AGENDA

CMA EXECUTIVE COMMITTEE MEETING
8:30 a.m., Tuesday, April 1, 1986
Park Conference Room, CMA Headquarters
Washington, DC

			TAB
8:30-8:32 a.m.	1.	Call to Order and Approval of Minutes of March 5, 1986, Meeting -- Chairman Clark	1
8:32-8:35	2.	Treasurer's Report -- Gary C. Herrman	2
8:35-8:37	3.	Standing Committee Appointments -- Charles W. Van Vlack	
		a. Officers and New Members for 1986/87	3
		b. Nominees for Current Vacancies	4
8:37-8:40	4.	Membership Committee Report -- Charles W. Van Vlack	
8:40-8:45	5.	Nominating Committee Report: Officers and Incoming Directors for 1986/87 -- George J. Sella, Jr.	
8:45-9:15	6.	Report of the Ad Hoc Executive Committee Group Exploring Options for Continuing CMA Involvement with the Energy Issue -- Robert L. Mitchell	
9:15-9:45	7.	Tax Legislation Status Report -- St. Clair J. Tweedie, American Cyanamid Company; Chairman, GRC Tax Task Group	5
9:45-10:15	8.	Superfund Reauthorization Status Report	6
		a. Overview and Association Activities -- William M. Stover	
		b. Legislative Status and Outlook -- Wells Denyes, Eastman Kodak Company; Chairman, GRC Superfund Task Group	
10:15-10:25	9.	New Business	
10:25	10.	Adjournment	

MINUTES OF MEETING
CMA EXECUTIVE COMMITTEE
Park Conference Room, CMA Headquarters
Washington, D.C.
April 1, 1986

1. The meeting was called to order at 8:30 a.m. by Chairman Clark. There were present:

Members:	W. H. Clark, Jr. - Chairman	
	Robert A. Roland - President	
	Dexter F. Baker	H. Eugene McBrayer
	Alan Belzer	Robert L. Mitchell
	F. Jack Fitzgerald	George J. Sella, Jr.
	Robert C. Forney	Harold A. Sorgenti
	John W. Johnstone, Jr.	James R. Street
	Robert D. Kennedy	

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

By Invitation:	Geraldine V. Cox - CMA
	Wells Denyes - Eastman Kodak Company
	Edward D. Griffith - ARCO Chemical Company
	Jon C. Holtzman - CMA
	E. Hamilton Hurst - Nalco Chemical Company
	Michael A. Pierle - Monsanto Company
	Vernon R. Rice - E. I. du Pont de Nemours & Company
	William M. Stover - CMA
	St. Claire J. Tweedie - American Cyanamid Company
	Juliane H. Van Egmond - American Cyanamid Company
	James P. Watkins - American Cyanamid Company
	Benjamin Woodhouse - Dow Chemical U.S.A.

2. Minutes of Last Meeting The Minutes of the March 5, 1986, meeting were approved as distributed.

3. Treasurer's Report Mr. Herrman reported that for the nine months ending February 28, 1986, the Association had received revenues of $14,100,000 and had incurred expenses of $8,100,000. As projected in the proposed final budget document, both revenue and expenses are tracking slightly below budget levels and he anticipated finishing the fiscal year close to the amounts projected in that document.

4. Standing Committee Appointments Mr. Van Vlack presented the list (Exhibit A-1) of proposed chairmen, vice chairman, and new members of the Association's standing committees for 1986/87. This was approved. In addition, he presented the list (Exhibit A-2) of proposed appointments to fill current vacancies on several of the committees. This was also approved.

Mr. Roland solicited assistance from the Executive Committee in finding a replacement for Mr. John Jones of Dow Chemical as Chairman of the CAER Task Group. After leading the CAER effort extremely ably over the past year, Mr. Roland reported that Mr. Jones has been promoted and reassigned within the company and is no longer available to serve.

5. Membership Committee Report Mr. Van Vlack reported that the recommendations of the Membership Committee with respect to an applicant would be deferred, pending further clarification of their qualifications.

6. Nominating Committee Report Reporting as Chairman of the Nominating Committee, Mr. Sella presented, for information only, the slate of proposed directors to be elected by the membership at the Annual Meeting in June. The proposed slate will be sent to the membership with the official notice of the Annual Meeting. He also reported on the proposed slate of officers for the 1986/87 fiscal year who will be elected at the Organizational Meeting of the new Board on June 5, 1986.

7. Ad Hoc Executive Committee Group Report on Energy Mr. Mitchell, reporting as Chairman of an ad hoc Executive Committee group composed of himself and Messrs. McBrayer and Sorgenti, presented a proposal (Exhibit B) to provide continuing CMA coverage of the energy issue without utilizing dues-based Association resources. The proposal included the creation of a Special Energy Advisory Group (SEAG) to replace the Standing Energy Committee which was being sunset as part of the proposed 1986/87 Budget.

A brief discussion followed on how the proposed special group would operate and on the potential impact of the various issues which the Energy Committee had been actively involved with during the past year. There was also discussion of how new advocacy positions and proposals on energy issues for CMA action would be identified, developed, and brought forward for Executive Committee review and action. Mr. Roland indicated that this was an experiment and that other options would be available if the SEAG approach does not adequately serve the industry's need.

The proposed off-budget energy program, as set forth in Exhibit B and including the formation of a Special Energy Advisory Group (SEAG), was approved.

8. Tax Legislation Mr. Tweedie's report is attached as Exhibit C. He highlighted recent activities by the Senate Finance Committee, continuing contacts with the committee staff by CMA task group teams, the projected schedule for committee and Senate floor consideration, developments relating to Senator Boschwitz's March letter on the need to address the budget and the deficit prior to resolving the tax reform issue, and the review under way by CMA's Tax Policy Committee of the Walker and Christian proposals.

There was considerable discussion of the strategy and tactics the Association might follow to achieve the consensus objective: no tax reform legislation as presently constituted or contemplated by the Congress. Mr. Tweedie reported on the difficulty of forming a coalition of other industries in basic opposition to tax reform as currently proposed. This was due to the fact that many of them have been "picked off" one-by-one with concessions on their priority issues. There was also discussion of the need to continue to search for viable alternatives to the anti-capital formation proposals currently in the bill. However, since the basic tenet of the Reagan initiative is to shift taxes from individuals to business and since there appears to be only a small percentage of that total which is being shifted which is politically subject to modification at this time, the prospect for major changes is not good.

There was general consensus that CMA should continue to focus on those individual aspects of the bill which significantly effect the industry and as to which we may be able to limit, if not eliminate, the adverse impact. If partial success can be achieved in these areas and the overall revenue shortfall in the bill increases, it will be increasingly difficult for the Congress to achieve agreement on a revenue neutral bill. There was also agreement that CMA's arguments should focus on the bill's impact on international competitiveness and job formation and retention.

The concept of a grassroots effort was also discussed.

9. Superfund Reauthorization

a. Association Activities Mr. Stover reported on the various Association activities under way to support the advocacy effort directed at the conferees, including: a March 12 press conference by Mr. Sella, follow-up communication activities and editorial board visits, the release of the PRP list, and assignments to Board members to conduct visits with members of the House Ways and Means Committee.

b. Legislative Status Mr. Denyes' report is attached as Exhibit D. He reviewed recent activities of the conferees on the programmatic issues and reported that they had completed work on the "easy" issues which were of little interest to CMA and were now moving on to the "moderately difficult" issues with the "difficult" issues to follow subsequently. He further reported that the tax conferees were not meeting until the program issues are resolved and the size of the fund determined. In the interim, the tax conferees' staff are working on various funding alternatives.

In order to avoid the threatened April 1 shutdown of the program, Congress has passed a temporary $150 million extension through May 31, 1986 which borrows against future fund revenues.

During the discussion that followed, the importance of reminding House members during visits of the need to find a broad-based funding alternative, such as the Bradley bill/ARCO II proposal, was stressed.

10. New Business Chairman Clark stressed the importance of communicating to the Executive Contact of each company the status of that company's progress, as reported by its CAER coordinator, on meeting the CAER milestones. It was mentioned that this should be done in such a way as to place a company's individual performance in perspective with the overall performance of the industry. Mr. Roland agreed to follow-up with an individual letter to each Executive Contact on this subject.

The meeting adjourned at 10:20 a.m.

Charles W. Van Vlack
Corporate Secretary

Certified correct:

W. H. Clark, Jr.
Chairman, CMA Executive Committee

CHEMICAL MANUFACTURERS ASSOCIATION

STANDING COMMITTEE OFFICERS AND INCOMING COMMITTEE MEMBERS for 1986-87

1. Communications Committee
   Chairman: Michael E. Thompson, Amoco Corporation
   Vice Chairman: Norman R. Angell, Chevron Chemical Company

   Term ending May 31, 1989:
   - Joseph W. Bereswill, Celanese Corporation
   - Dan R. Bishop, Monsanto Chemical Company
   - Robert W. MacDonald, Exxon Chemical Americas
   - Kenneth Jacobsen, E. I. du Pont de Nemours & Company
   - Howard H. Babcock, PPG Industries, Inc.

2. Distribution Committee
   Chairman: Ronald M. Jacobson, Rohm and Haas Company
   Vice Chairman: Robert A. Christman, Mobay Corporation

   Term ending May 31, 1989:
   - Keith J. Bunting, The Dow Chemical Company
   - Roy W. Mayeske, Minnesota Mining and Manufacturing Company
   - Jay A. Best, Koppers Company, Inc.
   - William A. Talmadge, Borden Chemical Division of Borden, Inc.
   - Philip C. Alling, CIBA-GEIGY Corporation

3. Engineering Advisory Committee
   Chairman: Ray E. Olsen, Exxon Chemical Company
   Vice Chairman: John E. Master, ARCO Chemical Company

   Term ending May 31, 1989:
   - J. T. Blackburn, Phillips 66 Company, A Subsidiary of Phillips Petroleum Company
   - Judson W. DeLany, The Procter & Gamble Company
   - James M. Grover, Dow Engineering Company
   - Richard C. Lietzau, Air Products and Chemicals, Inc.
   - John E. Master, ARCO Chemical Company, Division of Atlantic Richfield Company

4. Environmental Management Committee
Chairman: Frank W. Berryman, Chevron Chemical Company
Vice Chairman: Vincent J. Marchesani, ICI Americas Inc.

Term ending May 31, 1989:
V. A. Bowman, Mobil Chemical Company
James K. Grant, Mallinckrodt, Inc.
Robert T. Jackson, Union Carbide Corporation
R. R. Kienle, Shell Chemical Company, A Division of Shell Oil Company
Charles T. Seay, Exxon Chemical Americas

5. Government Relations Committee
Chairman: Kenneth E. Davis, Rohm and Haas Company
Vice Chairman: A. Allen Noe, Chesebrough-Pond's Inc.

