

# THE CHEMICAL DISTRIBUTION INDUSTRY AND ITS FOCUS ON SECURITY



What NACD Members are doing to Secure Their  
Facilities, Transportation Vehicles, & Products  
Against Theft or Terrorism



**National Association of Chemical Distributors**



## Why NACD Did This Report

The National Association of Chemical Distributors (NACD) developed this report because of the perceived need to

- Educate public policymakers, government regulators, chemical suppliers, and industry customers (users of chemicals) about the differences and similarities of the chemical *distribution* industry and its facilities with that of the chemical manufacturing industry;
- Communicate to this intended audience the security initiatives completed and continuing to be undertaken by chemical distribution companies represented by NACD since September 11, 2001.

## What This Report Seeks to Accomplish

The intended outcome of this report is a better understanding among its targeted audience about the diversity of the chemical industry, specifically that the industry is comprised of a sophisticated distribution network with its own unique characteristics and challenges that set it apart from the manufacturing sector of the industry for which it supports, particularly as it relates to security.

NACD also hopes that the report will help its audience recognize that while there are also similarities between both the manufacturing and

distribution sectors, public policymakers and government regulators should not make the assumption that, from a policy standpoint, what is right for and applicable to manufacturing is also right for and applicable to distribution.

## What This Report Does Not Seek to Accomplish

This document is not an attempt to fully and thoroughly describe each and all actions taken by each NACD member to secure its facility, transportation logistics, or other aspects of chemical distribution. It is an attempt to educate, in general terms, the intended audience on industry practices that include security measures, such as NACD's Responsible Distribution Process<sup>SM</sup> (RDP), and to gain a general understanding among the intended audience of the chemical distribution industry as a sector of the larger chemical industry.

## NACD Contact

For updated information on NACD, RDP, security measures required by NACD, and other security-related efforts undertaken by NACD, visit the NACD Web site at [www.nacd.com](http://www.nacd.com) or contact Bill Allmond, Director of Regulatory & Public Affairs, at 703/527-6223 (NACD).

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## EXECUTIVE SUMMARY

The terrorist attacks of September 11, 2001, spawned changes to the way the chemical industry views site security at facilities and transportation security on trucks, rail cars, and barges. The chemical distribution sector of the industry is no exception. In April 2002, the Board of Directors and members of the National Association of Chemical Distributors (NACD) approved security measures to be implemented by its member companies and verified by an independent third-party verification firm with sanctions for non-compliance. Specific security measures adopted by NACD require member companies to implement security programs that address facility and transportation security, scrutinize for-hire motor carriers, qualify customers purchasing chemicals, and verify implementation of security measures by an independent third-party verification firm.

Unknown to most people, the chemical manufacturing industry is supported by a large, diverse, and highly specialized distribution network. Virtually every sector of the U.S. manufacturing base relies on chemical distributors for prompt availability of chemicals in a variety of grades and package sizes to produce their products.

Total chemical sales through chemical distributors exceed \$18 billion per year. The average employment of a chemical distribution company is 25 full-time employees. The average sales amount of a chemical distribution company is \$17 million. NACD's membership includes over 250 distribution companies, representing nearly 1,400 facilities nationwide. Most chemical distributors transport the chemicals they sell to their customers, or end-users. Just under half of NACD members own their own fleet of trucks; almost all contract with common carriers. A small number use rail tank cars. An even smaller number use marine equipment, such as a barge, to transport chemicals.

It is very important to distinguish between chemical manufacturers and distributors so that any consideration by those outside of the industry, particularly legislators and regulators, regarding "chemical security" is framed with the understanding that the industry is more diverse than simply those who manufacture chemicals. Chemical distribution facilities are typically much smaller facilities than manufacturing facilities, in physical size, quantity of chemicals stored on site, and, in most cases, total annual sales. Their relatively small size and undistinguishable appearance makes them less visible and more unknown to the local population and therefore an unlikely target for a terrorist act. Consequently, distribution facilities emit very small amounts of toxic releases each year. In fact, the industry has the lowest toxic emissions than any other industry, according to the Environmental Protection Agency.

Additionally, alternative-case and worst-case scenarios of chemical manufacturing and chemical distribution facilities required by EPA's Risk Management Program rule differ widely. Before the scenarios were removed from public access following 9/11, it was well known that the worst-case scenarios of manufacturing and distribution facilities showed off-site consequences that were largely different from one another, with manufacturing facilities having a greater off-site impact in the unlikely event that the facility encountered the loss of its single largest container, with some exceptions. This is most likely due to the smaller size and quantity of chemicals stored on-site of chemical distribution facilities.

