Report of the
International Affairs Group
to the Board of Directors
September 10, 1985

By

Thomas W. Mooney, Vice Chairman

EXECUTIVE SUMMARY

The last fiscal year brought a series of remarkable achievements for the IAG. In addition to the September 1984 meetings with the Japan Chemical Industry Association in Tokyo and the Australian Chemical Industry Council in Canberra, Australia, the IAG met formally for the first time with members of the Canadian Chemical Producers Association in Toronto in May 1985. During this same time period, discussions were initiated with the European Council of Chemical Manufacturers' Federations (CEFIC) to establish an international working party of experts under the auspices of the Safety of Chemicals Committee of CEFIC and the International Affairs Group of CMA/SOCMA, along with the Canadian Chemical Producers Association, to establish scientific criteria for identifying and classifying carcinogens, mutagens and teratogens. The group met first in April 1985 in Brussels and subsequently in Washington in June, to produce harmonized criteria for identifying such chronic hazards. Preliminary presentations of this tripartite agreement in its draft form were given to the Science Advisory Board to EPA and to the Office of Management and Budget. Following ratification by the sponsoring organizations, this document will be presented formally to the respective government agencies. The IAG will continue to work with its European, Canadian, and Japanese counterparts to bring about a better understanding of and scientific consensus on important future health, safety, and environmental issues.
IAG’S Major Accomplishments in 1984-1985

Joint IAG/JCIA Meeting

On September 24 and 25th the International Affairs Group met with representatives of JCIA’s Chemical Safety Control Committee (CSCC) at the latter’s Tokyo offices. For IAG this was the second of three such meetings this year with chemical industry trade associations of other countries. These meetings addressed issues arising from the laws and regulations intended to reduce chemical risks to health, safety, and the environment.

IAG and JCIA had earlier exchanged discussion papers on each issue. These included current status and proposed changes in TSCA and in Japan’s Chemical Substance Control Law. Chemical inventories, testing of new and existing substances, labeling, protection of confidential information, specific chemical identity of substances, and issues involving the export and import of hazardous substances, particularly as proposed in the OECD Recommendation and UNEP Provisional Notification Scheme, were also topics of exchanges between the two groups.

U.S.-Japan activities to implement OECD recommendations on Good Laboratory Practices were discussed. The effect of U.S. right-to-know laws, as these interact with labeling and confidentiality under OSHA and TSCA, were also topics of discussion.

The meeting achieved the following: agreed to implement OECD’s Good Laboratory Practices, identified differences between JCIA and IAG interpretations of draft proposals of “OECD’s Guides to Traders and Manufacturers” in the export of hazardous substances. JCIA and IAG agreed to work together to resolve these differences within the framework of OECD’s Business and Industry Advisory Council.

Joint IAG/ACIC Meeting

The IAG met in Canberra, Australia, on September 27 and 28, 1984, with members of the Australian Chemical Industry Council (ACIC). Discussions were focused on Australia’s proposed law to implement the “Notification and Assessment Scheme for New Chemicals.” Representatives from two Australian State Governments, Victoria and New South Wales, also participated in the meetings. The Australian Government has announced that mandatory nationwide notification and assessment for chemicals new to Australia would be implemented by July 1985. The scheme is patterned on the EEC Sixth Amendment. The prospective manufacturer/importer of a new chemical is required to provide information similar to that specified for Premarket Notifications in EEC. During the course of the meeting the IAG delegation mentioned many concerns and problems with the proposed Australian legislation. As a direct result of these discussions, the Australian Government has agreed to seriously review and modify their legislative initiative, and the implementation of that legislation has been significantly delayed.
The ACIC and IAG agreed on the need to protect confidentiality of trade secret chemical identities of substances, and the group agreed to review implementation of the Principles of Good Laboratory Practice, worker and community right-to-know laws, and the exchange of information on the export of hazardous substances.

Joint IAG/CCPA Meeting

On 29 and 30 May 1985, the IAG met with the Canadian Chemical Producers Association in Toronto, Canada. The format for the meeting was that of a regularly scheduled CCPA meeting, where IAG invited guests were asked to comment, where appropriate. The discussion lasted for two days and included:

a. a complete presentation of the Canadian Workplace Hazardous Materials Information System (WHMIS) policy framework and review of the status of the United States Occupational Safety & Health Administration (OSHA) proposal,

b. discussion of risk assessment and risk management legislation,

c. discussions of testing and notification as they appear in the Environmental Containments Act (in Canada);

d. export notification from both the United States and Canadian perspectives,

e. regulation of substances in Canada,

f. discussion of the CMA-developed CAER and NRIC Programs (how the CAER and NRIC programs complement those now being implemented in Canada), and

g. discussion of the Tripartite (IAG/CEFIC/CCPA) Working Group on Chronic Hazards.

It was agreed that IAG and its members would review the WHMIS ingredient disclosure list, exchange key AIHC documents on risk assessment, keep CCPA advised on reauthorization of the U.S. Toxic Substances Control Act, and assist in obtaining full reciprocity in the U.S. for Canadian TDG Regulations.

Joint IAG/CEFIC/CCPA Working Group on Chronic Hazards

As a result of extensive discussions between the three organizations, it was agreed that a group of environmental and health and safety experts would convene in April 1985 in Brussels to lay out a set of common definitions of chronic hazards. That effort produced remarkably good agreement and the first of international stature on the environmental health or safety issues involved. A subsequent meeting in June in Washington resolved technical differences within the group and, by the end of August 1985, the Joint IAG/CEFIC/CCPA Tripartite Agreement should be ratified by the sponsoring organizations and be ready for publication.

CMA 075363
Copies of this document will be sent to Appropriate U.S. governmental agencies and to the various governmental agencies within the European Economic Community, as well as to the Canadian agencies responsible for health, safety and the environment.

IAG prepared and delivered position papers on information exchange for export of hazardous substances through the U.S. Business and Industry Advisory Committee and the U.S. State Department to the Organization for Economic Cooperation and Development Chemicals Group and its parent Environment Committee.

IAG has supported the purposes of the OECD Chemicals Programme, that is, to harmonize chemicals regulation in member countries in an effort to avoid trade barriers that may be caused by inconsistent laws and regulations. We have, however, opposed efforts by some officials in the OECD Secretariat and member governments to turn the Programme into an international regulatory system. We have also urged implementation of the past Chemicals Programme activity into national regulatory schemes prior to initiation of any new areas of involvement from OECD.

Most OECD countries are just beginning to develop their toxic substances control legislation, and time is needed for them to implement their own systems and to assimilate existing OECD guidelines before any additional substantive OECD activities are undertaken. IAG believes that an international agreement or treaty on chemicals control is premature. IAG is increasingly looked to by the U.S. Government and by the OECD as the key voice representing U.S. industry.

