CHEMICAL MANUFACTURERS ASSOCIATION

JOHN P. CONNELLY
DIRECTOR, MEMBER RELATIONS
CORPORATE SECRETARY

August 14, 1996

Dr. E. Gary Cook
Chairman, President and CEO
Witco Corporation
One American Lane
Greenwich, CT 06831-2202

Dear Dr. Cook:

Congratulations on your new role with Witco Corporation. The purpose of this letter is to welcome you as CMA's Executive Contact for Witco. For your information and guidance, I am enclosing our Bylaws, *User's Guide and Directory* and Strategic Plan.

In addition, I have enclosed a computer printout of Witco's participation in CMA activities. It notes program and issues contacts, committee and task group participants as well as those individuals on other newsletter and mailing lists. Your help in keeping this information up to date is greatly appreciated. Please contact me with any changes you might have.

You will be added to Regional Executive Leadership Group Region 5 which includes the senior company representative from each of our member companies headquartered in the New York/New England region of the U.S. A list of the participants in your region is attached. The Regional Executive Leadership Group (ELGs) meetings are one of ten basic elements of the Responsible Care® initiative. The ELGs provide a forum for senior industry leaders to meet to discuss Responsible Care® and the progress each company is making in its implementation. Your region is chaired by Mr. Donald Griffin, Chairman, President and Chief Executive Officer of Olin Corporation. Mr. Griffin will be in touch with you regarding future meetings.

As an ongoing commitment to our Responsible Care® initiative, we ask that new Executive Contacts sign the Responsible Care® Guiding Principles. Enclosed is a customized copy of the Guiding Principles for Witco Corporation. Please sign and return them to my office.

I understand that you and Carl Soderlind will be visiting CMA on September 13 for a member company briefing. I look forward to seeing you then.

Again, welcome and if I can be of help, please call me.

Sincerely,

John Connelly

CMA 175348

Enclosures

cc: Mr. Carl Soderlind, Witco Corporation
Mr. Donald W. Griffin, Olin Corporation
Mr. Frederick L. Webber

Witco w' ...

Witco Pursues Plan To Enlarge Specialty Chemical Business

■ ***Purchase of OSi Specialties and planned sale of lubricants unit will further company's product, financial goals***

Marc S. Reisch,
C&EN Northeast News Bureau

The pending acquisition of OSi Specialties is just the second phase of Witco's four-part plan to sharpen its focus on specialty chemicals. The Greenwich, Conn.-based company's future depends on its plans to increase its sales of high-profit-margin, special-purpose chemicals, declares Chairman and Chief Executive Officer William R. Toller.

It was in 1992, two years into his tenure as Witco's leader, that Toller guided the company through its first multimillion-dollar expansion. Witco spent $440 million to acquire German pharmaceutical maker Schering's industrial chemicals and natural substances divisions. The acquisition added about $600 million to Witco's sales.

Then last month, Toller, 65, said Witco would buy OSi, a Danbury, Conn.-based maker of silicone-based specialty chemicals, for $486 million. OSi will add a projected $450 million to Witco's more than $2 billion in annual sales.

Two weeks before the OSi announcement, Toller told C&EN: "We will have three major acquisitions between right now and the year 2000." So Witco has two more big purchases to make before the turn of the century, and "those purchases will occur about every other year," says Toller

The sale of low-profit-margin, commodities-oriented businesses and bank borrowing will pay for OSi. Witco has sold its carbon black, battery parts, coated fabrics, and metal finishing businesses over the past two years, bringing cash on hand to about $325 million, says Toller. The company plans to sell its lubricants unit next.

Witco at a glance

Headquarters: Greenwich, Conn.

Sales: $2.2 billion in 1994

Earnings: $107 million in 1994

Number of employees: 7,955 at the end of 1994

Major businesses: Surfactants for agricultural, personal care, and laundry products; oleochemicals for food emulsifiers and processing agents; polymer catalysts and additives for the manufacture of plastics; polyurethane intermediates for coatings, footwear, and adhesives; epoxy resins and hardeners

Recent divestitures: Carbon black, specialty belting and coated fabric, metal finishing products, battery containers and parts, petroleum motor oil and industrial lubricants (pending)

Witco had piled up so much extra cash by early this year that it was worried a buyer might try to acquire the company. So it established a "shareholder rights plan" in March to "protect Witco's shareholders against abusive takeover tactics." The plan sought to limit any one person or company's stock ownership in Witco to 15% of the outstanding common stock. Toller says, "We were sensitive to our attractiveness to others. I think that is just a fact of life." So the plan "was a prudent action taken for the protection of our shareholders' value." The plan would go into effect "only in case of a hostile takeover," he explains.

Even as Witco amassed cash and took precautions against an unwanted takeover, the decisions to sell what Witco considered "noncore" businesses were not always easy. Toller was president of Continental Carbon when Witco purchased the carbon black producer from Conoco in 1984. "It was a bit of an emotional issue for me—coming to the decision to sell that enterprise," says Toller, "but it made all the sense in the world."

Witco already knows where it will get much of the money for its next acquisition: Witco plans to sell its lubricants business unit when it finds a buyer. The unit had 1994 sales of $404 million. A number of brokerage house analysts were happy that Witco finally decided to sell the lubricants line. Profit margins, they estimate, have generally been below 4% in the lubricants business, compared with 9% or higher for the chemical businesses.

Once it completes the sale of its lubricants unit, Witco will no longer own any of what it can call commodity businesses. "It is not [that they] were bad businesses. But we felt they did not fit our philosophy [to focus on] specialty chemicals in the future," says Toller.

Witco's goals are to achieve $5 billion in specialty chemical sales by 2000 and earnings as a percent of sales in the high single-digit range. Its 1994 total sales were $2.2 billion; profits were $107 million, or just about 5% of sales. Other specialty chemical makers do much better. For example, Great Lakes Chemical's earnings as a percentage of sales were nearly 14% in 1994, Loctite's were almost 12%, and Ethyl's were 9%.

Toller says Witco will achieve sales and earnings growth partly through acquisitions and partly through internal growth. Acquisitions such as that of OSi and those that will follow "will be specifically focused on higher profit margins. They will certainly be more specialized chemicals. And they will expand our geographic horizons, particularly to areas like the Pacific Rim, where we did something on the order of $100 million in sales last year."

A few days after Witco said it would purchase OSi, Toller told C&EN: "OSi

CMA 175349

Photo by Marc S Reisc

Toller: complementary acquisitions

fits with our long-term objectives. It allows us to move into markets where OSi already has infrastructure in place." For instance, OSi immediately gives Witco a platform to expand its sales and establish manufacturing capability in the rapidly industrializing countries of the Pacific Rim. OSi has five manufacturing facilities, 14 sales offices, and a research and development facility in that area. Witco has only a sales office in the Pacific Rim.

OSi also brings Witco a line of organofunctional specialty silicones, a business new to Witco. However, OSi sells these specialty silicones to many of the same customers Witco already supplies with other critical manufacturing ingredients, says Toller. Some customers both firms serve include agricultural chemicals, coatings, and fiberglass makers. It is the same sort of fit Witco has sought in past acquisitions.

Toller characterizes OSi as a "complementary" acquisition, because it does not "overlap any businesses we already have." And in fact, Toller says, Witco needs to avoid acquisitions that duplicate its existing product lines. "We would have antitrust problems if we added onto our principal product lines in the U.S."

The acquisition makes sense to OSi, too. "It is an excellent fit," agrees OSi's chairman, president, and chief executive officer, David I. Barton. The deal represents a better opportunity for OSi than the "initial public offering of stock that management always envisioned." The $186 million premium Witco paid to buy OSi must have been quite convincing as well. Management, which owns 17% of OSi, and investors led by DLJ Merchant Banking Partners, New York City, bought the former Union Carbide business for $300 million in 1993. Barton also points out that Witco has the resources to finance the capital investments OSi's product lines will require to keep growing.

Witco's acquisition of OSi and its recent round of divestments have changed the view on Wall Street that Witco was "a sleepy, low-growth, low-margin company," as one analyst put it. Frank J. Mitsch, senior industry analyst with brokerage firm Merrill Lynch & Co., New York City, says the purchase of OSi "is definitely a positive step for Witco." He points out that if Witco kept its money in the bank, it would only get a 5% return. However, in buying OSi, Witco is "getting a company with a 15 to 18% return on an annual operating basis."

John A. Conlon, an analyst with institutional broker Blackford Securities, Garden City, N.Y., agrees. He adds that the purchase of OSi combined with the planned sale of the lubricants business allows Witco to "tighten its focus on specialty chemicals."

Witco wants to acquire other businesses with product lines related to those it now has. "We want to leverage our relationships with our customers," says Toller, "by giving them other products we are not now offering." The Schering acquisition broadened Witco's reach in oleochemicals, surfactants, and organometallic compounds. As OSi does, Schering served many of the same customers Witco already supplied in paints, adhesives, laundry, and personal care products. "It brought us into play with the same customers, but with an additional basket of complementary products. ... That is pretty much how we will look at acquisition candidates," says Toller.

One analyst says he thinks Witco might soon acquire the specialty chemical division of a consumer product company. Toller says only that Witco is looking at any number of different businesses. Nevertheless, he says Witco hopes to increase its presence not only in Asia, but also in Eastern Europe and Latin America.

However, Witco will not "just go out and buy something for the sake of being a $5 billion company," says Toller. "It will take both acquisitions and good internal growth in existing businesses" to reach the $5 billion goal. To bolster internal growth, Witco will spend $144 million on expansion of existing facilities in 1995, up nearly 35% from 1994. With the acquisition of OSi, Witco's capital budget could increase nearly 40% above 1995 spending levels and reach $200 million by 1996, says Toller. Another boost to internal growth is Witco's plan to increase research and development spending to nearly 4% of sales from the 3% or so it now devotes to the effort.

Toller sees some other advantages in becoming a $5 billion company. "You only need one chairman for a $5 billion company, just as you need just one chairman for a $2.5 billion company. There are certain fixed costs you spread over a much broader base. That is where you get an advantage as you grow in size. You spread your fixed costs. The real issue is not just to become a $5 billion company. The real issue is to add to shareholder value."

Still, Toller admits high profit margins, which help increase a company's stock price, are not always easy to come by in the specialty chemical business. Prices of the commodity chemicals the company buys as its raw materials started to increase about a year

Witco sales posted steady growth over past decade

Source: Company data

CMA 175350

ago. Those increases have hurt Witco's profit margins "through the current year." Still, Toller says, raw material prices recently have plateaued, and prices of some raw materials have come down.

Raw material price increases earlier this year have already hurt Witco's financial results. Although sales in this year's first half rose 6% from last year's first half to $1.2 billion, earnings before unusual gains from the sale of businesses declined 13% to $45 million.

A "voluntary severance" program open to staff employees will also make Witco more profitable. Because Witco recently sold four businesses and plans to sell a fifth, the company does not need all of the people it now has on staff, says Toller. The program "should take between $5 million and $6 million of cost out of our structure," along with 125 to 150 jobs. The early retirement program, the buying and selling of businesses, and the emphasis on profitability are "all about being more productive with all of our resources," he says.

Toller also looks forward to retiring no later than December 1996. The company's board of directors is conducting a search now for a new chief executive. They are looking at both internal and outside candidates for the job, he says. The list of candidates may now include executives at OSi, all of whom Witco has invited to stay on. OSi Chairman Barton says he intends to join Witco, but did not say in what position.

Toller says he cannot predict who will succeed him as Witco's CEO, and he "sees nothing at all that would prevent" Witco's board of directors from finding a successor before December 1996. The board, he adds, is under no pressure to act quickly.

Few industry sources want to comment on a likely successor to Toller. Conlon of Blackford Securities says he is not worried about Witco's ability to find a successor. "They already have good management depth," he says. The company's business managers "know their business." Toller does not operate Witco as "a one-man show," says Conlon. Although Witco may lose some senior managers to retirement, several younger and experienced managers at Witco could step in, he believes.

Nevertheless, whoever follows Toller will have some serious financial goals he or she must achieve. □

Witco - Working file

SEPTEMBER 12, 1995

THE WALL STREET JOURNAL.

Witco to Buy Chemical Maker, Plans to Sell Lubricants Group

By JONATHAN AUERBACH
Staff Reporter of THE WALL STREET JOURNAL

Witco Corp. said it agreed to buy chemical maker **OSi Specialties Inc.** for $486 million and plans to sell its lubricants group, including its Kendall motor oil operations, as it continues to focus on its specialty-chemical business.

OSi, based in Danbury, Conn., would be Witco's first acquisition since it began a big push into chemicals with the 1992 acquisition of **Schering AG**'s industrial chemicals and natural substances units. Since then, Witco has been shedding noncore assets, including its entire diversified products division, which included battery casings. The sale of the lubricants operation is expected to raise about $250 million, according to Witco.

Witco's stock rose $2, or 5.9%, to close at $35.625 a share in composite trading yesterday on the New York Stock Exchange.

Witco, based in Greenwich, Conn., is buying OSi from DLJ Merchant Banking Partners L.P., an affiliate of Donaldson, Lufkin & Jenrette Inc., which acquired OSi for about $300 million in 1993. The acquisition is expected to close in November.

The company said OSi, which produces silicone-derivative products, is expected to have sales of about $450 million this year and would help boost sales of existing product lines in Asia, South America and Eastern Europe.

Witco's chemical division had operating profit of $127 million on sales of $1.34 billion last year, or more than half of Witco's overall sales of $2.22 billion. Witco's 1994 net income was $107.1 million, or $1.92 a share.

The company said it has interests but no offers for the lubricants group, which could be sold as a whole or broken up. The company hopes to complete any sale in the first half of 1996.

The lubricants group had sales of $404 million last year. Witco previously said rising raw material costs have hurt recent earnings for the group.

SEPTEMBER 12, 1995

THE WALL STREET JOURNAL.

Work Week

A Special News Report About Life On the Job — and Trends Taking Shape There

THE GOP'S MOVE to slash OSHA would mean less-frequent workplace inspections.

Joseph Dear, chief of the Occupational Safety and Health Administration, says that at 1994 staffing levels, each workplace would be inspected on average once every 62 years. But that would climb sharply under the 33% reduction in the enforcement budget approved by the House. The AFL-CIO calculates that in more than half the states, it would take more than 100 years to inspect each workplace.

Rep. John Porter, an Illinois Republican whose subcommittee came up with the cuts, notes that the House boosts the budget for compliance assistance by 19%. He wants OSHA to work with businesses and use enforcement only against "repeated and blatant violators." OSHA's Mr. Dear says he is building business partnerships, but that traditional enforcement "provides the basic credibility for the whole program."

