AGENDA
MEETING OF THE MCA BOARD OF DIRECTORS
11:00 a.m. (EST), Tuesday, January 11, 1972
Union Club, New York City

I. MINUTES OF THE NOVEMBER 22, 1971, MEETING.

II. REPORT OF THE SECRETARY-TREASURER. (Enclosure)

III. BOARD OF DIRECTORS.
(a) Resignation of Director.
(b) Appointment of Alternate: James McWhirter, Pennwalt Corporation (for William P. Drake).
(c) Finance Committee - Report of January 10, 1972, Meeting.
(d) Establishment of Economic Policy Review Committee and Proposed Terms of Reference. (Enclosure)
(e) Regional Meeting - March 13-16, 1972, San Francisco, and Pebble Beach, California.
(f) Proposed Policy Declaration on Chemical Industry Councils. (Enclosure)

IV. COMMITTEE APPOINTMENTS. (Enclosure)

V. STAFF REPORT.

VI. COMMITTEE REPORT.
Tax Policy Committee - John F. Mooney, Chairman

VII. ADJOURNMENT.

Next Meeting of the Directors -- Union Club, Park Avenue and 69th Street, New York City, February 8, 1972, at 11:00 a.m. (EST).

CMA 069720

MINUTES of the two hundred ninth meeting of the Directors of the Manufacturing Chemists' Association, Inc., held at the Union Club, New York City, on Tuesday, January 11, 1972, at 11:00 a.m. There were present:

Directors:	Max A. Minnig, Chairman	Robert A. Lucht
	Edward J. Bock	Harry D. McNeeley
	John W. Brooks	Charles S. Munson
	John T. Connor	Carl L. Randolph
	Lee V. Dauler	P. C. Reilly
	David H. Dawson	Luther S. Roehm
	William J. Driver	George W. Russell
	Carl A. Gerstacker	D. G. Stevens
	John M. Henske	Jesse Werner
	H. E. Hirschland	Robert J. Whitesell
	William W. Huisking	John E. Wood, III
	L. G. Lillico	James R. Carnes

Alternates:
Philip B. Dalton (for Jesse Werner)
James McWhirter (for William P. Drake)
Clifford D. Siverd (for George W. Russell)
William S. Sneath (for F. Perry Wilson)
Francis W. Theis (for John W. Brooks)
Dickson L. Whitney (for C. C. Candee)

General Counsel: Lloyd Symington

By invitation: John F. Mooney, Union Carbide Corporation

Upon calling the meeting to order, Chairman Minnig requested those present to stand individually and introduce themselves.

I. MINUTES OF NOVEMBER 22, 1971 MEETING.

The Minutes of the November 22, 1971 meeting of the Board of Directors were duly approved as submitted to the members.

II. REPORT OF THE SECRETARY-TREASURER.

The financial report for the seven months ended December 31, 1971 was summarized by the Secretary-Treasurer.

ON MOTION, duly made and seconded, it was

VOTED: That the report be accepted and placed on file.

III. BOARD OF DIRECTORS.

(a) Resignation of Director. Chairman Minnig announced that he had received the resignation of L. L. Bott as a Director of the Association due to his resignation from Nalco Chemical Company; the appointment of a successor will be made later.

(b) Appointment of Alternate. Chairman Minnig announced that William P. Drake had designated James McWhirter as his alternate subject to approval by the Board of Directors.

ON MOTION, duly made and seconded, it was

VOTED: That the designation of James McWhirter as alternate for Mr. Drake be approved.

