A G E N D A
MEETING OF THE CMA BOARD OF DIRECTORS
9:00 a.m., Tuesday, October 5, 1982
Palmer House, Chicago, Illinois

			TAB
9:00 a.m.	1.	Call to Order and Approval of Minutes of Meeting, August 30-31, 1982 -- Chairman Simeral	
9:01-9:05	2.	Treasurer's Report -- Gary C. Herrman	1
9:05-9:15	3.	Report of the Executive Committee -- Chairman Fernandez	
9:15-9:30	4.	Report of the Finance Committee -- Chairman Sella	
9:30-9:40	5.	Report on EPA Matters -- Chairman Simeral	
9:40-9:50	6.	Communications Committee's Overview; 1982-83 and Beyond -- Richard L. Wilson	2
	7.	Association Activities:	
9:50-9:55		a. Report of the President -- Robert A. Roland	
9:55-10:10		b. Proposed Policy re Vredeling Proposal -- Leo H. Johnstone, Phillips Petroleum Company	3
10:10-10:40		c. Report of Chairman, Distribution Committee -- D. G. Griffin, PPG Industries, Inc.	*
10:40-11:10		d. Report of Regulatory Impact Special Committee -- Jackson B. Browning, Union Carbide Corporation	4
11:10-11:20		e. Report of Technical Director -- Geraldine V. Cox	5
11:20-11:30		f. Report of Director of Government Relations -- William M. Stover	6
11:30-11:35		g. Report of Director of Communications -- Richard L. Wilson	7
11:35-11:45		h. Report of General Counsel -- David F. Zoll	8
11:45-11:50	8.	New Business	
11:50 a.m.	9.	Adjournment	

*Committee report previously distributed in advance of August Board Meeting.

Next Director's Meeting: Monday and Tuesday, January 10-11, 1983, Ocean Reef Club, Key Largo, Florida

MINUTES of the two-hundred ninetieth meeting of the Board of Directors of the Chemical Manufacturers Association, Inc., held at The Palmer House, Chicago, Illinois, on Tuesday, October 5, 1982 at 1:30 p.m.

Directors:
William G. Simeral, Chairman
Edwin C. Holmer, Vice Chairman
Richard G. Askew
Dexter F. Baker
Harry W. Buchanan
A. A. Burris, Jr.
Carlyle G. Caldwell
Lester E. Coleman
Louis Fernandez
John T. Files
Joseph P. Flannery
Vincent L. Gregory, Jr.
Robert W. Gutheil
Ben C. Hayton
James B. Henderson
Paul F. Hoffman
Ray R. Irani
John S. Ludington
Raymond H. Marks
Dwight C. Minton
Fred W. Montanari
John D. Ong
Toy F. Reid
Robert A. Roland
David L. Rooke
Vincent A. Sarni
James F. Schorr
Harold A. Sorgenti
Allan J. Tomlinson
Edward A. Von Doersten
Louis G. Zachary

Secretary: Bruce M. Barackman
Treasurer: Gary C. Herrman
General Counsel: David F. Zoll

By Invitation:
Peter R. Agnew, CMA
Jackson B. Browning, Union Carbide Corporation
Geraldine V. Cox, CMA
John E. Dull, E. I. du Pont de Nemours & Company
Donald G. Griffin, PPG Industries, Inc.
Leo H. Johnstone, Phillips Petroleum Company
Timothy F. O'Leary, Jr., CMA
Victor H. Peterson, CMA
Ernest S. Robson, Jr., (SOCMA), Monsanto Company
James H. Senger, Monsanto Company
William M. Stover, CMA
Richard L. Wilson, CMA

1. The meeting was called to order by Chairman Simeral.

2. MINUTES OF THE LAST MEETING

The minutes of the August 30-31, 1982 meetings were approved as distributed.

3. RESIGNATION OF DIRECTOR

Mr. Simeral announced the resignation of Richard C. Ashley, Director of the Association, effective September 14, 1982.

ON MOTION, duly made and seconded, it was

VOTED: That A. Clark Johnson, President of Allied Chemical Company, be elected to fill the vacancy on the Board and the Executive Committee through May 31, 1983.

4. TREASURER'S REPORT

Mr. Herrman's report is attached as Exhibit A. Additionally he advised that cost cutting measures, implemented several months ago, are taking effect. The control mechanisms to insure that the budget reductions will be realized have been put in place. The requests for estimated 1982 calendar year sales, needed for budget planning purposes, have been mailed. Responses by November 1 would be appreciated.

5. REPORT OF EXECUTIVE COMMITTEE

Chairman Fernandez reported the following actions taken by the Executive Committee the preceding day:

- Approved CMA's participation in the United States Council for International Business.
- Approved the attached Proposed Policy on the Vredeling Proposal. Exhibit B.
- Heard a review of CMA's position on natural gas deregulation and, following a discussion of tactics to be employed in implementation of established policy, agreed to press the White House to take a position after the elections for natural gas deregulation. Meanwhile, CMA's Energy Committee has been requested to reconsider the tactics to be pursued in the event the Administration does not provide the desired leadership.
- Approved membership surveys on: constituent communications, chemical company activities to reduce unreasonable risk to health and the environment, and foreign investments.
- Heard from General Counsel regarding the possibility of CMA participating in one of the current suits relating to abandoned waste sites brought under the Superfund statutes. No conclusion was reached. The Executive Committee will respond to Mr. Zoll on this matter shortly.
- Heard a report from Finance Committee Chairman Sella relative to the amended budget document for fiscal year 1982-83 previously distributed to all Directors of the Board.

This budget: reduces expenditure levels by approximately $300,000 to accommodate an expected shortfall in fiscal 1982-83 revenues; provides for about $100,000 in additional expenses for an expanded state activities program; and reflects an indefinite postponement of the T.V. ad program and revision of the print ad program. The Executive Committee approved the amended budget for fiscal year 1982-83 per Exhibit C and reduction of the communications program special assessment from 40% to 20% as recommended by the Finance Committee.

ON MOTION, duly made and seconded, it was

VOTED: To approve the actions of the Executive Committee as reported by Chairman Fernandez.

6. REPORT OF REGULATORY IMPACT SPECIAL COMMITTEE

The executive summary of the committee report is attached as Exhibit D. Following supplemental remarks by committee chairman Jackson Browning, the term of the committee was renewed for one year.

7. REPORT ON EPA MATTERS

Chairman Simeral described a recent meeting between CMA officers and EPA's Administrator and key staff. One issue discussed was the matter of EPA and the Department of Justice suing on hazardous waste sites. EPA can be expected to deal more forthrightly with the parties in future waste site settlements and also give proper credit to those contributing to cleanup expenses. A more knowledgeable person has been appointed to manage these matters in EPA which should result in more fair treatment of those involved in future settlement negotiations. However, no relief is in prospect for waste site issues such as strict liability. The alternative is litigation. Nor can accommodation by EPA be expected in other areas of concern such as Section 112 of the Clean Air Act or the BAT requirement of the Clean Water Act.

8. COMMUNICATIONS COMMITTEE'S OVERVIEW; 1982-83 AND BEYOND

Mr. Wilson's report is attached as Exhibit E.

9. ASSOCIATION ACTIVITIES

(a) Report of the President

- A special orientation session was held for new Board members at the August meeting. By request of those who missed it, this will be repeated at the January meeting. Others who are interested are also welcome.

- The following new task groups have been established: a Government Affairs Task Group by the Communications Committee, a Legislative Communications Task Group by the Government Relations Committee, and a RCRA Risk/Cost Policy Model Task Group by the Regulatory Impact Special Committee.

(b) Proposed Policy re Vredeling Proposal

Mr. Johnstone elaborated on the proposed policy concerning the Vredeling proposal, Exhibit B, and the measures being taken to defeat it, or at least water it down.

ON MOTION, duly made and seconded, it was

VOTED: To endorse the joint U.S. Council for International Business and the National Foreign Trade Council position on the Vredeling proposal as set forth in Exhibit B.

Mr. Roland then reported on the September 17 Brussels US/EC meeting, at which CMA was represented on Confidentiality of identity in EC's European Inventory of Existing Chemical Substances and in Premarketing Notification of new substances. There were no significant changes regarding lack of confidentiality reflected in the reporting instructions implementing the Sixth Amendment. This results from a failure in the formulation stages, of the European national trade associations and CEFIC, to effectively advocate the concerns expressed by the U.S. chemical industry. We, through our company representatives in Europe, should take a more active role in the European national associations, to protect our interests. CMA will continue its support to those working in our interest in this area.

(c) Report of the Distribution Committee

The executive summary of the Distribution Committee report, previously distributed to the Board, supplemented with Chairman Griffin's report, is attached as Exhibit F.

(d) Report of Technical Director

Dr. Cox supplemented her report, Exhibit G, with a narration of the details of the Livingston, Louisiana rail accident involving several tank cars of chemicals.

(e) Report of Director of Government Relations

Mr. Stover's report is attached as Exhibit H.

(f) Report of Director of Communications

Mr. Wilson's report is attached as Exhibit I.

(g) Report of General Counsel

Mr. Zoll supplemented his report, Exhibit J, by describing briefly some important issues which CMA must address in the areas of victims' compensation funds and product liability litigation to be considered at a special meeting of the Executive Committee.

10. NEW BUSINESS

- Mr. Peterson described the program arranged for the second annual meeting of state organizations scheduled in conjunction with CMA's Semiannual Meeting. Support of state CICs is a part of the Association's growing involvement in legislative and regulatory matters at the state and local level.

- Chairman Simeral announced with regret the resignation, for financial reasons, of the USS Chemicals Division of United States Steel Corporation. Efforts will be made to persuade them to reconsider their decision.

Bruce M. Barackman

Bruce M. Barackman
Vice President-Secretary

Certified correct:

W. G. Simeral

William G. Simeral
Chairman of the Board

EXHIBIT A

TREASURER'S REPORT

Four Months Ending September 30, 1982

This report will be prepared and distributed following the end of the month.

For your reference, the following is provided:

- The approved budget and funding for the fiscal year beginning June 1, 1982 and ending May 31, 1983.
- The approved budget for the separately funded Biomedical and Environmental Special Program area as amended.
- Budget modifications in accord with the guidance received at the August Executive Committee and Board meetings will be presented separately.

CMA
EC - 10/04/82
BD - 10/05/82

CHEMICAL MANUFACTURERS ASSOCIATION
APPROVED BUDGET AND FUNDING FOR THE
Fiscal Year Beginning June 1, 1982 and ending May 31, 1983

	1982-83 Annual Budget
REVENUE:	
Membership Dues	$ 9,860,600
Investment Revenue	1,050,000
Revenue from or (Dues Support to) Special Program Areas	(77,500)
Communications Program Assessment @ 40%	3,746,600
Use of Communication Program Reserves	20,600
Meetings (net of expenses)	209,000
TOTAL REVENUE	$14,809,300
DIRECT PROGRAM ACTIVITIES:	
General Counsel	$ 971,700
Government Relations	800,700
International Trade Activities	246,100
State Activities Program	251,200
Chemical Industry's Communications Program	4,963,900
Technical Administration	273,600
Health, Safety & Chemical Regulations	780,400
Environmental Activities	737,600
Distribution, Energy, Engineering	450,100
Chemtrec	642,500
Outside Legal Fees	1,600,000
Outside Consulting	795,000
TOTAL	$12,512,800
UNALLOCATED MANAGEMENT AND GENERAL SUPPORT ACTIVITIES:	
Executive Department	$ 1,291,200
Accounting & Business Services	513,100
Printing, Distribution, Computer & Information Services	492,200
TOTAL	$ 2,296,500
TOTAL EXPENSES	$14,809,300

AUTHORIZED PERSONNEL	147

Note: The above budget and funding does not include the activities and 16 staff of the separately funded Biomedical and Environmental Special Programs area nor does it incorporate the reductions as discussed at the August meetings of the Executive Committee and Board.

CHEMICAL MANUFACTURERS ASSOCIATION
APPROVED BUDGET AND FUNDING FOR
BIOMEDICAL AND ENVIRONMENTAL SPECIAL PROGRAMS
Fiscal Year Beginning June 1, 1982 and ending May 31, 1983

	1982-83 Amended Annual Budget*
REVENUE:	
Overhead Reimbursement	$ 676,500
Investment Revenue	225,000
Publication Sales	1,000
TOTAL REVENUE	$ 902,500
EXPENSES:	
Salaries & Related Expense	$ 442,100
Employee Benefits	92,800
Travel & Staff Training	11,100
Dues, Subscriptions & Publications	1,700
Outside Printing & Graphics	700
Meetings & Workshops	1,100
Direct Postage, Freight & Delivery	23,500
Direct Supplies & General Office	26,200
Taxes & Insurance	83,500
Rent & Occupancy	48,100
Common Cost Expenses	74,500
Administrative Support:	
Technical Administration	32,300
Accounting	27,300
Office of General Counsel	75,000
Printing & Distribution	40,100
TOTAL	$ 980,000
EXCESS REVENUE (EXPENSES)	$ (77,500)

*At its September meeting, the Executive Committee approved an increase in authorized personnel to 16 principally because of the recently added Methylenedianiline program, the cost of which will be recovered from per hour program charges.

AUTHORIZED PERSONNEL	16

EXHIBIT B

PROPOSED POLICY ON VREDELING PROPOSAL

The "Proposal for a Directive on Procedures for Informing and Consulting the Employees of Undertakings with Complex Structures, in particular, Transnational Firms", or the so-called Vredeling proposal, was introduced to the European Community Commission in October of 1980. The Vredeling proposal would require any company doing business within the Community to inform employees of certain business decisions. Specifically, every 6 months the company would supply information on the total corporation and subsidiaries with regard to:

- o structure and manning
- o economic and financial situation
- o current and forecasted business and sales situation
- o employment situation
- o production and investment programs
- o plant closures to improve capacity utilization
- o introduction of new work procedures
- o any other plans likely to have a significant impact on employees

Furthermore, a company must provide a 40 day notice on any decision surrounding:

- o plant closures
- o investment (or disinvestment) decisions
- o major reorganization

Employees are to be given 30 days to respond to such notifications, and should the request be made by employees, consultations with management would be required before the decision could be implemented.

Although the European Parliament's Social Affairs and Employment Committee has amended the original Vredeling proposal, the Parliament will be considering the original text when it debates this issue. The European Parliament began debate on the Vredeling proposal on September 13, 1982, but was required by rules to end debate by 6 p.m. on September 14. As 298 proposed amendments were also offered along with the proposal, the Parliament was unable to reach any conclusions, and has tabled the issue until its October meeting. The Parliament hopes for a substantial consolidation of amendments before that time.