The House bill would ban OSHA from "recording and reporting" data on repetitive-motion injuries such as carpal-tunnel syndrome.

CMA 175352

WITCO $28.38

Shares Outstanding	56.4 mill
Market Capitalization	$1,599 mill
Net Debt	$293 mill

First Call Estimates:		
	1994R	$1.86
	1995E	$2.10
	1996E	$2.38

Stock Price Performance
Relative to the Domestic Market

Last 3 Years	(4%)
Last 1 Year	(17%)
Last 3 Months	(9%)

INVESTMENT APPEAL

- Potential for resumption of stronger earnings growth
  * currency
  * Europe; ex-US
  * reversal of raw material squeeze
  * some pricing flexibility
- Above-average yield, balance sheet.
- Cash hoard + that from operations available for potential shareholder-enhancing moves.

KEY ISSUES

- Cyclical risk.
- Semi-commodity products.
- Currency risk.
- Ability to improve margins absent cyclical kick.
- Management succession.
- Cash hoard has been around a while.

CMA 175353

Done 9/21/95

P st-it® Fax Note 7671

To Mona Hall	From John Akerley
Co./Dept. CMA	Co. Witco
Phone #	Phone #
Fax # 202-463-1592	Fax # 203-552-2856

Date 9/6 # of pages 6

Chemical Manufacturers Association
Member Company Profile

(Since 5/94)

Witco Corporation
~~520 Madison Avenue~~
~~New York, NY 10022-4236~~

One American Lane
Greenwich, CT 06831

The list below describes your company's interaction with CMA. It is organized into major program and issue areas. Subsectors of each area are: company designated contacts, committee and task group participants, and mail list recipients. A key to the codes is listed on the back page. To make changes, contact CMA Member Relations: 202/887-1110.

Mr. A. Ali Plant Manager Witco Corporation 652 Doremus Avenue Newark, NJ 07105-0818	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Joe Alli Facility Manager Witco Corporation Sherex Chemical Company Route 24 Factory Road Mapleton, IL 61547	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Ken Almas Plant Manager Witco Canada, Inc. 48-50 Alice Street Brantford, ONT N3T 5P9 CANADA	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Paul Berger R & D Manager Witco Corporation 3200 Brookfield Street Houston, TX 77045-5296	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.

SEP-06-1995 17:02 CMA EXECUTIVE OFFICE 202 463 1592 P.02

09/06/95 17:06 ☎203 552 2856 SH&EA WWH ☑001/006

CMA 175354

Mr. Richard P. Lissenden Witco Corporation Humko Chemical Facility 652 Doremus Avenue Newark, NJ 07105-0818	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
G. G. Loflin Facility Manager ~~Witco Corporation~~ Concarb Facility Star Route 1 Sunray, TX 79086-0015	FACILITIES Facility Managers List Sold 1995	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Paul Martin Plant Manager Witco Corporation Hwy 59 3 Miles North Bussey Road Marshall, TX 75670	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Carl Mason Facility Manager Witco Corporation Blue Island Facility 14000 South Seeley Avenue Blue Island, IL 60406-0114	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Robert M. McGregor Facility Manager Witco Corporation 1400 S. Harrison Olathe, KS 66061	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Merle Menghini Refinery Manager Witco Corporation 1134 Manor Street Oildale, CA 93308	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.

Mr. Pat Moore Plant Manager Witco Corporation 2936 Hillyard Street Klamath Falls, OR 97601-0364	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
H. Huggard Facility Manager Witco Corporation Baxenden, AS, Fulbyvej 2 Pedersborg 4180 SORO DENMARK	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. K. Pfaff Facility Manager Witco Corporation 810 Wright Avenue Richmond, CA 94804-3640	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Robert Piehl Facility Manager Witco Corporation Clearing Facility 6200 W. 51st Street Chicago, IL 60638-1395	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Plant Manager Witco Corporation 7000 E Slauson Avenue Los Angeles, CA 90040-3621	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Thomas Pounds Facility Manager ~~Witco Corporation~~ Concarb Facility 1006 Burgell Road Ponca City, OK 74602-0551	FACILITIES Facility Managers List Sold - 1995	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.

D. Rozendal Plant Manager Witco Corporation Hazelstraat Koog aan de Zaan THE NETHERLANDS	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Dr. M. Salvi Witco Corporation Les Pres Girads B.P. 51 F39610 St. Amour FRANCE	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Dr. M. Silva Witco Corporation SITECH Viale Industria, 29 27025 Gambolo ITALY	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. George Smith Facility Manager ~~Witco Corporation~~ Richardson Battery Div. Facil. CLOSED 1995 Highway 19 North Philadelphia, MS 39350	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Lee Smith Facility Manager Witco Corporation 2555 River Road Phillipsburg, NJ 08865	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.

Henry Snow Facility Manager Witco Corporation Ft. Worth Facility 611 East Northside Drive Ft. Worth, TX 76106	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
R. G. Snyder Facility Manager ~~Witco Corporation~~ Richardson Battery Div. Facil. 3500 E. 20th Street Indianapolis, IN 46218	FACILITIES Facility Managers List Sold 1995	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
M. St. Gelais Witco Canada, Inc. 2893 Rue Moreau Montreal, Quebec H1W 2L8 CANADA	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
J. Stevenson Facility Manager Witco Corporation 565 Coronation Drive West Hill, ONT M1E 2K3 CANADA	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Alan Taylor Witco Corporation Paragon Works, Baxenden Lancashire, England BB5 2SL ENGLAND, GREAT BRITAIN	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Ken Taylor Facility Manager Witco Corporation 8 Wright Way Oakland, NJ 07436-3121	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.

CMA 175359

Mr. Tomas Webber Witco Corporation Calle Guadalupe 418 C.P. 54880 Cuautitlan Edo de Mexico MEXICO	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Dr. H. Wehner Witco Corporation Industriegebiet West Max-Wolf Strasse 7 D-36396 Steinau GERMANY	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Fred A. Werbe Facility Manager Witco Corporation 19538 S. Alameda Rancho Dominguez, CA 90221	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Ken Wilder Plant Manager ~~Witco Chemical Corp.~~ 1500 East State Docks Road Phenix City, AL 36668-1327	FACILITIES Facility Managers List 5060-1995	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.
Mr. Robert N. Williams Plant Manager Witco Corporation 1805 Fourth Street Harvey, LA 70058	FACILITIES Facility Managers List	IL	Those facilities that manufacture products contributing to the member's CMA dues base. Very limited mailings from CMA. 5 times per year.

Activity Type Legend

Type	Description
AR	Topic Area
BC	Board Committee
BD	Board of Directors
CO	Committee
CT	Contact
EC	Execu' Contact
IL	Infor. on List

CW 11/29

Attachment A

CMA EXECUTIVE CONTACT SURVEY
PRIORITY ADVOCACY ISSUES
CMA FY 2000/01

The purpose of this survey is to enable CMA Executive Contacts to provide input on their priorities to the CMA Executive Committee as it develops CMA's plans and budgets for CMA's issue advocacy efforts next fiscal year.

Please indicate the importance of each issue listed by checking the appropriate box on the survey form. The issues on the survey have been suggested by our issue teams. <u>If there are issues that you feel affect your business and which CMA could impact but which are not on the list, please note them in the space provided at the end of the form.</u> We also ask you to indicate your view of the appropriate CMA role and the degree to which your company would be willing to participate in CMA efforts on the issue.

The three issue priorities and the consequences of the rankings are set out below. Please check one of these priorities for each issue on which you believe CMA should engage. In this year's survey of priority advocacy issues, respondents are asked to assign: no more than 3 issues as <u>Critical</u>; no more than 6 issues as <u>Extremely Important</u>; and no more than 8 issues as <u>Significant</u>. You may also characterize an issue as "not important," and you need not rank each listed issue.

- <u>Critical</u> issues are those receiving the very highest budget priority for resources. (In the aggregate, we would expect 60-70% of total resources to be allocated to these issues.)

- <u>Extremely Important</u> issues receive the second highest budget priority. (In the aggregate, we would expect 15-25% of total resources to be allocated to these issues.)

- <u>Significant</u> issues are those receiving very limited resource access. (In the aggregate, we would expect 5-10% of total resources be allocated to these issues.)

A more detailed description of these categories is attached (Attachment B) to the survey form.

Company Name: CK Witco Corporation

Executive Contact Signature: ______________________

Contact Person (if different): V. A. Calarco/Michelle Formica

Telephone Number: 203-573-2210

Fax this form and the survey by December 6, 1999, to:

Romelda H. Guglielmo
Office of the Executive Vice President
Phone: 703/741-5112
Fax: 703/741-6086

CMA 175360

Executive Contact Survey
2000/2001 Advocacy Issues

Issues	Importance of Issue to my Company (Check One): Critical	Extremely Important	Significant	Not Important	CMA Role (Check One): CMA should lead.	CMA should support, not lead.	CMA should monitor.	CMA should NOT be involved.	Company Role (Indicate Y=Yes; N=No; U=Unknown): Is your company willing to devote resources/ Sweat Equity to CMA efforts?	Is your Company willing to take a Leadership Role in CMA's efforts.
1. **Air Advocacy**, including major air toxics, risk and permitting regulations, implementation of the NAAQs, targeted legislative reforms, education and congressional oversight to build a record for reauthorization of the Clean Air Act.										
2. **Water Advocacy**, influence EPA's National Mixing Zone Ban Initiative, EPA's Total Maximum Daily Load (TMDL) program, targeted Clean Water Act reforms, water quality and contaminated sediment regulations.										
3. **Waste Management Advocacy (RCRA & Related Issues)** includes maintaining the viability of hazardous waste combustion; revising hazardous waste regulation, recycling issues and high and low risk waste identification; and risk- and performance-based state-run non-hazardous waste programs.		✓								
4. **Waste Remediation Advocacy**, including RCRA reform so that cleanups are risk-based, cost-effective, and managed by states; Superfund reform; including assuring any exemptions from Superfund liability are not paid by industry parties; preserving or enhancing the availability of recent Superfund administrative remedy reforms; and limiting the inappropriate expansion of the Superfund.										
5. **Product Stewardship Advocacy**, including the high production volume (HPV) testing issues, toxic use reduction, product bans and restrictions, TSCA issues, testing harmonization, hazard communications, PTB initiatives, implementation of the CMA Product Risk Management Strategy; more consistent regulatory regimes in the US and EU (including testing and the introduction of new chemicals); exposure characterization and assessment issues; and harmonization of international chemical regulations.	✓				✓					
6. **Information Management and Right-to-Know Advocacy**, including principles and practices for the development and dissemination of information products, risk-based changes in the Toxic Release Inventory, and promotion of ChemicalGuide.com as the preferred source of information on the performance and benefits of chemical plants.										
7. **Public Health Advocacy**, primarily endocrine disruption and children's health issues, including developing and implementing an overall strategy on these issues as well as addressing testing, communication, and risk-based targeting of public and private sector resources.										
8. **Regulatory Reform and Risk Advocacy** to seek regulatory flexibility for superior EH&S performance, and improved risk and cost/benefit concepts in legislation and regulation, promotion of the use of research, science and risk in policy making.										
9. **Chemical Distribution Competitiveness and Efficiency Advocacy** including pro-competitive rail advocacy, and promotion of regulatory and commercial practices that foster global harmonization and remove or mitigate impediments to safe and efficient distribution, both domestically and internationally.										
10. **Energy Advocacy** including access to electricity through customer choice of providers and preservation and expansion of cogeneration opportunities.										
11. **Global Climate Issues**, including voluntary energy efficiency improvement, recognition of voluntary early action to reduce greenhouse gas emissions, and opposition to mandatory greenhouse gas emission reduction schemes.										

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Executive Contact Survey
2000/2001 Advocacy Issues

	Importance of Issue to my Company				CMA Role				Company Role	
	(Check One)				(Check One)				(Indicate Y=Yes; N=No; U=Unknown)	
Issues	Critical	Extremely Important	Significant	Not Important	CMA should lead.	CMA should support, not lead.	CMA should monitor.	CMA should NOT be involved.	Is your company willing to devote resources/ $weat Equity to CMA efforts?	Is your Company willing to take a Leadership Role in CMA's efforts.
12. **Market Access and Trade Controls Advocacy**, including efforts to facilitate global market access in the chemical industry through the reduction and harmonization of tariffs, alignment of regulations through global and regional trade negotiations, and reforming and implementing trade controls.	✓				✓				✓	
13. **Tax Advocacy**, including work on domestic tax issues (e.g., R&D credit, Superfund, environmental and energy taxes, and depreciation and capital formulation issues) and foreign tax issues (e.g., export source rule and tax treatment of foreign operations and U.S. companies and foreign sales).										
14. **Liability and Legal Reform Advocacy**, including federal and state liability reform and toxic tort litigation; educating industry lawyers and judges on emerging scientific issues.										
15. **Environmental Justice Advocacy**, including implementation of civil rights laws while maintaining the primacy and viability of state environmental permitting; assuring new EJ programs reflect key CMA principles; and providing guidance to help members respond to claims regarding environmental justice.										
16. **Occupational Safety and Health Advocacy**, including legislative and administrative reforms to OSHA and OSHA implementing regulations addressing issues such as flammable and combustible liquids, ergonomics, audit policies and safety and health programs.		✓								
17. **Process Safety Management issues**, including accidental releases, Chemical Safety Board, chemical incident data systems, chemical reactive safety, electrical codes and physical/cyber site security issues.										
18.*										
19.*										
20.*										
21.*										

* Please describe of issues important to your company and on which you believe CMA should be an advocate which are not included in the survey.

** This survey seeks feedback on potential CMA advocacy issues. It does not cover CMA programs such as Responsible Care® and the research initiative.

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CK WITCO TO BUILD ON SYNERGIES

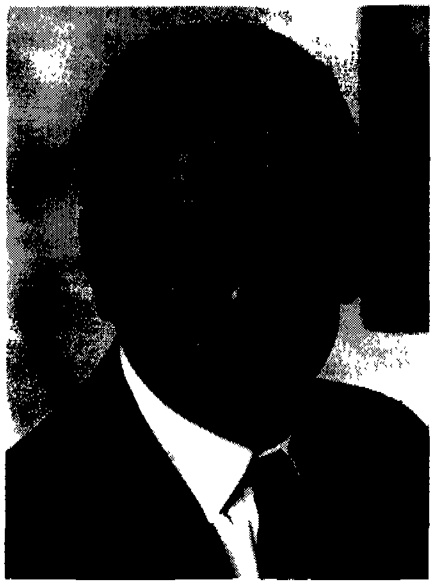
President, CEO, and now Chairman Vince Calarco uses hands-on approach as he meets wide range of challenges

Marc S. Reisch
C&EN Northeast News Bureau

Since he took over as head of Crompton & Knowles in 1985, Vincent A. Calarco, 56, has had a string of successes: first in putting C&K's house in order, then in acquiring Uniroyal in 1996. But now, this chemical engineer faces a whole new set of daunting challenges as president, CEO, and now chairman of a new company, CK Witco, formed on Sept. 1. by the merger of C&K and Witco. Most industry observers think he'll be able to navigate the treacherous road and capitalize on the markets in which the formerly separate companies have overlapping businesses.

