AGENDA

MEETING OF CMA BOARD OF DIRECTORS
Monday and Tuesday, January 26-27, 1987
Ritz Carlton Hotel, Salon I
Naples, Florida

Monday, January 26

			TAB
9:00 a.m.	1.	Call to Order and Approval of Minutes of November 17, 1986 Meeting -- Chairman Clark	
9:00-9:25	2.	Report of the Distribution Committee -- Ronald M. Jacobson, Rohm and Haas Company; Chairman, DC	
		a. Committee Annual Report	Separate Report
		b. Chemnet Participation Report	1
9:25-9:50	3.	Report of the Texas Chemical Council -- Charles T. Seay, TCC Chairman (Exxon Chemical Americas); and Harry Whitworth, TCC President	2
9:50-10:10	4.	Annual Report of the Health and Safety Committee -- J. Ronald Condray, Monsanto Company; Chairman, HSC	Separate Report
10:10-10:25	5.	Air Toxics Survey Results -- Frank W. Berryman, Chevron Chemical Company, Chairman, Environmental Management Committee; and Paul King, PPG-Industries, Inc., Chairman, EMC Air Toxics Coordinating Group	3
10:25-10:40	6.	Report of the Special Energy Advisory Group -- Hugh R. Irvine, Exxon Chemical Americas; Chairman, SEAG	4
10:40-10:55	7.	Report of the Special Programs Policy Committee -- Harry Corless, Chairman	Separate Report
10:55-11:15	8.	Annual Report of the International Trade Committee -- Max L. Turnipseed, Ethyl Corporation; Chairman, ITC	Separate Report
11:15-11:35	9.	Clean Sites Inc. (CSI) Report -- Russell Train, Chairman	

CMA 038699

11:35-11:55	10.	Report on Regional Executive Contact Meetings -- Chairman Clark	
11:55-12:00	11.	New Business	
12:00 Noon	12.	Adjourn	

Tuesday, January 27

8:00 am	1.	Call to order -- Chairman Clark	
8:00-8:10	2.	Board Committee Reports	
		a. Executive Committee -- Harold A. Sorgenti b. Membership Committee -- Carlyle G. Caldwell	
8:10-8:35	3.	Association Activities	
		a. Treasurer's Report -- Gary C. Herrman	5
		b. Program and Issue Developments -- Robert A. Roland	6
8:35-8:55	4.	Annual Report of the Tax Policy Committee -- James C. Pugh, PPG Industries, Inc.; Chairman, TPC	Separate Report
8:55-9:15	5.	Report of the Executive Committee's Liability Reform Work Group and Recommendations on State Tort Law Reform -- Keith R. McKennon, Chairman	7
9:15-9:35	6.	Annual Report of the Communications Committee -- Michael E. Thompson, Amoco Corporation; Chairman, CC	Separate Report
9:35-9:50	7.	Annual Report of the Patent and Trademark Committee -- Patrick L. Henry, Allied-Signal Inc.; Chairman, PTC	Separate Report
	8.	Consideration of Proposed Policies and Programs	
9:50-10:15		a. Hazardous Waste Minimization Program -- Frank W. Berryman, Chevron Chemical Company, Chairman, Environmental Management Committee; and Charles T. Seay, Exxon Chemical Americas, Chairman, EMC Ad Hoc Hazardous Waste Minimization Work Group	8

10:15-10:40		b.	National Groundwater Policy -- Frank W. Berryman, Chevron Chemical Company, Chairman, Environmental Management Committee; Charles D. Malloch, Monsanto Company, Chairman, EMC Groundwater Management Task Group; and Scott S. Cunningham, Union Carbide Corporation, Chairman, GRC Groundwater Task Group	9
10:40-10:50		c.	International Trade National Security Issues (§232) Policy -- Max L. Turnipseed, Ethyl Corporation; Chairman, ITC	10
10:50-11:05		d.	ANSI Standards for Chronic Hazards and Target Organ Labeling -- J. Ronald Condray, Monsanto Company; Chairman, HSC	11
11:05-11:30		e.	Occupational Disease Information and Medical Surveillance Policy (Gaydos Bill) -- J. Ronald Condray	To Be Mailed Subsequently
11:30-11:50	9.		Clean Sites Inc. (CSI) Funding Recommendations	
11:50-12:00	10.		New Business	
12:00 Noon	11.		Adjourn	

MINUTES of the three-hundred eleventh meeting of the Board of Directors of the Chemical Manufacturers Association, Inc., held in Salon I of the Ritz Carlton, Naples, Florida, on Monday and Tuesday, January 26 and 27, 1987. There were present:

Directors:	W. H. Clark, Jr. - Chairman	
	Robert C. Forney - Vice Chairman	
	Robert A. Roland, President	
	Lee K. Bailey (2)	Carl W. Lorentzen
	Dexter F. Baker	John S. Ludington (1)
	Cyril C. Baldwin, Jr.	H. E. McBrayer
	Robert D. Cadieux	Keith R. McKennon
	Carlyle G. Caldwell	George J. McNally, (1)
	Paul W. Chellgren (1)	L. John Polite, Jr.
	Harry Corless	M. Whitson Sadler
	Robert W. Davis	Roy Sambrook
	John T. Files	Vincent A. Sarni
	Vincent L. Gregory	James F. Schorr (1)
	Earle H. Harbison, Jr.	Harold A. Sorgenti
	D. George Harris	Edwin L. Stenzel
	P. W. Ifland	S. Jay Stewart
	Ray R. Irani (2)	Otto Sturzenegger
	John W. Johnstone, Jr.	O. Edward Wall
	Emerson Kampen	Konrad M. Weis
	Robert D. Kennedy (1)	Chong Y. Yoon

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

By Invitation:	Frank W. Berryman - Chevron Chemical Company
	J. Ronald Condray - Monsanto Company
	Geraldine V. Cox - CMA
	Scott S. Cunningham - Union Carbide Corporation (2)
	Kenneth E. Davis - Rohm and Haas Company
	Myron T. Foveaux - CMA
	Clyde H. Greenert - Union Carbide Corporation
	Edward D. Griffith - ARCO Chemical Company
	Patrick L. Henry - Allied-Signal Inc.
	Jon C. Holtzman - CMA
	E. Hamilton Hurst - Nalco Chemical Company
	Hubert R. Irvine - Exxon Chemical Americas (1)
	Ronald M. Jacobson - Rohm and Haas Company (1)
	Bruce W. Karrh, M.D. - E. I. du Pont de Nemours & Company (1)
	Conrad S. Kent - (SOCMA) Stauffer Chemical Company
	Paul M. King - PPG Industries, Inc. (1)
	Charles D. Malloch - Monsanto Company (2)
	Michael A. Pierle - Monsanto Chemical Company
	James C. Pugh, PPG Industries, Inc.
	Vernon R. Rice - E. I. du Pont de Nemours & Company
	Randal P. Schumacher - CMA
	Charles T. Seay - Exxon Chemical Americas
	William M. Stover - CMA

Russell Train, Clean Sites Inc. (1)
Max L. Turnipseed - Ethyl Corporation
Harry P. Whitworth - Texas Chemical Council (1)
Benjamin Woodhouse - The Dow Chemical Company

(1) Monday only
(2) Tuesday only

1. MINUTES OF THE NOVEMBER 17, 1986 MEETING

The meeting was called to order at 9:00 a.m. on Monday, January 26, 1987, by Chairman Clark. The minutes of the November 17, 1986, Board meeting were approved as distributed.

2. ANNUAL COMMITTEE REPORTS

Mr. Clark indicated the chairmen making their annual reports on the activities and outlook of the various Association committees had been asked to change the format of their presentations to be shorter and less technical, and more focused on one or two key issues in the year ahead. He expressed his hope that this would lead to more dialogue between the committee chairmen and the Board, and less formal presentations.

3. DISTRIBUTION COMMITTEE

Mr. Jacobson presented the annual report of the Distribution Committee. A summary of his report is attached as Exhibit A. Highlights from 1986 in his report included:

- Increase in CHEMTREC activity,
- Miamisburg incident and CMA documentary,
- First responder training program and materials,
- Development of CMA training videotapes,
- Growth in Chemical Referral Center (CRC) calls.

The following were identified by Mr. Jacobson as areas of increased activity for 1987:

- Expansion of CAER to transportation,
- Risk management in transportation,
- International regulation.

4. CHEMNET REPORT

Mr. Jacobson provided an update (Exhibit B) on the CHEMNET program and the need to expand participation in the program beyond the 79 companies currently participating. He indicated that the CHEMNET system had been triggered 41 times in the past 14 months and those incidents all appeared to be well handled. Although liability had been a major concern inhibiting the participation of some companies, the first year's experience did not result in any litigation against a CHEMNET responder.

Following Mr. Jacobson's presentation, there was general discussion of the program and the need for more participation. It was agreed that there should be another solicitation to non-participating companies, indicating the overall success of the program to date and the endorsement of the Association's Board for increased participation.

5. TEXAS CHEMICAL COUNCIL

Mr. Seay, Chairman of the Texas Chemical Council (TCC), presented an overview of the TCC; the importance of the chemical industry to the Texas economy; the importance of Texas' chemical industry to the overall strength nationwide of the chemical industry; the development of an innovative grassroots program -- the Associated Chemical Industry of Texas (ACIT).

Mr. Whitworth, President of the TCC, presented a business climate/ legislative outlook for Texas in 1987. Key issues for the industry in Texas this year were identified as budget and taxes, tort reform, and cogeneration. General discussion of Texas issues and TCC and ACIT activities followed. A copy of the TCC report is attached as Exhibit C.

ON MOTION, duly made and seconded, it was

VOTED: That the following recommendations of the Texas Chemical Council be endorsed by the Board:

That CMA and its individual member companies provide support for -

- Plant managers in their work with government relations, public affairs, CAER, etc.
- Increased company, supplier and customer support for the Texas Civil Justice League (tort reform coalition) and the Associated Chemical Industry of Texas (a coalition of business in support of chemical industry interests).
- Increased political and PAC activity in support of business candidates.
- Economic impact analysis of legislation to focus attention on jobs and competitiveness.

6. HEALTH AND SAFETY COMMITTEE

Mr. Condray presented the annual report of the Health and Safety Committee. A summary of his report is attached as Exhibit D. He highlighted key activities from 1986 such as Superfund (emergency preparedness, community right-to-know, health authorities, etc.), CAER, OSHA and the BLS guidelines. He indicated a major priority for the next 5-10 years will be worker health and safety issues such as the adequacy of workplace regulations, inspection mechanisms, chronic disease detection and compensation mechanisms.

Following Mr. Condray's presentation, there was general discussion of these issues with particular attention to OSHA and the enforcement of the Bureau of Labor Statistics (BLS) guidelines for reporting injuries. It was agreed that the need for all member companies to utilize the BLS guidelines was still critical and that another communication to the membership on this matter was appropriate. The advisability of an officer-level visit with the Labor Department/OSHA leadership was also discussed.

7. AIR TOXICS SURVEY

Mr. Berryman presented an overview of the Environmental Management Committee's progress on implementing the Association's air toxics policy.

Mr. King presented the interim results (Exhibit E) of the survey on the status of implementation by the membership of the air policy. His report is attached as Exhibit E. Through January 9, 71 responses had been received and follow-up was continuing with the other 100 members. Major needs identified in the survey were a better understanding of the program and its objectives within the industry, and additional support for member companies in the area of communications with the plant community and the public generally. Smaller companies requested a prioritization of recommended activities and some sense of what a recommended company program should be. Mr. King's conclusion from the survey and the ongoing analysis of the EMC group was that substantial progress had been made but that it was not yet sufficient to meet the programs objectives.

Following Mr. King's presentation, there was general discussion regarding the survey and the overall implementation of the policy. Those Board members who had not yet responded to the survey were urged to do so. The importance of a good response from the membership on the policy's implementation was also stressed. It was suggested that the responses be portrayed as representing a percentage of the total sales of the industry, and staff agreed to explore this approach.

There was also considerable discussion of the need for the Executive Committee and Board to discuss and come to agreement on long-range directions and programs for issues such as health effects and other strategic areas. The officers agreed to take this under advisement.

8. SPECIAL ENERGY ADVISORY GROUP

Mr. Irvine presented the report of the Special Energy Advisory Group. A summary of his report is attached as Exhibit F. He highlighted key developments since the group was formed in the Spring of 1986. He indicated that energy costs the chemical industry about $12 billion per year and represents approximately 27% of product cost. Key issues in 1986 included reporting requirements, Federal

Energy Regulatory Commission (FERC) action, oil import fee proposals and the Superfund petroleum tax. For 1987, Mr. Irvine projected oil import fees and FERC actions as the major issues.

9. SPECIAL PROGRAMS POLICY COMMITTEE

Mr. Corless presented the annual report of the Special Programs Policy Committee. A summary of this report is attached as Exhibit G. He reported that it had been a quiet year with no major policy issues to resolve. He did, however, raise one important issue for Board consideration.

ON MOTION, duly made and seconded, it was

VOTED: That Executive Contacts of member companies be encouraged to place their joint efforts on individual products (Special Programs) under the aegis of a trade association.

The importance of the trade association umbrella for both individual companies and the industry as a whole was stressed. It was agreed that a letter to Executive Contacts should be sent reinforcing this point.

10. INTERNATIONAL TRADE COMMITTEE

Mr. Turnipseed presented the annual report of the International Trade Committee. A summary of his report is included as Exhibit H. Key issues addressed in 1986 were the pending trade legislation and the MTN under GATT, both of which will carry over into 1987. In addition, the US-Canada free trade negotiations are also expected to move ahead rapidly this year. He indicated that more companies should get involved in CMA's trade activities, because the Association needs their input on key issues and because the Association can substantially assist member companies with their specific trade problems.

11. REGIONAL EXECUTIVE CONTACT MEETINGS

Chairman Clark made a preliminary report on the six regional Executive Contact meetings hosted by CMA's officers during December and January in the following cities: Columbus, Chicago, Philadelphia, New York (2) and Houston. He indicated that the meeting scheduled for Atlanta on January 22 was snowed out and would be rescheduled for April. The San Francisco meeting will tentatively be rescheduled for late August in conjunction with the meeting of the Board in California. Seventy-five senior industry executives participated, together with nineteen representatives from 14 state chemical councils.

Mr. Clark indicated the results were very positive. The purpose of the meetings was to:

- Reach out personally to the membership,
- Acquaint them with CMA operations and current program and issues priorities,

- Seek input and recommendations on the future direction for the Association,
- Identify improvements to the organization to better meet the needs of the membership,
- Encourage more active member participation in CMA activities.

He reported the feedback was very encouraging on the Association and its programs. Issues of particular interest and concern identified at the meetings included trade, environmental issues (RCRA, air, groundwater), state issues (including Proposition 65), chemophobia and Rhine-River-type issues in the United States.

Needs identified by the state chemical organization representatives included top-down corporate support for state affairs activity, concerns about the availability of member company manpower to address state and local challenges, and the need for senior management to support their plant managers in state and local outreach activities.

Suggestions for CMA improvement included the need to: provide a sense of priority among the many issues which CMA addresses; improve communication between CMA and member companies; expand CMA participation and membership; reach out more to middle and upper management; and provide more briefings and orientation sessions for new member companies or new executive contacts.

Mr. Clark indicated that a more detailed report would be prepared following the conclusion of the Atlanta meeting which will be communicated to all Executive Contacts.

Following his presentation, there was discussion of the meetings and the consensus was that they were extremely valuable and should be repeated in some form in the future.

12. CLEAN SITES INC. (CSI)

Mr. Train, chairman of CSI, presented a comprehensive report on the status of Clean Sites Inc. and the outlook for its continued viability and utility in the year ahead. He identified problems which had initially slowed or inhibited CSI involvement and he highlighted a number of major successes. He indicated the evolution that CSI was undergoing as a result of the recently enacted Superfund amendments.

Mr. Train concluded by presenting an overview of the financial status and needs of CSI over the next three years. To meet those needs, he requested continuing financial support from the chemical industry during that period on a reduced basis from that provided during the initial three years.

The Board took his request under advisement and indicated that a recommendation would be developed by the Executive Committee during its meeting that afternoon and that the recommendation would be brought forward to the Board for its consideration the following day.

* * *

The Board adjourned at 12:10 p.m. until Tuesday, January 27.

Tuesday, January 27, 1987

The meeting was called to order at 8:00 a.m. by Vice Chairman Forney.

13. REPORT OF THE EXECUTIVE COMMITTEE

Chairman Sorgenti reported on the items discussed and the actions taken by the Executive Committee on the preceding day. Those items and actions were:

- Approved appointments to fill vacancies on various Association standing and special committees.

- Approved and recommended for Board action the Membership Committee's report on the application of Chemtech Industries, Inc. for CMA membership.

- Heard a preliminary report from the Finance Committee on the 1987/88 Budget Process. Highlights included:

  - In the current budget year, six CMA programs were sunsetted and the budget was balanced without increasing dues or drawing down reserves.

  - Over the past three years, CMA dues have changed 0%-3%-0%, while expenses have been level at $14 million.

  - Preliminary review of next year's budget requests identified significant new resource requirements to respond to new and mandated regulatory activity at both Federal and State level.

  - The Finance Committee will meet on February 11, in Washington, to evaluate individual Committee requests.

  - Chairman Bob Kennedy has invited and encouraged other members of the Board to attend the February 11 meeting.

- Discussed further the following items from the Monday morning Board meeting:

  - CHEMNET/CAER/Air Toxics participation and the need to encourage more member companies to become involved.

  - Agreed that the "Air Toxics" program should be described as the "Air Quality" program.

  - Regional Executive Contact program, Atlanta meeting to be rescheduled in the spring, and California meeting to be held in conjunction with the Board meeting in Pebble Beach.

- Approved and recommended for Board action:

  - A report of the Executive Committee Liability Reform Work Group,

  - A proposed Waste Minimization program,

- A national Groundwater policy,
- A policy on International Trade National Security Issues,
- A proposed revision of the ANSI Standard for Chronic Hazards and Target Organ Labeling.

o Heard a report on Occupational Disease Notification and Prevention issues and the proposed Gaydos/Metzenbaum legislation. Approved and recommended for Board action four principles for developing specific legislative proposals. Authorized the Health and Safety Committee and Government Relations Committee to proceed as necessary on specific language subject to review by the officers if needed before the next Executive Committee meeting.

o Approved and recommended for Board action a proposed schedule of suggested member company contributions to Clean Sites Inc. for 1987/88.

o Approved and recommended for Board action a proposed resolution on U.S. Savings Bonds.

o Discussed the availability of liability insurance for chemical distributors and requested the CMA Insurance Committee to review the matter and the potential for CMA assistance through other trade associations.

14. MEMBERSHIP COMMITTEE

Chairman Caldwell advised that the Membership Committee had examined the qualifications of the company listed below and recommended its election to membership.

ON MOTION, duly made and seconded, it was

VOTED: That the Manufactured Products Division of Chemtech Industries Inc. be elected to membership in the Association.

15. ASSOCIATION ACTIVITIES

a. Treasurer's Report Mr. Herrman reported that through the seven months ending December 31, the Association had received revenues of $13,555,600 and had incurred expenses of $6,842,600. By year-end, he projected that the Association would receive revenues of approximately $13.9 million (about $150,000 under budget) and would incur expenses of approximately $13.9 million resulting in operations that are break-even or with a slight contribution to reserves. Requests for 1986 calendar year sales reports were mailed to the membership in late December with a requested return date of January 28.

b. Program and Issue Developments Mr. Roland referenced the complete President's Report contained in the meeting materials (Exhibit I). He then called upon Dr. Cox who highlighted the requirements of Title III of the Superfund Reauthorization Act and Mr. Stover who gave an overview of the election results and their projected impact on the Association's issues.

16. TAX POLICY COMMITTEE

Mr. Pugh presented the annual report of the Tax Policy Committee. A summary of his report is included as Exhibit J. The major activity in 1986 was the enactment of the Tax Reform legislation, which included some positive provisions for the chemical industry such as improved depreciation and some major negative provisions such as the elimination of the investment tax credit.

He indicated that for 1987, the committee anticipated "technical corrections" legislation and a major regulatory effort related to the implementation of the Tax Reform legislation.

Following his presentation, there was discussion of the relative resource needs in the tax area for 1987 and the unique role which CMA's tax program serves.

17. LIABILITY REFORM WORK GROUP

Mr. McKennon reported on the activities of the Executive Committee's Ad Hoc Liability Reform Work Group. He indicated that the primary objective of the group is to develop a long-range program for addressing a range of compensation and liability issue of particular interest to the chemical industry. He reported that while efforts are under way on the long-range program, the work group had assembled, at the Executive Committee's request, a package of materials and program to address state tort reform. Following discussion, the proposal as set forth in Exhibit K was approved.

18. COMMUNICATIONS COMMITTEE

Mr. Holtzman presented the annual report of the Communications Committee in lieu of Mr. Thompson, who had been unable to attend due to an unforseen problem at the last minute. A summary of his report is included as Exhibit L. In his report, Mr. Holtzman expressed the committee's belief that the industry is in a better position with both the press and the public than it was one year ago. He attributed this largely to the commitment of senior management, the lack of any major accidents, and the efforts of plant-level personnel. He then detailed some of the major developments of 1986, both internal and external, which had a major impact on the industry's reputation and the industry's issues.

The committees major priorities for 1987 were identified as:

- CAER follow-up,
- Air toxics policy implementation,
- State chemical organization assistance,
- Development of clear language communications,

Following the report, there was general discussion of various communication programs and issues, such as the potential for greater utilization of small companies as grassroots communication advocates, and the need to put the "toxics" vs. chemicals in general in perspective. There was also discussion of follow-up visits with the editorial board network and of the need to communicate to the membership on warehouse safety and water runoff issues as a result of the Basel accident.

19. PATENT AND TRADEMARK COMMITTEE

Mr. Henry presented the annual report of the Patent and Trademark Committee. A summary of his report in included as Exhibit M. Major issues in 1986 included process patent legislation, patent term restoration and other patent legislation. In 1987, Mr. Henry indicated that process patent legislation would remain a priority and that there would be increased international activity regarding patents.

20. WASTE MINIMIZATION PROGRAM

Messrs. Berryman and Seay presented a proposed waste minimization program for the Association. The objectives of the program included:

- Better protection of human health and the environment,
- Avoiding onerous legislation that mandates waste reduction,
- Limiting disposal costs and future cleanup liability, and
- Improving public understanding of industry generation and disposal practices.

In addition to a position statement on waste minimization which is set forth in the Exhibit, the effort would also include:

- An industry program to promote and assist member companies in developing and carrying out waste minimization programs.
- Legislative and regulatory advocacy support to address waste minimization issues before Congress and EPA.
- Measurement of waste minimization progress in order to document progress.
- Communications of member company and industry waste minimization activities.

ON MOTION, duly made and seconded, it was

VOTED: That the proposed waste minimization program as set forth in Exhibit N be approved.

21. NATIONAL GROUNDWATER POLICY

Messrs. Berryman, Malloch and Cunningham presented a proposed policy for Federal groundwater legislation. Mr. Malloch's presentation focused on the relative roles of the Federal and state governments and the specific responsibilities that each should bear. Mr. Cunningham presented the legislative status report and outlook, and then outlined CMA's strategy for the issue in this Congress. The trategy included plans to:

- Coalition with other business groups and state government representatives,
- Identify allies in the Congress who have similar interests,
- Broaden the debate to committees in Congress where moderates are strong, and
- Be responsive to pressure for federal legislation, but not to proactively seek its passage.

Discussion followed on the responsive nature of the proposal and the role of the states in implementing the national policy.

ON MOTION, duly made and seconded, it was

VOTED: That the proposed national groundwater policy as set forth in Exhibit O be approved.

