A G E N D A

CMA EXECUTIVE COMMITTEE MEETING
Tuesday, May 8, 1984
8:00 a.m. to 12 Noon
1:00 p.m. to 4:00 p.m.
CMA Board Conference Room
Washington, D. C.

		TAB
1.	Approval of Minutes -- Chairman Holmer	1
2.	Treasurer's Report -- G. C. Herrman	2
3.	Membership Committee Report -- C. W. Van Vlack a. Glyco Inc. b. OMI International Corporation	
4.	CMA Committee Appointment -- C. W. Van Vlack a. <u>Engineering Advisory Committee</u>: J. T. Blackburn, Phillips Chemical Company - Term ending 5/31/85 (replacing Frank J. Heller - same company)	
5.	Report of the President -- R. A. Roland	
6.	CMA Survey on U.S./Canada Petrochemical Free Trade -- M. T. Foveaux	3
7.	Superfund Reauthorization Legislative Status Report -- Stacey J. Mobley, E. I. du Pont de Nemours & Co.	4
8.	Superfund Economic Impact Study -- Hugh R. Irvine, Exxon Chemical Americas	5
9.	Clean Sites Inc. - Funding Considerations -- L. Fernandez, Monsanto Company	
10.	Reports of the Vice Presidents:	
	a. Technical Director -- G. V. Cox	6
	b. Director of Communications -- J. C. Holtzman	7
	c. Director of Government Relations -- W. M. Stover	8
	d. General Counsel -- D. F. Zoll	9
11.	New Business	
12.	Adjournment	

12 Noon - CHEMICAL FORUM Luncheon
Dolley Madison Ballroom, Madison Hotel

Guest Speaker: Majority Leader of the House of Representatives, the Honorable Jim Wright (D-TX-12)

Transportation will be provided.

MINUTES OF MEETING
CMA EXECUTIVE COMMITTEE
CMA Headquarters
Washington, D. C.
May 8, 1984

1. The meeting was called to order at 8:00 a.m. by Chairman Holmer. There were present:

Edwin C. Holmer, Chairman
Alan Belzer
Louis Fernandez
Robert C. Forney
John W. Johnstone, Jr.
Robert D. Kennedy
Robert H. Malott
Robert L. Mitchell
Robert A. Roland
David L. Rooke
George J. Sella, Jr.
Harold A. Sorgenti
J. R. Street

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

By invitation:
David L. Baird, Jr., Exxon Chemical Company
Geraldine V. Cox, CMA
* Myron T. Foveaux, CMA
Jon C. Holtzman, CMA
* Hugh R. Irvine, Exxon Chemical Americas
* Stacey J. Mobley, E. I. du Pont de Nemours & Company
Victor H. Peterson, CMA
* Charles Powers, Health Effects Institute
* William K. Reilly, The Conservation Foundation
Vernon R. Rice, E. I. du Pont de Nemours & Company
James H. Senger, Monsanto Company
Richard G. Stoll, CMA
William M. Stover, CMA
Juliane H. Van Egmond, American Cyanamid Company

*Part time

2. Minutes of the Last Meeting The minutes of the April 3, 1984, meeting were approved as distributed.

3. Treasurer's Report Mr. Herrman advised that the most recent Treasurer's report had been previously distributed. He summarized that we expect to end the current fiscal year on May 31 with expenses approximately 2% under budget, revenue significantly in excess of budget, and use of reserves reduced to the $100,000 to $200,000 range.

4. Report of Nominating Committee Dr. Fernandez presented the nomination of S. Jay Stewart of Morton Thiokol Inc. to replace Charles S. Locke of the same company, who resigned as a Director of the Association on April 23, 1984. This was approved. He also presented, for information only, two additional nominees for the Board of Directors to be elected by the membership at the Annual Meeting in June.

5. Report of Membership Committee Mr. Van Vlack advised that the Membership Committee had reviewed the qualifications of Glyco Inc. and OMI International Corporation and recommended their election to membership in the Association. This was approved.

6. Committee Appointments Mr. Van Vlack presented the committee appointments contained in Exhibit A, which were approved.

7. Report of the President

- Mr. Roland recommended that the Executive Committee and Board of Directors meetings for January, 1986, be held at The Ocean Reef Club in Key Largo, Florida. He also recommended that the September, 1986, meetings be held at the Silverado Country Club in Napa Valley, California. Both recommendations were approved.

- Mr. Roland reported on the CEFIC meeting which he attended on behalf of the CMA officers in Milan, Italy, in early May. The subject of the meeting was the image of the chemical industry in Europe.

8. CMA Survey on U.S./Canada Petrochemical Free Trade On behalf of the International Trade Committee, Mr. Foveaux presented a proposed survey on the subject of petrochemical free trade between the United States and Canada (Exhibit B). The proposed survey was the result of a request from the Canadian Chemical Producers Association. After considerable discussion, it was agreed that the issues raised by the survey should be referred back to the International Trade Committee for further consideration and action. It was also agreed that a survey was an inappropriate mechanism to address this issue at the present time.

9. Superfund Economic Impact Study Mr. Irvine presented the interim report of the task group on the economic impact of proposed changes in Superfund funding. It was agreed that:

- The materials on the economic impact of increased feedstock taxes, Exhibit C, be approved and should be made available immediately to Association representatives for use in Superfund reauthorization discussions with the Congress.

- The task group should begin, immediately, a broader based study that will identify the economic impact of both the waste-end and feedstock taxes if implemented beyond the amounts the Association's Board of Directors has supported ($300 million for feedstock and $300 million for waste-end). The task group was further directed to determine the overall incremental impact on the chemical industry of the full range of revenue proposals currently before the Congress, up to a maximum total annual tax of $2 billion. The study should also include data on the downstream impact of these taxes on other products and industries, including impacts on employment and international trade. The task group was urged to gather information on the experience to date with the post-closure tax to further justify the viability of a waste-end tax. The task group should identify and recruit additional members to expand its range of expertise, as necessary, to complete its report.

10. Superfund Reauthorization Status Report Mr. Mobley's report is attached as Exhibit D. In addition, he highlighted several additional developments:

- Discussion between Representatives Florio and Dingell on a new proposal which is expected to be introduced in the next week, with hearings possible on May 15, 16 and 17.
- Decision by the House democratic leadership to push Superfund as the principal environmental legislation for 1984.
- Fund size expected to be in the $1.5 billion per year range.
- Bill may move quickly once it is introduced.

There was considerable discussion of the contents and prospects for the new Florio/Dingell legislation.

It was agreed that the Superfund Funding Task Group should immediately begin work on developing a recommendation for an additional source of funding to be utilized if annual revenues will be required beyond those levels contemplated in the existing Association position. In developing the recommendation for an additional source of funding, the task group shall seek to broaden the revenue base to the maximum practical extent. The task group shall also fully consider the viability of utilizing a gross receipts tax for this purpose.

11. Clean Sites, Inc. Dr. Fernandez reported on the status of the Clean Sites, Inc. project, formerly referred to as the "Entity." The project will be organized as a nonprofit corporation and its goals will be to:

- Clean up significantly more hazardous waste sites in the near term than would be otherwise possible under Superfund alone.
- Reduce delays in cleanup and thereby reduce the threat of groundwater contamination.
- Accomplish waste site cleanup in a manner that provides health and environmental protection acceptable to the government and affected communities.

Dr. Fernandez reviewed the functions, organizational structure and funding requirements for the project which is scheduled to be publicly announced on May 31. Mr. Reilly of The Conservation Foundation, who is serving as the spokesman for the project pending its official announcement, also reviewed the program from his perspective.

The tentative budget contemplates that the chemical industry will provide up to 50% of the overhead funds needed to operate Clean Sites, Inc., for its initial three years of existence. With respect to funding for Clean Sites, Inc., it was agreed that:

- It would be inappropriate to use the Association's dues structure directly or to impose a special assessment on all Association members to raise the funds required.

- The Association's membership rolls and dues structure be made available to Clean Sites, Inc., under appropriate conditions to insure confidentiality, for the purposes of independently soliciting the chemical industry's share of the first three years' funding requirements for the project.

- The Executive Committee recommends that the Association's membership support the Clean Sites, Inc., project.

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NOTE: Due to a lack of time, the reports of the Vice Presidents were not taken up, but are attached to these minutes (Exhibits E, F, G, and H).

Charles W. Van Vlack

Charles W. Van Vlack
Corporate Secretary

Certified correct:

E C Holmer

Edwin C. Holmer, Chairman
CMA Executive Committee

COMMITTEE APPOINTMENTS

1. Engineering Advisory Committee
   J. T. Blackburn, Phillips Chemical Company - Term ending 5/31/85
   (replacing Frank J. Heller - same company)

2. Environmental Management Committee
   Frank W. Berryman, Chevron Chemical Company - Term ending 5/31/87
   (replacing Gordon N. Lenz - same company)

CMA
EC-5/8/84

Exhibit B

CMA SURVEY ON U.S./CANADA PETROCHEMICAL FREE TRADE

The Canadian government has officially notified the United States it is seeking a free trade agreement for six industrial sectors, including petrochemicals. It has involved the Canadian Chemical Producers' Association (CCPA) in the preliminary efforts because that organization requested the free trade agreement. Canada's chemical industry is building world scale plants to produce petrochemicals from large natural gas deposits in Alberta. Much of this production must be exported and the United States is the most logical market. A thorough report on this situation has been distributed to the CMA International Trade Committee (ITC).

A second orientation meeting of CCPA, CMA, The Society of the Plastics Industry, and the Synthetic Organic Chemicals Manufacturers Association representatives took place on Tuesday, April 17, in Toronto, Canada. The petrochemicals suggested by the Canadians to be in the free trade arrangement were named at that meeting.

CMA's ITC, in response to a request from CCPA, said it will attempt to reflect a preliminary reaction of the industry to the proposal. To obtain an industry opinion, a proposed mailing to CMA member companies including a survey questionnaire must be approved by the Executive Committee. It must be clearly understood by all concerned that only the two governments may negotiate terms of a free trade agreement including products affected.

Meanwhile, the International Trade Committee and its task groups are considering the possible effects, both positive and negative, of such an agreement with Canada. A policy recommendation ultimately will be made by the ITC to the CMA Board. The Society of the Plastics Industry and the Synthetic Organic Chemicals Manufacturers Association will likely determine their views, and a joint response with CMA will be prepared through the Office of the Chemical Industry Trade Advisor.

ACTION REQUIRED: Approval of Questionnaire

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PROPOSED LETTER - FOR APPROVAL

TO: TRADE CONTACTS OF CMA MEMBER COMPANIES

SUBJECT: CMA Survey on U.S./Canada Petrochemical Free Trade

The Canadian government, in cooperation with its chemical industry, has proposed to the U.S. government a bilateral free trade arrangement on petrochemicals, specialty steel, textiles, agricultural machinery, urban mass transit equipment, telecommunications, electrical generating equipment and beef. An Executive Summary of the Petrochemical Industry Task Force is attached for your information. This communication is to (1) inform you of events preliminary to a possible negotiation toward a bilateral petrochemical free trade agreement between the two countries, and (2) request your company's response to a survey on the proposed agreement.