And what a road he will have to face. It will be tougher because he does not have direct knowledge of Witco's operations, as he did with Uniroyal. Calarco was president of Uniroyal Chemical between 1979 and 1984. It also will be more difficult because, as Calarco himself acknowledges, Witco was ailing after having gone through a recent restructuring that caused it to be "internally focused and lose business," he says. "Getting business back is tough."

In addition, Calarco will have to work through merger issues without the insights of E. Gary Cook, former CK Witco chairman and one-time Witco chairman, president, and CEO. Cook, 54, retired earlier this month with a $1.5 million annuity for life. Now Calarco has to deal with paying down long-term debt of $1.5 billion, equivalent to about 45% of the $3.3 billion in 1998 sales of the new company.



Calarco: firm has entrepreneurial heritage

He'll also face the task of boosting operating profit of the combined businesses in the current difficult operating environment for specialty chemical companies. Traditional C&K businesses have been hurt as demand weakened recently for crop protection products, ethylene-propylene rubber, and polymer processing equipment. The competitive color dyes business—which made up 43% of C&K's sales before the Uniroyal combination, 15% after, and 7% following the CK Witco merger—is still suffering from weak pricing. Rumors are rampant that CK Witco will sell the dyes business, a C&K unit since the 1950s, but company officials have no comment just yet.

Calarco has already seen some rough riding when CK Witco issued a warning to shareholders in mid-October that earnings for the third and fourth quarter would be well below expectations. CK Witco's stock nosedived $\$4\frac{11}{16}$ points to close at $\$9\frac{13}{16}$ just after the announcement. CK Witco stock traded at $\$17\frac{1}{16}$ shortly after the two companies merged.

Calarco was visibly chagrined a few days after the earnings announcement. Distressed at the market's reaction to the company's earnings shortfall warning, Calarco says the stock dive "was an overreaction, and that is a significant understatement. The opportunities this corporation has going forward are significant. Investors lost sight of those opportunities because of some basically nonrecurring issues. For all intents and purposes, the businesses have not lost market share and have not had major disruptions. It's a short-term third-quarter event, and we expect that we will recover shortly."

Calarco adds, "We have called it as we see it. And we are doing everything we know to deal with it. Going into 2000, that will be behind us." And Calarco pledges that CK Witco will achieve $60 million in postmerger savings that the company originally expected to achieve by 2001. About $40 million of that will come from the elimination of 500 salaried positions by Dec. 31. The remaining $20 million in savings will come from consolidating plants and offices, implementing purchasing and logistic efficiencies, and eliminating outside services and consultants.

Those savings "should give confidence to the investing community that we understand what we need to do," Calarco says. After the job cuts, CK Witco will have about 9,500 employees. "We want to make sure we have a lean and aggressive organization in place," he adds.

Also, as Calarco sees it, the chemical industry "is an industry out of favor. I

CK Witco at a glance

Headquarters: **Greenwich, Conn.**

Sales: **$3.3 billion in 1998[a], $2.5 billion in first nine months 1999[a]**

Operating income: **$439 million in 1998[a], $239 million in first nine months 1999[a]**

R&D spending: **$123 million in 1998, $79 million in first nine months 1999**

Employees: **10,000**

Manufacturing facilities: **58 in 20 countries**

Products: **From Witco—organosilicones, industrial surfactants, petroleum additives, polymer heat stabilizers, urethane chemicals. From Crompton & Knowles—ethylene-propylene rubber, castable urethanes, rubber chemicals, lubricant additives, crop protection chemicals, textile dyes, polymer extrusion equipment**

a Pro forma results. Excludes Witco oleochemicals business sold Aug. 31.

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think what we want to be able to do is to return to the consistency of earnings that C&K has been known for." The events leading to the earnings warning "were far beyond anybody's control." Among those events were poor weather conditions and a soft farm economy that hurt the crop protection business and a cyclical downturn in demand for polymer processing equipment that hurt the company's Davis-Standard extrusion machinery business, Calarco says. For the third quarter, sales slipped 4% to $782 million, compared with the similar pro forma quarter in 1998, and operating income dropped 44% to $49 million.

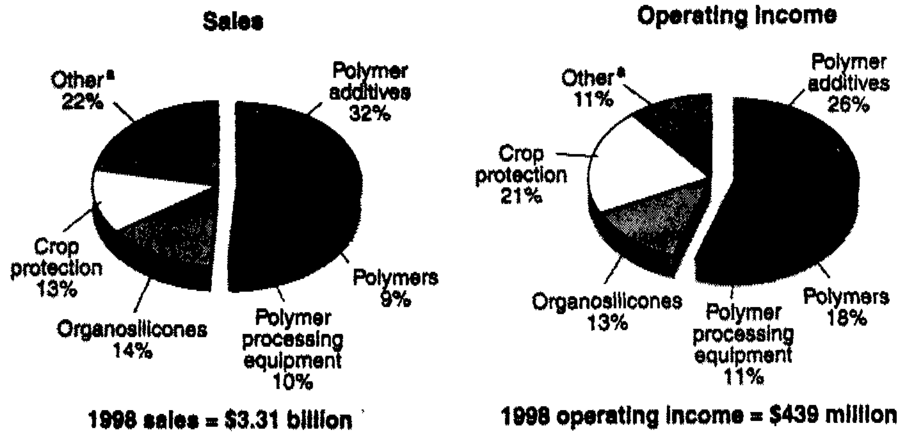
If he had his way, Calarco might have planned the merger of Witco and C&K at a less difficult time. "You know, you never have perfect timing on anything," he muses. C&K had just managed to "fairly well integrate" the Uniroyal businesses with its own when informal talks with Witco's Cook began in February.

In today's specialty chemical business, companies need a critical financial mass to survive, especially when competitors are global, significant, and ever-larger presences. The formation of Clariant from the specialty businesses of Sandoz and Hoechst and the combination of Rohm and Haas and Morton International are recent examples. As for CK Witco, "Gary and I had known each other for a while," Calarco explains. "We sat next to each other at the Chemical Manufacturers Association board meetings. We had some discussions, and we got to the point where we had, in fact, developed a shared vision of what we saw the new company could be like, and that became increasingly compelling to us. We felt this really was a unique opportunity, and we wanted to be able to take advantage of it." The two companies reached an agreement in June and finalized it in September.

Divestments may also be in the offing for CK Witco. Calarco says he and senior executives are assessing "all the businesses to make sure we have a fair sense as to the potential for growth and earnings capabilities. We haven't finished that analysis yet." Some businesses may not remain with CK Witco for the long term. "We feel no particular business is sacred," he says, but he gives no clue about which businesses are likely candidates to go.

Comments like these may lead people to think Calarco has put a for-sale sign out by the road. Not so fast, Calarco says. "I would say, for sure, there will be some changes. It may be a joint venture. It may be a swap of some sort. It may be a transaction that enhances the remaining businesses and not necessarily a divestment. That all remains to be seen." However, any additional cash CK Witco realizes in a potential divestment might be committed to repurchasing shares. "When you see the share price where it is now, we'd have to consider how share repurchases come into play," Calarco says. CK Witco's shares were trading around $10⅝ at press time.

CK Witco is weighted toward polym rs



Note: Pro forma 1998 results. a Includes dyes, refined products, glycerine and fatty acids, and petroleum and lubricant additives.
Source: Company data

John E. Roberts, first vice president at New York City-based stock brokerage Merrill Lynch, notes that C&K, and now CK Witco, management "has a history of using nonoperating cash for share buyback." If the company sells its dyes business, it "could be the first of $300 million to $500 million in divestments." CK Witco's plan to divest, swap, or set up joint ventures with assets and its plan to cut employment and costs show that "although the company has fallen, it can get up," Roberts says.

Analyst Richard J. Sporrer of Pittsburgh-based brokerage firm Parker/Hunter, says when C&K and Witco combined forces most analysts expected the new company would be much more aggressive at cutting costs than it originally was. Moving up the time table to achieve $60 million in cost savings beginning in 2000 "makes more sense." Sporrer agrees that CK Witco is likely to sell textile dyes—a business that has been deteriorating for the past three to four years. "They are actively shopping it around now. I expect they will sell it by years' end."

CK Witco's current headquarters campus in pricey Greenwich, Conn., is certainly more luxurious than C&K's Stamford, Conn., offices by the commuter rail station connecting to New York City. Although the Stamford office is now history, CK Witco has two fairly sizable corporate facilities: one in Greenwich and one in Middlebury, Conn., where the Uniroyal businesses are located. "Our objective at some point down the road is to consolidate as much as possible," Calarco says. Neither the Middlebury nor the Greenwich site will accommodate all the business offices. In the meantime, the firm is "looking at what it will take to refurbish" an additional building in Middlebury to accommodate CK Witco staff now in Greenwich.

Also likely to change is CK Witco's long-term debt structure. "We've been conservative in our financial structure over the years," he says. "That changed rather dramatically when we did the Uniroyal transaction. The dark side of that transaction was that we took on $1.1 billion in debt. Over three years, we were able to pay down about $430 million of that debt. I think that was a rather significant accomplishment. We were getting close to our objective of being investment grade. As we come together as CK Witco, we have on a combined basis approximately $1.5 billion worth of debt. And we are equally committed to paying that down." The plan now is to pay down debt at a rate of $100 million to $125 million a year.

To make those payments, Calarco has a plan for the future of CK Witco. With the Uniroyal acquisition, C&K broadened its portfolio of businesses with enterprises such as rubber and crop protection that are unrelated to the dyes and polymer-extrusion equipment businesses it already had. But in CK Witco, more than 80% of the former C&K and Witco businesses "have this synergy by which they serve the same end-use markets. And they serve them with products that are not competing. I think that is a significant plus because it really lends itself to opportunities for cross selling," Calarco says.

Three of CK Witco's business segments, equal to about 51% of 1998 pro forma sales and 55% of profits, center on the polymer business. "In polymer additives, I think we have a unique combination of offerings for customers," he explains. "Not only do we have a leadership position in polyvinyl chloride additives, we also have a combination of olefin and styrenics additives that is significant. When you look at what we have on the rubber chemicals side—polymer additives of another nature—and when you put them all together with the Davis-Standard plastics-extrusion equipment operations, you are dealing with the same customer base. The polymer industry in the broadest sense is going to be a real focus for us as a corporation." The company is also involved in polymers through its ethylene-propylene rubber business and through its organosilicones business, which supplies silanes for the manufacture of tires.

In addition to poor weather and cyclical downturns, weak pricing has hurt CK Witco's businesses. Weak pricing is a function of overcapacity, particularly among European specialty chemical makers such as Clariant, Calarco opines. Among European companies, the social costs for shutting down uncompetitive facilities are so high that it appears to be cheaper to keep those facilities running. "Because of the size of these facilities, you need the volume to keep them going, and that leads to a pricing strategy that has a negative impact on the industry overall," Calarco says. "That puts the pressure on everybody else to make sure they constantly find ways to do things better to reduce costs and to keep an organization as lean as possible."

Competition from the specialty chemical giants such as Ciba Specialty Chemicals and Clariant means CK Witco needs to endorse small-business values. "I think we are really a summation of small businesses, which means we have to be very focused, and we have to be fast. That entrepreneurial approach will always hold us in good stead. It's the heritage that both Witco and C&K bring to the new company." C&K dates back to 1840, whereas the Tumpeer and Wishnick families formed Witco in 1921.

CK Witco's top executives come from the C&K side, with one exception. "We talked to all our managers and everybody in Witco top management chose to leave," he says. Only Mary Gunn, a Witco manager with the organosilicones business, was promoted to executive vice president and heads that business. Calarco hastens to add that many former Witco employees continue to operate strategic business units and are "very capable and very able individuals. I think everybody knew that C&K didn't have the depth of management to take on all the businesses. We said at the beginning that it was going to be a combination."

Employees will be expected to help CK Witco meet its goal of increasing operating earnings of 10% a year above inflation. Meeting that goal over the long term "is going to deliver the kind of shareholder value that we should have. And I think that means that we have to make sure businesses are going to deliver top-line growth. And they will have to keep costs in line," Calarco says. To be sure they do so, he says he'll take a hands-on approach as he has done in the past, reviewing business segments on a quarterly basis. "I think it is important for all of us to be involved. I don't think there is any getting away from that."

At the moment, about 44% of CK Witco's sales are outside the U.S., although only 32% of sales are derived from products manufactured outside the U.S. About $1 billion in foreign sales is in Europe, $300 million in Asia, and $200 million in South America. "Asian businesses are doing the best in terms of year-to-year change, but that is coming off a year that wasn't particularly good," he says. "Latin America also has the potential for good annual growth for us despite some of the difficulties that we see in Latin American economies. Europe seems to be coming around right now, and we hope that as we go into next year we will see enhanced performance from Europe."

Product lines with the greatest growth opportunities include organosilicones and silanes. Silanes, in particular, are in great demand because European tire makers are consuming them in place of carbon black for the production of low-rolling-resistance, longer lasting tires—so-called green tires. In fact, CK Witco plans to spend $50 million to expand silanes capacity in Termoli, Italy. Polymer additives and the castable urethanes businesses have also been "sig-

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nificant and growing businesses around the world," Calarco says.

R&D spending figured as a percent of sales is likely to slip a tad. Calarco says he expects R&D spending in the neighborhood of 3% of sales in 1999, down from the 3.7% pro forma, or $123 million, spent in 1998. For the first nine months of 1999, pro forma R&D spending has been 3.2% of sales, or just about $79 million. New product development is particularly important for the organosilicone and polymer additive businesses. But when it comes to the crop protection business, Calarco says, "we supplement what we spend with the licensing in of products from companies that have greater technical resources in research. Those companies don't have the access to some of the smaller niche markets that we do." He promises "a comprehensive technical review" of CK Witco's R&D spending effort "to make sure we are spending those technical resources appropriately."

With many details still to be worked out for CK Witco, Calarco says what he and Cook did was "put together a prime company that has significant potential, notwithstanding the short-term bumps. I really don't think we have all the answers yet. We are still evaluating the businesses. But we are getting the organization in place, and we're very much geared to a customer-first strategy," he says. "I think that's where it all begins, and frankly, that's where it all ends."◀

Environment in Central, Eastern Europe improves, but problems remain

A combination of economic, political, and environmental reforms has resulted in a decided improvement in the environment of countries in Central and Eastern Europe over the past decade, as these countries have begun their transition from centrally planned to market economies.