Furthermore, security risks posed by chemical manufacturing facilities and those posed by chemical distribution facilities are in many cases inherently different. While manufacturing plants have their own unique security vulnerabilities, just as they do with environmental and health and safety (EH&S) issues, chemical distributors must also manage their own unique security challenges as they do with EH&S issues.

For this reason, distribution companies that are members of NACD adhere to an altogether separate industry practice known as the Responsible Distribution Process<sup>SM</sup> (RDP). RDP more appropriately addresses the environmental, health, safety, and security needs and aspects specific to chemical distribution companies than any other industry practice.

The critical point to understand when analyzing the differences between manufacturing sites and distribution sites is that both have unique security challenges and vulnerabilities and both play an important role in the chemical supply chain. Because of their differences, chemical distribution and manufacturing sites should not be assumed by government regulators, public policy makers, and the general public as having the same security needs and challenges.

# Chemical Distribution Industry Security

## *An Overview*

In April 2002, the Board of Directors and members of the National Association of Chemical Distributors (NACD) approved security measures to be implemented by its member companies and verified by an independent third-party verification firm—to be determined by NACD—with sanctions for non-compliance. NACD's strict on-site independent, third-party verification compliance requirement imposed on its members continues to provide enormous credibility to the integrity of NACD's security measures and its members' implementation of them.

Specifically, security measures adopted by NACD require member companies to:

- **Develop security programs that address security of the member's facility and the transportation of chemicals.**
- **Scrutinize for-hire motor carriers using selection criteria that includes a carrier's ability to secure chemicals in transportation**, including defense against diversion, theft, or hijacking.
- **Qualify customers purchasing chemicals as prescribed by government regulations**, and
- **Verify implementation of security measures by an independent third-party verification firm** designated by NACD (members do not choose the firm) completed by December 2005. All NACD members and Chemical Handler Affiliates, such as public warehouses and trucking firms, are required to undergo and successfully complete on-site third-party verification once every three years. The verification verifies a company's implementation of all required membership practices, including security, under the Responsible Distribution Process<sup>SM</sup> (RDP).

## Chemical Distribution – A Vital Sector of the Chemical Industry

Unknown to most people, the chemical manufacturing industry is supported by a large, diverse, and highly specialized distribution network. While manufacturing plants have their own unique security vulnerabilities, **chemical distributors, who are an essential component of the global distribution network, must also manage their own unique security challenges.** Virtually every sector of the U.S. manufacturing base relies on chemical distributors for prompt availability of chemicals in a variety of grades and package sizes to produce their products.

### What Is a Chemical Distributor?

A chemical distributor (or wholesaler), defined by NACD, is a company that takes title to bulk and/or non-bulk chemicals from a chemical manufacturer or supplier and re-sells the chemicals to an end-user. Chemical distributors include companies that

- Repackage bulk chemicals;
- Do not repackage chemicals (known as factory-pack distributors);
- Repackage and do not repackage; and
- Act as brokers or traders .



Typically, all types own or lease warehouses in which to temporarily store or repackage chemicals.

### U.S. Industry Sales, Facility Size, and Employee Characteristics

Chemical distribution facilities vary widely in design, size, and chemicals distributed. **Total chemical sales through chemical distributors exceed \$18 billion per year.** Approximately 750,000 customers are serviced through chemical distributors. The average employment of a chemical distribution company is 25 full-time employees. The average sales amount of a chemical distribution company is \$17 million. NACD's membership includes over 250 distribution companies, representing nearly 1,400 facilities nationwide.

### Chemical Transportation

Most chemical distributors transport the chemicals they sell to their customers, or end-users.