The U.S. Council for International Business (USCIB) and the National Foreign Trade Council (NFTC) have adopted the attached position on the Vredeling proposal.

Recommendation:
The CMA International Trade Committee recommends that CMA endorse the joint USCIB/NFTC position on the Vredeling proposal.

ACTION REQUIRED: Approval of the above recommendation

CMA
EC-10/4/82
BD-10/5/82

EXECUTIVE SUMMARY: Combined United States Council and National Foreign Trade Council Positions on the European Communities' "Proposal for a Directive for Informing and Consulting the Employees of Undertakings with Complex Structures, in Particular Transnational Firms."

I. Overview

The net effect of the proposed EC directive on worker consultation and information disclosure would be to require that management:

a) regularly divulge to workers a wide range of information -- much of it confidential -- on the worldwide activities of the parent company and its subsidiaries both in the EC and in non-EC countries;

b) consult with employee representatives before taking any decision which could affect workers' interests, "with a view to reaching agreement" on the measures planned in regard to employees.

Business favors the timely disclosure of appropriate information relevant to employees' interests. However, national law, collective bargaining agreements and voluntary international instruments already provide an adequate framework for corporate information disclosure. The proposed directive would require the disclosure -- without adequate safeguards -- of confidential information, much of it indeed irrelevant to the receiving parties. Disclosure of such information would seriously impair the competitiveness of companies operating in the EC.

Business also favors appropriate consultation with employees on decisions which affect their interests. However, as with information disclosure, national law, collective agreements and voluntary international instruments already provide an adequate framework. These systems generally include safeguards to ensure that consultation does not impair the economic vitality of the firm. The proposed EC directive does not; in fact, it would delay and deter crucial decisions concerning investment and innovation.

In effect, the proposed directive would give workers representatives broadly defined powers without corollary responsibility for decision-taking. Management's legal responsibility to shareholders would be seriously undermined.

Real employment security for workers is contingent on the vitality of the company and the effectiveness of management decision-making. The proposed directive would impose requirements which would have a negative impact on the interests of workers and which would be inconsistent with the Community's states economic goals.

In particular, the proposed directive would:

a) impair the profitability and competitiveness of enterprises in the EC;

b) delay or deter innovation;

c) discourage new investment and the modernization of facilities, and

d) increase unemployment.

II Specific Concerns

A. The proposed directive would impair business competitiveness

Consultation Provisions

1. Management would be required to consult with workers' representatives before taking virtually any important decision; measures crucial to the competitiveness of the firm would thus be deterred or delayed considerably.

2. If consultation with management of a subsidiary is not satisfactory, the directive provides that employee representatives may deal directly with central management. If central management will not consult, employee representatives have recourse to dispute settlement mechanisms, which would further hamper the implementation of essential corporate decisions.

3. It is not clear from the draft text whether or not the directive would require that "consultations" result in agreement on the measures planned to ameliorate the negative effects on workers of the decision, before management can implement that decisions.

Information Disclosure Provisions

4. Much of the information required is confidential and/or irrelevant to the receiving parties.

5. Confidential business information could be leaked to competitors; the proposed directive includes no effective safeguards -- i.e. sanctions against the information recipients -- to prevent such abuse.

B. The need for the proposed instrument has not been demonstrated

1. Voluntary instruments concerning information disclosure and consultation have only recently been adopted by the ILO and OECD, with the active participation of the EC countries and their close trading partners. These instruments maintain the supremacy of national law and practice and they already have gained wide acceptance among multinational companies. The proposed directive

would undermine these instruments before their effectiveness could be evaluated adequately.

2. Corporate disclosure requirements have increased substantially at the national level both in the EC and in the U.S.

3. Corporations already have instituted policies to keep employees informed of activities which directly relate to employee's interests.

C. <u>The directive would impose serious legal and practical difficulties</u>

1. The directive would require MNE management to inform and consult on the company's activities anywhere in the world, and would thus constitute an improper attempt by the EC to exercise extraterritorial jurisdiction.

2. Even when disclosure and consultation with parent companies outside the EC is not possible, the largest subsidiary within the EC would be required, subject to sanctions, to divulge information on the operations of the company as a whole. However, national laws in non-EC countries (including the U.S.) frequently prohibit the disclosure of certain kinds of information, and a subsidiary has no power under law to compel its parent or other subsidiaries to furnish the required information.

3. Leaks of confidential information could have an anti-competitive effect akin to "advance signalling" between competitors, and is thus inconsistent with the competition goals enunciated in the Treaty of Rome.

CMA
EC-10/4/82
BD-10/5/82

CHEMICAL MANUFACTURERS ASSOCIATION
AMENDED BUDGET AND FUNDING FOR THE
YEAR BEGINNING June 1, 1982 and ENDING May 31, 1983

EXHIBIT C

GENERAL BACKGROUND:

CMA's fiscal year begins June 1. A preliminary budget is largely compiled by early February for review and approval during March and April meetings of the Finance Committee, Executive Committee and Board. The budget and planning process, as it was implemented three years ago, incorporates approval of a current budget against which programs and their expenses are monitored. It also sets forth, in rough terms, a series of estimates for future years.

With continuation of the economic downturn, it was becoming apparent that certain of the revenue assumptions incorporated into the current year budget and estimated for next year were rapidly becoming unrealistic. Specifically, it appeared that member dues during the current year could be some $300,000 less than estimated and that the economic results of current conditions could multiply into a shortfall approaching $1.3 million in member dues by next year. In addition, it appeared that sentiment was growing among the members that a national advertising program on behalf of the industry might well be beyond the level of affordability and advisability in an industry experiencing the economic conditions prevalent during 1982.

With this background, the Association's Officers, the Executive Committee, the Chairman of the Finance Committee and Staff began preparing a contingency plan as presented during the August meetings at Silverado. That plan is presented in summary form in this document. Approval of an amended current year budget is requested to insure that staff has properly implemented the guidance provided.

SUMMARY BACKGROUND - REVISED COMMUNICATIONS PROGRAM & FUNDING:

Guidance was provided to the Communications Committee and staff to present a revised Communications program with related budget and funding that: eliminated national print advertising effective September 1; indefinately postponed consideration of national T.V. advertising and refunded the $581,100 that had previously been accumulated for this purpose; combined all communications expenditures into a single reconstituted program; and which adjusted the previously approved 40% assessment (scheduled for billing in December 1982) downward to accommodate the above changes and reconstituted program. The detail documentation which accommodates these changes are incorporated under tab # 3 of this document.

ACTION REQUIRED:

- Approval of a Combined and Amended Communications budget of $3,565,900.
- Approval of a December 1982 assessment reduction from 40% down to 20%.

SUMMARY BACKGROUND - AMENDED AND REDUCED OPERATING BUDGET FOR FY 82/83:

Guidance was provided to staff to prepare an amended operating budget for the current year which: incorporated the approved expansion in the State Affairs program; reduced the current operating budget by the amount of shortfall anticipated in dues; provided a contribution to reserves of $200,000; and which incorporated no increase in Association authorized staffing even though staffing in the State Affairs area was to be increased from 3 to 6. In preparing the amended budget every effort was made to accomplish expense reductions in those areas where continued restraint would have maximum impact on reducing the expenditures in the forthcoming budget period. The detail documentation which accommodates these changes is incorporated under tab # 2 of this document.

ACTION REQUIRED:

- Approval of an amended budget for FY 82/83 of $13,067,600 (which total includes the combined and restated Communications budget of $3,565,900).

CONSIDERATIONS ON THE BUDGET FOR THE COMING YEAR TO BEGIN June 1, 1983 and END May 31, 1984:

While it remains difficult to predict the exact financial impact of probable reduced chemical sales during 1982 as compared to 1981, the program adjustments made during the current year should have the effect of reducing the total cost to member companies of maintaining CMA programs during the coming year by an estimated 19.8% as compared to levels that were originally anticipated with tight fiscal constraint but without the modifications. With planned additional contributions to reserves this year (bringing total reserves to a level of approximately $4.3 million) and continuation of program constraints initiated this year, the Association should be well positioned to address the coming budget period.

ACTION REQUIRED:

- None, information only.

CHEMICAL MANUFACTURERS ASSOCIATION
SUMMARY OF REVENUE, DIRECT PROGRAM AND MANAGEMENT
AND SUPPORT ACTIVITIES
AMENDED BUDGET FOR THE YEAR
Beginning June 1, 1982 and Ending May 31, 1983

	FY 81/82 AUDITED RESULTS	APPROVED FY 82/83 BUDGET	AMENDED FY 82/83 BUDGET
REVENUE:			
Membership Dues	$ 9,323,300	$ 9,860,600	$ 9,525,000
Revenue from or (Dues Support to) Special Program Areas	27,900	(77,500)	(77,500)
Communications Program Assessment @ 40% (@ 20% amended)	3,503,900	3,746,600	1,886,100
Use of Communication Program Reserves	183,000	20,600	581,100
Investment Revenue	1,795,000	1,050,000	1,250,000
Meetings (net of expenses)	152,500	209,000	147,800
All Other	20,500	--	--
TOTAL REVENUE	$15,006,100	$14,809,300	$13,312,500
DIRECT PROGRAM ACTIVITIES:			
General Counsel	$ 857,200	$ 971,700	$ 884,400
Government Relations	720,900	800,700	755,500
International Trade Activities	222,200	246,100	231,100
State Activities Program	209,400	251,200	333,500
Chemical Industry's Communications Program	4,700,600	4,963,900	3,565,900
Technical Administration	203,100	273,600	266,300
Health, Safety & Chemical Regulations	703,500	780,400	711,100
Environmental Activities	653,700	737,600	699,900
Distribution, Energy, Engineering	399,200	450,100	400,900
Chemical Transportation Emergency Center (CHEMTREC)	582,900	642,500	618,000
Outside Legal Fees	1,744,700	1,600,000	1,600,000
Outside Consulting	739,300	795,000	795,000
TOTAL	$11,736,700	$12,512,800	$10,861,600
UNALLOCATED MANAGEMENT AND GENERAL SUPPORT ACTIVITIES:			
Executive Department	$ 1,191,300	$ 1,291,200	$ 1,254,500
Accounting & Business Services	442,300	513,100	499,300
Printing, Distribution, Computer & Information Services	410,500	492,200	452,200
TOTAL	$ 2,044,100	$ 2,296,500	$ 2,206,000
TOTAL EXPENSES	$13,780,800	$14,809,300	$13,067,600
Contribution to (Use of) Reserves	$ 1,225,300	$ --	$ 244,900

AUTHORIZED PERSONNEL	147	147	146

CMA 073855

CHEMICAL MANUFACTURERS ASSOCIATION

SUMMARY TOTAL OF REVENUE AND EXPENSES

BY NATURAL EXPENSE CLASSIFICATION

COMBINED COMMUNICATIONS PROGRAM

	FY 81/82 AUDITED RESULTS	APPROVED FY 82/83 BUDGET	AMENDED FY 82/83 BUDGET
REVENUE:			
Communications Program Assessment @ 40% (20% amended)	$ 3,503,900	$ 3,746,600	$ 1,886,100
Use (refund) of Communications Program Reserves	183,000	20,600	581,100
TOTAL REVENUE	$ 3,686,900	$ 3,767,200	$ 2,467,200
GENERAL EXPENSES:			
Salaries & Related Expenses	$ 531,200	$ 584,000	$ 559,000
Employee Benefits	95,600	123,400	123,400
Travel & Staff Training	55,900	67,700	58,700
Dues, Subscriptions & Publications	8,700	6,500	6,500
Meetings & Workshops	9,400	49,700	5,700
Outside Media & Public Relations	289,100	368,400	418,400
Regional Communications Program	--	--	100,000
Public Opinion Poll	83,000	90,000	90,000
Outside Printing, Artwork & Graphics	394,400	392,600	372,600
News Materials & Workshops	64,400	55,000	55,000
Outside Material Distribution	53,100	57,000	57,000
Speaker Program Material	--	10,800	10,800
Sales of Material	(89,400)	(30,000)	(30,000)
Audio Visual & PSA's	306,000	327,000	427,000
Sales of Material	(8,700)	(9,000)	(9,000)
Direct Postage, Freight & Delivery	118,200	145,300	145,300
Direct Supplies & General Office	4,900	4,400	4,400
Taxes and Insurance	42,800	47,500	47,500
Rent & Occupancy	89,600	94,400	94,400
Common Costs	134,900	129,200	129,200
TOTAL	$ 2,183,100	$ 2,513,900	$ 2,665,900
MAJOR OUTSIDE EXPENSES:			
Outside Legal Fees	$ --	$ --	$ --
Outside Consulting	--	--	--
Advertising	2,517,500	2,450,000	900,000
TOTAL	$ 2,517,500	$ 2,450,000	$ 900,000
TOTAL EXPENSES	$ 4,700,600	$ 4,963,900	$ 3,565,900
Net Amount Supported by Dues	$ 1,013,700	$ 1,196,700	$ 1,098,700

AUTHORIZED PERSONNEL	20	20	20

CHEMICAL MANUFACTURERS ASSOCIATION

RESERVE AND BUDGET CONSIDERATIONS FOR THE

Fiscal Year Beginning June 1, 1983 and Ending May 31, 1984

GENERAL BACKGROUND:

The amended FY 82/83 budget and program restructuring during the current year was recommended with a very specific purpose in mind - to restructure and implement a contingency plan this year in order to minimize the negative financial impact of anticipated reduced revenue next year. It will not be known with certainty whether or not the corrective action was appropriate and of the magnitude required until 1982 calendar year chemical sales reports are received from the membership during January of 1983.

The contingency plan incorporated restructuring of programs and funding directed toward next year including elimination of National T.V. and print advertising, continued expansion of the ability to address issues at the State level, elimination of the off-cycle 40% communication assessment and recognition of a continuing need for communication efforts but supported by dues at an increased level of approximately 26%.

SUMMARY OF ASSUMPTIONS:

The basis of the planning assumption was that dues next year (because of reduced 1982 chemical sales) would total approximately $9.1 million and an increase in the fee scale of 26% on this reduced base would raise about $2.4 million. Other revenue from interest, meetings and miscellaneous income would total around $1.3 million. Total estimated revenue next year of approximately $12.8 million versus the $15.555 million originally estimated.

Expenses for next year were originally estimated at $15.555 million before the approved expansion in the state activity program of approximately $123,000. With expansion of the state program, total expenses would have been estimated (with tight control but continuation of national advertising) at $15.678 million.