That is one of the major conclusions in "Environment in the Transition to a Market Economy," just published by the Paris-based Organization for Economic Cooperation & Development (OECD). The report examines the past 10 years' experiences in what it calls "the emerging democratic, market-based societies of the Central and Eastern European Countries" and what OECD terms the New Independent States (NIS) of the former Soviet Union—more commonly referred to as the Commonwealth of Independent States—a category that includes the Russian Federation.

It does this by examining the progress made under the Environmental Action Program for Central and Eastern Europe, adopted by environment ministers at the Environment for Europe Ministerial Conference in Lucerne, Switzerland, in April 1993.

In his foreword to the report, OECD Secretary-General Donald J. Johnston points out that "while economic reforms have provided a crucial stimulus for environmental improvements leading to reductions in high pollution levels, many serious problems remain. Others have grown worse over the transition period. Continued efforts through partnerships between a wide range of actors will be essential to reinforce the environmental improvements achieved so far."

However, the overall results during the past decade have been encouraging, OECD concludes. Economic reforms have generated the resources for investment in newer, cleaner technologies to replace older and more polluting ones; at the same time, the overall share of pollution-intensive heavy industries in the countries' economies has decreased.

Meanwhile, political reforms have given citizens more freedom to demand improvements in environment, "decoupling" pollution levels from economic output, as OECD puts it. In fact, the report notes, reductions in emissions of key air pollutants have been greater than decreases in output in the region.

The efforts have not been easy, OECD concedes. Particularly with the economic and social problems that have beset countries in Central and Eastern Europe during the decade, the publication points out, the environment has not been terribly high on the political agenda.

Environment ministries in some countries "have recorded important achievements," according to the report. However, in other countries, particularly in the NIS, what it sees as "poorly functioning government institutions" have become a major impediment to reform across all sectors.

Depending on the pace of restructuring, the report adds, it may take the countries currently negotiating to join the European Union 20 years or more to meet all current EU environmental requirements. This includes five countries currently in the first tier for accession—the Czech Republic, Estonia, Hungary, Poland, and Slovenia—as well as five in the second tier—Bulgaria, Latvia, Lithuania, Romania, and Slovakia.

Moreover, the even more severe problems in the NIS represent a serious challenge for both domestic action and international cooperation, the report cautions.

International aid for environmental assistance peaked in 1994 and has fallen slightly since then, the report says. Most financing and technical assistance have gone to the countries bordering what historically was considered "western" Europe. The Czech Republic, Hungary, Poland, and Romania have been major recipients, as has Russia; these five countries have received about half of all technical assistance and investment finance.

Environmental investments in the advanced reform countries, as a percentage of gross domestic product, compare favorably with those in OECD countries. These countries include Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia.

In slower reform countries—which include Albania, Bulgaria, Macedonia, Romania, and the NIS—economic conditions have stifled environmental investments. For example, in many NIS countries, output is at about half the level of former times. "Environmental policies rarely provide sufficient incentives for action, while environmental funds have been small compared to those in advanced reform countries," the report says. In a few NIS countries, in fact, environmental investments "appear to be negligible."

The OECD report also pulls together data on the environmental institutions of various countries in the region. For example, it points out that in Slovenia, the Ministry of Environment & Physical Planning grew from 300 staff members in 1991 to 1,200 in 1995. That total includes the Nature Protection Authority, created in 1993, which implements many of the ministry's environmental and biodiversity protection programs. And the ministry's work has expanded from a focus on water management to other areas of pollution control and biodiversity protection.

By contrast, in the NIS, the main national environmental authority in Russia, which had been designated a ministry in 1992, was downgraded in 1996, losing its responsibilities for natural resources management. Over that period, staff was

Grow the M&A way

Uniroyal Chemical, a subsidiary of Crompton & Knowles, is a leading world supplier of high-performance speciality chemicals and polymers. Simon Robinson **discusses its business plans**

Crompton & Knowles' (C&K) impending merger with Witco is set to find its way back into the headlines. Shareholder approvals, due in September, will once again draw the world's attention to the new addition to C&K's portfolio. But there is more to C&K than the Witco union. The business grew dramatically in 1996 with CEO Vincent Calarco's purchase of Uniroyal Chemical. In fact, this acquisition laid the foundations for much of the synergy that the company will realise through the acquisition.

Uniroyal Chemical's operations are split into performance chemicals, which accounted for 28% of C&K's $1.58bn sales in 1998; polymers, which accounted for 19%; and crop protection, which accounted for 17%. The balance is made up of C&K's polymer processing equipment and dyes businesses.

The Witco deal is not, however, C&K's only strategy for its chemicals businesses The company has plans for an ethylene propylene diene monomer (EPDM) plant in Europe within the next three years and various plant expansions and acquisitions are under discussion.

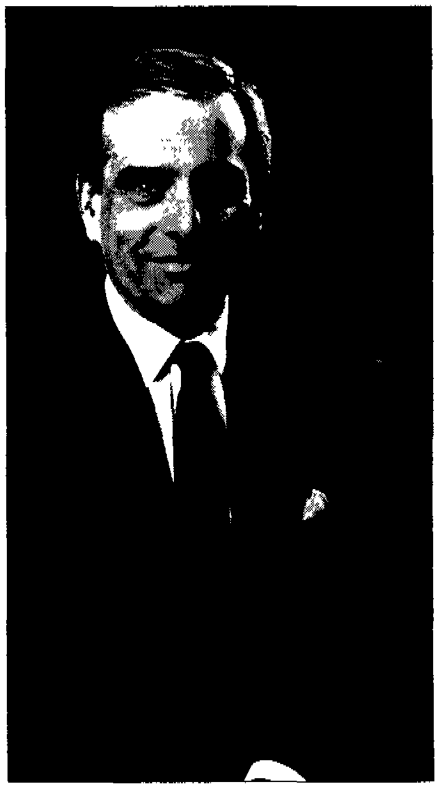
One of the significant post-merger challenges for the company will be sharing technical knowledge. To facilitate this, Calarco holds regular meetings with the technical board. Uniroyal Chemical also has a company-wide e-mail experts forum which documents technical problems across the organisation It has greatly enhanced problem solving, says Joseph Eisenberg, executive vice president

Rubber chemicals

Uniroyal's rubber chemicals business is a respectable size – one of the three largest in the world. It produces a range of additives from accelerators – including ultra-fast thiurams and workhorses such as cyclohexyl benzthiazole suplhenamide (CBS) – to antioxidants, antiozonants and bonding agents

Uniroyal has long been an innovator in this sector Its latest plan is to commercialise a low-cost route to paraphenyldiamine antiozonants. The firm is building a pilot plant at Elmira, Ontario which should be complete by year-end.

In the field of solid elastomers, a recent joint venture with Industrias Negromex (INSA) to build a new plant in Mexico has doubled the size of Uniroyal's nitrile rubber business. The company also competes in the EPDM rubber market under the *Royalene* brand.



Calarco: laying the foundations for growth

The nitrile move is significant because it has shifted production from Painesville, Ohio, to Altamira, Mexico, and has doubled capacity from 20 000 tonne/year Its partner, INSA, is a major player in the Latin American polymer industry. It has a solution polymer joint venture with Repsol of Spain and is a major producer of carbon black, which is widely used as a rubber reinforcement.

The new Altamira plant is the world's largest purpose-designed NBR plant, says Eisenberg 'Most nitrile rubber is made in styrene butadiene rubber plants which can swing production. We have carried out cost studies and, except for exceptional events, this is probably the world's lowest-cost NBR plant,' he adds. This was the clinching argument for moving production from the ageing Ohio plant

The Ohio plant used a batch process and, although it was close to customers in the US rubber fabrication business, Uniroyal decided it was impossible to lower production costs to acceptable levels, says Eisenberg

The decision to put the NBR business in a joint venture with INSA came out of Uniroyal's long-term relationship with the company which kicked off when C&K bought INSA's NBR business in Mexico. INSA then toll-produced the oil-resistant rubber for three years. 'We were very impressed with its management and production methods,' Eisenberg says. 'There are clear synergies between us,' he adds, pointing to the benefit of having a low cost continuous process for commodity grades and batch production for speciality NBRs Even with the Ohio plant operating at capacity, there has been little product development in the nitrile rubber business but, with the start-up of the new Mexican plant on 1 July 1999, this is likely to change.

Committed to chemicals

Uniroyal Chemical is committed to Zeigler-Natta polymerisation technology for EPDM. It has three plants in Louisiana with capacity to make 93 000 tonne/year and is extending its Z-N technology with a group of EPDM polymers called *Royaledge* These target the medium- to high-voltage cable insulation market and the sponge weatherseal market. *Royalene* EPDM is also used in automotive under-bonnet applications, as well as in hose, cable and wire, roofing and moulded and mechanical goods

The company has decided to invest moderately in metallocene catalysed EPDMs but believes its predominantly Z-N approach is fundamentally sound It is easier to control branching properties with Z-N catalysts, says Eisenberg. Metallocenes give EPDM rubber much less branching and one competitor has had difficulty matching the properties of conventionally Z-N catalysed EPDM rubber with metallocene catalysed grades.

The market for EPDM is growing well, at around twice the rate of GDP overall. In some sectors, such as the roofing market, it is growing much faster In the automotive sector, which has long used EPDM for items such as door seals and underbonnet hoses, the material has been holding its own against thermoplastic vulcanisates (TPVs) Eisenberg says that in the automotive sealing market the speed and extent of penetration of thermoplastic vulcanisates is an open question. This does not

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mean, however, that Uniroyal rules them out. 'We are working on TPVs and are considering different ways of improving our market position We could have an announcement by the end of the year,' he suggests.

Uniroyal's level of innovation is reflected by its revenue in that 30-40% comes from products that are less than five years old.

The company will also build a pilot facility in Louisiana by the end of the year to demonstrate new technology. Uniroyal is also keen to reinforce its European position in EPDM 'We have been building our position there for five or six years,' Eisenberg says. 'And we intend to build a European plant. There will be a formal announcement next year and we hope to have the plant online by 2002.' But C&K does not have any ethylene in Europe, so the plant would need to be located either on a site with surplus ethylene or on a pipeline.

A tough market

Rubber chemicals is a tough market, not because customers are closed to new ideas and the benefits of new additives, but because cost is king. 'It is not that they don't want new technology, but we have to be able to deliver it at the same cost,' explains Eisenberg.

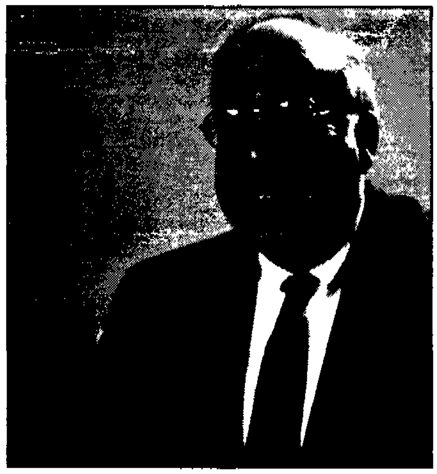
Uniroyal could realise considerable synergies with Witco in this area: Witco bought OSI (the organic silicones business) in September 1995 for $486m. This type of additive is used in green tyres and 'eventually we hope to be able to offer several different solutions', he says. 'It is one area where we can really add value.'

Uniroyal is also negotiating to buy one or more European rubber chemicals businesses, says Eisenberg. He hopes to be able to make an announcement by year-end.

Uniroyal's polymer growth strategy focuses around a new business development group. This takes products such as a solid polyurethane rubber, which can be processed like a traditional rubber, out of the polyurethane group and looks at it as an elastomer instead.

The division's goal is to find pockets of growth in an otherwise slow-moving area. It aims to do this in both the chemicals and polymer areas and will look beyond the existing business It will research and develop a market for new products which it hopes will form stand-alone businesses in the future. But if they don't reach the 50%/year growth rate they will be returned back to their original divisions.

One of the key future products for this business is *Trilene*, a liquid EPDM rubber that can be used as a non-staining antiozonant in tyre sidewalls. It is also used in potting compounds or as a reactive plasticiser for polymer processing. A business director heads the group from Uniroyal, and a long-serving polymer technologist heads the technical development side. Eisenberg will expand the group's experience base by hiring from outside the organisation. Overall, the group will have 12 full-time staff.



Eisenberg: offering alternative solutions

Specialities and additives

Uniroyal's specialties division supplies additives to the plastics, petrochemical and lubrication oil businesses and high-performance urethane prepolymers to the hot-cast market.

Additives are growing at about the same rate as the world economies and faster than the group average. They have recovered from last year's slow-down and are expecting growth of 5-8%/year, around twice GDP.

Urethane prepolymers accounted for sales of around $150m and additives which include speciality antioxidants, polymer modifiers and synthetic fluids had sales of $200m in 1998.

Speciality additives originally grew out of the rubber chemicals business, when non-rubber applications of technology were identified. The need to modify products to make them acceptable in different markets was the key initial task. Finally developing new market-focused products based on core chemistries has become the division's focus, says William Stephenson, executive vice president of this division.

The US generates 65% of its business. There are lots of opportunities for geographical expansion and several acquisitions are under way, of which two candidates are in Europe, Stephenson says.

■ C&K AT A GLANCE – 1998, $M

Total sales*	**1785.6**
Sales by segment	
Performance chemicals	**441.8**
Crop protection	**348.0**
Colours	**229.7**
Polymers	**342.5**
Polymer equipment	**334.5**
Others	**89.6**
Operating profit	**22.0**

*all figures include businesses subsequently joint-ventured

SOURCE CROMPTON & KNOWLES

In the plastics sector, the company has recently launched a stable free radical polymerisation inhibitor for polystyrene. The material has better performance than dinitrophenols, says Stephenson. The division has also developed polymer modifiers based on functionalised polypropylene, polyethylene and EPDM, which are used to make dissimilar materials such as glass-fibre blends compatible.

The business strategy is to focus on speciality niches, avoiding the high-volume plastics additives markets which have become commoditised. These niches can include wire and cable segments and additives for reinforced systems. Stephenson aims to generate 30% of revenue from products that are under five years old. The current level is about 20%, he says.

The firm produces a range of polyurethane products for the hot-cast urethanes market, which represents approximately 1% of the global polyurethane market of around 6 800 tonne/year. The average account is worth around $70 000/year. 'We provide a total solution to the manufacturers who use urethane prepolymers, curatives and other materials. We also supply customer support and technical application development,' Stephenson adds.