On a continuing basis, IAG closely follows the agenda of OECD's Chemicals Group, Management Committee, and their various Expert Groups, consulting as necessary with the official U.S. Delegation to register U.S. industry's views on key technical issues.

The IAG has participated in an increased dialogue with various elements of the United Nations. Specifically, comments were submitted on UNEP's Provisional Notification Guidelines on the Export of Hazardous Substances. The State Department has accepted our views that listing banned, severely restricted, withdrawn or unapproved (in the case of pharmaceuticals) chemicals is an inappropriate mechanism and that these terms are faulty without further definition. An ad hoc task group of IAG has extensively researched pro's and con's of participation in a jointly sponsored (UNEP/UNCTC) conference, proposed for late 1985, on the health and safety aspects of transnational corporations chemical operations in developing countries. The task group has met with representatives of the State Department, CIFIC, and people from the corporate community to discuss whether IAG should participate (as UNCTC has requested), or to join a "umbrella organization" such as the International Chamber of Commerce and attend under their NGO status, or to withdraw from participation entirely. It is expected that this question will be resolved within the next thirty days.

Irrespective of the outcome, however, the IAG will continue to improve its liaison with organizations of the United Nations and with those elements in the private sector dealing on a more direct basis with the UN groups.
U.S./CANADA BILATERAL TRADE AGREEMENT

Proposed CMA Position

Background

Several years ago, the Canadian government expressed interest in a form of bilateral free trade with the U.S. That proposal contained a number of industrial sectors including petrochemicals. The CMA International Trade Committee held several meetings with the Canadian Chemical Producers Association (CCPA) Trade Committee during 1983 and 1984. Following those meetings, concern was expressed that a product-by-product or sectoral approach would probably not meet with acceptance by the U.S. chemical industry. The Trudeau Canadian government did not make a formal request to the United States to enter into negotiations.

The Mulroney Canadian government is also interested in such a trade negotiation with the United States. However, the Canadians apparently have come to believe that only an across-the-board approach, not a sectoral approach, will receive consideration by the U.S. government. In anticipation of a Canadian overture for a bilateral negotiation, the CMA International Trade Committee has prepared the attached proposed position statement.

Recommendation

That the following specific conditions be met in order for any bilateral trade agreement to exist between the two countries. These conditions would include:

- balanced benefits to both countries;
- Canadian government policies which do not unduly restrict investment or feedstock availability and price;
- tariff reductions across the board rather than sectoral basis;
- adequate dispute settlement procedures; and,
- a requirement for 70 percent Canadian value added for all eligible goods.

ACTION REQUIRED: Approval of recommended position

BC 9/9/85
BD 9/10/85

CMA 075365
CMA Statement of Key Principles
Concerning a Bilateral
Free Trade Agreement Between
the United States and Canada

1. Any bilateral free trade agreement must confer balanced benefits to both the United States and Canada.

2. Negotiations on the elimination of preferential Canadian chemical feedstock and energy policies and foreign investment restrictions must be an integral part of any U.S. tariff negotiations with Canada. In this regard, the U.S. Government must not commit itself to any tariff cuts prior to obtaining Canadian agreement to eliminate these non-tariff trade and investment barriers.

3. Other non-tariff trade barriers, such as inadequate protection of intellectual property rights, should also be considered in any free trade negotiations between the United States and Canada.

4. The tariff elimination components of a bilateral free trade agreement between the United States and Canada should include all chemicals and related products and should not be restricted to chemical industry subsectors or specific products.

5. The U.S. government should consult with the U.S. chemical industry and provide adequate opportunities for timely industry input before and during U.S. negotiations with Canada.

6. Any free trade agreement should require that all products eligible for duty-free entry into the United States under the agreement must have a Canadian value added level of 70 percent or greater, with an unlimited allowance permitted for the value of U.S. components.

7. A bilateral free trade agreement with Canada should provide for the mandatory reimposition of duties in the event of non-fulfillment of the conditions of the agreement.

8. Any bilateral free trade agreement with Canada should contain an adequate and binding dispute settlement mechanism.

9. Free trade negotiations with Canada should also address other issues, such as how temporary trade distortions caused by currency fluctuations and injury to a domestic industry by duty-free entry of products will be handled, to avoid impairment of the benefits under any bilateral free trade agreement.
CHEMICAL MANUFACTURERS ASSOCIATION:
COMMENTS ON A BILATERAL FREE
TRADE AGREEMENT BETWEEN THE UNITED STATES
AND CANADA

EXECUTIVE SUMMARY

The following comments of the Chemical Manufacturers
Association (CMA) on a possible bilateral free trade agreement
between the United States and Canada present issues which CMA
believes must be addressed by the United States prior to entering
into any such agreement.

First, CMA believes that any bilateral free trade agreement
must confer balanced benefits to both the United States and
Canada. One country must not benefit to the detriment of the
other.

Second, CMA believes that the long-term objective of such a
free trade agreement is to achieve an open environment for
international trade and investment unencumbered by barriers and
governmental intervention in the marketplace. In this regard, we
believe that any free trade agreement must address non-tariff
barriers to trade. For example, we believe that negotiations on
the elimination of preferential Canadian chemical feedstock and
energy policies and foreign investment restrictions must be an
integral part of any U.S. free trade negotiations with Canada.
Moreover, we believe that other non-tariff trade barriers, such as inadequate protection of intellectual property rights, should also be considered in any free trade negotiations between the two countries.

CMA is aware that the Administration is evaluating the merits of the possible establishment of a subsectoral free trade arrangement with Canada on petrochemicals. Moreover, the Canadian chemical industry has proposed that any such negotiations address only certain products in the petrochemical subsector. CMA is opposed to any chemical industry product or subsectoral approach. Instead, we believe that any tariff negotiations with Canada, coupled as indicated above with negotiations on non-tariff barriers, must address all chemicals and related products.

To ensure the effectiveness of the tariff elimination component of a free trade agreement with Canada, any such agreement should require that all products eligible for duty-free entry into the United States under the agreement have a Canadian value added level of at least 70 percent of the value of the product. The value of U.S. origin raw materials or other components incorporated into a Canadian product in Canada should be considered Canadian value added for purposes of the 70 percent test.
Moreover, CMA believes that a free trade agreement with Canada should: provide for the reimposition of duties in the event of non-fulfillment of agreement conditions; address other issues, such as how temporary trade distortions caused by currency fluctuations and injury to a domestic industry by duty-free entry of products will be handled; and contain an adequate and binding dispute settlement mechanism (the dispute settlement provisions contained in the U.S./Israeli agreement are not adequate in our opinion).