Two orientation meetings have been held including representatives from the Canadian Chemical Producers' Association (CCPA), the Chemical Manufacturers Association (CMA), the Synthetic Organic Chemicals Manufacturers Association (SOCMA), and the Society of the Plastics Industry (SPI). Such things as Canada's National Energy Plan, its Foreign Investment Review Act and pending U.S. trade legislation were discussed in these meetings. It should be clearly understood that negotiations can only be carried out by the U.S. and Canadian governments.

Attached is a preliminary list of products for which the CCPA proposes a bilateral free trade arrangement. Although the Canadian government is aware of the list, it is neither final nor official. Your company is urged to study it and respond to the attached survey questionnaire. The response should be returned to Mr. Jim O'Connor anonymously by May 29, 1984. The tabulated results are to be used only as an early indicator of opinion about the agreement and will not constitute a CMA or chemical industry policy. It is probable that your more formal views will be sought by the U.S. government when the Canadian government officially requests negotiations.

Your cooperation in this important matter is urgently requested. If you have questions, please call me at (202) 887-1132 or Jim O'Connor at (202) 887-1130.

Thank you.

Sincerely,

Myron T. Foveaux
Assistant Director
Government Relations

CMA
EC-5/8/84

SURVEY ON POSSIBLE U.S./CANADA PETROCHEMICAL FREE TRADE AGREEMENT

RETURN TO: Mr. K. James O'Connor, Jr.
Chemical Manufacturers Association
2501 M Street, N.W.
Washington, D.C. 20037

BY: May 29, 1984

Attached is a preliminary list of petrochemicals suggested by the Canadian chemical industry as candidates for elimination of duties by both countries. Please be assured that your individual submission will be afforded the strictest confidence. CMA will release only the total aggregated results and will not divulge any individual company information. Please study the list carefully. Consider what effect such an action would have on your company. Then, please answer the following questions as completely as possible.

1.) A U.S./Canada petrochemical free trade agreement is of interest to my company. YES ___ NO ___
(If NO, do not complete the rest of the questionnaire.)

2.) My company would support a U.S./Canada petrochemical free trade agreement if governmental negotiations were to take place. YES ___ NO ___

3.) The following products should be deleted from the attached list:

4.) The following products should be added to the list:

	1987 Tariff rate (if known)			Tariff rate	
	U.S.	Can.		U.S.	Can.

THE CANADIAN CHEMICAL PRODUCERS' ASSOCIATION

Preliminary List of Petrochemicals for

Bilateral Tariff Elimination

Chemical	Jan. 1987 Tariff Rates Canada	U.S.A.
styrene	7.5%	7.4%
cyclohexane	10.0% (free +)	0.9¢ + 12.5%
ethyl benzene	9.2% (free +)	0.5¢ + 17.3%
carbon tetrachloride	9.2%	2.3%
ethylene dichloride	10.0%	0.6¢ + 3%
vinyl chloride	12.5% (free +)	12.0%
propanols (n. propyl)(iso propyl)	12.5%	14.0%
methanol	10.0%	18.0% (free *)
ethylene oxide	9.2%	9.0%
ethylene glycol	10.0%	12.0%
phenol	9.2%	7.2%
acetic anhydride	12.5%	3.5%
acetic acid	12.5%	1.8%
adipic acid	12.5%	0.1¢ + 19.8%
hexamethylene diamine	12.5% (free +)	20.0% -- benzenoid-derived 7.9% - non-benzenoid-derived
acrylonitrile	6.3% (free +)	11.6%
alkyl benzene	9.2%	0.5¢ + 17.3%
polyethylene	9.5%	12.5%
polyvinyl chloride	9.5%	10.1%
polystyrene	13.5%	0.4¢ + 9.2%
vinyl acetate	12.5%	3.8%
styrene-butadiene (SB) latex	9.5%**	free
acetaldehyde	12.5% (free +)	8.0%
adiponitrile	10.0%	free
nylon 6	8.5%	6.3%
nylon 6,6	8.5%	6.3%

+ - temporary rate reduction for plastics end use
* - for energy use
** - greater than 50% styrene

April 12, 1984.

REPORT

OF THE

PETROCHEMICAL INDUSTRY TASK FORCE

TO

THE HONOURABLE EDWARD C. LUMLEY
MINISTER OF
REGIONAL INDUSTRIAL EXPANSION

THE HONOURABLE JEAN CHRÉTIEN
MINISTER OF
ENERGY, MINES AND RESOURCES

FEBRUARY 1984

AUSSI PUBLIÉ EN FRANCAIS

REPORT OF THE PETROCHEMICAL INDUSTRY TASK FORCE

EXECUTIVE SUMMARY

The Petrochemical Industry Task Force was established to assess future prospects for the Canadian petrochemical industry and to make recommendations on an appropriate policy environment for the industry. As a result of its deliberations, the Task Force concludes that both the oil and gas based segments of the petrochemical industry can be internationally competitive over the long term based on advantages existing in Canada, provided that the industry is able to obtain appropriate feedstocks at market related prices (as determined by negotiations between buyer and seller).

If such a market responsive environment is created in Canada, the industry will be able to utilize one of Canada's major advantages -- its large and growing surplus of natural gas -- to re-establish its competitiveness. This can lead to future growth and important social and economic contributions to the country. More specifically, actions in this regard would safeguard thousands of jobs, enhance the significant job creation potential of the industry, attract new investments to Canada, significantly increase the domestic markets for natural gas and its products, and increase the opportunity within Canada to upgrade resources and export manufactured goods.

Petrochemical manufacturing is a key industry that is already of importance to the Canadian economy. It represents 60% of total chemical manufacturing in Canada which, in turn, is Canada's fifth largest industry in terms of value of factory shipments. Although it was seriously affected by the recession in 1982, the Canadian petrochemical industry was still able to achieve sales in excess of $5 billion, exports of $1.7 billion, and a positive trade balance of $0.6 billion. The industry is also associated with nearly 200,000 jobs. It directly employs about 18,000 highly skilled workers and has provided work for about 20,000 construction workers in each of the last five years. In addition, petrochemical manufacturing sustains about 50,000 jobs in associated upstream industries and services, and supplies essential materials and key technology to closely related downstream industries which employ in excess of 125,000 workers. Because of the innovative, technological nature of the petrochemical industry, the quality of the direct jobs in terms of interest, challenge, satisfaction, and remuneration is high in comparison with industry generally.

The petrochemical industry's future potential is based on a unique combination of advantages in Canada. Among these advantages are: relatively large, proven oil and gas reserves which provide the basis for the industry's feedstocks; modern and efficient petrochemical plants that are world competitive in scale and technology; a highly experienced and productive work force; international marketing expertise and distribution systems; advanced research and development capabilities that provide essential technical support to downstream domestic industries; and a reputation as a stable, reliable supplier.

It is important to note that commodity petrochemical production is moving to oil and gas rich countries. At the same time, less competitive capacities are being shut down by the traditional producers in Japan, Western Europe, and the U.S.A., in recognition of the feedstock advantage in the oil and gas rich countries. These capacity closures, along with the renewed growth in petrochemical markets that is now underway, will result in the need for additional capacity globally before the end of the decade. With its competitive strengths, the Canadian petrochemical industry has the potential to participate profitably in this growth and to attract up to $3 billion of this required new investment. However, since a lead time of five years is required to plan and build new petrochemical facilities, appropriate actions need to be taken promptly if Canada hopes to attract such new investment and reap the associated benefits. Therefore, a concerted and coordinated effort is required by both government and industry.

In this regard, the Task Force makes a range of recommendations encompassing such factors as transportation, research and development, capital costs, and international trade. However, by far the most crucial recommendations deal with the need to obtain market related prices for feedstocks.

Feedstocks are critical because they represent the largest element of cost to the Canadian petrochemical producer. During the 1970s, feedstock costs in Canada provided an advantage to the domestic industry. However, the Canadian industry lost its competitiveness in 1982 when the more market responsive system in the U.S. and elsewhere resulted in substantially falling feedstock prices at the same time as feedstock costs in Canada were rising due to regulated oil and gas prices. Therefore, the Task Force recommends that the prices of oil and gas in Canada be allowed to become market responsive. The implementation of a market responsive pricing system will require changes to resource taxation and the regulations affecting oil and gas pricing, supply and pipelines.

It is recognized that a totally market responsive system may take some time to achieve. However, because of the significant opportunity available and the competitive situation facing the industry in Canada, it is essential that actions be taken as soon as possible. To this end, the Task Force makes some interim recommendations that should remain in place until a market responsive system is implemented.

One interim recommendation is for an immediate cost reduction in the order of 15% on natural gas (as measured in Toronto) for industrial users in Canada. The Task Force believes that the resulting price would be closer to a price that would exist under a market responsive system.

The results of several economic impact studies commissioned by the Task Force show that Canadians would receive a significant net benefit, well beyond that of the petrochemical industry alone, if this recommendation were implemented. In fact, the studies show that the resulting heightened economic activity and increased gas volumes (in what is already one of the major domestic gas markets) would more than offset the costs involved.

If appropriate actions are not taken on this recommendation, the gas-based segment of the petrochemical industry will consume less natural gas and will most likely not undertake any future expansion. Some parts of the industry may even decline.

The Task Force concludes that feedstocks based on crude oil will not likely be competitive in the intermediate term. In spite of this, the Task Force believes that the oil-based segment can re-establish its competitiveness by increasing its ability to use a wider range of feed stocks. In the near term, this involves the continuation of efforts to reduce its use of crude oil. Of particular importance in this regard will be the segment's ability to access competitively priced domestic supplies of propane and butane, which are co-products of natural gas production and surplus to Canada's needs.

To implement such an adjustment, the Task Force recommends that appropriate surplus tests be applied to propane and butane since large quantities of these products are currently being exported. In addition, the high up front fiscal burden on propane and butane destined for use in Canada should be reduced in order to provide more flexibility in determining competitive prices through commercial negotiation.

The petrochemical industry will continue to use lower value streams from refineries as alternate feedstocks to the maximum extent practicable. Using such feedstocks does not create additional crude oil consumption specifically for petrochemical needs and, in fact, upgrades these low value resources.

Increased feedstock flexibility will require considerable modification to existing plants and related infrastructure for the oil-based segment of the industry. Therefore, the Task Force recommends that a government-industry transition program be established to provide financial assistance to this segment for a period of up to three years.