(c) Finance Committee - Report of January 10, 1972 Meeting. Chairman McNeeley of the Finance Committee reported that the Committee had met on the previous evening to review the financial statement of the Association for the first seven months of the fiscal year, together with other financial affairs of the Association. The financial statement had been found to be in order and examination of income and expenditures to date, in the light of past experience, indicates that the Association should finish the year with a surplus. The Unrestricted Fund balance is equal to approximately 59 percent of the current year's budget and therefore above the minimum of six months operating expenses which it has been the policy of the Board of Directors to maintain. The investment program, liberalized last year to permit investment in commercial paper and other corporate as well as Government obligations, was found to be performing satisfactorily. Due to termination of the Reactive Metals Group and formation of The Ferroalloys Association within the past year, the Finance Committee recommended amendment of the metals exception in the Definition of Chemical Sales to substantially its form prior to admission of the metals producers to membership. It was further recommended that the Secretary-Treasurer be authorized to circularize the membership on or about January 14 for confidential 1971 chemical sales data to be used in determining membership fees for fiscal 1972-73 and based upon the Definition of Chemical Sales revised as recommended; and that he also be authorized to employ the firm of Bond, Beebe, Bond & Bond, certified public accountants, to conduct the annual audit of the Association's books at the end of the current fiscal year and to submit their report in time for the annual business meeting of the Association.

ON MOTION, duly made and seconded, it was

VOTED: That the Secretary-Treasurer be authorized to circularize the membership for confidential 1971 chemical sales data to be used in determining membership fees for fiscal 1972-73 and based upon the Definition of Chemical Sales revised as recommended; and that he be authorized to employ the firm of Bond, Beebe, Bond & Bond, certified public accountants, to conduct the annual audit of the Association's books.

(d) Establishment of Economic Policy Review Committee. Forwarded to Directors in advance of the meeting and summarized by Chairman Dawson of the Executive Committee was a proposal, copy appended as Exhibit A, to establish an Economic Policy Review Committee which had been developed pursuant to a request of the Executive Committee at its November meeting reported to the Board of Directors at that time. At a special meeting on December 14, 1971 to consider the proposal, the Executive Committee authorized establishment of the Committee, for the purpose and with the membership set forth in Exhibit A, subject to ratification by the Board of Directors at this meeting.

ON MOTION, duly made and seconded, it was

VOTED: That the action of the Executive Committee in authorizing the establishment of an Economic Policy Review Committee, for the purpose and with the membership set forth in Exhibit A, be ratified.

Chairman Minnig announced that, in furtherance of a recommendation of the Executive Committee, he had appointed George W. Russell to maintain close liaison with the Economic Policy Review Committee on behalf of the Executive Committee and the Board of Directors.

(e) Regional Meeting - March 13-16, 1972, San Francisco and Pebble Beach, California. Mr. Carnes reported that invitations to the Regional Meeting of the Board of Directors to be held in San Francisco and Pebble Beach, California, March 13-16, 1972, would be forwarded from the Association's Washington Office on the next day. He reviewed the program which had been planned, including the arrangements for transportation between San Francisco and Pebble Beach, noted that all requests for accommodations at Pebble Beach should be sent to the Association's office, and urged Directors to submit registration forms for themselves and their associates as soon as possible to facilitate advance arrangements for this meeting.

(f) Proposed Policy Declaration on Chemical Industry Councils. Forwarded to Directors in advance of the meeting was a proposed policy declaration on Chemical Industry Councils recommended by the Public Relations Committee, copy appended as Exhibit B. Chairman Dawson of the Executive Committee reported that the proposal had been endorsed by that Committee and invited comments of Directors before a vote on the proposal, noting that it disavows the viewpoint sometimes advanced that the Association should support the individual CICs financially. Chairman Roehm of the Board Liaison Committee for Public Relations and Education commented in support of the proposal that, while a vast need still exists for work at the community level to enhance the image of the chemical industry, it was the Public Relations Committee's view that this should be done with local initiative and he therefore urged the Directors to impress upon their plant managers the importance of this effort and to assist them by developing programs to carry it forward.

ON MOTION, duly made and seconded, it was

VOTED: That the proposed policy declaration on Chemical Industry Councils be approved as set forth in Exhibit B.

(g) Proposed Amendment of the Bylaws Concerning Officers of the Association. Chairman Dawson of the Executive Committee reported that that Committee, at its meeting earlier in the day, had agreed upon the desirability of upgrading the titles of certain senior staff positions to bring them into line with the practice of comparable associations. Therefore, Mr. Driver had been requested to submit at the next meeting a draft of changes in the Bylaws to provide for the designation by the President of senior staff members as Vice Presidents for functional and technical areas to be elected each year at the Annual Meeting and that the elected officers from member companies be limited to a Chairman and Vice Chairman of the Board and Chairman of the Executive Committee.

