet the expectations of the Responsible Care Program.

III. Approve the Guiding Principles Statement (Exhibit B).

IV. Approve the proposed bylaw change and a Board Resolution implementing the bylaw change (Exhibit C) in order to make the endorsement of Responsible Care an obligation of membership. If approved by the Board, the bylaw change will be submitted to the membership for final approval.

V. Approve the announcement of the Responsible Care initiative to the membership during the Chemical Industry Conference in October -- and thereafter proceed to obtain individual member company commitment to the Guiding Principles Statement.

VI. Approve a budget not to exceed \$250,000 for the remainder of the 1988/89 fiscal year in order to provide the following additional resources the Association will require to begin implementation of Responsible Care:

- o A professional staff executive to coordinate the development and implementation of the initiative's elements;
- o A donated professional from a member company to assist during the initiative's start-up period;
- o Two support staff personnel;
- o Outside purchase service funds to develop and operate the Public Advisory Panel; and
- o Member company personnel to work through the standing committees to begin development of the Codes of Management Practices.

ACTION REQUESTED

Approval of recommendation.

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SUMMARY DESCRIPTION OF RESPONSIBLE CARE PROGRAM ELEMENTS

The Guiding Principles for Responsible Care of Chemicals is a statement of commitment by each member company to fully support a continuous effort to improve the industry's responsible management of chemicals. Each member company would pledge to operate according to the principles statement and would sign to that effect. This signed statement would be considered an obligation of membership in CMA. These Guiding Principles are based on CMA's 1983 policy statement on health, safety and the environment and on the Canadian Responsible Care principles. They also incorporate guidance received from member company Executive Contacts.

Following Association adoption of the Guiding Principles, various CMA Committees will begin development of Codes of Management Practices. Each set of management practices would focus on a different concern. Impetus for developing an individual Code of Management Practices would come from either an industry belief that there exists a substantive need to take voluntary action or a substantial public concern to which the industry should be responsive, or both. Initially, code packages will be considered for CAER, Air Quality, Distribution/Transportation, Waste Management and Plant Operations. Based upon the implicit obligations of the Guiding Principles, the Codes of Management Practices will be designed by identifying expected management practices as objectives rather than prescribing any absolute or quantitative standard. Since the codes are intended to serve as objectives, they would complement any existing member company programs or practices that achieve the same goals. Responsible Care would therefore become an integral part of the existing company program, not a replacement or another duplicative overlay. Each Code of Management Practices would be approved by the Board after the opportunity for comment by all member companies.

Another important element in the Responsible Care initiative is a Public Advisory Panel which will be composed of a cross-section of environmental, health and safety thought leaders. The panel will be an industry (CMA) effort, not a company responsibility. It will be assembled and moderated by an experienced facilitator working at the Association's direction and will serve to assist the industry in identifying and developing programs and actions that are responsive to public concerns and viewed as proactive by key policy groups. Meeting several times a year, the panel will review issues on which CMA requires comment and advice as well as to discuss subjects which panel members believe require industry response. The panel will critique (but not approve) all proposed Codes of Management Practices and is expected to provide early definition of public concerns involving the chemical industry. Community Advisory Panels at the local or regional level can serve companies and the industry in a similar manner. They will be called for as a milepost of a "CAER - Code of Management Practices" and CMA will offer support to facilitate companies' formation and operation of these local panels.

Effective performance evaluation is a critical element of Responsible Care. Member Company Self-Evaluations of Management Practices, as well as compilation of quantitative results, will be necessary to meet three

vital objectives. In order to build a collective record of tangible improvement in the responsible management of chemicals, specific management practice codes may call for CMA to collect and maintain statistical trends from data that members currently make available to governmental organizations. Details of quantitative trend statistics programs will be defined by task forces developing the respective management practice code package.

Two additional objectives are served by Member Company Self-Evaluations of Management Practices. The first is to provide feedback from the membership on the value and relevance of codes of management practices and on any additional CMA support activities that may be needed. Second, such evaluations along with quantitative trend data will build CMA credibility and confidence on behalf of its members in dealing with government, the public and other external groups.

Each management practice code will contain definition of management practice "progress mileposts" that member companies would use to measure and evaluate their performance versus the commitment. Details of the member management practice evaluation program will be developed by a designated work group for the Board of Director's consideration and approval. The work group will be requested to define the mechanics of a practical system based on member company self-evaluation of their progress. Evaluations will be coordinated through the member companies' Executive Contacts and will be designed to maximize the value to companies' efforts to improve their performance.

Due to their varying size and circumstances, individual member companies would not be expected to be at the same level of performance for each Code of Management Practices at the same time. However, it would be expected that each member company would be able to report continued progress.

To facilitate and support each member company's continual improvement in responsible management of chemicals, Executive Leadership Groups will be formed to provide an opportunity for Executive Contacts to periodically discuss progress and share experiences with each other that have been successful. These regional groups of ten to twenty Executive Contacts will meet several times a year to review Codes of Management Practices under development, discuss members' progress on existing codes, identify areas where individual companies need assistance from CMA or other companies, and to address other priority industry issues. Understandings developed during these meetings will be reviewed and acted on by the Association's Officers, Executive Committee and Board of Directors.

Endorsement of the Responsible Care initiative will be an Obligation of Membership in the Association. Each member company's Executive Contact is expected to make a commitment to Responsible Care by: a) signing the Guiding Principles for Responsible Care of Chemicals statement; b) communicating the commitment to Responsible Care to employees; and c) instructing management to make good faith efforts to implement the Codes of Management Practices, participate in the self-evaluation process, and meet the expectations of the Responsible Care Program. A member company's obligation to Responsible Care applies to those segments of the company's operations included in the CMA dues base (CMA Definition of Chemical Sales).