This financial assistance for transition should be provided immediately so that the segment can sustain its operations while it undertakes the required studies and modifications to re-establish its long-term viability. Since the circumstances are different in each case, the details of the transition program will be negotiated separately by each company, and will involve a number of commitments by the companies in such areas as human resources and use of oil. The amount of this short-term assistance should be roughly equivalent to whatever unit cost decrease is initiated for gas, or approximately 15% of the feedstock and energy costs directly related to the production of petrochemicals (excluding aromatics). It should be provided in diminishing amounts as the conversion nears completion.

The Task Force recognizes that some petrochemical products can only be made from oil-based feedstocks. Therefore, it also recommends that regulated crude oil pricing policies in Canada not create a competitive disadvantage opposite the market responsive pricing of oil on the U.S. Gulf Coast.

The Task Force firmly believes that the above recommendations would allow the oil-based segment of the petrochemical industry to achieve long-term competitiveness. In addition, an economic impact study shows that if these recommendations are implemented, additional government revenues would be generated that would more than offset the assumed costs involved. Conversely, if appropriate actions are not taken, the continued viability of this segment will be put in serious question and a significant number of jobs could be lost.

The recommendations for both the oil and gas segments of the industry impact on the competitive position of one segment relative to the other. As a result, action on recommendations for each segment should be coordinated as closely as possible.

Since access to international markets is also an important issue, the Task Force recommends that a concerted effort by industry and government be developed with our major trading partners to increase market access. In particular, efforts should focus on bilateral negotiations with the U.S., and the continued development of negotiations with Japan.

Given the acceptance and early implementation of all of these recommendations, and in particular those pertaining to feedstocks, the Task Force firmly believes that the petrochemical industry will continue to be a major contributor to a strong Canadian economy through continuing investment, job creation, increased export earnings, and the upgrading of resources in Canada.

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Exhibit C

ECONOMIC IMPACT OF SUPERFUND PROPOSALS

The magnitude of proposals for enlarging the Superfund feedstock tax cause great concern as to their effect on the U.S. petrochemical industry. The extremely competitive worldwide petrochemical situation has caused shutdown of numerous U.S. plants, operation of the rest at low levels and several years of losses on petrochemical operations. Significant new burdens placed on feedstock costs which are not borne by foreign competitors will cause a further deterioration in both the export and domestic market.

A Superfund Economic Impact Working Group was formed in March, 1984, with Hugh Irvine, Exxon Chemicals Americas, as Chairman. It has developed the following paper for immediate use in the CMA Superfund efforts. A more detailed paper is in preparation.

ACTION REQUIRED: For Information Only

CMA
EC-5/8/84

4/23/84

UNFAVORABLE ECONOMIC IMPACT OF PROPOSALS FOR CERCLA REAUTHORIZATION

The Chemical Manufacturers Association (CMA) strongly advocates Superfund reauthorization at a level that will allow EPA to carry out an effective program for cleanup of hazardous waste sites.[1] We believe, however, proposals for reauthorization of the Comprehensive Environmental Response, Liability and Compensation Act (CERCLA) (also called Superfund) force tax payments much sooner than they are needed and in amounts that far exceed EPA's ability to spend them effectively.[2] The surplus funds that would be generated by these bills would not only encourage waste and mismanagement, but would also have a strong negative impact on other tax collections and affected industries (copper, iron and steel, coal, fertilizer, petroleum and petrochemicals.)

Current CERCLA tax law relies upon a feedstock tax for the majority of its funds as do several proposed reauthorization bills.[3] The primary petrochemical sector is the industry sector most affected by current and proposed CERCLA taxes.[4] According to congressional staff estimates, the CERCLA reauthorization proposals would collect about $650 million/year from taxes on 11 primary petrochemicals designated as chemical feedstocks.[5] Compared with that tax, consultants point out that the petrochemical sector lost $383 million in 1982 and was below the breakeven level in 1983.[6] Even under the most optimistic assumptions of prorating profits from downstream chemicals back to primary petrochemicals, proposed taxes would be significantly greater than profits.

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[1] March 8, 1984, statement of Dr. Louis Fernandez, Chairman of the Board, Monsanto Company, on behalf of the Chemical Manufacturers Association, before the House Energy and Commerce Subcommittee on Commerce, Transportation and Tourism.

[2] March 15, 1984, statement of Mr. William D. Ruckelshaus, Administrator of the Federal Environmental Protection Agency, before the House Energy and Commerce Subcommittee on Commerce, Transportation and Tourism.

[3] House Energy and Commerce Subcommittee on Commerce, Transportation and Tourism printout on H.R. 4813 funding.

[4] Internal Revenue Service revenue data on Superfund taxes.

[5] H.R. 5321, introduced April 3, 1984, by Rep. Florio.

[6] "Profit Strategies in World Chemicals," by Charles H. Kline, presented at the Energy Bureau Conference on Petrochemicals: Strategies for Survival, Houston, TX, September 13, 1983.

CMA does not suggest that the chemical industry should be excluded or exempted from payment of a fair share of the Superfund cleanup. To the extent that Superfund taxes exceed cleanup needs, however, the impact of excess collections undermines other deficit reducing revenue measures and the affected industry sectors.

The petrochemical sector already has a severe burden of:

- o shrinking sales opportunities of a maturing industry;[7], [8]
- o worldwide overcapacity for primary petrochemicals;[9]
- o increasing feedstock costs relative to direct foreign competition;[10] and
- o domestic competition from use of alternate untaxed materials.

These forces are driving U.S. primary petrochemical manufacturers toward:

- o producing more complex specialty chemicals;[11]
- o permanently closing down primary petrochemical facilities with resulting decline in employment;[12] and,
- o giving up the manufacture of commodity chemicals to hydrocarbon rich countries.[13]

The impact for Superfund is a shrinking feedstock tax base.

The misconception that the petrochemical tax base can sustain much higher taxes without the erosion of this industry sector will have at least three unfavorable consequences for the U.S. economy:

o First, slow growth of the U.S petrochemical industry combined with increased foreign competition is already threatening U.S sales in both foreign and domestic markets.[14] Imported downstream derivative chemical products are not currently taxed. Those same imported down-

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[7] "Financial Analysis of Industry," March 21, 1983, INDUSTRY WEEK.

[8] "Big Oil Splits On Its Chemical Strategy," November 2, 1983, CHEMICAL WEEK.

[9] "Few Oil Companies Made Honey in Chemicals Last Year," February 14, 1983, CHEMICAL & ENGINEERING NEWS.

[10] "Petrochemical Report," March 12, 1984, CHEMICAL & ENGINEERING NEWS.

[11] "Foreign Firms May Outsell U.S. Petrochemical Sector in the '80s," September 23, 1983, CHRISTIAN SCIENCE MONITOR.

[12] "Petrochemicals '83," March 23, 1983, CHEMICAL MARKETING REPORTER.

[13] "Petrochemicals '84," April 2, 1984, CHEMICAL MARKETING REPORTER.

[14] "ECN Special Report," October 17, 1983, EUROPEAN CHEMICAL NEWS.

stream derivative products are made from non-taxed foreign raw materials. Imports of these products have increased in the past few years while U.S. facilities which manufacture the U.S. taxable raw material chemicals are being shut down and permanently written off. The consequent reduction in employment and loss in balance of payments is accelerated by a fourfold CERCLA feedstock tax increase in several of the CERCLA reauthorization proposals.[15] In addition, the assumed downstream passthrough of CERCLA feedstock taxes is thwarted when the price of untaxed chemical imports establishes a low market level, sometimes below domestic cost which prevents tax recovery in the marketplace.

o Second, the proposed tax eliminates the profits of the primary petrochemical industry resulting in:

a) severely reduced reinvestment in new efficient facilities;
b) continued decline in international competitiveness;
c) accelerated undermining of this industry's historically <u>large positive</u> balance of payments contribution;
d) substantial current and prospective job losses.[16]

o Third, to the extent that feedstock taxes collected from primary petrochemical manufacturers exceed needs, the general fund is deprived of 46 percent of that amount in lost corporate income taxes. CERCLA reauthorization bills can build revenues far above actual needs with a very unfavorable impact on deficit reduction efforts. Congress should make a strong commitment to accelerate cleanup while balancing this commitment with the other financial and deficit reduction needs of the country.

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[15] House Energy and Commerce Subcommittee on Commerce, Transportation and Tourism printout on H.R. 4813 funding.

[16] "Energy Shock Plus 10," March 1984, CPI PURCHASING.

Exhibit D

SUPERFUND STATUS REPORT

By Stacey J. Mobley, E. I. du Pont de Nemours & Company.

CONGRESS

HOUSE

Rep. James Florio's (D-NJ) Subcommittee on Commerce, Transportation and Tourism held a day of markup on the Superfund reauthorization legislation April 4. The following is a brief summary of events before and during the Florio markup.

- Florio introduced H.R. 4813, the provisions of which we are all too familiar, on February 9, 1984.
- Lent introduced his bill (H.R. 4915) on February 23, 1984.
- Florio had introduced H.R. 4813 as an amendment to RCRA in attempts to avoid concurrent jurisdiction with the House Public Works Committee. To this end, his drafters had attempted to exclude "navigable water" totally from H.R. 4813.
- The drafters of H.R. 4813 inadvertently failed to exclude "navigable water" totally, and the Public Works Committee was successful in obtaining concurrent jurisdiction on this basis.
- Florio introduced a "revised" bill (H.R. 5321) on April 3, 1984, and scheduled a subcommittee mark-up for April 4. The revised bill was almost a verbatim repeat of H.R. 4813, but it "nailed down" the exclusion of "navigable waters". It made several other minor changes designed in part to gain support of Subcommittee members.

At the markup on April 4, the following transpired:

- After much procedural bickering about whether the "revised" bill should be read out loud, or summarized, or explained in comparison to H.R. 4813, or explained in comparison to existing CERCLA, Lent offered an amendment to substitute his bill (H.R. 4915) to replace Florio's bill entirely.
- Eckart raised a point of order that the Lent bill could not be considered germane because, in covering releases into "navigable water", the Lent bill went beyond the scope of the Florio bill.

  After debate on this procedural point, Florio ruled in favor of Eckart, thus preventing the Lent bill from being considered further.

Tauzin then offered an amendment as a complete substitute for the Florio bill. Aside from the facts that the Tauzin substitute would amend RCRA and would exclude coverage of "navigable waters" (like Florio's bill), the Tauzin substitute would re-enact the current funding levels and current funding structure, for five more years.

- Tauzin very clearly explained his belief that the current funding levels were inadequate, and that the funding levels in his bill would have to be raised as Congress went through the reauthorization process. He also explained that he realized other substantive amendments might be proper. He stated, however, that the Florio bill was so over-reaching in so many respects that he felt that the simple re-enactment approach was the better vehicle from which to build.

- Eckart raised the same point of order about the germaneness of the Tauzin substitute that he had raised with respect to the Lent bill. Eckart lost this point of order, however, when Tauzin made clear that his substitute was an amendment to RCRA and excluded "navigable waters" from coverage.