Term ending May 31, 1989:
David S. J. Brown, Monsanto Company
Richard L. Fischer, Amoco Corporation
Jeremiah J. Kenney, Jr., Union Carbide Corporation
R. Gary Wilson, PPG Industries, Inc.
Gordon E. Wood, Olin Corporation

6. Health and Safety Committee
Chairman: J. Ronald Condray, Monsanto Company
Vice Chairman: George A. Rodenhausen, Celanese Corporation

Term ending May 31, 1989:
Michael M. Marshall, Lonza Inc.
James M. Norwood, Air Products and Chemicals, Inc.
Gary A. Sunshine, ICI Americas Inc.
Gary L. Ter Haar, Ethyl Corporation
Frank A. Ubel, M.D., Minnesota Mining and Manufacturing Company, Chemical Division

7. International Trade Committee
Max L. Turnipseed, Ethyl Corporation
Vice Chairman: Robert E. Lory, Exxon Chemical Company

Term ending May 31, 1989:
Kenneth R. Adams, Cabot Corporation
Robert E. Lory, Exxon Chemical Company
Kenneth Y. Millian, W. R. Grace & Co.
Max L. Turnipseed, Ethyl Corporation

8. Patent and Trademark Committee
Chairman: Patrick L. Henry, Allied-Signal Inc.
Vice Chairman: Eugene G. Seems, FMC Corporation

Term ending May 31, 1989:
Larry W. Evans, The Standard Oil Company
Karl Jorda, CIBA-GEIGY Corporation
John M. Sheehan, ICI Americas Inc.
Robert C. Sullivan, Stauffer Chemical Company
Richard C. Witte, The Procter & Gamble Company

9. State Affairs Committee
Chairman: D. H. Brewer, Olin Corporation
Vice Chairman: C. Robert Ball, Exxon Chemical Americas

Term ending May 31, 1989:
William T. Wood, Jr., E. I. du Pont de Nemours & Company
D. H. Brewer, Olin Corporation
Ronald N. Roberts, Borg-Warner Chemicals, Inc.
Jerry L. Chambers, American Cyanamid Company
Robert J. Christie, ARCO Chemical Company, Division of Atlantic Richfield Company

10. Tax Policy Committee
Chairman: James C. Pugh, PPG Industries, Inc.
Vice Chairman: Cornelius P. Powell, Air Products and Chemicals, Inc.

Term ending May 31, 1989:
William M. Bellamy, Jr., Union Carbide Corporation
John J. Hill, Atlantic Richfield Company
Robert J. Moody, FMC Corporation
Robert A. Palsedge, Nalco Chemical Company
Richard S. Payne, Celanese Corporation
Richard A. Overton, Monsanto Company
Paul E. Sullivan Exxon Chemical Company

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EXHIBIT A-2

COMMITTEE APPOINTMENTS

Effective April 1, 1986

1. International Trade Committee
   Stephen A. Block, Celanese Chemical Company - Term ending May 31, 1988
   (replacing H. David Medley, same company)

2. Patent and Trademark Committee
   Charles B. Barris, Celanese Research Company - Term ending May 31, 1987

3. Special Committee on Insurance - Term ending May 31, 1987
   Alan R. Carey, Eastman Kodak Company
   George Grimm, Monsanto Company
   William E. Markey, Jr., Reichhold Chemicals, Inc.
   Frank Pettiti, Dow Chemical U.S.A.
   James R. Taylor, ICI Americas Inc.
   James J. Gallagher, Chesebrough-Pond's, Inc.

4. Distribution Committee
   H. Alex Vann, FMC Corporation - Term ending May 31, 1988
   (replacing H. George Miller, The Lubrizol Corporation)

5. Energy Committee
   P. L. Maisto, BASF Corporation, Chemicals Division - Term ending May 31, 1988
   (replacing Stephen D. Smith, same company)

6. Engineering Advisory Committee
   Percy R. Kavasmaneck, Union Carbide Corporation - Term ending May 31, 1987
   (replacing J. C. Hovious, same company)

7. Communications Committee
   Gerald T. Davis, ARCO Chemical Company - Term ending May 31, 1988
   (replacing Renee Potosky, Uniroyal, Inc.)

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EXHIBIT B

PROPOSED PROGRAM FOR

OFF-BUDGET MANAGEMENT OF ENERGY AND PETROCHEMICAL FEEDSTOCK ISSUES

Background

On March 5, the CMA Executive Committee approved the Finance Committee's recommendation to sunset the Energy Committee and its related program and expenses as of May 31, 1986, and appointed an Ad Hoc Executive Committee Task Group (Messrs. Mitchell, McBrayer and Sorgenti) to recommend how CMA's ongoing energy and feedstock interests could be protected and advanced without using budgeted funds and staff. A number of these issues are presently active. The current Energy Committee indicates the following key issues in order of significance to members:

- Potential New Energy Taxes
- Natural Gas Regulations
- Natural Gas Legislation
- Energy Data Collection
- Other National Energy Policy Issues

These issues are described in greater detail in Attachment A. It should be noted, however, that history indicates these issues change and new ones arise rather rapidly and unexpectedly with changes in the U.S. and world energy and political picture. U.S. chemical industry interests can be protected only if current and emerging issues are analyzed and responded to constantly by a group representing the entire industry, a task which only the CMA can do.

The task group's recommendations provide for an ad hoc effort that retains a minimal CMA input to assure broad CMA representation, to assure that its products are supported by a CMA consensus, and to assure compliance with legal requirements. Specifically, it recommends that CMA continue to evaluate the chemical industry's interest in energy and petrochemical issues by means of a Special Energy Advisory Committee (SEAC) consisting of representatives of interested participating companies. SEAC would prepare and operate within a work plan to perform required analysis, evaluation, and issue advocacy selection without using any significant dues-funded resources from CMA.

Proposals for advocacy by SEAC would be submitted for CMA policy review and then referred to the Executive Committee for approval and commitment of additional resources or funds if needed. Company and outside resources could be employed as needed and authorized.

Recommendations

The Ad Hoc Executive Committee Task Group recommends the following program:

a. Special Committee

Create a Special Energy Advisory Committee (SEAC) with the purposes set forth in the proposed committee charter (Section b). The committee will operate in a manner consistent with these recommendations and CMA's General Principles and Rules of Procedure for Committees.

b. Charter

Purposes: With respect to energy conservation and energy utilization matters significant to the chemical manufacturing industry, the Committee will:

- Serve as a forum for discussion of chemical manufacturing industry concerns;

- Monitor, evaluate and analyze the chemical industry's interest in these issues and recommend to the Association for review and referral to the Executive Committee for action, policies and positions on legislative, regulatory and technical questions;

- Evaluate the viability of continuing CMA coordination of energy conservation reporting to government agencies;

- Evaluate and recommend to the Association for review and referral to the Executive Committee for action, needs for the Association to undertake an advocacy effort on particular energy related issues, utilizing Association resources; and

- Provide support for other authorized Association programs, within the limits of resources available to the committee.

c. Officers and Members

The President will recommend a chairman, vice chairman and an initial group of committee members for Executive Committee approval at the May 7 meeting. In the interim, prospective members will be solicited from the membership of the existing Energy Committee and from the Executive Contacts of CMA member companies. As the SEAC will be a special committee, there will be no arbitrary limit on the number of companies who may participate as committee members.

d. Committee Structure and Meetings

The SEAC will operate as a committee of the whole. Meetings are expected to be conducted only on an as-needed basis, with not more than four to six meetings contemplated during the year.

e. Coordination With Other Groups

Maximum emphasis should be placed on coordinating the committee's activities with those of other allied groups, while maintaining the unique interests of the chemical industry as represented by CMA.

f. Advocacy Activities

Member company representatives may continue to express to others outside the Association existing CMA positions on energy issues. However, no official representation of CMA's position in testimony, comments, regulatory proceedings or legal actions is contemplated unless express authority and resources for such advocacy is provided by the Executive Committee, or in the event that this is not feasible due to time constraints, by the Association's Officers.

g. Review of Committee Activities

The committee will present an interim report on its activities and the status of Energy and Petrochemical Feedstock Issues at the January 1987 Board of Directors meeting. 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 committee and the status of energy issues and make a recommendation to the Executive Committee to either continue, expand or sunset the SEAC for the 1987/88 fiscal year.

h. Resources

1. CMA Budgeted Funds. None unless specifically authorized and allocated by the Executive Committee during the course of the 1986/87 fiscal year.

2. CMA Staff Personnel. None, with the exception of a technical staff professional and a staff attorney assigned soley to insure compliance with legal and CMA procedural requirements relating to the conduct of the committee's periodic meetings.

3. Company Representatives. Member company representatives appointed to the committee will be responsible for the substantive activities of the committee.

Action Required

Approval of Recommendations.

EC - 4/1/86

EXIBIT B
Attachment A

Issue: ENERGY TAXES AND OTHER PETROLEUM IMPORT RESTRICTIONS

CMA Energy Committee Goals:

- CMA opposes petroleum import fees or new taxes on energy that would raise the price of feedstocks above world competitive levels.

Background: Several members of Congress and various editorial writers continue to call for new taxes on imported oil as a means of reducing the federal deficit. Some petroleum refiners are calling for protection from low-cost refined product imports. Smaller producers and legislators from Texas and Oklahoma are calling for an oil import fee to minimize economic hardship due to falling world oil prices. Advocates also maintain that the national security is being threatened.

Although the President and key Congressional leaders have voiced their current opposition to an oil import fee, it seems to be an issue that will not die. As the largest industrial energy consumer, the chemical industry has a great deal at risk. A $5 per barrel oil import fee would cost our industry at least $3.5 billion per year and it would devastate the international competitiveness of the chemical, fibers and plastics industries.

CMA has been very effective in opposing new energy taxes. CMA and the Petrochemical Energy Group (PEG), recently cosponsored an economic impact study to update information from an earlier study. CMA has used this information to communicate opposition to new energy taxes through a coalition including the Society of the Plastics Industry, the Man-made Fiber Producers Association, and the PEG in testimony before Congress.

CMA also works through a very broad Ad Hoc Energy Tax Coalition, including 55 groups representing labor, consumers, and industry.

Issue: NATURAL GAS REGULATORY DEVELOPMENTS AND RESPONSE

CMA Energy Committee Goals:

- o Opposition to proposed block billing rules that could increase costs to our industry by more than $600 million.
- o FERC rulemaking to mandate equal access to, and transportation of natural gas from Outer Continental Shelf.
- o FERC rulemaking to improve market efficiencies through regulatory changes to the old gas pricing structure.
- o FERC rulemaking to suspend incremental pricing.
- o Defense of FERC rules (Order 436A) that enhanced competition in natural gas transportation..