IV. COMMITTEE APPOINTMENTS.

The following committee appointments were approved:

(a) Air Quality Committee
Joseph G. Brown, Climax Molybdenum Company
Richard E. Chaddock, Hercules Incorporated

(b) Education Activities Committee
M. B. Carus, Carus Chemical Company

(c) Food, Drug, and Cosmetic Chemicals Committee
George W. Ingle, Monsanto Company - as Vice Chairman

(d) Industrial Relations Committee
Wilbur E. Becker, Hercules Incorporated
R. E. Gombert, Ashland Chemical Company
Edwin M. Halkyard, Allied Chemical Corporation

(e) Legal Advisory Committee
J. W. Croft, Esso Chemical Company Inc.

(f) Nuclear Committee
Frank T. Barr, Jersey Nuclear Company - as Chairman
Paul A. McKim, ARCO Chemical Company, Division of Atlantic Richfield Company - as Vice Chairman
C. E. Winters, Union Carbide Corporation

(g) Plastics Committee
W. J. Canavan, Olin Corporation

(h) Public Relations Committee
Ralph L. Lewis, Jr., Gulf Oil Company-U.S.
Edgar S. Prochnik, Union Carbide Corporation

V. STAFF REPORT

Mr. Driver reported upon recent legislative and other governmental developments and Association activities, copy of his written report, forwarded to Directors in advance of the meeting, being appended as Exhibit C.

Mr. Connor commented upon the urgent need for efforts by all Directors, through community education by their plant managers and contacts with members of Congress, to point up the potentially calamitous effects of the zero discharge goal contained in the Muskie water pollution control bill passed unanimously by the Senate. The objective of such efforts would be to enhance the likelihood that Senate and House conferees will agree upon a more acceptable compromise measure.

VI. COMMITTEE REPORT.

Chairman John F. Mooney of the Tax Policy Committee reported on the projects and activities of that Committee, copy appended as Exhibit D.

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There being no further business to come before the meeting, it was unanimously resolved to adjourn.

J. R. Carnes
James R. Carnes
Secretary-Treasurer

Certified correct:

Max A. Minnig
Max A. Minnig
Chairman of the Board

EXHIBIT A

PROPOSAL TO ESTABLISH AN ECONOMIC POLICY REVIEW COMMITTEE

Background

A number of member company representatives met on December 8, as requested by the Executive Committee at its November meeting. They unanimously recommended the formation of a standing Economic Policy Review Committee. At a meeting on December 14, the Executive Committee approved this recommendation and authorized the establishment of a standing Economic Policy Review Committee, with membership as proposed, subject to ratification by the Board of Directors at its January meeting.

Purpose of Proposed Committee

To analyze general economic policy issues and problems affecting the chemical industry as a whole and to develop proposed solutions thereto, but excluding any consideration of problems relating to specific products or product lines without prior approval by the Board of Directors (or in an emergency by the President of the Association); to frame proposed responses to communications and approaches from government and private agencies where economic policy is the primary ingredient; and to make appropriate recommendations on the above matters to the Board of Directors.

Proposed Subjects for Committee Consideration

1. Phase 2 problems and policies.
2. Economic incentives for research and development.
3. Economic factors in the U.S. competitive position with regard to the European Community, Japan, etc.
4. Multinational corporations.
5. Balance of payments.
6. Fiscal and monetary policies.
7. Post-Phase 2 planning.
8. Economic consequences of environmental control.

Frequency of Meetings

The Committee will meet at least quarterly, with more frequent meetings as required, and with task forces functioning between meetings.

(Over)

Membership

Chairman: William S. Sneath, President, Union Carbide Corporation

Vice Chairman: Harry B. Warner, President, The B. F. Goodrich Company

C. J. Beasley, Vice President for Finance, M&T Chemicals, Inc.

R. P. Fisher, Director of Industrial Relations, American Cyanamid Company

Brian D. Forrow, Vice President and General Counsel, Allied Chemical Corporation

Matthew P. Landers, Treasurer, Pfizer Inc.