22. INTERNATIONAL TRADE NATIONAL SECURITY ISSUES POLICY

Mr. Turnipseed presented a proposal on national security issues (§232 of the Trade Expansion Act of 1962) which is expected to be part of the omnibus trade bills to be considered by the Congress in 1987. Although this has not been a critical issue for the chemical industry to date, he indicated that there is the likelihood for increased use of this Section of the law in the future (potentially with respect to oil and oil derivatives) and the approved position would be a useful tool for coalitioning purposes.

ON MOTION, duly made and seconded, it was

VOTED: That the proposed international trade national security issues policy as set forth in Exhibit P be approved.

23. ANSI LABELING STANDARDS

Mr. Condray presented a proposal to endorse the submission of the revised labeling standard (ANSI Z129.1-1987) for consensus adoption. He indicated the CMA had been involved in developing voluntary labeling guidelines since 1946 and that since 1976, CMA has served as the secretariat organization for the ANSI labeling standard. The most significant new aspect of the revised standard is the inclusion of labeling for delayed (chronic) hazard and target organ/system hazards.

ON MOTION, duly made and seconded, it was

VOTED: That the proposed ANSI submission, as described in Exhibit Q, be approved.

24. OCCUPATIONAL DISEASE NOTIFICATION AND PREVENTION

Mr. Condray presented a report and recommendations for action regarding pending occupational disease notification and prevention legislation introduced by Senator Metzenbaum and Congressman Gaydos. Although legislation had been proposed by these two members in the last Congress, Mr. Condray reported they had very recently reintroduced legislation which contained substantial modifications and that our analysis of these proposals was still under way. He indicated that both bills reflect the agenda of organized labor and are designed to generate litigation based on workplace exposures.

In developing the Association's position on this issue and on the particular bills already introduced, Mr. Condray proposed that four criteria be followed: Base the response on credible science, have it conform as nearly as possible to the proactive practices of CMA's member companies, make it politically viable, and minimize its impact on liability and compensation.

The action of the Executive Committee on this issue the previous day was reviewed. The Executive Committee had approved the criteria listed above, but requested that the Health and Safety Committee and the Government Relations Committee do additional work on the specific legislative alternatives. If policy approval were required prior to the March Executive Committee meeting, the Executive Committee recommended that the officers be authorized to provide that policy oversight.

Considerable discussion followed on the specific provisions in the egislation and the proposals which had been included in the meeting materials. Of articular note was the discussion on whose responsibility it would be to notify impacted employees -- the employer's or the government's. It was the consensus of the Board that the final legislative principles being drafted by the group should not be drawn so as to create the impression that CMA was advocating removing all responsibility for worker notification from the employer. Employers should maintain, at a minimum, the right to provide the notification, even if the government ultimately would be involved as well. There was also discussion regarding the delicate nature of CMA's participation in the broad-based business coalition on this issue, and the necessity for CMA to maintain maximum flexibility for itself as the legislative debate evolved.

ON MOTION, duly made and seconded, it was

VOTED: That the four criteria for developing the Association's position on worker notification legislation, as set forth above, be endorsed and that the Health and Safety Committee and Government Relations Committee further pursue the development of specific legislative alternatives.

That the officers be authorized to provide policy oversight if approval of those alternatives is required prior to the March Executive Committee meeting.

25. CLEAN SITES INC. (CSI) FUNDING

Following up on Mr. Train's presentation the previous day, Mr. McBrayer presented a proposal for continued member company voluntary support of Clean Sites. This proposal had been endorsed the previous day by the Executive Committee. There was considerable discussion of the proposal, CSI's substantive and financial performance in its first three years, and various other approaches for CSI to address its budget and financial needs.

ON MOTION, duly made and seconded, it was

VOTED, (with one abstention) That the following Board resolution be adopted:

Association members are urged to contribute to CSI for fiscal year 1987/88 according to a reduced "fair share" schedule listed below. Continued contributions by member companies to CSI are endorsed by CMA with the understanding that the total of CMA member company contributions will be matched by contributions from other sources. It was also understood that if Clean Sites continues to develop as planned, the organization will again request financial support from CMA member companies in fiscal 1988/89 and 1989/90, but at a reduced rate designed to yield $1.1 million and $.7 million, respectively, compared with the $1.6 million sought for fiscal 1987/88. These second and third year requests will be reviewed by the Executive Committee and Board in each year and would be evaluated at that time based on their merits.

Recommended Contribution Schedule

Annual Member Company Chemical Sales	CSI "Fair Share" Contribution 1986/87 (for reference only)	1987/88
Over $3 Billion	$325,000	$125,000
1.5 - 3 B	215,000	82,000
1.0 - 1.5 B	110,000	42,000
750M- 1.0 B	80,000	30,000
500 - 750 Million	55,000	20,000
250 - 500 M	35,000	14,000
100 - 250 M	13,000	5,000
50 - 100 M	6,500	2,500
Under 50 M	2,000	1,000

Additional information on CSI's proposed revenue sources and projected contribution schedules are set forth in Exhibit R.

6. SAVINGS BONDS

At the request of Mr. Henske of Olin who is the chairman of the chemical industry savings bond campaign this year, the Board was asked to consider a resolution urging member company support for the saving bond program.

ON MOTION, duly made and seconded, it was

VOTED: That the resolution on savings bonds, as set forth in Exhibit S, be adopted.

* * *

The meeting was adjourned at 11:00 am.

Charles W. Van Vlack
Vice President-Secretary

ertified correct:

W. H. Clark, Jr.
Chairman of the Board

EXHIBIT A

REPORT OF
DISTRIBUTION COMMITTEE

EXECUTIVE SUMMARY

Two primary issues have surfaced during 1986 relative to the distribution of chemicals that demand a great deal of attention by the Distribution Committee. These are chemical transportation risk management and non-tariff trade barriers affecting the international distribution of chemicals.

It has become readily apparent that the chemical manufacturing community must take a more proactive role in identifying and compensating for the many variables that influence the safe transportation of chemicals. State and local officials, environmentalists, and congressional oversight committees are among the many groups that have expressed concern over the potential risks associated with chemical transportation. The Distribution Committee has joined forces with representatives from the railroad and trucking industries to assess the risks of moving different types of chemicals. During the upcoming year risk management models will be developed that individual chemical companies can use to work with their carriers in identifying the safest possible means of transporting their products.

The past year has also brought on a great deal of activity in the international regulatory arena which has had a significant impact on the distribution of chemicals. The Distribution Committee has been instrumental in the development of marine pollution requirements that guard against the dumping of chemical wastes at sea. Fortunately, because of the Distribution Committee's efforts the international requirements did not go so far as to curtail international chemical transportation, or make it so expensive for U.S. shippers that they would be put at a competitive disadvantage with foreign chemical companies.

CMA also played a major role in getting U. S. government officials to intervene in the efforts of foreign governments to reserve cargo to their nations flag vessels, thus reducing competition and creating a serious impediment to the safe transportation of chemicals.

The National Chemical Response and Information Center (NCRIC) has gone beyond the industry's expectations in fulfilling the needs of emergency responders and the public for chemical related information. CHEMTREC, which celebrated its fifteenth anniversary, has seen a significant growth in activities over 1986. Calls rose from 34,000 inquiries in 1985 to 41,000 in 1986, a 23% increase. CHEMTREC also introduced the Hazard Information Transmission System which enables emergency responders to access hard copy chemical information via a computer link. The CHEMNET program, the industry's first all encompassing mutual aid network, has continued to grow in size and importance over the past year. It was recognized by Secretary of Transportation Elizabeth Dole during the 1986 Spills Conference as a major industry initiative to assist emergency responders in effectively handling chemical transportation accidents.

The NCRIC Lending Library has also been tremendously successful. Over 128,000 emergency responders have had the opportunity to view the videos. The chemical industry has received countless praise for this major effort to train emergency responders on the proper techniques for handling chemical emergencies.

The Chemical Referral Center responded to over 11,000 inquiries from the public for non-emergency health and safety information about chemicals. An index of approximately 110,000 products has been developed to assist the Chemical Referral Center in quickly identifying the appropriate companies to refer callers to. This service is expected to continue to increase in importance over the coming year as states and local communities implement the right-to-know provisions of the Superfund Amendments and Reauthorization Act.

While a great deal of the Distribution Committee's energies were directed at improving the safe transportation of chemicals during 1986, the Committee continued to promote competition and cost-effective measures for the distribution of chemicals. The Committee was successful in getting the Interstate Commerce Commission to overrule the efforts of a major railroad to flag out of its common carrier responsibilities to move certain chemicals. The Committee also played a key role in helping to shape practical rules for railroad cost recovery practices. CMA also intervened in a case before the ICC in an effort to establish a favorable precedent for competitive access remedies for shippers captive to a single railroad.

The reauthorization of the Hazardous Materials Transportation Act did not occur during 1986 but it is expected to receive considerable attention in 1987. The Distribution Committee took advantage of this time to promote the CMA position adopted at last January's Board meeting. CMA will continue to take a lead role in the development of reasonable legislation governing the transportation of chemicals.

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EXHIBIT B

CHEMNET MEMBERSHIP

Problem

The CHEMNET program currently has 79 members. To insure an effective program to reduce the risk of chemical shipments and negative publicity from accidents more CMA members should become active members of CHEMNET.

Objective

To gain additional membership in CHEMNET from the CMA membership, particularly additional subscriber members.

Background

The CHEMNET program was approved by the Board in March 1985. The program began operation in November 1985 with 52 members. Since that time only 27 more companies have joined. The program has been activated 35 times in its first 14 months of operation and has proved to be a viable system to insure expert assistance at the scene of serious incidents.

The current membership is:

Participants:	Subscribers:
Air Products & Chemicals, Inc.	Akzo Chemie America
Allied-Signal, Inc.	Ardrox, Inc.
American Cyanamid Company	Bofors Nobel Inc.
Amoco Chemicals Company	BP Chemicals Americas
ARCO Chemical Company	CasChem Inc.
Badische Corporation	Chevron USA
Borden Chemical Division	C-I-L Inc.
Borg-Warner Chemicals, Inc.	Deepwater, Inc.
Cabot Corporation	Diamond Shamrock Chemicals Co.
Celanese Corporation	Engelhard Corporation
Degussa Corporation	General Alum & Chemical
Dow Chemical Company	General Chemical Corp.
E. I. du Pont de Nemours & Co.	Great Lakes Chemical Corp.
Eastman Kodak Company	Harshaw/Filtrol
Exxon Chemical Americas	Hercules Inc.
Fina Oil and Chemical	Interez Inc.
FMC Corporation	Kaiser Aluminum & Chemical
BFGoodrich Company	Kay-Fries, Inc.
ICI Americas Inc.	Kerr-McGee Chemical Corp.
Mobay Corporation	Lonza Inc.
Mobil Chemical Company	Mallinckrodt, Inc.
Monsanto Company	Merichem Company
Nalco Chemical Company	Morton Thiokol, Inc.
Nepera, Inc.	NL Industries, Inc.
Occidental Chemical Corporation	Polysar Limited (Canada)
Olin Corporation	Reichhold Chemicals, Inc.
Phillips 66 Company	Reilly Tar & Chemical Corp.

Polysar Limited (U.S.)	The Shepherd Chemical Company
PPG Industries, Inc.	Standard Chlorine Chemical Co.
Rohm and Haas Company	Sterling Chemical, Inc.
Shell Chemical Company	Sun Refining and Marketing
Standard Oil Chemical Company	SunOlin Chemical Company
Stauffer Chemical Company	Troy Chemical Corporation
Syntex Chemicals, Inc.	UCB Chemical
Texaco Chemical Company	Uniroyal Chemical Company
Union Carbide Corporation	United States Steel
Velsicol Chemical Corporation	The Upjohn Company
Virginia Chemicals (via Celanese)	Vista Chemical Company
Vulcan Materials Company	Wacker Chemicals (U.S.A.)
	Witco Corporation

Recommendations

That CMA members be urged to consider joining the CHEMNET program, either as participants or subscribers.

Impact

Money: The system offers substantial savings to the members because it allows access to emergency response teams without extensive maintenance costs.

Company Personnel	No change
Staff Personnel	No change

Action Required

Approval of Recommendation.

CMA
BD-1/26-27/87

EXHIBIT C

Report of the Texas Chemical Council

Objective

Review the status of key issues and present recommendations to improve overall effectiveness of the chemical industry in Texas.

Background

- o Texas Chemical Council (TCC) has a membership of 84 companies and has effectively represented chemical industry interests in Texas for more than 34 years.

- Texas is important to the chemical industry, and the chemical industry is important to Texas

  - Texas leads the chemical industry in value of chemical shipments.

  - Our industry in Texas is the largest in value added and results in the employment of 370,000 Texans.

- o TCC is effective because of the highly competent management, technical, communications and government relations talent provided by member companies working closely with a respected, exceptionally able though small staff.

  - Committees are active in safety, health, CAER, environmental conservation (air, water and solid waste), taxes, energy and public affairs.

  - High credibility has allowed TCC to play a prominent role in influencing legislation and regulations in areas such as Right-to-Know, hazardous waste management, permits and air toxics.

- o We are unique in our successful development of a broad based grassroots support organization consisting of suppliers and service firms along with manufacturers that are TCC members.

  - ACIT, the Association of Chemical Industry of Texas, now four years old with almost 300 member companies, was formed with the specific objectives of defending the chemical industry and helping it prosper.

  - During the Superfund debate ACIT members effectively communicated chemical industry positions with the Texas delegation, demonstrating its potential for influencing the political process and impacting public opinion.

- o The business climate in Texas continues to be favorable but is threatened by the deficit induced search for new taxes.

- o As a result of competitive pressures, Texas chemical industry employment has declined 20% since 1980.

  - We have been able to successfully use the jobs issue thus far to counter the thrust toward higher taxes.

  - It has been necessary to raise TCC dues (based on employee roll count) to maintain program effectiveness during period of declining employment.

Goals for 1987

A. Push for state budgetary restraint with minimum need for new taxes and equitable basis for those that occur.

  - Without a tax increase Texas faces a biennium budget deficit of four to five billion dollars out of a total budget of around 37 billion dollars.

  - Governor Clements is expected to push for budget cuts consistent with campaign pledge; Legislature reluctant to make deep cuts despite fact that increases over last decade are far in excess of inflation and population growth.

  - Chemical industry represents a convenient target for new taxes with several proposals aimed at broadening the sales tax base to include energy, manufacturing materials, contract labor and intrastate freight.

  - Texas Comptroller's proposal would raise chemical industry taxes by 210 million dollars per year, which represents a 200% increase in state taxes.

  - Lobbying effort has been effectively supported by TCC member company surveys and publications which dramatize the disastrous effect such actions would have on our industry, employment and the state's economy.

  - In addition to strong grassroots lobbying we are working to strengthen coalitions among other trade associations, encouraging the Legislature to free up dedicated funds and seeking to hold the line on agency budgets and fees.

B. Gain passage of meaningful tort reform legislation.

- Texas Civil Justice League (TCJL) was established with TCC as a founding member and continuing force to help bring about reform in state tort laws.

- There are over 400 TCJL members including cities, railroads, engineers, newspapers, chemical companies, hospitals, school districts, builders, and many other businesses and professions.

- Legislative objectives include: (1) initiation of comparative responsibility in cases of joint and several liability; (2) limitations on non-economic and punitive damages and disposition of awards; (3) limitations on lawyer contingency fees; (4) prohibitions against venue shopping; (5) allowance of collateral source offset and use of periodic payments in lieu of lump sum awards; (6) exclusion of pre-judgment interest; (7) limitations on liability of officers and directors of non-profit organizations; and (8) reduced statute of limitations for minors.

- Accomplishing such reforms will be no small task, since passage in the state senate requires a two-thirds majority vote, and there is formidable opposition to tort reform by the Texas Trial Lawyers.

- Developing grassroots support is critically important to success and consists of efforts to educate employees and public, formation of local steering committees, recruiting new TCJL members and targeting various legislators reluctant to accept tort reforms.

- Even with legislative success continuing effort must be made to elect responsible judges who will honor mandate and preserve reforms.

C. Gain passage of legislation supporting use of industry cogenerated power

- TCC has fostered formation of a broad based advocacy group called LECT (Lower Electrical Costs for Texans) to discourage construction of unneccessary high cost power plants and facilitate wheeling of lower cost cogenerated power to other areas of state in need of electricity.

- Selling points are lower electrical rates achieved through more efficient use of energy and avoided construction costs and preservation of jobs by keeping the manufacturing sector competitive.

- Utility companies are strongly opposed to any change that affects their monopolistic control and ability to generate income from new investments and receive favorable rate base treatment on very expensive nuclear power plant construction nearing completion.

- Willing to discuss issues with utility companies in an effort to reach reasonable agreement; negotiated or legislative success will be difficult to achieve and is largely dependent on industry's resolve to persevere.

D. Other Key objectives

- Have Texas emergency response commission appointed on a basis consistent with CAER utilizing existing working relationship.

- Limit control of air toxics to regulations that rely primarily on responsible self management by industry.

- Support implementation of CMA air toxics program and continued progress of CAER including expansion into transportation area.

- Hold chemical risk communication seminar/workshop with media, agencies, environmentalists and public interest groups as co-sponsors.

- Achieve reasonable State Implementation Plan for ozone attainment and avoid costly renewable permit provision to be considered by Legislature.

- Satisfactorily settle Sierra Club suit over Texas water quality standards which TCC is involved in as an intervenor.

- Be prepared to deal with possible legislation and further regulation on groundwater protection and hazardous materials transportation.

- Gain recognition of need for more reasonable agency enforcement policies.

- Assist member companies in complying with new OSHA/BLS injury/illness recordkeeping guidelines and continue to spearhead industry efforts to fight drug abuse.

Recommendations to Improve Chemical Industry Support in Texas

- o Support plant managers in their government relations and public affairs activities.

  - Stay in touch with issues.

  - Acknowledge the importance of Plant Manager's role in state and public affairs.

  - Make top executives available to discuss key issues with state officials.

  - Provide adequate technical resourcing so that we can maintain industry credibility and continue to favorably impact legislation/regulation.

- o Join ACIT and TCJL if not presently involved and encourage local management to recruit suppliers and customers; consciously evaluate your company's interest in LECT and act accordingly.

- o Provide increased PAC funds to support election of qualified conservative, business oriented candidates.

  - Consider making contributions to TCC's PAC - FREEPAC or at least work with TCC in coordinating effective use of industry wide funds.

- o Assist state CIC's in defining industry economic impact of environmental issues with emphasis on jobs and competitiveness.

Actions Required

Board endorsement of the thrust of these recommendations.

CMA
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EXHIBIT D

REPORT OF
HEALTH AND SAFETY COMMITTEE

I. EXECUTIVE SUMMARY

The Health and Safety Committee (HSC) developed effective legislative, regulatory and member services programs that were highly successful during 1986. In working with other parts of CMA's organization, the Committee was able to achieve significant improvement in proposed federal legislation and regulations. It was also successful in promoting voluntary initiatives that enhanced CMA's and the chemical industry's image among the public.

On the legislative front, the Committee was able to improve the health provisions contained in the new Superfund law by putting forward alternatives better suited to meet the intent of Congress. These included the community right-to-know, emergency preparedness and health-related authorities provisions. In general, these conform to CMA's adopted policies and, in many cases, existing company practices. Significantly, we made convincing arguments against proposed public compensation provisions. The Committee also put forward defensible policies on worker notification legislation proposed by Congress and the State of California, precluding new legislation.

The Committee responded to proposed regulations under several health, safety and environmental laws. Under EPA's TSCA program, for example, the Committee filed comments on proposed test guidelines, inventory update, regulation of intermediates, comprehensive assessment information and EPA penalty policies. Under OSHA, CMA commented on hazard communication training standards, laboratory substances protection and process safety review, among others.

This past year, the Committee sought opportunities to initiate programs to benefit CMA's members. CAER, for example, made significant strides to cement the program throughout our industry and many other chemical user industries. We worked to ensure that EPA and state agencies and organizations recognized and endorsed CAER as the principal alternative for chemical industry emergency preparedness. In addition to overseeing the CAER program, HSC worked closely with OSHA and the Bureau of Labor Statistics to adopt uniform guidelines for reporting occupational injuries and illnesses. The Committee's efforts proved largely successful in dealing with OSHA's new citation and penalty policy.

In 1986, the Committee also held numerous workshops to keep CMA members informed on important health and safety issues. A quarterly newsletter was started to supplement specific communications to CMA's membership.

For 1987, a strong emphasis on health and compensation programs will be the focus of the Health and Safety Committee's activities. To manage the many health issues facing our industry, the Committee will need strong member company support and involvement of company health professionals in its programs.

II. PROGRAM OVERVIEW AND OUTLOOK

This report marks the second year that the Health and Safety Committee has reported to CMA's Board of Directors since January 1985, when the Board consolidated two standing committees and two special Executive Committee task groups into this standing committee. Considerable effort was made in last year's report to describe the functional matrix adopted by HSC organization that was put in place to handle the diverse kinds of health, safety and compensation issues that confront the chemical industry today. The issues we saw this past year tested the organization, and our positive results indicate that it functioned well.

In 1986, the Health and Safety Committee was faced with significant legislative threats contained in the federal Superfund and worker notification bills. Both proposed requirements that would dramatically change the future course of chemical companies' health, safety and compensation programs. The Superfund bills drafted in early 1986 would have required specific process safety systems in chemical plants, extensive reporting of chemical mass balance information, and broad expensive health programs for people with little or no significant exposure. In addition, a federal compensation system with changes to state tort laws was proposed. It would have greatly expanded companies' liability potential.

The Superfund amendments signed into law reflect marked improvements, in part due to CMA's substituting a more sound alternative. This approach typifies the committee's method of advocating chemical company positions before Congress and elsewhere. The Title III requirements that ultimately passed has narrower reporting requirements, builds on the OSHA Hazard Communication Standard, and embodies CMA's Community Awareness and Emergency Response (CAER) program. It leaves existing tort law intact, does not provide for a new administrative compensation program, and creates a health-based assessment program consistent with sound chemical industry practices used today. All in all, the results of the committee's priority attention and its approach to these portions of Superfund reauthorization yielded significant benefits results to our industry.

Legislation to classify workers in high health-risk groups was successfully postponed during 1986. The Gaydos and Metzenbaum worker notification bills were not taken up by the 99th Congress for final consideration. The Health and Safety Committee articulated flaws in the bills' approaches and impacts on workplace health programs, and argued for expanding existing requirements of OSHA's Hazard Communication Standard instead.

Success in postponing these two legislative initiatives resulted from strong teamwork among the Committee's task groups, but equally important, among the members of other departments and committees. Close coordination with Government Relations, Legal and Communications Department staffs and company representatives was essential in the success of our program alternatives in the legislative debate.

While the Committee gave legislative initiatives a high priority in 1986, it devoted most of its effort to responding to government regulatory programs. Here too, the Health and Safety Committee employed a strategy of recommending better alternatives to proposed regulations to improve the final outcomes. With the Occupational Safety and Health Administration, for example, the Committee worked closely with the agency to develop better occupational injury and illness reporting guidelines. It was also able to work with OSHA to improve its records inspection program and citation policy through a collaborative CMA/OSHA educational program on recordkeeping for CMA members. By working with the agency to identify its program needs and concerns and advocating our members' interest, the Committee was able to defuse the troubling OSHA policy on recordkeeping fines that began with the unprecedented $1.3 million fine at Institute, West Virginia.

At EPA, the Committee focused on the agency's unbending conviction that chemical substances, in general, have insufficient toxicological testing to evaluate their risk to health and the environment. The Agency also believed that the regulatory process under the Toxic Substances Control Act (TSCA) was too slow and cumbersome to address adequately the problem. Environmental interest groups concurred with EPA. In evaluating this situation, HSC looked at how it might resolve basic concerns about the TSCA program without unfavorable Congressional changes to the law. It concluded that participating in an informal dialogue group with all interested parties could successfully lower the concern. The approach worked, resulting in consensus agreements on negotiated testing and follow-up reporting for new chemicals. In addition, the process of informal discussion allowed traditional chemical industry antagonists to gain a better understanding of our concerns and needs. It has opened communication channels further with the environmental interest groups and EPA staff. Informal dialogue with traditional opposing parties remains an important Committee advocacy tool.