Background: In October, 1985, the Federal Energy Regulatory Commission (FERC) adopted a rule on interstate natural gas transportation that includes many of the CMA recommendations. However, the pipelines have initiated a court challenge of the rules. CMA has intervened in the court challenges to Order 436.

CMA has also petitioned the FERC for a ruling to enhance access to offshore supplies for consumers located in the Gulf Coast region where more than 60% of our industry's gas is used.

On February 25, CMA indicated support for a proposed DOE rule that would raise price control ceilings on "old gas". Although comprehensive legislative action is preferred, CMA supports the regulatory action as a means to further eliminate market distortions, and to ensure that the lowest-cost supplies are developed fully. FERC has scheduled a public conference for April 10 and 11.

Issue: LEGISLATION TO DECONTROL NATURAL GAS

CMA Energy Committee Goals:

- o Gain Comprehensive legislation to deregulate wellhead ceiling prices, and to remove market restrictions, including limitations on access to supplies.
- o Oppose legislative initiatives that would restrict market forces.

Background: New legislation is unlikely due to higher Congressional priorities such as tax reform. However, the Administration and members of Congress from the producing states have a renewed interest in gas legislation due to the rapidly falling world oil prices and favorable gas market conditions.

The issue is important to CMA members because the chemical industry consumes about 12% of the total U.S. gas use.

Issue: ENERGY REPORTING

CMA Energy Committee Goals:

- o Maintenance of an energy conservation reporting program to exempt members from reporting to the DOE directly.

- o Protection of confidentiality, and the elimination of unnecessary energy reporting burden.

- o Efforts to minimize government intervention in business decisions related to energy use.

Background: CMA sponsors the mandatory DOE CE-189 energy conservation reporting program so that our larger members are exempt from reporting the required data to DOE directly. CMA received about 135 member company reports annually. It is estimated that the required staff time is less than two weeks each for one secretary and one staff executive per year. CMA is currently collecting member CE-189 data for 1985 to be submitted to DOE by June 1, 1986. Associated costs include:

- Staff time for administering the program. Staff time is required to respond to member questions regarding interpretation of the reporting rules and CMA reporting guidelines. Contacts with members are necessary to clarify possible reporting errors. Time is required to maintain the Energy Reporters mailing list. Computer systems support is used to enter and tabulate member company reports. Member reports are returned after data is recorded, but CMA is required to retain our worksheets for five years.

- Advocacy activity related to energy reporting. The EIA will take over administration of the program in 1986. The DOE has proposed rescinding the legislation that authorized the CE-189 program while proposing a new and more detailed survey of plant energy use, the EIA 846 F. CMA advocacy is coordinated through an Ad Hoc Energy Data Collection Work Group representing about 15 trade associations. The EIA 846 F data would be collected by the Bureau of Census.

Issue: OTHER NATIONAL ENERGY POLICY ISSUES

CMA Energy Committee Goals:

- o Support for policies that foster an adequate supply of energy at reasonable costs through strategies that promote a balanced and mixed energy resource system, and that minimize federal control and involvement in energy markets while maintaining public health and environmental quality. Some specific goals include the following:

  - Reliance on a market-oriented mechanism for the distribution of strategic petroleum reserve materials during a declared emergency.

  - Improvements in wholesale electricity ratemaking and transmission.

Background: CMA members have a vital interest in national energy policy because these policies are of substantial economic significance, and they determine the competitiveness and long-term viability of our industry. No legislation is anticipated on energy emergency preparedness in the next year. The issue is being monitored currently through contacts with the DOE, the National Petroleum Council (NPC), and through liaison with the National Petroleum Refiners Association (NPRA), and American Petroleum Institute.

CMA involvement in FERC electricity issues has been limited primarily to maintaining liaison with the Electricity Consumers Resource Council (ELCON). CMA has also reviewed an endorsed ELCON comments to the FERC.

EXHIBIT C

TAX REFORM LEGISLATION UPDATE
By St. Clair Tweedie, American Cyanamid Company

On March 13, Senate Finance Committee Chairman Bob Packwood announced brief details of his tax legislative package that would form the basis for his committee's markup of tax legislation. The Packwood proposal continues the basic philosophy established in H.R. 3838 as passed by the House and would shift $184 billion in tax revenues now paid by individuals to business taxpayers over a five year period. The Packwood proposal also meets the overall tests imposed by President Reagan to provide lower tax rates and higher personal exemptions for individuals and greater incentives for capital formation than the House bill.

To raise the revenues needed for these changes, the Packwood proposal would repeal the current deduction for corporate excise tax and tariff payments. Eliminating this deduction would increase revenues by $62 billion and other excise changes would provide an additional $13 billion over the five year period. In discussing other possible new revenue sources for tax reform, Senator Packwood rejected the use of an oil import fee saying, "We're not going to have an oil import fee. There were not five votes on the Committee for it even before the President withdrew his approval."

The proposed repeal of the business deduction for excise tax and tariff payments would have serious consequences for the chemical industry. For example, a corporation with income that would have been taxed at the proposed 35 percent rate, would require $1.54 in pre-tax income to pay each dollar of excise tax or tariff payments. Thus, the out-of-pocket cost of Superfund excise taxes would increase by 54 percent.

For corporations, the Packwood proposal provides for a maximum 35 percent tax rate and retains the effective 28 percent tax rate on capital gains. Depreciation would be modified under the proposal but would remain much closer to ACRS than under the House-passed bill. The proposal would repeal the investment tax credit, but would make the 25 percent research and experimentation tax credit permanent. Both percentage depletion and intangible drilling costs for petroleum wells would be retained as in present law. The proposal also would provide less restrictive amendments to the present tax treatment of foreign income of U.S. corporations than was included in H.R. 3838. In contrast, the proposal provides for a new 20 percent alternative minimum tax that would apply to one-half of the income reported by a corporation for financial purposes, among other items.

The current focus of attention in the Washington business community is the impact the Packwood proposal may have on supporters of H.R. 3838, the House-passed tax bill. Although the Packwood proposal would continue to have a major effect on capital intensive businesses, it also seeks new revenues from business sectors that were not adversely affected by H.R. 3838. For example, some 50 Washington representatives from a wide cross section of the business community - including supporters of H.R. 3838 - attended a March 14 meeting to oppose the repeal of the deduction of business excise tax and tariff payments. Efforts are underway to introduce a Senate resolution to put aside tax reform legislation in order to deal with deficit reduction legislation. Given the fundamental nature of the disputes on both tax and budget issues, the Senate's consideration of these issues could be prolonged.

CMA has submitted a revised statement on tax reform to the Senate Committee on Finance. Pursuant to a detailed work plan, CMA tax legislative teams continue to meet with staff assistants of Members of the Senate Committee on Finance and are extending this effort to other Senate offices. CMA continues to identify and to work with multi-industry coalitions and allied trade associations to oppose the aspects of tax revision legislation that would adversely affect capital formation and international competitiveness issues. Through the Government Relations Committee's Taxation Task Group, CMA coordinates all routine activity, including the refinement and implementation of the legislative work plan.

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EXHIBIT D

Superfund Status Report
Legislative Review
By Wells Denyes, Eastman Kodak Company

The Superfund conferees, some 65 members representing nine House and Senate committees, held their first meeting of the conference on February 26. Congressman John Dingell was named Chairman of the conference. Following opening statements, Senator Stafford recommended that the conferees begin meeting twice weekly on Tuesdays and Thursdays. The members directed the staff to prepare for these meetings using a listing of some 250 issues which had been prioritized by ease of resolution, with the easiest being number one and the most difficult being number three.

Senator Stafford expressed his hope that the differences between the House and Senate versions would be resolved or near resolution by March 21, which is the Friday before the Easter recess. He suggested that if this is not accomplished, the conferees may wish to consider other options. Senator Stafford was quite obviously referring to the April 1 date which is when Lee Thomas, EPA Administrator, has said EPA will run out of money and will have to terminate clean up contracts and notify some 1,500 employees that they face termination. During this same conference meeting, Ways and Means Committee Chairman Rostenkowski said that he saw no reason for the tax conferees to meet until the programmatics have been decided upon and they know what the needed revenues will be. On the following day, February 27, the tax conferees did meet briefly and appointed Mr. Rostenkowski Chairman for the tax provisions. He reiterated his position. Although several of the Senate conferees have expressed a desire to move concurrently, there has been no sign of compromise between the diverse positions in the two bills.

The conferees handling the programmatic portions of the bill have been meeting. During these meetings more than 50 of the easy issues were resolved. During the week of March 17, the conferees are expected to begin tackling some of the more difficult issues. In addition, it is quite likely that a short term tax extender bill will be agreed upon since the conferees appear unwilling to leave for the Easter recess with the possibility that EPA may have to shut down the Superfund program with Congress out of session. A two or three month extension appears most likely, with the revenue achieved by reimposing the feedstock and oil tax as they were in the previous bill and providing either borrowing authority or general revenue to raise the total to an annual rate approaching $1 billion.

CMA's task group is sharing with the conferees a side-by-side comparison of the two bills showing the desirable position on each of the programmatic issues. On funding, the task group continues to express concern on the unfairness and inequity of the House passed bill and the need for the conferees to adopt a broad based source of revenue.