Dr. Lewis E. Lloyd, Chief Economist, The Dow Chemical Company

Dr. Earl T. McBee, Chairman of the Board, Great Lakes Chemical Corporation

Robert McLellan, Vice President for International Development, FMC Corporation

Joseph A. Neubauer, President, PPG Industries, Inc.

Paul Pearson, Vice President for Planning, Celanese Corporation

John J. Radigan, Vice President for Personnel Relations, Merck & Co., Inc.

Thomas M. Rasmussen, Director of the Tax Department, Monsanto Company

Dr. Charles B. Reeder, Chief Economist, E. I. du Pont de Nemours & Company

Jack B. St. Clair, President, Shell Chemical Company

Robert O. Welk, Director of Statistics, Eastman Kodak Company

David C. Williams, Secretary
MCA Staff

MCA
BD - 1/11/72

RECOMMENDATIONS BY THE PUBLIC RELATIONS
COMMITTEE TO THE BOARD OF DIRECTORS,
MANUFACTURING CHEMISTS ASSOCIATION,
RELATIVE TO CHEMICAL INDUSTRY COUNCILS

The Public Relations staff is in full concurrence with the report of the committee and its recommendations.

MCA
EC - 11/22/71
BD - 1/11/72

Recommendations
by the Public Relations Committee
to
The Board of Directors, Manufacturing Chemists Association,
relative to

CHEMICAL INDUSTRY COUNCILS

In January, 1971, the Board Liaison Committee for Public Relations and Education, then chaired by Harold E. Thayer of Mallinckrodt, instructed the Public Relations Committee to evaluate the Chemical Industry Council (CIC) program and recommend action for Board consideration by November, 1971. Under this mandate, this report is submitted.

An ad hoc committee chaired by John M. Fasoli of Cyanamid carried out the study. Committee members included Edward G. Ackerman of Diamond Shamrock, Donald M. Davis of Mallinckrodt, E. Bruce Harrison of Freeport Minerals and R. W. Unwin, Jr., of NL Industries.

This committee reported to the Executive Committee of the PRC on September 28, 1971. The report was endorsed and presented to the full committee the following day. It passed with a unanimous vote.

Background

From its founding date in 1957 to 1968, the CIC program flourished. Its principal objectives were to carry the Chemical Progress Week program to local chemical communities and to attract students to careers in chemistry.

Local area representatives of member companies worked enthusiastically, their efforts heartily endorsed by their managements. Subsequently, monies were provided for two staff members at MCA headquarters and for supporting programs.

As this initial enthusiasm waned, however, local efforts and management support diminished. At MCA, staff attention was diverted to other problems. Financial support dwindled. Today one professional staff member devotes less than half his time to the effort.

The need for grassroots community relations work today, however, is as great if not greater than ever before. It is safe to say that the industry is not known or understood at the local level except through the efforts of individual companies and, in too few areas, by Chemical Industry Councils. On the whole, our reputation is not good.

It is in the communities where our facilities are located, where our employees and our neighbors live and choose their elected representatives, that we must tell the story of the chemical industry, its contributions to mankind, its needs and problems and what we are doing about them, if the industry is to enjoy the fruit of understanding and respect.

The plant manager is the key representative of his company and of the industry at the local level. He personifies the company and its corporate citizenship. Community interest and participation are an integral part of his managerial responsibility. Corporate responsibility for community relations must, therefore, reside with him and he must have a clear mandate to exercise it intelligently and actively, with the support of a variety of functions to be found in his own organization, of which the public relations staff is usually the most important.

From the combined consultation, efforts and actions of chemical plant managers in a given area or region will emerge the personality of the industry in that area and, if they are successful, the understanding and appreciation deserved by the industry.

This appreciation cannot come solely from membership or participation in such organizations as local chambers of commerce or trade associations. While much can be gained by such membership, the chemical industry in an area must be viewed and understood apart from all other industry. Many of its values and problems may be common to all industry, but it has its own individuality, needs and aspirations which the community should understand.