While the Committee sought to gain understanding from interest groups and agency staff, it spent considerable effort in communicating to CMA members. It initiated a quarterly newsletter on health and safety issues, which has quickly become "must" reading for corporate regulatory affairs managers. Periodic informational meetings, including a program at the annual Chemical Industry Conference, are also supported strongly by HSC. In addition, the Committee significantly increased the number of workshops, seminars and roundtables that it sponsored. Topics included CAER implementation, process safety analysis, and drug control programs for the workplace. About a dozen such meetings gave CMA members invaluable information about governmental programs, member company practices, methods for protecting workers and the community, and operating facilities safely.

Meeting program needs of other parts of CMA's organization has also been a Committee priority. Close ties with the Distribution and Environmental Management Committees, for example, is essential for maintaining consistency in our health and safety policies for the industry. Many of the challenges facing these committees are driven by the public's concern about health effects from exposure to substances that we transport or release into the environment. HSC believes it is essential that we avoid inconsistency in our health policy that could undermine CMA's credibility and effectiveness as the chief chemical industry trade association. It, therefore, is diligent in collaborating closely with its CMA counterparts and ensuring that positions on both federal and state regulatory initiatives are consistent. Coordination with CMA's state affairs program is monitored routinely as a result.

A survey of last year's Committee activities and programs and a look at what lies ahead indicates the Health and Safety Committee will likely direct a majority of its efforts at addressing health concerns. To help answer community concerns, the Committee will place high priority on the CAER program. The program has become even more important to the chemical industry with Superfund reauthorization, since emergency preparedness programs in communities are now required by law. CAER serves as a vehicle for community compliance with the new Title III (emergency response) requirements. It also has created a useful communications network for companies' response to other local concerns, such as health impacts of environmental releases. The CAER network, therefore, will play an important role in implementing CMA's Air Toxics Control Program at the local level during 1987.

Health concerns about employees', exposure to chemicals in the workplace has already surfaced as a key issue for the coming year. Two bills introduced the first day of the new 100th Congress will sharpen the Congress' oversight on worker notification and medical surveillance, and could result in new legislation to address workplace health concerns. The committee will, as a result, spend significant effort in developing and recommending legislative policy on occupational disease assessment control, and compensation. It will also look for opportunities to recommend the initiation of appropriate worker health programs that could serve as models for members of the chemical industry, or that regulatory agencies have envisioned for the future. Health concerns will likely be the focus of the debate in TSCA reauthorization this year as well, which will also require HSC's priority attention.

As has been the case traditionally, the bulk of HSC's resources will be directed toward regulatory response. New authority provided to EPA and to the Agency for Toxic Substances and Disease Registry in the reauthorized Superfund law will greatly expand the Committee's workload. Much work will be needed to ensure that implementing regulations are reasonable, effective, and not excessively costly. Commenting on regulations under TSCA and OHSA is likely to represent the remaining bulk of the committee's regulatory activities. Both agencies have indicated their intent to step up the pace of their regulatory programs.

The Committee is confident that it is organized well to meet the challenges facing it in 1987. As with most organizations, resources will play an important role in whether it can successfully carry out its programs. Especially critical to the Committee's success is active participation of company experts, particularly with health science and health policy expertise. The recent new legislation, plus continued expansion of existing agency programs, will require, more than ever before, added CMA member company support for involving its health professionals in the Health and Safety Committee's programs.

EXHIBIT E

Air Toxics Control Policy

Interim Report on Membership Survey Results

Background

The Air Toxics Control Policy was adopted by the CMA Board of Directors on January 28, 1986 as part of a long standing commitment by CMA member companies to operate facilities in a safe and responsible manner.

Since the policy was adopted, the Association has taken significant steps to assist members in their implementation of the policy and to prepare for legislative advocacy on the issue.

At its September 1986 meeting, the CMA Board of Directors approved a survey of the membership to evaluate where we stand on the implementation of the policy, identify additional needs of members and prepare for the 1987-88 legislative debates.

Survey

The survey document was sent on October 31, 1986 by Mr. Roland to the members' executive contacts asking that the information be returned by November 26, 1986. As of January 9, 1986, 71 responses have been received with approximately 100 members not responding. Individual contacts were made with those firms not responding, and a second letter from Mr. Roland is scheduled to be mailed early this month requesting a prompt response.

The preliminary results of the survey indicate that

- Most responders have a program that tracks the CMA policy and most of those programs existed before the policy was adopted. The programs have been strengthened since the policy was adopted.

- The programs of most responders currently are in place or are underway for all facilities which, in the aggregate, represent over 850 facilities in all states except North and South Dakota. Sixteen states have 20 or more facilities representing 95% of the total.

- Almost all respondents use modeling or engineering techniques to conduct impact assessments. Very few conduct actual measurements.

- Most respondents indicated that a variety of activities are underway to reduce emissions with most of these activities being strengthened as opposed to initiated in the last two years.

- o There is a strong correlation of the accidental release activities under the policy to the CAER program.
- o Communications with outside groups are evident in the accidental release area with less or no communication to date for process emissions.
- o Most company programs do not address transportation activities.
- o The evaluation of CMA performance in implementing the policy is rated by the respondents at 3 to 4 with the highest possible rating being 5.

Future Needs

The survey responses indicate the need for support or opportunities for improvement in two principle categories -- first, education and training support (seminars, workshops, additional material, etc.) and second, communications (better understanding of program goals and needs and assistance on communication techniques).

Th re have been some fundamental issues raised in responses. Small r firms have asked for a system to prioritize their efforts and address what they perceive as "small quantity -- low risk" situations. In addition, there is a recurring theme of "t ll me what I must do to comply." CMA has not provided such details in the past and none are currently planned in this program.

Conclusion

The preliminary results indicate that there is a significant amount of activity underway by members in the area covered by the policy. A more complete response is needed to assess the ov rall impact of the policy upon the chemical industry.

As soon as the final survey results are available, they will be provided to the Board and the membership as well as incorporated into our advocacy programs. Identified needs are currently being evaluated and incorporated in planned activities.

Action Requested

None. For information only.

CMA
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EXHIBIT F

SPECIAL ENERGY ADVISORY GROUP
INTERIM REPORT ON ACTIVITIES AND STATUS OF ENERGY AND PETROCHEMICAL FEEDSTOCK ISSUES

Background

On April 1, 1986, the CMA Board approved the Finance and Executive Committees' recommendation to sunset the Energy Committee and related program expenses as of May 31, 1986. To continue to monitor and evaluate energy and related petrochemical feedstock issues affecting the entire chemical industry, the Executive Committee authorized formation of the Special Energy Advisory Group (SEAG). It was to operate without any significant dues-funded resources of CMA. The SEAG is hereby presenting an interim report on its activities and the status of energy and petrochemical feedstock issues. As part of the Finance Committee's review of program priorities for the 1987/88 budget, the Finance Committee will review the activities of the group and the status of energy issues and make a recommendation to the Executive Committee to either continue, expand or sunset the SEAG for the 1987/88 fiscal year.

1986 Structure and Accomplishments

Because most SEAG members have long been involved with energy/feedstock/economic impact matters, the cadre of sixteen experienced individuals, operating as a committee of the whole (see appendix), were able to deal rapidly and effectively with key issues. SEAG issue leaders are responsible for identifying specific energy legislative or regulatory initiatives having potential for significant economic impact on the chemical industry. SEAG also has provided support for Government Relations action on legislative matters.

To determine the economic impact of changes in energy policy, SEAG calculated chemical industry oil and gas cost at third quarter 1986 market prices to be $11 billion/year. Proposed oil import taxes in several bills introduced in 1986 would support crude oil at $22/barrel and thereby increase chemical industry oil and gas costs by $5 billion/year. While this would impact unfavorably on all manufacturing industries, the chemical industry would be the most affected. A Wharton study shows that oil and gas costs are more than 25% of final chemical product costs, the highest of all manufacturing sectors. By way of comparison, a $5/barrel import tax on crude oil and imported petroleum products would increase chemical industry costs almost five times as much as the proposed Superfund feedstock chemical tax increases which CMA worked so hard and successfully to avoid in 1986.

In mid-1986, congressmen from oil producing states introduced oil import tax proposals. These proposals were opposed categorically by the Administration. As the year progressed, political pressure in oil producing states led the Administration to initiate an energy security study that considered a $5 and $10/barrel oil import tax. SEAG prepared an analysis of the unfavorable impact of such a tax on the chemical industry. The analysis showed a possible increase in petrochemical imports from 14% to as high as 90%. CMA submitted the analysis to the Administration and SEAG members explained its content in visits with members of the President's task force. Although no softening of the Administration's opposition to an oil import tax was evident in these visits, release of the energy security study was delayed for two months to consider additional input, implying a possible shift in emphasis.

In addition to work on energy taxes, SEAG also accomplished the following:

. At the request of the Executive Committee, prepared a study of the (Waxman) acid rain bill. This study showed a potential $1 billion/year cost increase to the chemical industry for steam, process energy and electricity. This study was used by CMA in the congressional debate on acid rain legislation;

. Developed materials for CMA's successful effort to eliminate duplicative energy reporting;

. Addressed proposed fuel use and natural gas legislative issues; and,

. Responded to FERC dockets dealing with access to competitive natural gas transportation and preferential treatment of interstate pipeline marketing affiliates.

<u>1987 Outlook</u>

<u>Increase in Energy Activity</u>. In 1987 energy issues will be more active in both legislative and regulatory arenas. This increase in activity is expected for the following reasons:

. The recent change in Congressional leadership;

. The high priority of energy-related environmental issues, (such as acid rain);

. Increasing U.S. dependency on foreign energy sources;

. Deterioration of the U.S. trade balance and,

. Continuing budget deficits.

<u>Key Issues</u>. As mentioned earlier, oil and gas costs are more than 25% of final chemical product costs, which is the highest of all manufacturing sectors. Any actions that raise oil and gas costs by such a level have a great impact on the chemical industry. As an example, if crude oil is supported at $22/barrel by oil import taxes, then oil and gas costs would increase $5 billion/year. Key issues that may affect energy and petrochemical feedstock costs are listed below:

. <u>Oil Import Taxes and Energy Security</u>. The primary energy issue will be oil import taxes and energy security measures.

Relative changes in domestic and foreign oil and gas costs are vitally important to international competitiveness of the U.S. chemical industry.

. Energy Cost Impact of Environmental Regulation. Energy cost is also a major consideration in determining the economic impact of environmental legislation and regulation. There is a need to evaluate the energy cost implications of environmental controls.

. Natural Gas Issues. Regulatory changes affecting cost, supply and access to transportation of natural gas will continue to effect chemical industry costs. CMA needs to respond to those initiatives or propose more appropriate initiatives geared to making gas markets more competitive in 1987.

. Energy Productivity. Finally, there exists continued concern on Capitol Hill and in the Administration that energy productivity is being lost with lower current energy costs. CMA needs to be prepared to show that the industrial energy conservation ethic has not been lost even though 1986 legislation has eliminated the industrial energy conservation reporting program.

. Competitiveness Issues. CMA members have a vital interest in government policies affecting energy and petrochemical feedstocks because they are of substantial economic significance and determine the competitiveness and long term viability of our industry. Proposed trade legislation and regulations must be reviewed by SEAG (in coordination with CMA's International Trade Committee) to assess the economic impact of energy cost changes related to those bills.

SEAG Operation and Resources. In 1986, SEAG operated with minimal staff assistance and no funding for additional economic studies or other outside support. SEAG has operated efficiently, but in view of renewed Congressional interest in energy taxes and other energy issues, the current CMA resources will likely not be adequate to meet the needs of the industry. In addition, the group effort has been tied to economic impact studies prepared in 1985 and 1986. These studies must be updated to be relevant in the 1987 energy debate.

Action Required. None at this time - for information only. Issue information and potential resource requirements will be submitted to the Finance Committee for its consideration with respect to the 1987/88 operations of SEAG.

EXHIBIT G

REPORT OF THE CHAIRMAN
Special Programs Policy Committee to the CMA Board of Directors

January 26, 1987

The Special Programs Policy Committee was chartered by the Board of Directors in 1985. On behalf of the Executive Committee and Board, and in conjunction with CMA standing committees, SPPC helps ensure that all Special Programs are conducted in a manner consistent with Association policy and with the Special Programs Guidelines. It also counsels with Special Programs regarding the appropriateness of current policy provisions; and reviews reports and recommendations from the Special Programs Division staff regarding new and revised operating procedures. SPPC recommendations for changes of policy are reported to the Executive Committee and Board of Directors, via the President, for final approval and action.

In the past year, SPPC has received no requests from Special Program panel chairmen to review current policy. To ensure that the views of chairmen are obtained, and in keeping with its mandate, SPPC plans to meet in the next few months with a representative group of panel chairmen. The purpose of the meeting will be to solicit the chairmen's views on adequacy and appropriateness of current policy provisions.

In the past year, no conflicts between conduct of Special Programs and Association policy have been noted by SPPC. In our opinion, Program actions and CMA policy remain in concert.

Based on these observations, we conclude that the safeguards implicit in the SPPC process are adequately serving the Special Programs and the Association. We recommend continuation of this oversight mechanism.

In keeping with this recommendation, we also wish to remind the Board of its suggestion in 1980, that all single product consortia be chartered under the umbrella of a trade association. The reason given for this suggestion was that *ad hoc* groups' actions may, " . . . adversely affect the continuity, consistency of position, and long-term litigation plans of CMA or allied organizations." Just as importantly, affiliation with a trade association more effectively shields consortia from implications of antitrust violations than does *ad hoc* status, and thereby helps protect member companies. While most single product consortia now affiliate with a trade association, there remain a few that do not. Membership in each of these *ad hoc* groups includes CMA member companies. We ask that you evaluate your company's participation in these groups and take steps to bring the *ad hoc* consortia into an association.

CMA
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EXHIBIT H

Executive Summary
International Trade Committee
Annual Report to CMA Board of Directors
January 26, 1987

The competitive position of the U.S. chemical industry in world markets is increasingly affected by policies of both U.S. and foreign governments. CMA's International Trade Committee (ITC) devotes the majority of its efforts to analyzing issues affecting trade related matters, alerting CMA members to these issues, and developing position papers for CMA Board approval that will help influence government trade and investment policies which affect the international competitiveness of the U.S. chemical industry. Both the Administration and the Congress have indicated that, during 1987, much attention and emphasis is going to be placed on the competitiveness of all domestic industries in the international marketplace. This emphasis will probably translate into changes in current U.S. laws, policies and practices in areas including trade, investment, fiscal and monetary, worker education, third world debt and others that may be adversely affecting the international competitiveness of many domestic companies faced with increasing U.S. imports and decreasing U.S. exports. The ITC plans to continue efforts in helping CMA to favorably influence the effect of such changes on the U.S. chemical industry.

INTERNATIONAL TRADE HIGHLIGHTS AND MAJOR COMMITTEE ACTIVITIES IN 1986

Trade Highlights

The 99th United States Congress and the Administration were widely divided on most major trade issues in 1986. As a result of this division (and more politically pressing matters like elections and tax reform), no new major trade legislation or reform was enacted. There was a lot of Congressional Committee and Staff work on H.R. 4800 and S. 1860, including a number of Committee Hearings, but only the House passed an omnibus Trade Bill (H.R. 4800). The Senate Finance Committee did not act on H.R. 4800, but used S. 1860 and a later Committee Staff draft for purposes of some 9 separate hearings. The Senate Finance Committee did narrowly approve negotiating authority for the USTR to negotiate with Canada on a proposed Bilateral Free Trade Agreement. Other relevant trade highlights and initiatives taken during 1986 included:

- U.S. trade deficit for 1986 is at about $165 billion, a $15 billion increase from the $150 billion deficit in 1985.

- U.S. chemical industry trade surplus is estimated to be up about 5%, the first increase in surplus since 1980. There had been 5 years of declining surplus from $12.1 billion surplus in 1980 to $7.2 billion in 1985. Estimates for 1986 indicate a 1986 chemical trade surplus of about $ 7.6 billion.

Executive Summary
International Trade Committee

INTERNATIONAL TRADE HIGHLIGHTS AND MAJOR COMMITTEE ACTIVITIES IN 1986

Trade Highlights (continued)

- No miscellaneous tariff bill was passed by the 99th Congress. Over ten bills in the miscellaneous tariff bill package included in H.R. 4800 and S. 1860 were for chemicals.
- Tax reform, Customs Users Fee, Port tax, and Superfund tax on imports of covered chemicals and certain derivatives (credit to the import taxpayer if exports are made) were all in legislation enacted during 1986 that has international trade ramifications.
- Industry Sector Advisory Committees (ISAC's) were rechartered in April, 1986.
- Reauthorization of Appropriations for EXIM Bank was enacted in September, 1986.
- Annual GSP Review that includes petitions affecting chemicals, began in July, 1986. A notice of changes will be announced in April, 1987.
- Two-year GSP Review of overall program, that may include withdrawal of certain GSP benefits to countries like Brazil, Hong Kong, Mexico, South Korea, and Taiwan was completed in December, 1986. Changes to be announced in January, 1987.
- The Administration (USTR) initiated 6 cases under Section 301 of U.S. trade law and implemented some retaliation.
- Trade sanctions and quotas (VRA's) against EC, Japan, Brazil and others were implemented during 1986.
- Accession of Spain and Portugal into the European Community (EC). This action has caused considerable dispute between the U.S. and EC on what appropriate trade concessions the EC should give the U.S. to compensate for EC tariff rates that will increase because of the Spanish and Portuguese accession.
- Mexico joined GATT.
- PRC applied for GATT membership.
- GATT Signatories (92 countries) agree to start new MTN Round to be called the Uruguay Round. The GATT Ministerial Declaration issued in September, 1986 to commence the Uruguay Round contains all the major agenda items (17) that the United States sought to have included.
- Initial meetings of GATT signatory representatives began in October, 1986 to organize, choose chairmen of major negotiating committees, and to start work on draft agendas for 1987 meetings.

Executive Summary
International Trade Committee

INTERNATIONAL TRADE HIGHLIGHTS AND MAJOR COMMITTEE ACTIVITIES IN 1986

Major Committee Activities

The ITC and its task groups were very active in 1986 on many bilateral and multilateral trade issues. In addition to the monthly ITC meetings, the ITC task groups met a total of 17 times including 2 joint meetings, and the ITC was primarily responsible for the planning, organization and implementation of an OCITA sponsored seminar on the GATT Uruguay MTN Round. The majority of time and effort devoted by ITC and task group members, with the very able support and cooperation of CMA staff, centered on trade issue related matters including:

- Preparation of a legislative language proposal to incorporate CMA's position on new GATT (Uruguay) MTN Round with respect to tariff negotiations and import sensitive products;
- Presentation of CMA/OCITA position on MTN to the Congressional Committees responsible for trade matters;
- Presentation of CMA/OCITA position on U.S.-Canada FTA to the Congressional Committees responsible for trade matters;
- Presentation of CMA/OCITA position on a U.S.-Canada Free Trade Agreement to the Office of U.S. Trade Representative;
- Joint meetings with European (CEFIC) and Canadian (CCPA) chemical trade association representatives on trade related matters;
- Preparation of a tariff rate concordance for U.S. and other major trading partners based on new Harmonized System;
- Developed checklist of economic factors that will be considered by the U.S. International Trade Commission when USTR requests that product nominees for tariff-cut exemption from MTN be submitted in connection with Uruguay Round;
- Began working list (for further development) of possible nominees for tariff-cut exemption/import sensitive chemical products;
- Began work on the development of CMA position papers for important trade related issues connected to multilateral and bilateral trade agreements in addition to certain needed revisions to current U.S. trade law, i.e. Trade Modules (see Task Group reports);
- Annual ITC Planning Conference in September, 1986;
- Preparation for OCITA sponsored day-long seminar in October, 1986 on GATT Uruguay MTN Round;

Executive Summary
International Trade Committee

INTERNATIONAL TRADE HIGHLIGHTS AND MAJOR COMMITTEE ACTIVITIES IN 1986

Major Committee Activities (continued)

- Coordination of chemical industry comments on two separate draft questionnaires prepared by the U.S. International Trade Commission (USITC) for upcoming USITC investigations concerning the competitiveness of the U.S. petrochemical industry, and the preshipment inspection practices and custom valuation procedures performed in the U.S. prior to shipment, on behalf of 24 foreign governments, by private companies;

- Working with CMA's Government Relations Committee, SOCMA and OCITA trade representatives in advocating CMA approved positions to the Congress and the Administration on MTN, U.S.-Canada FTA, withdrawal of certain GSP benefits to countries not providing adequate protection for intellectual property rights, and legislative proposal to implement an administrative procedure for U.S. companies to obtain temporary U.S. duty suspensions that would be an alternative procedure to the existing legislative process.

- Kept CMA member companies completely informed of actions they could take with respect to proposed changes in the GSP program, and presentation of requests with regard to the U.S.-Canada FTA.

OUTLOOK FOR INTERNATIONAL TRADE ACTIVITIES IN 1987

Trade Legislation and the 100th Congress

All reports indicate that trade legislation will be one of the first priorities of the 100th Congress. It is reported that both the House and Senate Committees responsible for trade matters will introduce major trade legislation very early. The House has indicated that the new Omnibus Trade Bill will be almost the same as H.R. 4800 and has tentatively been assigned bill number H.R. 3 in the 100th Congress. The Senate Finance Committee, under its new chairman, Senator Bentsen, and the Trade Subcommittee under its new chairman, Senator Spark Matsunaga, have also given indications that new Senate trade legislation will basically take the form of their old bill, S. 1860, as modified by the Committee Staff draft in late 1986, and will be introduced in January, 1987. Senator Bentsen has already announced that the Finance Committee will hold hearings in February, 1987 on international trade issues that focus on a U.S. response to the current trade deficit. New trade legislation is likely to include:

- Trade Negotiating Authority: The Office of the United States Trade Representative (USTR) has indicated it wants a separate bill for such authority. Current authority expires January 3, 1988.

Executive Summary
International Trade Committee

OUTLOOK FOR INTERNATIONAL TRADE ACTIVITIES IN 1987

Trade Legislation and the 100th Congress (continued)

- U.S.-Canada FTA: Legislative authority on adoption (fast track basis) is needed in 1987 if FTA is concluded with Canada.

- Oil Import Tax: Senator Bentsen may push for such a tax, but only if the Administration indicates a willingness to support it.

- Foreign Market Access: Authority to retaliate against countries which limit access to their markets.

- Foreign Countries' Trade Surpluses: Authority to retaliate against countries considered to have large and unwarranted trade surpluses with the United States.

- The Proposed Harmonized System of Tariff Schedules: Legislative authority for adoption is needed in 1987.

- Industrial Competitiveness Councils: Advisory groups composed of representatives of labor, management, consumers, communities and government officials to develop adjustment plans for industries affected by rapidly growing, but otherwise fairly traded, imports.

- Natural Resources: To define foreign governments' granting of preferential access to indigenous natural resources as a practice subject to countervailing duty.

- Foreign Corrupt Practices Act (FCPA): Amendments to relax accounting rules and make FCPA more workable.

- Section 337 of the Tariff Act of 1930: Revision to remove the requirement that owners of U.S. process patents prove economic injury in order to exclude imports of products made in foreign countries using U.S. patented process technology.

- Anti-Dumping and Countervailing Duty Law: Changes to include tightening the injury standard and shortening the time process.

- Export Controls: Easing of controls, especially where similar products are available from foreign sources.

A separate effort might be made to re-enact the manufacturing clause, which expired earlier this year, and which had a negative effect on industry efforts to obtain improved protection for U.S. intellectual property rights in other countries.

A new effort may also be made to codify the draft Federal Policy on the Export of Hazardous Substances. Enactment will continue to be difficult.