- Lent and Ritter spoke in favor of Tauzin's approach, and stressed their agreement with Tauzin that higher funding levels and perhaps other changes to the law would be required.

- Florio spoke strongly against the Tauzin approach.

- When the time came to vote, all eight Subcommittee members were present. Dingell and Broyhill, as ranking majority and minority members of the full Committee, also have a vote but they were not present.

- A roll-call vote produced a 4-4 split, which would have defeated the Tauzin substitute. However, Lent had Broyhill's proxy and voted it in favor of the Tauzin substitute; Florio did not have Dingell's proxy. Accordingly, the Tauzin substitute was approved 5-4.

Florio is working to develop a revised Superfund bill for which he can gain major support for in his Subcommittee. CMA continues to work with all the members of Florio's Subcommittee and the full Energy and Commerce Committee for a reasonable Superfund reauthorization.

SENATE

The Senate Environment and Public Works Committee began Superfund reauthorization hearings on April 11 with the primary focus on the Woburn, Mass. dumpsite and health effects. The next day of hearings will be April 25 and state and local officials are expected to testify. The third hearing will be May 16, and CMA is expected to receive an invitation to testify. Additional hearings are expected to be scheduled, and markup may be in June.

MEDIA

The media has not written much about the Florio markup of April 4 or Superfund in general.

ASSOCIATIONS

CMA continues to hold regular meetings with other industry groups which are impacted by the Superfund legislation. Most other associations are working to get exempted from the feedstock or waste-end tax. They are concerned about the liability and compensation provisions.

CMA

CMA has initiated an aggressive lobbying campaign in Washington and Congressional Districts aimed primarily at the members of Florio's Subcommittee, the Energy and Commerce Committee, the Ways and Means Committee and the Senate Environment and Public Works Committee. We have also undertaken contacts with key members and staff of the House Public Works and Transportation Committee.

ENVIRONMENTALISTS

The environmentalists continue to lobby very aggressively in the House and Senate for a very large increase in the Superfund and for "victim's compensation".

ADMINISTRATION

EPA Administrator Ruckelshaus continues to advocate that Superfund legislation should not be considered this year until the Agency completes its study of funding needs in December 1984.

CMA
EC-5/8/84

Exhibit E

REPORT OF THE TECHNICAL DIRECTOR

The Technical Director's report highlights CMA accomplishments and activities in its advocacy of prime issues.

COMMERCIAL PRODUCTION OF CHEMICALS

- CHEMICAL INDUSTRY INSTITUTE OF TOXICOLOGY - At its annual meeting, March 21, 1984, CIIT hosted CMA's Chemical Regulations Advisory Committee (CRAC) at Research Triangle Park, NC. CRAC members met the CIIT staff and toured the facilities.

- CRAC INFORMATION MEETING - On April 19, 1984, CRAC sponsored a TSCA informational meeting in Washington, DC. The meeting's theme was "TSCA Implementation on the Move." Mr. John S. Seitz, Chief Compliance Monitoring Unit, Office of Pesticides and Toxic Substances, EPA, was the luncheon speaker. He discussed EPA's enforcement activities under TSCA.

- ADMINISTRATOR'S TOXIC SUBSTANCES ADVISORY COMMITTEE (ATSAC) - On March 28, ATSAC met to discuss confidential business information (CBI) under TSCA. CRAC representatives, EPA officials, members of public interest groups, and a congressional staff person spoke on this issue. Dr. John A Moore, Assistant Administrator, Office of Pesticides and Toxic Substances, EPA, charged ATSAC to develop recommendations to the Agency. The recommendations will address the public perception that under TSCA, industry classifies too much data as confidential. CMA will provide written comments to ATSAC on this subject.

  As part of its commitment to address the CBI perception, CMA held a workshop planning meeting on May 4. Members of public interest groups, EPA officials, other trade associations' staff, and congressional staff met to develop an agenda for a CBI workshop. The workshop will be designed primarily for industry participants.

- CRAC's Risk Analysis Task Group (RATG) will monitor and critique risk analysis guidelines being developed in EPA, and urge agencies to use scientific methods to develop regulations.

- BIOMEDICAL AND ENVIRONMENTAL SPECIAL PROGRAMS

- BUTADIENE - The newly-formed Butadiene Program Panel submitted information to both EPA and OSHA in response to information requests. The comments were filed in early March 1984. In an April 4 Federal Register notice OSHA extended the information-gathering period until further notice. OSHA cited the need for more exposure information and toxicologic data.

  EPA's 180-day review of the chemical under Section 4(f) of TSCA will end in early May. EPA plans to propose rulemaking under TSCA §6 at that time.

- ETHYLENE OXIDE (EO) - EPA recently announced the unavailability of an external review draft of a Hazard Assessment Document on EO. The document will became available on April 23 and the EOIC Scientific Committee will provide review and comments to EPA.

OSHA's timetable for issuing a final EO health standard has slipped from April to mid-June.

- FLUOROCARBONS - The Panel invited ten experts from around the world to their 96th Meeting in Venice, Italy, April 4-6. Scientists well versed in the fields of modeling, chemical kinetics, and atmospheric measurements briefed the Panel on new developments and provided suggestions for future directions of the Panel. The FPP is preparing their program objectives for 1985 budget considerations. Comments by the Panel on the U.S. Position Paper prepared by the EPA for the UNEP Ad Hoc Working Group Meeting in Vienna, January 16-20, 1984, were submitted to the U.S. Department of State.

- GLYCOL ETHERS - The Glycol Ethers Panel filed comments in response to EPA's January 24, 1984, advance notice of proposed rulemaking on potential regulatory action for four glycol ethers. The Panel stated that a ban on the compounds was not warranted and urged EPA to give greater consideration to: 1) the absence of any significant consumer use of these products; 2) the widespread use of ventilation, personal protective equipment and other workplace factors that already control exposure levels; and 3) the lack of scientific support for the attempt to quantify low exposure level reproductive risks.

  The Panel provided EPA with data which showed that actual worker exposure levels are lower than EPA's exposure model predicts and that "no-observed-effect levels" for reproductive effects are, in several cases, higher than those determined by EPA.

- HYDROQUINONE/QUINONE - The CMA Hydroquinone/Quinone Panel submitted comments on EPA's proposed test rules on hydroquinone and quinone. Representatives of the Panel appeared at a public meeting on April 18, 1984, to discuss their comments and proposed studies the Panel is considering.

- KETONES - The Ketones Panel submitted a quarterly report to EPA which gives the status of the methyl ethyl ketone, methyl isobutyl ketone and isophorone Negotiated Testing Programs. All testing should be completed by year-end.

- PHTHALATE ESTERS - Panel representatives met with the National Sanitation Foundation to discuss the Foundation's activities on approving plastics containing phthalate esters.

  The Panel has requested that the Commissioners of the CPSC allow CMA to audit exposure studies performed by a CPSC contractor. The audit should clarify issues on the reliability of the data and its relevance to assessing potential human exposure.

  The Food and Drug Applications Task group (FDATG) met with FDA scientists to discuss future research the task group is proposing on di-2-ethylhexyl adipate.

- POLYCHLORINATED BIPHENYLS - The CMA PCB Panel has expressed a desire to meet with EPA to discuss the development of a national approach to PCB spill cleanup. The Panel is forming an Electrical Equipment Task Group to prepare comments on EPA's Advance Notice of Proposed Rulemaking to address the risks posed by fires involving electrical transformers that contain PCBs.

- RUBBER ADDITIVES - The CMA Rubber Additives Panel submitted comments on EPA's Chemical Hazard Information Profile (CHIP) for mercaptobenzothiazole disulfide. The Panel submitted reports by Pharmakon Research International, Inc. on several short-term studies on mercaptobenzothiazole and a morpholine-based sulfenamide.

- VINYL CHLORIDE - CMA has contracted with Environmental Health Associates to complete a follow-up epidemiology study of workers exposed to vinyl chloride. The cohort consists of approximately 10,000 workers drawn from 34 plants.

- ZINC DIALKYL DITHOPHOSPHATES - The Panel met with EPA staff to discuss EPA's concern with possible neurotoxicity of this class of compounds. Parts of the ZDDP molecule are structurally similar to organophosphorus compounds which are known potent-inhibitors of acetylcholinesterase activity. ZDDP, however, are not acutely toxic (LD_{50} values are very high) and so it is very unlikely that they would inhibit cholinesterase activity to any degree. Evidence against delayed neurotoxic effects is less clear, but available data indicate that the ZDDP are not likely to cause delayed effects either.

EFFECTIVE WASTE HANDLING AND DISPOSAL

- 1983 HAZARDOUS WASTE SURVEY - The RCRA Regulations Task Group is conducting follow-up inquiries to encourage member companies to complete the 1983 survey of chemical industry hazardous waste disposal practices. The completed surveys are due May 15, 1984. Inquiries on how to fill out the questionnaires should be directed to CMA's Environmental Division staff or to CMA's contractor - Environmental Resources Management, Inc.

- HAZARDOUS WASTE TRACKING COMPUTER PROGRAM - On April 20, 1984, CMA initiated a hazardous waste tracking system that will facilitate better monitoring of Superfund site clean-up activities. The tracking program will become an integral part of CMA's Superfund advocacy program.

- RCRA IMPLEMENTING REGULATIONS COMMENTS - On April 10, 1984, CMA submitted comments to EPA on the proposed listing of chlorinated aliphatic hydrocarbons as a hazardous waste. CMA's comments concentrated on the legal, technical, and policy aspects of the proposed generic listing of the broad category of uncontained waste gases that are already regulated under the Clean Air Act.

- DEEPWELL INJECTION EDUCATIONAL BOOKLET - CMA and the EMC's specially funded Underground Injection Control Work Group has begun distributing an educational booklet on deepwell disposal. The booklet will be distributed to congressional and state contacts, the media, and appropriate regulatory agencies.

- EPA HAZARDOUS WASTE RESEARCH SYMPOSIUM - CMA representatives participated in EPA's 12th Annual Research Symposium on Hazardous Waste. This program provided CMA an opportunity to guide EPA's hazardous waste research and development activities.

- 1984 HAZARDOUS MATERIALS SPILLS CONFERENCE - CMA co-sponsored with EPA, the U.S. Coast Guard, and the Association of American Railroads/Bureau of Explosives, the biennial Hazardous Material Spills Conference. Approximately 1,250 persons attended the technical sessions and exhibitions.

INCIDENTAL CHEMICAL EXPOSURE AND PUBLIC HEALTH

- The Universities Associated for Research and Education in Pathology (UAREP) study of health effects associated with waste sites is on schedule and within budget. UAREP expects to issue a draft report in June and a final report in October.

- The Environmental Defense Fund and CMA are jointly sponsoring a symposium on the Health Effects of Industrial Waste Sites. The symposium will be held at the annual meeting of the American Association for the Advancement of Science.