In the polyurethane sector, Uniroyal's strategy is also to be a niche player. It does not compete in the high-volume, low-margin MDI and TDI space, where the large producers are good at driving cost out of the market. In the past, Uniroyal has grown this business by acquisition, buying *Adiprene* from DuPont and *Solithane* from Morton International in the 1980s and, more recently, *Betathane* from Essex Chemicals, a division of Dow.

The urethanes group includes two Ph.D. mechanical engineers to assist customers on part and mould design for parts as diverse as wheels for in-line skates and mineral separation screens. 'The business is not capital-intensive, it is people-intensive, he explains. We have a 1-800 [free phone] number to our technical centre and deal with around 50 calls daily. It's not the kind of business which large chemical companies can handle cost effectively,' he says.

The business is centred on prepolymers produced by reacting polyols with isocyanates. Polyols include polyester, polyether or polycaprolactones reacted with diisocyanates such as MDI and TDI. It also supplies a paraphenylene diisocyanate prepolymer family. PPDI is used to make parts for dynamic applications, such as fork-lift truck wheels, which need low hysteresis to minimise heat build-up.

The company is also developing and selling prepolymers that yield polyurethanes with low levels of free isocyanate which have better dynamic properties, improved processability and safer handling than standard materials.

Demand for speciality isocyanates is growing. The company has built two plants at Gastonia, North Carolina, and is planning to have a third plant on stream in Latina, Italy, in the second quarter of next year. ■

Crompton & Knowles

After the Uniroyal Wedding

VINCENT A. CALARCO, CHAIRMAN, president, and CEO of Crompton & Knowles (C&K; Stamford, CT), surprised analysts last year with his acquisition of Uniroyal Chemical, a firm twice as large as C&K but with no overlapping businesses. At first, the deal seemed to make little sense: Wedding C&K's dyes, food ingredients, and equipment businesses with Uniroyal's rubber, rubber chemicals, pesticides, and additives offered little chance for cost cutting.

But with a heavy reliance on the poorly performing dyestuffs sector, the union offered C&K a convenient way to expand its portfolio into more profitable and faster-growing specialty markets. Most important, as a former Uniroyal Chemical president, Calarco was uniquely placed to see potential synergies between the companies, particularly the use of Uniroyal's international network to expand C&K's operations overseas.

"This combination is a great way to build value," Calarco says, with his trademark enthusiasm. "Uniroyal's position is helping us expand Crompton & Knowles's product lines internationally, and we're finding plenty of opportunities for cost reduction." Already, the company has beaten Calarco's $10-million cost reduction target and has been able to pay down debt much faster than originally anticipated.

Calarco has pleased Wall Street with a strong uptick in C&K's quarterly earnings growth in 1997 (*chart, p. 29*). In the second quarter, operating profits rose 15%, to $78 million, and net income jumped 30%, to $31.8 million, on sales 5% higher, at $494 million. Strong growth in additives and pesticides lines offset sluggish performance in dyestuffs and lower sales in food ingredients following plant rationalization.

"It's encouraging that Crompton can continue to convert modest sales growth into significant earnings increases," says Timothy Gerdeman, specialty chemicals analyst at Salomon Brothers. "The primary driver of earnings growth relates to management's resolve to remove redundant costs, controlling selling, general and administrative expenses, and a lowering of interest expense related to debt reduction."

Under the deal, accounted for as a pooling-of-interests merger, C&K assumed Uniroyal's $1-billion debt and said it would reduce that by $75 million/year. Repayments in 1997 had reached $68 million by the end of the second quarter, and Calarco hopes to exceed $100 million for the full year. In addition, the company is expected to lower its interest costs substantially by restructuring

Calarco: Merger was 'a great way to build value.'

CMA 175369

debt callable in May 1998.

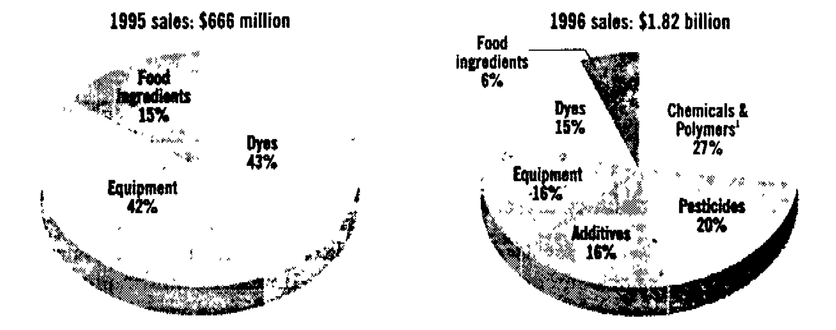
"We have $340 million of high-priced bonds with coupons of 11% and 12%. We can probably borrow at closer to 7%," Calarco says. That would further improve cash flow and help with debt repayment. However, Calarco will not comment on the possibility of using asset sales for debt reduction, since C&K is disallowed from making any divestments for two years under SEC rules governing pooling-of-interest mergers.

C&K had to take its food ingredients business off the block to comply with that rule, and analysts have speculated that it will again offer it for sale when the two-year period is up in August 1998. Calarco is now happier with its performance, however. We've consolidated operations, and we've seen an improvement in profitability," he says. Still, with estimated operating margins of 6% it remains C&K's poorest-performing unit (*chart, p. 30*).

Cost-saving measures related to the merger have included eliminating redundant headquarters staff in the U.S. and combining offices in Europe and Asia. C&K is looking at ways to share production units and gain the cost benefits of combining purchasing and distribution functions. The company is making use of Uniroyal's offices, for example, and has expanded its dyes salesforce in Mexico and Brazil into Uniroyal offices.

Dyestuffs is still difficult, however, and pricing "has been a disaster," says Calarco. He says the competition between the large European and Asian producers has forced prices down by as much as 30% in some commodity businesses. The company's strategy has been to focus on higher-margin niches, often where it is the only supplier. "We've been aggressive about taking out costs, and we've remained profitable," he says.

C&K, BEFORE AND AFTER



1) Rubber and rubber chemicals. Source: Crompton & Knowles

More than 50% of the company's dye products are used by the apparel market, with the remainder going mainly into carpeting and paper applications. With the company's focus on niche markets, analysts estimate C&K's dyestuffs margins at a reasonable 11%. Sales were knocked back by 2% in the second quarter, but slack demand in the domestic apparel markets was partially offset by better European demand.

Before the Uniroyal deal, analysts had speculated that C&K would makes a dyes acquisition amid the industry restructuring in Europe that created Clariant and DySstar and that expanded BASF's business. Calarco admits that the company was "within days" of a major purchase. But C&K is now less reliant on dyestuffs, and analysts think it would be the business most likely to go on the block.

Competition is also heating up in Uniroyal's rubber business. The company has seen prices for ethylene propylene diene monomer (EPDM) rubber fall in anticipation of the startup of EPDM plants being built by Union Carbide and DuPont Dow Elastomers, challenging the U.S. lead held by Uniroyal's Royalene brand. Analysts were concerned that the addition of new players could spark a price war and put a dent in C&K's earnings.

Startup of both EPDM units has been delayed by technical problems, however, and with existing units running at capacity, Calarco says, pricing has stabilized; a 4%-5% increase for the fourth quarter is in the works. He says the company's R&D process work has "substantially narrowed" the cost advantage of new entrants. Calarco says that he "wouldn't be averse" to a joint venture in this business, where it is widely speculated that DSM is a willing suitor.

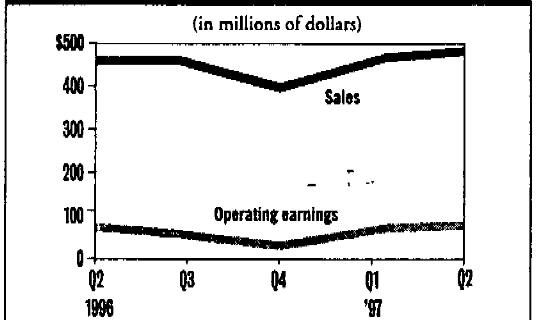
"To its credit, the company has dodged a bullet on EPDM," says Mark R. Gulley, specialty chemicals analyst at Morgan Stanley Dean Witter and a fan of Uniroyal's specialties portfolio. "Calarco saw that a lot of cost could come out of Uniroyal and that there was a great deal of potential in the businesses. Most of the company's earnings growth is coming from the Uniroyal operations rather than from the Crompton businesses," Gulley says.

Uniroyal's nitrile rubber business has been more stable than EPDM and was strengthened by a jv with Mexico's Industrias Negromex signed in late 1995. Under that deal, Negromex will use Uniroyal technology and will produce nitrile rubber exclusively for Uniroyal. Rubber chemicals sales, however, have been declining, with pricing and foreign exchange pressures cited as negative factors.

While rubber chemicals are sluggish, additives were the company's star sales performer in the second quarter, with a 12% increase driven by gains in lubricant and plastic additives, polymerization inhibitors, and urethane prepolymers. Calarco says sales growth will be helped by new inhibitors for styrene and acrylics. He is concerned, however, that "like most specialty markets, there are still pricing problems."

Uniroyal's pesticides and seed treatment business, originally an outgrowth of its rubber chemicals business, is also performing strongly. It turned in a 10% sales increase in the second quarter, and margins of close to 20% make it the company's most profitable sector. Calarco says the business is being driven by strong miticide sales in the U.S. and generally strong demand for its products worldwide.

EARNINGS REBOUND



Source: Crompton & Knowles.

CMA 175370

"The operations have performed well recently because of expansion outside the U.S. as well as the seed treatment sector benefiting from the distribution of licensed-in products," says John McDougall, an analyst at Wood Mackenzie. "The product line should be strengthened with the development of a new acaracide—although this isn't expected to reach the market until 2001—and of the wheat and sugarcane herbicide flupropacil."

After a setback in 1996, C&K's plastics extrusion equipment business, Davis Standard, is performing better this year. "We had our first down year in 10 after a record in 1995, but the business is back strongly this year," he says. In the second quarter sales were ahead 7%, and there was a 27% jump in operating profit. Calarco says business has been tough, especially in Europe, where the company is trying to build a bigger presence.

With a focus on debt repayment, Calarco is keeping a tight rein on spending. In the company's $60-million/year capital budget, there are no individual projects larger than $10 million. "Our facilities are operating well, and we're focusing on projects to optimize them," Calarco says. C&K is about one-third of the way through installation of a $30-million SAP software system that it hopes will yield more efficiency gains.

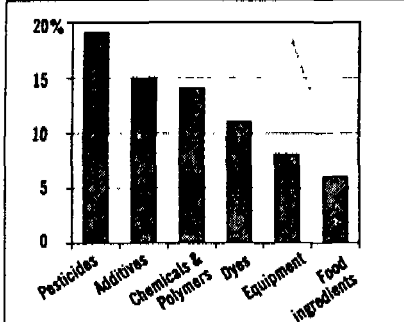
R&D is also an area for synergies between C&K and Uniroyal, Calarco says. One example is Gustafson, Uniroyal's seed treatment unit. "Gustafson is talking to our food ingredients people about using their controlled coatings on seeds." The company has "dozens of similar programs at work all over the company. I'm even more excited now than I was at the time of the merger about how well we can work together," Calarco says.

"This merger was never predicated on success through massive cost reductions, layoffs, or plant closings," Calarco says. "We're dedicated to building the new Crompton & Knowles through growth, effective asset management, and effective incentive programs for employees. We're seeking to blend the best of our corporate cultures."

Although overseas offices have been combined, U.S. offices—and the identities—are still separate. In fact, with Uniroyal boasting the better-performing business, analysts see it emerging over time as the stronger partner. Calarco, who divides his time between the two offices, much prefers the shorter drive from his home to Uniroyal's leafy campus in Middlebury, CT. "Even though I was away a long time, now I feel like I never left."

—ANDREW WOOD *in Middlebury, CT*

MIXED MARGINS



Source: Salomon Brothers estimates.

CMA 175371

A MATCH MADE IN CONNECTICUT

Crompton & Knowles' CEO Calarco sees Uniroyal acquisition as adding balance

Marc S. Reisch
C&EN Northeast News Bureau

Five years ago, Crompton & Knowles was the darling of Wall Street. Then its dyes business went into a rut, and its pharmaceutical and food ingredients businesses floundered. The Stamford, Conn.-based company was dying to expand, and it discovered the ideal expansion opportunity in its own backyard—Middlebury, Conn.-based Uniroyal.

With the addition of $1.1 billion in debt and issuance of $354 million in stock to Uniroyal shareholders, Uniroyal put Crompton into businesses such as rubber and rubber chemicals, crop protection, and urethane prepolymers when the deal closed last August. It also more than doubled Crompton's sales from $666 million to $1.8 billion per year. And the acquisition put Crompton's chairman, president, and chief executive officer, Vincent A. Calarco, 54, back on some familiar turf—he had been at Uniroyal 12 years earlier. Only this time, he is in a commanding position and has a more personal stake in the outcome.

Including options, Calarco owns almost 2.4% of Crompton's shares, making his stake in the company worth about $34 million based on the recent price of $20⅛ of Crompton stock on the New York Stock Exchange. If the Uniroyal acquisition does what Calarco hopes it will do, then he will have reason, as he puts it, to "feel good" about the acquisition. The stock price has already climbed seven points, or 50%, since Crompton announced the acquisition in May.

Because Uniroyal "broadened the base of the businesses" Crompton was involved in, "it made a big difference for us," says Calarco. "For example, the acquisition took the dyes business from roughly 50% of the corporation to 15% of the corporation. The acquisition gives a greater sense of stability to the corporation than we had before. I think it gives us good balance."

And it did not hurt at all that Calarco, a chemical engineer, had a history with Uniroyal. He served five years as president of Uniroyal Chemical between 1979 and 1984 and then served a year as vice president of strategy and development for the corporation before moving on to Crompton & Knowles in 1985. "The fact that I knew Uniroyal helped us in the whole due diligence process," he says. Although he was careful not to rely only on his personal knowledge of the facts about Uniroyal, Calarco says, "knowing the people, the managers, having worked with them all before, was even more significant."

Because he knows the people of Uniroyal and what they do, Calarco says he does not plan to make changes in the operating personnel. He did, however, realize personnel and overhead savings through the consolidation of corporate functions at Crompton's Stamford office. And because "you don't need two general counsels and two chief financial officers" and other duplicative corporate personnel, he realized total corporate overhead savings of about $10 million. Crompton still has 34 people running the corporate office—as it did before the purchase of Uniroyal, says Calarco.