Member companies are also expected to participate in the development of the codes and programs. The Codes of Management Practices are intended to include mileposts that provide a road map for responding to industry priorities and the public's concerns. Member companies are expected to make "good faith" efforts to move up the milepost ladder and meet the expectations of the Responsible Care initiative.

In an extreme case, where a member company has consistently not conducted its operations in accordance with the Guiding Principles and program elements of Responsible Care, Association representatives will meet with the member company's Executive Contact to seek the company's positive involvement in the program. If this fails to produce a commitment to pursue the objectives of Responsible Care, the Executive Committee and Board could take appropriate actions including the disassociation of the company from membership after due process requirements have been met.

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GUIDING PRINCIPLES FOR
RESPONSIBLE CARE OF CHEMICALS

As a member of the Chemical Manufacturers Association, this company is committed to support a continuing effort to improve the industry's responsible management of chemicals. We pledge to manage our business according to these principles:

- o To recognize and respond to community concerns about chemicals and our operations.
- o To develop and produce chemicals that can be manufactured, transported, used and disposed of safely.
- o To make health, safety and environmental considerations a priority in our planning for all existing and new products and processes.
- o To report promptly to officials, employees, customers and the public, information on chemical related health or environmental hazards and to recommend protective measures.
- o To counsel customers on the safe use, transportation and disposal of chemical products.
- o To operate our plants and facilities in a manner that protects the environment and the health and safety of our employees and the public.
- o To extend knowledge by conducting or supporting research on the health, safety and environmental effects of our products, processes and waste materials.
- o To work with others to resolve problems created by past handling and disposal of hazardous substances.
- o To participate with government and others in creating responsible laws, regulations and standards to safeguard the community, workplace and environment.
- o To promote the principles and practices of Responsible Care by sharing experiences and offering assistance to others who produce, handle, use, transport or dispose of chemicals.

Member Company Name

Signature

Name and Title of Signer

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RESPONSIBLE CARE
OBLIGATION OF MEMBERSHIP

PROPOSED BYLAW CHANGE
AND IMPLEMENTING BOARD RESOLUTION

PROPOSED BYLAW CHANGE

That the Bylaws of the Chemical Manufacturers Association, Inc., be amended by adding a new Section 5, Obligation of Membership, to Article III (Membership) and by renumbering the current Sections 5, 6, 7 of Article III to Sections 6, 7, 8:

Section 5. **Obligation of Membership**

It shall be an obligation of membership to participate in the Association's Responsible Care Program as that program is defined by the CMA Board of Directors. •

PROPOSED RESOLUTION

As an obligation of membership, each member company, through its Executive Contact, shall manifest its commitment to Responsible Care by:

- o Signing the Guiding Principles for Responsible Care of Chemicals statement;
- o Communicating the commitment to Responsible Care to employees; and
- o Instructing management to make good faith efforts to implement the Codes of Management Practices, participate in the self-evaluation process, and meet the expectations of the Responsible Care Program.

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CMA 076320

EPIDEMIOLOGY RESOURCE AND INFORMATION CENTER

PILOT PROJECTBackground

In June 1988, the Board of Directors approved a recommendation from the Board Health Effects Committee to develop a proposal for an Epidemiology Resource and Information Center (ERIC). The ERIC concept was developed in response to increasing demands for human health effects/epidemiology studies from regulators, courts, communities and employees.

The purpose of an industry epidemiology initiative, such as ERIC, is to improve the quality and consistency of industry epidemiology practices and programs to enhance the database on human health effects and chemical exposures. This improvement is essential in order to:

- o Provide better worker health protection;
- o Promote development of human health data to make regulatory risk assessments more relevant and rational; and
- o Promote scientifically-based decisions regarding causation in toxic tort and workers' compensation claims.

A description of a one year ERIC pilot project follows.

Recommendation

The Board Health Effects Committee recommends that CMA approve an ERIC pilot project to be reviewed at the end of one year to determine if the ERIC concept is viable. The objectives of the ERIC pilot project are to:

- o Develop resource materials for establishing industry epidemiology programs for member companies. Materials will emphasize the prospective development of quality databases. Materials will include information on uniform data collection, quality control/quality assurance procedures and data management.
- o Encourage companies without epidemiology capabilities and programs to begin developing these areas.
- o Promote the use of the resource materials to companies without or with minimal epidemiology programs.

CMA 076321

- o Explore avenues for developing a consensus on how epidemiologic data should be acquired and retained.

Funding/Staffing/Location:

The budget for the ERIC pilot project is estimated at \$300,000. Approximately \$150,000 is for personnel and operating expenses (salary, benefits, facilities and equipment, etc.) and \$150,000 is for outside services contracts.

A project director will staff the ERIC pilot project. Administrative support will be provided by CMA. The director will provide day-to-day management of the pilot project and oversee the work of consultants hired to assist with developing epidemiology program guidance and resource materials. The director will report to CMA's Technical Department for administrative and policy oversight.

The ERIC pilot project will be located at CMA. Initial funding should be provided by CMA to facilitate rapid development of the pilot project.

Scientific Advisory Committee:

The ERIC pilot project will have a Scientific Advisory Committee to provide technical expertise and oversight. The President of CMA, in consultation with the Health and Safety Committee, will appoint the Advisory Committee. Members of the Committee will be drawn from the CMA Epidemiology Work Group and may also include representatives from government, academia or other disciplines complimentary to epidemiology.

Action Requested

Approval of recommendation. No funds are requested for the remainder of the 1988/89 fiscal year. The targeted start up date for the project is June 1, 1989; therefore, specific funding will be requested as part of the 1989/90 budget process. Authorization is requested to begin an immediate search for the project director.

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CMA 076322

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.

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