In very broad terms, the changes incorporated this year should preliminarily reduce expenses next year to a level estimated at $13.3 million. The staff freeze and general expense reductions when carried into next year should provide savings of some $600,000, restructuring of the Communications effort should provide savings in the range of $1.3 million (and the ability to prioritize communication expenditure as against all other programs) - leaving a potential deficit of .5 million which could be funded from Association reserves.

Costs to the membership would drop from an originally estimated level of $14,345,600 ($10,411,700 in dues plus $3,933,900 from the assessment) down to $11,500,000 ($9,100,000 in dues plus $2,400,000 as a merged assessment) or a net decrease of 19.8% from original estimates.

A copy of the original budget and estimate is attached for reference.

CMA RESERVES:

CMA cash reserves on June 1 of 1981 totaled approximately $2.9 million. Because of extremely high investment yields and restraint on expenses, these reserves were increased by some $1,225,300 during last year up to a level of $4,124,900 by the beginning of this current year.

With the budget amendments proposed for FY 82/83, CMA's reserves should be further increased by some $244,900 during this year bringing total cash reserves to a level of approximately $4,369,800 as we enter the forthcoming budget cycle.

CONSIDERATIONS:

Many aspects of next year's budget remain uncertain at this early date. Staff is soliciting a sample of member companies to provide the earliest possible information on the impact of 1982 chemical sales on CMA dues. Results of this survey are anticipated by early November.

The amended budget as put into place this year will have the impact of further adding to CMA reserves while positioning the Association to enter the coming year with staffing and expenses already reduced to a minimum level to address previously approved programs. The standing and special committees have been asked to review and establish clearer priorities on the issues which they are recommending that the Association address. The combination of these efforts should result in continuing to focus Association resources toward those areas of highest priority.

EXHIBIT D

REGULATORY IMPACT SPECIAL COMMITTEE

I. EXECUTIVE SUMMARY

The use of regulatory impact analysis has grown steadily in importance through the past three administrations. Bills dealing with risk assessment and analysis of regulations are being considered by both the Senate and House of Representatives. Such analyses are critical to issues that face the chemical industry because regulatory debates will hinge largely on whether benefits are reasonably related to costs.

The Regulatory Impact Special Committee (RISC) was established in late 1981 to define and develop methodologies for use in regulatory impact analysis. Since then, RISC has developed its expertise in the techniques used to analyze regulations. The committee is currently applying those techniques to specific issues of interest to the chemical industry.

RISC is now working in cooperation with the SPAC Arsenic Panel to determine if a threshold exists for a carcinogenic effect in workers exposed to arsenic. Preliminary results indicate that an exposure threshold may exist at about 500 micrograms per cubic meter.

RISC is also examining the risk and economic analyses that EPA used to support its proposed PMN exemptions. Other ongoing projects include examining methods of quantifying the costs and benefits of regulation, and a review of EPA's Risk/Cost Policy Model.

The committee has already provided its expertise to the Environmental Protection Agency in comments on EPA's draft guidelines for regulatory impact analysis and in other comments on EPA's exposure assessment guidelines. RISC developed a checklist for reviewing regulatory impact analyses and has assessed OSHA's regulatory impact for its proposed hazard communication rule. The committee has examined the potential for quantifying the various elements of an analysis and has defined major terms related to regulatory impact analysis.

In the coming year, RISC will continue to refine its knowledge and use of analytical techniques for regulatory impact analysis. The committee has now sufficiently developed its expertise to help other CMA committees analyze risk assessments, regulatory issues or regulatory impact analyses. In addition, the committee will begin to explore ways to educate the public, Congress, regulatory agencies and special interest groups on the principles of risk assessment and regulatory impact analysis.

As these groups continue to examine issues such as the control of carcinogens and reproductive toxins, RISC can play an increasingly important role in CMA's advocacy and public education programs.

REGULATORY IMPACT SPECIAL COMMITTEE
MANPOWER REQUIREMENTS

Company	Number of People	Meeting Man Days	Man Hours
Allied Corporation	1	8	64
Celanese Corporation	1	10	80
Ciba-Geigy Corporation	1	3	24
Conoco, Incorporated	1	7	56
Dow Chemical Company	1	5	40
E. I. du Pont de Nemours & Company	1	10	80
Exxon Chemical Americas	1	9	72
Koppers Company, Incorporated	1	10	80
Mobay Chemical Corporation	2	2	16
Monsanto Company	2	14	112
M & T Chemicals, Incorporated	1	2	16
Procter & Gamble Company	2	12	96
Rohm & Haas Company	2	5	40
Shell Chemical Company	1	10	80
Standard Oil Company (Indiana)	1	6	48
Union Carbide Corporation	1	6	48
	20	119	952
CMA Staff	11	36	288
TOTAL: 16 companies	31	155	1240

CMA 073859

Cost effectiveness of regulations and legislation is a major theme of the Reagan Administration. The CMA Board placed the development and application of analytical techniques necessary to respond to regulatory initiatives under one committee -- the Regulatory Impact Special Committee (RISC). RISC activities represent a streamlining of CMA's impact analyses activities. The committee's total budget for this activity is less than half the amount CMA committees have spent annually to develop this type of technical support documents for CMA. Nevertheless, RISC is now responsible for conducting such assessments.

The RISC budget is divided into two major categories:

- Development of analytical techniques -- approximately one-man year at $40 per hour will be needed to develop the analytical techniques necessary for CMA to address the ultimate effect of regulation and legislation. The development will focus on three techniques: risk assessment, regulatory impact analysis, and surveys.
- Application of analytical techniques -- this represents the minimum funding required to conduct a detailed analysis of a major issue affecting the chemical industry.

* * * * * * * * *

DETAIL OF OUTSIDE EXPENDITURES
REGULATORY IMPACT SPECIAL COMMITTEE

	Approved FY 81/82	Actual FY 81/82	Preliminary FY 82/83
• Development of analytical techniques	$48,000	$2,000	
- Risk Assessment			$ 40,000
- Regulatory Impact Analysis			28,000
- Survey Development			16,000
• Application of analytical techniques			120,000
TOTAL	$48,000	$2,000	$204,000

EXHIBIT E

COMMUNICATIONS COMMITTEE OVERVIEW--1982-83 AND BEYOND

The CMA Communications Committee has received and reviewed the recommendations of the Executive Committee. We fully understand and appreciate the economic circumstances as outlined by Mr. Simeral in his letter to the membership and by Mr. Roland during his visit with our Committee. We concur with the Executive Committee's recommendation for a revised communications program, to include indefinite suspension of consideration of television advertising, elimination, for economic reasons, of the present print advertising program, and a focus on issue advertising in support of CMA's advocacy program.

We support the Executive Committee's recommendation to integrate the ChemCAP assessment into CMA dues. We have a balanced communications program that reflects the involvement and best thinking of the chemical industry's communications professionals. The Communications Committee continues to be committed to making a positive contribution to CMA's advocacy effort in a cost effective way. Our basic goal continues to be: to increase recognition that the chemical industry is committed to doing a responsible job of protecting the public from the health and safety risks of chemicals. This is an issues-oriented goal. Few things are more localized, more personal, than health and safety issues. Therefore, the Department will combine its strong national communications program with local, focused, cost-effective programming.

By definition, an issue is in the public domain. Whether it be regulatory, legal or legislative, a chemical industry issue is a public issue, one which must be confronted, argued and negotiated in full view of the public. CMA must continually vie for the support of public opinion. Because without public understanding the chemical industry will rarely win in the legislative and regulatory arenas or the courts.

To gain this public support, new directions and strategies are required. The benchmarks of the new communications advocacy program are:

- continual interaction between the government relations, technical and communications staff and committees;

- concise priority issue identification that enables us to maximize resources;

- develop reasonable timetables that permit adequate lead-time and long-term resource commitment;

- target messages that have positive impact in specific geographic areas and Congressional districts;

- develop coalitions to expand the results of our communications efforts.

The new program will employ a full complement of communications tools:

o <u>General News Materials</u>

Information is the key to persuasion. CMA informs the press about our positions with personal contact being the key. We distribute press releases, special news features, opinion pieces and backgrounders as an issue demands. Special reports from ChemEcology on current issues are also distributed. "The Chemical Industry Facts File" provides quick and easy access to information about issues for the press and broadcast media.

Contact with the press not only facilitates placement of CMA materials but has resulted in numerous television and radio interviews for CMA staff executives on each of the major commercial television networks, National Public Radio and the Public Broadcasting System.

o <u>Special News Materials</u>

Even more tightly issue-focused are special news materials. The first package--on clean water issues--included a model speech and press release, backgrounders, suggested questions and answers for media interviews and video film clips. Aimed at local management across the country, the package will lead to more involvement at the local level on this issue. Similar packages will be sent out when the Association team identifies an issue which warrants such treatment. In development is a package on hazardous waste disposal.

To keep member-company communications personnel abreast of priority issues, a monthly newsletter will track press comments and reports. A similar newsletter will keep members of the press up to date on major issues and stories.

o <u>Media Tours</u>

Media tours will be planned around a specific issue. They will also be more targeted for maximum impact in specific geographic areas and Congressional districts. On the agenda for 1983: An increase in media tours by 33 percent, and an increase in target markets from 67 to 100.

o <u>Broadcast</u>

CMA now broadcasts a regular series of three-minute radio features, keyed to major issues of the Association and distributed bi-weekly to 1,900 stations. Usage ranges between 40-50 percent, high for this kind of programming. One-minute radio newsfeeds with actuality (voice of the person interviewed) are transmitted when immediacy of impact or reaction is desirable.

Ninety-second television news features are being developed.

superfund and hazardous waste technology were the subjects of the first two features. CMA uses the satellite feed to deliver this programming. Sixty-seven stations from 84 markets requested the feeds, with 21 stations using the materials for a total audience reach of 18,469,000 people. The format of the news features enables a station to run them as is, add its own introduction and conclusion or substitute their announcers for our interviewer-narrator.

o <u>Advertising</u>

Advertising is an important supportive foundation for all of CMA's communications/government relations activities. CMA's new approach will be issue-specific, focused advertising.

o <u>Education</u>

CMA's Catalyst Awards program is building up a reservoir of goodwill and talent that the Communications Department intends to tap. The awards program has honored 134 college and high school teachers. Many of these teachers are favorably disposed to the chemical industry, and we are identifying the proper persons and the proper platform and media outlets for them. One advantage is local credibility. While the college professors could be suitable for regional or even national exposure, they and the high school teachers could command a great deal of authority and respect at the local level.

o <u>Audio-Visual Materials</u>

The postponement of consideration of television advertising (due to economic conditions) does not shut the CMA or industry out of television. The newsfeed gives CMA a highly visible television presence. Three public service announcements from "The Need to Know" film are being distributed to public service directors around the country for use on commercial, cable and public television. Both the 27½-minute feature film and the "Doing Something" film are being distributed to community audiences, public and cable television stations and member companies. Production of future public service announcements is planned.

In the planning stages are the development of television story ideas for weekly shows and made-for-television movies that will portray business in a positive light. CMA is seeking real-life, melodramatic story ideas from its member companies. Also being planned are balanced panel television shows on media, business and environmental issues.

o <u>Consumer Information</u>

While most CMA member companies do not make end products, many influential consumer organizations keep a wary eye on the chemical industry. The Consumer Information Section initiates, develops and maintains mutually beneficial relationships between CMA and a wide variety of consumer, public interest, educational and other influential groups. The aim of CMA here remains the same: through a variety of materials, describe CMA's position on major issues, with perhaps a slight "twist" to the story to make it more consumer-oriented.

CMA works closely with "multiplier" organizations that can transmit its message to millions of viewers and readers at minimal cost. Among these organizations: American Women in Radio and Television, the National Association of Farm Broadcasters and the National Association of Extension Home Economists.

CMA also attends the national conventions of consumer-oriented organizations--exhibiting printed materials, answering questions about the chemical industry and keeping the lines of communications open to the millions of members represented by these groups.

o Publications

With the completion of the six "key issues" booklets and the companion leaflets, a major phase of the publication program has been completed.

CMA News, aimed at 5,000 mid- and top-level management personnel in member companies, keeps those readers up-to-date on a regular basis about CMA and its activities.

ChemEcology keeps its 30,000 general audience readers informed about the industry's efforts to improve the environment and the workplace. About half of ChemEcology's readership is students and teachers, about one-tenth is local government. It runs stories that seldom appear in the public media, as well as backgrounders on vital environmental issues, keeping the press and other publics aware of our position and progress.

o Pilot Regional Communications Program

A new element in the program that reflects our focus on state and local issues is the Pilot Regional Communications Program. The national purpose of the pilot program is to develop a model plan that other states and areas can use to attack their communications problems. Limited to one state, the pilot program will be molded to that state's communications needs and will be carried out by the state chemical industry council or its equivalent, along with support of the companies that make up the council. Funds will be made available by CMA for one year.

The Louisiana Chemical Association has eagerly accepted the task of being the pilot program area. It will begin its program under the guidance of CMA this fall.

To focus on issues from both a government relations and communications perspective, two new CMA groups are being formed. The Communications Committee has formed a Government Affairs Task Group that will work with its counterpart task group in Government Relations, the Legislative Communications Strategy Task Group. These two groups will assure that committee members and other task groups are addressing priority issues. They also will review grass roots lobbying implications of various communications programs and their potential effect on communications.

The Communications Committee is gratified to have a strong commitment from the CMA Executive Committee and the Board of Directors to support and participate in this new, balanced communications program. As in so many CMA activities, this program demands member company involvement.

The new communications program is what the member companies, CMA staff and others involved in its beginning had hoped for--a well-funded, well-staffed, balanced CMA advocacy program.

CMA
BD-10/5/82

EXHIBIT F

EXECUTIVE SUMMARY
of the
DISTRIBUTION COMMITTEE REPORT
to the
CMA BOARD OF DIRECTORS
October 5, 1982

Legislative and regulatory issues continue to dominate the key considerations of the Distribution Committee. Key activities involved economic and safety issues affecting carriers and CMA members.

CMA presented oral or written comments to congressional committee and key administrative officials on eight occasions. Briefs and statements were filed on 13 important economic regulatory matters before the Interstate Commerce Commission and the U.S. District Courts (4). Also, CMA participated in several discussions with high level department and administration officials concerning reorganization and regulatory reform.

CMA
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EXHIBIT F
Supplement

REMARKS TO CMA BOARD OF DIRECTORS

BY D. G. Griffin

CHAIRMAN, DISTRIBUTION COMMITTEE

October 5, 1982

INTRODUCTION

My report this morning is designed to supplement the detailed and comprehensive one prepared by CMA staff, submitted to you in August.