- The Keystone Conference on Public Compensation for persons injured by exposure to hazardous materials held its fourth and final session April 4-6. The final report will be available in June. This conference was attended by representatives from environmentalist union, industry and public action groups.

CLEAN WATER

- BIOMONITORING SEMINAR - The EMC's Analytical Monitoring and Water Permits Task Groups sponsored a seminar on biomonitoring. 86 member company representatives participated in the one and one-half day program. Speakers from industry and U.S. EPA concentrated on the technical aspects of biomonitoring and its application under the Clean Water Act.

CLEAN AIR

- CMA submitted comments on April 5, 1984, on EPA's proposed recission of proposed regulations of benzene emissions for maleic anhydride, ethylbenzene/styrene, and benzene storage facilities. CMA's comments support the Agency's proposed recission, and notes that the actual emissions from these source categories are even lower today than when EPA proposed this action.

ADMINISTRATION

- EMC LEADER TRAINING PROGRAM - The EMC has fully implemented its member, task group leader, and work group leader training program. The one-day course provided fundamental information on CMA and EMC procedures, and leadership skills. The course will be conducted several times each year for new members and will be opened to other CMA committees when vacancies exist.

- OCCUPATIONAL SAFETY AND HEALTH WORKER TRAINING - The CMA report, "Worker Health and Safety Education in the Chemical Industry," was made available after the CMA symposium on "Hazard Communication: Training and Educating the Worker." This report is based on a survey of CMA member companies about their health and safety training practices.

- ASTM PRECAUTIONARY STATEMENTS - As a result of CMA comments, ASTM Committee D-2 will cease generating precautionary statements for common and other chemicals. CMA submitted comments to Committee D-2 in response to their document, "Standard Practice for the Application of Precautionary Statements to ASTM Publications." The purpose of the proposed standard practice was to provide a mechanism for formally accepting ASTM-generated precautionary statements as ASTM standards. CMA argued that the manufacturer was in the best position to develop and update proper precautionary statements.

SAFE AND COST-EFFECTIVE CHEMICAL PRODUCTS DISTRIBUTION

- DEFECTIVE TANK CAR VALVES - Through our April CHEMTREC/Distribution newsletter we informed our Distribution and CHEMTREC contacts of a problem with improperly positioned excess flow valves on pressure tank cars. The National Transportation Safety Board asked us to take this action as a result of a valve failure that caused a serious fire at a Louisiana Plant.

- ROUTING OF HAZARDOUS MATERIALS - Both ATA and NTTC agreed to cooperate with CMA on the development of proposed hazardous material routing regulations. Enforceable DOT standards for routing and other local restrictions are more probable now that the Supreme Court has upheld DOT standards in a radioactive routing case.

- LOCAL TRANSPORTATION RESTRICTIONS - CMA is developing comments on the Framingham VCM restrictions. These comments were submitted to DOT on April 16.

- DETAILED HAZARDOUS MATERIALS INCIDENTS REPORTS - Department of Transportation Materials Transportation Board in docket HM-64B, has proposed a major revision in the hazardous materials incident reporting requirements. DOT's proposal would reduce the reporting requirements for incidents involving packages but increase the reporting requirements for leakage from bulk shipments. Since the current system over-reports non-serious incidents and provides very limited useful data, it is our intention to prepare detailed comments on this proposed rule.

- USE OF GUIDEBOOK AND MATERIAL SAFETY DATA SHEETS DURING TRANSPORTATION - MTB in docket HM-126C has requested industry input on the use of Emergency Response Guides or Material Safety Data Sheets as communication tools to transportation workers and emergency responders. The DOT docket is in response to a recommendation from NTSB and ATA who have different views on the value of MSDSs.

- TANK CAR COMPENSATION - The Car Compensation Subgroup met on April 5 and again on April 17. Two significant issues were discussed at both meetings. One was whether, in view of recent Interstate Commerce Commission decisions, the negotiated agreement would be enforceable against unilateral rail mileage caps. The other was an API draft position that would result in a 13 percent reduction in car compensation for CMA member rail fleets and a 13 percent increase in car compensation for American Petroleum Institute member companies.

- VISITORS TOUR CHEMTREC OPERATION - Representatives from Saudia Arabia and South Africa toured the CHEMTREC operation. They are interested in developing emergency response centers in their countries.

ENERGY AND FEEDSTOCK ISSUES

- INCREMENTAL PRICING POLICY - CMA succeeded in having the Federal Energy Regulatory Commission (FERC) publish a favorable ruling that restricts incremental pricing policy to the scope of the present rules. The Final Rule on Phase II Incremental Pricing was published in the March 15 Federal Register beginning on page 12207.

- ENERGY CONSERVATION STANDARD - The American Society of Heating, Refrigerating, and Air-conditioning Engineers has suspended implementation of their 100.4P proposed energy conservation standard for existing industrial buildings. The proposed standard is suspended until there is a decision regarding the CMA appeal.

- ENERGY CONSUMPTION SURVEY - CMA is responding to an Energy Information Administration (EIA) request for public comment on a proposed new Manufacturing Energy Consumption plant survey. CMA concludes that the proposed survey is not warranted because:

  - it duplicates private and government data-gathering efforts already in place;
  - the proposed survey would add to the burden on industry without any demonstrated benefit;
  - the need for the data is not justified, and
  - the plant data requested are highly confidential.

  The public comment period has been extended to May 12, and CMA is urging members to also communicate their concerns to the EIA and Office of Management and Budget.

- CMA BRIEFING ON ENERGY AND FEEDSTOCK ISSUES - An Open Energy Committee meeting will be held Thursday, May 10, at CMA Headquarters to brief members on key Energy and Feedstock Issues.

NATIONAL CODES AND STANDARDS

- ELECTRICAL CODES AND STANDARDS - CMA voted for approval of UL 50 (Cabinets and Boxes) as an American National Standard.

- PIPING CODES AND STANDARDS - CMA voted for approval of UL 536 (Flexible Metallic Hose) as an American National Standard, and commented on a proposed revision of ASME B31.1 (Power Piping).

- STANDARDS-RELATED ACTIVITY - The Electrical Task Group will work with the PCB Program Panel to respond to EPA's Advance Notice of Proposed Rulemaking covering use of PCB in electrical transformers. CMA voted to form a Dispersed Generation Coordinating Committee within the ANSI Electrical and Electronics Standards Board.

- PROCESS COMPUTER FORUM - Registrations for the Fourth CMA Process Computer now total 66. This forum will be held May 7-9 at Opryland Hotel, Nashville, TN.

CMA
EC - 5/8/84

Exhibit F

REPORT OF THE DIRECTOR OF COMMUNICATIONS

JON C. HOLTZMAN

During the past month we have focused department resources on carrying out the Superfund communications program. That effort will continue over the next several months as we expand our network of contacts to include regional media.

The contacts produce discussions that are not limited to the Superfund issue but bring in Clean Sites, Inc., general industry attitudes of cooperation to solve problems. For the most part we are finding understanding of -- and agreement with -- many of the points we raise.

A number of editors and reporters have expressed appreciation at our willingness to talk and to answer questions.

NEW RESOURCES: Six members of member company staffs with special expertise in Superfund issues have been recruited to either accompany board members or directly handle contacts with regional news media.

SUPERFUND COMMUNICATION ACTIVITIES:

- Interviews have been conducted at the following publications: Business Week magazine (Fernandez, Holmer); Wall Street Journal (2 interviews: Fernandez and Fernandez, Sella); New York Times (interview with editorial writer; Fernandez); Washington Post (interview with editorial writer; Fernandez and Holmer); Congressional Quarterly (Holmer); Chemical Marketing Reporter (Dick Stoll); Chemical Week (David Zoll); Journal of Commerce (Jeff Van).

- The following publications have expressed interest in briefings (and are waiting to hear from us on dates): New York Times (chairman's luncheon series); U.S. News and World Report (editiorial board); Associated Press and United Press International (interviews with individual reporters); Fortune magazine (editorial board luncheon); Washington Post (with Cass Peterson, John Anderson).

- Briefings are tentatively scheduled for the following publications: Environmental Reporter, Inside EPA, Toxic Materials News, Chemical & Engineering News.

- Other publications are still being contacted. Few have expressed no interest.

On the broadcast side, 3 television newsfeatures are in production on Superfund reauthorization issues (cleanup activities; size of future fund; sources of future funding) for 26 targeted states. (Radio programs will be developed from the TV pieces for targeted distribution). A national television newsfeed also is being developed.

In addition, 2 radio programs on Superfund issues have been developed for national distribution to 2400 stations. A third program was developed and distributed on hazardous waste generated and disposed of by consumers.

- In cooperation with the government relations, technical and legal departments a Superfund Reference Guide has been completed. The primary audience for this material will be members of Congress and their staffs. The Guide will be personally delivered by members of the industry's Government Relations community.

WASTE HANDLING AND DISPOSAL: CMA has begun to "scout" company and EPA National Priority List sites for shooting locations for the new waste site clean-up film. The film will document progress on site cleanup and will be distributed to community groups, television and member companies.

COMMERCIAL PRODUCTION OF CHEMICALS: Five programs were distributed during the period on risks vs. benefits; the importance of using household chemicals properly; and 3 programs on EDB.

TRANSPORTATION: The Division coordinated all communications activities at the recently concluded Hazardous Material Spills Conference, including the production and distribution (from Nashville, site of the Conference) on the week-long event and transportation safety issues. Two radio programs also were produced and distributed on these issues. In addition, the Division coordinated communication response for a major transportation accident in Marshville, N.C. in April. Among other things, the Division distributed, by satellite, a video news release on CHEMTREC (which was used by at least 3 North Carolina stations). In addition, a TV newsfeature was produced and distributed during the period on new cargo reservation laws and their effect on U.S. exports and trade balance.

BENEFITS OF CHEMICALS: A special radio series, "Lifestyles", has just issued its third series of consumer oriented programs on the importance of chemicals, their benefits and their proper use and safety.

The series is produced inhouse at CMA and distributed to 1400 radio stations. Feedback from station programming directors indicates 75% usage -- a phenominal participation. In addition to the stations the material also goes to 400 home extension economists, many of whom write newsletters or newspaper columns.

Members wishing a sample of the program should write to Linda Edwards, communications department.

GENERAL COMMUNICATIONS: "Yellow Pages" section of the Issue Briefing Book is in the hands of CMA executive contacts and key industry government relations, communications, and management personnel. The Issue Book is updated on a quarterly basis unless there is a rapidly changing issue which demands more frequent revision. Distribution has grown to 1200 and many members reproduce and distribute the material internally.

Videotape featuring three CMA issue-oriented films has been copied by 228 schools, becoming a permanent part of their library. Projection: more than 500 duplications by July 31.

Catalyst Award winners have been announced and will be recognized at CMA's 112th annual meeting at The Greenbrier, June 7th.