Executive Summary
International Trade Committee

OUTLOOK FOR INTERNATIONAL TRADE ACTIVITIES IN 1987

Focus of Committee Activities

The ITC will continue to concentrate its primary efforts on the trade initiatives already identified by the Congress and the Administration as priorities for 1987. Clearly, a major impact on the chemical industry in 1987 could be the short and long term implications of a FTA with Canada being negotiated and legislatively authorized for implementation. A failure on the part of the U.S. and Canada to get a mutually beneficial FTA negotiated in 1987 could have a significant adverse effect on a meaningful start to MTN negotiations in the Uruguay Round.

As both the U.S.-Canada FTA and Uruguay Round negotiations begin in 1987, the ITC will continue development of position papers (trade modules) to recommend for CMA approval and advocacy on trade issues that may affect the chemical industry. Each of the trade modules we have, and will continue to develop, are primarily intended to provide CMA with appropriate responses to trade issue position inquiries. These inquiries have, and are likely to continue to come from the Congress and the Administration on important issues that are surely to be contained in the U.S.-Canada FTA and MTN Uruguay Round. Separately, the chemical industry may also have significant interest in some of the current U.S. trade law revisions that may be introduced as trade reform legislation in the 100th Congress. The trade-related issues, as trade modules or trade law revisions, that the ITC is currently developing include:

- Expansion of Approved CMA Principles concerning MTN and U.S.-Canada FTA
- Objectives for Protection of Intellectual Property Rights for GATT
- Rules of Origin for U.S.-Canada FTA
- Rules of Origin Revisions for GATT
- Dispute Settlement Provision for U.S.-Canada FTA
- Dispute Settlement Revisions for GATT
- Bilateral Investment Treaty Principles for the PRC
- Bilateral Trade Negotiations Principles for Mexico
- Section 201 - Escape Clause
- Section 301 - Unfair Trade Practices
- Section 337 - Intellectual Property Rights
- Antidumping and Countervailing Duty Revision
- Foreign Corrupt Practices Act
- Non-Market Economies and State Trading Companies

Other ITC activities in 1987 that will help committee members to effectively develop this work plan, keep CMA member companies alerted to trade issues that could affect their businesses, and improve the ability and resources of its members to assist CMA in responding to inquiries about trade-related issues will include:

Executive Summary
International Trade Committee

OUTLOOK FOR INTERNATIONAL TRADE ACTIVITIES IN 1987

Focus of Committee Activities, continued

- Participation in, and/or appropriate coverage of Congressional hearings on trade issues;
- Participation in hearings and in questionnaire development, along with regular interface with U.S. government representatives responsible for trade matters at USTR, DOC, USITC, State and Treasury;
- Open ITC Meeting on March 18, 1987 in Chicago with theme of U.S.-Canada FTA and MTN updates;
- Joint meeting with CEFIC in Washington on April 1, 1987;
- Joint meeting with CCPA in Canada to be scheduled, as appropriate, depending upon FTA progress;
- Annual ITC Planning Conference on May 18-19, 1987;
- Develop needed trade and economic data to emphasize and support CMA trade positions;
- Close coordination and active role with the OCITA's Advisory Committee in advocating the chemical industry's positions on trade issues.

The ITC will continue its efforts to stress the importance of international trade to the chemical industry in every appropriate manner recognizing the important role that the senior management of CMA member companies can play in this effort. It continues to be the objective of the ITC to keep abreast of international trade events, legislation, administrative practices and developing trade and economic trends affecting the chemical industry so as to be able to provide meaningful advice to the CMA on appropriate policies, positions and support of trade related issues.

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EXHIBIT I

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REPORT OF THE PRESIDENT

* * *

ASSOCIATION PROGRAM AND ISSUE REPORT

I. ADVOCACY OVERVIEW

A. Congress

Since January, 1981, Democrats have controlled the House, and Republicans the Presidency and the Senate. As the 100th Congress prepares to convene on January 6th, we will return to a more familiar type of government -- a Republican White House and a Democrat - controlled Congress.

Amid the changes wrought by a shift in control of the Senate, both Republicans and Democrats moved quickly to reelect their current leaders for another two years. Senate Majority Leader Robert C. Byrd (D-WV) has stated that after Congress convenes, Senate Democrats will begin legislative work January 12, breaking with recent Congressional tradition of waiting until after the President's State of the Union address, scheduled for January 27.

House Speaker Jim Wright (D-TX) has said that Congress could within a month clear legislation reauthorizing the Clean Water Act, which President Reagan killed by pocket veto last year. It is also anticipated that Congress will move quickly to authorize special committees to investigate the Iran arms-contra aid affair, introduce trade legislation and begin tackling the Administration's record $1.02 trillion 1988 budget proposal. The Administration has estimated the deficit at about $150 billion, while the Congressional Budget Office and other analysts have estimated it at closer to $170 billion. House Budget Committee Chairman William H. Gray III (D-PA) has said that to meet deficit goals, Congress may be forced to consider tax increases, citing, as examples, "without touching personal income tax", changing the nation's tariff system and increasing surcharges on some imported products.

Other issues that will confront the 100th Congress and which are of particular concern to the chemical industry include pesticide and acid rain legislation, product liability, and emphasis on work place concerns - an area where labor shows signs of greater political activity. Trade reform legislation, another priority of the new Congress, will most likely be protectionist and CMA is prepared to take an active role in the forthcoming debate with positions on numerous facets of existing trade law.

With the current agenda and the usual uncertainties of a new session, 1987 will be another busy and difficult year for the Congress.

B. Federal Regulatory Agencies

Environmental Protection Agency (EPA). The Agency has announced its intention to use Superfund monies to fund Right-to-Know activities required by Title III of the Superfund Amendments and Reauthorization Act of 1986. CMA, key members of Congress and some press reporters have already spoken out against bleeding the Superfund to carry out activities required by other statutes. Title III is in fact a separate Act from CERCLA, much like the Clean Air Act or Clean Water Act. EPA's difficulty lies in the fact that Congress created deadlines under Title III, but failed to provide any funds to conduct those programs.

C. International

House and Senate leaders insist they will have a trade bill to the President by May. With control of the Senate now held by the Democrats, the commitment seems firm. Even though the House passed a bill last year and the Senate almost did, there are some uncertainties. New and tougher actions against imports are certain to be included. The textile/apparel bill vetoed by the President last year (sustained) may be included. Senator Bentsen, now chairman of the Senate Finance Committee, says he will likely include an oil import tax.

The President says he wants nothing in a trade bill except authority to negotiate the Multilateral Trade Negotiations (MTN). Whether he can, or whether he will, work with the Congress on an acceptable bill is not known now. There is almost no common ground for the White House and Congress and the result may be a veto battle.

Bargaining in the MTN has started with all the usual fighting for position by participants. Not much progress can be announced in the early months but much groundwork will be laid. The chemical industry wants no tariff cuts on products proved to be import sensitive. Attempts to get legislative language to this effect are underway.

The U.S./Canada negotiations toward a free trade arrangement is moving along though with difficulties constantly appearing. Canadian officials are hard-pressed by opponents of an agreement. Pressure grows for settlement by late in 1987 to beat the President's bargaining authorization limit of January 3, 1988. There is considerable doubt this deadline can be met.

Preliminary data shows that the 41 percent decline of the chemical trade balance in the period 1980-1985 has reversed. The estimate is for a 7.6 billion dollar balance, a 5 percent increase over the year before. Most of the credit goes to a weaker dollar.

The International Affairs Group (IAG) has undertaken an effort to ensure greater cooperation among chemical trade associations worldwide. Several foreign trade associations have expressed interest in maintaining closer contact with CMA, and the new effort will attempt to increase the IAG's visibility as a contact and advocate for the U.S. chemical industry on an international scale. The IAG believes that interaction with our foreign counterparts may profitably be made on the emerging global issues affecting health, safety and the environment.

D. States

During the last two months of 1986, less than six state legislatures were in session. However, there were a few significant state government activities of major significance to the chemical industry.

Without doubt, the most significant event was the passage of the California Toxic Initiative or Proposition 65. Despite a major public relations campaign by industry, the initiative was approved 63% to 37%. The industry coalition will remain intact to address the implementation of the new law. The first deadline is March 1, 1987, when the Governor must publish a list of affected chemicals. On March 1, 1988 the warning provisions go into effect and on November 1, 1989 the discharge prohibitions become effective. After a thorough legal review of all possible options, the coalition decided to delay any legal attempts to postpone or to alter the law until after its implementation has begun.

The CMA State Affairs Committee has established a special ad hoc group to help develop a response to this law in California as well as its potential spread to other states.

State legislative action will reach a peak in the next couple of months, as all but a couple of states will be in session. Tort Reform/Liability Insurance will continue to be a major issue among the states in 1987. While some sort of tort reform legislation was passed in 35 states in 1986, injuries involving hazardous substances were partially, or in some cases, completely excluded from some of the significant reforms.

Following the Third Circuit Court's decision to essentially uphold the Pennsylvania Right-To-Know Law, there was an appeal to the United States Supreme Court. Until the court decides whether or not to accept the case, there is an injunction against the implementation of the law as it applies to manufacturers.

Thanks in part to the efforts of the New Jersey Chemical Industry Council, the Council of State Governments (CSG) deferred action on the possible adoption of the New Jersey Environmental Responsibility Cleanup Act (ECRA) as model legislation. However, some form of ECRA model legislation will be adopted by CSG in 1987 and CMA's ECRA Work Group continues to work towards a favorable model.

Chemical plant safety will also continue to be a major issue among the states in 1987 and the CMA State Affairs/ Environmental Management Work Group has developed an issue analysis document that was recently distributed to member companies and state CICs.

In summary, 1987 should be a very active year for the chemical industry at the state level. In the November elections, the public again spoke strongly for increased environmental protection by state government. They also elected a majority of Democrats to the extent that 67 out 98 state houses are now controlled by Democrats. This will be an increasingly formidable task this year in light of member company state affairs staff reductions.

E. Media

Beginning in November media coverage of business news increased substantially -- accounting for nearly 12 percent of the news in major national newspapers and on network television. Recent Iran/Contra coverage has interrupted the growth in business news but it remains a substantial part of coverage.

Over the past several years coverage of business news was essentially positive. Business was seen as offering an alternative to governmental problem solving.

Recently, however, nearly 50 percent of coverage has been negative, setting a dark background for legislative and regulatory activities. Issues like insider trading, chemical spills, ozone depletion, water contamination, and charges of poor management have led the charge. The rush of year-end takeovers accelerated the level of nervousness in coverage.

Ivan Boesky, and the fallout from the SEC investigation, confirmed for many Americans deep suspicions about Wall Street and, by extension, about business ethics. Even a baby food manufacturer was charged with dilution of its product. Several members of the chemical industry were charged with illegal product formulation.

Add a lack of trust in the President's handling of Iran and Contra aid and public bad feelings about big government and big business have again surfaced.

Although water issues have been slow to develop in the U.S., the h avy coverage of contamination problems in Switzerland have raised public awareness. Even a minor event in this country could bring extensive coverage and perhaps force earlier consideration of water issues in Congress.

Finally, even though editorial opinion in California newspapers was overwhelmingly opposed to Proposition 65 (29 no, 1 yes), popular press coverage was just as overwhelmingly in support of it. The Hollywood stars' press caravan organized by Jane Fonda offered interviews and media events and worked well in gaining popular votes. The same tactic will be less usable in other states.

The latest public opinion polls show most Americans today believe companies are more concerned than they used to be about waste disposal, but by a two-thirds majority they say they don't see enough action to solve the problems. By the highest record in the

Cambridge Reports history 60 percent of Americans are calling for more environmental regulation, even though they do not see environmental conditions getting worse. They're just tired of waiting for action.

II. ISSUES AND PROGRAM STATUS

A. Regulation of Chemicals (TSCA and related)

1. Congressional Developments and Response

TSCA Reauthorization.

The Toxic Substances Control Act (TSCA) was signed into law in 1976. Since then, its chemical control provisions have not been significantly amended, other than the asbestos in schools requirements recently adopted in the 99th Congress. Its administration by the Environmental Protection Agency continues to evolve and mature.

While other various legislative changes have been proposed in past years, none have been acted upon by Congress. Expenditures under the Act have not been reauthorized since FY 1983, as the Agency has relied upon the appropriations process for funding. Consequently, TSCA reauthorization hearings may be ahead of us in 1987. However, it is too early to predict whether and when. Congressman Jim Florio's (D-NJ) staff has indicated TSCA will be on his priority list, but his Subcommittee and its jurisdiction must be confirmed in January-February, 1987, before he can go to work on legislation. Oversight hearings and possible biotechnology amendments are also a realistic possibility in the new Congress.

2. Regulatory Developments and Response

Regulation of Biotechnology. In June Federal policies governing biotechnology regulation were issued by the White House Office of Science and Technology Policy and five federal agencies. CMA's Biotechnology Task Group submitted comments to EPA concerning its regulation of biotechnology under the Toxic Substances Control Act (TSCA) and the Federal Insecticide Fungicide, and Rodenticide Act (FIFRA). CMA's comments stated that adequate authority exists under TSCA and FIFRA to control the commercial uses of biotechnology, and included recommendations for avoiding unreasonable burdens on biotechnology producers. CMA expressed its concern that certain aspects of EPA's approach are overly stringent and depart from prior precedents under TSCA.

EPA's current schedule is to publish proposed rules under the framework in late 1987. The Biotechnology Task Group will continue to monitor the development of the proposed rules and comments as appropriate.

Management of Information at EPA. Members of the Information Management Task Group (IMTG) met with EPA staff from the

Administration and Resources Management; Policy, Planning and Evaluation; and Pesticides and Toxic Substances Divisions to discuss the Agency's collection and management of health and environmental data in chemicals.

IMTG's recommendations for improved information management at the Agency include:

a. The EPA Administrator should mandate an Agency-wide policy stressing its commitment to information management and dissemination.

b. A high-level, clearly designated focal point within the Agency should be created to administer such a policy.

c. A separate line item for information management should be created in the Agency's budget.

The IMTG will work with EPA staff during 1987 on the issues of redundancy of information requests by the Agency; promoting the use of TOSCATS (EPA computer data base) by industry; sharing of expertise about information management; and Confidential Business Information. The IMTG will meet again with EPA staff on the broader information management issues.

Communication with EPA and OSHA. Members of the HSC External Affairs Task Group (EXATG) met with industry liaison staff at EPA and OSHA to discuss the chemical industry's communications with the agencies, and key issues of importance to industry and the agencies. The EXATG will identify the issues, and CMA representatives and agency representatives working on the issues will increase one-on-one communication at all working levels during the rulemaking process.

Testing Consent Agreements Under TSCA. The first meeting of a joint industry/government/environment group took place on November 20, 1986, to discuss procedures governing testing consent agreements under Section 4 of the Toxic Substances Control Act (TSCA) (51 Fed. Reg. 23706, et seq., June 30, 1986). The group was formed as a result of a CMA meeting with Dr. John A. Moore, EPA Assistant Administrator for Pesticides and Toxic Substances, in late October, 1986, on implementation of testing consent agreements. Participants at the November 20 meeting agreed that industry and EPA could achieve better cooperative planning when specific chemicals are recommended for testing. Joint industry/EPA meetings to resolve issues relevant to testing consent agreements will continue in 1987.

3. Policy Development, Analytical and Program Activities

Risk Evaluation of New Chemicals. The Health and Safety Committee/Notification and Reporting Task Group has developed a guideline for evaluating the potential risks of new chemicals. The guideline is intended to promote sound risk evaluations and to encourage companies to submit risk evaluation to EPA with their premanufacture notices. CMA will promote the guideline in a workshop with EPA to be held in the first quarter of 1987.

International Agency for Research on Cancer (IARC). IARC Monograph meetings were held in December, 1986, in Lyon to evaluate the genetic activity of 200+ chemicals/exposures. CMA was represented by Dale W. Matheson, Ph.D., of Stauffer Chemical Company. Richard H. McKee, Ph.D., of Exxon Biomedical Sciences was chosen as Dr. Matheson's alternate. In a report to the CMA IARC Work Group that has managed the U.S. industry/IARC interface during 1986, Dr. Matheson noted IARC's favorable reception of industry positions, and adherence to sound scientific concepts and objectivity in technical discussions at the meetings.

In March, 1987, IARC plans to hold another series of Monograph meetings at which the same group of chemicals will be evaluated for their overall carcinogenicity. Robert J. Moolenaar, Ph.D., of Dow Chemical Company, has been designated as the CMA Observer at these meetings. Dr. McKee of Exxon will again serve as the alternate. The CMA Hazard Assessment Task Group is preparing Drs. Moolenaar and McKee for the meetings by assembling and consolidating member company reviews on specific chemicals.

The paper entitled "Review and Recommendations For the Revision of the Preamble and Criteria of the IARC Monographs" (CMA/AIHC/API/NACA/PMA; July 31, 1986) has been widely announced and distributed among author association memberships, scientific contacts, and other interested groups. The document was prepared to provide IARC with critical scientific comments on the criteria used to make carcinogenicity evaluations.

Developmental Toxicity Testing. A paper entitled "A Tier System for Developmental Toxicity Evaluations Based on Considerations of Exposure and Effect Relationships," by E. Marshall Johnson, Ph.D., of Jefferson Medical College, has been accepted for publication in Teratology. CMA's Health and Safety Committee commissioned the paper to help establish reasonable, scientific guidelines for priority setting in developmental toxicity testing. The Hazard Assessment Task Group has distributed the manuscript to member companies for review.

B. Occupational and Public Safety

1. Congressional Developments and Response

Occupational Disease Notification. In the 99th Congress, H.R. 1309 passed Rep. Gaydos' (D-PA) Subcommittee with only one dissenting vote. It was reported out of the full Education and Labor Committee by 20-8 (all the Committee Democrats and one Republican voting for H.R. 1309). It did not reach the House floor in part because of our business community efforts to educate Members of the House as to the flaws in the measure, and in part because of a crowded end-of-session calendar. Senator Howard Metzenbaum's (D-OH) S. 2050 received one day of hearing in the Subcommittee of the Labor & Human Resources Committee.

Louisiana, in fact, has already set up a state planning commission and the Louisiana Chemical Association (LCA) is a member of the planning commission with Mr. Fred Loy, President of the LCA, serving as Chairman of the commission.

The Council of Chemical Association Executives (CCAE), which represents about 50 industry trade groups, recently expanded the role of its CAER Task Group. The task group, chaired by CMA, was set up to assist the CCAE participants in implementing CAER with their memberships. Now the task group has the additional responsibility of coordinating the emergency planning and community right-to-know issues of Title III for the CCAE. The task group is focusing on setting up joint CCAE workshops on Title III and, as necessary, coordinating an industry approach to EPA rulemaking under this Act.

2. Policy Development, Analytical and Program Activities

On December 12, 1986, Mr. Edward L. Mahoney, President of the Adhesives Manufacturers Association (AMA), wrote to Mr. Roland stating the following, "It is my pleasure on behalf of the members of the Adhesives Manufacturers Association to formerly endorse and express our strong support for the Community Awareness and Emergency Response (CAER) program as developed by the Chemical Manufacturers Association. AMA's decision to endorse the CAER program was unanimously adopted during a recent meeting of the board of directors. You and your staff are to be commended for your initiative and professional implementation of this concept which will be of significant benefit to the impacted communities and their citizens as well as the chemical industry. The CAER program becomes even more relevent in view of the recent Superfund amendments, particularly the Title III notification requirements."

3. International Aspects

ABIQUIM officials (the Brazilian chemical manufacturers association) have invited CMA representatives to meet with them on February 3, 1987, in Sao Paulo, Brazil. CMA officials are also working to arrange meetings at that time with local Brazilian agency officials. The purpose of these meetings is to discuss the CAER and NCRIC initiatives.

4. Outreach Activity

Through letters to CMA executive contacts, company CAER coordinators, and local communities, CMA unveiled the CAER recognition program. This program helps communities participating in CAER-type programs to receive recognition for their planning efforts. The program consists of two awards. The level one award, which is a hand-lettered and framed certificate, is awarded to communities that can show they have formed a CAER planning committee. The level two award, which is an oak and bronze plaque, is awarded to communities that have completed the CAER milestones.

caught the attention of Members of Congress with its use of the new cleanup standards at a Superfund site. EPA is attempting to provide some flexibility in the cleanup standards, but Congressional critics contend the new law does not allow that flexibility. We can expect that Congress will conduct oversight hearings on this issue. Also, there have been reports that EPA may be using Superfund money for the implementation of Title III, the Right-to-Know section. In passing Superfund, Congress specifically made Title III separate from Superfund and said that it should receive funding through the appropriation process. This was intended to mean that the Superfund trust fund money would not be used for Title III. CMA sent a letter (December 31, 1986) to EPA Administrator Lee Thomas expressing our concern with his attempt to use Superfund money to implement Title III.

The Government Relations Committee's Superfund Task Group will be following very closely these two issues and others that develop during the Superfund implementation process.

2. Regulatory Developments and Response

Section 313 Notification Form. CMA submitted comments on an EPA draft of a notification form to implement the reporting requirements of Section 313 of the Superfund Amendments and Reauthorization. The final notification form will be the basis for formal reporting requirements under Title III. CMA's comments generally supported the concepts for reporting outlined in the draft form. CMA did raise concerns with the disclosure of estimate calculations, the need for de minimus concentrations, trade secret provisions, removal efficiency provisions, and chemical use designation.

3. Policy Development, Analytical and Program Activities

Superfund Implementation Workshop. CMA has developed a two-day workshop that focuses on the important new requirements of the new Superfund Amendments and Reauthorization Act of 1986. The workshop to be held on January 28 and 29, 1987, in New Orleans, LA, will address the amended clean up provisions and the new Title III -- Emergency Planning and Community Right-To-Know company responsibilities. The workshop is designed to provide an overview of the new legal provisions, outline the new requirements for companies, and highlight the activities companies should be planning for or doing now.

4. Litigation and Related Legal Activities

Insurance Litigation Activities. Following up on discussions at the first meeting of the ad hoc group on Superfund/insurance issues, the Office of General Counsel has filed amicus briefs in two important insurance coverage cases. The issues in these cases concern when an "occurrence" occurs for purposes of environmental liabilities under comprehensive general liability (CGL) policies and whether Superfund cleanup costs can be considered as "damages" under CGL policies. Both issues will have an important impact on whether member companies can seek coverage for Superfund liabilities under CGL policies. The insurance industry has apparently formed a corporation to act as the funding source and coordinating body to pursue its activities in key insurance cases. In response, the Office of General Counsel is seeking the participation of other interested associations to organize to respond on behalf of insured companies in some of these cases.

Regulatory Litigation. The Office of General Counsel is currently engaged in two key court actions challenging regulations in the Superfund area. In the National Contingency Plan (NCP) litigation, CMA and the other petitioners are meeting with the government to discuss possible resolution of the challenge in light of Superfund reauthorization and the forthcoming revision of the NCP required by that statute. In the other suit, CMA has challenged the final natural resource damage assessment regulations promulgated by the Department of Interior. Several states and one environmental group have also challenged the regulations. The litigation is in a preliminary stage, pending consolidation of the cases and the setting of a briefing schedule by the court.

Superfund Implementation Activities. As part of its Superfund implementation effort, the Office of General counsel will be working with the Ad Hoc Superfund Counsel Group to pursue ways to improve the settlement process under Superfund. This group includes Superfund lawyers from member companies who are interested in sharing concerns arising out of their Superfund case experiences. As part of its activities, the group will be looking at EPA and Department of Justice enforcement and settlement policies and can serve as a resource for CMA advocacy activities in these areas.

5. Communications

The department wrote an article for the EPA Journal on the potential effects of the amended RCRA and the reauthorized Superfund laws on waste-disposing industries.

E. Hazardous Waste Management (RCRA)

1. Congressional Developments and Response

The Resource Conservation and Recovery Act is scheduled to be reauthorized in 1988. Throughout 1987, Congress will be closely evaluate Environmental Protection Agency's implementation progress.