Throughout the chemical industry, and in CMA, there is a growing perception of the importance of efficient and safe physical distribution in the conduct of our chemical business. Distribution is important both as a marketing tool and as a key cost element of the chemical gross sales dollar. In 1981, the U.S. chemical industry had sales of $175 billion. $21 billion of these were exports. $9 billion of imports supported these sales. Ten cents of each sales dollar, almost $18 billion, went into physical distribution. $13 billion went directly into transportation, mostly public. Rail freight accounted for almost $6 billion. Perhaps 300 million tons of chemicals entered the U.S. transportation system in 1981. The U.S. Department of Transportation has deemed that around 80% of these are HAZARDOUS--capable of injuring people, property, systems, or environment. But please reflect on this--however hazardous these chemicals are within the controlled environment of our plant fences, the potential hazard to the public multiplies many, manyfold when these chemicals move beyond our plant fences into the public transportation arena. This high exposure remains until the cargo is recaptured within the customer's controlled environment. The attempt to control chemical hazard while it is in the public transportation arena is a major preoccupation of the chemical industries' distribution departments and of CMA's Distribution Committee.

The transportation of chemicals is controlled by public laws and regulations in two major categories:

1. Economic Regulation - Mostly federal laws and regulations on how shippers relate commercially with public carriers.

2. Safety Regulation - Federal, state, and local laws & regulations designed to protect people, property, and environment in the transportation of products.

In the last few years, there has been major U.S. legislation easing or "deregulating" Economic Regulation. However, there has been an increase in federal, state, local, and now international laws & regulations affecting Safety. These historic changes have been, are, and will be, a major preoccupation of your Distribution Committee.

In dealing with transportation in the public arenda, we find oursel[ves] working with five major U.S. modes which are characterized by the WAY of Conduit on which the vehicle moves. The following table illustrates an approximation of the use of the transportation modes by the U.S. chemical industry:

	Industrial	Specialty
Rail	44%	15%
Inland Waterways	22	
Ocean, U.S.-U.S.	12	
Highway	22	85
Air	n	M

n - Negligible
M - Moderate

Comments: All modes come to us over public WAYS, freely accessible to all-except one. The rail mode comes over a private, singly owned WAY. Thus the railroad has some characteristics of a utility, or semi-monopoly.

In exports overseas, we use two major marine shipping modes -- Bulk and Liner:

	Upstream	Downstream
Bulk		
Fungible Cargoes Liquid or Dry	X	
Liner		
Packaged Cargoes Containers or Break Bulk	X	X

These may help use to relate as we talk about our activities and the various modes.

FY 1981-82 ISSUES

1. Highway Freight Regulation - Late in 1980, federal legislation launched sweeping economic deregulation of the nation's highway carriers, progressively substituting the disciplines of the free market. CMA heavily supported this deregulatory legislation--trusting that the free market could work well since all trucking companies have free access to come to our plants over public ways.

For the last year, we have watched this born-again transportation system emerge. The highway carrier industry has grown much more efficient, costs have come significantly down. Chemical distribution managers overwhelmingly approve of the new system.

2. Rail Deregulation - In 1980, federal legislation in the form of the Staggers Rail Act (SRA) semi-deregulated the rail carriers. CMA participated heavily and effectively in this legislative process, for many reasons:

   a. Rail is by far our number one transportation mode.

   b. CMA companies are *de facto* in the rail business. We operate an owned-controlled fleet of around 75,000 tank cars and 35,000 hopper cars, with an original investment over $3 billion, a replacement value of $5 billion. Plant loading and maintenance facilities will augment these figures by another 10-15%.

   c. The chemical industry is uniquely captive to the U.S. rail system because of our plant locations on single line, privately owned rail ways; our plant rail loading facilities, and our huge operating rail fleet.

CMA's posture in these important proceedings was often adversarial to the railroads, who sought sweeping freedom from regulation of their semi-monopolistic position. We acquiesced in modest deregulation, but strove to keep it from going too far. Unlike the highway carriers, the rail carriers come to us over single, privately owned ways not accessible to competition. In this restrictive market--which we call CAPTIVITY--we need some protection by federal regulation.

Within the past year, the ICC has implemented the SRA with five major regulatory proceedings, described in your CMA distribution staff report, under the headings of Market Domiance, Revenue Adequacy, Rail Price Cost Index, Joint Rates Study, and Coal Rate Guidelines. As we did in SRA legislation, CMA participated heavily in these proceedings, many times as an adversary to the railroads, since these proceedings further defined the economic balance between us and the railroads. The bad news is that the ICC referees made more calls in favor of the railroads, fewer calls in favor of the shippers. The good news is that the ICC may now be approaching the apogee of their pro-railroad stance. This can only encourage CMA to stay our course in the year ahead and contend for a proper balance in our economic relationships. Further good news is that that railroads are getting well financially, and are growing more flexible to do business with through contracts and special rates. With their semi-free market plus that fact they are more financially secure, they are growing more amenable to holding or lowering many traditionally high or premium chemical rates. In November, 1981, CMA took part in U.S. Senate Oversight Hearings and made these views on how SRA is working--pro and con. Later this year, we will again appear at U.S. House Oversight Hearings and make these same views known. During the coming year, we will continue to press our position before the ICC.

3. Major Maritime Legislation, called "The Shipping Act of 1982," has been moving through U.S. Congress throughout 1982. CMA has been heavily included because this legislation will affect our ability to export and import. The legislation proposes to give antitrust immunity to the U.S. merchant marine to bolster its ability to compete against foreign carriers for the carriage of U.S. exports/imports of packaged cargoes. (This law affects packaged cargoes only, not bulk cargoes.) The antitrust immunity and related provisions, while strenghening the U.S. merchant marine vis-a-vis foreign carriers, also strengthens the competitive hand of the carriers versus U.S. exporters/importers. Since any carrier is our partner in delivering chemicals to customers, domestic or foreign, the last thing we need are laws overly protecting U.S. carriers and running up our delivered costs in the very, very free world market. CMA and other U.S. exporters have been responsible for putting important balancing provisions into the new legislation to keep our exporting ability value. This legislation barely missed passage in September, and should now resurface in the lame-duck session this coming November.

4. Regulations Affecting Transportation of Hazardous Materials - We have been and will continue to contend with a major stream of these regulations--first from the federal level, then from the state, province, and local levels. New federalism poses specific problems for transportation of hazardous products. There are 25,000 local jurisdictions in the U.S.--states, counties, municipalities. A growing number have their own special rules varying from prenotification to requirements for a permit. As we in transportation bump into a burgeoning host of local impediments to the free passage of hazardous materials, we yearn for and strongly support uniform federal laws. We have the same problems nationally and internationally. In the Babel of local laws and regulations throughout the developed world, the UN is now trying to create an international order. Your Distribution Committee tries to act, react, and shape these forces. Some specifics over the last year:

   a. Hazardous Materials Transportation Act (of 1974) - In 1982, important House and Senate legislative amendments were introduced to encourage a greater effort in the prevention of and response to hazardous materials transportation accidents, and to provide assistance to state and local governments for this purpose. CMA supported both House and Senate bills. A House bill was passed but the proposed Senate amendment fell victim to the Federalism/states' rights conflict and remains unresolved. Resolution of this conflict is being addressed by a coalition of associations in which CMA is participating.

   b. Uniform National Hazardous Material Regulations - In 1981-

1982, CMA played a lead role in preserving a strong federal presence in the regulation of hazardous materials transportation. We worked with key state organization representatives and helped avoid a movement towards state pre-notification requirements on hazardous material shipments. Also, CMA strongly recommended continued representation by the United States as the United Nations and other international organizations concerned with the deveopment of hazardous material regulation.

c. CHEMTREC/Emergency Response - CMA accomplished five things in 1981-82: (1) Conducted four emergency response workshops for training emergency response teams. (2) Established "Recovery Drum" program to make overpack drums available for for spill response throughout the country. (3) Co-sponsored Hazardous Materials Spills Conference with the Bureau of Explosives, Coast Guard, and the Environmental Protection Agency. (4) Implemented standard spill reporting procedure with tank truck carriers. (5) Implemented Phase II of the HMER telecommunications bridge for improved communications in response to transportation emergencies.

d. Good Samaritan Legislation - CMA has developed draft Good Samaritan legislation which would provide liability protection for persons responding to transportation emergencies. This draft forms the basis for model Good Samaritan legislation which is being promoted at the state level by CMA and associates representing other shippers of hazardous materials and carriers. Nine states have adopted Good Samaritan legislation.

e. Performance-Oriented Packaging Standards - CMA was cited by DOT/MTB for its assistance in developing a proposed scheme for reorganization of the packaging regulations. The DOT Materials Transportation Bureau proposed a major revision to the hazardous material regulations changing current specifications for packaging from design standards to performance standards. In general, CMA supports the concept of performance-oriented criteria. However, this new thrust puts much greater responsibilities, and liabilities, onto our companies. These potential implications, costs, and other impacts are being evaluated. Final action by DOT/MTB is not likely soon.

f. Public Safety - As we have stated, the greatest risk to the public from hazardous chemicals is while they are traversing the public transportation system. In 1981, the DOT/MTB recorded six deaths from six separate accidents involving trucks carrying hazardous materials (chemicals). There were none involving rail transportation during 1981. These figures represent a significant improvement over those of only a few years ago.

The substantial improvements in the transportation safety record is a result of the cooperative effort between chemical shippers and carriers, especially the 1978 Inter-Industry Task Force which involved CMA and the Association of American Railroads (AAR), and the Railway Progress Institute (RPI).

Improvements in tank car design and protection of fittings developed through the cooperative efforts of CMA, AAR, and RPI reduced the danger to the public from chemical transportation. The joint CMA/AAR/RPI effort was renewed in 1982. Top executives of the chemical industry, some in this room, launched this important rededication.

EMERGING ISSUES 1982-1983

1. Rail Car Compensation - The chemical industry furnishes almost all the rail cars for the carriage of its products--some 75,000 tank cars and 35,000 hopper cars--an investment over $3 billion, replacement value over $5 billion. The railroads reimburse us some $400 million/year for the use of our cars. In 1978, CMA was among the leadership of a coalition of private rail car owners who assaulted the then woefully inadequate compensation practices of the railroads. CMA companies at that time received well under $200 million per year car compensation. Months of detailed studies, hard contention, and negotiated compromise resulted in a formula, agreed to under ICC proceedings called Ex Parte 328, which CMA felt on balance to be just and reasonable. We are now receiving $400 million--$250 million for tank cars and $150 million for hopper cars--with upward adjustments each September. The railroads and the car leasing companies are now in the early stages of trying to overturn Ex Parte 328 and pursue a new compensation system, to the disadvantage of Chemical Processing Industry (CPI) companies. The opening gun of this campaign was to request the ICC to suspend this September's scheduled increase of 18% on tank cars' $250 million. As a result of SRA, CPI comments must secure antitrust immunity to talk to each other about car compensation, and thus to prepare out response to any overturn effort. CMA is now pursuing this immunity through the ICC and expects a reply by next February. CMA successfully opposed the rails' September suspenstion request, and asked that the Commission not rule on any aspect of the petition until CMA's application for antitrust immunity is approved. We have won the opening skirmish--but the big battles are ahead. This is a high stakes issue for CMA distribution people. It will recieve our major attention in 1982-83.

2. Distribution System Safety - A rededication of purpose and effort is now underway for the CMA/AAR/RPI Inter-Industry Task Force. CMA has dedicated key people from key companies to this endeavor. CMA/AAR/RPI Task Force is studying ways to reduce injuries, leakage, and improve communications related to hazardous material transportation. These programs will then be extended to highway and other modes.

3. User Fees for the Use of Publicly Furnished U.S. Transportation Ways - The nation's highways and airways have long been financed by user fees (gasoline taxes, truck-truck parts excise taxes, airline ticket texes, etc.). In 1982, the Reagan Administration made an effort to impose user fees on users of

(1) U.S. inland waterways, (2) U.S. ports, and (3) use of Coast Guard. CPI companies are major users of these facilities. The inland waterway industry grosses a little over $2.0 billion/year. Chemicals' part of this is about $175 million. If user fees to completely operate and to provide new construction for the inland waterways were to be collected, this would increase costs about 25%. I doubt if waterway user fees will reach half of 25%.

The principle of user fees seems quite sound. With many users, however, it is not the principle of the things, it is the money. CMA supports the Reagen program and the principle of reasonable user charges. However, we must guard against unreasonable charge formulas which could be quite costly to the chemical industry. In the months ahead, we will be helping the legislators do the right thing on this issue.

1982-83 GOALS

Your Distribution Committee has scheduled a long-range planning retreat this October. 1983-83 goals include:

1. Protection of rail car compensation payments on privately owned tank cars, currently about $400 million.
2. Retention of regulatory protection for captive rail shippers from monopolisitc transportation charges.
3. Improved maritime legislation, including possibly substantial economic deregulation.
4. Reduction in unintentional releases of hazardous materials resulting from rail accidents or improper loading procedures.
5. Passage of Good Samaritan legislation to protect chemical companies responding to transportation emergencies.
6. Uniform federal and state hazardous material transportation regulations.
7. Increased participation in maritime regulation of hazardous materials.
8. Increased involvement in international regulatory development in cooperation with DOT/MTB and the Coast Guard.

IN CONCLUSION

Your Distribution Committee will continue to improve its methods of identifying future issues and trends. We will improve liaison with regulatory bodies--and when necessary with other associations. We will extend all efforts to continue to improve the economical and safe transportation of chemicals throughout all levels of the public arena, nationally and internationally.

CMA
BD-10/5/82

TRANSPORTATION FATALITIES IN U.S.

1980-81 Average

	ALL MODES		HIGHWAY		RAIL		AIR & WATER	
	Deaths	Injuries	Deths	Injur	Deths	Injur	Deths	Injur
HIGHWAY VEHICLES	51,700	1,950,000						
HAZARDOUS MATERIALS	22.0	618	21.0	436	1	174	0	8
Petroleum Products	17.0	56	17.0	53	0	4	0	0
Chemicals	4.5	558	3.5	381	1	170	0	7
Miscellaneous	.5	4	.5	2	0	0	0	1

EXHIBIT G

REPORT OF THE TECHNICAL DIRECTOR

The Technical Department has dedicated a major portion of its effort in September toward long-range planning, developing cost-saving ideas, budget revision and Review Committee Report preparation. We have worked with the committees to establish issue priorities and to restructure task groups and assignments for maximum efficiency. We have reduced meeting frequency and we have investigated new conference call technology to reduce member company travel expense. We are conducting a survey of telephone traffic as a part of our in-house workload study.