Another thing Calarco is not planning to do, at least not immediately, is to sell any of the Crompton or Uniroyal businesses. One reason is that the merger of the two companies is organized as a tax-free pooling of interests. Thus, any significant sale of businesses could jeopardize the tax-free status of the merger during the first two years of the new company. But is he looking at the businesses with an eye toward asset sales? Before the Uniroyal deal, Crompton had hired an investment banker to shop around its food ingredients business. Calarco says: "There may be opportunities for a portfolio shuffle. But I'd say it's far too early to make that judgment. When we evaluated the combination of the businesses, it was never predicated on the divestment of assets. We feel good about the businesses."

But Crompton might consider joint ventures for some of its businesses if the right opportunity were to come along. "We are going through a strategic review of the businesses and we are looking at what really makes sense for the individual businesses. I approach the whole thing with a very open mind." Calarco says he will do what needs to be done "to ensure the long-term growth and profitability of the businesses. Does that mean a joint venture makes sense? That remains to be seen."

Like Crompton's dyes business, some of the Uniroyal businesses are old and creaky, but they may still have a spark to them. For instance, Uniroyal brings Crompton ethylene-propylene rubber and nitrile rubber businesses in which it holds the number one and number three positions, respectively, in North America. Wall Street analyst Christopher M. Bodnar with the investment banking firm of Bear Stearns & Co., New York City, points out that rubber is a slow-growth business. For ethylene-propylene rubber in particular, price pressures and substitute products threaten Uniroyal's lead. A further threat is the new capacity coming onto the North American market from Union Carbide and from DuPont/Dow Elastomers, a joint venture of the two big namesake chemical makers.

Likewise, the Uniroyal rubber chemicals business is a little weak in the knees, at least domestically. The company has the number two spot worldwide for rubber chemicals, such as vulcanization accelerators, antiozonants, and chemical blowing agents. Flexsys, Monsanto's joint venture

Crompton & Knowles at a glance

Headquarters: Stamford, Conn.

Sales: $1.8 billion in 1996

Net income: $65 million[a]

R&D spending: $52 million

Capital spending: $39 million

Employees: 5,700

Major products: Ethylene-propylene rubber, nitrile rubber, rubber chemicals; agricultural chemicals such as miticides, herbicides, fungicides, and seed treatments; specialty chemicals such as plastic additives and urethane prepolymers; textile dyes; food and pharmaceutical ingredients; plastic extrusion and processing equipment

a After-tax earnings from continuing operations, excluding significant nonrecurring and extraordinary items.

CMA 175372

with Dutch chemicals producer Akzo, holds the top position. Rubber chemicals is "a lower growth business in the U.S.," admits Calarco, but "it is a faster growth business offshore in other areas of the world. I think we are well positioned in that sense with facilities in Taiwan, Korea, Thailand, and Brazil."

He is counting on growth in international sales to boost not only rubber chemicals but other businesses as well. Before the acquisition, Crompton derived less than 30% of its sales from markets outside the U.S. With the Uniroyal acquisition, Crompton now gets 40% of its sales from overseas markets—about half of that in Europe and the balance split between Asia and South America. By 2000, half of Crompton's sales should come from overseas.

But Crompton is not just involved in older technologies newly resurgent because of demand from developing economies. Real growth opportunities lie ahead for the company's crop protection business, Calarco says. In the crop protection business, Uniroyal has a line of miticides, herbicides, fungicides, and growth regulators. But the real opportunities for the crop protection business are in biotechnology—although not in any biotechnology developments the Uniroyal businesses will develop. It is "probably not in the cards" for Crompton to make the kind of investment in biotechnology that Monsanto and DuPont are making, says Calarco. But Uniroyal's Gustafson seed treatment business will benefit from advances in biotechnology, he says.

As biotechnology companies "enhance crop seed, the tendency is to treat the seed" against insect, mite, and fungus attack, says Calarco. So as DuPont introduces seed to grow higher value added oil corn crops, and Monsanto comes out with cotton resistant to insect attack, the seed is more valuable, and thus more costly. Someone will have to protect that seed from damage, and Gustafson's executives hope to sell the products to do just that. Similar good growth opportunities exist for the Uniroyal urethane prepolymer businesses and its plastic additives businesses, says Calarco.

Analyst Jaine L. Mehring of the New York City stock brokerage house Smith Barney is confident of Calarco's ability to "maximize the value" of the Uniroyal businesses. She points out that although "earnings have stalled at Crompton since 1993, Calarco has enabled Crompton to outperform competitors in its severely depressed apparel dye end markets." Calarco's familiarity with Uniroyal, "combined with the fact that the Crompton team includes several other former Uniroyal people," she says, "increases my confidence that management understands the Uniroyal businesses and assets and can operate them effectively."

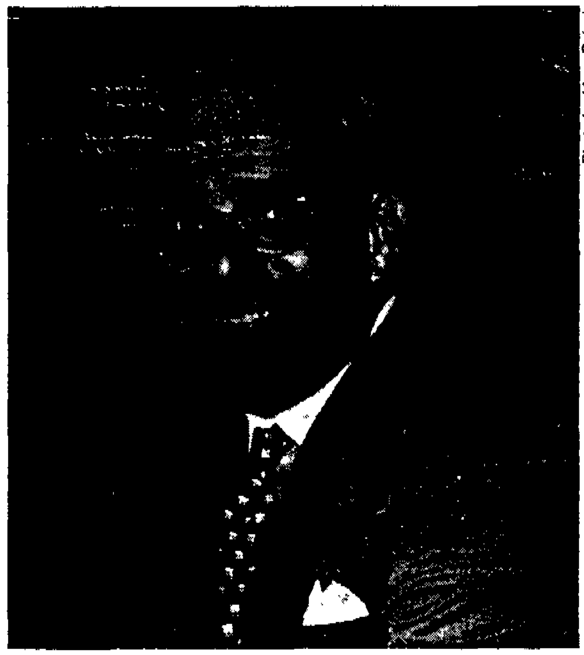


Photo by Marc Reisch

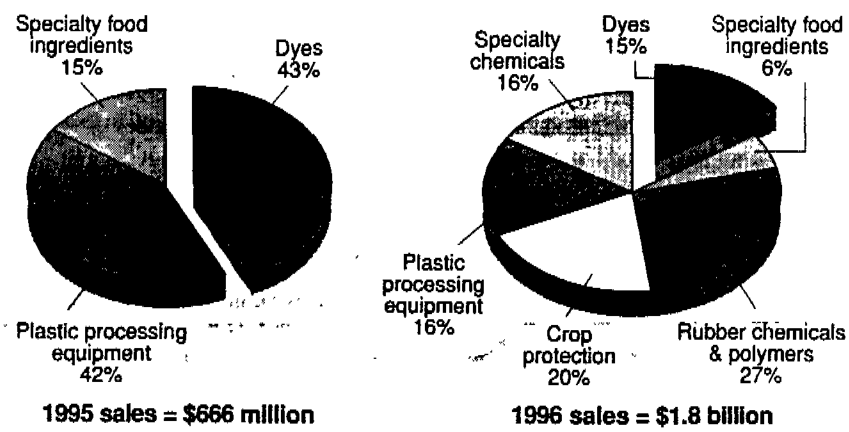
Calarco: businesses tie together nicely

But Calarco does not intend to fold the Uniroyal businesses into Crompton to run them more effectively. "Each of the businesses has a franchise in the marketplace that is valuable," he says. "We want to maintain that." As a result, the Uniroyal units will keep their name and product identities. "Uniroyal has a phenomenal franchise in the marketplace," he says. "It is known in crop protection, specialties, and chemicals and polymers in a manner not unlike that of Crompton's Davis & Standard equipment business, which is known in its marketplace, and Crompton & Knowles, which is known in the dyes marketplace. It all ties together very nicely. And we very much intend to keep those names and the franchises they have."

Uniroyal will thus continue to operate as a subsidiary of Crompton. But Calarco says he intends to imprint some of Crompton's style of doing business on Uniroyal. Although the Uniroyal people bring "a phenomenal sense that the customer comes first" to Crompton, Calarco says he wants Uniroyal to take more of "a market segmentation approach to things." He wants to organize the Uniroyal businesses in a way to "get them as freestanding as possible to give them full accountability in the business and have them responsible for all elements of the business."

Another way in which he hopes to motivate Uniroyal is to get more of the employees to become shareholders in the corporation. The employees have not worked for a very stable business for at least 10 years. First, Uniroyal was sold to a leveraged buyout firm. Then, parent Uniroyal Inc.—seeking a means to survive in the consolidating tire business—sold its Uniroyal chemical operations to Avery in 1986 for more than $700 million. In 1989, Uniroyal management bought out the company, and then in March 1995, Uniroyal Chemical went public. The Crompton purchase com-

Dyes dropped from 43% to 15% of Crompton & Knowles' sales after acquisition of Uniroyal



CMA 175373

pleted in October was the fifth change of ownership in more than 10 years.

"One of my objectives is to be sure as many employees as possible become shareholders," says Calarco. "We feel that is very important, because then all of our objectives are aligned." Currently, very few of Uniroyal employees own company stock. On the other hand, about 90% of Crompton's domestic employees own stock in the company.

Calarco needs those employees to help him pay down the debt Crompton took on to acquire Uniroyal. His goal, for instance, is to increase operating earnings at 10% a year above inflation. In four to five years' time, Crompton wants to have paid down its $1.1 billion debt to about $400 million, giving the company an investment grade rating once again and proving, says Calarco, "there really is life after debt."

But even as Crompton intends to pay down its debt at a furious pace, Calarco says he does not intend to starve the businesses for the types of investments they need to grow. "We've allocated about $60 million in capital expenditures for the corporation, and we feel that is appropriate for the needs of the businesses at this point. It probably will not enable us to do many acquisitions at this point—we know that, and understand that, and will deal with it."

Research and development spending targets for the company in 1997 are around $55 million. And despite the concern over paying down the debt, Crompton is hiring new research personnel. That hiring, says Calarco, is focused on specific programs and not a general sense that the company needs to hire more staff. The Uniroyal R&D staff in particular "is very creative, innovative, and discovery oriented. Coupling those skills with Crompton's application skills" should make for strong research capabilities at the combined company, he says.

Calarco will need all the skills honed during his 12-year tenure at Crompton. Over that time he integrated 12 acquisitions, cut costs, and put in place the financial controls that allowed, as Bear Stearn's Bodnar puts it, "an annualized return of 24%" to shareholders. This comeback kid has taken a gamble in returning to his old haunts at Uniroyal. However, he is familiar with the company, its products, and its people. And although he paid an enormous price—more than $1 billion, to bring Uniroyal home to him—he is still smiling and says he "feels very good about the prospects."◀

CMA 175374

working file

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CROMPTON & KNOWLES AND UNIROYAL CHEMICAL

AGREE TO MERGE

STAMFORD, CT. AND MIDDLEBURY, CT., May 1, 1996 — Crompton & Knowles Corporation and Uniroyal Chemical Corporation announced today that they had signed a definitive merger agreement. The transaction has been approved by the boards of directors of Crompton & Knowles and Uniroyal Chemical, and is subject to the approval of shareholders of both companies. The combined company will have sales of approximately $1.7 billion.

Under the terms of the agreement, each share of Uniroyal Chemical common stock will be exchanged for common stock of Crompton & Knowles valued at $15.00 per Uniroyal Chemical share based on the average price of Crompton & Knowles's stock over a 20-day period prior to the mailing of proxy materials. However, Crompton & Knowles will issue no more than 1.1111 shares, nor less than 0.9091 shares, for each share of Uniroyal Chemical common stock. The tax-free transaction will be accounted for as a pooling of interests and is expected to close in this year's third quarter. The aggregate value of the transaction is approximately $1.4 billion.

The combined company will be known as Crompton & Knowles, and will be led by Vincent A. Calarco, chairman, president and chief executive officer of Crompton & Knowles. Robert J. Mazaika, Uniroyal Chemical's chairman, president and chief executive officer, is retiring from active management and will become Crompton & Knowles's vice chairman.

In announcing the agreement, Mr. Calarco said: "The combination is additive to shareholder value immediately. Prior to any merger related synergies, we expect double digit improvements in earnings per share in 1996 and 1997. The transaction will greatly enhance the company's long-term growth from a broadened business base and balance sheet deleveraging."

"All constituencies will benefit in this transaction -- shareholders, lenders, associates, customers and suppliers," stated Mr. Mazaika, chairman of Uniroyal Chemical. "With the combined strengths of the two companies, led by proven management, the outlook is excellent."

Crompton & Knowles said that in view of the combined company's debt position, it has concluded that shareholders, lenders, employees, customers and suppliers will be best served by repaying debt in order that investment grade status may be achieved as rapidly as possible. To this end, Crompton & Knowles has stated that it intends to reduce its dividend to five cents per share annually, payable in May.

The combination with Uniroyal Chemical will enable Crompton & Knowles to expand its role as an industry leader in specialty chemicals. Crompton &

Knowles, with 1995 sales of $666 million, is North America's largest producer of dyes for textiles, and also produces specialty food and pharmaceutical ingredients. It is a recognized world leader in extrusion systems, industrial blow molding equipment and related electronic controls for the plastics industry.

Uniroyal Chemical had sales of $1.1 billion in 1995 and has three core lines of business with leading market positions. Chemicals and polymers include rubber chemicals, EPDM and nitrile rubber for automotive, industrial and construction applications. Crop protection chemicals include miticides, seed treatment, growth regulants and fungicides. Specialties include additives for plastics, petroleum and petrochemical industries and urethane prepolymers for abrasion resistant applications in industrial and consumer markets.