The CMA RCRA Regulations Task Groups continue to be very active in reviewing the RCRA regulations and providing guidance for their implementation. In preparation for the 100th Congress, both the Technical and Government Relations Task Groups have been discussing issues that they believe need to be addressed in the RCRA reauthorization debate. The task groups have identified a number of issues of potential concern to the chemical industry. These issues will be used as a starting point for discussion of possible legislative changes.

CMA is actively communicating with members of Congress and Hill staff who will be working on RCRA issues in the next Congress. Oversight hearings will be held throughout 1987/88 on various aspects of RCRA.

The RCRA task group will be conducting two important activities early in 1987. First, they will conduct a seminar/briefing for CMA Washington representatives on the 1984 RCRA amendments implementation and the outlook for legislative changes in 1987/88.

The second task group activity would be a briefing by CMA for key Hill staff on RCRA implementation and its impact on the chemical industry. This would create an opportunity to discuss with key Hill staff some of the technical problems the chemical industry faces and how we perceive implementation of the 1984 RCRA Amendments.

RCRA oversight hearings can be anticipated throughout 1987/88. In the Senate, Senator Max Baucus (D-MT) will be taking the lead in the RCRA reauthorization. In the House, we expect Congressman John Dingell (D-MI) and Congressman Jim Florio (D-NJ) to be the most active in RCRA oversight hearings.

The RCRA debate will evolve slowly, with the oversight hearings focusing on EPA's implementation of the 1984 Amendments. CMA will continue to provide information to key members of Congress and their staff.

Waste Minimization Program. The Resource Conservation and Recovery Act (RCRA) requires that companies establish voluntary waste minimization programs for their operations and certify their actions.

In 1988, RCRA is scheduled to be reauthorized. At that time, Congress will closely evaluate the progress that has been made in the waste minimization program. If progress is inadequate, Congress will seriously consider legislating mandatory waste reduction requirements.

Many CMA member companies have a well-established waste minimization program in place; the companies have generally not communicated this activity and its results to the public and Congress.

CMA's waste minimization work group is developing a plan for communicating with member companies, the Congress and EPA, and the general public. CMA has been meeting with congressional staff to discuss this issue. At this point, it appears that waste minimization will be a priority issue over the next few years. It is very important that CMA member companies focus on this issue now. Although very little activity is expected in the first part of 1987, waste minimization will be an emerging issue over the next two years.

Underground Injection Committee. The 1984 RCRA amendments require EPA to determine whether underground injection should remain an option for the disposal of hazardous waste. Several environmental groups, led by the Natural Resources Defense Council (NRDC), have made the elimination of underground injection one of their major priorities. An EPA ban on new legislation prohibiting underground injection would directly affect the chemical industry, which is the major user of underground injection for the disposal of hazardous waste. In an effort to answer the NRDC opposition to underground injection, the CMA Underground Injection Control Task Group has been contacting Congressmen who have disposal wells in their districts to reassure them about the safety of the technology. These contacts are expected to continue on a regular basis as long as environmentalist opposition to underground injection persists.

Although no hearings will be held specifically on underground injection in early 1987, we expect the issue to be addressed in RCRA oversight hearings throughout the year. The introduction of any groundwater legislation may also touch upon the practice of underground injection.

CMA will continue to communicate with Congress on underground injection. The issue will begin to receive more attention when Congress returns in January 1987.

2. Regulatory Developments and Response

Land Disposal Prohibition Comments. CMA submitted comments on EPA's announcement of the availability of data and request for comments on proposed land disposal restrictions. The final rule will address the treatment requirements for disposing of specified hazardous wastes in landfills. CMA's comments address the variability factor calculation, the outlier test, data base modifications, and variance from a treatment standard.

3. Policy Development, Analytical and Program Activities

RCRA Regulations Workshop. CMA sponsored a RCRA Regulations Workshop on December 11-12, 1986. Approximately 170 member company representatives participated in the two-day workshop. CMA and EPA representatives addressed a wide spectrum of RCRA implementation issues, i.e., land disposal ban provisions, organic toxicity proposal, EPA hazardous waste strategy, minimum technology and retrofit requirements, closure requirements, hazardous waste tank rules, and corrective action requirements.

4. Litigation and Related Activities

CMA v. EPA (Closure rule). CMA is challenging EPA's final closure rule that could severely limit the useful life of an impoundment or landfill to receive nonhazardous waste after it stops receiving hazardous waste. The rule requires the unit to be closed within 180 days of the final receipt of hazardous waste. As such, the unit could not be used for the disposal of nonhazardous waste. EPA has agreed to enter into settlement negotiations, with the briefing schedule stayed for ninety days. CMA has proposed alternatives other than retrofitting impoundments with double liners and leachate collection systems.

Hazardous Waste Treatment Council v. EPA (Land Disposal Restrictions). CMA has intervened in a challenge by the Hazardous Waste Treatment Council to EPA's November 7, 1986, final rule restricting the land disposal of solvents and dioxins. CMA will support EPA's rule that if there is insufficient capacity to treat a waste, the waste can be placed in an existing unit that is not double-lined for up to two years while capacity is being developed. CMA plans to challenge other aspects of EPA's final rule. Specifically, CMA will challenge the fact that the treatment levels required for solvents and dioxins are set at concentrations that are even below the concentrations EPA proposes to use for considering such compounds to be hazardous wastes. CMA will also challenge EPA's limitation of "no migration" petitions to individual wastes at individual units. "No migration" petitions seek an exception from the ban on land disposal. Finally, CMA may challenge EPA's requirement to use a zero headspace extractor (ZHE) for volatiles when assessing the concentration of wastes to determine if they can be landfilled. The variability of the ZHE is excessive.

Organic Leachate Model. CMA has petitioned for review of the Agency's November 13, 1986, rule adopting the organic leachate model for delisting organic wastes in landfills. CMA will challenge EPA's refusal to adopt criteria for considering site-specific factors when deciding to delist hazardous waste. Non-consideration of site-specific factors will lead to too many wastes being listed as hazardous wastes and too few being delisted.

F. Groundwater (Includes Safe Drinking Water Act)

1. Congressional Developments And Response

For some time, CMA has been developing its advocacy position on federal groundwater legislation. CMA continues to believe groundwater protection is an important issue. Federal legislation could establish new concepts for groundwater protection or remediation activities which will likely result in significant costs to the industry. It could also impose use restrictions on certain products, such as pesticides, detergents, solvents, and others. It may also result in new concepts concerning product liability, including federal causes of action, victims compensation and new taxing mechanisms.

CMA has been a major participant in groundwater issues to date. CMA took an active role in EPA's development of its National Groundwater Policy, which was released in August, 1984. CMA has worked with several state legislatures, an area that has been particularly active in recent years. Congressional testimony was presented on four occasions, addressing both groundwater provisions in the Safe Drinking Water Act and, most recently in October, 1985, directly on groundwater protection issues.

The Government Relations Committee's Groundwater Task Group has already begun educating key Congressional staff on some of the fundamental policy issues. For example, CMA has long felt that states, and not the Federal Government, should have primary

3. Litigation and Related Legal Activities

RMCL Litigation. Briefing is now completed in the D.C. Circuit case challenging EPA's Recommended Maximum Contaminant Levels (RMCLs) for eight synthetic organic substances. EPA has filed its response to the briefs filed by CMA and the American Petroleum Institute (API) (jointly), the Halogenated Solvents Industry Alliance (HSIA), and the Natural Resources Defense Council (NRDC). On October 20, 1986, the challenging parties filed their additional briefs replying to the EPA position. CMA and API filed separate reply briefs, API concentrating on the "zero RMCL" issue and CMA briefing the issue, raised by NRDC, of whether EPA must regulate a substance as a carcinogen if there is any evidence of carcinogenicity. Oral argument will be held on February 27, 1987. A decision is expected in late summer or fall, 1987.

G. Surface Water

1. Congressional Developments and Response

The 99th Congress unanimously passed the Water Quality Act of 1986 (S. 1128) just prior to adjournment. On October 28, CMA sent a letter to President Reagan urging him to sign the compromise bill based upon the programmatic content. The President vetoed the bill on November 7, citing the $18 billion price tag for the construction grants program.

In the 100th Congress, House and Senate leaders have vowed to introduce the same bill, as H.R. 1 and S. 1. They plan to avoid referral of the bill to committee and to seek House and Senate passage, despite threats of floor amendments and another presidential veto. While committee and subcommittee chairmen responsible for clean water have changed in both the Senate and the House, the new leaders say that they are equally committed to passage of the same bill.

CMA continues to be generally supportive of legislation identical to the former S. 1128, and is working to make certain that the valuable floor statements that supplemented S. 1128 are repeated and not compromised by opponents' statements. CMA maintains communication with other industry and municipal groups regarding clean water legislation, but continues to serve as the industry leader on its primary issues.

2. Litigation and Related Legal Activities

Pesticides Effluent Guidelines Litigation. On December 15, 1986, EPA published a notice in the Federal Register removing the pesticides effluent guidelines from the Code of Federal Regulations and announcing that those rules "have not been effective as of July 25, 1986." This action was taken as a result of the CMA/NACA lawsuit challenging the pesticide rules. EPA has informed CMA and NACA that the Agency plans to "start fresh" in developing the next set of effluent guidelines for the pesticides industry. EPA will undertake a new data collection effort and will also reevaluate policy and technical aspects of the methodology used to develop the previous effluent guidelines. EPA does not expect to issue a new set of final rules before June, 1991.

Removal Credits Litigation. The Federal Government has decided not to file an appeal of the Third Circuit's removal credits decision. Instead, on December 18, 1986, the government filed a brief with the Supreme Court responding to the petitions filed by CMA and by a group of affected parties from Chicago. The government agreed with CMA that the Third Circuit ruled incorrectly on the sludge issue, and agreed with CMA that the case would have major impacts on industry. Nevertheless, the government recommended that the Court not hear the case, because the government "does not believe that the legal issues presented warrant further review." NRDC's response to CMA's petition was due January 16.

H. Air

1. Congressional Developments and Response

When the 99th Congress adjourned, all of the acid rain bills -- House and Senate -- had been hindered by inter-regional conflict and slowed by opposition from electricity producers and users including the chemical industry. The only legislation that passed pertaining to clean air was Title III of Superfund Amendments Reauthorization Act covering emissions reporting, emergency planning and community right-to-know.

Early in 1987, the Clean Air Act amendments debate is likely to resume with focus on acid rain control legislation. Thus, there probably will be time to consider other amendments to the Clean Air Act. Three major issues are the 1987 non-attainment deadlines for ozone and carbon monoxide, air toxics control and fluorocarbon control.

By Spring 1987, clean air hearings probably will be underway in both the House and Senate. The change in Senate leadership does not affect the Environment and Public Works Committee's agenda for air legislation. But it does put new Majority Leader Robert Byrd (D-WVA) in a unique position to influence the outcome of any air legislation that contains an onerous acid rain control provision.

In the House, Energy and Commerce Committee Chairman John Dingell (D-MI) remains opposed to onerous acid rain control legislation; however, ranking minority member Norman Lent (R-N.Y.) was a co-sponsor f the major House acid rain control bill in the 99th Congress. Until all members of the Committee and of the Health and Environment Subcommittee are selected, it is difficult to assess potential votes.

CMA is a major participant in the inter-industry coalition on clean air. CMA provides the leadership on the hazardous air pollutants control issue, but maintains strong input on other stationary source issues including acid rain.

2. Air Toxics Policy Implementation

Air Toxics Resource Manual. CMA has published a comprehensive resource manual to assist members in implementing the air toxics control policy. The resource manual was mailed to each member company's air toxics coordinator. Additional copies are available at reproduction cost upon request. The manual provides valuable information to assist member companies in designing appropriate programs to minimize accidental releases and to control process emissions. Copies of the resource manual are being provided to EPA, state agencies, and other concerned parties.

Workshop on Emission Inventories and Assessments. CMA has developed a two-day workshop to provide emissions inventory and assessments information that will assist member companies in the implementation of an Air Toxics Control Program. The workshop, held on January 13-14, 1987, highlights included:

- o emission inventory techniques,
- o updated fugitive emissions procedures,
- o notification and reporting requirements,
- o modeling for accidental releases,
- o screening methodologies, and
- o modeling for routine releases.

An EPA spokesman will address EPA's publication, "Implementing the EPA Air Toxics Policy", and D. E. Wenger of the University of Delaware Disaster Research Center will address "Human Response During Crisis".

Communications Workshop - Air Toxics Control Policy. CMA has developed a workshop in response to many member companies requests for assistance in how to communicate air toxics issues. The workshop, held on January 20, 1987, addressed risk issues and how to build on existing CAER networks. The workshop used a "hands-on" approach with individual participants working through the steps needed to develop communications messages and action plans for their own facilities.

State Accidental Release Prevention and Control Issue Analysis. The Environmental Management Committee has developed, for use by the State Affairs Committee, an Issue Analysis on Accidental Release prevention and control. The document develops guidance that is consistent with existing CMA policy that is readily usable by CMA member companies in state activities. The objective is to obtain relatively uniform and rational state and local regulations that upgrade control of all sources handling significant quantities of highly toxic materials without penalizing sources already performing to good industry practices.

3. Grassroots Activities

Congressional Liaison Representatives (CLRs) are establishing district coalitions of chemical company representatives and other parties with an interest in air toxics legislation. These coalitions are meeting to review the issue and tailor a specific message around

CMA general principles on air toxics. Meetings between the coalitions and key legislators will be held during the spring and summer to educate legislators on industry operations and CMA's positions.

Members of Congress have been identified as key members on air toxics on the basis of membership on the congressional committees of jurisdiction as well as a large industry constituent presence in their districts. The list of members so identified for activity in the Grassroots Program will be reviewed as new congressional committee assignments are made, and revised, accordingly.

4. Regulatory Developments and Response

Industrial Boilers New Source Performance Standards. CMA submitted comments on EPA's proposed standards of performance for new stationary sources, industrial-commercial-institutional steam generating units. CMA criticized the 90% reduction requirement as neither practical nor cost effective for small boilers. CMA recommended that the Agency set emission limits that can be met by either fuel election, pre-cleaning, or scrubbing whichever is most cost effective.

In addition, CMA noted that the proposed NSPS is inconsistent with other important national goals. In this regard, it contradicts U.S. energy policy by discouraging the use of coal, our most abundant energy resource. Additionally, the effects of the proposed regulation could run counter to the intent of the Clean Air Act in reducing emissions. The unrealistic requirement for SO_2 emission reductions could encourage continued operation of existing, less efficient boilers. CMA urged EPA to reconsider its proposal and issue a less onerous standard which would not deter the use of coal and would be cost effective.

5. Litigation and Related Activities

Vinyl Chloride Litigation. CMA won a major victory in a case involving Section 112 of the Clean Air Act. The decision provides EPA with more discretion in setting reasonable clean air standards. CMA participated in this case, supporting EPA's position that the Agency can consider cost and technological feasibility in setting emission standards.

The Natural Resources Defense Council (NRDC) argued that Section 112 permits only the consideration of health-based factors. Therefore, in their view, EPA could not take into account cost and technological feasibility.

The U.S. Court of Appeals for the D.C. Circuit, however, held that EPA has some discretion in setting emission standards. Its November 4, 1986, decision affirmed that EPA had acted reasonably in withdrawing proposed amendments on vinyl chloride after considering the cost to industry and the technological feasibility of compliance.

NRDC has asked for a rehearing of the case. If the decision is upheld, it is expected to affect similar litigation involving benzene and radionuclides standards.

Benzene and Radionuclides Litigation. On November 20, 1986, CMA filed supplemental briefs in the benzene and the radionuclides litigation with the U.S. Court of Appeals for the D.C. Circuit. The briefs were requested by the court to help assess the impact of the recent vinyl chloride decision on these two cases. Both involve an issue similar to that in the vinyl chloride case: whether EPA may consider cost and technological feasibility in setting emission standards. Oral argument has been scheduled for May 26, 1987.

6. Communications

Communications Department is producing an issues book for the Ad Hoc Accidental Release Prevention and Control Group. Distribution is targeted for mid-January. The book will describe legislative and regulatory issues focused on prevention and control of accidental releases from chemical facilities.

A seminar on air toxics policy communication was conducted for an expected 150 attendees in Houston. The seminar targeted for plant managers, was designed to assist those attending develop site specific communication plans.

With the support of the Communications Committee and CMA's communications staff, the Louisiana Chemical Association is developing plans to implement an air toxics communication plan. Their experience will be shared with other state organizations.

I. Chemical Product Distribution Advocacy

1. Congressional Developments and Response

Hazardous Materials Transportation Act. The Hazardous Materials Transportation Act (HMTA) was scheduled to be considered for reauthorization in the 99th Congress. With the exception of one day of hearings before a subcommittee, no action was taken on the matter. Funding to continue the activities which the Act regulates was included in the continuing resolution which Congress passed just prior to adjournment. As the Act contains no sunset provisions, officials at the Department of Transportation are satisfied that, for the time being, this congressional action was sufficient to maintain the programs covered by the Act.

Nevertheless, it is anticipated that there are a number of Congressmen who would like to see the Act reopened for additional amendments. Accordingly, extensive activity on HMTA is expected in the 100th Congress.

CMA plans to take the position paper approved by the Board last January and draft proposed legislative language which could be used for the Act's reauthorization. The Government Relations Committee's

Transportation Task Group will visit key Congressmen during the first part of the year seeking sponsors for CMA's suggested revisions to the existing law.

Driver Licensing. The Drug Bill which passed the Congress at the end of the last session included provisions dealing with the commercial licensing of truck drivers. Currently, there are no national standards. The new law would still allow drivers to be licensed by individual states, but will establish a system which will not allow multiple state licenses as is now the case. The new standards must be in effect by 1992. CMA has been in favor of requirements which would require only a single commercial license for drivers.

Incident Reporting. In the closing days of the last Congress, a law was enacted to reauthorize Superfund. Under the right-to-know provisions of Title III of the law reauthorizing Superfund, some additional requirements have been added on the reporting of spills of hazardous materials. In addition to the current requirements that incidents must be reported to the National Response Center, the incident must now also be reported to the local emergency responder. Requests for comments on proposed rule-making in this area are currently being solicited and CMA plans to file comments.

2. Regulatory Developments and Response

Shipping Act Review. The Federal Maritime Administration, with CMA's cooperation, has begun to receive input from chemical shippers on the favorable, as well as unfavorable, aspects of the Shipping Act of 1984. The Distribution Committee has prioritized its advocacy plans. High priority items include: prohibit ocean carrier conferences; deregulate authority over service contracts; continue mandatory right of independent action; and, prohibit cargo reservation bilaterals.

MARPOL Annex II. CMA filed comments with the U.S. Coast Guard on its proposed rules implementing the MARPOL Annex II provisions for the international bulk shipment of chemicals by vessels. Much of the CMA comments focused on the procedures for cleaning cargo ships and disposal of residue.

MARPOL Annex III. CMA provided the U.S. Coast Guard with technical comments on a position paper the Coast Guard plans to introduce before the UN International Maritime Organization. The paper focuses on the expansion of the international requirements for packaged chemical shipments to additional classes of materials. CMA convinced Coast Guard to modify its position paper.

District of Columbia Hazardous Materials Study Commission. CMA is represented on a special commission established by the District of Columbia to assess the potential risks posed by the transportation of hazardous materials, and to form the District's policies towards controlling these risks.

Tank Car Allowance System. CMA joined with other tank car providers in submitting comments to the Interstate Commerce Commission in reply to the railroad's petition for clarification on the tank car allowance system. CMA supported the Commission's interpretation of how the rules should be applied. CMA noted that the parties to the negotiated agreement, which was subsequently adopted by the Commission, decided to leave for future resolution the evidence that would be relevant in the investigation of a departure from the national tank car allowance system.

Railroad Cost Recovery Procedures. The Supreme Court has denied the railroad's last ditch effort to obtain a stay of the ICC's decision served October 17 in Ex Parte 290 (Sub. No. 2), railroad cost recovery procedures. CMA had already filed a reply with the Commission opposing the railroad's request for a stay. The effect of the cancellation will be to roll back set recovery based rates to the December, 1985, level.

Peru Cargo Reservation. CMA sent comments to the Federal Maritime Commission urging them to seek an injunction of the equal access agreements regarding U.S./Peru trade. CMA noted that such agreements would institutionalize cargo reservation in the U.S./Peru trade, and would subsequently pose severe limitations on the competitive service of third-flag carriers that have previously been offering the most frequent and reliable service.

Brazil Bilateral. CMA sent a letter to the Department of Transportation urging nonrenewal of the U.S./Brazilian bilateral agreement on cargo reservation. The bilateral condones Brazil's cargo reservation laws which require U.S. exporters to ship approximately 90 percent of their tonnage on U.S. or Brazilian flag vessels. CMA noted that U.S. chemical exporters/shippers are seriously hampered by these requirements. Notwithstanding CMA's urging, the U.S. signed a three-year agreement that would continue cargo reservation in the trade. One bright spot is that the agreement does not condone the reservation of bulk cargo.

Hazardous Substances. CMA furnished the Department of Transportation with comments outlining problems the chemical industry will have in trying to comply with the provisions of the Superfund Amendments and Reauthorization Act calling for the regulation of hazardous substances for transportation.

3. Policy Development, Analytical and Program Activities

Transportation Risk Management. Work is continuing on the development of a chemical transportation risk management system. Individual company programs are being analyzed for generic features that can be used industrywide to further safeguard against the accidental release of chemicals. CMA and the Association of American Railroads have jointly reviewed several systems with the intent to develop a rail chemical transportation risk management model. Individual shippers and carriers could use this model to assess the relative risk of various routes and containers.

Warehouse Safety Program. The Distribution and Health and Safety Committees have formed a joint working group to develop a program to enhance the safe storage of chemicals in warehouses. This group has reviewed several existing chemical company programs, and is now developing a general package that companies can use when reviewing the safety programs of individual warehouses.

Distribution Outreach Activities. The Distribution Committee's Outreach Task Group is currently revising the CMA publication "Transporting Chemicals Safely." This will be used as part of the Committee's efforts to communicate the positive steps the chemical industry has taken to reduce the probability of an accidental release during transportation.

Expansion of the CAER Program to Transportation. The Distribution Committee and the Health and Safety Committee have joined forces to promote the expansion of the Community Awareness and Emergency Response program to the transportation community. Local communities that are exposed to the transportation of chemicals should have emergency response contingency plans in place. CMA is working with representatives of the trucking industry to reach these communities with the CAER program.

J. National Chemical Response and Information Center (NCRIC)

1. CHEMTREC

CHEMTREC ended 1986 with a record number of calls -- for the first time, emergency reports received exceeded 4,000 (4,239 actual) in a year's time. Over 1985, call volume increased 23%; included in this increase was a surge in medical emergencies and other nontransportation emergencies and a modest increase in transportation emergencies.

CHEMTREC now has two communicators on duty from 7:30 a.m.-11:30 p.m., Monday through Friday. To accommodate this change, CHEMTREC adopted a 42-day shift rotation work schedule versus the 28-day rotation in use since 1971. The new shift schedule offers several distinct advantages, namely, fewer night shifts to work (8 versus 13), and a doubling of weekends off (25 versus 12). The new schedule should go a long way toward reducing job-related stress and increase morale.

A total of 1,947 chemical records are now loaded in the chemical database. There are now 238 generic guides for the CHEMTREC Emergency Response Guide library.

CHEMTREC has provided CAER with its requirements for participating in community-wide emergency drills for hazardous materials, and has been involved in two CAER-related drills.

Interest in the Hazard Information Transmission (HIT) program continues apace. Since the last report, there have been 128 inquiries about the program (HIT brochures have been mailed to each). Currently there are 84 active participants located in 26 states, and 30 applicants being processed.

The Salvage Drum Cooperative program has 156 members as of November, 1986, with drum locations in 47 states, 2 Canadian territories, and Puerto Rico. The program is currently being updated and a new printing will be issued in February, 1987.