In coordination with CMA's Communications Department we have continued to maintain CMA's interactions with the public and public opinion shapers. The following is a list of speeches, media tours, conferences and radio, TV and press interviews conducted since September 1.

- Panel presentation on Cooperative Management at the National Governors' Association Conference on Initiatives in State Integrated Toxics Management, Berkeley Springs, WV. By: G. V. Cox

- Seminar on Science, Technology and Public Policy for Federal Executives, Oak Ridge, TN. Topic: Industrial Perspectives on Technological Development, the Environment and Government Regulation. By: G. V. Cox

- Colorado Bar Association Annual Meeting, Colorado Springs, CO. Topic: Hazardous Waste Siting -- A National Perspective. By: D. W. Carroll

- Maryland Emergency Coodination and Civil Defense Group, Thurmont, MD. Topic: CHEMTREC. By: J. C. Zercher

- Media tours on Clean Air Act in Fargo/Bismarck, ND. By: J. S. Matey

- Media interviews on the chemical balance, the fluoride shortage, benzene, access to medical records and respiratory protection. By: G. D. Strickland

- Media tours on CHEMTREC in Greensboro and Charlotte, NC, including four television, six radio and three newspaper interviews. By: J. C. Zercher

- Radio interview on laboratory animal testing. By: R. Comotto

- CHEMTREC Workshop in Chicago. By: J. C. Zercher

The Technical Director conducted two television, six radio, one magazine, and five newspaper interviews in Washington, DC; Nashville, TN; and Cleveland/Toledo, OH. As a member of the Editing Panel, she assisted in the final editing of the Conservation Foundation's Hazardous Waste Community Siting Handbook. She met with the US Chamber's Committee on the Environment; and conducted an executive planning session with the 1984 Hazardous Materials Spills Steering Committee.

ENVIRONMENTAL PROGRAMS

Environmental Auditing

A subgroup of the Environmental Monitoring Task Group will closely monitor EPA's initiatives on environmental auditing. The activities will be closely coordinated with those of the American Petroleum Institute.

Hazard Assessment

Participants from industry, government, and academia discussed tiered hazard assessment approaches and their application on a site-specific basis at the Hazard Assessment Workshop that was held in Cody, WY. CMA co-sponsored the workshop.

Clean Water Act Amendments - Pretreatment

The Pretreatment Work Group met with EPA to discuss the Administration's present proposed amendments to the Clean Water Act to address pretreatment issues. The Agency indicated that revised amendments for the pretreatment proposals would address many of the industry's concerns.

Water Quality Standards

CMA representatives participated in a Monitoring and Surveillance Policy and Technical Review meeting as part of EPA's Standing Committee on Water Quality Standards. The standing committee is designed to obtain a cross-section of opinions on the direction of the Agency's water quality standards program.

Tort Law Study

The Superfund Task Group has identified the soon-to-be-published Tort Law Study as a priority CMA issue because of the potential for increasing industry liability. A subgroup will address the issues that arise from the study and will recommend CMA positions on the subject.

Hazardous Waste - State Superfunds

The Solid Waste Siting and Permitting Task Group is working closely with the State Affairs Group on state superfund activities. State superfund activities are expected to increase significantly in 1983.

DISTRIBUTION, ENERGY AND ENGINEERING

Coal Slurry Pipelines

CMA wrote to members of Congress to indicate our support for legislation that grants the power of federal eminent domain over coal slurry pipelines (H.R. 4230, the Coal Pipeline Act of 1981 and S. 1844, the Coal Distribution and Utilization Act of 1981). The bills remove a legislative barrier, and enable proposed pipelines to be evaluated on their own merits. As major energy users, we believe that CMA members have a great deal to gain from enhanced coal transportation competition. Floor action on these bills is imminent.

Technical and Scientific Education

The Survey on support to education, conducted as part of the Engineering Advisory Committee program to combat a future shortage of qualified engineers, indicated that CMA members contributed $48.4 million to support technical and scientific education in 1981. These figures are based on returns from 39 member companies. A 12.8% increase is projected for 1982.

Codes and Standards

CMA favored adoption of a revised American Petroleum Institute standard on welded steel tanks as an American National Standard. This standard is widely used by CMA member companies.

CMA prepared comments on the 1984 National Electrical Code preprint.

CMA submitted affirmative ballots on two Underwriters Laboratories' (UL) standards as American National Standards: UL 489 (Circuit Breakers) and UL 857 (Busways).

Distribution Safety Coalition

A plan for improving the safety of hazardous materials transportation is being formulated by a coalition of industry, federal, state, and local representatives. CMA concerns were incorporated into a draft proposal and presented at a conference in Denver, September 20-22, 1982.

Maritime Reform Bill

The House approved a maritime reform bill on September 15, 1982, by a vote of 350 to 33. H.R. 4374 had been jointly reported by the House Merchant Marine and Fisheries and Judiciary Committees with amendments supported by CMA and the Shippers' Coordinating Committee on Maritime Reform. CMA provided a leadership role in the legislative effort. Efforts are now focused on assuring that the Senate passes a similar proposal. Antitrust implications of S. 1593 have been removed. The bill could be passed.

Restraint Test

In order to testify to the usefulness of the Energy Absorbing Restraint System, the CMA Loading, Blocking and Bracing Work Group witnessed impact tests in Wilmington, DE on September 15, 1982. A meeting was held the following day to identify opportunities for publicizing the benefits of the system as a more effective and economical way of transporting chemicals.

Distribution Committee Planning Meeting

A Distribution Committee Retreat and Committee meeting have been scheduled for October 25, 1982, at the Lakeview Inn and Country Club in Morgantown, WV. Meetings will begin at 6:30 p.m., October 25 and continue through 2:00 p.m., October 27, 1982.

HEALTH, SAFETY AND CHEMICAL REGULATIONS

PMN Exemption Rules

On August 4, 1982, (47 Fed. Reg. 33896) EPA published proposed PMN exemption rules for low-volume chemicals, site-limited intermediates and polymers. The Chemical Regulations Advisory Committee (CRAC) is preparing comments on the proposed rules. In addition, a CRAC work group is preparing an information package that summarizes the rules and highlights their benefits and safeguards. The package is an endorsement of the TSCA Section 5(h)(4) exemption concept. CRAC plans to include the press, CMA member companies, members of Congress and public interest groups. CRAC is planning a workshop at its September 16 Informational Meeting to explain the exemption rules.

CRAC's Impact Analysis Task Group (IATG) reviewed the risk and economic analyses that EPA used to support its proposed PMN exemption rules. IATG found the analyses to be incomplete and, therefore, the conclusions based on the analyses are inaccurate.

Chemical Information Systems

On July 26, CMA submitted a document to EPA entitled, "Information Systems Under TSCA". The document discussed EPA's Chemical Substances Information Network in the context of what is required by TSCA, and recommended to EPA ways to improve the handling of chemical information.

Test Data Reporting Format

On July 29, CMA submitted comments to EPA concerning an Agency project on the development of reporting formats for TSCA Section 4 test data. The comments emphasized that this rigid approach is inconsistent with the Agency's increasingly flexible approach to Section 4 testing.

Reporting on ITC-Listed Chemicals

On August 6, CMA filed comments on EPA's proposed rules under Section 8(a) concerning follow-up processor reporting and the inclusion of additional ITC chemicals in the final rule.

Reporting Allegations of Adverse Reactions

CMA commented on EPA's Section 8(c) concept paper in the form of a letter to the chairman of the EPA Administrator's Toxic Substances Advisory Committee. The comments generally support EPA's approach. EPA's cost estimates are, however, low.

Test Cost Reimbursement

On September 2, CMA filed comments on EPA's proposed rule for test cost reimbursement, generally supporting the Agency's approach.

The IATG reviewed the economic analyses that EPA used to support its proposed rule on data cost reimbursement. The analyses did not support the rule in many respects and were apparently done by people unfamiliar with the chemical industry.

Industry's Efforts to Reduce Risk

The IATG completed the pilot survey on chemical activities to reduce unreasonable risk. The pilot survey indicated that information is available on company policies, programs, procedures and staffing to protect health, safety and the environment.

Respiratory Protection

OSHC's Respirators Work Group prepared a response to OSHA's advance notice of proposed rulemaking on respiratory protection. CMA's September 10 response advocated that OSHA rewrite the standard in performance language. A performance-based standard would protect workers without retarding the innovation of technological improvements.

Performance Standards

OSHC's Safety Standards Task Group plans to discuss its model-balanced performance standard with OSHA. The model deals with Subpart H - Hazardous Materials. This task group also completed comments on OSHA's advisory standards. CMA recommended that standards designed to prevent fatalities and serious injuries be compulsory; and that others should be discarded.

Chemical Industry Monograph

The Chemical Liaison Group revised a draft monograph describing the chemical industry. It will be submitted to the Department of Labor's Employment Standards Administration to help orient inspectors who visit members' facilities.

Right-to-Know Activities

The OSHC State Activities Task Group recently completed the "Chemical Information for the Community" paper. It was approved by OSHC, at its September 15 meeting, for use in the Right-to-Know Information Packet. The "Issues Analysis" booklet, a part of the Packet, is currently being used by state and local CICs; and reports indicate it to be an extremely useful tool in working with lobbyists and legislators.

Access to Employee Records

The OSHC Work Group on Access to Employee Records outlined a response to the OSHA proposal. Points to be stressed are: 1) unions (designated representatives) have no statutory right of access to records; 2) trade secrets must be guarded adequately; and 3) the definition of "toxic" should include -- "scientifically well-established".

ANSI Labeling Standards

The American National Standards Institute's (ANSI) Committee on Health and Safety Standards met on September 16 to review the revised ANSI Z129.1 standard (Precautionary

Labeling of Hazardous Industrial Chemicals). The standard will most likely be approved.

Arsenic

The Regulatory Impact Special Committee (RISC) is assisting the Special Programs Advisory Committee's Arsenic Panel to examine data on exposure to inorganic arsenic. Preliminary results indicated that a threshold may exist for carcinogenic effects of exposure to arsenic.

EPA's Risk-Cost Model

RISC is examining EPA's RCRA Risk/Cost/Policy Model to determine if EPA's assumption, methods and data are accurate. EPA plans to use the model to establish strategies for dealing with work streams.

Regulatory Impact Modeling

RISC is reviewing methods of quantifying the costs and benefits of regulations. The committee is analyzing the use of chemical industry models and input/output models in determining regulatory impact.

Product Liability

RISC is examining the effect of product liability on corporate planning and innovation. Results will be used to assess the relative acceptability of cost/benefit analysis as a substitute for strict legal liability as a means of regulating business activity.

SPECIAL PROGRAMS

Arsenic

The Arsenic Panel filed its post-hearing comments on inorganic arsenic with OSHA on September 3, 1982. These comments emphasized: (1) ceiling rather than cumulative exposures are the critical measurements for assessing carcinogenic risk; (2) a 100 $\mu g/m^3$ ceiling is adequate to protect workers, rather than 10 $\mu g/m^3$ as proposed by OSHA; and (3) OSHA has failed to demonstrate that occupational exposure to pentavalent airborne inorganic arsenic poses a significant risk of respiratory cancer at the previous 500 $\mu g/m^3$ permissible exposure level. The comments further mentioned that if analysis of the remaining Anaconda cohort is undertaken and the results support a higher exposure level, OSHA should reopen and raise the exposure standard accordingly.

Ethylene Oxide

The EPA Test Rules Development Branch accepted a TSCA Section 4(a) voluntary testing study plan submitted by the Ethylene Oxide Industry Council. EPA's timetable calls for publication of a Federal Register notice by the end of the year announcing that EPA will not write a formal test rule on ethylene oxide.

California's Department of Health Services recently announced a carcinogen identification policy for determining which substances are, or are not, potential causes of cancer in humans. CAL/OSHA and the California Air Resources Board are both evaluating ethylene oxide as a potential human carcinogen.

Glycol Ethers

The Panel submitted comments to EPA on the Chemical Hazard Information Profile on ethylene glycol monomethyl ether and ethylene glycol monoethyl ether.

Ketones

EPA informed the Ketones Panel that they are in agreement on the proposed voluntary test program on isophorone but will withhold judgment on whether or not a pharmacokinetics study is needed until the NCI bioassay results are available.

Methylenedianiline (MDA)

The MDA Panel recently proposed a voluntary testing program to address the Interagency Testing Committee's concerns on methylenedianiline. The Panel will meet with EPA to discuss their proposed testing program.

Phthalate Esters

The Phthalate Esters Panel submitted protocols to EPA for Phase II of the Environmental Effects Voluntary Test Program.

The Panel met with EPA to discuss the status of the Environmental Effects Test Program.

The Panel received final reports for the validation phase of the Health Effects Test Program.

Polychlorinated Biphenyls (PCBs)

EPA published a final rule on the use of electrical equipment containing PCBs on August 25, 1982. The rule incorporates several of CMA's suggestions.

Toluenediamines (TDAs)

EPA denied CMA's request to exempt toluenediamine isomers from EPA's recently issued Preliminary Assessment Information Rule under Section 8(a) of TSCA. The request was based on CMA's belief that EPA already possesses complete and accurate information on TDAs. Earlier this year, the TDA Program Panel submitted extensive comments in response to an advance notice of proposed rulemaking under Section 4 of TSCA.

Zinc Dialkyl Dithiophosphates

A 21-day dermal study in rabbits will be conducted to evaluate the role of stress in producing testicular effects in this species.

CMA
BD - 10/5/82

EXHIBIT H

REPORT OF THE DIRECTOR OF GOVERNMENT RELATIONS

WILLIAM M. STOVER

PRESIDENT CALLS FOR "LAME-DUCK" SESSION

On September 16, President Reagan sent a letter to Congressional leaders formally requesting the Congress to conduct a post-election session to consider "responsible regular appropriations bills in a timely manner", rather than permitting government agencies to go on operating on the basis of stop-gap "continuing resolutions".

In response, reluctant House and Senate leaders are aiming at a late November resumption (November 29 was specified for the Senate by Majority Leader Howard Baker), with the concluding date impossible to predict.

Lame-duck sessions of Congress, while ostensibly called to address matters of great significance, are difficult to forecast or control. At this writing it is impossible to determine whether the agenda and tenor of this session will be "business as usual", or strikingly unique due to political developments. Most observers feel that attention is not likely to be confined to appropriations matter, however, and industry should be extremely vigilant to protect its key interests which are addressed in pending legislation.