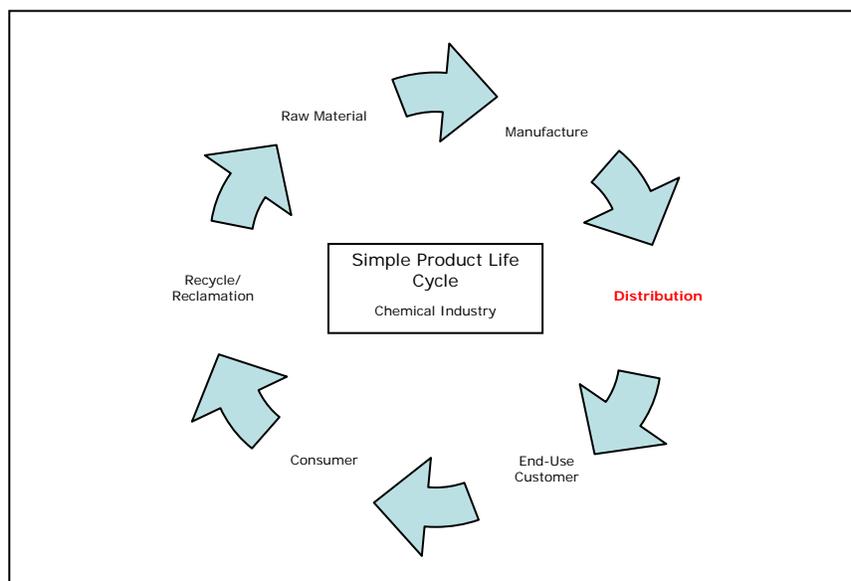


NACD members reported 5.6 million chemical shipments in 2003, traveling over 162 million miles by truck, rail, and barge.

Just under half of NACD members own their own fleet of trucks; almost all contract with common carriers. A small number use rail tank cars. An even smaller number use marine equipment, such as a barge, to transport chemicals. A sizable number of distributors receive bulk chemical quantities via rail tank cars from their supplier(s).

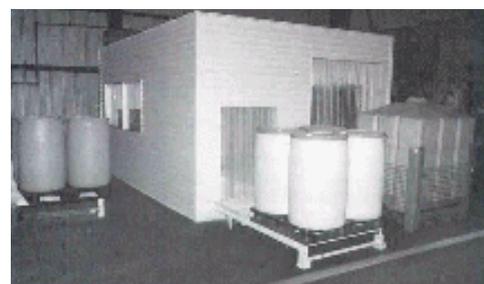
### Distribution's Role in the Chemical Supply Chain

Distributors supply the paints and coatings industry with chemical products more than any other industry. Other industries that frequently purchase chemicals through chemical distributors include the soap and detergents industry, adhesives and sealants industry, cosmetics industry, pharmaceuticals industry, food and beverage industry, the automotive industry, the pulp and paper industry, and the textile industry, among many others.



Besides being a chemical supplier to other industries, chemical distributors also offer extra services to their customers, such as custom blending, repackaging, safety training, hazardous waste removal, and solvent reclamation.

Regionally, U.S. chemical distributors are mostly concentrated in the Northeast, Midwest, and Southeast. However, distribution facilities are found in every state, including Hawaii and Alaska.



### *Distribution Versus Manufacturing*

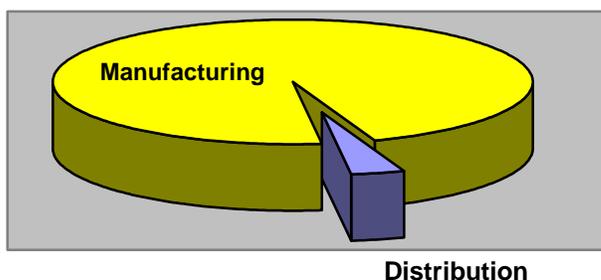
**It is very important to distinguish between security risks posed by chemical manufacturing facilities and chemical distribution facilities.** While there are some similarities to both types of facilities, there are also many notable differences. It should not be assumed or implied that the same risks and vulnerabilities (and consequences if there was an attack) can be applied to both types. Major differences include the size and physical make-up of the facilities, as well as the environmental impact on the surrounding community.

#### Size and Operations

Chemical distribution facilities are typically much smaller facilities than manufacturing facilities, in physical size, quantity of chemicals stored on site, and, in most cases, total annual sales. While many distributors store bulk quantities of chemicals, inventories generally do not remain in high amounts and are not exposed in a process (other than repackaging operations and some custom blending operations).

Chemicals purchased in bulk are usually repackaged into smaller, non-bulk amounts and shipped to a customer. Distribution facilities' relatively small size and undistinguishable appearance (e.g., generally lack of smoke stacks, lack of automation) makes them less visible and more unknown to the local population. Most distribution facilities include an office, a warehouse with a loading and unloading area, and a small amount of outdoor storage surrounded by a fence line. Some larger distribution facilities may include a private rail siding for

### Chemical Industry Sales By Sector



receiving chemicals in a rail tank car. This type of bulk unloading operation typically includes the transfer of chemicals from a rail car, which is on-site temporarily, into a diked, outdoor tank farm or into a large indoor storage tank.