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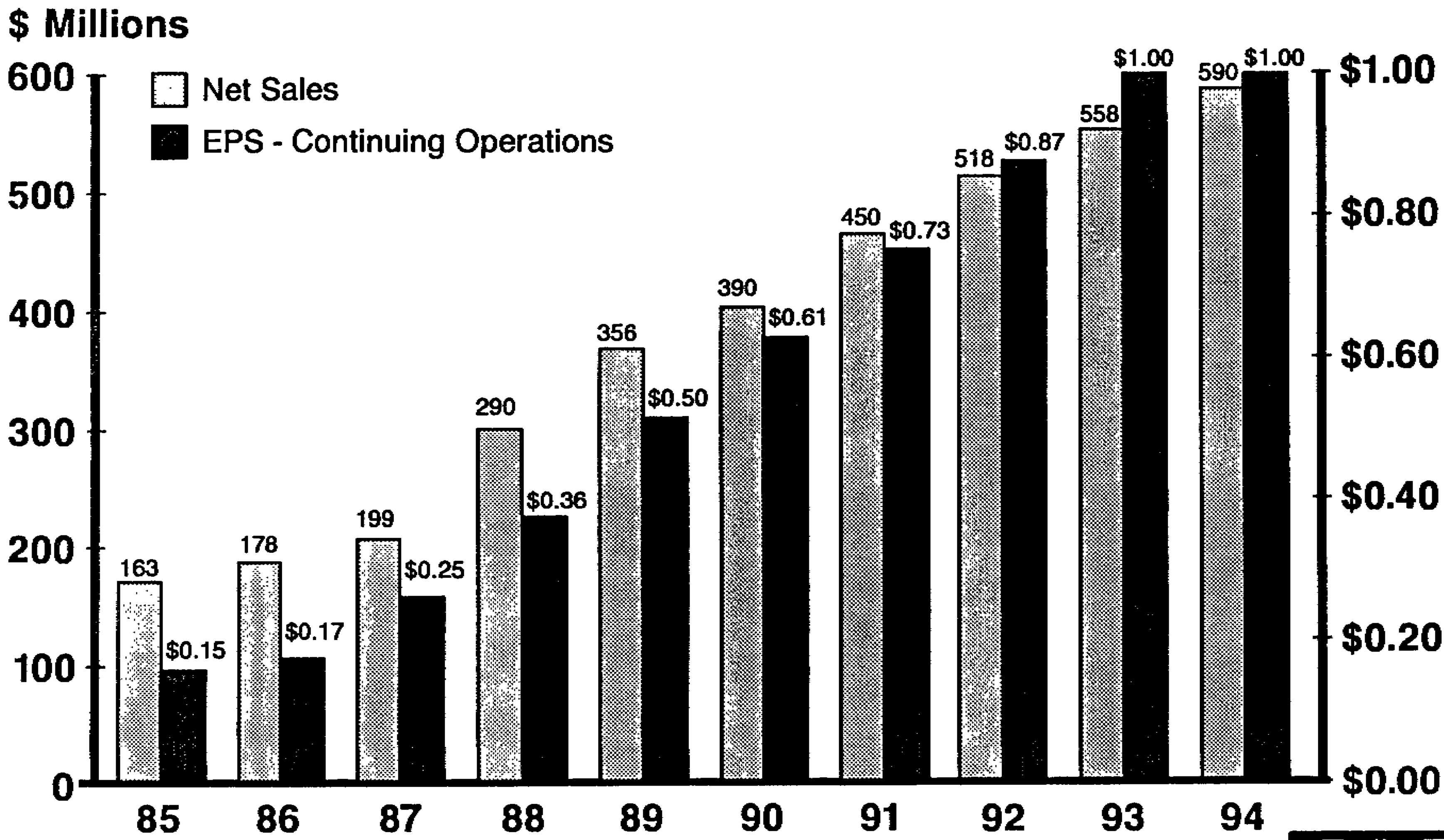
CROMPTON & KNOWLES CORPORATION

Goldman, Sachs & Co.

The Third Annual Chemical Investor Forum

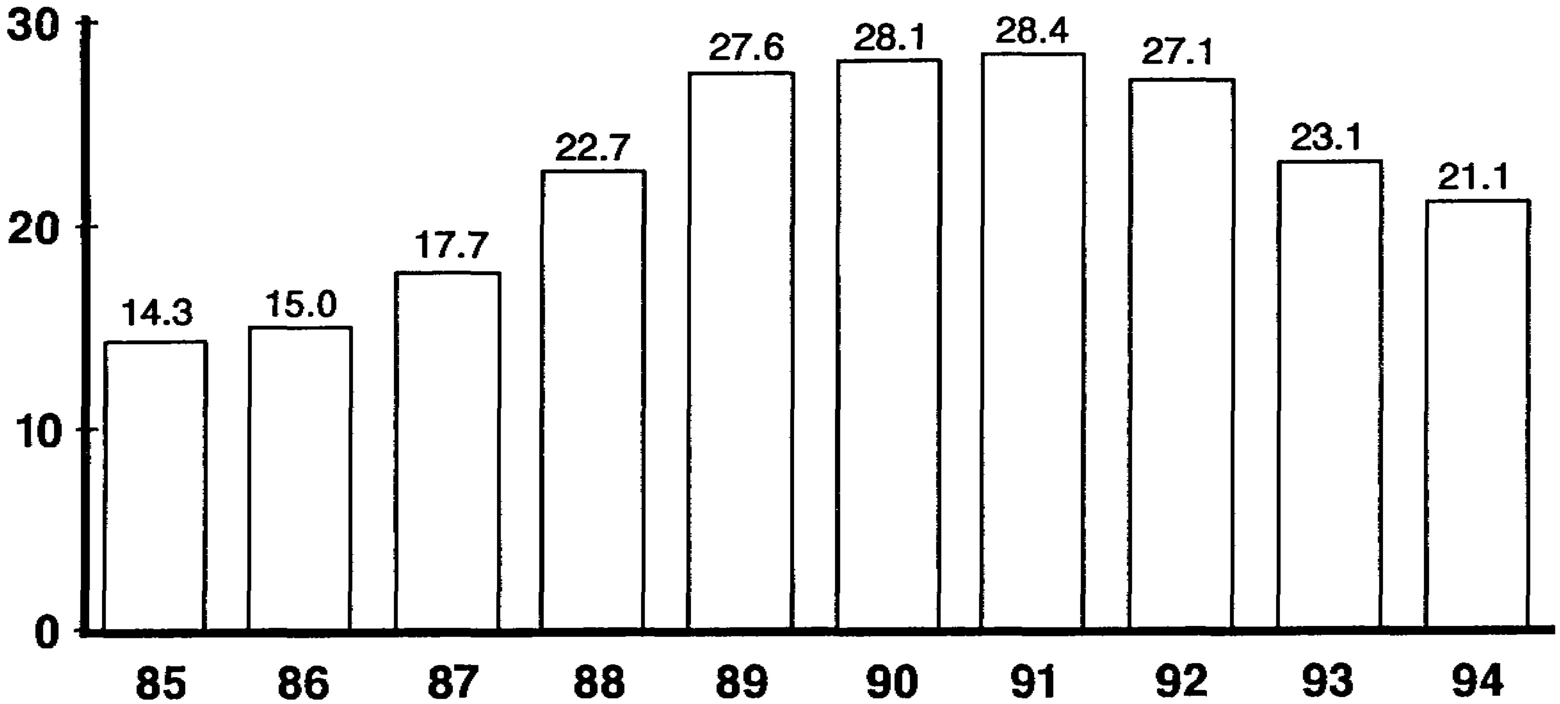
May 24, 1995 • New York

Net Sales and Earnings Per Share



CMA 175379

Return on Average Equity



CMA 175380

Strategic Focus

- Products sold to selected niche markets with leadership positions
- Technical support and customer service to solve problems
- Value-added products improve performance

CMA 175382

Dyes - Domestic

- Lower-quality imports
- C&K sole producer of 40% manufactured
- Focus on U.S. textile markets less affected by imports
- Pricing down 5-6% in 1994
- Price increases posted May/June 1995
- Inventory reductions in 1995

↑ P CATS in Asia puts pressure on imports

→ CK benefits

CMA 175383

Dyes - Industry Developments

- European majors retrenching — HC + Bayer JV — Sandoz demerge
- Capacity reductions in Europe — will result in less capacity
- Environmental enforcement closing production in China and India
- Apparel recession in U.S. slowed dyes demand and lowered prices

→ temporary interruption

CJK

Specialty Niche Strategy

- Dyes
- Food Ingredients
- Equipment

Specialty Food Ingredients

CMA 175385

Miracle Middles

hope for future

- No-fat, low water activity, heat stable filling
- Shipping commercial quantities
- New contracts signed
- Additional potential customers evaluations
- $ millions potential
- 15% growth market

Specialty Food Ingredients

CMA 175386

Designer Syrups

- Complements position as leading U.S. producer of molasses
- Unique flavor coatings for cereals
- 10% to 15% growth market

CJK

Specialty Food Ingredients

Two-Pronged Success Strategy

- Respond to customer needs
- Anticipate market needs with new proprietary developments

CMA 175387

CMA 175388

Specialty Process Equipment & Controls

Acquisitions

- 4 completed in 12 months
- Added $60 million annualized sales
- Fulfill strategy to expand market niches, introduce new products, increase technical value added to support margin expansion

CMA 175389

Specialty Process Equipment & Controls

International sales average 25% -- more growth

Domestic growth to continue -- thermoplastic resin consumption rising 10% per year

CJK

CMA 175390

Outlook

Acquisition Strategy

Enhance existing operations

Add new "leg" to business utilizing management's proven abilities to optimize performance in specialized chemical markets

- Many opportunities being pursued

Outlook

- Strong operations
- Focused management
- Consistent strategy
- Fundamentals for success in place

Outlook -- 1995/Long-Term

CMA 175392

Dyes -- maintain margins; pending price increases; strategy to take advantage of industry changes

Food ingredients -- new products; new contracts; pending developments; grow sales and earnings 10%+

- Equipment -- Annualized sales rate of more than $260 million; operating profit margin 15%+; geographic expansion with new products

CMA 175393

Specialty Process Equipment & Controls

Acquisitions

Egan -- added large systems, cast film and precision coating

NRM McNeil -- increased service and maintenance business - now 15%

Repiquet -- platform to expand in Europe

Killion -- added specialized small extruders for laboratories

CMA 175394

Specialty Process Equipment & Controls

$66M

- First quarter 1995 sales increase 73% — new — but the acquisition profit 43% ↑
- Base business growth across all markets
- Acquisition growth
- First quarter backlog at record $78 million

CMA 175395

Specialty Food Ingredients

Pharmaceutical Additives

- DMV marketing success in Europe
- Commence sales in Far East in second quarter

Specialty Food Ingredients

Savory Flavors

- Rotisserie and grilled flavors
- Convenience and snack food markets
- Expanding margins
- 9% to 15% growth markets

3-5%
9-15%

CMA 175396

CMA 175397

Specialty Food Ingredients

- Operations, technical developments customer service coming together
- Significant products in marketplace
- Sales and earnings growth potential

Dyes - Opportunities for C&K

- Market share gains in U.S., Europe and Far East
- Strong marketing
- Efficient production
- 20% of products developed within last 5 years
- Improved production planning tied to order entry system
- Non-apparel sales focus on home furnishings and industrial markets

Lim. opps

Dyes - International

- Improved volume with economic turnaround in Europe
- Pricing issue in Europe
- Far East growth through Hong Kong

Key Issues

1) Defend and expand niche markets

2) Develop new products and applications

3) Expand margins with added value technology and service

First Quarter - 1995

$ Millions

	Amount	% Increase
Sales	$168	26%
Net Income	13	3
Earnings Per Share	27¢	8

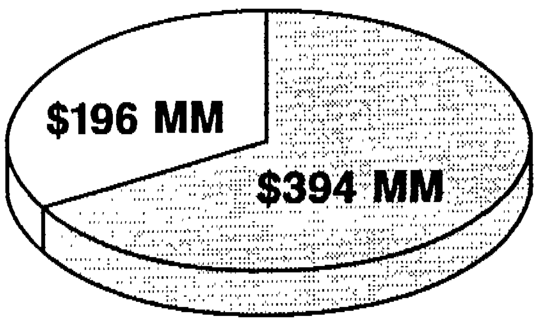
Operating Profit Margin - 1994

Specialty Chemicals	15.4%
Specialty Process Equipment & Controls	15.9

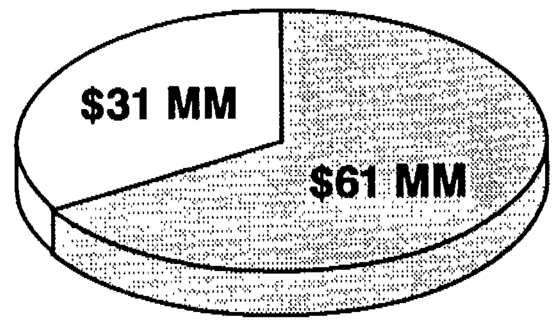
CMA 175403

1994

Sales
$590 MM



Operating Profit
$92 MM



Specialty Chemicals

Specialty Process
Equipment & Controls

MAR 17 1993

DUPONT

INTEGRATED HEALTH CARE
~~SAFETY, HEALTH AND ENVIRONMENTAL AFFAIRS~~
Wilmington, Delaware 19898

VICE PRESIDENT

March 11, 1993

xc ✓CVV
Don H.

Mr. Morton L. Mullins
Chemical Manufacturers Association
2501 M Street, N.W.
Washington, D.C. 20037

Dear Mort:

As we discussed at the last CMA VP Advisory Committee meeting, Paul Tebo is now the DuPont vice president of safety, health and environment. I recommend him to replace me on the Advisory Committee. His telephone number is (302) 774-4060 and his address is DuPont Company, 1007 Market Street, 3408 Nemours Building, Wilmington, Delaware 19898.

I know Paul will make a significant contribution to your activities.

Very truly yours,

Bruce

Bruce W. Karrh

/dcl
copy: Mr. Paul V. Tebo

CMA 175404

CHEMICAL MANUFACTURERS ASSOCIATION

Charles W. Van Vlack
Senior Vice President-Secretary

May 7, 1993

Mr. Robert v.d. Luft
Senior Vice President
DuPont Chemicals
DuPont
17235 Brandywine Building
Wilmington, DE 19898

Dear Bob:

Attached is some additional information on the UNEP APELL position in Paris.

If your potential candidate needs further information, he should contact Garrity Baker on our staff at 202-887-1338 who is very familiar with the assignment and the arrangements.

Sincerely,

Attachment

cc: R.G. Baker

CMA 175405

2501 M Street, NW, Washington, DC 20037 202-887-1108 Panafax 202-887-1237 Telex 89617 (CMA WSH)

Request for a Loaned Executive

Job Description

APELL PROCESS MANAGER

1. Develop and manage the overall UNEP APELL program to promote and help implement the APELL process.

2. Establish goals for implementation of APELL.

3. Prepare and organize promotional materials for APELL.

4. Establish training programs for APELL in various UNEP regions.

5. Develop training materials.

6. Organize and attend meetings to promote implementation of APELL.

7. Provide assistance to interested parties on how to implement APELL and respond to inquiries about the program.

8. Establish network for communication around world on progress of APELL and for exchange of information on technological accidents.

9. Organize Core Group meetings and, in particular, coordinate activity with CMA and CEFIC.

10. Travel as appropriate to countries when personal input is important to success of program.

11. Be the focal point for APELL within the United Nations family and elsewhere in the world.

12. Coordinate UNEP/IEO work with other activities in the field of technological accidents, in particular the project of the Organization for Economic Cooperation and Development (OECD).