Your Public Relations Committee believes there is no need for miniature state or regional MCAs. There is an urgent need for plant managers to recognize their community responsibilities and to join with their counterparts in their areas to develop programs designed to describe their industry, its products and their value to society, and the industry's contributions to the community -- including employment, payroll, taxes and civic service -- with the active assistance of public relations personnel.

Other local needs of the industry beyond this will be evident to the plant managers who can then, after consultation with their respective company headquarters, take such steps and actions as may appear appropriate. Money is far less a problem in meeting these obligations than the desire and energy of volunteers helping to make the chemical industry a distinctly participating member of the community.

Recommendations

Accordingly, it is recommended that the Board of Directors of MCA declare as policy:

1. Each plant manager should recognize community relations as an integral part of his responsibility, and each member company is urged to so advise its plant managers. Each company will normally rely upon its corporate public relations manager or staff to guide and assist the plant manager in his discharge of this responsibility.

2. Chemical Industry Council activities should function entirely through local financing and efforts, with participating company support, without expectation of MCA financial assistance.

3. MCA staff should, however, in concert with MCA member company representatives, respond to requests for assistance other than financial from groups of plant managers on matters of mutual, and sometimes urgent, concern. Whether any local organization develops out of such efforts, and the form such an organization may take, should be a local decision, not necessarily related to MCA and its membership.

4. To the extent practicable within budget and personnel limitations, the MCA staff should attempt to maintain communications with chemical plants, CICs and other industry-formed groups. To provide a maximum of practical information on matters of community concern to local plant management, the MCA staff should modify the newsletter Chem-munity (or replace it with a more appropriate publication) to focus upon community-related matters such as legislation, environmental quality, consumer information and the like.

5. The MCA staff should continue to report to the Public Relations Committee, and through this Committee to the Board, on the activities and needs of the remaining CICs or clusters of plant managers, with an eye toward future action recommendations.

Respectfully submitted,

E. N. Brandt, Chairman
Public Relations Committee

MCA
EC - 11/22/71
BD - 1/11/72

EXHIBIT C

STAFF REPORT

January 1972

by

William J. Driver

THE HOUSE COMMITTEE ON PUBLIC WORKS...

...has ordered reported its version of a water pollution measure. It could substantially revise existing law.

Developed after four days of supplemental hearings (during which I testified in behalf of MCA on December 10) and three days of executive sessions, the bill apparently reflects Committee consensus as to general concepts.

Although final text as devised by the Committee staff may not be available until February, broad outlines were revealed in a news release and fact sheet on December 16. Based on these items, H. R. 11896 appears similar to the Senate-passed version, S. 2770. Some significant changes are:

"Zero pollution" is described as a goal rather than a policy.

A two-year study of social and economic impact by the National Academy of Sciences is authorized.

Until the specific language of the bill is completed, it is impossible to reach final conclusions. However, it appears industry has cause to be deeply concerned over the thrust and direction of proposed amendments to the Federal Water Pollution Control Act. As far as can be determined at this time, the House bill does not provide that:

Benefits should be weighed in relation to cost, with water quality as the prime factor, since effluent limitations unrelated to water quality could result in distortion of priorities and wasteful action.

Provisions under the section dealing with accidental or unusual discharges should be disassociated from permit requirements in other sections, since it is illogical to impose penalties under one provision when circumstances are acceptable under other provisions.

PRESIDENT NIXON...

...signed the Revenue Act of 1971 on December 10. Now officially known as Public Law 92-178, it contains the following major provisions of interest to business and industry:

A 7% investment credit for property ordered after March 31, 1971 or acquired after August 15, 1971. In the case of used property the credit is extended only to $50,000 of the value of such property. As a general rule, foreign property is not eligible for the credit during the period the import surcharge applies. However, the President is given authority to allow the credit to be extended to foreign property where he determines this to be in the public interest. He is also given authority to withhold the credit from foreign property after the expiration of the import surcharge if he determines that the foreign country concerned makes use of nontariff trade restrictions.

(As you know, President Nixon announced the lifting of the import surcharge on December 20th)

Taxpayers are specifically given the option in their accounting procedures of either flowing through currently the tax benefit of the investment credit in their profits or of flowing these benefits through to profits ratable over the life of the asset.