Some distributors have only an office and a sales staff. They are referred to by NACD as brokers or traders. They typically obtain chemicals from a supplier, market them to industrial customers, and utilize public warehouses to handle and store their products until transported by a common carrier to the customer.

Annual sales by chemical manufacturers, as reported by the American Chemistry Council, total \$465 billion.

Annual sales by chemical distributors, as reported by NACD, exceed \$18 billion.

The critical point to understand when analyzing the differences between manufacturing sites and distribution sites is that both have unique security challenges and vulnerabilities and both play an important role in the chemical supply chain. Manufacturers rely on distributors to ensure the safe delivery of bulk and non-bulk chemicals to downstream end-users as well as to handle logistical needs of end-users, such as custom blending and non-bulk repackaging, which are operations not primary among manufacturing operations yet met by distributors. Because of their differences, chemical distribution and manufacturing sites should not be assumed by government regulators, public policy makers, and the general public as having the same security needs and challenges.

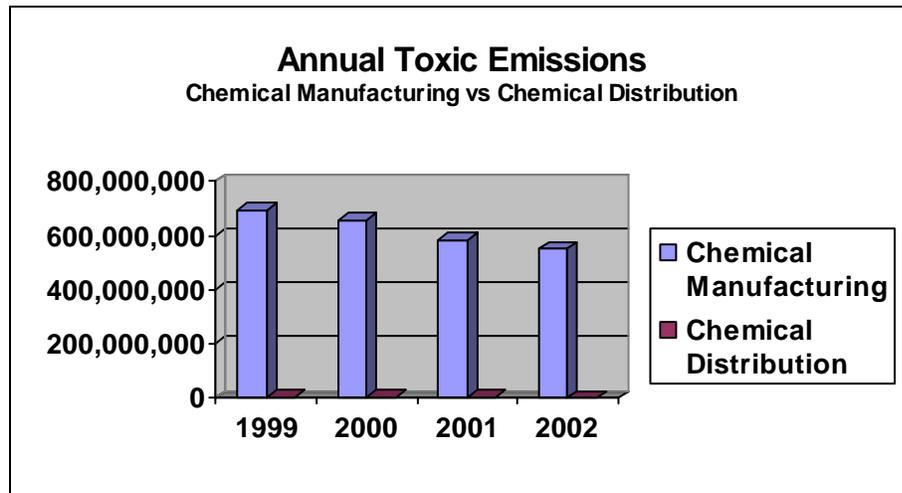
#### Environmental Performance

**The chemical distribution industry has the lowest toxic emissions than any other industry required to annually report under the Environmental Protection Agency's Toxics Release Inventory.**

The EPA's Toxics Release Inventory illustrates how significantly different the manufacturing and distribution sectors are from the other. Illustration 1 shows total toxic emissions of both industries over the last five years. As the illustration shows, manufacturing facilities release hundreds of thousands of pounds more than do distribution facilities every year. Total toxic emissions from distribution facilities are also on the decline despite the fact that the number of facilities reporting are on the rise (Illustration 2).

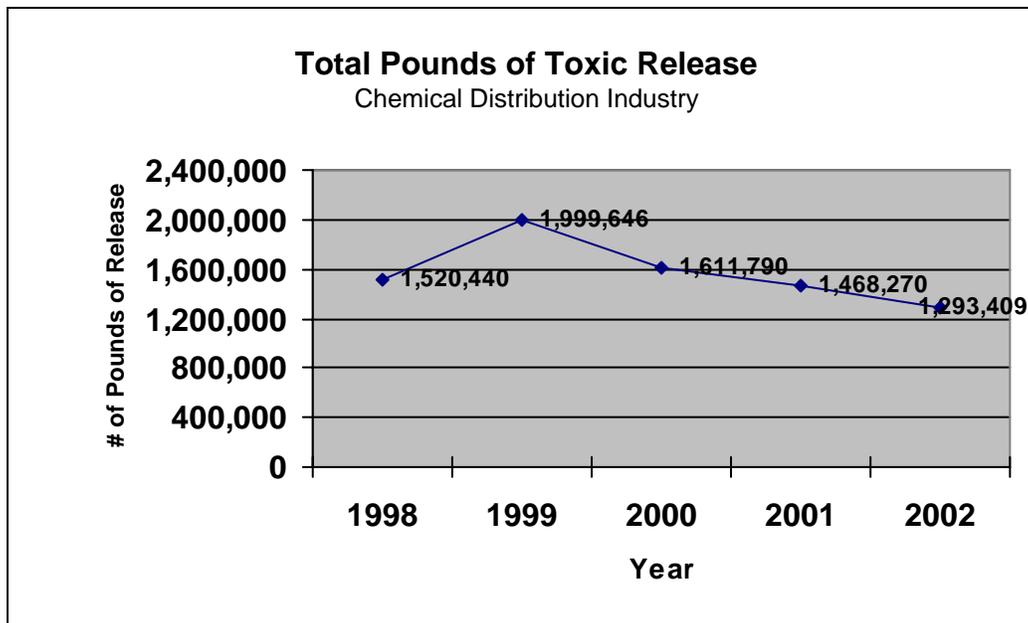
Just as EPA erred in its assumption that distribution emissions are similar to those of manufacturing emissions, thereby justifying the 1996 expansion of TRI to require toxic emissions reporting by chemical distribution facilities, other government agencies should not assume that on-site and off-site environmental consequences of distribution and manufacturing facilities are the same. In fact, they are very different.