13. Solicit sponsorship and funds for the APELL Program.

14. Handle other UNEP/IEO duties related to technological accidents as assigned.

<u>Office/Travel</u> -- The person on detail would have an office in the IEO office in Paris, France. IEO would provide the office, administrative support, and travel money. UNEP/IEO estimates that the person would be on travel from the Paris office for 25% to 50% of the time. Annual leave will be provided in accordance with UNEP/IEO policies and the holidays usually granted by UNEP/IEO will be granted.

UNITED NATIONS ENVIRONMENT PROGRAMME

PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT

IE/PAC - CAP/IE

INDUSTRY AND ENVIRONMENT
PROGRAMME ACTIVITY CENTRE

Téléphone : (33-1) 40 58 88 50
Télex : 204 997 F
Câbles . UNITERRA PARIS
Fax : (33-1) 40 58 88 74

CENTRE D'ACTIVITÉ DU PROGRAMME
INDUSTRIE ET ENVIRONNEMENT

Tour Mirabeau
39-43, quai André Citroën
75739 PARIS CEDEX 15
France

UNEP IE/PAC AWARENESS AND PREPAREDNESS FOR EMERGENCIES AT LOCAL LEVEL (APELL) PROGRAMME

Following various industrial accidents in both highly industrialized and industrializing countries, which resulted in adverse impacts on the environment, the United Nations Environment Programme's Paris-based Industry and Environment Programme Activity Centre (UNEP IE/PAC) launched the Awareness and Preparedness for Emergencies at Local Level (APELL) programme. APELL was undertaken in late 1988 in co-operation with governments and industry. Its main goal is to prevent technological accidents and their impacts. This is achieved by assisting decision-makers and technical personnel to increase community awareness of hazardous installations and to prepare response plans in case unexpected events at these installations should endanger life, property or the environment. APELL has received full support from the UNEP Governing Council.

THE APELL HANDBOOK

The *APELL Handbook* is designed to create and/or increase public awareness of possible hazards within a community and to stimulate the development of co-operative plans to respond to any emergency that might occur. Since its publication, more than 6,000 copies of the Handbook in English, French and Spanish have been distributed throughout the world. It is also available in Arabic, Chinese, Czech, Hindi, Hungarian, Indonesian, Italian, Portuguese, Russian and Turkish, and is being translated into Thai.

APELL ON-GOING ACTIVITIES

Parallel to the dissemination of the APELL Handbook, UNEP IE/PAC is currently undertaking four primary activities.

CMA 175407

Training Courses

APELL training Seminar/Workshops have been held in Bahrain (November 1989), Brazil (February 1990), the Philippines (May 1990), Mexico for Latin America and the Caribbean (July 1990), Colombia (November 1990), Turkey (September 1991), Tunisia (October 1991), Russia for the former USSR (December 1991), Egypt (June 1992), Yemen (July 1992), Hungary (September 1992), Czechoslovakia (September 1992), India (October 1992) and Brazil (November 1992). These Seminar/Workshops have been structured for senior-level participants from industry, government, academia and non-governmental organizations. The Seminar introduces the APELL process. This is followed by case studies from developed and developing countries, presented jointly by representatives of the local industry and community concerned. Core material is thus provided, from which the Workshop participants can then develop their collective ideas into programme plans for their own country or area of influence.

APELL Newsletter

The *APELL Newsletter*, first published in 1989, keeps readers informed of on-going APELL or APELL-related activities, as well as national and regional programmes and major events. It is published twice a year and appears as a supplement to the UNEP IE/PAC *Industry and Environment* review.

UNITED NATIONS ENVIRONMENT PROGRAMME

PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT

17/02/93

Seniorad/Sumrep

Summary Report on the APELL Senior Level Expert Advisory Group Meeting

30 November-2 December 1992, Paris

1. As per Governing Council Decision 16/32, the Awareness and Preparedness for Emergencies at Local Level (APELL) programme has been further developed to prevent accidents and to limit their impact through emergency preparedness. The progress of the APELL programme was reviewed by a group of experts on 30 November-2 December 1992 in Paris. This meeting was convened four years after the first Senior Level Expert Meeting reviewed the APELL concept and launched the APELL Handbook and programme. The first biennial review of the work programme was conducted in December 1990. This third meeting of Senior Level Experts was attended by 60 experts from 25 countries coming from governments, industry associations and enterprises, as well as representatives of international organizations. Financial support to the meeting was received from the Commission of the European Communities. The Governments of Canada and the Netherlands sponsored travel expenses of 6 participants.

2. The meeting started by reviewing APELL's field of activities over the last two years 1991-1992. Country reports from twelve countries ranging from Latin America to the Middle East, Eastern Europe, Russia as well as India, Indonesia, the Philippines and China, were presented by APELL Programme leaders in each country.

The country reports revealed two main developments:

- the introduction of the APELL process to an increasing number of countries. Experience gained in previous years was reflected in fine tuning the approach, content and methods of delivery in the Seminar/Workshops introducing the APELL process. An increasing number of requests are currently being received from countries all over the world.

  Further improvements were discussed by the group, and it was recommended that a small working group of the experts involved in the Seminar/Workshops be entrusted with the task of formalizing these improvements in draft guidelines, an operation manual that would ensure continuity and maintenance of the APELL philosophy and character as the numbers and backgrounds of speakers in the Seminar/Workshops build up (so far, no fewer than 180 speakers have taken part in APELL promotion activities).

- In several countries, progress has been made in establishing an APELL process on the ground. IE/PAC and other donors were able to provide expertise in specific fields to meet particular needs. However, it was clear that much higher levels of financial resources, technical assistance and capacity building are needed if these encouraging developments are to continue to bear fruit and match the expectations and commitment in those countries where establishing APELL is moving ahead.

  It was recommended that a publication describing the more successful country experiences be prepared from the country reports and circulated widely by UNEP IE/PAC.

3. The group noted with particular satisfaction the follow-up visit of a UNEP expert to support APELL implementation at Barranquilla in Colombia. The support of the WEC/LAMP project was also welcomed. It is clear that there is an urgent need, in an increasing number of similar cases where the programme is moving ahead, for substantial resources possibly on a regional or bilateral basis to satisfy this essential demand for technical assistance in setting up an effective APELL Programme on the ground.

4. The group was also informed of the extension of the network of APELL focal points to 71 countries, receiving regularly the APELL Newsletter, published twice yearly, and all other APELL publications. It was felt that the role of the UNEP Regional Offices in developing and maintaining the programme within countries should be further developed. In particular, it was recommended that the UNEP Regional Offices be called upon to activate the focal points and establish links that would enhance their contribution towards identifying hosts for APELL activities/Seminars workshops and strengthen their relations with IE/PAC.

5. The group noted with satisfaction the publication of "Hazard Identification and Evaluation in a Local Community" (N° 12 in IE/PAC's Technical Report Series, prepared with support from the Swedish Government) and of an International Directory of Emergency Response Centers (in co-operation with OECD); and the internationalization of the CAMEO Software for APELL use (with the support of the US government).

   The group endorsed the policy of selecting suitable publications, of value in implementing APELL, and editing them to relate clearly to the APELL Handbook (now available in 14 languages), while giving credit to the original sources. In this respect, it emphasized the importance of publishing as soon as possible the APELL Annotated Bibliography.

6. In view of Agenda 21's commitment to improved co-operation between organizations concerned with environment and development issues, the group noted with approval the following examples of joint working by the APELL programme:

   - Interagency Risk Management Programme for Large Industrial Areas, with IAEA, UNIDO and WHO,
   - activity to develop guidance for the health sector on chemical accident prevention, preparedness and response, with IPCS, OECD and WHO (EURO),
   - co-operation at country level with UNDRO,
   - co-operation with the UN Centre for Urgent Environmental Assistance,
   - work to develop material supplementary to the OECD's "Guiding Principles for Chemical Accident Prevention, Preparedness and Response" prior to its distribution by UNEP.

7. The meeting discussed at length past experience in implementing the APELL Programme and particularly the difficulties encountered in the different phases of operation. Several valuable suggestions were made by the participants and IE/PAC was recommended to incorporate them in implementing the programme for the coming biennium.

8. The 1993-1994 draft programme was next presented and discussed. A number of changes, additions, and offers of support and co-operation from governmental and non-governmental sources were proposed. The draft would now be revised in the light of the discussion and circulated to the participants in due course.

9. Finally, the group noted that the increasing and diversifying level of activity has so far been coordinated in IE/PAC by a senior expert seconded for a 2-year term by an industrial association (the first from the USA and the second from Europe). The programme should receive additional resources to ensure the continuity essential at this stage of expanding and diversifying activity, particularly since UNCED's "Agenda 21" - besides expressing strong support for APELL - now calls upon governments, with the co-operation of international organizations, to undertake:

   - developing national and local capability to prepare for and respond to accidents by taking into account the UNEP APELL Programme (19.59(e));

   - promoting UNEP's APELL Programme (19.60(e));

   - inviting UNEP to promote principles for accidents prevention, preparedness and response for governments, industry and the public (19.60(i)).

10. The group noted that the total resources, in cash and in kind, devoted to the programme in 1991-1992 were of the order of US $ 1.5 million. Participants acknowledged that of this total, approximately one third was provided by governments (including counterpart contributions from Canada, France, the Netherlands, Sweden, the United States of America and the Commission of the European Communities); approximately one quarter by industry (particularly the secondment of a full-time Senior Industry Consultant through the International Council of Chemical Associations); and less than one half directly by UNEP.

11. It is abundantly clear that for the programme to match expectations in the coming years to even a minimum acceptable level, considerably greater continuity in personnel and a substantial increase in funding are needed.

    The group requests UNEP Governing Council to give this matter due consideration in its forthcoming meeting, particularly in view of UNCED's recommendations for APELL implementation, and suggests a draft decision be submitted to the Governing Council.

<u>Attachments</u>:

- Outline of APELL Programme Achievements 1991-1992
- APELL Provisional Work Programme 1993/1994.

UNITED NATIONS ENVIRONMENT PROGRAMME

PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT

08/02/93
Seniorsd/Outline

APELL Programme

Outline of Achievements and Future Activities

I. <u>Outline of Achievements 1991-1992</u>

I.1 *<u>Publications completed</u>*

- APELL Handbook available in 13 languages (Arabic, Chinese, Czech, English, French, Hindi, Hungarian, Indonesian, Italian, Portuguese, Russian, Spanish and Turkish).

- International Directory of Emergency Response Centers available in English, French, Spanish, jointly published with OECD.

- CAMEO (Computer Aided Management of Emergency Operations), available for international dissemination (with support of US/EPA).

- Hazard Identification and Evaluation in a Local Community Handbook, available in English (with support of Sweden).

- APELL Newsletter n° 3, 4, 5, in English.

I.2 *<u>Awareness raising and training activities</u>*

- Seminar/workshops 1991

    * 2 national (Tunisia, Russia)
    * 1 local (Izmit in Turkey)

- Seminar/workshops 1992

    * 3 national (Hungary, Czechoslovakia, Yemen).
    * 3 local (Alexandria, Egypt; Madras, India; Maceio, Brazil).

- All reports of the Seminar/workshops are available. In addition to the local support from host governments and organizers, in kind contribution has been given by many companies and financial support provided by US/EPA, the Commission of the European Community, France and the Netherlands.

- APELL has been introduced in many international conferences dealing with environment and safety issues.

I.3 Networking

- 71 countries have named an APELL Focal point for the technological accidents prevention network. Regular exchanges with this network, to inform them of the [illegible]ous APELL experiences and provide them with technical material, are taking place.

- Follow-up activities in countries where workshops were organized in 1990 have taken place, in particular in Colombia, the Philippines, Brazil, Mexico.

- Co-operation is going on with other international organizations and in particular IAEA, ILO, OECD, WHO, ECO/PAHO, IPCS, WEC.

- The APELL Programme was reviewed in December 1992 by a Senior Level Group of experts.

II. Proposed Activities 1993-1994

II.1 Publications

- finalization of material supplementary to the OECD "Guiding Principles on Chemical Accident Prevention, Preparedness and Response"
- "Hazard Identification and Evaluation in a Local Community" in French and Spanish
- finalization of Code of Practice and Checklist on Plant Safety
- finalization of APELL "Annotated Bibliography"
- a publication on health service preparedness for chemical accidents
- a publication on APELL in ports
- a publication on APELL and pipeline safety
- CAMEO in Spanish
- publication of Case studies of successful implementation of APELL
- preparation of an APELL training manual
- APELL Newsletters 6-10.

II.2 Awareness raising and training activities

- 2 regional workshops (Asia and Arabic speaking countries or Africa)
- 7 national or local workshops
- training on CAMEO.

II.3 Networking

- continued operation of the network of focal points, with an emphasis on regional networking

- follow-up and demonstration activities in countries where APELL has been launched

- increased co-operation with other international organizations

- review of APELL Programme in December 1994 by Senior Level Group of Experts.

SENT BY:UNEP :22- 3-93 : 9:04 : UNEP- 33 1 40588874:# 1/ 2

UNITED NATIONS ENVIRONMENT PROGRAMME
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT

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230800 or 520600
Fax 254 - 2 226890/215787
Tx 22068 UNEP KE

P.O. Box 30552
Nairobi, Kenya

Your Reference

Our Reference FP/9101-91-63
JdeL/ED/sm

19 March 1993

Dear Mr. Lever,

During a recent visit to familiarize myself with the activities of our Industry and Environment Programme Activity Centre in Paris, I was briefed about the Awareness and Preparedness for Emergencies at Local Level (APELL) programme . I was delighted to learn of the tripartite partnership between industry, government and UNEP, which has successfully developed APELL over the last four years.

I should like to put on record UNEP's gratitude for the ICCA's support to APELL through the secondment of senior consultants from industry, first Mr. Bob Young and more recently, Dr. David Thwaites. I understand that it was announced at the meeting of the APELL Senior Lev l Expert Advisory Group, held on 30 November to 2 December 1992 in Paris, that ICCA would continue this support. I accordingly look forward to hearing the news that a replacement for Dr. Thwaites has been found, who will be able to make a contribution of similarly high quality to the APELL programme. I also hope that ICCA members will continue to take part in APELL training activities.

As you are of course aware, APELL is explicitly mentioned in Chapter 19 of UNCED Agenda 21, where governments are asked to develop APELL as part of their national policies for accident prevention, preparedness and response. This programme is indeed a successful example of the partnership also called for by Agenda 21.

Mr. Hugo Lev r
Chairman
International Council of Chemical
Associations (ICCA)
Av. E van Nieuwenhuyse 4, bte 1
B-1160 Brussels
Belgium

CMA 175413

United Nations Environment Programme – Programme des Nations Unies pour l'environnement

I look forward to our continued co-operation in the development of accident prevention and emergency preparedness.

With best wishes.

Yours sincerely,

E. Dowdeswell

Elizabeth Dowdeswell
Executive Director