Incorporating into the Internal Revenue Code the liberalized depreciation rules of the Asset Depreciation Range (ADR) system. However, the three-quarter year convention which applied to the first year an asset is placed in operation is eliminated.

A tax credit equal to 20% of the wages paid during the first year of employment in the case of persons hired under a work incentive program.

Tax deferral for one half of export-related profits of a Domestic International Sales Corporation (DISC). However, the tax deferral is denied with regard to DISC profits which are invested in a foreign plant and equipment. The law incorporates a complicated set of ground rules to determine when DISC profits are deemed to be invested in a foreign plant and equipment.

Repeal of the 7% excise tax on autos and the 10% excise tax on light trucks.

SEVERAL MEMBER COMPANIES...

...especially manufacturers of high purity chemicals, have expressed concern over a regulation under the Occupational Safety and Health Act limiting the use of breakable containers, particularly one-gallon glass bottles, for packaging certain flammable liquids.

Following conferences with representatives of the Occupational Safety and Health Administration (OSHA), we are advised OSHA will publish a proposal to amend the regulation so that high purity and corrosive chemicals, and those packaged for export, will be exempt from the restriction.

The current regulation is due to become effective February 15. Publication of the proposal for amendment would result in automatic postponement.

THE FOOD AND DRUG ADMINISTRATION...

...has proposed a new scheme of hazard symbols for consumer products as an American National Standard and the American National Standards Institute (ANSI) invited comment.

On December 6 we wrote ANSI in opposition to FDA's proposal, making it clear that, while we do not represent consumer product interests, we are concerned with matters which reflect on chemical components. We expressed reluctance to adding another symbol system to those already in use and recommended a conference to consider the feasibility of a uniform system of hazard symbols to protect the public.

IN OBSERVING THE PRESCRIBED SIX-LEVEL SCHEDULE...

...of mileage compensation for tank cars, the railroads have ignored an Interstate Commerce Commission (ICC) guideline for incorporating an inflation factor in the determination of reproduction cost, although they have taken an annual depreciation of 3% into account.

On December 28 we filed a formal complaint with ICC. It was directed towards requiring that the railroads rectify this deficiency, and also to either extend upward the top valuation levels or, by other means, obtain equivalent increased mileage allowances to compensate more adequately for cars costing more than the $25,000.00 maximum value limit in the present schedule.

Funds for carrying on our part in this proceeding will be derived from subscriptions proportioned in relation to tank car ownership, which you have already approved.

ON DECEMBER 23rd...

...regulations were promulgated by the Environmental Protection Agency governing standards of performance for new stationary sources of atmospheric emissions from sulfuric and nitric acid plants, as well as from fossil fuel-fired steam generators, incinerators and cement plants.

The limitations imposed on these acid plants are unchanged from those imposed earlier, and which were criticized in our comments as being unduly severe for long-term operation. Some relaxation was incorporated regarding initial startup, in that compliance testing may be deferred up to 180 days.

THE NATIONAL COMMISSION ON MATERIALS POLICY...

...which has invited input from MCA, has organized a staff of seven people headed by Dr. James Boyd, former Chairman of the Board, Copper Range Company. The Commission was created by an act of Congress to formulate a comprehensive materials policy. Its report is due June 30, 1973.

In choosing a public commission mechanism the Congress rejected study within the Administration by an existing agency. At this stage Dr. Boyd is interested in identifying the major issues for the Commission, an area concerning which we can and will shortly offer suggestions.

SOME 1000 COPIES...

...of the state-of-the-art report "Solid Waste Management of Plastics" have been distributed since its release in June 1971. The document was prepared by DeBell & Richardson, Inc. under contract to MCA on behalf of the Plastics Group. Reaction has been most favorable, with the Environmental Protection Agency crediting it as an authoritative reference source.

In addition, nearly 5000 copies of the separately printed "Summary" have been mailed to members of the Congress; federal, state and interstate solid waste management officials; city and county directors of public works; public interest groups and the heads of chemistry and chemical engineering departments in colleges accredited by the American Chemical Society.

OUR AIR QUALITY COMMITTEE...