TAXATION AND BUDGET

In August, President Reagan provided the winning combination for tax increase legislation (H.R. 4961) fashioned largely by Chairman Bob Dole (R-Kansas) and the majority of the Senate Finance Committee. Despite the combined support of the President and the House Democratic leadership, the margin of victory was especially narrow in the House. The vote on the crucial rule of procedure which closed the bill to floor amendment was 219 to 210. If as few as 5 members had switched their votes from "Aye" to "Nay", H.R. 4961 would not in all likelihood have survived the battle on the House floor. On September 3, President Reagan signed this legislation which will provide tax increase over a three year period of $98.3 billion.

Sensing political victory once again, President Reagan vetoed H.R. 6863, a $14.2 billion supplemental appropriations bill. This time, however, many loyal Republican supporters of the President's budget program joined Congressional Democrats to override the President's veto. In Washington, the consensus of observers was that the President had chosen a poor case in which to exercise his veto. Many supporters of the President reasoned that it would be impossible to pass a better or improved supplemental appropriation bill in the limited time remaining in the 97th Congress. Moreover, there are still a number of other appropriations bills - including that for the Defense Department - which have not cleared the Senate.

The defeat was close nonetheless. The Senate vote to override was 60 to 30, the absolute two-thirds majority required by the Constitution.

ENVIRONMENT: CLEAN AIR ACT AMENDMENTS

Alternatives to a comprehensive Clean Air Act bill are being discussed as the days dwindle on the legislative calendar this year, and as the prospect for a lame-duck Congressional session clouds the outlook.

A "short", less controversial Clean Air Act bill is attracting interest in discussions on the Hill and within the Administration, but some industries are concerned that their special amendments would be left out. In the event of a short bill, CMA hopes that it could be crafted to exclude the controversial Section 112 and acid rain topics.

Meanwhile, the day-to-day industry coalition efforts of the Clean Air Working Group (CAWG) are positioned in support of the Broyhill-Dingell leadership effort which hopes for reconsideration of the Wyden amendment on PSD and of the Florio-Tauzin amendment on Section 112, in the Energy & Commerce Committee.

A "short" bill, controlled by Majority Leader Howard Baker, is possible in the Senate, also. This might offer a way around the comprehensive bill approved 14/1 (1 abstention) by the Senate Environment Committee on August 19, providing for a four year reauthorization of the Clean Air Act. The Committee bill contains very few industry recommended improvements -- some relative to requirements for non-attainment including deadline extensions, revision of state implementation plans (SIPS), and regulation of CFCs. But the PSD, the acid rain and the Section 112 amendments are unacceptable to industry and the Administration as well.

The Randolph-Stafford amendment to Section 112, which committee staff produced just before mark-up, was approved by roll call vote on August 19 even though several members expressed reservations. The amendment provides for: unlimited automatic listing of substances; "adequate margin of safety" standard setting; no improvement in judicial review; and, possible use of Superfund money for research, study and evaluation of substances under Section 112. CMA has begun follow-up on the Randolph-Stafford amendment in case the Committee bill is considered by the full Senate.

CMA is very disappointed by adoption of the Florio-Tauzin and the Randolph-Stafford amendments on Section 112; however, we continue to work for constructive amendment of the Clean Air Act this year. In recent weeks, CMA representatives in Washington have visited more Senate and House members, while CMA Clean Air media tours have been conducted in Idaho, Wyoming and North Dakota.

ENVIRONMENT: CLEAN WATER ACT

Recently EPA leaders determined there may not be enough time for Congress to consider the comprehensive package of Clean Water Act amendments that they proposed for this year. As a result, the agency has advanced a new set of scaled-down amendments in the hope of passage of some Clean Water Act changes now.

But, with the announcement that Congress will have a post-election session, time may now be available for consideration of a more comprehensive package. EPA's sudden switch to advocating a short bill may create confusion over what they want in the way of amendments.

Under the short bill, EPA is considering major changes to the pretreatment program, NPDES permits for 10 years with a 'reopener clause', partial delegation of the NPDES program to the states, BAT deadline extension to July 1, 1988 with the possible option of 36 to 42 months to comply with the BAT deadlines, and the consideration of dams as point sources.

Also being considered is a 12 month study of the BAT modifications issue which is of prime importance to the chemical industry. A study provision is a recognition that the BAT issue is important, but the chemical industry feels that a modification scheme should be legislated now.

Neither the House Public Works & Transportation Subcommittee on Water Resources nor the Senate Environment & Public Works Subcommittee on Environmental Pollution have scheduled mark-up at this time. It appears that the Senate will not take any action on the Clean Water Act amendments until the House has acted.

CMA continues to work for comprehensive amendments to the Clean Water Act this year that will contain a BAT modification provision. We will meet with EPA and Hill staff to work on necessary changes to the pretreatment provisions. Our task group has initiated an aggressive program of Hill contacts to advocate changes favorable to the chemical industry. Additionally, CMA has developed an extensive package of material on the history of the chemical industry's successes under the Clean Water Act and material supportive of proposed changes to the Act.

ENVIRONMENT: RESOURCE CONSERVATION AND RECOVERY ACT PASSES HOUSE

On September 8 the House, by a vote of 317 to 32, approved H.R. 6307, the Resource Conservation and Recovery Act Reauthorization. This bill authorizes appropriations for two years and makes significant changes in many sections of RCRA. Before final passage, the House agreed to a substitute which altered the bill originally reported by the House Energy and Commerce Committee and incorporated modifications advocated by the House Public Works and Transportation Committee. The revisions contained in this substitute solved many, but not all, of the problems CMA initially had with the bill.

The House also agreed by voice vote to three amendments that were offered on the floor. The first, offered by Mr. Fithian (D-Ind.), will increase to 90 percent the share of cleanup costs provided by the Superfund for waste sites owned by a State or municipality but operated by a private contractor. An amendment by Mr. Rinaldo (R-N.J.) will increase the felony penalties under RCRA and an amendment by Mr. Dannemeyer (R-Cal.) will clarify the eligibility of courts to award costs. By recorded votes, the House rejected amendments by Mr. Gramm (D-TX) to restore the Small Quantity Generator exemption and by Mr. Dannemeyer (R-Cal.) to delete the section which broadens common law provisions.

The action on RCRA will now shift to the Senate Environment and Public Works Subcommittee on Environmental Pollution which has scheduled mark-up for September 23. In early May the Senate Environment and Public Works Committee had reported a simple, two-year reauthorization bill. Because of the comprehensive changes incorporated in the House bill, it is expected that the Senate committee, under the leadership of Subcommittee Chairman John Chafee (R-R.I.), will prepare a more comprehensive bill to bring to the Senate floor, preparing the Senate for a conference on RCRA. The Senate subcommittee will consider at least four issues, they are: mandatory inspections, landfill bans, groundwater and regulation of small generators. It is expected that a comprehensive RCRA bill will be finalized by the time Congress adjourns after the post-election session.

OCCUPATIONAL DISEASE: HOUSE HEARING FOCUSES ON MANVILLE BANKRUPTCY

Congressman George Miller's (D-Cal.) Labor Standards Subcommittee continues to hold hearings on his federal disease compensation bill (H.R. 5735). His latest hearing, September 9, took a hostile view of the Manville Corporation filing for reorganization under the bankruptcy laws and its effect on asbestos workers compensation claims. Manville argued that any fund created to compensate asbestos victims should include substantial contributions by the federal government because of its role in exposing workers during shipbuilding operations in World War II. Chairman Miller rejected that concept as a dangerous precedent to open up the federal treasury to every manufacturer of hazardous products faced with liability problems of its own making.

Congressman Miller may hold further hearings but there is little chance of passage of his bill in the remaining time left in this Congress. He will make a major effort to enact legislation early in the 98th Congress. In the meantime, a Senate Subcommittee may look at the use of bankruptcy laws, as attempted by Manville and UNR Industries.

Although the present legislation is limited to asbestos and uranium mine exposures, the trigger mechanism to add other substances on the basis of a questionable statistical association between exposures and elevated disease levels is of serious concern to the chemical industry. A CMA task group is monitoring developments carefully.

GENETIC SCREENING IN THE WORKPLACE

At the request of Congressman Gore (D-Tenn.), the OTA is studying the extent to which companies are using genetic and cytogenetic screening in the workplace. Despite the fact that only a handful of companies are presently doing such screening, Mr. Gore seems determined to establish that industry is rushing headlong into using such techniques in ways that discriminate against certain classes of employees or applicants. His House Science Subcommittee has already held several hearings and he is expected to continue this line of inquiry following completion of the OTA study later this year.

TSCA: EPA PROPOSES PMN REGULATION

In early August, EPA proposed regulations that would exempt certain low-risk new chemicals from premanufacture notification (PMN) required under the Toxic Substances Control Act (TSCA). Congress gave EPA authority in Section 5(h)(4) to exempt from PMN requirements chemicals that do not present an unreasonable risk of injury to health or the environment. The proposal calls for exempting low-volume chemicals (under 10,000 kg), site-limited intermediates, and ploymers from PMN requirements, if they pose no acute or chronic toxicity concerns.

The EPA proposal was issued in response to a petition submitted by CMA, and we are monitoring developments closely in order to assure the appropriate final outcome. CMA is in the process of drafting a letter with supporting documents to circulate to selected Members of Congress and government agency officials to marshall support for the EPA proposal. These materials will stress the proposal's safeguards to health and the environment as well as its benefits to the public, EPA and industry.

TSCA: PMN TEST DATA REVIEW BY OTA

Congressman Florio (D-N.J.) has requested the Office of Technology Assessment (OTA) to conduct a review and analysis of the adequacy of the toxicological test data contained in PMNs submitted under section 5 of TSCA. CMA is watching developments closely since the results of the study have the potential for being used in a campaign to require a fixed set of testing for all new chemicals, similar to the Europeans' 6th Amendment and OECD's Minimum Premarket Data. We have written to EPA and OTA expressing concerns about confidential data and scope of the study. Security procedures have been established to protect confidential business information. Efforts are being made to assure appropriate consideration of all relevant factors in the study.

TRANSPORTATION: HOUSE PASSES MARITIME REFORM BILL

On September 15, the House approved a maritime reform bill under suspension of the rules by a vote of 350 to 33. H.R. 4374 had been jointly reported by the House Merchant Marine and Fisheries, and Judiciary Committees with amendments supported by CMA and the Shippers' Coordinating Committee on Maritime Reform. The proposal was supported by the Administration and lobbying efforts by shipper and carrier representatives were directed at obtaining the necessary two-thirds vote of those Members present and voting. CMA played a lead role in the legislative effort and every House Member was contacted. Efforts now continue on the Senate side to assure passage of a similar proposal. Objection to S. 1593 because of antitrust implications has been removed and that bill could go forward. Conference activity would be needed to resolve some differences with the House-passed measure. A less likely option would be for the Senate to pass the House bill, thus eliminating the need for conference.

ENERGY: NATURAL GAS DEREGULATION HEARINGS CONTINUE

Three additional days of hearings regarding the natural gas decontrol issue have been scheduled by the House Energy and Commerce Subcommittee on Fossil and Synthetic Fuels. On September 17 and 20, inter- and intrastate pipeline and producer groups, respectively, will present testimony. On September 24, a field hearing has been scheduled in Indianapolis. No further hearings are scheduled and the Administration will probably not offer testimony until after the election.

CMA communication materials are being prepared and coalition efforts continue in an attempt to lay the educational groundwork for the natural gas debate next year. CMA has also responded to the Federal Energy Regulatory Commission (FERC) Notice of Inquiry, urging phased decontrol of all natural gas by a date certain. Coalition activity is basically directed at countering the Citizens Labor Energy Coalition (CLEC) drive to obtain Congressional signatures in opposition to natural gas decontrol legislation and similar FERC proceedings.

ENERGY: IMPLEMENTATION OF EMERGENCY PREPAREDNESS LEGISLATION

Recently enacted legislation that deals with the Strategic Petroleum Reserve (SPR) and other emergency preparedness issues mandates the preparation of a number of reports to be filed with Congress. Public Law 97-229 calls for the President to prepare a plan for withdrawal from the SPR. Emergency preparedness issues are also a possible agenda item for the House Energy and Commerce Subcommittee on Fossil and Synthetic Fuels.

Recommendations for implementation of the new law are being prepared by CMA. The possibility of price and allocation legislation for dealing with an oil shortage at both the federal and state level is being monitored.

ENERGY: REORGANIZATION OF THE DEPARTMENT OF ENERGY

A series of hearings regarding the Administration's proposed merger of most of the functions of the Department of Energy into the Department of Commerce are being held by the Senate Governmental Affairs Committee. The fate of many energy conservation and renewable energy programs could also be determined by consideration of the bill favored by the Administration, S. 2562. A comparable House bill, H.R. 6972, has been introduced but no hearings have been scheduled by the House Government Operations Committee. Little Congressional support appears evident for passage of legislation in this session of Congress.

REGULATORY REFORM LEGISLATION

Throughout the summer members of the business coalition have met with representatives of the House Democratic leadership in an attempt to obtain an agreement under which omnibus regulatory reform legislation could be considered on the House floor.

Earlier this year the House Judiciary Committee favorably reported H.R. 746 (Danielson-D-CA), and since that time a new subcommittee chairman, Congressman Sam B. Hall, Jr., (D-TX), has been named for the subcommittee that developed the legislation.

On March 24 the Senate passed S. 1080, the Regulatory Reform Act, an amended version of legislation introduced by Senator Paul Laxalt (R-NEV), with strong support by the business community. CMA is a part of the business coalition seeking passage.

The negotiations with the House leadership have been centered around amendments which would bring H.R. 746 substantially closer to the language of S. 1080 as passed by the Senate. The principal obstacles to an agreement are the legislative veto and judicial review provisions.

Although the time remaining for action is short, with the concurrent support of the Administration and the House leadership there is still an opportunity to pass this important legislation in the 97th Congress.

PATENTS: *HOUSE ACTION ON PATENT TERM RESTORATION BILL*

On September 15, the House of Representatives acted on H.R. 6444 (Kastenmeier-D-WISC.), the Patent Term Restoration Act. Although the bill received the endorsement of a strong majority of the House (250-132), it did not receive the two-thirds vote required to permit its passage to be considered under suspension of the rules. Efforts are under way to enable the House to consider H.R. 6444 under regular House procedure.

H.R. 6444 would add up to 7 years of patent life to products that must undergo government-mandated testing and review. During the mark-up of the bill by the Judiciary Committee, a technical amendment was approved which would designate the beneficiary of patent term restoration as "the product sponsor" rather than "recipient of marketing approval". This change would ensure that substances subject to the Toxic Substances Control Act would be entitled to the benefits of patent term restoration.