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AGENDA

CMA EXECUTIVE COMMITTEE MEETING
9:00 a.m., Wednesday, May 7, 1986
Park Conference Room, CMA Headquarters
Washington, DC

		TAB
9:00-9:02 a.m.	1. Call to Order and Approval of Minutes of April 1, 1986, Meeting -- Chairman Clark	1
9:02-9:10	2. Association Activities	
	a. Treasurer's Report -- Gary C. Herrman	2
	b. Committee Appointments -- Charles W. Van Vlack	
	c. Nominating Committee Report -- George J. Sella, Jr.	
9:10-9:50	3. Occupational Safety and Health Administration (OSHA) Inspection Program	
	a. Union Carbide Perspective on Institute Inspection and Report -- Robert D. Kennedy	
	b. Status Report on OSHA Activities and Related CMA Programs and Initiatives -- Bruce W. Karrh, M.D., E. I. du Pont de Nemours & Company; Chairman, Health and Safety Committee	3
9:50-10:25	4. Safe Drinking Water Act Report	4
	a. Review of CMA Objectives and Final Conference Committee Report -- Scott S. Cunningham, Union Carbide Corporation; Chairman, GRC Safe Drinking Water Act Task Group	
	b. Outlook for SDWA Implementation and Federal Groundwater Legislation -- Charles D. Malloch, Monsanto Company; Chairman, EMC Groundwater Management Task Group	
10:25-11:10	5. Proposed Air Toxics Legislative Principles -- Vincent J. Marchesani, ICI Americas, Inc., Environmental Management Committee; Robert F. Kelley, Union Carbide Corporation, Chairman, EMC Air Legislative Issues Task Group; and Phillip C. Holladay, Shell Chemical Company, Chairman, GRC Clean Air Task Group	5

1:10-11:45	6. Product Liability Status Report a. Overview and Association Activities -- David F. Zoll b. Legislative Status -- Robert J. Fields, FMC Corporation; Chairman, GRC Product Liability Task Group	6
.1:45	Adjourn to the Madison Hotel for the Chemical Forum Luncheon Speaker: Senator William V. Roth, Jr. (R-DE)	
2:00-2:45	7. Tax Legislation Status Report -- St. Clair J. Tweedie, American Cyanamid Company; Chairman, GRC Tax Task Group	7
2:45-3:30	8. Superfund Reauthorization a. Overview and Association Activities -- William M. Stover b. Legislative Status and Outlook -- Wells Denyes, Eastman Kodak Company; Chairman, GRC Superfund Task Group	8
3:30-3:45	9. New Business	
3:45	10. Adjournment	

MINUTES OF MEETING
CMA EXECUTIVE COMMITTEE
Park Conference Room, CMA Headquarters
Washington, D.C.
May 7, 1986

1. The meeting was called to order at 9:00 a.m. by Chairman Clark. There were present:

W. H. Clark, Jr. - Chairman
Robert A. Roland - President
Dexter F. Baker
Alan Belzer
Robert C. Forney
John W. Johnstone, Jr.
Robert D. Kennedy
Robert H. Malott
George J. Sella, Jr.
Harold A. Sorgenti

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

By Invitation:
*Scott S. Cunningham - Union Carbide Corporation
*Wells Denyes - Eastman Kodak Company
*Robert J. Fields - FMC Corporation
Edward D. Griffith - ARCO Chemical Company
*Phillip C. Holladay - Shell Chemical Company
Jon C. Holtzman - CMA
E. Hamilton Hurst - Nalco Chemical Company
*Bruce W. Karrh, M.D. - E. I. du Pont de Nemours & Company
*Robert F. Kelley - Union Carbide Corporation
H. W. Lichtenberger - Union Carbide Corporation
*Charles D. Malloch - Monsanto Company
*Vincent J. Marchesani - ICI Americas Inc.
Michael A. Pierle - Monsanto Company
Vernon R. Rice - E. I. du Pont de Nemours & Company
William M. Stover - CMA
*St. Claire J. Tweedie - American Cyanamid Company
Juliane H. Van Egmond - American Cyanamid Company
James P. Watkins - American Cyanamid Company
Benjamin Woodhouse - Dow Chemical U.S.A.

*Part time

2. The Executive Committee observed a moment of silence in remembrance of F. Jack Fitzgerald, a Director of the Association and President of the Monsanto

Company, who had died suddenly in April. Mr. Van Vlack was directed to convey the committee's respects and condolences to Mr. Mahoney, the Chairman of Monsanto.

The committee subsequently requested that Mr. Van Vlack convey the Association's respects and condolences to Mr. Street who had recently lost his daughter in a tragic accident.

3. Minutes of Last Meeting The Minutes of the April 1, 1986, meeting were approved as distributed.

4. Treasurer's Report Mr. Herrman reported that for the ten months ending March 31, 1986, the Association had received revenues of $14,215,000 and had incurred expenses of $10,700,000. In projecting year-end results, he indicated that results were expected to be somewhat better than indicated in the revised budget. This was due to the positive financial results from the January-March hiring freeze which offset higher than budgeted expenses in outside purchased services accounts, incurred primarily as a result of the protracted Superfund debate. The result of these variances is a projected use of reserves for 1985-86 in the range of $100,000-$200,000 versus the $300,000 projected in the budget.

Following Mr. Herrman's report, there was discussion of the potential impact on 1987-88 dues as a result of the drop in oil prices and the status of the economy in general and the chemical industry in particular.

5. Standing Committee Appointments Mr. Van Vlack presented the list (Exhibit A) of proposed appointments to fill current vacancies on several of the Association's committees. Included in these proposed appointments was the initial membership and officers of the Special Energy Advisory Group created at the April meeting. These appointments were approved.

There followed a brief discussion on progress in identifying those task groups where additional personnel resources from the member companies were needed. Follow-up was requested at the Annual Meeting.

6. Nominating Committee Report Reporting as Chairman of the Nominating Committee, Mr. Sella presented a nomination to fill the vacancy on the Board created by the death of F. Jack Fitzgerald of the Monsanto Company. The nomination of Earle H. Harbison, Jr., President and Chief Operating Officer of the Monsanto Company, for a term ending May 31, 1986, was approved.

Mr. Sella also presented, for information only, four additional proposed Directors to be elected by the membership at the Annual Meeting in June. These were in addition to those presented at the April meeting.

7. Staff Officer Appointment The appointment by Mr. Roland of Charles W. Van Vlack, the Association's Corporate Secretary, as a Vice President was confirmed by the Executive Committee.

8. <u>Occupational Safety and Health Administration (OSHA) Inspection Program</u>.

a. <u>Union Carbide Perspective</u> Mr. Kennedy reported on the circumstances and details of OSHA's inspection and report relative to Union Carbide's facility in Institute, West Virginia. Highlights of his report included:

- The nature of OSHA's inspection,
- The extensive access and assistance provided at the facility to the inspectors by Union Carbide,
- The nature of the alleged violations,
- The new interpretations and calculations which OSHA chose to utilize relative to this inspection,
- Union Carbide's response to the alleged violations, and
- A report on discussions and recent testimony by OSHA regarding its future activities.

Following Mr. Kennedy's presentation, there was additional discussion of the possible future direction and impact of OSHA's inspection program, as well as some possible actions that the industry could take to address the issues raised.

b. <u>Report on OSHA Activities and Related CMA Programs and Initiatives</u> Dr. Karrh's report is attached as Exhibit B. Following his report, there was further discussion of what actions the Association might pursue. These actions fall in two major categories:

- Communicate as quickly as possible to the industry the implications of OSHA's actions at Institute, with particular attention to OSHA's use of the Bureau of Labor Statistics (BLS) Guidelines 412 to interpret the OSHA record-keeping requirements.
- Work prospectively with OSHA and the entire industry on clarifying the interpretation and application of the BLS guidelines, which are currently undergoing revision, including possible cosponsorship of one or more symposia on the subject. In addition, explore other opportunities for constructive activities with OSHA on safety issues.

To follow up on the discussions Mr. Kennedy had with OSHA officials, it was agreed that CMA, through the Health and Safety Committee, would pursue possible cooperative activities with the Agency to help clarify the applicable requirements and to foster an atmosphere of constructive, not confrontational, relations on these key safety issues. It was also agreed that the committee would act quickly to prepare and disseminate information to the membership on the implications of the Institute inspection report.

9. Safe Drinking Water Act Report Messrs. Malloch and Cunningham presented a report (Exhibit C) on the recently concluded Congressional conference action on the Safe Drinking Water Act (SDWA). They highlighted the:

- Cooperative effort between the Environmental Management Committee and the Government Relations Committee in developing a sound position very early in the process and effectively advocating it to the Congress;

- Overall success of the CMA effort in achieving our objectives and moderating or eliminating undesirable provisions;

- Importance of the issues addressed in the SDWA to CMA member companies;

- Principal issues addressed in the legislation and our relative degree of success on each one;

- Key regulatory activities that will follow reauthorization, particularly in the area of standard setting;

- Projected future activity on groundwater at both the state and federal levels; and

- Activities and programs the Association has in place to address this ongoing issue.

Following this presentation, the California groundwater initiative which is being proposed for voter action in November was discussed. Further information on the initiative and the identification of industry activities and resource requirements needed to effectively oppose the initiative were to be pursued prior to the June meeting.

10. Air Toxics Legislative Principles Mr. Marchesani presented the proposed air toxics legislative principles, together with recommendations on embargoing the previously developed air legislative issues briefing book and on placing immediate priority on implementing the Association's air toxics control policy. These recommendations, including the revised air toxics legislative principles, as set forth in Exhibit D, were approved.

Following approval, there was general discussion of the recently introduced legislation on acid rain and its potential impact on the chemical industry. A number of members reported that their analysis indicated a very substantial impact on their companies individually. It was agreed to continue to seek data on the bill's impact on the entire industry, utilizing the Environmental Management Committee and the Special Energy Advisory Group as appropriate, and to report back to the Executive Committee on the scope of the impact and recommended advocacy activities for the Association.

11. Liability Reform Status Report Messrs. Zoll's and Field's report is attached as Exhibit E. They highlighted the:

- Chronology of events and related CMA activity in the liability reform issue in recent years,
- Key points in the Administration's initiative,
- Evolution of the Kasten and Danforth proposals,
- Activities of other business groups and coalitions and CMA's participation in those efforts, and
- Recent Association activities at both the state and federal level.

Following their presentation, there was additional discussion of the possible reaction of the trial lawyers and other opposition groups to the recent initiatives for liability reform. The importance of being prepared for their "counterattacks" was stressed. The need to differentiate and distinguish between those actions which are appropriate at the federal, as opposed to the state, level were emphasized as well. Finally, the need to be vigilant against the possibility of the chemical industry being singled out for "different" treatment, based upon concerns about toxics, was also highlighted.

* * * * * *

The meeting recessed for the Chemical Forum luncheon at 11:40 a.m. and reconvened at 2:00 p.m.

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12. Tax Reform Mr. Tweedie's report is attached as Exhibit F. He described the action on the previous evening (May 6) by the Senate Finance Committee in approving a revised tax reform proposal. While recognizing that the Senate bill was a distinct improvement over the House-passed bill, it was agreed that there were still major problems for the chemical industry in the Senate proposal. It was further agreed that the GRC Tax Task Group would review the bill and determine if the major problem area was the minimum tax provision, as was the preliminary feeling of the committee. If that belief was confirmed, the task group would develop a plan to seek improvements in the minimum tax provisions when the bill is considered on the Senate Floor. The fact that the Senate bill, even though improved over the House version, was still considerably worse than the current law was emphasized. It was agreed that although the Association would continue to seek improvements in the legislation, our prime objective remained the defeat of tax legislation this year, based upon the fact that any proposal which might pass would place the chemical industry at a disadvantage over the current law.

13. Superfund Reauthorization

a. Association Activities Mr. Stover reported on the various Association activities under way to support the advocacy effort directed at the conference committee. He indicated the need for continued Congressional and Administration visits by Executive Committee members.

b. Legislative Status Mr. Denyes' report is attached as Exhibit G. He highlighted the:

- Senate (Stafford) offer to the House on programmatic issues,
- House (Dingell) rejection of the Senate proposal and the House counteroffer,
- Consideration by the Senate of the House offer,
- Continuing difficulty in resolving the funding issue, and the
- Approaching June 1 expiration of interim funding.

