Monsanto

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SUBJECT: REPORT BY PCB STUDY GROUP

REFERENCE:

TO: Mr. Earle H. Harbison

cc: PCB Study Group

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The following is a response by the PCB study group to the specific questions asked concerning the past, current and future impact upon Monsanto's image of PCB manufacture.

1. How much has Monsanto's image suffered by remaining in the PCB business?

   The group considered this question in terms of these key audiences:

   a. the general public
   b. local and national media
   c. government
   d. customers
   e. environmentalists

   We found that the negative impact to date has been minimal measured against the highly visible environmental and political controversies which have occupied so much national attention in recent years.

   Specifically, the group concluded that:

   - With the exception of localized instances, public perception of Monsanto's role in the PCB problem is low and/or the company is not viewed as having acted irresponsibly.
   - Key government agencies such as the EPA have publicly acknowledged Monsanto's voluntary restriction to closed system uses as being a responsible corporate act.
   - The voluntary program as well as the openness of Monsanto's disclosure policy has defused organized environmental action.
   - Most media acknowledge the restricted use policy and few news outlets charge the company with irresponsible practices.
   - Customers who at the beginning of the restrictive-use policy were irritated by such action now acknowledge the soundness of the policy.
   - Nonetheless, negative environmental effects and/or potential health hazards always leave a residue of ill will with most audiences and publics and this negative reaction must be fully recognized.

2. Is the adverse impact now, or in the future, likely to be greater than the benefits derived from staying in the business?

In responding to this question, the group took into consideration the decision already made by MICC to phase out the PCB business within a given time frame. It therefore appeared appropriate to state what the group believed to be conditions and likely events which would take place in the months ahead so that MICC management could weigh both the manner and the time frame of an orderly withdrawal from the business.

With that in mind, the group assumes the following conditions in the months ahead:

- The Toxic Substances Act will become law in 1976 and by year-end mechanisms will be in place to ban or restrict PCB use to closed systems; levels of discharge into the environment will be firmly established and policed.

- Additional lawsuits may well occur, seeking redress directly or indirectly from Monsanto. With the passage of the Toxic Substances Act, the company will have an additional legal defense against such litigation. Yet, the fact of the litigation will help keep the controversy alive.

- The EPA will not call for a total ban of the product with or without a Toxic Substances Act. Nor will the FDA follow the Canadian government in lowering the acceptable levels in fish to two parts per million. Should such levels be lowered, however, there would be a devastating effect upon commercial and recreational fishing, and a consequent detrimental impact upon Monsanto and its customers.

- Serious questions will continue to be raised in regard to the potential human health hazard and such medical and research data will build.

- Media attention, which has fluctuated in the past five years, will remain high and constant. Monsanto's customers will bear the brunt of the criticism; media pressure will build for strict control if not a total ban. Monsanto will receive an increasing share of the criticism in the absence of a publicly stated intention to withdraw from PCB manufacture.

- Alternative products by Monsanto's competitors will receive increased attention and this will escalate the public debate. Public perception may well be that viable alternatives already are available which offer most if not all of the necessary performance benefits of PCB without the negative environmental effects.

- The attitude of customers will continue to shift, as it has in recent months, from a firm defense of PCB's performance benefits to consideration of Monsanto or competitor alternatives

- Other problem or crisis areas, such as now being experienced in the Great Lakes Region and the Hudson River Valley, will flare up in other parts of the U.S., further exacerbating the issue.

These conditions suggest, in answer to the question at hand, the negative impact on Monsanto's image will, indeed, exceed the benefits derived from staying in the business.

The group further considered a number of broad principles and courses of action during the period ahead to minimize the negative impact on Monsanto's image. Those were:

1. A precipitous withdrawal from the market would create a negative impact among key audiences, diminishing the positive impact gained by Monsanto's past and present policy of responsible corporate action. A rational, orderly process is required.

2. Efforts should be undertaken to counteract any perception that our competitors have achieved alternative product "breakthroughs" and have "stolen the march" from Monsanto by aggressively publicizing Monsanto's work on alternate products, environmental testing, etc.

3. Consideration should be given to a public announcement of Monsanto's intention to withdraw from PCB manufacture. The same degree of openness which has characterized the successful policy of the past should be the mark of the future.

4. Monsanto must retain the initiative achieved with its voluntary program of restricted uses. A similar strategic move or gesture should be considered to protect Monsanto's image during the period ahead. Such a gesture could be a call for a national conference of insurance underwriters, industry and government representatives to evaluate the effect of alternative products which lack the same fire-resistant qualities of PCB.

5. Principally, Monsanto must not be viewed as being forced into a decision to withdraw from PCB manufacture by either government action or public pressure. Rather, key audiences must perceive Monsanto as having initiated responsible action in a manner consistent with its past reputation and practices.

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