### Illustration 1



Source: U.S. EPA

### Illustration 2



Source: U.S. EPA

### Risk Management Program – EPA’s “Worst-Case” Scenarios

Additionally, alternative-case and worst-case scenarios of chemical manufacturing and chemical distribution facilities required by EPA’s Risk Management Program rule differ widely. Although details of these scenarios are no longer easily available to the general public for security reasons, it was well known that the worst-case scenarios of manufacturing facilities showed an impact of a wider area and a greater population than did those of chemical distribution facilities, with some exceptions. This is most likely due to the smaller size and quantity of chemicals stored on-site of chemical distribution facilities. Failure of the largest container of chemicals stored or otherwise used at a typical distribution facility is significantly smaller than that of a manufacturing facility.

### Employee Safety and Health – Injury and Accident Rates

Lastly, the chemical distribution and chemical manufacturing industries differ in terms of accident and injury rates. Publicly available injury and accident data for the chemical manufacturing and distribution industry are difficult to obtain, particularly from the U.S. Occupational Safety and Health Administration. However, given the larger size and complexity of chemical manufacturing facilities versus the comparatively smaller size and lack of complexity of a chemical distribution facility, injuries and accidents are more prone to occur at manufacturing sites. For example, the U.S. Chemical Safety and Hazard Investigation Board (CSB), in a comprehensive study released in 2003, concluded that chemical manufacturing facilities are responsible for 70% of all chemical reactive accidents, many of which resulted in fatalities and serious injuries to facility personnel. Distribution, however, was not specifically identified as an industry sector in which such accidents occur, although the CSB did conclude that such incidents occur at certain handling and storage facilities. Reactive hazards are only one example that distinguishes the potential safety risks between manufacturers and distributors.

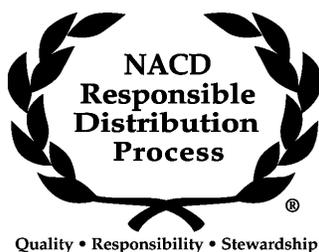
### **SUMMARY**

- Chemical distribution is a vital sector of the chemical industry.
- Industry sales are approximately \$18 billion a year.
- NACD represents approximately 90% of all chemical sales through distribution.
- Distribution facilities differ widely in size, design, operations, and inventory.
- Chemical warehousing, repackaging, and transporting are typical distribution operations.
- In the chemical supply chain, distributors receive chemicals from suppliers and sell them to downstream end-users.
- Chemical distributors are often overlooked by government agencies or are assumed as being similar to chemical manufacturers. However, distributors are very different from manufacturers because they serve different purposes in the chemical supply chain. Mostly they are different in terms of:
  - Facility size
  - Type of operations
  - Annual sales
  - Impact on the environment, particularly with regard to toxic emissions
  - Worst-case scenarios
  - Injury and accident rates
- Within the realm of chemical industry security, government agencies need to understand that both manufacturing and distribution industry sectors share some vulnerabilities and security concerns but that both also have very unique needs in addressing security.

# Responsible Distribution Process<sup>SM</sup> – Security & Accountability

**NACD was the first chemical industry trade association to approve security measures.** Measures were approved by the NACD Board of Directors in April 2002 and became effective July 1, 2002. New security measures were added to the Responsible Distribution Process<sup>SM</sup> (RDP) in areas within the *Guiding Principles* and the *Code of Management Practice* where vulnerabilities could best be addressed. Security measures include the manner in which NACD members select common carriers to deliver chemicals; sites and transportation aspects owned by NACD members; and customers to whom NACD members sell chemicals.