Finally, CMA believes that it is absolutely essential that the U.S. Administration provide adequate and timely opportunities for chemical industry input before undertaking any free trade negotiations with Canada, as well as during any negotiation process. CMA urges the utilization of the Industry Sector Advisory Committee (ISAC) for this process. However, we believe that other industry groups, such as our own Association, must also be included in this consultative process.

CMA believes that, if the issues discussed in our comments are considered by the United States Government before negotiations with Canada begin and if they are adequately addressed in any free trade agreement with Canada, then trade benefits mutually advantageous to both countries are achievable through such an agreement.
I. INTRODUCTION

The United States and Canadian Governments are considering the desirability of a bilateral free trade agreement between the two countries. As a part of this analysis, the United States International Trade Commission (USITC) and the inter-agency Trade Policy Staff Committee (TPSC) are currently investigating the probable economic effect of providing duty-free treatment for selected imports from Canada. The results of these investigations are intended to assist the President in assessing the impact of establishing bilateral free trade in selected industry subsectors, including certain petrochemicals.

The Chemical Manufacturers Association wishes to make the following comments on a bilateral free trade agreement between the United States and Canada. The Chemical Manufacturers Association (CMA) is a nonprofit trade association whose member companies represent more than 90 percent of the productive capacity of basic industrial chemicals in the United States.

The comments contained in this paper are not directed to either the USITC or the TPSC investigation. Rather, they present issues which CMA believes must be addressed by the U.S. Government prior to entering into any bilateral free trade agreement with Canada.
II. GENERAL COMMENTS

The United States and Canada are each other's largest trading partner. The total trade between the two countries in 1984 equalled $113 billion. Chemical trade represents a substantial portion of this figure. In 1984, Canadian chemical exports to the United States were about $3.13 billion, and United States chemical exports to Canada totalled $2.75 billion. This reflects a 1984 chemical trade balance of about $379 million in favor of Canada. 1/

The chemical industry of each country has substantial direct investment in the other country. In many cases, Canadian subsidiaries of U.S. companies produce intermediate or finished products, not only for the Canadian market, but also for the United States and third country markets.

In addition, the strengths of the U.S. and Canadian chemical industries complement each other. Canada has a rich base in natural resources, especially in hydrocarbons, with installed capacity for large volumes of certain basic chemicals and intermediates. The United States has a highly developed basic chemical and downstream chemical processing industry, as well as capacity to produce a variety of commodity chemicals. The United

States also has the world's largest market for products of the chemical industry.

III. SPECIFIC COMMENTS

A. Any Bilateral Free Trade Agreement Must Confer Balanced Benefits to Both the United States and Canada.

CMA believes that the benefits of any bilateral agreement must be even-handed; one country must not benefit to the detriment of the other. The statutory authority for such agreements supports this contention. Section 102 of the Trade Act of 1974, as amended by Section 401 of the Trade and Tariff Act of 1984, indicates that such negotiations should be conducted on the basis of mutuality. Moreover, the legislative history of the 1984 Act states the intention of Congress that bilateral agreements of the sort proposed with Canada must be "reciprocal and mutually advantageous."
B. Any Free Trade Agreement with Canada Must Address Non-Tariff Barriers to Trade.

1. Negotiations on the Elimination of Preferential Canadian Chemical Feedstock and Energy Policies and Foreign Investment Restrictions Must be an Integral Part of Any Free Trade Negotiations with Canada.

CMA believes that the negotiations between the United States and Canada on a bilateral free trade agreement should not be limited to the subject of tariff-cutting. The elimination of trade distortions caused by preferential Canadian chemical feedstock and energy policies and by Canadian foreign investment restrictions must also be adequately addressed in such negotiations. Furthermore, we believe that the U.S. Government must not commit itself to eliminating any tariffs prior to obtaining Canadian agreement to eliminate the trade distorting effects of these restrictive policies. Ample support for the inclusion of non-tariff barriers in such negotiations is found in the Trade Act of 1974 and the Trade and Tariff Act of 1984. 4/

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4/ Sections 102(a), 103 and 105 of the Trade Act of 1974 (19 U.S.C. §§ 2112, 2113, and 2115) and Sections 302, et seq. and 401 of the Trade and Tariff Act of 1984 (19 U.S.C. §§ 2102, 2112(b), 2114 and 2411 (a)).
a. Canadian Raw Material and Energy Policies

CMA believes that the internal energy policies implemented under the Canadian National Energy Policy (CNEP) have had an adverse effect on market mechanisms in Canada and on Canadian trade with the United States in energy-related products, such as chemicals. We understand that the CNEP is under review by the Canadian government and is likely to be changed. In any case, as part of a bilateral free trade agreement, we urge that the United States Government ensure that present and future Canadian governments' feedstock supply, price, and access policies do not serve as a barrier to otherwise fair competition.

This is necessary to avoid the creation, or perpetuation, of an artificial advantage for the producers of one country over those of the other. Such an assurance is particularly important to industries, such as the petrochemical industry, for which feedstock pricing and availability are critical because the cost of feedstocks represents the largest element of cost for many petrochemical products. If the trade distorting effects of the Canadian governments' policies with respect to the supply and price of, and access to, petrochemical feedstocks are not neutralized, then those Canadian policies will largely determine the conditions of competition in international trade in petrochemicals between the United States and Canada, undermining the workings of an open market system.
b. Canadian Investment Policy

The United States Government must address differences in investment policy between the United States and Canada to ensure that U.S. companies wishing to invest in the Canadian chemical industry are not subject to different or more stringent requirements than are Canadian investors in Canada.

In 1983, a General Agreement on Tariffs and Trade (GATT) panel found the Canadian Foreign Investment Review Act (FIRA) to be in violation of GATT Article III because FIRA made approval to invest in Canada contingent upon a foreign investor's acceptance of often onerous performance requirements to which domestic Canadian investors were not subject. 5/

We understand that the Canadian Government has begun to administer FIRA in a less restrictive manner and that the Canadian Parliament has passed the "Investment Canada Act" as FIRA's replacement. 6/ While this new legislation is supposed to liberalize the requirements imposed on foreign investors, several restrictions will remain, especially on foreign acquisitions of existing Canadian companies. It remains to be seen how the new Act will be implemented.


In any event, CMA urges the United States Government to seek the elimination of discriminatory Canadian investment restrictions, other than those dealing with national security, prior to finalizing a tariff-cutting agreement with Canada.

2. Other Non-Tariff Trade Barriers, Such as Inadequate Protection of Intellectual Property Rights, Should Also be Considered in Any Free Trade Negotiations Between the United States and Canada.