...sponsored a highly successful workshop on the applications of wet scrubbers to air pollution abatement for chemical processes. Held at MCA's headquarters on December 15, over 50 representatives of member companies participated, including a large number of young engineers. They encouraged extending this series to other types of pollution control equipment. An earlier workshop was devoted to baghouse filters.

The Committee's next meeting will be held in Raleigh, North Carolina, January 26-27. On the latter date, attendees will visit the Office of Air Programs* of the Environmental Protection Agency (EPA), to hear senior officials describe their missions and to meet key personnel; they will also tour EPA's research and monitoring facilities at Research Triangle Park.

*(Successor to the National Air Pollution Control Administration)

THE SEVENTH EDITION...

...of the Association's "Chemical Statistics Handbook" is now available. It provides all available chemical statistics from official published sources for the five-year period 1964-1969 with selected data for 1970. The 487-page reference work was compiled by the staff and is $3.25 per copy, postpaid. Remittance should accompany each order to MCA's Publications Service.

OUR 1972 COLLEGE CHEMISTRY TEACHER AWARDS PROGRAM...

...was announced on December 1, 1971. Invitations for award nominations were sent to contacts in nearly 3500 universities and two-year colleges. Some 250 responses to date nearly doubles last year's nominations; more are anticipated.

Report to the Board of Directors
of
Manufacturing Chemists Association
by
J. F. Mooney, Chairman, Tax Policy Committee
January 11, 1972

It is indeed a pleasure for me to present this report on behalf of the Tax Policy Committee. Our Committee is currently composed of representatives of 24 member companies. These people are top-drawer professional tax and/or financial executives and are very highly respected by the leading tax representatives of the Government and the staffs of the Congressional Committees concerned with taxation. As might be expected, it is an active and hard-working Committee.

The full Committee meets on the average of six times a year. One of these meetings - an annual meeting in the Spring - is a two to three day session; on this occasion formal papers are presented on important tax subjects and problems of general interest; in addition, we also have in attendance at least one top-flight member of Government who is responsible for the development or implementation of tax policies and programs. All other meetings are held at the call of the Chairman as developments warrant. Since 1962, we have had the assistance and services of a special tax counsel, Mr. R. Sherfy, who has been exceedingly helpful in counseling, alerting us to new developments and in the preparation of formal testimony for submission or presentation to Government agencies and personnel and Congressional Committees. We also receive very able assistance from the staff of MCA and the Committee members are very pleased with the services and expertise of our Secretary, Hugh Robinson. In the discharge of our function, may I also acknowledge the assistance that members of our Board of Directors and executives of member companies have rendered in assuming the lead role in the formal presentation of MCA industry position on tax programs.

May I therefore exhort members with representatives on our Tax Committee to continue to provide the high caliber personnel we now have. We have a Committee that is highly respected in Government circles and that is unique as far as trade association tax committees are concerned. Because our interests are more cohesive than other trade associations and the professional excellence of our Committee members, the Committee can generally quickly agree on the one or two major issues in any proposed tax program of mutual concern to our industry, develop and restrict our position to these without proliferation, and in consequence, get off with an effective, circumspective response in short order. May I also ask for your continued cooperation if called upon to present an MCA position paper on important issues.

The Tax Committee is primarily concerned with broad policy issues and the development of an industry position on these.

These issues keep arising - with it seems increasing constancy - from (i) new or proposed legislation - Federal and state, (ii) Treasury Department Regulations and Rulings, (iii) significant policy developments on the part of the Treasury Department, and (iv) international developments, particularly in the area of tax treaties.

Since the last report was presented in the beginning of 1969, we have had two major pieces of Federal tax legislation enacted: (a) the 1969 Tax Reform Act and (b) the 1971 Revenue Act.

