EXHIBIT D

RECOMMENDATIONS FOR STATE ADVOCACY IMPROVEMENTS

Background

The Board Advocacy Committee is proposing a major expansion and upgrading of the chemical industry's state advocacy system. The increase in state and local activities has become critically important to the chemical industry. This increased activity is the result of frustration with the pace and extent of federal activity, the evolution in the power of state government, the Reagan administration's "New Federalism", federal budget constraints, and the focus of activist groups on state and local government as a vehicle for change.

The industry continues to face the traditional plant operations issues such as health, safety, air, water and waste laws. However, there is an increasing trend at the state and local level to attack markets, products and distribution channels. Examples of these include Proposition 65, Massachusetts Toxics Use Reduction (product taxes and bans), tort law changes, groundwater legislation, plastic packaging bans and hazardous materials transportation restrictions.

The chemical industry's response over the years has been threefold. First, state chemical industry councils (CICs) exist in some form in 21 states. While some of these organizations are strong and effective and date back 30 years or more, most are relatively recent additions with partial programs, no staff, low resourcing, and uneven participation by member companies. If Texas, Louisiana and New Jersey are excluded, the remaining 18 CICs have an average budget of $32,000 per year.

The second element of the industry's response has been to rely on member company's plant managers and state government affairs personnel to represent the industry. The restructuring of several years ago and the increasing demands placed on plant managers has resulted in a reduced capability, despite the exceptional efforts of dedicated individuals. Similarly in many companies, corporate staff do not have either the responsibility or the resources to support state advocacy.

Finally, CMA has provided organizational, program and issue support to CICs since 1980. While the assistance has been valuable, it has not been available on the scale necessary to meet the challenge currently facing the industry. It has also not provided a mechanism for CMA to take direct action in states without CICs. In addition, CMA's own needs continue to grow for state groups to help implement national initiatives such as CAER, respond to issues such as Title III, and to assist on national grassroots and media relations programs.

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Board Advocacy Committee Activities

State affairs was one of the two most often mentioned, major challenges facing the chemical industry in the survey of CMA's Board in 1987. It was also discussed frequently at the regional executive contact meetings the year before. For these reasons, it was among the three initial areas selected last fall by the Advocacy Committee for review. A State Task Group composed of Bob Davis of Chevron, Pete Ifland of Procter & Gamble and Quinn Stepan of Stepan, together with a group of senior member company [redacted] was formed. This task group submitted preliminary findings to the committee in June and a final report in September. These recommendations were endorsed by the full Advocacy Committee in September and preliminary presentations were made to the Board and Executive Committee. The full report was mailed to all Board members in September and an additional copy has been included in the mailing of Board materials.

Recommendations

The Advocacy Committee makes the following recommendations for a strengthened state advocacy program and believes that it is the minimum program necessary if the industry is to be successful. It is centered on an integrated state advocacy system comprised of CMA, state CICs, and member companies. While those are the basic elements of the existing structure, the new system will be more coordinated, better resourced, professionally staffed at the state level, and have carefully defined roles and specific expectations from each of the various elements. Implicit in these recommendations is a cultural change within member companies and CMA that places increased importance on state issues and makes their management an organizational priority at parity with our collective federal effort. The specific recommendations include the following (References are to the applicable sections of the full report):

- CMA sponsorship of a Chemical Federation of independent, state CICs which are professionally staffed and advocacy oriented. This would be a voluntary organization of independent CICs who agree to implement a program consistant with this report. In return, CMA will provide temporary organizational seed money and other ongoing program and issue support necessary to bring an individual state program up to the agreed upon level. Total cost over the six year period of this program: $6 million. (Section IV A4)

- Creation of a CMA Federation Fund to provide ongoing support to individual CICs for programs or projects determined on a case-by-case basis to be of national significance. These could include litigation on a precedent setting law or regulation, developing a model education program, or a piloting innovative grassroots, communications or community relations program. Annual ongoing cost: $200,000. (Section IV B).

- Establishment of a base set of program elements for an enhanced state advocacy program which each CIC must adopt as a condition of participating in the Federation. In addition, support activities are identified that member companies and CMA must provide to the CICs to achieve these objectives. (Section III B)

- Provision of additional resources to CMA's technical, legal, communications and government relations departments to adequately support Federation CICs in their advocacy programs. Annual ongoing cost: $300,000. (Section IV C)

- Authorization for direct CMA advocacy in non CIC states on a selective basis on issues of national significance. Annual ongoing cost: $200,000. (Section IV D)

- Creation of a CMA State Affairs Department headed by a Vice President. Annual ongoing cost: $125,000. (Section IV E)

- Commitment by CMA Board Members/Executive Contacts to provide personal leadership to individual CICs during the period when CIC programs are being upgraded to the required base level. In addition, senior management is requested to provide ongoing involvement, support and assistance to CICs on selected state advocacy issues. (Section IV E)

Resources Required

- CMA. The direct incremental cost to CMA over the first six years of the program is estimated at $10.8 million. Of that amount, $6 million is for disbursement to CICs as organizational seed money and the remainder is for CMA advocacy and program support, estimated at $825,000 per year. The organizational seed money to CICs is scheduled to terminate at the end of 6 years. The internal CMA resource needs are ongoing. See Attachments C and F of the report for annual and cumulative cash flow projections.

- Member Companies. In addition to supporting the direct CMA costs, member companies will be expected to significantly increase their direct participation in individual CICs (dues and sweat equity) and to ensure that their corporate staff functions will be responsible for supporting state advocacy. An important element of the recommendations also calls for senior management attention and direct support for CIC activities. See Attachments D and E of the report for possible member company roles and senior management assignments.

Action Requested

Approval of recommendations. If approved, specific budget requests for the program components would be made to the Finance Committee for Executive Committee and Board consideration as part of the budget process for the June 1, 1989 - May 31, 1990 fiscal year. Although the program would be targeted to begin on June 1, 1989, individual elements could be brought forward for approval sooner if the need arises.

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EC 10/30/88
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