There is growing recognition in the United States and abroad that the effective protection of intellectual property rights is essential to increased innovation and productivity and is a vital part of international trade decisions. Provisions aimed at encouraging such protection in other countries are contained in the Trade and Tariff Act of 1984, \(^\text{2/}\) the topic is being included in numerous bilateral trade and investment negotiations, and efforts are underway by some industry groups to have intellectual property rights included in a new round of multilateral trade negotiations.

In this context, CMA urges the United States Government to address the issue of protection of intellectual property rights as part of any free trade negotiations with Canada. Canada has traditionally recognized the importance of providing such

protection. However, some problem areas remain, for example, in the pharmaceutical field. We believe that a free trade agreement with Canada should include a resolution of these issues, as well as provisions eliminating any other non-tariff trade barriers that may exist.

C. The Tariff Elimination Components of a Free Trade Agreement with Canada Must be Effective.

1. The Tariff Elimination Components of A Bilateral Free Trade Agreement Between the United States and Canada Should Include All Chemicals and Related Products and Not be Restricted to Chemical Industry Subsectors or Specific Products.

A key issue in the U.S.-Canada negotiations is whether import duties or tariffs will be eliminated "across the board" or only on specific industry sectors, subsectors, or products. CMA is opposed to any chemical industry product or subsectoral approach. Instead, we believe that tariff negotiations with Canada must address all chemicals and related products. We believe such broader negotiations offer greater potential for mutual trade benefits.

A minimum level of "Canadian value added" must be a condition for duty-free entry into the United States under a bilateral free trade agreement with Canada. This criterion would be fully consistent with the goal of enhanced U.S./Canadian trade and would help to prevent potential abuses of a special trade relationship through transshipment practices. The value added threshold must be high enough to prevent products of third countries being passed through Canada to the United States after only formulation or minor finishing operations have been performed in Canada.

CMA urges that the minimum domestic Canadian value added be set at 70 percent of the appraised value of the product at the time of entry, rather than the 35 percent required under the Generalized System of Preferences, the Caribbean Basin Economic Recovery Act, and the proposed bilateral free trade agreement with Israel. A higher percentage is necessary in an agreement with Canada because Canada is not a developing country and should not be given the liberal domestic value added requirements that have been granted as a concession to such countries. In addition, CMA recommends that the value of U.S. origin raw materials or other components incorporated into a Canadian product in Canada be considered to be Canadian value added for purposes of the 70 percent test to promote bilateral trade.
3. A Free Trade Agreement with Canada Should Provide for the Mandatory Reimposition of Duties in the Event of Non-Fulfillment of the Conditions of the Agreement.

Any U.S./Canada bilateral free trade agreement should include a "snap-back" provision under which United States import duties eliminated under the agreement automatically return to column 1 rates if the conditions of the free trade agreement are no longer fulfilled. For example, if investment restrictions were reimposed by Canada or if Canada imposed a new non-tariff barrier to U.S. exports, then the duties on imports from Canada should snap-back.

D. Free Trade Negotiations with Canada Should Also Address Other Issues, Such as How Temporary Trade Distortions Caused by Currency Fluctuations and Injury to a Domestic Industry by Duty-Free Entry of Products Will Be Handled, to Avoid Impairment of the Benefits Under Any Bilateral Free Trade Agreement.

Two difficult subjects that CMA believes must also be addressed in the context of bilateral free trade negotiations with Canada are how to handle temporary trade distortions caused by currency fluctuations and what to do if a domestic industry is injured by the duty-free entry of products under an agreement. Consideration should be given to imposition of a surcharge to correct the temporary trade distortions in the first instance and to imposition of temporary safeguard duties to eliminate the injury in the second. In this regard, CMA assumes the U.S. unfair trade statutes will continue to apply to imports from Canada.
E. **Any Bilateral Free Trade Agreement with Canada Should Contain an Adequate and Binding Dispute Settlement Mechanism.**

CMA believes that any bilateral free trade agreement with Canada should contain procedures for the settlement of disputes between Canada and the United States that arise under the agreement. We do not believe that the procedures contained in the proposed U.S./Israeli agreement are adequate for this purpose.

Instead, we recommend that dispute settlement procedures in any U.S./Canada agreement: provide for a rapid and effective settlement of disputes; contain mechanisms for a binding decision in the event of a stalemate; and, most importantly, provide for significant industry input in the dispute settlement process.

F. **The U.S. Government Should Consult with the U.S. Chemical Industry and Provide Adequate Opportunities for Timely Industry Input Before and During U.S. Negotiations With Canada.**

As mandated by the Trade Act of 1974, and reaffirmed in the Trade Agreements Act of 1979, a structure of formal industry sector advisory committees (ISACs) representing U.S. companies from all segments of U.S. business is in place. There is a

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REVIEW OF CMA GROUNDWATER PROGRAM
AND
PROPOSED POLICY ON GROUNDWATER PROTECTION

This presentation is intended to review the development of CMA’s groundwater program and to request approval of one new element of CMA’s evolving groundwater policy.

Background

Groundwater is an important natural resource. It has many and varied uses including drinking water supplies, crop irrigation, livestock watering and industrial water supplies. Approximately 50% of all Americans obtain all or part of their drinking water from groundwater sources.

Recently groundwater issues have come to the forefront. Many groundwater issues are or soon will be before Congress, EPA, state legislatures and regulatory agencies, and on the agendas of environmental groups, industry groups and consensus organizations:

- Senator Durenberger is currently holding oversight hearings on groundwater. Senator Durenberger will introduce groundwater legislation in September 1985 which may significantly affect chemical industry operations (siting, transportation, product use, waste disposal).

- In 1985, 135 groundwater related bills were introduced in 25 states. Most bills contain provisions which significantly impact chemical industry operations. An even greater level of state activity is expected in 1986.

- Some states, such as Wisconsin and Florida have enacted detailed legislation for groundwater management programs.

- EPA recently developed and is moving to implement a groundwater protection strategy.

- Consensus groups, such as the Conservation Foundation and the National Water Alliance have formed task groups to address the issues.

- Other trade associations such as NACA, SOCMA and NEDA are developing policy statements.

- Environmental groups such as NRDC, EDF and EPI (Environmental Policy Institute) are addressing the issue in various forums.
CMA Objective

To achieve a beneficial balance between chemical industry operations and protection of human health and aquatic resources.

Elements and Status of CMA Groundwater Policy

CMA is developing a comprehensive groundwater management policy which addresses federal and state legislative and regulatory responsibilities. CMA's position on the federal/state split continues to be that:

- states should have responsibility for defining, implementing and enforcing groundwater management programs.
- the federal government should provide guidance, technical transfer and funds to aid states in their efforts.