Patent term restoration legislation passed the Senate by voice vote last year. Although H.R. 6444 has some 111 co-sponsors in the House, it is opposed by a coalition of organized labor, certain consumer groups, and the generic drug industry.

The business coalition supporting early passage of H.R. 6444 including CMA and NACA, is following the leadership of the Pharmaceutical Manufacturing Association (PMA), which supports early House passage of H.R. 6444 without further amendment.

PATENTS: EMPLOYEE INVENTOR LEGISLATION

Congressman Robert Kastenmeier (D-WISC.) has introduced two bills that would govern the patent rights of employed inventors. H.R. 4723 and H.R. 6635 would prohibit pre-invention assignment agreements between employers and employees which transfer to the employer rights to any invention that is not an "employment invention" or a "service invention". H.R. 6635 also calls for "adequate compensation for the (inventor's) service invention."

In July, the House Judiciary Subcommittee on Courts, Civil Liberties and the Administration of Justice held a public hearing to receive support testimony from the Institute of Electrical and Electronic Engineers and from the AFL-CIO. Additional hearings may be scheduled in the future.

The Patent and Trademark Committee is reviewing this legislation and will develop appropriate CMA comments, but it is unlikely that legislation on this subject could be enacted in this Congress.

INTERNATIONAL TRADE: RECIPROCITY LEGISLATION

The Congress is struggling to pass trade legislation but having considerable difficulty doing it. The major focal point is Senator Danforth's bill S. 2094, "The Reciprocal Trade and Investment Act of 1982," which was reported out of the Senate Finance Trade Subcommittee June 16. Considerable effort was made by Senator Danforth's office to enlist co-sponsors, and thirty-two such co-sponsors had joined the effort as of September 8. The House version of the bill, Representative Frenzel's H.R. 6773, has been the subject of one Ways and Means Trade Subcommittee hearing. Mark-up on H.R. 6773 began September 14.

There is a reluctance to put a bill on the Senate floor due to the fear of crippling amendments. The most likely amendment is a requirement for U.S. content in automobiles as embodied in a House measure, H.R. 5133. That bill had 224 co-sponsors as of September 15, enough to make it a distinct threat.

INTERNATIONAL TRADE: EXPORT TRADING COMPANY BILLS

A Senate bill, S. 734, that would encourage the formation of export trading companies passed last year. This year, three House committees have approved different sections of it which are contained in measures H.R. 6016 and H.R. 1799, approved on the House floor. House-Senate conferences (one committee of the Senate and three from the House) are to meet to draw up a final bill. The vehicle to be used is S. 734. The joint conference has two major problems: to establish the jurisdiction of the government agency overseeing administration of the bill; and, to resolve questions about antitrust exemptions.

CMA did not take a position on the bill, but it is likely that chemical companies would find the export trading company formation a value in expanding exports if the bill becomes law. The International Trade Committee has already determined that it will make every effort to inform members of export trading company potential should the bill become law.

INTERNATIONAL TRADE: EXPORT OF HAZARDOUS SUBSTANCES FEDERAL POLICY

President Carter's Executive Order, signed five days before leaving office would have severely affected chemical exports, particularly those of pesticides. The Order established a stringent notification and control procedure for the export of "hazardous" substances. President Reagan revoked the Order with one of his own on February 17. At the same time, he requested the Secretaries of Commerce and State to improve notification systems under existing statutes (TSCA, FIFRA, etc.).

Secretaries Baldrige and Haig provided their joint response to the President through Trade Representative Ambassador Brock. CMA worked with the agencies in a development of this policy. After approval by a high level Trade Policy Committee, Ambassador Brock has forwarded the proposed policy to the White House. A likely course of action for the White House is to issue an Executive Order setting out the notification process. Various government agencies would be directed to develop regulations and legislative language to implement the policy. These draft proposals would be submitted to the President through Vice President Bush's Regulatory Task Force.

We can expect to see action on this from the White House after the elections, perhaps early in 1983. In the present form of expected action, the chemical industry can be satisfied with the results. In the Congress, however, legislation may be promoted to force a stronger and stricter policy.

INTERNATIONAL TRADE: HARMONIZATION OF THE TARIFF SCHEDULE OF THE UNITED STATES (ANNOTATED) (TSUSA) WITH THE CUSTOMS CORPORATION COUNCIL NOMENCLATURE (CCCN)

Because the CCCN, or variations thereof, is used by most of the world's other industrialized nations, the United States has decided to convert its system of classification for imports. However, since the TSUSA is radically different from the CCCN, the harmonization of the different systems is likely to result in alterations to the tariffs of a large number of products.

The United States International Trade Commission (USITC) is releasing the proposed new harmonization code chapter in three phases. Chapters 28 and 29, dealing with commodity inorganic and organic chemicals respectfully, was released prior to September 1 with comments on the chapters allowed until November 30.

Chapters 30-39, dealing with end use chemical products, are scheduled to be released in February, 1983. The entire project is scheduled to be concluded on July 1, 1983, with the implementation of the new harmonized code set for July 1, 1985.

Only companies can submit information and arguments on individual product tariffs. CMA will therefore be unable to take action on such tariffs. CMA did, however, fully inform members of the developments, and supplied information and procedural guidance including a seminar on September 9, 1982 in cooperation with the SOCMA and SPI under the Office of the Chemical Industry Trade Advisor.

VREDELING PROPOSAL IN THE EUROPEAN ECONOMIC COMMUNITY

The European Community is considering a "Proposal for a Directive on Procedures for Informing and Consulting the Employees of Undertakings with Complex Structures, in Particular, Transnational Firms". It is referred to as the Vredeling Proposal. It requires worker consultation and information disclosure such that management must divulge a wide range of information, including that considered confidential, on the worldwide activities of the parent company and its subsidiaries in the EC and non-EC countries. It further would require consultation with employee representatives before making any decision that would affect workers' interests. It is believed that the proposed directive would lead to impairment of profitability of U.S. subsidiaries in Europe, would delay or deter innovation, discourage new investment and modernization, and in fact, increase unemployment.

The International Trade Committee has recommended adopting a CMA position on the Vredeling Proposal which is consistent with that of the combined United States Council and National Foreign Trade Council position. The recommendation will be presented to the CMA Executive Committee on October 4.

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CMA STATE AFFAIRS REPORT

LEGISLATIVE ACTIVITY

State legislative activity continued to be slow during September. Many states held fall primaries during this period, while in others, the general election campaigns are already in full swing. Because of the decennial redistricting and the overall condition of the national economy and state finances, there are strong indications that turnover in the state legislatures will be higher than the average rate of 30%. This is likely to increase our problems in 1983, particularly during the early portions of the sessions.

Of those states reconvening in September, New Jersey and Massachusetts are particularly significant because of pending right-to-know and superfund bills.

COMMITTEE AND TASK GROUP ACTIVITY

During September, the State Affairs Special Committee and its task groups continued to focus on activities that are aimed at the 1983 legislative sessions. Major projects include:

- Finalization of the vendor selections process for the computer-based legislative and regulatory tracking service. Based upon service and performance guidelines developed by the Electronic Services Task Group, vendors made presentations to participating companies in late August. A preferred vendor was designated by September 15 and a master contract was due to be negotiated by October 1. Other CMA member companies will be invited to participate in this program during October.

- Development of program segments for the upcoming regional State Affairs Seminars to be held October 27 in New York, October 28 in Atlanta, November 9 in Chicago and November 10 in Denver. SASC task groups have developed presentations on state activities and trends relating to hazardous waste, right-to-know, and air and water quality. Major corporate, EPA regional and state lobbyist figures will be featured participants in each program. The one-day sessions are designed to give regional industry representatives an overview of state activity on chemical industry issues.

- Continuing the process of politically profiling individual states at SASC meetings, New Jersey was covered in September and a state by state election post-mortem is planned for November.

ISSUES UPDATE

RIGHT-TO-KNOW

Right-to-know is currently active in two states. In California, the concept of community right-to-know has spread to approximately 30 localities. These ordinances typically require disclosure of an inventory of all hazardous substances in the workplace to local officials and the public at large. Some proposals would also require a permitting procedure coupled with fees and inspections as a condition to doing business. Efforts are underway to better coordinate industry's response to these local ordinances on a statewide basis.

The SASC Hazard Communication Task Group is working closely with the OSHC State Activities Task Group on the development of a policy statement on public right-to-know. In addition, the Right-to-Know Information Packet is scheduled to be distributed by October 1.

The other state where right-to-know is likely to be seriously considered this fall is New Jersey. Senator Dalton has introduced S.B. 1670, which is a combined worker and community right-to-know bill. This is the first such combined bill in the country and its provisions are extremely onerous. The New Jersey Chamber of Commerce and the New Jersey Chemical Industry Council have formed a right-to-know task force to martial state industry efforts on the bill. State Affairs staff and task group members are working closely with the New Jersey representatives to provide necessary support.

Looking toward 1983, right-to-know legislation is expected in Minnesota, Massachusetts, North Carolina, Oregon and Texas, in addition to states which considered it in 1982.

AIR AND WATER QUALITY

The SASC Environmental Task Group is in the process of gathering information from the states on water quality standards development for the EMC Water Quality Standards Task Group. Prioritization of the issue areas is continuing.

The task group members are formulating the papers that are to be delivered at the upcoming fall seminars.

The major issue problems in the states continue to be the California Air Resources Board proposal to regulate both the proven and suspected toxic air contaminants. Louisiana is also looking at air and water cancer causing contaminants.

HAZARDOUS MATERIALS TRANSPORTATION

The combined shipper and carrier work group drafting of a consensus "Good Samaritan" model bill has been completed. Now the SASC Transportation Task Group will coordinate with that group to promote passage of that language in the states. States still considering "Good Samaritan" are Michigan, New Jersey and Pennsylvania.

The task group members are continuing to work on the Alabama prenotification situation and the new proposal for diverting shipments of hazardous materials in New York City.

Program development for the transportation segment of the fall seminars is in progress.

CMA and member companies are participating in a hazardous materials tranportation conference in Denver in late September. The purpose of the conference is to develop dialogue on the total issue with various state, county and local organizations. The federal government and industry are trying to come to a consensus on the issues of emergency response, training, financing, uniformity and roles.

HAZARDOUS WASTE

The Hazardous Waste Disposal Task Group has been extremely active on several projects during August and September. These include:

- Analysis of the impact of the Superfund Tort Study on the states. Recommendations by the study group for action at the state level include: strict, joint and several liability liberal joinder of parties, liberalizing statutes of limitations and eroding traditional causation principles.

- Continuing work on the state-by-state data gathering effort on hazardous waste. This information will be used to anticipate legislative and regulatory activity in 1983 and to provide an informational perspective for responding to such activity.

Legislative activity for the remainder of the year will focus in New Jersey and Michigan, with action in Massachusetts still possible but increasingly unlikely.

Hearings on amendments to the New Jersey Spill Fund were scheduled for late September. It is anticipated that a revised funding mechanism will be proposed that will continue to finance a combined Oil and Chemical Spill Fund. The existing tax on oil is likely to remain at 1¢ per barrel while the chemical tax will shift away from feedstocks to a waste generator fee. The subject of liability is also the subject of amendments.

Michigan H.B. 4715 which is still in the Senate may be considered when the legislature reconvenes. The status of this bill remains unchanged since our last report.

Action in Massachusetts on H.B. 6551 for the remainder of 1982 has become extremely unlikely, particularly in light of ex-Governor Dukakis's defeat of Governor King in the Democratic primary. King had worked with industry representatives and certain legislators on compromise language that would have resulted in a bond financed fund and no joint and several liability for personal injuries.

In other related developments, the National Conference of State Legislatures (NCSL) is sponsoring a State Superfund Seminar on December 8 in Washington. State Affairs staff is working with NCSL to provide a more balanced program. It is expected that this seminar will be attended by many key legislators and could significantly influence state legislative activity in 1983.

Finally, CMA staff and member company personnel participated in the final of a series of regional siting conferences designed to promote a solution to the siting dilemma. Held in New Orleans, representatives of EPA, NCSL, NGA Environmental Groups and other national allied trade associations participated.

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EXHIBIT I

REPORT OF DIRECTOR OF COMMUNICATIONS

RICHARD L. WILSON

Introduction - The CMA Communications Department has one primary objective: to increase recognition that the chemical industry is committed to act responsibly to protect the public from the health and safety risks of its products -- and thereby to develop public support for the industry's public policy positions. The department is an integral part of the CMA umbrella function of advocacy.

Recent developments:

Advertising - Because of budgetary constraints, the CMA Executive Committee at the August 30-31 meeting placed a freeze on all Association advertising activity pending recommendations from the Communications Committee. Brouillard Communications (J. Walter Thompson) has cancelled all media and production contracts until further notice from the Association.

The CMA Advertising Task Group met with the Communications Committee September 16. The Communications Committee recommendation to the Executive Committee:

> "The CMA Communications Committee has received and reviewed the recommendations of the Executive Committee. We fully understand and appreciate the economic circumstances as outlined by Mr. Simeral in his letter and by Mr. Roland during his visit with our Committee. We concur with the Executive Committee's recommendation for a revised communications program, to include indefinite suspension of consideration of television advertising, elimination for economic reasons of the present print advertising program, and a focus on issue advertising in support of CMA's advocacy program.
>
> We support the Executive Committee's recommendation to integrate the ChemCAP assessment into CMA dues. We have a balanced communications program that reflects the involvement and best thinking of the chemical industry's communications professionals. The Communications Committee continues to be committed to making a positive contribution to CMA's advocacy effort in a cost effective way."

Audio-Visuals - "The Need to Know," a 27½-minute film developed in 1982 about hazardous waste disposal, is just beginning to be distributed to organizations and schools. Member companies ordered 35 16 mm. versions and 65 videotapes of the film.

"Doing Something," a 21-minute, 16 mm. film about the on-job activities of specialists in health and safety areas, and "The Chemical Balance," a 12-minute, 35 mm. audio-visual presentation of the chemical industry contributions to people, the nation and its management of risk, continue to be distributed.

News Services - News materials distribution includes special news features and opinion pieces for print media; issue backgrounders;

special reports from ChemEcology; news releases; booklets and pamphlets; and distribution of "The Chemical Industry Facts File."

The section has begun production and distribution of special communications materials on such key issues as water and hazardous waste. The first of these was a package of materials on water issues, designed for use or adaptation by member companies at the local level.

By the first of October 1982, members of CMA's Science Advisory Group will have visited 73 cities and appeared on more than 140 television and 110 radio programs and participated in nearly 135 newspaper interviews.