Following the report, there was a general discussion of how best to pursue and achieve a broad base in the funding discussions.

14. New Business Chairman Clark raised the issue of the continuing need to identify a chairman for the CAER Task Group.

The meeting was adjourned at 3:20 p.m.

Charles W. Van Vlack
Vice President-Secretary

Certified correct:

W. H. Clark, Jr.
Chairman, CMA Executive Committee

EXHIBIT A

COMMITTEE APPOINTMENTS

1. Distribution Committee
   Robert P. French, E. I. du Pont de Nemours & Company - Term ending May 31, 1988
   (replacing H. George Miller, Lubrizol Corporation)
   R. R. Johnson, Chevron Chemical Company - Term ending May 31, 1987
   (replacing A. C. Allen, Jr., same company)
   W. T. Niggel, Mobay Corporation - Term ending May 31, 1987
   (replacing Robert A. Christman, same company)

2. Special Energy Advisory Committee -- Term ending May 31, 1987
   Hugh R. Irvine, Exxon Chemical Americas -- As Chairman
   Peter A. Sipple, Air Products and Chemicals, Inc. -- As Vice Chairman
   James D. Beatty, The Procter & Gamble Company
   James B. Borden, E. I. du Pont de Nemours & Company
   R. David Damron, Celanese Chemical Company, Inc.
   Frank J. Farfone, Dow Chemical U.S.A.
   Gary S. Furman, American Cyanamid Company
   Thomas A. Gamble, Hercules Incorporated
   P. L. Maisto, BASF Corporation, Chemicals Division
   Edward H. Mergens, Shell Chemical Company
   F. Wilson Malloy, Eastman Chemical Products, Inc.
   Erford E. Porter, Union Carbide Corporation
   John S. Sorice, Olin Corporation
   Andrew W. Stark, GAF Corporation

3. Environmental Management Committee
   Paul F. Cash, Mobil Chemical Company - Term ending May 31, 1989
   (replacing V. A. Bowman, same company)

4. State Affairs Committee
   Deloss B. Gurney, Amoco Corporation - Term ending May 31, 1987
   (replacing Talbot C. Smith, Pfizer Inc.)

5. Special Energy Advisory Group (Attachment)

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Attachment to Exhibit A

SPECIAL ENERGY ADVISORY GROUP

PURPOSES: With respect to energy conservation and energy utilization matters significant to the chemical manufacturing industry, the Group will: serve as a forum for discussion of chemical manufacturing industry concerns; monitor, evaluate and analyze the chemical industry's interest in these issues and recommend to the Association for review and referral to the Executive Committee for action, policies and positions on legislative, regulatory and technical questions; evaluate the viability of continuing CMA coordination of energy conservation reporting to government agencies; evaluate and recommend to the Association for review and referral to the Executive Committee for action, needs for the Association to undertake an advocacy effort on particular energy-related issues, utilizing Association resources; and provide support for other authorized Association programs, within the limits of resources available to the committee.

CHAIRMAN: Hugh R. Irvine — STAFF EXECUTIVE: Henry J. Sauer

VICE CHAIRMAN: Peter A. Sipple

Term ending May 31, 1987

James D. Beatty.......The Procter & Gamble Company, 6110 Center Hill Rd., Cincinnati, OH 45224

James B. Borden.......E. I. du Pont de Nemours & Company, 8270 Brandywine Bldg., Wilmington, DE 19898

R. David Damron.......Celanese Chemical Company, Inc., P.O. Box 47320, Dallas, TX 75247

Frank J. Farfone......Dow Chemical U.S.A., 1800 M St., N.W., Suite 700 South, Washington, DC 20036

Gary S. Furman........American Cyanamid Company, #7010, One Cyanamid Plaza, Wayne, NJ 07470

Thomas A. Gamble......Hercules Incorporated, Hercules Plaza, 1313 North Market St., Wilmington, DE 19894

Hugh R. Irvine........Exxon Chemical Americas, P. O. Box 3272, Houston, TX 77253-3272

P. L. Maisto..........BASF Corporation, Chemicals Division, P.O. Box 181, Parsippany, NJ 07054

F. Wilson Malloy......Eastman Chemical Products, Inc., 1919 Pennsylvania Ave., N.W., Suite 705, Washington, DC 20006

Edward H. Mergens.....Shell Chemical Company, P.O. Box 2463, Houston, TX 77001

Erford E. Porter......Union Carbide Corporation, Section K2475, 39 Old Ridgebury Rd., Danbury, CT 06817

Peter A. Sipple.......Air Products and Chemicals, Inc., P.O. Box 538, Allentown, PA 18105

John S. Sorice........Olin Corporation, P.O. Box 1355, Stamford, CT 06904-1355

Andrew W. Stark.......GAF Corporation, 1361 Alps Rd., Wayne, NJ 07470

L. Raymodn Taunton....Allied-Signal Inc., P.O. Box 3000R, Morristown, NJ 07950

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Report to the Executive Committee
By: Bruce W. Karrh, M.D.
Chairman, CMA Health and Safety Committee
May 7, 1986

BACKGROUND

The Occupational Safety and Health Administration, driven by the continuing public response to the tragedy at Bhopal, has initiated several activities with the potential to substantially impact the chemical industry.

The most significant in the short term has been the highly visible treatment of the agency's findings in its "wall to wall" inspection of the Union Carbide Company plant in Institute, West Virginia. The combination of a fine tooth comb inspection coupled with a new policy of attaching citations to each instance of a particular recordkeeping or program violation resulted in a record fine of over $1.3 million. The findings, presented by Secretary of Labor Brock at a press conference in Washington, painted a picture of a company that willfully risked the safety of its employees and attempted to cover up the results.

A related activity, the Special Emphasis Program (SEP) for the chemical industry, is now underway with 16 of the projected 80 chemical plant inspections completed. Initially aimed at process safety and emergency response, the specially trained compliance teams are now also examining recordkeeping of injuries and illnesses. This demonstration program is to be evaluated and possibly expanded at year's end.

A new regulation which is on the books, the Hazard Communication Standard (HCS), is already resulting in plant inspections for compliance with its labeling provisions. In addition, effective May 15 OSHA will be assessing the effectiveness of worker training programs.

Developments in the legislative environment have included the introduction of bills on worker notification, occupational disease compensation (asbestos), and a proposal for criminal penalties to be attached to management or supervisory practices resulting in unsafe working conditions. Hearings on occupational illness reporting, the Union Carbide violations and the SEP, and a worker notification bill have been scheduled and/or held. OSHA is currently readying a report to Congress on the SEP, scheduled for mid May and due at about the same time as Senate confirmation hearings on its newly designated head, J. Pendegrass.

In the longer term, OSHA's publication of a new standard that addresses the handling and storage of hazardous substances may be the most important activity. Under the direction of the Secretary's Office, the Directorate of Safety Standards is laboring on a draft that will address the areas of process safety management, emergency response planning, operator training, and process design. Though not yet cleared for development by OMB, the agency is gathering information and has been advised by Brock's staff that such a standard is to be considered the highest regulatory priority.

ISSUE

The first SEP findings, if handled in the same manner as the results of the Union Carbide inspection, could result in another round of numerous citations and extremely high fines for failing to accurately record workplace injuries. These citations would further fuel an ongoing debate over the chemical industry's safety record, already being investigated by the National Academy of Sciences's special panel. Its members believe there is widespread intentional underreporting in the chemical industry.

If these attacks on the industry's record continue, it is likely to result in two parallel trends:

1. A gradual increase in the numbers of illnesses and injuries reported by companies as a result of citations for underreporting, valid or not, and

2. An increase in public concerns over the safety of the industry as it affects its workers and its host communities.

Just three possible impacts of such trends would be:

1. A push for greater workers' compensation in occupational disease cases. A parallel could be drawn to the federal Black Lung Act and federal or state administration of an industry fund for exposed workers.

2. Increased inspection of plants and operations, with funding for inspectors being placed on industry's back.

3. Licensing of chemical plants with government approval required in the design stage, as in the nuclear industry.

CMA PROGRAM AND RESPONSE

CMA has been actively involved in the information-gathering stage of the proposed OSHA Handling and Storage Standard. The Health and Safety Committee's Safety Programs Task Group is working with OSHA on a draft standard and is coordinating comments with other impacted groups. The details of the Institute citations are still unclear and CMA is attempting to ascertain whether the "egregious" nature of the violations resulted in a one-shot media splash or this represents a lasting change in OSHA policy. Depending on determination of this final point, an advocacy strategy is being mapped by the Safety Programs Task Group which addresses questions of federal policy and public perception. In the meantime, we are planning a CMA member company workshop on occupational injury and illness reporting in light of the OSHA inspections. A series of meetings is scheduled before the Executive Committee meeting on May 7, at which time an oral update will be made.

ACTION REQUIRED

No action required; for information only.

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EXHIBIT B-2

COMMENTS TO THE CMA EXECUTIVE COMMITTEE

By: Bruce W. Karrh, M.D.
Chairman, CMA Health and Safety Committee
May 7, 1986

THE OSHA INSPECTION OF UNION CARBIDE AT INSTITUTE, WEST VIRGINIA RESULTED IN 129 CITATIONS FOR INADEQUATE RECORDKEEPING. THESE INCLUDED FAILURE TO LOG AS WELL AS LOGGING INJURIES AT A LESSER CLASSIFICATION THAN WHAT OSHA THOUGHT THEY SHOULD BE. THESE CITATIONS AND ALLEGATIONS OF INADEQUATE AND INAPPROPRIATE RECORDKEEPING FOR INJURIES AND ILLNESSES ARE OCCURRING AT A PARTICULARLY BAD TIME BECAUSE THEY FOLLOW PREVIOUS ALLEGATIONS OF INADEQUATE RECORDKEEPING. THE INSTITUTE CITATIONS WILL HEIGHTEN AND PROBABLY INTENSIFY THESE CONCERNS.

THE ALLEGATIONS OF INADEQUATE RECORDKEEPING HAD REACHED SUCH INTENSITY THAT THE DEPARTMENT OF LABOR ASKED THE NATIONAL ACADEMY OF SCIENCES/NATIONAL RESEARCH COUNCIL TO INVESTIGATE THE SITUATION AND MAKE RECOMMENDATIONS ON ILLNESS AND INJURY RECORDKEEPING. A NATIONAL RESEARCH COUNCIL PANEL ON OCCUPATIONAL SAFETY AND HEALTH STATISTICS HELD ITS FIRST MEETING IN DECEMBER, 1985 AND ITS REPORT IS EXPECTED IN MARCH 1987. THE PANEL IS COMPOSED OF REPRESENTATIVES OF INDUSTRY AND ACADEMIA. WITH THE EXCEPTION OF THE INDUSTRY REPRESENTATIVE, IT SEEMS TO BE OF THE OPINION THAT INDUSTRY PURPOSELY UNDER-REPORTS OCCUPATIONAL ILLNESSES AND INJURIES.