In December, CHEMTREC responded to three incidents involving either foreign producers or shippers. On December 14, the Suffren, New York Fire Department was called to an apparent fire in a Japanese restaurant. It turned out that a fumigant was being used to kill insects. Firefighters were exposed to the fumes. Label markings on the container were in Japanese with the only clue in English being the word "Chugai" which, it turns out, means "bug". An overseas call to the Japanese producer did not yield results, but the manufacturer's phone number was passed to the fire department for product identification at a later time.

2. CHEMNET

The CHEMNET program now has 79 members, 39 participants and 40 subscribers. When subsidiaries of members are included, companies covered by the program total 122.

The CHEMTREC/CHEMNET Work Group is now in the process of reviewing membership applications from for-hire contractors. Four applications have been recommended to the group. The selection process should be completed by the end of January.

3. Chemical Referral Center

Working from a computer database that now contains product profiles on 103,000 chemicals, the Chemical Referral Center (CRC) continues to assist approximately 900 callers per month. Between December, 1985, and December, 1986, the CRC responded to over 11,800 requests from the general public for nonemergency health and safety information on chemicals.

The CRC staff have been working on a report describing the Center's activities during its first year of operation. This document will be distributed to the 280 chemical companies currently participating in the CRC.

4. Emergency Response Training

<u>Lending Library.</u> In fifteen months of operation the Lending Library has loaned more than 2,400 training programs to emergency response personnel in the public sector. These programs have been shown to more than 128,000 emergency responders. There are fourteen programs in the library and we have identified several new programs that will be added.

First Responder Training Programs. The most popular training program in the library is still "First on the Scene," the first responder training videotape produced by CMA. More than a thousand copies have been borrowed from the library and over 3,200 copies have been distributed free or sold at the cost of reproducing the tape. The Canadian Center for Occupational Safety and Health is planning to convert the tape into French and distribute it in Canada.

The new videotape training program, "Teamwork -- Safe Handling of a Hazardous Materials Incident" should be ready for distribution at the end of January. This program stresses the need for preplanning; establishing who is in charge and the various roles of the responders; identifying sources of assistance, and how to activate them; the need to work with the media and the importance of a post-incident critique. These points are demonstrated in a scenario involving an overturned tank truck that is leaking a flammable poisonous material. The scenario takes you through each phase of the incident from the time it happened through cleanup and the critique. It will be an excellent sequel to "First on the Scene."

The second Standard Phraseology Manual, on all types of packagings used to transport chemicals, is in the final review process. The manual should be available for distribution in the Spring of 1987.

K. International Regulatory Issues (Health, Safety and Environment)

1. International Organizations

United Nations. CMA staff met recently with Dr. Noel Brown, Director of the New York office of the United Nations Environment Programme (UNEP). Early next year UNEP will propose three international conventions aimed at avoiding chemical accidents (such as the recent Rhein incident) and improving hazard communication to the public. Mr. Roland has communicated with Dr. Mostafa Tolba, Executive Director of UNEP, outlining CMA's CAER program and CMA's expertise in crafting workable community awareness programs.

Organization for Economic Cooperation and Development (OECD). The International Affairs Group (IAG) has been working with the U.S. Council for International Business/Business and Industry Advisory Committee to the OECD (USCIB/BIAC) in preparing comments on agenda items for the March, 1987, OECD Third High Level Meeting. The Meeting will include ministerial level participants (e.g., EPA Administrator Lee Thomas) and will focus on regulatory programs for existing chemicals, chemical risk management and risk assessment. The IAG will provide additional comments on the High Level Meeting documents in January.

2. International Regulations

Labeling. The U.S. Trade Representative will host the second bilateral technical discussions between the Commission of the European Community and the U.S. Government January 20-21 in Washington. The discussions will be on the proposed European Community (EC) General Preparations Directive (GPD). CMA has prepared comments for the IAG, supplementing CMA's objections to the GPD voiced in January, 1986. The additional comments highlight industry's continuing problems with the restrictive labeling requirements of the GPD.

The joint IAG, Canadian Chemical Producers Association (CCPA), and European Council of Chemical Manufacturers Federations (CEFIC) paper on The Identification and Classification of Carcinogens, Mutagens and Teratogens will be published in the March, 1987, issue of Regulatory Pharmacology and Toxicology. The criteria paper is gaining international acceptance as the appropriate methodology for classification of potential health hazards. The revised ANSI labeling standard, now being updated by CMA's Health and Safety Committee, will contain the criteria paper as an appendix.

Inventory. CMA recently prepared for IAG submission a letter to the U.S. Department of State reiterating industry's problems with the United Nations so-called "Consolidated List" of banned or severely restricted chemical substances. The list compiles regulatory information and commercial data on specific chemicals, and has been shown to contain significant errors. The mistakes may well result in the boycott of the products of U.S. firms. The letter urged the Department of State to ensure that the criteria for identifying chemicals to be included on the List is consistently and accurately applied.

L. International Trade/International Competitiveness

1. Congressional Developments and Response

Omnibus Trade Law. Leaders of both Houses of Congress say that a trade bill will be ready for the President's signature by May, 1987. That may be a very ambitious goal. Extensive hearings were held in the House of Representatives during the last Congress, producing an equally extensive trade bill (H.R. 4800) which the Administration promised to veto. While the hearings on the Senate side were also numerous, the Finance Committee failed to report a bill. The Finance Committee, of course, has a new look in the current Congress with control of the Senate back to the Democratic Party. Senator Bentsen plans to introduce a bill which is unlikely to be either like the bill considered previously by the Senate (S. 1860) or like H.R. 4800.

Over the last year, CMA's International Trade Committee (ITC) has been providing the Board of Directors with suggested positions on needed modifications to a number of elements of existing trade law. Consequently, CMA is in an excellent position to react to legislative overtures on any proposal for a new omnibus trade bill.

CMA is continuing its lobbying efforts on trade matters through the Government Relations Committee's Trade Task Group and through the coalition known as the Office of the Chemical Industry Trade Advisor (OCITA). OCITA's primary focus is on assuring that any new trade legislation contains language which would exempt import sensitive items from tariff reduction considerations.

In addition to the failure of the previous Congress to pass any omnibus trade bill, it also failed to give final passage to the numerous miscellaneous trade and tariff measures which provide for temporary reductions or suspensions of duty on specified items. SOCMA, also a member of OCITA, is attempting to have legislation introduced which would allow for temporary duty suspension matters to proceed administratively. The ITC is currently examining this issue to determine whether to recommend that the CMA endorse the SOCMA initiative.

2. International Negotiations/Agreements

Tariff Negotiations. The next round of multilateral trade n gotiations (MTN) which will be known as the Uruguay Round, has g tten underway. When the Ministers of the General Agreement on Trade and Tariffs (GATT) met in Uruguay in September, 1986, they agreed with great difficulty on an agenda for the negotiations. The last MTN, known as the Tokyo Round, resulted in staged reductions of tariffs which concluded with the last reduction occurring on January 1, 1987. While there is no certainty on how long the negotiations will continue, the United States is hopeful that some agreements can be reached within the next few years.

The possibility of such a rapid agreement may be optimistic. Traditionally, MTN rounds have been extremely lengthy processes. Because of the protracted nature of the discussions, CMA members face the danger of losing interest in a process which will profoundly affect their daily operations. The International Trade Committee (ITC) is fully committed to keeping industry activity at an appropriate level.

CMA has already hosted a seminar to inform its members of both the process of the negotiations and the expected agendas that the major GATT participants will bring to the discussions. The CMA ITC is currently contemplating the formation of a list of chemicals that the governemnt should investigate to determine the product's degree of import sensitivity. In addition, a list of objectives sought by the industry is also being considered. Both activities are in response to overtures made to the industry by the Office of the U.S. Trade Representative and the Department of Commerce.

3. Legal

Pre-Shipment Inspection and Customs Valuation Procedures Conducted by Private Companies on Behalf of Foreign Governments. In September, the Office of the U.S. Trade Representative (USTR) reviewed a Section 301 trade remedy petition filed by representatives of U.S. industry. This petition contested the quality, quantity, and price inspections conducted in the United States by private pre-shipment inspection companies that act as agents for governments of twenty-three developing countries.

Inspection companies have been known arbitrarily to reject a U.S. exporter's price and change the value of the goods for Customs purposes in the importing country before clearing them for shipment. Moreover, in conducting their product and price comparisons, the inspection companies request confidential business information from exporters, often with inadequate assurances for protection from disclosure. Many U.S. exporters, including U.S. chemical companies (the majority of negative comments received by USTR on this subject came from U.S. chemical and pharmaceutical companies), are having difficulty meeting contractual delivery requirements in countries which require such pre-shipment clearance, and financial settlements are being delayed. These practices also arguably violate a number of international agreements.

In late October, USTR decided not to initiate a formal Section 301 trade investigation. Instead, it is negotiating bilaterally with each of the twenty-three governments involved on an expedited basis. In addition, the U.S. International Trade Commission (USITC) has initiated a study on the impact of these pre-shipment inspection companies on U.S. industry trade. As part of this study, questionnaires are being sent to U.S. companies, including CMA member companies. It is important that these questionnaires be filled out and returned, so that the USITC can have an accurate reading of the burdens put on industry by these pre-shipment practices. CMA is working in an informal industry coalition to ensure that the chemical industry's concerns are addressed in the USTR negotiations and USITC study.

4. Communications

The department coordinated activities for CMA's annual economic news briefing, including development of materials for the briefing, collateral distribution of the briefing materials and arrangements for one-on-one interviews with key CMA staff.

M. Taxation

1. Congressional Developments and Response

The size, complexity and mistakes of the 1986 Tax Reform Act are strong reasons to believe Congress will again consider major tax legislation in 1987. In addition, many related legislative areas (such as trade legislation) which are high on the 1987 Congressional agenda may contain important tax provisions, for example, changes in foreign tax treatment. For these reasons CMA again anticipates substantial regulatory and legislative tax activity in the coming year.

The Tax Policy Committee has established a Tax Reform Implementation Task Group to identify legislative and regulatory issues arising from the 1986 legislation. The Task Group has divided its assignments among five working groups that are now developing written materials on specific subject areas. The Tax Policy Committee and the Government Relations Committee will develop a comprehensive tax legislative work plan as more detail of the Congressional agenda unfolds. Although the 100th Congress will not convene until mid-January, the CMA tax program for the new year is well underway.

N. Patents and Protection of Technology

1. Congress

Patent Term Restoration. Patent Term Restoration (PTR) legislation was amended to the reauthorization of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) which failed to be accepted by the Senate in the final days of the 99th Congress. The agrichemicals industry became involved in negotiating changes to FIFRA largely because a group of environmentalists objected to PTR legislation in the 98th Congress. The environmentalists lobbied Congress and said that so long as the industry refused to cooperate in a rewrite of FIFRA, the environmental groups would actively oppose any legislation to extend the patents on pesticides.

In September, 1986, the House passed FIFRA, and Patent Term Restoration was reported out of the House Judiciary Subcommittee and the full Committee. In contrast to the opposition in the 98th Congress, PTR moved through the subcommittee and the full committee without a single Member speaking in opposition to the measure. In early October, 1986, the House passed PTR and again, no one spoke in opposition to PTR. In addition, the FIFRA package was amended to PTR. The House passed FIFRA and PTR again in a different form and sent it back to the Senate where it eventually died.

It is expected that PTR legislation will be introduced early in the 100th Congress. Based on information from House Judiciary Subcommittee staff, it is likely that the Subcommittee will move expeditiously to report out PTR legislation. In the Senate, with the retirement of Senator Mathias (R-MD), it is not yet certain who will be the lead person on this issue. CMA will continue to work with the industry coalition and play a supportive role to the National Agricultural Chemicals Association's efforts on this issue. The prospects for passage of PTR in 1987 will hinge on the satisfactory resolution of conflicts among the industry, consumer/environmental groups and the generic producers on amendments to FIFRA.

Process Patent Legislation. This legislation would have expanded the definition of patent infringement to cover importation into the United States and use and sale in this country of products made abroad by processes patented in the U.S. Two versions of this legislation passed the House and one version passed the Senate during the final days of the 99th Congress. Negotiations continued until the day Congress adjourned without final approval.

The industry coalition which had been involved in negotiating the compromise legislation in the last Congress will be active on this issue in the 100th Congress. The group is looking to Senator Frank R. Lautenberg (D-NJ) to revive this issue, hopefully early in the new session. CMA will continue to support prompt passage of process patent protection legislation. The current evasion of our patent law is costly, not only in actual revenue lost but also to the number of U.S. jobs that are actually lost to foreign manufacturers.

O. Liability Reform and Insurance

1. Congressional Developments and Response

The product liability reform legislation was passed out of the Senate Commerce Committee and considered on the Senate floor in the 99th Congress. It did not pass the Senate nor was it considered in the House.

The 100th Congress has the Democrats in control of the House and the Senate which will change the agenda for the product liability issue. Senator Ernest Hollings (D-SC) will now be the chairman of the Commerce Committee. Hollings has long been a strong opponent of far reaching Federal product liability legislation. Thus, we will have to wait and see what his agenda will be for the Commerce Committee. On the House side the ad hoc bi-partisan product liability study group is looking at the issue and may make legislative recommendations.

P. State Legislative and Regulatory Advocacy

1. Liability Reform, Insurance and Public Compensation

Approximately 35 states passed some tort reform legislation in 1986. Many of these laws dealt with single areas, such as day-care centers or municipal liability. Only a few states, such as Colorado, Connecticut, Washington and Florida, passed comprehensive reform bills. The issues that saw the most activity in 1986 were:

- modification or elimination of joint and several liability
- caps on non-economic damages
- collateral source rules to deal with the problem of double payments.

In most cases the chemical industry has shared in the benefits of general tort reform. However, injuries involving hazardous substances were partially or, in some cases, completely excluded from some of the significant reforms, particularly the limitation on joint and several liability.

The American Legislative Exchange Council, a national organization of approximately 2000 conservative state legislators, adopted proposed legislative language on tort reform issues for inclusion in the recently published "Source Book of American State Legislation, 1987-88." CMA's tort reform issues resource book was utilized in the development of this language.

The continued concern over insurance availability is likely to generate significant activity in 1987.

2. Hazardous Waste Management and Regulation

At the December meeting of the Council of State Governments (CSG) Subcommittee on Suggested State Legislation, the New Jersey Environmental Cleanup Responsibility Act (ECRA) was again considered as a possible model for other states. This law seriously limits the transfer of property until site contamination studies and cleanup have been completed.

CMA's State Affairs Special ECRA Work Group is managing this issue in conjunction with the New Jersey CIC. The CIC has been working directly with state officials to amend the law. As a result primarily of the CIC's work, CSG subcommittee voted in December to defer consideration until the state of New Jersey verifies the needed changes. These changes will reportedly occur in the first half of 1987 and probably in time for the final vote by CSG on model legislation during their summer meeting. Some form of an ECRA law will more than likely be considered at that meeting.

3. Right-to-Know

The decision in the lawsuit brought by Pennsylvania manufacturers regarding the application of the state's right-to-know law has been appealed to the United States Supreme Court. Under a lower court decision issued at the end of 1986, chemical manufacturers could be required to prepare separate labels and MSDS's for their products shipped into or used in Pennsylvania. The industry's appeal to the Supreme Court seeks to uphold and clarify the preemption of the OSHA Hazard Communication Standard over state right-to-know laws. An injunction against the implementation of the state law, as it applies to manufacturers, is in effect until the court decides whether or not it will accept the case.

4. Chemical Plant Safety

A top priority for the new Chemical Safety Task Group is to address state legislation that would regulate chemical plant processes. Several states considered laws in 1986 and New Jersey enacted a comprehensive statute which requires risk assessments and risk management plans for certain facilities. An issues analysis document has been developed by a combined State Affairs/EMC work group and will be distributed to member company state affairs contacts and state CIC's in January.

The new task group is also working with the CAER Task Group to promote the CAER program as a method for states to implement the emergency response requirements of Title III of the new Superfund Law.

5. Groundwater

The California Initiative on Safe Drinking Water and Toxics Enforcement Act of 1986 passed by the voters in November by a margin of 63 to 37, or roughly 2 to 1. Early in the summer, the odds were as high as 10 to 1 in favor of the Proposition. So the public relations program, developed and implemented by the industry coalition, had a significant impact on the public's perception of this issue, however, it obviously was not enough to change the outcome. There are some who believe that if the PR program had been started sooner, i.e., funding obtained earlier, our chances for success would have been greater.

Proposition 65 is now in the hands of the administration and the legislature. The first major implementation date is March 1, 1987, when the Governor must publish a list of effected chemicals. A year later, on March 1, 1988, the warning provisions go into effect and on November 1, 1989 the discharge prohibitions become effective.

The industry coalition will continue to work with the administration to implement the law with as little damage to the California's economy as possible. Hopefully, it will be able to work with the legislature to cleanup some of the provisions in the initiative. A thorough legal evaluation resulted in the decision not to litigate at this time. While there were some potential constitutional grounds for challenging the new law, it was the consensus of the coalition's steering committee and legal counsel that better opportunities for litigation would occur during the implementation of the law.

Meanwhile, many environmental groups are seeking to take the lead in implementing Proposition 65. There are even classified ads in the California newspapers recruiting "bounty hunters". In fact, the bounty hunter provision may be used as a membership enticement for environmental groups.

The CMA State Affairs Committee has appointed a special ad hoc group to develop the chemical industry's recommended advocacy approach to this issue, not only in California, but to the other states where it may spread.

6. Toxic Air

The State Affairs Air Toxics Task Group is working with the State and Territorial Air Pollution Program Administrators (STAPPA) to educate them on the industry's programs and positions on air toxics regulations. Industry technical support for advocacy programs at the state level is being enhanced and the "Air Toxics Resource Handbook" is being made available to state agencies as an information source. Development and implementation of state air toxics programs is being monitored in Florida, Kentucky, Maryland, Massachusetts, North Carolina, South Carolina, Texas and Wisconsin.

Q. Energy and Petrochemical Feedstocks

1. Litigation and Related Legal Activities

FERC Notice of Inquiry. CMA has submitted written comments in response to the Federal Energy Regulatory Commission's Notice of Inquiry on interstate pipeline marketing affiliates. The comments express support for the Commission's goal of ensuring competition in the natural gas marketing/brokering function. Such competition will benefit all natural gas users by lowering gas prices, while providing efficient allocation of available gas supplies and pipeline capacity. In order to protect competition in the marketing function, CMA stated, the Commission must prevent interstate pipelines from shifting their market power to an unregulated affiliate. CMA called on the Commission to promulgate new, but limited, regulations to facilitate competition in natural gas marketing.

R. Specific Chemical Research and Advocacy

1. Research and Advocacy Highlights

Biocides. On November 26, 1986, EPA proposed rules in the Federal Register (51:42974) for the imposition of fees for various pesticide registration activities. Because the costs associated with this proposal are substantial for the entire pesticides industry, the Biocides Panel is preparing comments on the proposed rule. A liaison has been established with the National Agricultural Chemical Association to coordinate comments between NACA and CMA.

Butadiene. The Panel is preparing comments in response to the OSHA Advanced Notice of Proposed Rulemaking concerning worker exposure to 1,3-butadiene (51 FR 35003). As part of the comments, the Panel has requested assistance from three contractors in the following areas: risk assessment of butadiene economic analysis of butadiene production, and emission/exposure due to butadiene manufacturing. The comments will be presented to OSHA by January 19, 1987.

Butylated Hydroxytoluene. The BHT Panel filed a Citizen Petition with the Food and Drug Administration requesting the Commissioner of Food and Drugs to issue a regulation recognizing a prior sanction for the use of BHT as a direct and indirect food additive. The major purpose of the Petition is to work with the Agency in developing a process by which the FDA evaluates the safety of BHT in light of all experimental studies. Another purpose is to request FDA to establish a common regulatory status for all food-related uses of BHT. The use of BHT as an antioxidant in food currently is subject to a complex regulatory scheme.

Chlorobenzenes. A joint petition filed by the Chlorobenzenes Program Panel and the SOCMA Chlorobenzenes Producers Association, U.S. producers of ortho- and para-dichlorobenzene requested that EPA withdraw the requirement for reproductive and fertility effects testing mandated in a TSCA Section 4(a) test rule. The petition reflects EPA and industry consensus on the significance of available data on the potential for dichlorobenzenes to cause reproductive effects. Scientific consensus was reached prior to issuance of the test rule. In essence, there was agreement that a negative reproductive effects study on monochlorobenzene, combined with existing negative data on 1,2,4-trichlorobenzene, would eliminate concern for potential reproductive effects of the dichlorobenzenes. The Petition was accompanied by a Panel-sponsored reproductive effects study on monochlorobenzene that failed to demonstrate significant adverse reproductive effects.

Producers of 1,2,4-trichlorobenzene are preparing to initiate oncogenicity studies in rats and mice. The testing is required by EPA under a TSCA Section 4(a) test rule. Preliminary palatibility and subchronic studies will be conducted in both species in order to set dose levels in the two-year bioassays.

The Panel has requested that EPA reconsider the need for soil adsorption studies on dichlorobenzenes and 1,2,4-trichlorobenzene. A recent report of a study containing data of the type required in the test rule was submitted to EPA with the request. The study was conducted for the EPA OTS Health and Environmental Review Division under an interagency agreement with the Department of Energy.

Cresols. The Panel has made final laboratory selections for research that will be conducted under a TSCA Section 4(a) Final Test Rule. Hazleton Laboratories, Inc. will conduct mutagenicity studies and Bushy Run Research Center will conduct reproductive and developmental effects studies. Research will begin when the final testing guidelines are issued by EPA.

Ethylene Oxide. The EOIC is preparing to send an EO workplace survey to all EO producers and ethoxylators. The results of the survey will be used to support comments to OSHA on the short term exposure limit (STEL) issue. The Council feels that the 1ppm PEL (long-term standard) has been effective in reducing exposure and a STEL (short-term standard) may not be necessary. The OSHA ethylene oxide STEL is to be proposed by March 1987, with comments due sixty days thereafter.

2-Ethylhexanoic Acid. CMA filed a petition for judicial review of EPA's finding that EHA "may present an unreasonable risk" within the context of TSCA's testing provisions. The Panel will argue that EPA's testing requirements are not supported by "substantial evidence." CMA is also seeking a stay of the EPA testing requirements pending completion of judicial review proceedings.

2-Ethylhexanol. The producers, importers and users of 2-EH formed a new panel to interact with EPA in the development of a test rule. Test rule activity was initiated by EPA in August 1986. A proposed rule to initiate a bioassay was planned for publication by January 1987, with a final rule by June 1987. Once the bioassay was underway, EPA planned to propose a second test rule to cover any other testing that might be needed. 2-EH, originally the subject of an NTP-sponsored chronic bioassay, came to EPA's attention when budget cuts forced NTP to drop the bioassay from its program. As a result, the Agency decided to use the TSCA Section 4 provisions to require industry to conduct the test. The Panel entered into negotiations with EPA to attempt a test program under the newly developed consent agreement procedure rather than formal rulemaking. Although EPA and NTP agreed with the Panel's concept of a collaborative research program, negotiations broke down over disagreements on the chemicals to be tested, the route of administration, and the importance of understanding the mechanism of carcinogenicity. A proposed rule was published in the Federal Register on December 19, 1986.

Glycol Ethers. The Glycol Ethers Panel will sponsor mutagenicity tests on diethylene glycol monobutyl ether (DGBE) at Dow's Lake Jackson Research Center. DGBE will be evaluated in the mouse bone marrow micronucleus test and in an *in vitro* mutation assay (CHO/HGPRT). These tests have been proposed by EPA in a TSCA Section 4(a) test rule.

Plans to initiate a voluntary testing program on the triethylene glycol ethers have been postponed. EPA informed the Panel that, due to a more severe economic impact of the proposed test rule than originally anticipated, the Agency is reconsidering testing needs for these glycol ethers. Furthermore, EPA is developing a "generic" glycol ethers test rule and it is possible that the triethylene glycol ethers will be included. The generic rule is scheduled to issue this summer. A Panel meeting with EPA is anticipated in February.