Special Projects - A pilot regional communications program with the Louisiana Chemical Association is being launched. The program will be molded to that state's communications needs and will be carried out by the state chemical industry council, along with the companies that make up the council. The purposes of the program are to measure the effectiveness of the CMA communications program in a concentrated area and to develop a model which other states could use to attack their communications problems.

As of September, 1,080,000 key issue booklets have been printed, and 952,001 have been distributed. Total leaflets printed were 1,472,700, with 1,230,800 distributed. The 1981-82 Annual Report has been produced and published.

EPA's public relations consultant visited CMA in September to brief representatives of associations that have a great stake in EPA's regulatory actions.

Consumer Information - The section participated at conferences of the American Home Economics Association and the National Extension Homemakers Council in August and September distributing more than 7,800 pieces of material on chemicals and the issue areas.

Education - The Catalyst Awards, begun in 1957, have honored 134 college, junior college and high school teachers -- a reservoir of teachers supportive of the industry. CMA has now begun its 1983 promotion throughout the United States and Canada.

Publications - Readers are being asked to return a card specifically requesting that they continue receiving ChemEcology thus reducing the mailing list and effecting a cost savings.

Long Range Planning Committee - A meeting is scheduled for November 17-18 in Bethesda, Md. The committee will develop plans and goals that reflect CMA budget constraints and balanced advocacy programming.

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EXHIBIT J

GENERAL COUNSEL'S REPORT

TOXIC SUBSTANCES CONTROL ACT (TSCA)

1. Section 4(c) Data Reimbursement. EPA published a proposed rule establishing procedures and criteria for EPA determination of reimbursement of section 4 test costs when industry cannot reach agreement (47 Fed. Reg. 24348, June 4, 1982). CMA filed comments on September 2, which stress that EPA's proposal generally represents a workable and reasonable approach to test cost reimbursement under TSCA, but that some portions of the proposal could benefit from clarification or modification.

2. Section 5 PMN Exemptions. EPA responded to CMA's May 21, 1981, petition for PMN exemptions under section 5(h)(4) of TSCA by issuing proposed exemptions for polymers, site-limited and low-volume chemicals (47 Fed. Reg. 33896, August 4, 1982). CMA is currently developing comments to these proposals which are due October 4, 1982.

3. Section 8(c). The Administrator's Toxic Substances Advisory Committee requested comments on EPA's section 8(c) Concept Paper. Section 8(c) requires recordkeeping of allegations of "significant adverse reactions." In this paper, the Agency discussed its current thinking on five major issues in its proposal published July 11, 1980 (45 Fed. Reg. 47008). CMA was generally pleased with the revised approach that EPA is pursuing in developing a workable, cost-effective section 8(c) rule, but offered comments on specific areas of concern on September 8, 1982.

4. Section 8(d). EPA published the final rule under section 8(d) governing health and safety data reporting (47 Fed. Reg. 38780, September 2, 1982). Chemical manufacturers or processors of those who propose to manufacture or process must submit unpublished health and safety studies on the chemicals recommended for testing by the Interagency Testing Committee (ITC). The Agency will automatically make future ITC designations subject to the rule. The rule requires submission of copies of studies in the possession of persons subject to the rule and submission of lists of studies in progress or known to but not possessed by the submitter. EPA has exempted distributors from reporting. Persons who were involved with the chemical within the last ten years, but not presently, must submit copies of studies, but not any lists. Several types of studies have been exempted to reduce the burden of reporting. The rule becomes effective October 4, 1982.

5. Polychlorinated Biphenyls (PCBs). The Natural Resources Defense Council (NRDC) petitioned for review of EPA's final regulations governing the future use of PCBs in electrical equipment on September 8, 1982, in the U.S. Court of Appeals for the D.C. Circuit. The PCB Special Program Panel will meet September 16, 1982, to discuss whether CMA will participate in court proceedings.

THE CLEAN AIR ACT

1. Clean Air Act Amendments. The Senate Environment and Public Works Committee reported out a Clean Air bill in late August that includes amendments to section 112 (hazardous air pollutants) unacceptable to CMA. Parliamentary maneuvering and lobbying continue in both the Senate and the House to salvage amendments that industry can support; no definite strategy has emerged. There has been some talk (but no positive action) about a "short" bill that will deal with PSD, nonattainment, SIPs, and mobile sources only, and leave areas of controversy like hazardous air pollutants and acid rain untouched.

2. CMA v. EPA (Nonattainment/PSD Case). We have recently received disturbing signals from EPA that they may not implement the major rulemaking changes we agreed upon in settlement last spring. Those changes concerned the methods for calculating emission increases and decreases when modifying a facility. EPA has little technical data to support such a change, and in light of the recent decision in NRDC v. Gorsuch (see below), now seems unwilling to proceed with the settlement agreement. A status conference late in September should tell us more about what to expect.

3. NRDC v. Gorsuch (Dual Definition Case). On August 17, 1982, a panel of the D.C. Circuit dealt us an unexpected defeat in this case. The court concluded that two earlier decisions also dealing with EPA definitions of the term "source" -- the ASARCO decision on new source performance standards and the Alabama Power decision on the PSD rules -- compelled the court to invalidate EPA's October 1981 rulemaking eliminating the dual definition of source in the nonattainment rules. The practical result will be to return to the earlier system of new/modified source review in nonattainment areas, which allows no credit for reductions in one part of the plant to compensate for emission increases at another part of the same plant. The court has stayed issuance of its mandate until after the time for filing petitions for rehearing. The industry parties have already decided to file such a petition, with CMA's counsel, Covington & Burling, doing the drafting. The government will also petition for rehearing. After the petitions are filed, industry expects to discuss with EPA their interim policy for nonattainment area new source review.

THE CLEAN WATER ACT

1. Clean Water Act Amendments. No major Clean Water Act amendments will be passed by Congress this year, but EPA is pushing a "short" bill containing only one major item -- a proposal to allow publicly owned treatments works (POTWs) a waiver from specific compliance with the national categorical pretreatment standards program if they satisfy certain strict criteria. CMA is prepared to accept the general approach on pretreatment, but objects to the specific provisions drafted by EPA. It is not clear whether enough time remains for this Congress to enact EPA's short bill.

2. NRDC v. EPA (NPDES Litigation). The Government filed a brief with the Supreme Court opposing CMA's petition for certiorari on the jurisdictional issue. CMA, joined by other industry, will file a short reply to the Government's brief.

3. NRDC v. EPA (Pretreatment Litigation). The Third Circuit's decision early this summer invalidating EPA's suspension of the general pretreatment rules has served to reactivate the underlying litigation on the merits of those rules. The Third Circuit will hold a prehearing conference on September 24 to discuss what issues the various parties plan to litigate, and how to consolidate the cases and coordinate briefing. In all likelihood, all the cases will be consolidated in a single proceeding, and briefing will be scheduled for this fall. At the court's request, the parties filed statements of the issues on September 14.

RESOURCE CONSERVATION & RECOVERY ACT (RCRA)

1. On September 8, 1982, the House of Representatives passed H.R. 6307, which would add several new provisions to RCRA (Congressional Record, September 8, 1982, H6745-6777). It is impossible to predict at this time whether the Senate will take action on the bill this year.

The most significant provisions of the House Bill would do the following:

(a) purport to reverse the Supreme Court's Illinois v. Milwaukee decision as it applies to RCRA, and therefore purport to create a "federal common law" with respect to hazardous waste;

(b) require EPA to identify which types of waste are inappropriate for landfilling and to ban such wastes from landfilling unless alternative treatment or recovery technologies are not reasonably available;

(c) establish a notification and study program leading to the regulation of some types of burning practices in boilers;

(d) substantially tighten EPA's current "small generator" exemption; and

(e) establish a new National Groundwater Commission which must issue a comprehensive report on the nation's groundwater problems within three years.

2. The CMA RCRA task group has thoroughly analyzed EPA's land disposal regulations of July 26 (47 Fed. Reg. 32274) and has tentatively concluded that CMA should not seek judicial review. We are, however, closely watching the Environmental Defense Fund and the Hazardous Waste Treatment Council, who have been loudly threatening to sue over what they perceive to be "serious deficiencies." We should in all likelihood seek to intervene in such a suit to protect our interests.

SUPERFUND

1. Study on Adequacy of Tort Law. We have learned that the study will be formally released shortly after September 20, 1982. The chairman of the Study Group, James R. Zazzali (former N. J. attorney general), and Senator Stafford are apparently planning to have some sort of "media event" to announce the study's release. A new work group has been formed under the Superfund task group to develop CMA's response to the study. The work group is chaired by Jim Kusjaz of Dow's Washington office.

2. Reportable Quantities, Designation of Hazardous Substances. We have learned that EPA is "very close" to publishing a long-awaited Federal Reporter package under sections 102 and 103 of Superfund. The package would include two basic elements:

(a) a proposed rule setting new "reportable quantities" for many hazardous substances now "stuck" at the statutorily-presumed one-pound designation;

(b) an advance notice of proposed rulemaking setting forth ideas for a scheme under which EPA might add new substances to the current list of hazardous substances.

3. List of At Least 400 Sites. EPA has to date issued two "interim" lists of priority Superfund sites, the lists of 115 and 45. Under section 105(8) of Superfund, EPA is required to include within the NCP a list of at least 400 top priority sites. We have heard that EPA will propose such a list for public comment in October.

INTERSTATE COMMERCE COMMISSION (ICC) PRCCEEDINGS

1. Tank Car Agreement. On August 6, 1982, the ICC approved two applicati for approval of shipper agreements subject to three conditions:

(a) the agreements' broad Grant of Rights and Powers to take any action which is necessary and desirable to achieve the objectives of the agreement should be limited to exclude the right to discuss shipper independent actions and discussion of tactics for dealing with shippers which enter into independent agreements;

(b) the agreements should require transcripts or sound recordings to be made of all proceedings; and

(c) the agreements should require that meetings be open and that reasonable notice of meetings be provided.

Revised agreements in conformity with these conditions must be filed within 60 days of the service of this decision or the two applications will be denied. The CMA Tank Car Agreement is very similar to the two approved by the ICC. We are confident that CMA's Agreement will be approved, subject to meeting the above three conditions.

In its decision,the ICC also denied the Department of Justice's Motion to Consolidate and Stay the six pending applications. The Commission also stated that it anticipates decisions on the remaining pending applications (including CMA's which was filed on February 17, 1982) within the statutorily mandated one-year period.

2. Investigation of Tank Car Allowance System (Ex Parte No. 328). On August 9, 1982, CMA filed with the ICC its opposition to the petition for suspension filed on July 20 by the Association of American Railroads. Section 7 of the Car Compensation Agreement approved by the Commission in June, 1979, entitled tank car providers to an update in their compensation on an annual basis, effective on July 1 but not later than September 1. AAR has petitioned the Commission for an order suspending the update provision and directing that the existing Car Compensation Agreement be renegotiated. CMA argued that the petition should be denied because (1) the ICC has no authority to modify the Agreement; (2) the AAR petition is untimely; (3) AAR has not raised any facts that would justify the extraordinary action by the ICC of suspending the Agreement to which all parties are bound; and (4) CMA member company interests would be severely prejudiced if the Agreement is suspended after they have made purchasing decisions based on the bounds of the Agreement. As of September 1 the Commission had not ruled on the AAR's petition and the 1979 Car Compensation Agreement is therefore still in effect.

3. Rail Revenue Adequacy (Ex Parte No. 393). Oral argument is scheduled for September 20, 1982, before the U.S. Court of Appeals for the Third Circuit on Bessemer and Lake Erie Railroad, et al. v. United States. CMA argues that the single standard of revenue adequacy adopted in Ex Parte 393, the current cost of capital, is arbitrary and is only one determinant of the proper level of revenue adequacy. CMA also believes that the Commission's decision was contrary to the 4R Act and the Staggers Rail Act.

INTERNATIONAL AFFAIRS

1. OECD/Proposed Council Decision on the Minimum Premarketing Set of Data (MPD). The U.S. Department of State has received several EC responses to the latest U.S. proposed language, the majority of which are unacceptable to U.S. industry. The State Department has supported CMA's concerns in its reply to these EC changes. The Organization for Economic Cooperation and Development (OECD) Member State governments still hope to have this issue resolved before the High Level Meeting in October or November, 1982.

2. OECD High Level Meeting. The High Level Meeting of the Chemicals Group of the OECD will take place this fall (either October 26-28, or November 15-17, depending on Mrs. Gorsuch's availability). CMA has commented on each of the agenda items for that meeting.

3. Export of Hazardous Substances. The Departments of State and Commerce, on May 10, 1982, sent their recommended policy on the export of hazardous substances to the U.S. Trade Representative's Office. This policy has undergone inter-agency review before the Inter-agency Trade Policy Committee, chaired by the USTR, and was sent to the White House on August 24, for review there prior to issuance of an Executive Order. Concern has been expressed by the CRAC Committee of CMA that EPA not perceive the changes which would be required under the TSCA system of export notification (if a favorable Executive Order is issued) as necessitating amendment of TSCA itself. CMA has maintained that the necessary changes could be accomplished by regulation.

4. Harmonization of the Tariff Schedules of the United States Annotated. The U.S. Government is currently in the process of rewriting the U.S. Tariff Schedules to bring them into compliance with the Customs Cooperation Council Nomenclature (formerly known as the "Brussels Nomenclature"). A draft copy of chapters 28 and 29 of the Tariff Schedules, dealing with organic and inorganic chemicals, is available. The International Trade Commission's hearing on these chapters is scheduled for November 1, 1982.

PRODUCT LIABILITY

Senator Robert Kasten of Wisconsin, Chairman of the Consumer Subcommittee of the Senate Commerce Committee, is expected to introduce shortly a revised federal product liability bill. The bill is intended to incorporate Administrative concerns with the earlier proposal. Senator Kasten hopes to report a bill out of the Senate Committee before the end of this Congress.

SCHNEIDER V. HAAS

On August 25, 1982, CMA was served with a complaint in the case of Schneider v. Haas. In that case, filed in the Court of Common Pleas, State of Pennsylvania, Rohm and Haas Company and several of its subsidiaries were also named as defendants. CMA was charged with having negligently performed an undertaking to foster safety at Rohm and Haas' Bridesburg Plant. In particular, CMA (and Pennsylvania Manufacturers Association Insurance Company) allegedly failed to warn a Rohm and Haas employee and his wife (now both deceased) of the known dangers of exposure to Bis-chloromethyl ether or to provide adequate safeguards against exposure. CMA is also charged with all of the other defendants in a coun alleging conspiracy to conceal relevant medical information.

CMA was given 20 days from August 25 to file an answer and has since received a 30-day extension of that period. The complaint and accompanying materi have been forwarded to our liability insurance carriers for their consideration.

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