CMA's groundwater management policy will address all critical aspects of the groundwater issue. These aspects include groundwater standards, monitoring, use classification, groundwater protection and product handling. CMA actions to date are summarized in Table I.

Proposed Groundwater Protection Policy

The proposed groundwater protection policy is before the Board of Directors for approval. This policy states that groundwater is an important natural resource that must be protected.

States have the leadership role in protecting and managing this resource, and should act on these responsibilities by developing and implementing groundwater management programs. Groundwater quality protection programs are an integral part of broader groundwater management programs.

As states develop their protection programs, CMA recommends that states consider instituting requirements for appropriate facility design and operating practices developed by each facility that will minimize the release of pollutants (groundwater protection practices).

Also, CMA recognizes that states may choose to institute the following practices as part of a groundwater management program: a) a groundwater withdrawal program to protect groundwater quality, b) land use planning in areas where the potential for adverse impacts from groundwater contamination from future activities are significant; c) a permit program for point source discharges to groundwater where such discharges are not already controlled under existing regulations.

Requested Action

Groundwater program review for information only. Specific approval is requested for one element of the groundwater program: Policy on Protection of Groundwater Quality (full text attached).

CMA
BD-9/10/85

CMA 075383
### TABLE 1
CMA GROUNDWATER ACTIVITIES

<table>
<thead>
<tr>
<th>Element</th>
<th>Description of CMA Position and Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundwater Standards</td>
<td>States should maintain groundwater at existing quality or at a quality necessary to maintain use, provided that standards are applied where groundwater is withdrawn for use. The federal government should develop use-based criteria so states can set reasonable standards. This policy was approved by the Board of Directors in June 1985.</td>
</tr>
<tr>
<td>Groundwater Monitoring</td>
<td>This position addresses when, where and how to monitor groundwater to insure that desired groundwater quality is not impaired. The position calls for technically sound methods for monitoring and requirements for technical competence of those performing the monitoring. This policy was approved by the Board of Directors in June 1985.</td>
</tr>
<tr>
<td>Alternative Supplies of Drinking Water</td>
<td>This policy describes the process a governmental unit should use to determine when alternative drinking water supplies should be provided. This is an elaboration of current Board approved Superfund policy.</td>
</tr>
<tr>
<td>Sole Source Aquifer</td>
<td>This policy supports restrictions on activities over sole source aquifers to prevent groundwater contamination since the aquifer is the sole source of drinking water. The current policy is an elaboration of Board approved policy (1/85).</td>
</tr>
<tr>
<td>Use Classification</td>
<td>Our current policy states that groundwater should be maintained at a quality necessary to support current and future uses. The position was approved by the Board of Directors in 1982. Re-evaluation and appropriate modification of the policy is underway.</td>
</tr>
<tr>
<td>Product Handling</td>
<td>This policy should address product handling and distribution procedures to prevent contamination of groundwater. Plans for policy development are underway.</td>
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</tbody>
</table>
Introduction

Groundwater is an important natural resource that must be protected. CMA advocates protection of groundwater quality, through management of the resource at existing quality or at a quality necessary to maintain designated uses. Groundwater quality should be determined where water is withdrawn for use.

This document provides concepts for state groundwater quality protection programs. Protection programs are just one aspect of comprehensive groundwater management programs. The concepts addressed in this paper apply to a wide cross-section of private and public activities (industrial, domestic, municipal, agricultural, etc.) that may affect groundwater.

For industrial activities, these recommendations cover manufacturing and ancillary facilities other than waste disposal operations which have the potential to contaminate groundwater. Waste disposal operations are already covered by existing state and federal statutes, regulations and programs.

Decisions about managing groundwater resources have historically and appropriately been the responsibility of state and local governments. In view of the localized nature of groundwater use and the land use considerations tied so closely to groundwater management, states continue to be best suited to develop and implement groundwater management programs. Some states have designed or are in the process of designing programs tailored to meet their specific needs and considerations. CMA encourages all states to develop such programs.

In developing groundwater quality protection programs, CMA believes that states should consider instituting performance requirements for each facility that will minimize the release of pollutants (groundwater protection practices, or GPP's);

Also, CMA realizes that states may choose to institute one or more of the following practices as part of the groundwater management program: a) a groundwater withdrawal program to protect groundwater quality; b) land use planning in areas where the potential for adverse impacts from groundwater contamination from future activities are significant; and c) a permit program for point source discharges to groundwater where such discharges are not already controlled under existing regulations.

Groundwater Protection Practices

The institution of requirements for appropriate facility design and operating practices (GPP's) is an acceptable and appropriate means of protecting groundwater quality and of minimizing the potential for groundwater discharges.
from all sources. Such practices should be developed by the affected facility, be implemented on a facility-specific basis and include the concept of hydrogeologic vulnerability. Surveillance programs should be instituted, where necessary, to demonstrate the effectiveness of the specific protection practice. In addition, a GPP should include educational and training programs for those responsible for implementation.

GPP's should address current and planned activities and should be documented. They should also include any necessary plots, plans, drawings or maps. In addition, the GPP plan should be modified whenever changes at a facility materially increase the potential for significant releases of pollutants or where actual releases indicate the plan is inadequate.

Where states opt to include GPP's as part of their groundwater quality protection program, such practices could include an inspection provision and trigger mechanism for more detailed plan review when discharges occur.

The federal government should assist states in developing GPP requirements by providing guidance and technical assistance and by creating the opportunity for information exchange. This would assist states in determining the most effective approaches consistent with their specific needs.

Absent regulatory requirements, groundwater protection practices are still an appropriate and necessary procedure for those whose land surface activities could affect groundwater quality.

Other State Considerations

Improper withdrawal of quantities of water can affect groundwater quality by causing saltwater intrusion, undesirable changes in groundwater flow characteristics, and transport of contaminants. For states where groundwater quantity is a concern, this may not be separable from the quality issue. States may choose to regulate the withdrawal of groundwater as may be appropriate to protect groundwater quality as part of its state groundwater quality protection program. CMA does not see a federal role in state evaluation of water quality impacts of withdrawal programs and statutes.

Under some circumstances, such as in vulnerable hydrogeomorphological areas, state or local governments may choose to implement planning of the use of the land (for future activities) overlying the aquifer or the recharge zone to assure protection of groundwater quality. Land use and soils information should be used in conjunction with aquifer mapping to develop appropriate land use management decisions. Such controls may include zoning restrictions, requirements for septic tank placement, requirements for the siting of new facilities where potential adverse impacts from groundwater contamination are especially significant, restrictions on other activities related to land use that may potentially affect groundwater quality.