ALTHOUGH WE DON'T HAVE SIGNIFICANT EVIDENCE THAT WE ARE UNDERREPORTING, WE CANNOT PROVE THE CONTRARY. THERE ARE A VARIETY OF REASONS WHY UNINTENTIONAL UNDER-REPORTING COULD OCCUR. THESE INCLUDE:

1. THE COMPLEXITY OF THE REPORTING REQUIREMENTS.

2. A NATURAL TENDENCY TO CLASSIFY INJURIES AS LOW IN THE HIERARCHICAL SCHEME AS POSSIBLE, PARTICULARLY WHEN THOSE REPORTING MAY BE JUDGED ON THE INJURY RATE.

3. UNRECOGNIZED WORKPLACE RELATIONSHIPS, ESPECIALLY WITH ILLNESSES.

4. A PERCEPTION THAT THE CORPORATE MANAGEMENT WANTS TO KEEP THE NUMBERS DOWN.

IRRESPECTIVE OF WHETHER OR NOT THERE IS UNDER-REPORTING, THE CHEMICAL INDUSTRY IS STILL AMONG THE SAFEST INDUSTRIES IN THE WORLD, IF NOT THE SAFEST. OUR SAFETY PROGRAMS ARE STILL APPROPRIATE AND PERTINENT. UNFORTUNATELY, OUR ABILITY TO CONVEY THIS CONVINCINGLY IS IMPAIRED BY THE RECORDKEEPING SITUATION, ESPECIALLY SINCE OSHA HAS ALLEGED THAT UNION CARBIDE UNDER-REPORTS ILLNESSES AND INJURIES. OUR SAFETY RECORD IS BASED UPON REPORTED ILLNESSES AND INJURIES AND IF THESE DATA ARE FLAWED, THEN THE RECORD CAN SEEM QUESTIONABLE.

Along with the Institute inspection, OSHA has been conducting other inspections under its Special Emphasis Program (SEP), or National Emphasis Program (NEP). OSHA inspectors have been in several plants of CMA member companies, including plants of Du Pont. CMA staff and I have discussed the program with John Miles, OSHA Director of Enforcement, who indicated that these inspections have turned up some additional recordkeeping problems and that OSHA may decide to publicize the findings. The decision to publicize the Institute findings -- admittedly a unique situation -- was made by the Secretary of Labor, and we cannot rule out the public announcement of other inspection results.

In addition, there will be several opportunities for publicity about the recordkeeping situation. These include public releases of the Bureau of Labor Statistics Guideline 412, which has been cleared by the Office of Management and Budget (OMB) and the National Research Council Panel report, due out in March of 1987.

It is imperative that a strategy for addressing this issue of concern to the industry be developed and implemented. The Health and Safety Committee has already begun looking at various strategic components. The Safety Programs Task Group of the Health and Safety Committee has had three meetings since the Institute citations and another meeting is scheduled in the next couple of weeks. The Steering Task Group has had a telephone conference call and has begun implementing various components.

THE HEALTH PROGRAMS TASK GROUP IS WORKING WITH THE SAFETY PROGRAMS TASK GROUP TO ADDRESS THE QUESTION OF REPORTING OF OCCUPATIONAL ILLNESSES. AT THIS TIME, I WILL BRIEFLY DISCUSS SOME OF THE STRATEGIC ELEMENTS THAT WE FEEL ARE MOST APPROPRIATE AND GAIN YOUR CONCURRENCE IN CONTINUING TO PURSUE AND IMPLEMENT THESE VARIOUS COMPONENTS.

ALTHOUGH THE SAFETY RECORD OF THE INDUSTRY CAN BE QUESTIONED BECAUSE OF CONCERNS ABOUT THE REPORTING BASE, WE FEEL WE SHOULD CONTINUE TO EMPHASIZE THE GENUINELY EXCELLENT SAFETY RECORD OF THE INDUSTRY. WHILE WE CANNOT USE THIS RECORD AS A SOLE DEFENSE, WE CAN POINT OUT THAT EVEN IF THERE IS UNDER-REPORTING, IT IS NOT UNIQUE TO THE CHEMICAL INDUSTRY AND OUR RECORD WILL STAND IN COMPARISON TO RECORDS OF OTHER INDUSTRIES. THE TREND OVER TIME IS MOST IMPORTANT IN PROVIDING SAFE AND HEALTHFUL WORKPLACES AND THE CHEMICAL INDUSTRY SAFETY RECORD IS EXCELLENT. WITH THE RECENT ALLEGATIONS, HOWEVER, IT IS IMPORTANT THAT EACH COMPANY ASSESS ITS OWN RECORDKEEPING FOR ADEQUACY AND COMPLIANCE WITH OSHA REQUIREMENTS. WE HAVE AN OPPORTUNITY TO ASSESS OURSELVES BEFORE OSHA AND THE PRESS DO.

WE PLAN TO SHOW SUPPORT FOR THE BUREAU OF LABOR STATISTICS (BLS) GUIDELINE 412 WHEN IT IS RELEASED. THE SAFETY PROGRAMS TASK GROUP HAS WORKED CLOSELY WITH THE BUREAU OF LABOR STATISTICS IN REVISING THIS GUIDELINE TO INCORPORATE RECOMMENDED CHANGES THAT WOULD MAKE IT BOTH A BETTER GUIDELINE AND ONE WITH WHICH WE CAN MORE EASILY COMPLY. BY SHOWING EARLY SUPPORT FOR THE

GUIDELINE, WE CAN POSITION OURSELVES AS A RESPONSIBLE INDUSTRY TRULY CONCERNED ABOUT WORKPLACE SAFETY AND HEALTH.

WE ALSO PLAN TO INITIATE DISCUSSIONS WITH OSHA AND THE BUREAU OF LABOR STATISTICS REGARDING THE COMPLEXITY AND DIFFICULTY IN UNDERSTANDING THE RECORDKEEPING REQUIREMENTS. THE RELEASE OF THE REVISED BLS GUIDELINE 412 HAS GIVEN US THIS OPPORTUNITY. WE WILL EMPHASIZE OUR DESIRE TO CONTINUE TO COMPLY WITH THE REQUIREMENTS AND AT THE SAME TIME CONVEY OUR CONCERN THAT RECORDKEEPING IS MORE COMPLEX THAN IT MAY APPEAR. WE WILL PURSUE WITH OSHA AND THE BUREAU OF LABOR STATISTICS THE POSSIBILITY OF CONDUCTING A JOINT SYMPOSIUM TO ACQUAINT REPRESENTATIVES OF CMA MEMBER COMPANIES WITH THE RECORDKEEPING REQUIREMENTS OF THE REVISED BLS 412 GUIDELINES AND TO DISCUSS UNCLEAR AREAS, PARTICULARLY AS PERTAINS TO OCCUPATIONAL DISEASE. IF THIS PROVES FEASIBLE, WE MAY EXTEND THIS TO INCLUDE OTHER TRADE ASSOCIATIONS AND COMPANIES FROM OTHER INDUSTRIES WHICH MAY ALSO HAVE DIFFICULTY WITH RECORDKEEPING. THIS MAY BE ESPECIALLY TRUE OF THE MOTOR VEHICLE MANUFACTURERS ASSOCIATION WHICH OSHA AND BLS HAVE IDENTIFIED AS REPRESENTING ANOTHER INDUSTRY WHICH HAS APPARENT DIFFICULTY WITH RECORDKEEPING.

THROUGHOUT ALL THIS, THE HEALTH AND SAFETY COMMITTEE RECOGNIZES THE IMPORTANCE THAT EACH CMA MEMBER COMPANY MUST FIRST ENSURE THAT ITS SAFETY PROGRAMS ARE APPROPRIATE AND ADEQUATE AND SECOND, DEVELOP WAYS TO CONVEY THIS TO ITS EMPLOYEES AND TO THE INDUSTRY. WE DON'T INTEND TO DISREGARD OUR PAST SAFETY

PERFORMANCE NOR DO WE INTEND TO BE DEFENSIVE REGARDING OUR PAST RECORDKEEPING PROGRAMS. OUR MEMBER COMPANIES HAVE COMPLIED WITH RECORDKEEPING REQUIREMENTS TO THE BEST OF THEIR ABILITY AND WILL CONTINUE TO DO SO AFTER THE REVISED BLS 412 IS IMPLEMENTED.

IN SUMMARY, WITHOUT TURNING OUR BACK ON PAST PRACTICES, WE WILL CONTINUE TO EMBRACE OUR SAFETY RECORD AND TO PARTICIPATE IN IMPROVING SAFETY PRACTICES AND RECORDKEEPING AS PART OF THE CHEMICAL INDUSTRY'S ON-GOING "STATE-OF-THE-ART" POSITION IN SAFETY.

CMA
EC-5/7/86

SAFE DRINKING WATER ACT REPORT

ISSUE

The Safe Drinking Water Act (SDWA) has traditionally been a public health statute regulating public water suppliers. The statute is important to CMA members for several reasons:

- Many of the substances for which standards are being set are produced or used by CMA member companies;
- SDWA drinking water standards are being used to determine acceptable levels of water quality under RCRA and CERCLA;
- Some chemical plants are subject to the SDWA because they treat and provide drinking water to their employees;
- Stringent drinking water standards for public water systems may result in additional effluent limitations for industrial plants which discharge into waterways;
- The SDWA is also the statute regulating underground injection and protection of sole source aquifers.

The reauthorization process began in 1983 with the introduction of H.R. 3200 by Rep. Dennis Eckart (D-OH) at the urging of environmental groups seeking to accomplish two objectives:

- Strengthen the regulation of public water systems;
- Broaden the Act to establish federal jurisdiction over groundwater under the Act (and therefore under favorable congressional committees), and do so with little debate.

CMA became one of the first trade groups to realize this strategy and to respond.

OBJECTIVES

CMA's advocacy objectives were established early on:

- Support a strong SDWA which protects public health;
- Oppose statutory changes to create federal jurisdiction over groundwater and nonhazardous wastes in the SDWA;
- Oppose federal cause of action for groundwater proposed in H.R. 3200;
- Support sound scientific principles in establishing drinking water standards.

CMA's strategy was to begin working early on with appropriate Congressional staff and sustain those relationships. CMA also participated in a broader coalition established to bring other business groups into the process in support of our common objectives.

RESULTS AND CONFERENCE REPORT SUMMARY

Significant CMA objectives were achieved during the reauthorization process, some early on and some as the result of the recent Conference agreement.