In a Federal Register notice published on December 11, 1986, OSHA responded to EPA's TSCA Section 9(a) referral of 2-methoxyethanol, 2-ethoxyethanol and their acetates. OSHA preliminarily concluded that occupational exposures at the current permissible exposure limits may present a significant health risk and that adoption of a revised occupational standard is economically and technologically feasible. OSHA did not indicate when it plans to initiate rulemaking.

Hydroquinone. Panel representatives met with EPA on December 15 to discuss the interim rule on Extremely Hazardous Substances and Threshold Planning Quantity under Superfund amendments. CMA recommended that hydroquinone be deleted from the listing of acutely toxic chemicals because the relevant animal effects data do not satisfy the proposed listing criteria.

Isopropanol. In response to the 19th Interagency Testing Committee Report designating isopropanol for health effects studies under Section 4(a) of TSCA, producers met with CMA and have decided to form a Special Program Panel. The Panel's initial activity will center on the development of a testing program to respond to ITC's concerns and to work with the EPA on a negotiated testing consent agreement.

Ketones. Mesityl oxide producers took steps to include supplemental material in the administrative record before the Fifth Circuit Court. In December, the motion to supplement was denied. This means that judicial review of the EPA mesityl oxide test rule will proceed on the pre-petition record in the Fifth Circuit and will not include information supportive of the producers' TSCA Section 21 Petition for withdrawal of the rule. The opening brief will be filed in January.

An EPA move to stay U.S. District Court proceedings challenging EPA's denial of the Section 21 petition was granted. Having received a final denial of supplementation in the Fifth Circuit, the mesityl oxide producers are seeking to vacate the stay.

The Natural Resources Defense Council (NRDC) moved to intervene in the Fifth Circuit and the petition was granted. The American Petroleum Institute will file an amicus curiae brief.

Lubricant Additives. Hazard profiles developed by the Group of Experts on the Scientific Aspects of Marine Pollution (GESAMP) were used as the basis for categorization of classes of lubricant additives. The Bulk Chemical Handling (BCH) Subcommittee of IMO placed most of the additives in a provisional category "B"; zinc dithiophosphates were placed in category "A". Concerns with the protocol design of aquatic toxicity studies conducted by the Panel appear to be the basis of the provisional classifications. The zinc classification resulted from concern with bioccumulation. The Panel is awaiting clarification from GESAMP before proceeding to address these issues.

The Panel has provided tank stripping data to the U.S. Coast Guard that demonstrates efficient stripping of vessels carrying viscous additives. These data will be presented to the BCH Subcommittee via CEFIC as evidence supporting exemption to the viscosity limitations in international regulations governing marine transport of bulk chemicals (MARPOL 73/78). The Panel has also made arrangements for the U.S. Coast Guard to observe a stripping test on an emptied vessel in port.

Phosgene. The Panel recently decided not to perform a large scale field test of phosgene release at the Nevada Nuclear Test Site this year. The Panel will continue investigating the feasibility of performing this study at a future date and possibly at a different location.

Comments are being prepared on the August 1986 EPA Health Assessment Document on phosgene. Comments are due to EPA by January 30, 1987.

Phthalate Esters. The Panel has begun discussions with EPA's Test Rules Development Branch which may lead to a consent agreement to complete environmental testing under TSCA Section 4. The Panel has already completed an extensive battery of acute tests and a chronic study on each of 14 phthalate esters under a Negotiated Testing Agreement accepted by EPA in January 1982. The second phase of testing, which was originally agreed to by the Agency in its 1982 Federal Register notice, was rejected by EPA in 1984 following the court case decision invalidating NTA's. The Panel is hopeful that its original proposal will now be accepted and that environmental effects testing will be completed under a consent order.

Rubber Additives. The Panel submitted final reports to EPA on the results of two comparative pharmacokinetics studies on mercaptobenzothiazole and its disulfide derivative. The studies confirmed that both compounds are handled similarly and are rapidly taken up and eliminated from the body following intravenous and oral dosing.

Vinylidene Chloride. The Panel is preparing comments in response to EPA's Proposed Test Rule for 1,1-dichloroethylene (VDC) (51 FR 28840). The proposal requires additional toxicology testing under TSCA Section 4(a). The Panel feels additional testing is not necessary since more than twenty VDC studies have indicated no health concern. Comments on this proposal are due to EPA by January 14, 1987.

2. Communications Support

The department assisted in preparation of materials for submission of a request for a "prior exemption" for BHT and developed proposed media strategy for the submission.

The staff also continued to coordinate response to press inquiries related to CFC research.

III. DEPARTMENTAL PROGRAM NOTES

A. Government Relations Department

1. Federal Grassroots Activities

During 1986 the Grassroots Program has undergone a transition in its focus. Upon completion of the Grassroots effort in support of the Superfund Reauthorization, the program has been expanding its base among CMA member companies and identifying several new issue areas for involvement during 1987-1988. The objective is to evolve the program into a multi-issue, permanent contact mechanism to advance CMA's federal legislative advocacy efforts in environment, worker health and safety, and economic/trade issues.

The priority issue for the Grassroots program during 1987 will be air toxics emissions. Already much activity has begun toward developing a grassroots network on air toxics. Eighty-nine Members of the House and Senate have been targeted as key legislators in Congressional activity on air toxics. Earlier this year member company Grassroots Managers assigned Congressional Liaison Representatives (CLRs) to lead the grassroots effort in their Congressional Districts. CLRs have been involved in program and issue orientation, in establishing relationships with assigned legislators, and in the development of coalitions within their districts. These coalitions, comprised of chemical company representatives and other interested constituents, have been meeting and will continue to meet in early 1987 to discuss the air toxics message and strategies for communicating with key legislators. Meetings between CLRs, coalitions and key legislators, will be scheduled for February-March 1987, during the preliminary stages of debate on air toxics emissions.

Other program activities are underway and will continue in 1987 to develop an adaptability to changes in issue emphasis. In addition to air toxics two other issues are emerging for grassroots consideration: worker notification and groundwater. An analysis of key legislators in these issue areas is ongoing to determine CLR assignments.

Education of Grassroots Managers and CLRs and message development for worker notification and groundwater will begin in early 1987 in anticipation of legislative activity in the 100th Congress. Efforts will also continue to incorporate member companies into the program, either through existing coalitions or through the building of new CLR-key legislator relationships.

2. Federal Candidate Information Activities

The Candidate Information Task Group's activities for 1986 were geared toward the November elections. The Task Group provided opportunities for companies to meet non-incumbent candidates to the House and Senate through a series of "Get Acquainted" sessions. Other activities of the Task Group included analysis of CMA member company employee PAC contributions to the key Members of the House and Senate; identification of key races and candidates; and the mailing of an "Issues '86" packet to all candidates to the 100th Congress which include economic and issues related information.

Although 1987 is a non-election year for Federal offices, the Candidate Information Task Group has a tentative agenda which includes:

- o Follow-up with Freshmen Congressmen who participated in CMA's "Get Acquainted" sessions during 1986 and other key Members as appropriate
- o Identification of, and increased chemical industry visibility with, 1988 Senate and House candidates
- o Final analysis of CMA member company employee PAC contributions during the 1986 elections
- o Continued analysis of CMA member company employee PACs in 1987

Activities to support this agenda will include "Get Acquainted" sessions with Senate candidates, and preparations of an "Issues '87" publication.

The Candidate Information Task Group also plans to identify member company Washington Representatives who are close to candidates seeking their party's Presidential nomination to facilitate communications of CMA positions on national issues of interest to the chemical industry.

The Candidate Information Task Group will continue with an aggressive and innovative approach to improving the chemical industry involvement in and visibility with candidates. The upcoming 1988 elections promise to be hotly contested and will soon dominate the agenda of Congress and both national parties. The Candidate

Information Task Group will continue to provide an opportunity for the chemical industry to use the elections to advance our capabilities.

B. <u>Technical Department</u>

Superfund activity has now shifted from the legislative to the regulatory arena and many of the CERCLA amendments must be carefully managed to avoid unreasonable regulations. CMA has analyzed both CERCLA amendments and Title III, and has prepared a draft CMA action plan. The draft is now in the hands of key CMA committee representatives who, with their committees and task groups, will develop specific and refined plans of action for managing important CMA initiatives for these sweeping pieces of legislation.

Major legislative efforts in air, water, hazardous materials transportation, worker notification of significant exposure and possibly TSCA reauthorization are key legislative issues for this year. Regulatory burdens continue to mount across the entire spectrum of issues managed by CMA.

CMA's NCRIC, CAER and Air Toxics Control Policy activities continue to draw favorable comments from both the government and private sectors.

C.

PRIVILEGED MATERIAL REDACTED

D. <u>Communications</u>

1. Media Communications

The division made arrangements and coordinated distribution of live satellite coverage of recent appearance by EPA Administrator Lee Thomas at CMA Chemical Forum luncheon to TV stations across the country. A live satellite feed was also conducted in January for Senate Majority Leader Robert Byrd of West Virginia.

2. Community and Public Information

Approximately 750 requests for nomination forms have been received for the 1987 Catalyst Awards competition. Winners will be announced April 1.

On December 16, two incidents occurred. The first involved a shipment of bacterial cultures originating in Brussels, Belgium. San Francisco Airport Fire Department personnel isolated the leaking container while CHEMTREC alerted the Centers for Disease Control in Atlanta, and contacted the Belgium shipper for identification of the cultures. Product information was obtained and the cultures were destroyed by autoclaving without further incident.

Later that evening, Dow Chemical, Melbourne, Australia, reported a problem with a drum of magnesium that had been contaminated. CHEMTREC was able to teleconference the caller with knowledgeable people at Dow Chemical, Midland, Michigan, who provided decontamination and disposal information.

CMA
BD-1/26-27/87

EXHIBIT J

REPORT OF

TAX POLICY COMMITTEE

EXECUTIVE SUMMARY

Overview

In 1986, the Tax Policy Committee was very deeply involved in key legislative issues affecting the chemical industry. Responding to the numerous problems raised in both tax reform and Superfund reauthorization legislation, the Committee responsibly handled a wide range of tax issues that could increase industry tax costs by more than $6 billion annually.

Tax Reform Legislation

For over two years the Tax Policy Committee has dealt with the basic issues of tax reform legislation. In 1985, President Reagan proposed a 5-year shift of over $120 billion in individual tax burdens to business taxpayers. Within the business sector, the President's tax program would finance lower corporate and individual tax rates by repealing the investment tax credit and reducing depreciation allowances. In addition, there would be significant changes in the tax treatment of international business activities that would substantially increase the tax costs of U.S. corporations.

In December 1985, the House of Representatives passed H.R. 3838 a bill whose basic tax reform philosophy was in agreement with that advocated by the President. CMA's major tax activity in 1986 was before the Senate Committee on Finance. In addition to the issues identified in the House bill, CMA successfully lobbied the Finance Committee to reject several tax proposals that would have had a disproportionate impact on the chemical industry. CMA also successfully lobbied the Finance Committe to include favorable amendments on the issues identified in the House bill. Chemical industry losses will be offset in part by more favorable depreciation treatment and lower corporate tax rates.

During the House-Senate Conference, CMA supported the Senate bill. However, CMA successfully lobbied the Conferees to reduce the penalty on depreciation in the alternative minimum tax. The overall impact of the tax bill will increase taxes paid by the chemicl industry over the next 5 years. That increase, however, is not as great as the increase other capital intensive industries sustained in this legislation.

Superfund Legislation

The Tax Policy Committee continued to provide technical assistance in 1986 to the Government Relations Committee on Superfund funding issues, including broad base tax proposals. This assistance provided a major contribution to the effectiveness of CMA's superfund legislative advocacy.

CMA
BD-1/26-27/87

EXHIBIT K

LIABILITY REFORM IN THE STATES

OBJECTIVE:

To achieve positive reforms of tort law through state legislation, and to protect the chemical industry from being singled out for discriminatory or punitive treatment in such legislation.

BACKGROUND AND STATUS:

Executive Committee Request. At its November meeting, the Executive Committee requested that a report on state tort reform be prepared to address model state legislation and coalitions, and to provide a status report on 1986/87 state legislative activity.

1986 Legislative Activity. Approximately 35 states passed some tort reform legislation in 1986. Many of these laws dealt only with single areas, such as day-care centers or municipal liability. Only a few states, such as Colorado, Connecticut, Washington, and Florida, passed comprehensive reform bills. The issues that have seen the most activity in 1986 were:

- modification or elimination of joint and several liability
- caps on non-economic damages
- collateral source rules to deal with the problem of double payments

In most cases, the chemical industry has shared in the benefits of general tort reform. However, injuries involving hazardous substances were partially or, in some cases, completely excluded from some of the significant reforms, particularly the limitation on joint and several liability.

CMA Activities. CMA has undertaken the following activities to seek positive reforms in state tort law:

o Developed and distributed an issues book that sets forth and discusses 13 priority tort law reforms for adoption in the states. These issues were divided into three tiers based on their relative impact on the chemical industry. Some companies, however, may have different priorities based on factors unique to these companies. The first tier included five issues relative to reforms which CMA recommended as the basic elements in any meaningful bill:

  - Non-economic damages should be capped
  - Damages should be reduced by the amount of collateral source payments
  - Joint and several liability should be eliminated
  - Awards of punitive damages should be carefully scrutinized and controlled by the court
  - Fault should be required for liability

The second tier of priority issues included:

- Limit contingency fees
- Require qualified expert testimony
- Eliminate liability without causation
- Provide that initial warnings are adequate

The third tier of priority issues included:

- Eliminate non-mutual collateral estoppel
- Bar evidence of subsequent remedial measures
- Eliminate liability for conduct in compliance with government standards
- Eliminate recovery for commercial loss

o Using the priority issues book as a guide, CMA has actively participated in the preparation of model legislation by the American Legislative Exchange Council. ALEC is a national organization of approximately 2000 conservative state legislators. Proposed legislative language was adopted for inclusion in ALEC's "Source Book of American State Legislation, 1987-88." CMA's tort reform issues resource book was utilized in the development of this language and CMA objectives, as set forth in the issues book, were incorporated. The ALEC source book was sent to all 7,461 state legislators in December.

o During the same time period, CMA worked with the American Tort Reform Association. ATRA is a broad based coalition created for the specific purpose of supporting tort reform. CMA served on ATRA's Legal Committee which prepared policy papers on various tort reform issues. The final policy papers, a major supporting document for ALEC's model bills, and a copy of ALEC's model legislation were published in September in the "ATRA Legislative Resource Book." This manual has been delivered to all U.S. Congressmen, state Governors and legislators, state tort reform coalitions and all ATRA members.

o Successful tort reform has frequently involved the use of broad based coalitions, including major industries, small businesses, doctors and local governments.

o The Texas Chemical Council has been very active in tort reform coalition efforts and could be used as a guide by other chemical councils.

o CMA has selected priority states and contacts are being developed with those states. In addition, these contacts are being expanded by working in cooperation with the Council of Chemical Association Executives.

- CMA continues to monitor and support tort reform in all states. The text of the ALEC model bills and the status of 1986 tort reform initiatives with a state by state outlook for 1987 is available from CMA.

RECOMMENDATIONS:

- CMA and its member companies should support existing ALEC model legislation rather than drafting a separate chemical industry model bill. These proposals have been developed by a broad based coalition, which included CMA, and agreement has been reached as to the provisions which largely coincide with the chemical industry's priorities. Drafting additional proposals at this time could create a wedge dividing proponents of tort reform. Moreover, a model bill created by the chemical industry is unlikely to receive the broad support available through the ALEC bills.

- CMA should encourage member companies, through state chemical councils and other state business organizations, to actively participate in efforts to support general tort reform on a state by state basis. CMA should also urge state chemical industry councils to include tort reform as a top priority issue for 1987 and to participate in or initiate broad based state coalitions, such as the Texas model, to achieve tort reform.

ACTION REQUIRED:

Approval of recommendations.

CMA
EC - 1/26/87
BD - 1/27/87

Communications Committee 1987 Report
to CMA Board of Directors
Michael E. Thompson*

Since this report is -- by definition -- an annual report, there's a natural temptation, to which I'm going to yield, to look back at the events of the past year and ask the familiar question: "Are we better off than we were 12 months ago?"

When I put that question to the members of the communications committee, the response was a strong conviction that the chemical industry today is in better standing with the public and the press than it was last year. This improvement is real, and even verifiable, as I'll point out in a minute. In short, it feels good and it is good, or at least getting better.

In our report to you last year, the committee felt that the industry was ready to make a move in improving its reputation. What the industry needed was continued commitment from senior management, a year without a major domestic incident, a major communications effort from the industry's plant people and communications professionals, and, frankly, a bit of luck.

Well, we got a lot of what we needed in 1986.

Starting at the top, senior managers in the industry gave their personal and corporate endorsement to our communications efforts, particularly on Superfund, CAER, and air toxics. Word has spread throughout your organizations that it is good business to commit time and manpower to communicating on these important issues.

We also had a year without a major chemical incident to rekindle the fears of Bhopal. The closest we came was the train derailment near Miamisburg, Ohio. Fortunately, there was no loss of life or serious injury and the operating and communications people involved in the incident did their jobs well. As a result, the accident was portrayed in the media as being as much a rail mishap as a chemical-related problem.

Perhaps the worst reporting on the Miamisburg incident may have occurred on the ABC network coverage of the golf tournament that was being played in nearby Dayton at the time of the wreck. I can remember cringing in front of my tv set watching and listening to those two noted environmental reporters -- Dave Marr and Jim McKay -- discussing how to play golf in sulfur fumes.

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*Director-Corporate Media Relations, Amoco Corporation

We also seemed to have escaped much residual blame for the recent Rhine River spill in Switzerland. Frankly, I'm at a loss as to why that incident didn't receive more critical coverage in the U.S., but I'm sure not complaining about it. Each day without a page-one incident puts Bhopal one more day behind us.

1986 also saw a remarkable communications effort in the industry's support of the CAER program at the local level. If we had the time, I could have filled both days of this meeting with success stories on the communication of the CAER program in our plant communities.

In fact, 1986 could be called the Year of the Chemical Plant Open House. The chemical industry held more open houses than Century 21 last year and the overwhelmingly positive results reflect the considerable effort that went into these activities. I can't recall a single negative episode in the thousands of CAER-related communications activities that took place in 1986.

These local activities have further enhanced the role of the chemical plant manager as a communicator in his local community. These individuals today are more willing and capable of representing your companies and our industry than ever before. It's also clear to the committee that many companies are now placing increased value on communications skills when senior management selects the people to serve as your plant managers.

On the media relations front in 1986, the committee felt that we generally received fair coverage. Our relationships with environmental reporters for many major media were further strengthened during the year. Familiarity breeds respect in this regard, and we had another year to increase our industry's credibility with these reporters. In addition, all of our skins got a little bit thicker in 1986 as the industry learned anew that working with the media is a tough, no-nonsense, and sometime frustrating part of all of our jobs. As a result, our collective tolerance level with the media is even higher than it was. We have learned that no one story or single episode is critical and that it's the long term results that count in working with the press.

As a result of these and other efforts in 1986, the public's opinion of our industry improved, at least if you believe the public opinion surveys. I won't go into all the statistics, but I think a few trends are worth comment.

According to one prestigious national survey, the public's view of our industry improved measurably. Our approval rating in this survey increased by about 40 percent during 1986. However, fairness requires me to point out that we started the year dead last among 15 industries, with a rating so low that any improvement would seem large by comparison. This improvement, though slight, moved us from 15th place to about 12th or 13th on the industry list. We're above the alcohol and nuclear power industries and very close to the electric utility industry. Now our standing doesn't begin to compare with the ratings of the top-rated computer industry or the food and retailing industries. But we moved up a notch or two and our ranking is the highest it's been since 1982. That has to qualify as good news.

This survey showed two other items of special interest. First, in a special questionnaire, the plastics industry received an approval rating that would place it at about 5th place on the 15-industry list. Since many of the companies here today have some interest in plastics, this approval rating should be encouraging.

And, secondly, the oil industry, which for years had been in the public's doghouse, improved noticeably. In 1982 the oil guys were in last place. By the fourth quarter of 1986 oil had moved all the way up to about the middle of the 15 industries. So major improvement is possible if we persevere.

Other results from other surveys show mixed results -- either the public's opinion about us stayed the same or improved only slightly. We seem to be rebounding slowly from last year's rock-bottom ratings.

Yet we should not confuse these slight improvements with any lessening of the public's concern about the environment and our industry.

Survey after survey continue to show that the American people place environmental concerns very high among their priorities, even to the point of preferring the environment over jobs or higher prices when faced with a choice in the surveys.

The public feels that the environment is improving, but feels that the improvement has been progressing too slowly and that nobody -- business or government -- is acting quickly enough. The public continues to rank the disposal of hazardous wastes as its number one environmental concern and cites the chemical industry consistently as the country's primary source of air and water pollution.

Faced with these conditions, the communications committee's 1987 objectives reflect our enthusiasm to support CMA's advocacy efforts and the opportunity to parlay these efforts, where possible, into improved communications with the public at large.

Heading our project list for 1987 is the followup on our CAER communication achievements of 1986. If there is a CMA member plant that hasn't yet conducted a CAER communications activity, we want to find it and get it on track with the rest of the industry.

CAER has been THE leadership effort for the chemical industry during this decade and we must not let it wither -- either in an operating or a communications sense. The committee's greatest fear is that our plant people will become complacent about CAER now that they have gone through all the effort of establishing it in their communities. Pardon the pun, but CAER will require a lot of tender loving care in the future if it is to continue as the industry's flagship health and safety program.

Another of the many values of CAER is that it gives us the opportunity to deal from strength in conducting our future communications activities at the plant level. With this in mind, the committee and CMA staff are building on CAER's success in tackling the industry's two upcoming communications hurdles -- air toxics and the implementation of the Title III provisions of Superfund.

In the air toxics area, a survey of the committee found that most of the companies intend to treat their air toxics communications as an extension of the CAER program.

However, we should realize that the air toxics issue presents some communications barriers that are quite different from our CAER effort.

For one thing, chemical plants in a community usually produce widely differing product slates. So while one plant can boast to the local media about its relatively clean products and lack of toxic air emissions, a neighboring plant manager may have a devil of a time explaining why he can't comment about chronic air emissions of his highly-toxic products. Remember too that most of these same plants worked closely together in introducing the CAER program to the community. The unified local approach that worked so well with the CAER program also could suffer when different plants are at different stages of implementing their air toxics programs.

Another concern is that many plant managers understandably are reluctant to be as aggressive in promoting the air toxics issue as they were with CAER. The reason is clear: Admitting to chronic air emissions of toxic chemicals is not a pleasant duty. And in some cases managers are not in a position to comment about the long-term effects of exposure to these emissions.

In overcoming these concerns, the communications committee, CMA staff, and your local managers will carry out a comprehensive and effective communications program. We've already held our first air toxics communications workshop -- earlier this month in Houston. It was well attended, including many plant managers, and many important questions were raised. We do plan to be a bit cautious in our approach to this communications program, and I hope you agree with our thinking.

W also plan to build on the CAER communications success in helping local plant people cope with the Title III provision of Superfund. These provisions will require your plants to make more information available about your products and processes than ever before. It will all be available at once and it will be available to anyone who wants it. Already some environmental groups have shown what they can do to embarrass us with our own information taken out of context. The committee has formed a separate task group that will help us formulate our communications policy in this area.

Our final major objective in 1987 is to continue to assist the state chemical councils in improving their communications capabilities. We've already have made important progress in Illinois, Louisiana, and New Jersey and we'll be working with more states in the future.

This state-level activity becomes more important when you realize that Proposition-65-type legislation will expand from California to many other states. The CICs so far have been receptive to our help and we plan to continue this partnership.

So our 1987 agenda will consist of four major objectives: following up on CAER communications, extending our communications activities to cover the air toxics and Title III issues, and working with the CICs. These objectives are in addition, of course, to our ongoing work with other committees within CMA to provide communications counsel and hands-on help as required.

The committee feels that these goals are achievable with current manpower and with current resources.