CMA 075386
The federal government should continue to assist states in the development of aquifer mapping and soils information. Guidance and technical assistance relating land uses, hydrogeology and soils with potential groundwater impacts will also assist state and local government in making land use decisions where necessary. CMA believes the federal government should not involve itself in land use decisions.

Where point source discharges to groundwater are not currently permitted under existing regulations, states may choose to incorporate a permit system under their groundwater quality protection program to regulate discharges to groundwater. Where a permit system is employed, CMA endorses the use of permits with performance-based limits and conditions.

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ENERGY COMMITTEE ANNUAL REPORT

1985 - 1986

PRESENTED
TO
THE BOARD OF DIRECTORS
OF
THE CHEMICAL MANUFACTURERS ASSOCIATION

BY
GARY S. FURMAN
CHAIRMAN

SEPTEMBER 10, 1985
INTRODUCTION

Relative to other CMA issues, energy is not a major concern at this time. Crude oil prices have dropped. Fuel oil prices have remained stable. Natural gas prices have declined. The supply of oil, gas, coal and electricity is not a current problem. Under this type of environment the Energy Committee's charter "to ensure equal access at competitive prices to supplies of feedstocks and energy" moves in the direction of stewardship. The meeting schedule has been reduced and we have worked to establish energy-oriented ad hoc coalitions as a cost effective means of promoting CMA energy positions.

Despite this apparently benign energy environment, issues remain that can impact the chemical industry now and in the future.

- Comprehensive gas legislation is unlikely this year but some form of gas legislation may come up as an amendment.

- The Federal Energy Regulatory Commission (FERC) has become the battleground for key gas issues not requiring legislation, such as transportation, pricing, access to supply, and establishment of an interstate competitive gas market.

- The government's search for additional revenue continues, thus the possibility of new energy taxes.

- Efforts are under way to establish protectionist trade barriers for refined petroleum products.

- Traditional cost-based pricing of electricity is being further challenged before the FERC in the proposed rule making for electricity.

- Increased government energy data collection is likely.
ORGANIZATION AND ISSUES 1985 - 1986

The Energy Committee was reorganized at its June 20-21 planning meeting to address the anticipated energy issues through four task groups, Natural Gas, Energy Taxes, Petroleum and Technical Issues which includes electricity, energy conservation and government reporting.

- Natural Gas Issues

In the fourth quarter of 1984, CMA successfully opposed Congressional legislation to reregulate natural gas. This marked the last serious legislative effort in natural gas, and no comprehensive gas legislation is likely this year. There is, however, always the risk of fragmented natural gas legislation as amendments to other bills. Since deregulation January 1, 1985 of approximately 50% of wellhead gas pricing under the Natural Gas Policy Act, the battleground for gas has shifted to the Federal Energy Regulatory Commission (FERC). Because of the quasi-legal atmosphere and the associated high cost, CMA established procedures for cooperative efforts with other industrial gas consumer groups involving the shared use of outside legal counsel in responding to a broad public inquiry by the Federal Energy Regulatory Commission on natural gas transmission and pipeline ratemaking. The FERC will decide this matter in the fourth quarter of this year.

Objectives for 1985 - 1986

The CMA will continue to advocate legislation which will bring about a free market and enhanced supply; i.e., deregulation of wellhead ceiling prices and removal of all market restraints. The major effort, however, will be directed to FERC regulatory reform to enhance natural gas market competition which by its nature is dependent upon equal access and transportation of natural gas supplies.

Stake: Assurance of natural gas as a source of energy and feedstocks on a competitive price basis. Foster Associates, a natural gas consultant, has conservatively estimated a possible impact of $.25/MMBTU or $750 million per year on CMA member companies from the pricing provisions of the current FERC Docket on regulatory reform of natural gas.
Natural Gas Task Group Projects for 1985 - 1986 include:

- Continue participation in FERC Docket No. RM85-1 on natural gas regulatory reform, and develop CMA responses to subsequent related FERC actions; particular attention will be given to generic or precedent-setting issues such as equal access to all gas (particularly the Outer Continental Shelf [OCS]), pipeline ratemaking, and curtailment priorities that may not be settled in Docket No. RM85-1.

- Continue support for correcting legislative deficiencies under the Natural Gas Policy Act and removal of incremental pricing and prohibitions against the use of natural gas.

- Coordinate with other trade groups and support appropriate coalition actions consistent with CMA's position and goals.

**Energy Tax Issues**

The CMA in the first half of 1985 successfully opposed an attempt to implement an oil import fee as part of the federal budget deficit reduction package. The Energy Committee provided focus and technical support to the CMA Tax Policy and Government Relations Committees during this campaign. Congressional leaders, though divided, have continued to demonstrate a willingness to consider some form of energy taxation as a means to generate revenue during the coming year.

- **Objectives for 1985 - 1986**

  Avoid any new energy-tax-based revenue-generating scheme. If such a tax is imposed, limit the impact on energy and exclude feedstock.

  **Stake:** A tax of $5/bbl. on oil has been estimated by the consultant firm of Data Resources, Inc. (DRI) to decrease chemical production by at least 5% and eliminate 15,000 chemical jobs per year through 1990.

- **Energy Tax Group Projects 1985 - 1986 include:**

  - Maintain the capability to analyze and develop responses to various energy tax proposals and studies.
- Coordinate Energy Committee analyses and recommendations with those of CMA Tax Policy and Government Relations Committees.

- Carry the CMA position to appropriate divisions and agencies within the Administration and to the Congress.

- Coordinate with other trade groups, and support appropriate coalition action consistent with CMA's position and goals.

Petroleum Issues

The CMA position is that market forces, as opposed to price and allocation controls, are the most effective means to distribute petroleum products in the event of a declared emergency. CMA's position prevailed in the extension of the Strategic Petroleum Reserve (SPR) by Congress. The CMA must be watchful in the coming year that the development of regulations to implement the recent legislation do not nibble away at the free market concept.

In addition, protection from low-priced foreign imports is being sought by a coalition of mostly small refiners through the imposition of import quotas and/or import fees.

Objectives for 1985 - 1986

The CMA will resist any effort to modify Department of Energy regulatory policy and procedure away from the current free market concepts.

In addition, the CMA will continue to oppose efforts to create additional protectionist trade barriers which would raise the cost of U.S. petrochemical raw materials above world competitive levels.

Stake: Availability of hydrocarbon raw materials and fuels at competitive prices.

- Petroleum Issues Projects for 1985 - 1986 include:

  - Maintain liaison with the DOE Cabinet Council, Congress, the National Petroleum Council, and related trade associations.
- Develop responses on petroleum issues consistent with the CMA position.
- Support appropriate coalition actions consistent with CMA's position and goals.