**Security practices followed by representing 90 percent of the those belonging to NACD—are sible Distribution Process<sup>SM</sup>.** members, RDP is the distribution health, safety, & security practice. of *Management Practice* with eight member companies pledge to Adherence to RDP is a condition of NACD membership.



**chemical distributors sales through distribution— spelled out under the Respon-** Designed in 1991 by NACD industry's leading environmental, It includes 12 sections of a *Code Guiding Principles* by which operate their businesses.

## *The Industry's Guiding Principles*

As members of the National Association of Chemical Distributors, each company commits itself to continuous improvement in the chemical distribution industry's responsible management of chemicals. Members pledge to manage their businesses according to eight *Guiding Principles*, in addition to a *Code of Management Practice*.

“As members of the National Association of Chemical Distributors, you have shown real leadership in [addressing chemical security], working to make sure that the movement, handling and storage of hazardous materials is done in a safe, responsible, and secure manner.”

- EPA Administrator Christine Todd Whitman, in an open letter to NACD members, November 26, 2002.

The discussions about security measures within NACD following September 11, 2001, first focused on these *Guiding Principles*. Specifically, the second Principle was amended in April 2002 to include security among the priorities to be considered—in addition to health, safety, and environmental—when planning all existing and new operations, products, processes, and facilities. Specific language is listed as follows:

- 2. To make health, safety, security, and environmental considerations a priority in our planning for all existing and new operations, products, processes, and facilities.***

## Chemical Handling & Storage

One of the mandatory security measures NACD members must implement is the **development of security practices that address security of the member's facility(ies) and the transportation of chemicals.**

A major characteristic of chemical distribution facilities is the handling and storing of chemicals. Chemicals are received at distribution facilities, typically in bulk, from a chemical manufacturer or supplier. Bulk chemicals are generally received in tank truck quantities, but also in rail car quantities. Some distribution facilities are located on a waterway and may receive bulk chemicals on a barge.



Quantities are then unloaded into temporary storage areas inside a distributor's warehouse or in outdoor storage such as a tank farm. At factory-pack distribution facilities, chemical inventories are stored and not repackaged in racks or on the warehouse floor; these chemicals are sold to a customer in the same manner in which they

were received at the distribution site. At full-line distribution facilities, bulk quantities may be repackaged into smaller containers, such as 55-gallon drums, intermediate bulk containers, industrial bags, or in smaller sizes, such as pails. In facilities in which bulk quantities were transferred from a rail car into a large tank farm or bulk storage tank, chemicals will then be transferred from these storage tanks and into a tank truck to be shipped to a customer. Generally, five tank trucks equal one rail tank car.

There is little manufacturing automation and reliance on sophisticated machinery at distribution facilities. Forklifts, bulk blending tanks, and simple transfer equipment are a few examples of the type of machinery employed by distribution facilities. At facilities that simply store chemicals such as factory-pack facilities, the level of operational complexity is even less.

Therefore, to apply secure measures to a membership as diverse as NACD's, security measures under the Handling and Storage Code section had to allow for as much applicability as could be afforded while maintaining meaningful action. In other words, the security measures in this section of the Responsible Distribution Process<sup>SM</sup> are broadly stated to assure wide implementation. Specifically, the security measure in Handling and Storage is as follows:



### ***H. Develop a process for addressing chemical site and chemical transportation security.***

A few examples of security measures implemented by NACD members to comply with this requirement include limiting access into the facility by installing stronger perimeter fencing, permanently closing off entrances seldom accessed, installing 24-hour security cameras, providing increased employee training on facility and transportation security policies, conducting pre-employment screening for all personnel, increasing communication with federal and state officials on security issues, mandating personnel ID badges, and locking outdoor storage tanks.

## *Carrier Selection*

More than ninety-five percent of NACD members use common carriers to deliver chemicals, despite the fact that just over fifty percent own their own fleet of trucks. Therefore, the Responsible Distribution Process<sup>SM</sup> focuses on the importance of assuring safe and secure transportation of chemicals particularly when they are being transported by contracted carriers.

Responsibilities in the safe and secure transportation and handling of chemical products encompass a variety of requirements. The Carrier Selection *Code* section is specifically intended to result in:

- Continuous reduction of incidents that could threaten human health, safety, security, and environment, and
- Improved operating practices for NACD member companies.