The audio-visual presentation on CHEMTREC is being revised and updated through the Communications Department.

CMA
EC - 5/8/84

Exhibit G

REPORT OF THE DIRECTOR OF GOVERNMENT RELATIONS
WILLIAM M. STOVER

NATIONAL ECONOMIC POLICIES: DEFICIT REDUCTION TAX PACKAGE INCLUDING FOREIGN SALES CORPORATION PROVISIONS

On Friday, April 13, 1984, the Senate approved by a vote of 76-5 an amendment to H.R. 2163, the Federal Boat Safety Act, which incorporates the deficit reduction tax package developed by the Senate Committee on Finance. The Senate then went on to pass H.R. 2163 and set the scene for a House-Senate conference on this legislation after the Easter-Passover Congressional recess.

There are several tax provisions in H.R. 2163 that are of major interest to the chemical industry. These include:

- the Reagan Administration's GATT-legal proposal for a new Foreign International Sales Corporation (FSC) to replace the Domestic International Sales Corporation (DISC) provisions of the Internal Revenue Code. It is estimated the taxes deferred annually under DISC for the chemical industry currently are over $300 million and that cumulative taxes deferred for the industry since 1971 are over $2 billion.

- a two-year extension of the moratorium on Treasury Regulations 1.861-8 that would require allocation of U.S. research and development expenses to foreign source income; and

- a two-year extension and modification of the 25 percent tax credit for increased research and experimentation expenditures.

These provisions appear to be of the most widespread interest to member companies. However, the bill also contains other significant corporate tax amendments that may be of importance to individual companies.

CMA and other members of the Washington business community have supported passage of the provisions of the tax package developed by the Senate Finance Committee. However, H.R. 4170, the omnibus tax legislation which recently passed the House of Representatives, does not contain any of the key provisions noted above. Thus, the enactment of those provisions will be determined by the outcome of the House-Senate conference on this legislation that will begin after the Easter-Passover Congressional recess. Action is being taken to contact conferees.

ENERGY AND FEEDSTOCK SUPPLIES: NATURAL GAS BILL REPORTED IN HOUSE

On April 12, after three days of markup the House Energy and Commerce Committee reported by a vote of 22-20 a natural gas bill designed to put a cap on natural gas prices until 1987 and allow pipelines to escape from contractual obligations. It was a dramatic turnaround from an earlier subcommittee reported version.

The bill, H.R. 4277, was sponsored by Representatives Phillip R. Sharp (R-IL-15), Dan Coats (R-IN-4), Edward R. Madigan (R-IL-15) and Thomas J. Tauke (R-IA-2). Major provisions include a freeze on above market prices until January 1, 1985, forced renegotiation of certain high-priced gas and placed a two-year ceiling on indefinite price escalators in gas contracts unless the contracts are renegotiated. Take-or-pay obligations are limited to fifty percent of contracted volumes, minimum bills between pipelines and distributors are eliminated and a prudency standard for pipelines purchasing gas is established.

The objective of members supporting H.R. 4277 was to report a bill quickly without amendments. Commitments were obtained by the Chairman to support the package. Sixteen amendments were defeated, including many proposals that would benefit consumers, lessen regulation and increase gas supply. Proponents of decontrol and producing-state Democrats have labeled the bill a "pipeline bailout" and have pointed to the regional economic disparities the legislation would create. The bill is similar in many respects to earlier American Gas Association and Citizens Labor Energy Coalition (CLEC) supported versions. Now that the bill is reported unamended it is expected that commitments many not hold and that considerable debate will occur in the Rules Committee and on the House floor. Chairman Dingell's commitment is questionable but he has termed the prospects reasonable for getting a vote from the House on the bill in July.

It is expected that the Rules Committee will report the bill in such a way that permits all sides in the controversy an opportunity for amendments or substitute versions. It seems unlikely that the House Majority Leader would support the bill as drafted. On the other hand, the Speaker of the House has indicated some support for a more restrictive CLEC-sponsored version.

CMA, together with other user trade associations, indicated strong opposition to H.R. 4277 and every effort will be made to prevent passage of the punitive legislation in its present form. Producers are even more adamant in their opposition. The Administration has also registered its opposition and predicted that if the bill were enacted new gas production would be discouraged and a serious gas shortage could be created once the current glut is used up. The President would not be expected to support the House Energy and Commerce Committee bill.

Activity in the House is being closely watched by a coalition of Senators who are trying to develop a compromise bill. Their efforts have languished with no desire to continue the negotiating process. The House reported bill does, however, run counter to many of the principles supported by the Senate leadership and the recent proposal under discussion.

NATIONAL ECONOMIC POLICIES: TRADE REMEDIES

The Trade Remedies Reform Act of 1984 (H.R. 4784), sponsored by Representative Sam Gibbons (D-FL-17) et al, was reported out by the House

Ways and Means Committee on April 10 by a vote of 17-3. At that time, the Committee requested that it be considered under a closed rule which prevents the bill from being amended on the House floor.

The most controversial section of the bill establishes the authority to impose countervailing duties against imported material manufactured from raw materials which have multi-tiered prices. This same section of the bill establishes a mechanism to deal with industry targeting by foreign governments and provides a remedy for downstream dumping.

The Administration is opposed to these provisions and attempted unsuccessfully to strike them at the committee markup. The only substantive change which occurred during full committee markup was the deletion of the section dealing with non-market economies. CMA member companies continue to hold very strong opinions on both sides of the issue causing the CMA Executive Committee to take no position on the Gibbons bill.

No floor action is planned on the Gibbons bill in the House and a Senate counterpart still does not exist. If the bill were to pass both Houses of Congress, there is widespread belief that the President would veto it.

The CMA International Trade Committee's Import Policy Task Group continues to explore possible revisions to the trade remedy laws focusing on Sections 201, 232, 301 and 332 of the Trade Act.

NATIONAL ECONOMIC POLICIES: U.S./CANADA FREE TRADE AGREEMENT

The Canadian government has officially notified the United States it is seeking a free trade arrangement for six industrial sectors, including petrochemicals. It has involved the Canadian Chemical Producers' Association in the preliminary efforts because that organization has requested the free trade arrangement. Canada's chemical industry is building plants to use large natural gas deposits in Alberta to produce petrochemicals in world scale plants. Much of this production must be exported and the United States is the most logical market. A thorough report on this issue has been published by the Canadian petrochemical industry which has been distributed to the CMA International Trade Committee (ITC) for study.

A second meeting of CMA and CCPA representatives and representatives of SOCMA, SPI and NACA took place on Tuesday, April 17 in Toronto, Canada. The petrochemicals chosen by the Canadians to be in the proposed arrangement were named at that meeting.

The International Trade Committee and its task groups are considering the possible effects, both positive and negative, of such an agreement with Canada. A policy recommendation will be made by the ITC to the CMA Board.

NATIONAL ECONOMIC POLICIES: U.S./ISRAEL FREE TRADE AGREEMENT

The U.S. and Israel announced last fall their intentions to establish a free trade area between the two nations. Legislation to establish authority to enter into negotiations for such an agreement has been introduced by Representative Thomas J. Downey (D-NY-2) on April 5, 1984 as H.R. 5377. The Senate has not yet introduced a counterpart bill.

Additionally, the U.S. International Trade Commission (USITC) is examining the probable economic impacts of such an agreement with Investigation 332-180 which will conclude on May 30, 1984. In conjunction with that investigation, the USITC held three days of hearings April 10-12.

Only 5 percent of the $132.8 million of 1983 Israeli imports were dutiable. This was a result of Israel benefiting from the Generalized System of Preferences (GSP) which is due to expire in less than a year. There is some possibility that Israel will not receive continuing full benefits from a GSP removal. Without GSP, nearly 60 percent of all Israeli imports would have been charged some tariff. With respect to chemicals, the United States has had a negative trade balance with Israel since 1979.

There are two areas about which certain U.S. chemical producers are likely to be concerned if a free trade arrangement occurs with Israel. The first is the likely increase in competitive pressure on the manufacturers of bromine chemicals. The other is the protection of intellectual property rights of producers of certain agricultural chemicals. Also, Saudi Arabia has informed the Administration that it expects to be afforded the same treatment as Israel.

The CMA International Trade Committee is currently preparing a proposed CMA position for consideration by the Executive Committee.

PRODUCT DISTRIBUTION: PRESIDENT SIGNS SHIPPING ACT OF 1984

On March 20, 1984, the President signed into law the Shipping Act of 1984 -- the most far-reaching revision to the regulatory process governing ocean transportation since enactment of the first Shipping Act in 1916. The new law came after several years of CMA advocacy during Congressional attempts to modernize the nation's maritime regulatory statutes. In all, four sessions of Congress have taken up the issue with bills being reported out of eleven committees. The compromise legislation was worked out over the last eighteen months.

Early bills were largely pro-carrier with carriers almost automatically being granted antitrust immunity to fix rates and reduce service without any offsetting forces to enhance competition. Shippers strongly opposed any one-sided extension of immunity. More balanced legislative proposals were developed and reported out of the Congressional Merchant Marine Committees. The differing House and Senate versions were reconciled after the Judiciary Committees injected into the process a form of competitive standards for judging whether carrier conference rate agreements would be given antitrust immunity.

The policy embodied in the new law is to assure minimal government intervention in a nondiscriminatory regulatory process and to promote an efficient and economic U.S. liner fleet system as consistent as possible with the international shipping practices of our trading partners. The law should lead to greater rate stability and an increasing role of the marketplace as the ultimate regulator, thus benefiting the over $2 billion annual ocean freight bill of the chemical industry.

In support of maritime legislation CMA has on numerous occasions presented testimony, provided written comments, and worked with Hill staff and carrier representatives in obtaining a compromise that met the objectives of the chemical industry. Nearly thirty-five CMA suggested changes to earlier versions were incorporated in the final Act.

PRODUCT DISTRIBUTION: HAZARDOUS MATERIALS UNIFORMITY LEGISLATION

Hazardous materials uniformity legislation may be addressed at an April 24 hearing before the Surface Transportation Subcommittee of the Senate Commerce, Science and Transportation Committee. The hearing will focus on FY 1985-86 reauthorizations for the Hazardous Materials Transportation Act (HMTA), the Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act. Witnesses from the Administration, affected industry and the public sector are expected to present testimony on hazardous materials transportation issue.

A comprehensive safety bill which deals with hazardous materials transportation has been the subject of earlier hearings in the Subcommittee and Chairman John Danforth (R-MO) has indicated he wants substantive amendments. He may introduce a separate proposal that couples the provisions of that safety bill amending the HMTA with the positions of a coalition representing public and private sector interests. Any likely measure is expected to encourage uniformity of federal, state and local hazardous materials regulation, and seek improved emergency response, coordination and enforcement. Unlike the coalition bill, the Danforth proposal may seek general revenue support and require a study of the concept of an industry funding mechanism.