**Technical Issues**

The Federal Energy Regulatory Commission (FERC) is reviewing electrical energy rate setting for the interstate grid in its notice of inquiry, FERC Docket No. 85-17, Phase 1 and 2. The CMA joined with other trade groups to advocate the continuance of cost of service as the basis for rate design. Public hearings and rule making are expected in the fourth quarter of this year.

In addition, the Department of Energy plans to conduct a survey of plant Manufacturing Energy Consumption (MECS). The CMA has already testified and responded to the Energy Information Administration (EIA) proposals for its MECS survey as to burden, sensitivity of information, and its potential misuse. The EIA plans to pursue a pilot survey in late 1985 and a full survey in 1986. It is the intent of the EIA to use this information in responding to energy planning initiatives by branches of the government.

**Objectives for 1985 - 1986**

The CMA will continue to seek cost of service as the basis for electric rate design.

In addition, the CMA will continue to oppose unnecessary energy reporting.

**Stake:** The FERC in Docket 85-17 will consider marginal cost pricing. A 0.14 per KWH increase in rates would cost CMA companies $85 million per year (based on 1984 CMA member-company usage of 85 billion kilowatt hours).

In completing the MECS survey, individual plants could incur up to $5,000 in additional reporting costs. The EIA's intent to project energy usage from historic data could give incorrect conclusions when responding to government inquiries such as allocation controls.
Technical Issues Task Group Projects for 1985 - 1986 include:

- Maintain technical liaison with the Electricity Consumers Resource Council (ELCON) and the Electric Power Research Institute (EPRI).
- Evaluate and recommend CMA responses to positions taken by ELCON and EPRI.
- Work through the Office of Management and Budget to prevent or, if need be, modify the proposed EIA/MECS survey.
- Promote and support appropriate coalition activity consistent with CMA's position and goals.

The effectiveness of the Energy Committee is the direct result of the support derived from the participating member-company personnel. As Chairman, I appreciate their talent and need their dedication to meet the objectives set by the 1985 - 1986 Energy Committee.
Good morning, I'm delighted to have this opportunity to talk a little bit about the Engineering Advisory Committee. Your program book contains our formal report and I don't intend to go over that in detail. I will use one or two specific examples from that report to illustrate some points I would like to make and, of course, will do my best to answer any questions it engenders - or questions arising from anything else, for that matter. But I would like to editorialize a bit upon the bare listing of specific activities to leave with you the following ideas.

First, EAC's major role, namely that of dealing with codes and standards, is an advocacy activity. Although it is not the type of advocacy you will read about very often on the front page of the New York Times, and it may or may not be dealing with a government entity, it is nevertheless an advocacy not dissimilar to CMA's main thrusts.

The second important thought is that CMA is uniquely positioned to perform that advocacy. In discussing this point, I'd like to take you through the criteria EAC uses in selecting the tasks where that advocacy is an essential element and lead you to the final thought, namely, that the EAC activities have a high payout for a very modest expenditure.

To those who are not close to standards activities, it might seem that setting standards should be a straightforward technical job, or pure science if you will, about as controversial as $2 + 2 = 4$; that the only problem should be to arrive at the best technical solution to which all rational experts would readily subscribe....Oh, would that it were so simple!...

It is perhaps appropriate to spend just a few minutes to refresh our memories on the general framework of the standards system. In the U.S., standards are "voluntary" or "consensus", although in many instances one or more governmental jurisdictions give them the force of law after they are prepared - The National Electric Code is a classic example. As a voluntary standard it represents good engineering practice. But all or parts of it have also been enacted into law by virtually every local, state and federal governmental body involved with the regulation of either construction or personal safety,...from local building codes to OSHA.

The umbrella organization for the voluntary standards system is the American National Standards Institute, known as ANSI for short. ANSI does not write any standards! What it does do is oversee the consensus process. When it determines there has been a reasonable opportunity for all interested parties to voice a contribution and that all valid objec-
tions have been either resolved or adjudicated, it will "adopt" the document as an ANSI standard. There are perhaps 30 or 40 thousand of such ANSI Standards. Of these, I would guess that something in the range of 5 to 7 thousand are of direct or indirect interest to the chemical industry. In addition, there are many standards of interest that have never gone through the "ANSI-fication" process. Just to name one, the standard of the Tubular Exchanger Manufacturer's Association or TEMA, which forms the backbone for most of the industry's shell and tube heat exchanger purchases, remains as a manufacturer's agreement, not ANSI document.

How then do standards get into the ANSI system? There are several acceptable procedures. The three most common are: (1) consensus committee, (2) accredited organization or (3) canvass. The consensus committee approach was originally predominant in the ANSI system. In using this path, an ad hoc committee is convened, inherently containing consensus, that is, the committee members are carefully selected to represent parties of interest—classically manufacturers, users, technical experts, the public and any special interests. The committee's output is subjected to public comment, and when all negative comments have been resolved, the document is adopted as a standard. Many of our basic process industry engineering standards were developed in this fashion, for example, B31 Process Piping, B16 Flanges, B78 AVS pumps, etc. However, this mode is gradually shifting over to other forms. Major input to the content of such standards must come primarily from participating on the working committee. At the moment, CMA/EAC has only four representatives to such committees, so you can see we have been highly selective. Over the years, member company direct participation has been high in such activities and still forms the backbone of chemical industry input. It is only where member company direct participation cannot accomplish the goals that CMA participation is undertaken. Most often this occurs when only organizations, not individuals or companies are admitted to membership. I'll say more about this subject a little later.

The second procedure recognized by ANSI is that of the accredited organization. Here ANSI certifies that the procedures of the sponsoring organization provide for achieving consensus. Essential elements include public access to the work and requires broad based committee participation, notification requirements, rights of appeal, recordkeeping, and mechanisms to resolve any conflict. Many of our most used standards are developed this way, including the ASME Boiler and Pressure Vessel Code and our favorite example—the National Electric Code which is under the aegis of the National Fire Protection Association (NFPA).
In many aspects it is difficult to perceive the differences between the consensus committee and the accredited organization. Work on the NEC for example is carried out by 20 code-making panels, each of about 25 members plus an equal number of alternates. CMA-EAC participates on the 15 panels which most closely affect the chemical industry (26 total representatives, provided by member companies at member company expense). Code panel composition includes representation from equipment manufacturers, government officials, trade unions, technical societies, the building industry, contractors, consumer advocates, metal industries, insulation manufacturers, other trade associations (NEMA, BTC), vendors, the utility industry and probably others I missed as I skimmed the list. The motivations in such a diverse group obviously differ. There are many opportunities for honest differences of technical opinion, based on the diverse perspectives represented - that after all, is what the consensus system is all about. But it is also possible for pet ideas, or even special interests, to be pressed beyond the point of justification.