Specifically, the section was amended in April 2002 and requires members to develop a process to:

- A. Select carriers to transport chemicals that includes carrier safety and fitness, security, regulatory compliance, and performance review.***

Aside from other selection criteria, such as safety and fitness and regulatory compliance, this section urges member companies to consider the following when considering a carrier's ability to secure chemicals in transport:

- Proof of a security plan as prescribed by the Department of Transportation's HM-232 rule
- Verification of employee compliance with federal controlled substance testing
- Proof of practices to ensure chemicals are not diverted or stolen while in possession of the carrier
- Proof of a valid Commercial Drivers License with a Hazardous Materials Endorsement as authorized by a state or federal government (e.g., Department of Motor Vehicles)
- Carrier emergency contingency plan
- Driver training and safety plan
- DOT rating letter
- Periodic review of any audit done by others on the carriers
- Periodic review of supplier qualification procedures for their own carriers
- Financial statement
- Vehicle insurance

NACD is continually informed by its members that they routinely inquire about a carrier's security plan—specifically, whether the carrier has one and if it would share it—before contracting with the carrier. Members also inquire about any specific training carrier personnel have completed that address hazardous materials transportation security.

## *Product Stewardship (Customers)*

The final section of the RDP *Code of Management Practice* in which security measures have been added is Product Stewardship.

Because chemical distribution is generally the sector of the chemical industry that has direct contact with the end-user of chemical products, it is important that distributors take extra precautions to scrutinize those to whom they sell.

Adopting a similar requirement to an existing Drug Enforcement Administration “Know Your Customer” policy (21 U.S.C. § 830(a)(3) & 21 CFR § 1310.07), NACD requires its members to develop a process to:

### ***A. Qualify customers as prescribed by governmental regulation.***

It is fundamental that distributors take reasonable measures to identify their customers prior to the sale of chemicals, understand the normal and expected transactions typically conducted by those customers, and, consequently, identify those transactions conducted by their customers that are suspicious in nature. Consistent with this “Know Your Customer” policy, NACD urges in guidance to its members to consider the guidelines provided by DEA to comply with 21 U.S.C. § 830(a)(3). Specifically, this section is stated as follows:

- “A regulated person engaging in a regulated transaction must identify the other party to the transaction.”

According to the DEA, this means:

- The regulated person must verify the existence and apparent validity of a business entity ordering a listed chemical, and must maintain customer files.
- If the regulated person is unable to establish the identity or legitimacy of a customer, sound practice requires the handler to postpone opening an account with this customer until such information is satisfactorily established.
- Regulated persons should maintain customer files which may be reviewed for adequacy by DEA during on-site visits.

Examples of security practices being reported to NACD with respect to this security measure include establishing whether a customer is legitimate by running a Dun & Bradstreet evaluation of the company wishing to purchase from the distributor; asking the customer about the intended use of the chemicals wishing to be purchased; obtaining a photo ID and signature of the person receiving the chemical delivery from the distributor; and having processes in place to notify the FBI or other law enforcement agency in the event that an order is suspicious.

### **SUMMARY**

- NACD was the first chemical trade association to approve and mandate security measures of its members.
- Chemical distribution security measures are spelled out in NACD’s Responsible Distribution Process<sup>SM</sup>.
- Security measures mandated by NACD include a focus on site and transportation security, selection of carriers to transport chemicals, and pre-qualifying customers to whom chemicals are sold.

*Third-Party Verification – Earning Credibility by Being Accountable*  
**Lastly, the most unique and perhaps the most credible security requirement mandated by NACD is independent third-party verification.**

There are two mandatory third-party verifications required of all distribution members of NACD. **First, as a prerequisite of NACD membership, companies must be approved by an independent third-party** designated by NACD to conduct a review of an applicant's environmental, health, safety, and security policies as prescribed under RDP. If the third-party verifier confirms that the applicant's policies and procedures are sufficient in meeting the intent of the requirements of RDP's *Code of Management Practice*, it recommends the applicant to NACD for membership acceptance.

“[NACD members] have...set a benchmark for other companies to follow, by implementing third-party verification of your code of management practices, the Responsible Distribution Process.”

- EPA Administrator Christine Todd Whitman, November 26, 2002.

However, the company's third-party verification requirements do not end there. **The company is then placed on a schedule, along with all other members, to receive an on-site third-party verification to verify whether the company that has become a member has actually implemented their RDP policies and procedures.** These on-site verifications, conducted by NACD's designated third-party verifier, occur once every three years. That is, every NACD member receives a visit by an independent third-party once every three years. Successful completion of the verification is necessary for companies to retain their membership.