No hearings have been scheduled in the House to reauthorize the HMTA which expires September 30, 1984. Similar safety legislation has, however, been offered in the House Public Works Subcommittee on Surface Transportation by Representative Tom Lantos (D-CA) and hearings were held. A coalition panel of shipper, carrier, state and local representatives testified on the hazardous materials transportation aspects.

Differences of opinion exist within the coalition of public and private sector groups. CMA does not plan to appear at the hearing. Internal review of the coalition's legislative proposal focuses on the funding mechanism and the preemption of state and local fees. CMA emphasis is being placed on Department of Transportation rulemaking proceedings right now and a "short bill" that may be acceptable.

PRODUCT DISTRIBUTION: CONGRESSIONAL ACTION ON RAILROAD DEREGULATION

Senator John Danforth (R-MO) is circulating draft language for a Joint Congressional Resolution that would deal with how the Interstate Commerce Commission (ICC) is implementing the Staggers Rail Act of 1980. The Joint Resolution would have the effect of law if passed by Congress and signed by the President.

Concern has been expressed that the ICC has disregarded provisions in the Rail Act that provide consumer and shipper protection. Captive traffic has been particularly impacted by the monopolistic power of the railroads. Issue areas under discussion include the revenue adequacy of railroads, market dominance and pro-competitive features. Final wording has not been agreed upon and no hearings have been sheduled.

CMA is supporting the introduction of the Joint Resolution directing the ICC to comply with Congressional intent and is urging that specific pro-competitive language should be added to existing law. CMA position papers and draft language has been submitted to Congressional staff and an effort is underway to meet with coalitions among the aluminum, coal, chemical and utility industries. Public sector groups have also asked for Congressional review of ICC procedures regarding railroad rates.

COMMERCIAL PRODUCTION OF CHEMICALS: TSCA

Senator David Durenberger (R-MN) has asked the staff of the Subcommittee on Toxic Substances to draft a TSCA amendments package for his review. At this time it appears the staff proposals will include changes in the following areas: (1) the section 4 test rule process, perceived as too slow and unwieldly under present procedures; (2) tightening up pre-manufacture notice (PMN) test data requirements; (3) cutting down on claims for confidential business information, alleged to be excessive under present law; and (4) some means of getting EPA to make greater use of section 6 control actions on existing chemicals. Concurrently, the Subcommittee held a hearing April 10 on a National Academy of Sciences report which Senate staff interprets as demonstrating that most commercially important chemicals are placed on the market without adequate toxicity testing. CMA will be submitting its response for the record of this hearing.

CMA, through its technical and government relations task groups, is developing positions to respond to the Senate initiatives. We have suggested to the Senate staff that negotiated testing agreements have improved the section 4 process, that the concept of a hazard evaluation statement to be included in a PMN would provide greater assurances of the adequacy of PMN data, and that industry be given more time to deal with confidentiality problems (both perceived and real).

CMA is working with other trade associations to address these concerns and develop positions which can be used at the appropriate time to help shape the outcome of Senate and House efforts to amend TSCA.

Congressman Florio's bill to amend TSCA (H.R. 4304) is on hold pending developments on the Superfund reauthorization legislation.

OCCUPATIONAL SAFETY AND HEALTH: DISEASE COMPENSATION

The Senate Labor Subcommittee, chaired by Senator Don Nickles (R-OK) has scheduled hearings, beginning in late April, to examine the scope and impact of certain occupational diseases. The Subcommittee staff indicates that the hearings will be limited to consideration of asbestos problems and that no specific legislation will be considered at this time. CMA will monitor developments in case an effort is made to broaden the inquiry to include a "trigger mechanism" for other substances/diseases.

In the meantime, Congressman George Miller (D-CA) continues to seek compromise language that would gain consensus support for his occupational disease compensation measure, H.R. 3175.

OLD WASTE SITES/CERCLA

Representative James Florio (D-NJ) introduced a new Superfund bill (H.R. 5321) on April 3. The new bill was almost exactly the same as the original, except it further clarified the exclusion of navigable waters and other minor changes were made. Representative Florio then held a subcommittee markup of the new bill on April 4. During the markup, Representative Norman Lent (R-NY) offered his bill, H.R. 4915, as an amendment in the nature of a substitute to Florio's bill. The Lent bill was ruled nongermane.

Representative Billy Tauzin (D-LA) then offered an amendment as a complete substitute to the Florio bill. Tauzin's substitute would re-enact the current Superfund law unchanged, with the current funding levels and current funding structure for five more years. The only changes Tauzin made were to conform it to Florio's bill by making it an amendment to RCRA and excluding the coverage of navigable waters. Tauzin explained that he believed the current Superfund funding levels were inadequate and that the funding levels in his bill would have to be raised as the legislation went through the reauthorization process.

Florio called for a vote on the Tauzin substitute and it was approved 5 to 4. Florio immediately adjourned the subcommittee markup session, and no new date has been set to continue. Now that Florio's approach to reauthorize Superfund has been rejected, key members of the Energy and Commerce Committee are searching for what issues should be included in a more reasonable bill. It is interesting that the media has payed very little attention to the activities of Florio's subcommittee on the reauthorization of Superfund.

The Ways and Means Committee has been granted as much time as it needs to consider Superfund reauthorization. The Public Works and Transportation Committee has received jurisdiction over Florio's orginial bill, H.R. 4813. Neither of these committees have set a time to consider Superfund reauthorization.

CMA continues to work with all the members of Florio's subcommittee and key members of the Energy and Commerce Committee to explore reasonable proposals for Superfund reauthorization. CMA is also working very closely with other trade associations in sharing information and coordinating activities.

The Senate Environment and Public Works Committee began Superfund reauthorization hearings on April 11 to hear from witnesses on the Worburn, Massachusetts site. A hearing is scheduled for April 25 to hear from state government officials. A May 16 hearing has also been scheduled, and CMA is anticipating being invited to participate. At this time a number of Superfund bills have been introduced in the Senate, but no particular bill is receiving any major attention or is the focus of the hearings.

RESOURCE CONSERVATION AND RECOVERY ACT

Senate consideration of S. 757 continues to be delayed due to the press of other business. It is now anticipated that the Senate will take S. 757 up for consideration sometime in May.

The Senate Environment and Public Works Subcommittee draft amendment on surface impoundments has been released. The draft amendment would require all surface impoundments which do not meet one of three exemptions to be retrofitted with a double liner.

It is important to note that while CMA's principle concern has always been the inclusion of an exemption for surface impoundments which are part of the wastewater treatment facility, there continues to be a number of impoundments within the industry which would still have to meet the double liner requirement. These impoundments include equalization ponds or ponds in which no treatment is occurring.

The CMA RCRA Task Group has held detailed discussions with the Senate Committee staff identifying specific problems with the draft amendment. Efforts continue to ensure that more reasonable language will be included in the final version of the amendment.

Senators Cranston and Humphrey will offer an amendment to require up to $50 million from the Superfund to be used to perform health studies of the populations surrounding landfills and surface impoundments.

CLEAN WATER ACT

Senate debate on Clean Water Act Amendments (S. 431 and S. 2006) is still expected this spring.

On April 12, Senator Steven Symms (R-ID) sent a "Dear Colleague" letter to all Members of the Senate, urging them to co-sponsor the pre-treatment amendment he intends to offer on the Senate floor. Symms wrote that his amendment, "simply stated, allows continued local control where local control is the most effective means to preserve water quality." Symms listed CMA among a dozen major groups that support the amendment.

Representative Roe (D-NJ) is in the process of drafting amendments to the Clean Water Act. CMA representatives recently met with the Water Resources Subcommittee staff to explain CMA's recommended changes to the Clean Water Act. CMA previously testified before the Subcommittee on November 3 and submitted a supplemental statement on December 22, 1983.

CMA also is communicating directly with Subcommittee Chairman Robert Roe (D-NJ) as well as other subcommittee members, regarding possible amendments during Subcommittee mark-up of the Clean Water Act legislation. Roe could begin subcommittee consideration of water amendments by late April.

SAFE DRINKING WATER ACT

Senator Durenberger (R-MN), Chairman of the Subcommittee on Toxic Substances of the Senate Environment and Public Works Committee, has released a draft reauthorization of the Safe Drinking Water Act. Although CMA has been able to identify specific areas of concern with the draft legislation, it does represent a significant improvement over the provisions contained in the House counterpart bill, H.R. 3200.

CMA feels the positive aspects of the draft bill include its focus on drinking water without including more general groundwater protection provisions. Further, there are major improvements in the standard setting process provisions. The draft also includes a reasonable anti-tampering provision and flexible monitoring requirements. The draft does not have any new provisions relating to Federal Cause of Action.

Those areas which represent cause for concern to CMA include the omission of cost consideration in the definition of the term "feasible" as it relates to the use of best technology treatment techniques. The second area of major concern for CMA is the draft's definition of a drinking water source. A third item of concern to CMA involves restrictions on underground injection of hazardous waste.

CMA has participated with a number of other industries concerned with the Safe Drinking Water Act provisions in a meeting with the Senate Environment and Public Works Committee staff. CMA's concerns were outlined during that meeting.

It is anticipated that Senator Durenberger will introduce his bill sometime in early May and begin hearings soon thereafter. It is likely that the hearings will include the broader considerations of groundwater protection legislation.

Senator Durenberger has introduced S. 2513 which amends the SDWA to protect groundwater from leaks from underground storage tanks. These provisions may be incorporated into the SDWA reauthorization draft bill.

The House still has not scheduled markup on H.R. 3200. It is questionable that the Subcommittee on Health of the the House Energy and Commerce Committee will hold a markup session on H.R. 3200 this year.

Earlier efforts to develop a compromise on this legislation have apparently been stalled.

CLEAN AIR ACT

In the House, the first so-called comprehensive Clean Air Act bill, H.R. 5314, is slated for consideration by the House Subcommittee on Health and the Environment. Subcommittee Chairman Henry Waxman (D-CA) introduced H.R. 5314 on March 30 to reauthorize the Clean Air Act until 1990. H.R. 5314 is a combination of H.R. 3400 (48 state acid rain control bill introduced by Representative Gerry Sikorski (D-MN) and Waxman)), and of H.R. 5084 (hazardous air pollutant control bill co-sponsored by Representative Tim Wirth (D-CO) and Waxman)).

CMA testified before the Subcommittee on March 22 regarding H.R. 5084. Our testimony opposed H.R. 5084's automatic listing, most stringent standard setting, and permitting for all sources emitting substances listed under Section 112 of the Clean Air Act. We explained that the chemical industry supports a well designed program for regulating hazardous air pollutants, and we described the elements for such a program, including: 1) sound scientific information; 2) independent scientific peer review of how EPA evaluates that information; and, 3) a clear mandate to use risk management.