Just one example. At the last revision of the NEC, certain interests sought to include a requirement for a motor disconnect switch physically at each motor - offering as justification the safety of persons working on the motor. For most users, this is a matter of indifference. Not so in the process industries where such a local switch would normally have to be explosion proof. It is CMA's position that current tag and lockout procedures on remote disconnect devices provide demonstrably adequate protection and that the proposal creates greater safety hazards than the one it is intended to correct. If the proposal were adopted, we estimated the cost to CMA member companies at 40 M$/yr, based on the then current rate of new construction. Although the amount of new construction varies, we observe that the normal time interval between adoption of a standard for safety applicable only to new construction and the first voice of regulation suggesting retrofit is generally measured in milliseconds. In this case, no estimate of retrofit cost has been made.

One feature of the ANSI system, intended to minimize obsolescence, is that each standard must be revised or reaffirmed within a 3 year interval. The proposal on motor disconnects was turned back at the working committee level for both the 1981 and 1984 versions of the NEC. Current activities are aimed at the 1987 NEC. Once again the proposal has failed sufficient committee support for adoption (tie vote). However, this time appeal has brought it forth for public comment, preparatory to a floor fight at the NFPA convention. The immediate task at hand is to encourage sufficient "public" comment to lay the foundation for a successful floor fight if it is carried that far. The electrical task group is currently organizing such a campaign among member companies and other sympathizers. The NFPA membership assembled in convention is the
court of ultimate appeal in so far as technical content of the NEC is
concerned. Although members of the NFPA are obviously interested in
safety, only a small percentage will be technically versed in matters
electrical. I think the parallels with other forms of advocacy are
obvious. It is also obvious that a single decision does not make a
threat go away. Like bad pennies, these things keep coming back and back!

In addition to the consensus committee and accredited organi-
zation modes of adoption, there is a third in frequent use - the canvass
method. Here the document is prepared by non-representative means, then
submitted for public comment and acceptance. All negatives must be re-
solved. Typical organizations using this approach include the Under-
writers Laboratories, the API, and our old friends, the National Board of
Boiler and Pressure Vessel Inspectors. Most of the activities from this
source (with the exception of the National Board) are less demanding on
the committee, per se, but do impact on CMA staff. Continued participa-
tion however, is a necessary prerequisite to our credibility when
claiming to represent the chemical manufacturing industry in other
matters.

Let me turn away from the ANSI tutorial to the question of how
EAC selects its tasks. In a very few cases, only organizations such as
CMA representing identifiable blocks of interest will have access. Here
obviously, if it is worth doing, CMA should do it. The option is absten-
tion. There are only seven official CMA representatives (plus two alter-
nates) in such categories.

I mentioned before that the major standards effort comes from
direct member company participation rather than CMA participation. EAC
does attempt to track participation in areas of significant interest and
maintain an informal liaison with member company reps. This contributes
to a broader coverage and less redundant effort.

Where the tracking indicates a lack of coverage in an area of
interest, we try to encourage some member company to fill the gap. It
was this gap identification effort that some years ago spotted the fact
that there was no user industry participation on the NEC panels. In this
case, the task was so complex that a more formal response was judged to
be needed and a coordinated effort was mounted which has been highly
effective. The bulk of the effort is still provided directly by member
company volunteers, but without the coordination available only through
CMA, the total industry cost to participate would have been much higher
and is unlikely to have been as effective. (19 companies, 1 member each
on T.G. 29 reps to NEC) The strength of a well thought out, unified
industry position has been amply demonstrated.
Just because a standard is used by the chemical industry does not make it an issue. The EAC does not worry about, nor deal with, the dimensions of bolt threads. We don't care much about flanges so long as the flange we will buy next month will mate with the one we bought last month.

But if there is an effort at significant change, as with the metrication thrust of a few years ago, even flange dimensions can become a key issue. These "crises" come and go.

The EAC relies primarily on its informal liaison with member company representatives as well as its own membership to surface the problem areas which are appropriate for CMA attention. Appropriateness is measured by potential impact on the industry and whether CMA is needed (as opposed to member company rep handling the matter with some support). The net result is the very selective direct involvement by the EAC mentioned before, but a much wider behind-the-scenes impact with both indirect and direct savings out of proportion to the modest budget.

I don't want to leave you with the impression that looking at a few standards represents the sum total of EAC activities. Response to pertinent regulation and legislation is a clear mandate. For example, this year we had expected two OSHA proposals on electric safety topics. We were not disappointed when they didn't issue ..... but they will be along sometime ..... and we'll deal with them then.

One of our concerns growing out of several years of arm wrestling with the National Board of Boiler and Pressure Vessel Inspectors and the relatively satisfactory outcome at the national level is that the arena will shift to the state level. The National Board is, after all, composed entirely of senior state level appointees, and the state capitals are their natural habitat. The EAC has been working with State Affairs Division to attempt to work out an effective early warning system that will be both comprehensive and cost effective. A necessary adjunct will be the necessary backup and support to the local CIC, if and as required.

The EAC has for a number of years, sponsored a Computer User Forum, at two year intervals. These educational sessions in a rapidly moving technology have been extremely well received and are generally self-supporting.

This year, in partial response to the Bhopal incident, the EAC undertook to conduct a similar forum on inspection and maintenance and instructed a newly formed task group to focus on safety through inspection and maintenance procedures and techniques. This group will be holding its third meeting next week, and seems well on the way to creating an informative and constructive session.
For the coming year, we plan:

- to continue the programs already in place, especially those related to the NEC and the two forums planned.

- We need to continue to strive for a comprehensive and cost effective mechanism for dealing with state level regulation of pressure equipment.

- In preparation for the storm of regulatory legislation that in the wake of Bhopal and later incidents now seems inevitable, we need to position the EAC to support the Association most effectively. Some parts of this can and will be undertaken at EAC initiative—for example, an increased interaction with and support to the Safety and Health Committee seems appropriate. But the EAC, by the nature of the subjects it deals with and the normal working assignments of its members, is essentially a reactive, not a proactive group. Therefore, the majority of issues needing attention will necessarily flow from the Association to the EAC for supporting contribution and/or prime responsibility.

Thank you for your time and attention. In this expurgated version of EAC activities I hope I've left you with some key thoughts.

- The whole participation in standards activities is closely akin to more obvious advocacy initiatives

- By careful selection of topics and leveraging, the EAC returns a hefty payout on funds expended.

- The EAC plays a coordinative role not replaceable by another organization or the member companies acting individually

And finally,

- That the EAC can and will be responsive to the Association's needs in the coming times.

If there are any questions, I'll try to answer them . . . . .

Thank you.

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