The first three-year cycle of on-site verification, known as RDP Verification, began in January 1999 and ended in December 2001. **More than 270 chemical distribution member companies were verified.** NACD terminated 20 members for non-compliance with the verification requirements. The second three-year cycle began January 2003 and will end December 2005.

**Unlike any other sector of the chemical industry, NACD's chemical distributors must have their security practices reviewed by an independent third-party verifier** in both the initial verification before a company is admitted as a new member and then every three years to verify implementation. Adherence to the verifications *and* successful completion are mandatory. NACD and its members are proud of their efforts under RDP and the integrity and credibility of its independent, third-party verification requirements.

#### **SUMMARY**

- Security practices mandated by NACD are independently verified by a third-party verifier once every three years on-site member company facilities.
- Failure to complete and pass the verification results in NACD membership termination, which gives stakeholders assurance that NACD's security measures are meaningful and credible.

# Beyond Responsible Distribution Process<sup>SM</sup> – Current Federal Security Requirements Impacting Chemical Distributors

## Department of Transportation's Hazardous Materials Transportation Security Rule (HM-232)

In addition to complying with the Responsible Distribution Process<sup>SM</sup>, many, if not most, NACD members also are covered by the Department of Transportation's HM-232 Rule that requires certain security measures to be taken by those who ship hazardous materials.

NACD has provided eight-hour training workshops for its members on complying with HM-232, which were well attended. These workshops were held in the spring and summer of 2003, just prior to the compliance dates of the rule.

## Food & Drug Administration's Bio-Terrorism Act

NACD members storing and handling chemicals considered by the Food and Drug Administration as food to be consumed by humans or animals have registered their facilities with the Agency, consistent with the Bio-Terrorism Act of 2002.

## Industry Guidelines

A couple of industry guidelines exist that are often referenced by NACD members. They include

- The *Site Security Guidelines for the U.S. Chemical Industry*, developed by the Synthetic Organic Chemical Manufacturers Association, the Chlorine Institute, and the American Chemistry Council and
- The *Transportation Security Guidelines for the U.S. Chemical Industry*, developed by NACD, the Chlorine Institute, and the American Chemistry Council.

## NACD Actively Engaged with Federal and Regional Security Authorities

In addition to the initiatives that its members are taking, both mandatory and voluntary, NACD and its Board of Directors have been actively engaged with regulatory and non-regulatory authorities on distribution security matters.

Since 2002, NACD has visited all but two Regional Administrators with the U.S. Environmental Protection Agency, educating them on security measures being taken by NACD members under the Responsible Distribution Process<sup>SM</sup>. NACD met twice with Governor Christine Todd Whitman in Washington while she was Administrator of EPA to communicate with her and her security staff. In an open letter to NACD in November 2002, Governor Whitman recognized NACD for being the first chemical industry association to approve additional security measures and for being the only chemical industry association mandating independent, on-site third-party verification of industry practices.

NACD regularly meets with the following federal agencies on security:

- U.S. Department of Transportation

- Department of Homeland Security
- Federal Bureau of Investigation
- Drug Enforcement Administration

NACD and members participated in a focus group hosted by the FBI in 2004 to address chemical industry security. Additionally, NACD serves as an industry representative on the Department of Homeland Security's Chemical Security Sector Council, together with other chemical industry trade associations.

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**A Note about Site Vulnerability Assessments:** NACD supports federal legislation that would mandate vulnerability assessments (VAs) of chemical facilities. Many NACD members have conducted VAs, either through compliance with the U.S. Coast Guard's security rules or voluntarily to adhere to NACD's security measures mandated under our Responsible Distribution Process<sup>SM</sup>

NACD has sought assistance from the federal government for developing a VA specifically for chemical distribution because existing models, which are heavily focused on manufacturing, are not meaningful for most distributors. However, such assistance has not materialized. Consequently, NACD's security measures do not mandate the completion of VAs for this reason. It would have been irresponsible to have mandated VAs when no models exist for our members to use. NACD has, therefore, embarked on the development of an assessment and methodology for chemical distribution to be made available to our members as one of numerous means to comply with security requirements mandated under RDP. The question of making mandatory the use of the model will be addressed following its completion.

Estimated date of completion is June 2005, with membership training on the use of the model VA scheduled for September 2005.

For more information about security initiatives mandated by NACD, contact:



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