In addition to CMA, EPA Administrator William Ruckelshaus, the Laundry Cleaning Council, and Congressman John Dingell (D-MI) and James Broyhill (R-NC) contributed to developing at the hearings a strong case against automatic listing and for risk management.

In late April, Subcommittee Chairman Waxman plans to hold mark-up of H.R. 5314. Much controversy is expected concerning the acid rain control proposal, and CMA and other industry groups are working to gain support in opposition to the hazardous air pollutant proposal.

In the Senate, the comprehensive bill S. 768 will be ready for floor debate as soon as the committee report is issued. Some Senators have major problems with S. 768 and would prefer that the legislation not be considered this year.

CMA is concentrating on improving the proposed amendments to Section 112 in H.R. 5314 and S. 768.

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STATE LEVEL COMMUNICATION AND COORDINATION

STATE LEGISLATIVE ACTIVITY

As of late April, approximately 18 legislatures have adjourned for the year with another 20 scheduled to adjourn by June. As this has been the normal budget setting year for most states, many have had their sessions complicated by the ational primaries and their own plans for the fall campaigns. A number of states, i.e., California, Illinois and New York, have introduced several bills dealing with hazardous waste. It is clear to see that the stage is being set in these states and others for more activity in the next biennium.

While the legislative side of state government activity is gearing up for the 1985 sessions, regulatory action continues on many fronts. The federal government continues by conscious plan and by lack of action to shift programs to the states. The states in many cases do not have the money, personnel or technical capability presently to handle the shift in responsibility.

The types of issues the agencies are wrestling with include toxic air pollutants, water discharges, cancer registries, hazardous waste, right to know and groundwater.

STATE AFFAIRS COMMITTEE: PROGRAMS UNDERWAY

NGA Conference. The National Governors Association hosted a conference in Chicago on state integrated toxics management. The purpose of the meeting was to provide state toxics managers and policy makers with an opportunity to gain an understanding of federal and state information resources and how these resources are used to screen, assess and prevent chemical problems. Members of the Environmental Task Group participated in the conference and will continue to work with NGA staff in planning future meetings and seminars.

NCSL. Committee members and staff participated in a very successful program at the National Conference of State Legislators (NCSL) meeting in Salt Lake City in late March. As a result of state grassroots efforts and on the scene lobbying, NCSL adopted preliminary positions on groundwater, safe drinking water and superfund/public compensation issues which were not in basic conflict with the chemical industry's position. This effort will continue in early May in Washington at another NCSL meeting that will deal with these same issues.

Communications. Discussions are continuing with several Chemical Industry Councils to link them with CMA by computer to facilitate more frequent, timely and accurate communications on state legislative and regulatory issues. New Jersey is likely to be the first state to establish this mutually beneficial communications capability.

Members of the Environmental Task Group will be participating in a groundwater workshop sponsored by the Great Lakes Rural Network to be held in May. The objective of the workshop is to identify and define the various functions and activities that make up a local groundwater management program.

The Hazardous Materials Transportation Task Group will be participating in the annual Hazardous Materials Advisory Council which will be held in May. The focus of the conference will be a new approach to problems in which government, industry and the public are working together to find solutions. These include regulatory negotiations and mutual aid programs in the area of hazardous materials.

The Information Management Task Group met on March 22. All participants in the Commerce Clearing House (CCH) group contract with CMA were in attendance. The meeting focused on the vendor's performance to date. Most attendees expressed satisfaction with the timeliness and accuracy of the legislative reporting service. Recommendations on improving the service will be passed on the CCH as a basis for negotiations concerning renewal of the 1985 contract.

KEY ISSUE: SUPERFUND AND HAZARDOUS WASTE

Activity is continuing at a moderate pace on state superfund and hazardous waste issues. Major funding proposals involving general fund moneys and bonds for waste site cleanup are pending in New York and California. Progress has been made with the House sponsor in New Jersey on converting the state's feedstock tax to a waste end tax.

During a special session held in March to address budget and tax matters, the Louisiana legislature approved a 718 million dollar tax package which included a retroactive hazardous waste disposal tax. This tax is significant because it will be used for general fund purposes. On the positive side, it is a dry weight tax which minimizes its impact on deep well disposal activities.

An Iowa Superfund bill is awaiting action by the Governor. This measure creates a 6 million dollar fund to be used to clean up waste sites. The state has identified approximately 100 sites to date. The tax contains a $40 per ton fee on land disposal; and a $2 per ton treatment fee. The bill also creates a hazardous waste site registry.

Alabama is considering a package of bills which would severely regulate hazardous waste site disposal practices. New York is implementing a phased-in ban on the land disposal of certain hazardous wastes. Finally, California has under consideration a package of 100 hazardous waste related proposals.

KEY ISSUE: PUBLIC COMPENSATION

The situation on public compensation legislation in New Jersey remains essentially unchanged since last month's report. A small group of Chemical Industry Council representatives met with the sponsor in late March to obtain a better sense of his priorities and schedule on moving the bill. The meeting was fairly inconclusive with the sponsor remaining firm in his belief that legislation is necessary. However, there has not been any urgency in scheduling hearings and none are expected before late May.

The Massachusetts study commission continues to meet weekly and hear testimony on the compensation issue. CMA staff, the Public Compensation Task Group, and member company representatives have been working closely with the Massachusetts Chemical Affairs Group to generate more interest and involvement by the business community in the study commission process. Generally, this input has been lacking during the early stages of the proceedings. A report, including possible new draft legislation, is expected in the late summer or fall.

Although there are several bills introduced in California to amend the state compensation law, it is still unclear what momentum these proposals will gain before year's end. However, none of these bills represents as serious a threat to the chemical industry as the New Jersey legislation. Other states with proposals introduced or expected include New York, Rhode Island, Illinois and Delaware.

KEY ISSUE: RIGHT TO KNOW

The litigation in federal court involving the validity of OSHA's hazard communication standard will not be resolved before early 1985. During this interim period, industry in states such as New Jersey, Illinois and Massachusetts is faced with the prospect of beginning compliance with far-reaching and onerous laws which are inconsistent with the OSHA standard and may be preempted by it. With these considerations in mind, the New Jersey State Chamber of Commerce is considering an effort to seek judical relief from compliance with the New Jersey law before it takes effect later this year.

Considerable activity continues on both worker and community right to know legislation. The most serious and onerous bills are those which are pending in Pennsylvania and Michigan. A vote on the House floor is expected in May or June on an industry supported package of amendments in Pennsylvania. In Michigan, the deadlock continues between the Senate-passed, industry-supported bill and the proposal passed by the House and supported by organized labor. Negotiations are ongoing.

Bills are now awaiting the Governors' signature in both Iowa and Maryland. Neither bill is perfect but both represent marked improvements over earlier versions. Governor Spellman vetoed most of the provisions of a right to know bill in Washington state. Significant activity continues on legislation in Maine, Florida, Minnesota, and Illinois. Bills have died in Kentucky, Kansas and Colorado. Legislation is expected shortly in Louisiana and Delaware.

Intense regulatory activity is underway in New Jersey, Illinois and Massachusetts on bills passed in 1983. Action by state industry groups will be required to correct flawed regulations that have been proposed by the states.

KEY ISSUE: WATER

A controversial bill to protect and clean up the state's groundwater was recently passed by the Wisconsin State Assembly after lengthy debate on

89 amendments. The bill, as passed, calls for a monitoring program to determine the extent of groundwater contamination, a two-tiered system of water quality standards and a repair fund to pay for the cleanup of leaking landfills. The Assembly defeated a controversial amendment that would have set up a state-run risk sharing plan to insure well owners for the cost of replacing contaminated water supples. Instead, the bill allots $500,000 from general revenues to pay for the cleanup of some 70 contaminated wells. Instead, the bill allots $500,000 from general revenues to pay for the cleanup of some 70 contaminated wells and calls for a six month study on ways to finance well replacement.

There also appears to be a groundswell forming in the states for laws and regulations concerning the underground storage of hazardous substances. In addition to California which already has regulations in place, there is current activity in New Jersey, Florida, Connecticut and Wisconsin.

KEY ISSUE: AIR

States are continuing to develop and implement air toxics programs. Both New York and Michigan's air toxics programs are well established and have successfully processed many permit applications with potential air toxic impacts. The New York program uses state guidelines to evaluate permits. The Michigan program has developed a three part framework for evaluating emissions of potential air toxics. It includes human exposure data and a toxicity model that deals with non-carcinogenic substances where no threshold limit values exist (TLV's); and mandates best available control technology for carcinogenic compounds along with a demonstration of environmental acceptability.

The Connecticut Department of Environmental Protection has proposed an air toxics program which will continue to be the focus of discussion and comments by industry and environmentalists for the next four months. Industry concerns include: the need to get the state to accept dispersion modeling for screening; use of a standard setting process which is the most stringent criteria published anywhere; and developing standards based on ambient air concentrations based on dispersion modeling.

Six northeastern states (Maine, Massachusetts, Connecticut, Rhode Island, Vermont and New York) have filed suit in U. S. District Court against EPA, seeking to compel the agency to take action on the acid rain problem. The suit charges that EPA has failed to implement sections of the Federal Clean Air Act under which it could force midwestern states to reduce sulfur dioxide emissions.

KEY ISSUE: CHRONIC HEALTH

Since 1978, governmental agencies in the Great Lakes Basin and other parts of the country have shown a great deal of interest in developing a common chemical hazard assessment procedure. A vital link in this procedure is a clearinghouse of available information on chemicals with accessibility for data acquisition and retrieval by all interested agencies. The Michigan Department of Natural Resoures compiles annually a list of chemicals of environmental concern called the Michigan Critical Materials Register (CMR). Currently, Michigan is developing a computerized data system (Michigan Chemical Evaluation Search and Retrieval System) for the summarization, storage and update of this information. All available information on the chemicals of concern will be collected, verified and placed in a standardized format. There will be a comprehensive evaluation in areas of physical and chemical characteristics, uses, production volume, acute toxicity, carcinogenicity, mutagenicity, teratogenicity, bioaccumulative properties, metabolism, degradation products and associated hazards. New Jersey, California and Pennsylvania are also evaluating the usefulness of computerized data bases.

KEY ISSUE: TRANSPORTATION

California truck drivers hauling hazardous materials may soon be subject to much stricter standards. The State Assembly Transportation Committee is considering a bill already passed by the Senate that would require special training for truckers carrying hazardous materials. Licensing requirements would be more stringent as would action against "negligent operators." The bill provides for input from trucking experts to help the Department of Motor Vehicles and California Highway Patrol develop rules to implement the new program.

Good Samaritan bills were recently passed in Iowa, Kentucky, Maryland and Rhode Island. The Minnesota Senate Judiciary Committee adopted an amendment which would exclude from civil liability any person rendering assistance at the scene of an emergency (including spills, seepages, fires, explosions and other releases of hazardous materials). The bill is awaiting action on the Senate floor. The companion bill in the House applies only to incidents involving compressed gas.

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