During 1969, the efforts of the Tax Policy Committee mainly involved review, analysis and development of an MCA position paper on those provisions of the 1969 Tax Reform Act which affected our industry in a material way. Formal papers were presented in oral testimony before both the House Ways and Means Committee and the Senate Finance Committee by top executives of two member companies of MCA. In addition, members of the Tax Policy Committee were quite active in discussions with top technical members of the tax staffs of both the Treasury Department and Congressional Committees. Our paper discussed some 11 major points of interest to the industry, which included (a) a plea for corporate tax rate reduction in view of the investment credit repeal, (b) comments on taxation of deferred compensation and restricted stock, taxation of distributions from qualified plans, (c) moving expense deduction recommendations, (d) foreign tax credit changes and (e) depreciation and depletion changes. While all of our recommendations were not accepted, yet a number of our suggestions - some in modified form - were incorporated in the final legislation.

During 1970, the basic energy and efforts of the Committee were expended on the development of the DISC concept, which as you know was included as an integral part of the 1971 Revenue Act. Our Committee was one of the first approached by the Treasury Department for input and constructive comments on a tax program to increase exports, stimulate increased employment in the United States and improve the nation's balance of payments. Thereafter, we had a number of meetings with officials of the Treasury Department, which proved very fruitful in the development of a legislative program which would be workable, easily administered and yet attain the stated objectives. This sincere cooperative endeavor on the part of Government and industry was in my opinion a very therapeutic development and I hope that it is the beginning of a trend. As you know, the governments of other leading industrial nations have traditionally taken a deeper and more sympathetic interest in their national and international business activities and problems, whereas in the U. S. it often appears as though Government and business are adversaries. A formal paper on DISC was also presented in oral testimony during hearings on the Foreign Trade Bill in June 1970 before the House

Ways and Means Committee. A letter to the Chairman of the Senate Finance Committee urging support of DISC was also submitted in September 1970. At this time, the Committee began work on the development of an industry paper on Depreciation Policy. Another important event was the preparation and submission of a letter to the House Ways and Means Committee opposing a proposed tax on lead additives used in motor fuel. This proposal later died in the Committee.

The year 1971 was a very active one for the Committee. Letters were submitted to the Commissioner of Internal Revenue listing industry comments on desirable changes to proposed regulations implementing 1969 Reform Act provisions pertaining to investment credit repeal and pollution control facilities. Later, a letter of comment was submitted to the Commissioner of Internal Revenue suggesting desirable technical changes in the then proposed Assets Depreciation Range (ADR) System. Later on, a top executive of one of our member companies orally delivered a formal position statement - prepared with the assistance of the Tax Policy Committee - on ADR before the Treasury Department, strongly supporting this depreciation program.

Subsequently, and prior to the introduction of the Administration's 1971 Tax Program, the Committee prepared a letter which was submitted to the Senate Finance Committee recommending restoration of the investment tax credit.

Lastly - and the major work of the Committee during the year 1971 - was the analysis of the provisions of the Administration's four-point tax program (Investment Credit Resumption, DISC, Reduction of Certain Tax Rates and Repeal of the Excise Tax on Autos and Trucks) and the development of position papers which were submitted to both the House Ways and Means Committee and the Senate Finance Committee during deliberations on the legislation.

Looking to the future, we anticipate a lot of activity - directly or indirectly involving the area of taxation. I say indirectly because taxation is used as an integral element to implement other policies and programs. Some of the new programs we will be wrestling with in 1972 are the following: (a) Federal Revenue Sharing with States and Localities, (b) Restrictive Taxation of foreign operations and transactions as proposed in the Hartke-Burke Bills - introduced during the latter part of the year, (c) Value-Added Tax, and (d) taxation aspects of the recently announced Administration proposals regarding private pension plans. In addition to the foregoing, there are traditional or adopted tax positions (developed over the years) that we will continue to advocate; these include: (1) amortization of cost of purchased know-how, goodwill, trademarks and tradenames, (2) improved deductions for moving expenses, (3) elimination of advance rulings under Section 367 I.R.C., (4) development of safe-haven standards and procedures for resolution of government/industry differences under Section 482 I.R.C., pertaining to affiliated intercorporate relationships.

In conclusion, I wish to acknowledge the Committee's appreciation for your past support and back-up and here express my confidence that we will continue to merit that support in the future. Our Committee has been very effective in the past; with your continued cooperation and support, I assure you that the Tax Policy Committee will achieve similar results in the future and will continue to pursue high standards of excellence.