- The Senate at our request agreed not to include the statutory changes needed to create federal jurisdiction over groundwater in the Act. We successfully raised issues about the House groundwater protection provision and encouraged the Senate to consider this issue separate from the SDWA amendment. The House and Senate agreed to compromise in favor of a narrower "wellhead protection program" to protect public water system drinking-water wells.
- Though we would have preferred not to see any expanded sole source aquifer program, we succeeded in resolving our substantive issues with the Senate to avoid any federal involvement in local land use decisions; the House agreed in the final compromise, and CMA does not object to the compromise provision.
- The standard-setting process will be expedited but will retain scientifically sound principles. This process includes a requirement for the EPA Science Advisory Board to review the proposed drinking water standards. This review process is supported by CMA and others.
- As a result of CMA action the federal cause of action was dropped.

OUTLOOK FOR FEDERAL GROUNDWATER LEGISLATION

The only other significant groundwater legislative activity in this Congress will be on pesticides found in groundwater. The agricultural chemicals industry (NACA) is working with environmental groups on a compromise FIFRA groundwater provision for dealing with pesticide contamination issues. CMA has been kept informed of developments to avoid any undesirable precedents being established.

The debate over comprehensive federal groundwater protection legislation is only just beginning. It has been slowed by preoccupation with other issues such as Superfund and by the complexities of the issue. The latter point is especially true with the House, where at least five Committees are expected to be involved with the Federal groundwater debate. We expect to see groundwater issues addressed in hearings this year in several House Committees.

In the Senate, Senator Durenberger (R-MN) held a series of hearings last year, with CMA testifying last October. He plans to introduce his own groundwater bill soon. That bill will probably be a "wish list" laying out many possible ideas for debate. Senators Mitchell (D-ME) and Baucus (D-MT) already introduced a bill supported by Environment

Committee Democrats. This is the first comprehensive groundwater bill to be introduced.

IMPLEMENTATION AND REGULATORY ACTIVITIES

CMA will be continuing or undertaking several important activities in the groundwater/drinking water areas:

- Commenting on EPA drinking water standards and litigating where necessary;
- Working with EPA on the implementation of EPA's responsibilities under the new wellhead protection program;
- Developing materials for use in helping states to fashion their individual wellhead protection programs;
- Developing advocacy positions on potential comprehensive federal groundwater legislation; and
- Refining CMA groundwater positions for use in affecting the development of state groundwater programs.

ACTION REQUIRED

- None - for information only.

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EXHIBIT D

SUGGESTED CMA LEGISLATIVE POSITIONS
ON TOXIC AIR POLLUTION ISSUES

ISSUE:
Association air toxic legislative positions which reflect the CMA Air Toxics Control Policy.

OBJECTIVE:
Approved legislative principles, derived from the CMA Air Toxics Control Policy, to guide CMA's advocacy on air toxics legislation.

BACKGROUND:
In September 1985, the Executive Committee charged the Environmental Management Committee (EMC) with preparing CMA legislative positions for air toxics. The assignment was in part a response to Waxman's Bill, HR2576, and expected revisions to Section 112 of the Clean Air Act. As a separate assignment, the Executive Committee requested the development of a proactive Air Toxics Control Policy. Coordination between both assignments was necessary to ensure consistency of work products.

The Executive Committee and Board approved the air toxics control policy at the January 1986 meeting. The implementation procedures and proposed legislative principles were also discussed at that meeting. At the March meeting, The Executive Committee Members clarified that they wished to review and approve the legislative principles document prior to its use.

In the interim since the January meeting, it has become less likely that the Congress will take any substantive action on air toxics legislation during this session of Congress. Serious consideration will probably occur in 1987 or 1988. Despite this respite, there is still the need for the Executive Committee to confirm a broad set of principles for current use by the Association in discussing the legislative issues that will be raised in the air toxics debate. The attached legislative positions are intended to bridge that gap between the general provisions in the air toxics policy approved in January, and the more detailed issue papers which will be required later when the Congress seriously considers legislation in this area.

RECOMMENDATIONS:
- Approve recommended broad legislative positions (principles) on key toxic air pollution issues (attached).

- Embargo the updated and detailed air legislative issues briefing book (originally developed concurrently with the air toxics policy.) No further distribution would be made, pending a decision that the legislative situation warranted its use. The limited number of copies previously distributed should be destroyed.

- Priority in the air toxics area should continue to be placed on implemenation of the Association's air toxics policy on a company and plant specific basis.

ACTION REQUIRED:
Approval of Recommendations.

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Exhibit D
Attachment 1

LEGISLATIVE PRINCIPLES FOR PROCESS EMISSIONS

1. Accelerate the development of an inventory of existing air toxics emissions (Air Toxics Control Policy)

Legislative Position

- Legislation is not necessary - covered under existing (CAA) and pending legislation (CERCLA)

If legislation proposed:

- Inventory development should allow for the use of reasonable estimation methods, (engineering calculations)
- Inventory to include all toxic air emissions sources, not limited to chemical industry

2. Use the best scientific information and procedures to assess the impact of these emissions on employees and the surrounding community and to determine the adequacy of control technology in place
3. Move rapidly to reduce these emissions as needed to safeguard employees, public health and the environment (Air Toxics Control Policy)

Legislative Position

- Legislation already in place under the Clean Air Act

If legislation proposed:

- Determine exposure using currently available modeling and engineering techniques
- Use currently available assessment techniques to evaluate impact of process emissions from all sources with existing control technology
- Direct the standard setting process at source categories whose processes and emissions pose unreasonable risk of adverse health effects
  - EPA standards and/or guidelines for states

4. Communicate the results of these actions to appropriate communities and government agencies (Air Toxics Control Policy)

Legislative Position

- Expected to be covered under pending legislation (CERCLA)

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LEGISLATIVE PRINCIPLES FOR ACCIDENTAL RELEASES

1. Identify Materials which if released could pose a risk of harm to employees, community health or safety (Air Toxics Control Policy)

Legislative Position

- Adequate legislation in place or pending (CERCLA) (Community-Right-to-Know)

If additional legislation proposed:

- Develop a procedure to identify materials which if released accidently could cause harm to employees or the community
- The collection of information should allow the use of reasonable estimation methods, (engineering estimates)

2. Use the best available scientific information and procedures to assess the potential for accidental releases in quantities sufficient to adversely affect employees, community health or safety (Air Toxics Control Policy)

Legislative Position

- Use currently available techniques (engineering estimates) to evaluate the potential for accidental releases
- Assess impact from accidental releases on employees and the community based upon reasonable modeling, engineering technology, and health information currently available.

3. Institute programs as needed to protect employees and the community from such potential releases (Air Toxics Control Policy)

Legislative Position

- Legislation is not appropriate, needs to be site specific

If legislation proposed:

- Evaluate adequacy of existing practices and procedures to protect employees and community
- Prepare site specific release prevention control and countermeasure (RPCC) plan; RPCC on site for inspection
- Guidelines instead of regulation

4. Vigorously support and implement the CMA Community Awareness and Emergency Response program, and the National Chemical Response and Information Center program (Air Toxics Control Policy)

Legislative Position

- o New legislation is not appropriate - in place in many states and covered in existing and pending legislation (CERCLA)
- o Guidelines instead of regulations - communications on the local level

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EXHIBIT E

LIABILITY REFORM STATUS REPORT

I. Issue

The ongoing debate over reform of the liability system involves such issues as: the erosion of various principles of liability; procedural incentives to litigation; an escalation of awards to plaintiffs; and a shrinking of the insurance available to various individuals and institutions believed vulnerable to suit. A separate but related issue: whether our judicial system can or should be reformed to address so-called mass toxic torts.

II. Background

Product liability reform has been debated for the past 10 years. In the mid-1970's an insurance crisis triggered product liability reform efforts at the state level. CMA's (then MCA) Executive Committee developed advocacy principles and targeted key states for action. This effort had limited success and achieved little uniformity.

In 1981, the business community shifted its reform efforts to the federal level, where the goal became enactment of a uniform product liability bill that would preempt state laws. In 1985, the business community continued its effort to enact a federal product liability bill. In response to another insurance crisis, significant activity has now mushroomed at the state level. The focus in the states has now broadened to cover general tort law reform.

III. Advocacy Update

- Federal Legislative Initiatives. Activity is focused in the Senate Commerce Committee. Senator Danforth (R.-Mo.) Chairman of the Committee, is developing a new draft of his product liability legislation (S. 1999). This draft is expected to delete earlier public compensation provisions and to replace these with a new settlement procedure. The revised Danforth bill is expected in the next few weeks.

- State Legislative Initiatives. In 1986, an estimated 1200 pieces of legislation have been introduced. While many of these deal with special interests such as the liability of doctors, day care centers and municipalities, others deal with general tort law reform. In addition, many states have established commissions to further study the issues.

- Administration Proposals. In 1985 the Administration formed a Tort Policy Working Group which recently recommended eight reforms to the current tort system: a cap on non-economic damages; elimination of joint and several liability; reduced awards when claimants are compensated from collateral sources; a return to a fault-based standard of liability; and a limitation on attorney's contingency fees.

IV. CMA's Current Advocacy Strategy

CMA's efforts are directed toward:

- encouraging other groups to take the lead;
- providing targeted assistance to these groups;
- taking appropriate steps, when necessary, to ensure that chemical industry concerns are met and that this industry is not singled out for unfair treatment.

V. CMA's Participation in Coalitions

The Product Liability Alliance is an organization of more than 250 businesses and trade associations who seek uniform national standards for product liability law. This group has been the main vehicle for business efforts to enact federal legislation. CMA's Office of General Counsel represents our interests in this group.

The American Tort Reform Association (ATRA) is a broad based coalition organized solely to address the issues of liability, availability of insurance and reform of the tort system. CMA's State Affairs Division participates in this effort to help develop solutions to the liability crisis.

The American Legislative Exchange Council's (ALEC) National Project on Risk and Liability was created to produce and market a program of basic state tort reform. A task force of state legislators and a private sector coordinating council are working together to create model legislation. CMA's State Affairs Division participates in this effort.

Chamber of Commerce Civil Justice Action Group works with the U.S. Chamber staff to develop the tools for a national lobbying, media and communications campaign that focuses on the liability crisis. It is comprised of a broad spectrum of industrial interests. The Chamber's Board has made liability reform the top priority of the Chamber's agenda. CMA's General Counsel represents our interests in this group.

The Liability Crisis Working Group meets periodically and informally as a forum within which Washington, DC based senior representatives of coalitions, corporations and business and professional associations interested in liability reform exchange information on their respective policy and advocacy activities. CMA's General Counsel represents the association in this effort.

VI. Other Advocacy Participants:

The Business Roundtable has made tort reform the fourth of its ten major issues. It has established three support committees (one each for lawyers, Washington representatives and public information specialists) and three task forces (one each for 1. product liability and government contractors' liability; 2. toxic torts, vaccines, pharmaceuticals and medical devices; and 3. liability insurance, professional liability and state tort reform.)

