SM-37 (Rev. 9-57)

SHELL OIL COMPANY

DATE JULY 31, 1978

TO VICE PRESIDENT - HEALTH, SAFETY & ENVIRONMENT

FROM CORPORATE MEDICAL DIRECTOR

SUBJECT RECOMMENDED ACTIONS TO BE TAKEN ON RETIREMENT OF EMPLOYEES WHO HAVE BEEN PARTICIPATING IN MEDICAL SURVEILLANCE PROGRAMS

A growing number of chemicals and process materials used in American industry today, as you know, are being identified as having potentially harmful long-term effects on humans. Like many other companies, Shell provides medical surveillance for active employees with specific exposure potential. On retirement, surveillance ceases abruptly.

Recent inquiries from retiring Shell Development Company employees accelerated our consideration of what approach the Company should take when employees participating in such surveillance programs retire or terminate. Since this determination impacts on the entire Company, Legal, Employee Relations and Medical joined forces in this study. The proposals emerging from this study, following discussions with interested management, are:

1. That Shell has a clear legal obligation today not only to provide a safe place to work and to warn employees of known hazards in the workplace, but also to provide pre-separation counseling for all employees participating in special medical surveillance programs at the time they terminate or retire (see attached legal discussion, page 1). We recommend, accordingly, that pre-separation counseling take place within six months of the affected employees' separation dates, advising them of all known possible long-term injurious effects that might result from their exposure to suspect substances during their work careers.

2. That there are sound justifications for extending medical surveillance for selected retirees, on a project basis. Extended medical surveillance projects would be initiated on a chemical-by-chemical basis depending on the scientific evidence available relative to each particular substance. Any extended medical surveillance project would meet the following criteria: a) be recommended by Shell health professionals and approved by senior management or, b) be mandated by law or regulation.

Individuals terminating for reasons other than retirement would not be included in any post-separation surveillance project mainly because of the difficulty in staying in touch with such individuals; moreover, there is also the probability that such individuals would encounter new exposures beyond the ability of the Company to define or evaluate.

The benefits that could derive from selected post-retirement surveillance projects are many:

a. Surveillance can facilitate early discovery of possible cancer, and thus early treatment and improved survivability which will be a direct benefit to the employee as well as the Company.

b. The data gathered will permit us to confirm or deny present health and safety practices - for the benefit of present and future employees - at the earliest possible date.

c. The Company stands to benefit substantially from epidemiological studies of this data - in bottom line savings - if just one Shell chemical or product is "cleared". Some liability claims are ahead whether or not we take these steps. If we do, the data can assist in Shell's legal defense, should the need arise, by permitting the Company to refute or mitigate claims and to avoid the charge of negligence.

d. This selective effort can also lead to employee relations and public relations benefits to the Company by giving employees, the Government, unions and other industry critics hard evidence of a company living with the spirit as well as the letter of the law.

The proposed extended medical surveillance projects would not place Shell on the frontier of a new medical activity. A number of other companies, particularly those involved in chemical production, are already involved in post-retirement examination activities of varying scope. A survey conducted by Corporate Medical in late 1977 revealed that of seventeen responding companies, eight are already actively engaged in post-retirement medical surveillance of certain groups of employees. The number of employees covered by these programs varies in individual companies from as few as 10 to as many as 3,000. Additional details of this survey are provided in the attached booklet.

Cost projections for post-retirement examination projects are difficult to develop. The relevant variables include direct examination costs, the number of chemical substances to which surveillance will be keyed, degree of retiree participation, inflation and regulatory/legislative developments. In the attached booklet we have presented projected costs of two hypothetical cases:

1. In the first case, projections are based upon the assumption that post-retirement medical surveillance projects are initiated for those retirees exposed to five specific chemicals (benzene, vinyl chloride, asbestos, epichlorhydrin and propane sultone). In this instance the number of retirees being added to the program each year would approximate 50 and total number of eligible employees would reach approximately 1,000 after 22 years of operation. At this point in time, total direct cost would approximate $220,000 in 1978 dollars. This figure represents the probable maximum annual cost of projects for the five chemicals noted. Costs in the early years, of course, would be much lower. Our estimate of total direct cost in the second year of operation is $54,000.

2. The second case is, we currently believe, a "worst case" projection based on the assumption that regulatory or legislative action might force us to provide post-retirement examinations to all employees potentially exposed to chemicals, no matter the degree of hazard. Under such conditions we project the maximum number of eligible employees at 2,500 and the annual total direct costs at $500,000.

The cost estimates noted above are based upon 100% participation of all eligible employees and do not include factoring for inflation.

Relevant legal trends and the scope of our current medical surveillance programs on active employees are presented in the attached booklet. The booklet also includes an agenda of projected implementation steps should this proposal be approved. It is our judgment that it would take from 6 to 9 months after approval to do the necessary spade work and initiate the counseling and surveillance projects, with the first meaningful report to management coming about 18 months after approval.

I will be pleased to discuss this further with you at your convenience.

R. E. Joyner, M.D.

cc - Mr. D. H. McClintic
Mr. D. A. Bruce

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