I would like to close with a comment that doesn't fall readily into our normal communications topics.

The committee feels that we should be wary of the recent attacks on the so-called "corpocracy" of major U.S. companies. While it's too early to call this a major trend, there are a lot of people out there, including some in the current administration, who may well be taking shots at U.S. businessmen.

Executives could be blamed for everything from working too hard on their golf game to operating bloated and inefficient organizations to sacrificing the blue-collar worker's future for the sake of their friends in the executive suite.

Along these lines, GM may be the first company to enter this quagmire. That company's so-so performance, the Perot buyout, the wave of Midwest plant closings, and a weak product slate have combined to focus public and media attention on the personal capabilities of those managing the giant auto company.

While GM may be the first, we shouldn't be fooled into thinking the public's attention will stop there. This is a trend we'll all have to watch very closely.

In conclusion, 1986 saw the chemical industry's reputation with the public improve for the first time in several years. This uptick did not come about by accident. It occurred because we operated safely, moved aggressively to meet the public's legitimate concerns about our operations, and took the time to tell people what we were doing.

Through CAER and other programs we showed a lot of confidence in the American public last year. Maybe they're beginning to return that confidence. I hope so.

We look forward to earning your continued support throughout 1987. I will be pleased to try to answer any questions you might have about the communications committee and our 1987 plans.

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CMA
BD-1/26-27/87

EXHIBIT M

ANNUAL REPORT OF
THE PATENT AND TRADEMARK COMMITTEE
JANUARY 27, 1987

EXECUTIVE SUMMARY

In 1986, CMA, through the Patent and Trademark Committee ("PATC" or "the Committee"), has been an instrumental voice in providing industry input to the U.S. Administration and Congress in the development of patent policies at home and abroad. The PATC has also advocated CMA positions directly with foreign authorities, as appropriate, and with other domestic and foreign industry groups.

During the past year, CMA, through the PATC, has obtained increased visibility and respect in the industrial property rights area. Congressional and Agency staffs solicit CMA's comments on pending domestic legislation, aniticipated regulatory changes, and international negotiations.

In the legislative arena, the Committee continued its efforts on patent term restoration legislation for chemicals. Moreover, the Committee advocated enactment of process patent legislation and reviewed appropriate CMA positions on federal laboratory utilization legislation, government patent policy, and amendments to Section 337 of the Tariff Act of 1930, as amended. In addition to advocacy efforts on legislation, the Committee prepared written comments for submission by CMA on a number of regulatory and international issues.

The Committee also participated in a number of the Administration's investigations and information-gathering activities on the international protection of industrial property rights and advised the CMA International Trade Committee on the appropriate role of this subject in the new Round of Multilateral Trade Negotiations. In all these forums, the Committee has stressed the importance of strengthened patent protection to U.S. technological advancement, continued economic recovery, and productivity.

The PATC also played an important communications role in 1986 in keeping CMA's member companies apprised of developments on industrial property rights issues. The Committee communicated with the Board of Directors and member companies on a number of patent issues through mechanisms such as Action Advisories, other CMA reports, and newsletters. By playing this communications role, the Committee not only disseminated information to member companies, but also became informed on the positions of the members on patent issues. The Committee, in turn, was then better able to formulate proposed CMA positions and advocate existing ones.

Finally, it is significant to note that the Committee has carried out these 1986 activities with no expenditures for outside assistance, either technical or legal. Written comments were prepared and advocacy activities carried out by Committee members, other designated CMA member company representatives, and CMA staff. We also do not anticipate any major outside assistance expenses during 1987.

CMA
BD-1/26-27/87

EXHIBIT N

WASTE MINIMIZATION PROGRAM

I. PURPOSE OF EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS REVIEW

The Environmental Management Committee's (EMC) Ad Hoc Task Group on Waste Minimization presented a status report describing the waste minimization issue's importance and a possible CMA program at the November Board of Director's meeting. The purpose of this review is to obtain approval of a recommended CMA program.

II. BACKGROUND

The 1984 Amendments to the Resource Conservation and Recovery Act (RCRA) require companies to establish voluntary waste minimization programs and certify actions. Several states have in place or are developing legislation requiring waste minimization. Company waste minimization efforts are also being scrutinized when permits for waste facilities are requested. Alternatives for stronger federal action are discussed in recent reports to Congress by the Office of Technology Assessment and EPA. Applying greater pressure to force waste minimization appears to be a high priority for public interest groups. This goal is reflected in various thrusts toward achieving zero discharge and opposition to siting new treatment and disposal facilities.

The progress that industry has made in implementing voluntary waste minimization programs will be evaluated by Congress in hearings beginning in 1987. If industry cannot demonstrate sufficient progress, public interest groups may be able to convince Congress to adopt extreme amendments as part of RCRA's reauthorization which is scheduled in 1988. The amendments could include such undesirable intrusions into industry operations as limits on waste generation, process restrictions, and outside audits.

Companies are already confronted with increasing costs of waste disposal as EPA expands the scope of wastes regulated as hazardous under RCRA, implements further land disposal pretreatment requirements, and further tightens controls over waste management practices. Many companies have significantly reduced their waste. At this time, however, there is no reliable national data to demonstrate industry-wide progress, and EPA's programs are under attack.

III. TIMING

Waste minimization is likely to be an issue in RCRA hearings and reauthorization. In addition, EPA is committed to improve waste minimization programs and data bases in 1987, which it must do to reduce Congressional oversight pressures. CMA needs to start its program early in 1987 to provide assistance to EPA and to develop an industry position that frames the debate in terms that are reasonable. Although the issue is not at a crisis stage, by establishing a program and data base early, CMA will be in the best position to achieve its objectives over the next few years.

IV. PROPOSED WASTE MINIMIZATION PROGRAM

Objective - Inform and assist member companies in reducing wastes at the source, increasing recycle, and reducing disposal risks. Expected benefits of this effort are:

- better protection of human health and the environment;
- avoiding onerous legislation that mandates waste reduction;
- limiting disposal costs and future cleanup liability; and
- improving public understanding of industry generation and disposal practices.

Proposed CMA Position on Waste Minimization

CMA supports efforts of its member companies to minimize waste. CMA member companies have programs in place that have resulted in reduced air, water, and solid waste releases to the environment. To achieve further progress, individual companies are encouraged to expand their programs to respond to additional waste minimization opportunities that exist in their operations. CMA will inform and assist its member companies in reducing wastes by implementing a waste minimization program.

Activities

- An industry program to promote and assist member companies in developing and carrying out waste minimization programs (i.e., workshops, resource manuals, newsletter, and awards program).
- Legislative and regulatory advocacy support to address waste minimization issues before Congress and EPA.
- Measurement of waste minimization progress in order to document progress (i.e., uniform definitions of key terms, definition of measurement needs, evaluation of existing data systems and modification thereof).
- Communications of member company and industry waste minimization activities (i.e., identification of key perceptions, development of a strategy to effectively communicate industry-wide and anecdotal information to targeted audiences on a continuing basis).

Further CMA programmatic action, i.e., establishing percentage reduction goals similar to CMA's energy conservation program or enactment of an air toxics type control program with detailed implementation steps, may be considered and recommended in the future to the Executive Committee and Board of Directors on an as needed basis.

V. RESOURCE NEEDS

- <u>CMA Staff Impact</u>

  To support the four activities noted above, a portion of a professional person and some support staff time will be necessary. A request for the necessary personnel is being addressed as part of CMA's FY 87/88 budget process.

- <u>Outside Purchased Services Impact</u>

  The EMC has recommended $40K funding for outside purchased services as part of their FY 87/88 budget proposals.

- <u>Member Company Resources Impact</u>

  Approximately 10 to 15 member company volunteers will be needed to carry this effort forward through design and implementation.

VI. RECOMMENDATION

The EMC recommends approval of CMA implementing a new waste minimization program.

VII. ACTION REQUIRED

Approval of the EMC recommendation.

CMA
EC - 1/26/87
BD - 1/27/87

EXHIBIT O

CONCEPTS FOR FEDERAL GROUNDWATER LEGISLATION

I. Background

Citizens and public officials view groundwater contamination as a national problem. Consequently, groundwater will become a news media issue aimed at commercial and industrial sources.

Several federal groundwater bills, introduced in the 99th Congress, will serve to focus future groundwater debates. Senator Durenberger (R-MN) and Senator Burdick (D-ND) will each introduce a comprehensive federal groundwater bill early in the 100th Congress. Similar bills will be introduced in the House. Groundwater legislation could impose product use restrictions (e.g., pesticides, detergents, solvents), require additional protection or remediation activities, and introduce onerous product liability concepts.

Many states have or are enacting groundwater legislation and are implementing groundwater management programs. State efforts may establish the need for water use restrictions, land use planning decisions, new victim compensation concerns, and site-specific regulatory frameworks which could be time/cost consuming.

CMA's previously approved groundwater positions were used to establish proposed CMA federal legislative concepts and a legislative strategy for participation in the federal groundwater debate. Using these concepts, CMA will strive to influence the Congressional groundwater debate so that any legislation enacted resembles CMA's position as closely as possible. To support this effort, CMA is prepared to participate actively in the federal groundwater debate during the 100th Congress. Early participation in the debate will help CMA focus the emerging discussions and will identify CMA as an involved knowledgeable party.

II. Summary of CMA's Concepts for Federal Groundwater Legislation

Primary responsibility for management of groundwater should continue to reside with the states. Each state should develop and implement a comprehensive groundwater management program. A state groundwater management program should address the following components: (1) characterization and planning; (2) use of appropriate groundwater objectives and standards; (3) protection; (4) remediation; (5) monitoring; and (6) interstate groundwater impacts.

Federal assistance should be available to help the states perform these tasks. This assistance can include: (1) federal funding to assist the states develop and implement their groundwater management programs; (2) technical information and guidance; and (3) scientifically-based criteria and standards for states' use in making groundwater protection and remediation decisions. However, the federal involvement should not include the ability to make decisions for the state about the most appropriate way to implement the components of the state program.

III. **Time Schedule**

Groundwater will be addressed as a key issue in the 100th Congress. To ensure that CMA has an active voice in the debate, CMA's federal advocacy concepts need to be approved early in 1987.

IV. **Recommendation**

The EMC has reviewed and approved these concepts for federal groundwater legislation. The EMC recommends approval of the concepts paper.

V. **Action Requested**

Approve CMA's concepts for federal groundwater legislation.

CMA
EC - 1/26/87
BD - 1/27/87

Concepts for Federal Groundwater Legislation
State Groundwater Management Program

Each state should develop a groundwater management program. Development and implementation of the program would be the responsibility of the state; but federal assistance should be available to help the state perform these tasks. Failure by the state to develop a program would only lead to a loss of any further federal assistance for program implementation.

A state program should have to address the following components:

a. A program to characterize state groundwater resources to the extent necessary for state planning.

b. Use of appropriate groundwater objectives and standards.

c. A program to protect state groundwater resources from sources of contamination.

d. A process to address groundwater remediation needs.

e. A groundwater monitoring program.

f. A process to address interstate groundwater impacts.

The following are detailed descriptions of each of these components.

A. Groundwater Characterization

1. The state must establish a program to characterize its groundwater resources to the extent necessary for the state planning.

2. The program should rely on existing data where that is available and feasible.

3. The state should consult with the United States Geological Survey (USGS) and the United States Environmental Protection Agency (EPA) for guidance on developing the characterization program.

4. The state could decide not to characterize particular portions of the groundwater resource, if it determines that such action is not necessary at that time.

5. Based upon its characterization program, the state could divide its groundwater into various categories, which may require different management approaches.

B. Groundwater Objectives and Standards

1. The state must establish appropriate groundwater objectives.

2. Objectives apply to individual aquifers or portions of aquifers.

3. The objectives must identify the current and reasonably anticipated future uses of the groundwater.

4. Based upon the objectives, the state must identify standards that will protect availability of the groundwater for those identified uses. Standards must be set using scientifically-valid bases.

5. For regulating drinking water supply, the state must use maximum contaminant levels (MCL's) adopted by EPA under the Safe Drinking Water Act, whenever a substance has an MCL.

6. The state should use criteria developed by EPA to set numerical use standards. (This would require a new work effort, criteria development, at EPA.)

C. Protection Programs

1. The state must develop a program to protect its groundwater resources from sources of contamination. In developing the groundwater protection program, the state should consider the goal of minimizing releases to groundwater.

2. In developing its protection program, the state must identify and evaluate existing and potential sources of contamination.

3. The program could include, as appropriate, source controls, land use controls, groundwater withdrawal limitations, and any other suitable protection measures.

4. The program must be coordinated with existing source control programs, including those under RCRA, SDWA, FIFRA, and CWA, and must be consistent with existing federal provisions concerning adequate hazardous waste treatment or disposal capacity.

5. The program must address all significant sources of contamination.

6. Source controls could apply uniformly statewide or could apply to specific types of sources or individual sources. Source control requirements should make appropriate distinctions among new and old sources, different types of sources, and specific unique sources.

7. Protection measures must take into account applicable groundwater objectives and standards. Some minimum protection measures should be developed for all areas of the state.

8. The state must determine how its program will be implemented (e.g., voluntary controls, regulations, training, education, and any other appropriate measures.)

9. The program must include adequate authority for the state to enforce protection requirements.

D. Groundwater Remediation

1. The state must develop a process to address groundwater remediation needs.

2. When needed, remedial measures should be formulated on a case specific basis and take into account any appropriate groundwater objectives/standards.

3. The state remediation process must be coordinated with applicable state and federal laws, including state tort and water rights law.

4. The state must address all sources for which there may be significant remedial concerns.

5. The remediation process must include adequate authority for the state to enforce remedial requirements.

E. Monitoring Programs

1. The state must develop a groundwater monitoring program.

2. The program must be formulated to serve three purposes:

a. Assess the extent to which groundwater meets applicable groundwater objectives and standards.

b. Provide information on groundwater trends and, contaminants.

c. Provide information on sources of contamination as necessary.

3. The program must include measures to ensure that data gathered are scientifically valid.

4. The state should consult with the United States Geological Survey and EPA for guidance on developing the monitoring program.

5. The state could establish a data management system that incorporates all relevant monitoring data. The data management system should include information so the user can identify the quality control and quality assurance of the data before those data are used.

F. Interstate Impacts

1. The state program should include a mechanism to assess interstate impacts and to develop interstate agreements, where appropriate.

Concepts for Federal Groundwater Legislation

Federal Role in Groundwater Management

1. Federal funding would be available to assist the states in developing their programs.

2. If a state submits a groundwater management program to EPA that includes all of the required components, EPA must accept the program and provide funding to assist in implementation.

3. EPA may <u>not</u> judge the substantive adequacy of the state program as long as the state program includes all of the required components and the state certifies that their program complies with the statutory requirements.

4. EPA and USGS must assist the states by developing and providing groundwater quality criteria, technical information, and guidance on groundwater issues.

CMA
EC-1/26/87
BD-1/27/87

TRADE LAW REMEDIES CONCERNING IMPORTS THREATENING NATIONAL SECURITY

BACKGROUND AND STATUS:

Current trade law authorizes the President to restrict imports of products which threaten national security. A list of such products is maintained by the General Services Administration. Additions to the list are handled by the Department of Commerce through a petition process. A ruling on the petition must occur within one year of its filing. If favorable, the ruling must then be acted upon by the President, but no deadlines currently exist for Presidential actions.

The products currently included on the list which could be considered to be chemicals are either ores or chemical element products. Nevertheless, there is good reason to believe that, as petrochemical industries continue to develop in research-rich areas of the world causing U.S. plant closures, additional chemical products such as petrochemicals would be added to the list.

A major omnibus trade bill is anticipated from the 100th Congress. The CMA International Trade Committee has already proposed a number of positions to the Board which address different facets of existing trade law which CMA will be able to address either directly or through coalitions during the upcoming Congressional deliberations.

CMA POSITION:

CMA supports the strengthening of Section 232 of the Trade Expansion Act of 1962 and recommends the following chenges to achieve this aim.

- Shorten the time period allotted for the Secretary of Commerce to act on Section 232 petitions.
- Shorten the time for existing mandatory deadlines, or impose deadlines where none exist, by which both the Secretary of Commerce and the President must act on Section 232 investigations.
- Require public disclosure of final actions on petitions.

ACTION REQUESTED

Approval of attached position.

CMA
EC-1/26/87
BD-1/27/87

TRADE LAW REMEDIES CONCERNING IMPORTS THREATENING NATIONAL SECURITY

Current Law

Section 232 of the Trade Expansion Act of 1962 authorizes the President to restrict imports of products which threaten national security. The law requires the Secretary of Commerce to begin an investigation of the potential national security impact of imports of a product upon the request of another government agency or department, an interested party, or his own volition. If the Secretary determines that there is some threat to national security, he must advise the President within one year of the initiation of the investigation. However, the President is not obliged to answer this petition within a specific period.

Sampling of Proposals Made for Legislative Changes

Several proposals have been made to establish deadlines for Presidential action, such as a requirement that the President act within one year after receiving the Secretary's advice. Another suggestion would establish a 90-day deadline. Some would implement the Secretary's recommendations if the President has not acted within 90 days after receiving the report. Another suggestion would transfer the authority from the President to the USTR and would require the USTR to act within the 90 days after receiving the Secretary's recommendations.

CMA POSITION:

Certain products (including some chemicals) are essential to the United States in times of national emergency. The Federal Government should ensure that import competition does not hinder the capacity of domestic industries to guarantee adequate supplies of these essential products. Legislation that would provide for deadlines will force the Administration to focus on questions of national security and imports in a timely manner. However, transferring current presidential authority to the USTR seems ineffective since the USTR is part of the Administration and as a practical matter would not act without the President's authority.

Certain chemical feedstocks as well as derivative products could fall into the category of being essential to national security. The issue as to what extent the national security and foreign policy concerns outweigh the economic benefits of short term lower prices, and the question of what national security costs should be borne by the taxpayers to protect against supply disruption n ed to be addressed.

CMA supports the strengthening of Section 232 of the Trade Expansion Act of 1962 and recommends the following changes to achieve this aim.

-- Private sector petitions to initiate a Section 232 investigation (or those self-initiated by the Government) must be reviewed by the Secretary of Commerce and within 90 days a decision must be made by the Secretary whether to proceed with the investigation or terminate it.

-- Provide for mandatory deadlines in which both the Secretary of Commerce and the President must act on investigations initiated by the Department of Commerce which make recommendations to the President. The recommendations of the Secretary of Commerce to the President must be made no later than 6 months after an investigation is initiated and the President must act upon the recommendation within 90 days and make public the reasons for the action taken.

CMA
EC-1/26/87
BD-1/27/87

EXHIBIT Q

American National Standard for Precautionary
Labeling of Hazardous Industrial Chemicals
(ANSI Z129.1-1987)

BACKGROUND: Since 1946, CMA (MCA) has issued general labeling guidelines for the chemical industry. In 1976, CMA became the Secretariat for the development of ANSI Z129.1: the American National Standard for Precautionary Labeling of Hazardous Industrial Chemicals. The guidelines then became a voluntary consensus standard under the auspices of the American National Standards Institute (ANSI).

ANSI Z129.1 was published in 1976 and 1982, and has been extensively revised by the CMA Health and Safety Committee's Labeling Task Group for a 1987 printing. After presentation to the Executive Committee and Board, the draft standard will enter the ANSI consensus process by which CMA member companies, interested industry groups, labor unions, government agencies, consumer coalitions and professional societies review and vote on the standard. Final submission to the ANSI Board of Review is projected for mid-1987.

SIGNIFICANCE OF ANSI Z129.1: The 1987 revision of ANSI Z129.1 is particularly relevant to the chemical industry for the following reasons:

- The OSHA Hazard Communication Standard requires labeling of all hazardous industrial chemicals and chemical mixtures.
- In 1986, OSHA field inspectors issued citations to CMA member companies for a variety of labeling violations, including the lack of target organ/system hazard warnings on labels.
- The performance-oriented nature of the OSHA Hazard Communication Standard and the complementary generic labeling guidelines in ANSI Z129.1 provide both guidance and flexibility to CMA member companies.
- A litigious trend toward industry liability for alleged occupational illnesses has put the industry at risk for failure to fulfill the "duty to warn."

PRIMARY ISSUES IN ANSI Z129.1-1987:

- In light of the regulatory and liability issues listed above, ANSI Z129.1-1987 focuses for the first time on labeling of delayed (chronic) hazards and target organ/system hazards.
- Guidance for immediate (acute) hazards has been revised.

- As much as possible, all guidelines in the standard have been compared and adjusted for compliance with key regulatory statutes, e.g., the OSHA Hazard Communication Standard, TSCA, FIFRA, DOT labeling requirements, etc.

ADVOCACY PLANS:

- Announcement of the availability of the standard in trade journals, newsletters, and other appropriate forums.
- Implementation workshops for CMA member companies, industry groups, and government officials in 1987-1988.

ACTION REQUIRED: Endorse the submission of the proposed revised labeling standard (ANSI Z129.1-1987) for consensus review, followed by American National Standards Institute approval and adoption.

CMA
EC - 1/26/87
BD - 1/26-27/87

CHEMICAL PRODUCERS "FAIR SHARE" CONTRIBUTIONS TO CLEAN SITES, INC.

CO. ANNUAL CHEMICAL PRODUCT SALES	$ THOUSANDS			
	F '84/'85	F '85/'86	F '86/'87	F '87/'88*
Over $3.0G	162.5	227.5	325.0	125.0
$1.5G TO $3.0G	107.5	150.5	215.0	82.0
$1.0G TO $1.5G	55.0	77.0	110.0	42.0
$750M TO $1.0G	40.0	50.0	80.0	30.0
$500M TO $750M	27.5	38.5	55.0	20.0
$250M TO $500M	17.5	24.5	35.0	14.0
$100M TO $150M	4.5	9.1	13.0	5.0
$ 50M TO $100M	3.25	4.6	6.5	2.5
UNDER $50M	1.0	1.4	2.0	1.0

*PROPOSED

EXHIBIT R

CMA 038810

CLEAN SITES REVENUE SOURCES
$ MILLIONS

	84/85	85/86	86/87	87/88	88/89	89/90
CMA CONTRIBUTIONS	2.2	3.2	4.4	1.6	1.1	0.7
OTHER CONTRIBUTIONS	0.2	0.9	1.0	1.6	1.6	1.4
REIMBURSEMENT	0.1	0.5	2.1	4.7	5.6	6.5
TOTAL	2.5	4.6	7.6	7.9	8.3	8.6

EXHIBIT S

CHEMICAL MANUFACTURERS ASSOCIATION

RESOLUTION ON U.S. SAVINGS BONDS

WHEREAS, THE U.S. SAVINGS BONDS PROGRAM:

-- PROVIDES THE INDIVIDUAL WITH AN INVESTMENT THAT COMBINES HIGH MARKET-BASED INTEREST, GUARANTEED MINIMUM RETURN, SPECIAL TAX ADVANTAGES, AND A CONVENIENT PAYROLL SAVINGS PLAN:

-- PROVIDES BUSINESS WITH EASIER ACCESS TO CAPITAL BY REDUCING THE LEVEL OF GOVERNMENT BORROWING IN FINANCIAL MARKETS, AND

-- PROVIDES THE NATION WITH A FISCALLY PRUDENT MEANS OF FINANCING THE PUBLIC DEBT.

THEREFORE, BE IT RESOLVED THAT THE CHEMICAL MANUFACTURERS ASSOCIATION STRONGLY URGES ITS MEMBERSHIP TO ACTIVELY SUPPORT THE 1987 U.S. SAVINGS BONDS CAMPAIGN BY:

-- ORGANIZING COMPANY-WIDE 1987 U.S. SAVINGS BONDS CAMPAIGNS IN WHICH EMPLOYEES ARE INDIVIDUALLY ASKED TO ENROLL IN THE PROGRAM, OR TO INCREASE THEIR ALLOTMENTS IF CURRENTLY PARTICIPATING.

CMA
BD-1/26-27/87