The American Petroleum Institute is evaluating its policy in the broader context of tort law reform. This issue will be discussed further in the near future, and approval of a policy statement is expected shortly.

The National Association of Manufacturers has made liability reform at the federal level its third highest priority. These efforts are directed through its Loss Prevention Control Act Committee.

The Pharmaceutical Manufacturers Association is working through its legal department and regional directors to monitor legislative developments for advocacy attention by member companies. Through a Board level committee it advocates association policy on federal liability proposals.

VII. CMA's Advocacy Structure and Activities

The Public Compensation Task Group of the CMA Health and Safety Committee develops policy statements and background papers on public compensation, workers compensation, product liability, and tort reform.

The Product Liability Task Group of the CMA Government Relations Committee monitors the Federal arena, assembles appropriate legal and technical assistance, and works through member companies to participate in the regulatory and legislative arena.

The State Tort Reform and Insurance Task Group of the CMA State Affairs Committee monitors the State arena for developments on tort reform, liability insurance, product liability, and public compensation. The Group works through member companies, state chemical industry councils, and other business organizations.

The (recently created) Special Committee on Insurance will serve as a resource for other CMA committees on insurance related matters; as a client in developing insurance advocacy communications with government; as host of a biannual forum on CMA member insurance issues.

Current CMA Activities

- Preparing to respond to new Danforth proposals.

- Preparing to respond to the Administration's proposals.

- Developing a white paper for state level advocacy on liability reform issues of priority CMA concern.

- Developing a proposal for coordination of industry monitoring of state activity through the Council of Chemical Associations.

V. Academic and Foundation Activities on the Toxic Torts Issue.

Several studies of the special problems said to be presented by so called mass toxic torts and related issues have been or are being conducted, such as the following:

1. Rand Corporation's Institute for Civil Justice study: Asbestos in the Courts: The Challenge of Mass Toxic Torts

2. Final Report of the Conference Panel - Conference on Causation and Financial Compensation, Institute for Health Policy Analysis, Georgetown University Medical Center.

3. Project on Environmental Liability of the University of Houston Law Center

IV. Action Required

None - for information only

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TAX REFORM LEGISLATION UPDATE
By St. Clair Tweedie, American Cyanamid Company

The Senate Finance Committee has begun markup of the tax revision package of Chairman Bob Packwood (R-OR). The Packwood proposal continues the basic philosophy established in H.R. 3838 as passed by the House and would shift $184 billion in tax revenues now paid by individuals to business taxpayers over a five year period. The Packwood proposal also meets the overall tests imposed by President Reagan to provide lower tax rates and higher personal exemptions for individuals and greater incentives for capital formation than the House bill.

Like the House bill, the Packwood proposal is financed by significant increases in the taxation of capital intensive businesses. The proposal would repeal the investment tax credit. However, it would provide lower corporate tax rates, more generous depreciation benefits and less severe tax treatment of foreign income than would the House-passed tax bill.

The initial markup decisions of the Senate Committee on Finance lost much of the expected revenue raising capability of the Packwood proposal. Through April 17, committee decisions had expended some $29 billion more than projected by Chairman Packwood. At the behest of 55 Senators (including a majority of the Finance Committee), Chairman Packwood agreed to hold an April 21 hearing on the highly controversial provision in his program to repeal the deduction for business excise tax and tariff payments. Moreover, Senator Packwood is reported to have recently admitted that at the conclusion of his committee's initial markup he anticipates the bill would be as much as $100 billion short of revenue neutrality. Other observers projected a probable shortfall at well over $150 billion, an unacceptably high level of deficit if the bill is to meet the budget restrictions imposed by the Gramm-Rudman-Hollings legislation. Thus, if the bill is to become law, Chairman Packwood now faces the difficult alternatives of forcing his committee to trim the costs of the recently adopted changes or to seek alternative sources of revenue.

Discussion of revenue alternatives once again centers on the business transfer tax (BTT) proposed by Senator Roth (R-Del). In this regard, prospects for the BTT are buoyed by reports that the Bailey Tax Commission will announce in the near future that Canada will put in place this year a 6-percent value-added tax with border adjustments. President Reagan has stated unequivocally that he opposes all new taxes and consumption taxes in particular. Thus, prospects for Senate passage of the Packwood tax proposal, as modified by the Finance Committee, now appear greatly diminished.

The possibility that the Senate could nonetheless act this year on an abbreviated tax proposal cannot be ignored. By a vote of 72-24, the Senate recently adopted the Boschwitz-Symms resolution which would establish the priority of deficit reduction legislation over tax reform legislation for Senate floor action. Earlier the Senate Budget Committee reported a budget resolution for Fiscal 1987 that calls for tax increases of $72 billion over a three year period, $18 billion of which would occur in 1987. The revenue targets in the Senate Budget Committee resolution could be reached in a package that would repeal all or a portion of the investment tax credit, adopt a new, alternative minimum tax and would provide individual tax rate reductions and additional assistance for the working poor. Senate action on this abbreviated tax package could occur at any time before year's end without regard to action taken on tax reform legislation. Since the investment tax credit and the alternative minimum tax are both high exposure areas for the chemical industry, CMA must remain alert to this possibility for the remainder of the 99th Congress.

CMA Programs and Achievements

CMA's tax legislative program has centered on three basic policy objectives:

- To seek the largest possible share of total revenues distributed in tax reform legislation for capital intensive enterprises.

- To emphasize the specific problems of those proposals that would increase the present tax costs of chemical manufacturing.

- To defend against the possibility that any revenue shortfall in proposed tax legislation would be supplied by new revenue sources that would fall heavily on manufacturing and the chemical industry.

In pursuit of the first objective, CMA has joined several related business coalitions to improve the provisions in Senator Packwood's proposal that have direct impact on capital intensive industries. Since there was little positive response among Senate Finance Committee members to arguments for preserving the investment tax credit, CMA has focused attention on the depreciation provisions of the Packwood proposal. In this respect, the business coalitions of which CMA is a member were successful in persuading the Senate Finance Committee in its initial markup round to adopt depreciation amendments that would increase the share of revenues to capital intensive enterprises by more than $15 billion over the original proposal. CMA has strongly maintained in these coalitions and before the Finance Committee that the provisions on capital cost recovery, super inventory accounting and minimum tax are very closely related and that generous capital cost recovery provisions are meaningless unless accompanied by parallel changes in the other areas.

Most of CMA's tax legislative advocacy documents and initial Senate contacts have been directed to the second of these objectives, to emphasize the specific problems of those proposals that would increase the present tax costs of the chemical industry. These initial efforts have already been successful.

For example, CMA supported as a basic item of its tax reform program extension of the moratorium on the application of Treasury Regulations Sec. 1.861-8. These regulations would have required mandatory allocation of U.S. research expenses to foreign income and would have increased industry tax costs by an estimated $300 million annually. In the recently passed budget reconciliation legislation, Congress extended this statutory moratorium an additional year for all corporations with taxable years that begin before August 1, 1986.

In addition, CMA strongly supports the retention of present tax treatment of foreign income. The Packwood proposal, as modified by the Finance Committee, is very close to present law in many significant respects. CMA is endeavoring to maintain and improve these provisions.

Perhaps the most important role served by CMA to date has been to attack certain alternative revenue sources suggested to finance tax reform legislation. In this respect, CMA continues to oppose oil import fee legislation and the proposal to repeal the deduction for business excise tax and tariff payments. CMA has testified on four occasions this year - both directly and as a member of an energy users coalition - opposing oil import fee legislation. In addition, CMA is submitting a statement to the Senate Finance Committee opposing the repeal of the deduction for business excise tax and tariff payments. Over 55 Members of the Senate (including a majority of the Finance Committee) have expressed opposition to this proposal that represents $62 billion of the revenues that would be produced by the Packwood proposal.

The Tax Policy Committee has developed a "fallback" position on capital cost recovery that encompasses tax depreciation, inventory accounting methods and the alternative minimum tax. CMA tax legislative teams continue to meet with tax staff assistants in the offices of Members of the Senate Finance Committee and other Senators. CMA continues to identify new issues affecting the chemical industry as they arise and to work in coalition efforts with allied business groups to oppose those aspects of tax legislation that would adversely affect capital formation and international competitiveness issues. Through the Government Relations Committee's Taxation Task Group, CMA coordinates all routine activity including the refinement and implementation of the overall legislative work plan.

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EXHIBIT G

Superfund Status Report
Legislative Review
By Wells Denyes, Eastman Kodak Company

The Superfund conferees met twice a week throughout most of March to consider the programmatic portion of the bills. Although scores of issues have been resolved, so far the conference has dealt only with the "easy" issues. The more significant and more difficult issues have not yet been addressed. Conference Chairman John Dingell and Senator Stafford have directed the staff to continue to meet, but meetings of the conferees will occur only upon the call of the chair. It is evident that the programmatic conferees do not want to finalize action until there is some evidence that the funding differences can be resolved.

Staff for the tax conferees has met on several occasions, but little headway is being made. Staff is apparently receiving no direction from members on how the substantial difference on the approach to funding can be resolved. Ways and Means Chairman Rostenkowski continues to say that until the programmatic conferees have reached some agreement on the total amount of money that will be needed for Superfund, there is no need for the tax conferees to meet. In response to this position, the programmatic conferees did try to reach an agreement on the total dollars that will be needed. The Senate proposed a fund of $8.5 billion for the cleanup program only. The House rejected this offer and counter-offered with a $9.9 billion package that included $8.9 billion for cleanup, $.7 billion for the underground storage tank program and about $.3 billion for the oil spill program. Thus far no agreement has been reached.

On March 20 and 21 the House and Senate agreed, under unanimous consent, to a $150 million funding for Superfund to continue the program through May 31. This money will come from a repayable transfer to the Hazardous Substance Response Trust Fund from general revenues. There was concern that without this approval EPA would begin cancelling contracts and dismantling the Superfund program on April 1, which is the date EPA Administrator Lee Thomas had said that EPA would run out of money. On April 1, the President signed this into law and immediately thereafter Mr. Thomas announced a plan to accelerate EPA's cleanup program.

There appears to be a very strong reluctance in Congress to provide another short-term extension beyond June 1. Therefore, pressure is developing to achieve full reauthorization within the next two months.

CMA continues to be actively involved in working with the conferees and committee staffs on both the programmatic and funding portions of the Superfund bills. Special attention is being given to cleanup standards, settlements procedures, cleanup schedules, and the emissions reporting requirement. On funding, CMA's efforts focus on the unfairness and inequity of the House-passed bill and the need to include a broad-based source of revenue as part of the final package.

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