FILE NAME: Friction Materials Standards Institute (FMS)

DATE: 1984 June 12

DOC#: FMS062

DOCUMENT DESCRIPTION: Minutes of the Board of Directors Meeting - Health and Environmental Affairs Committee Report

HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE REPORT

Mr. John Riopelle, Chairman of the Health and Environmental Affairs Committee, presented his report. Refer to EXHIBIT 9.

Mr. Riopelle noted several actions taken during the past year affecting the friction materials industry. Among these were EPA's amendments to the National Emissions Standards, the Institute balloting on petitioning the Government on a member recommendation for asbestos-containing friction materials, Office of Toxic Substances Control plans for restrictions on certain asbestos products, and the OSHA proposals for revision of the asbestos standard. Mr. Riopelle noted in his report the fact that seven states have their own standards for asbestos exposure and that some (Hawaii, Kentucky, New Mexico, Oregon and Tennessee) have adopted and held to the levels set by the OSHA Emergency Temporary Standards of November 1983--0.5 fibers per cc permitting respirators as a control technique.

The Institute prepared written comments to OSHA on the amendments to the permanent standard. These comments were drafted by the Committee at its May meeting and were sent to OSHA prior to the comment deadline date. Among other points made were the difficulty in fiber counts as evidenced by certain "round robin" count tests by technicians from industry and government. The use of other fibers complicates counts due to the difficulty in discriminating between fiber types. Mr. Riopelle referred to a Research Triangle Institute study on the costs and feasibility of asbestos dust controls.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report of the Health and Environmental Affairs Committee as written.

MANUFACTURE/IMPORT OF ASBESTOS-CONTAINING FRICTION MATERIALS

Mr. Stuart Comins requested that the subject of a possible government ban on the manufacture and import of asbestos-containing friction materials be considered at this meeting. A similar proposal was discussed at the June 1983 meeting. After that meeting a ballot was submitted to the Membership asking if the Institute should go on record asking the Government to set an effective date by which the manufacture and import of asbestos-containing friction materials in the United States would be discontinued. Such a petition was rejected by a 9 to 6 vote in the Summer of 1983.

Because of specific objections in the off-highway area, Mr. Comins suggested that any such petition apply to on-highway products only. This would remove industrial/off-highway friction products from consideration. The Secretary read from the Motor Vehicle Manufacturers Association (MVMA) comments on OSHA's proposed reduction in exposure levels, concerning both original equipment and replacement materials for new vehicles. This opposed a regulatory stance in this area. Mr. Comins suggested that any petition be directed at replacement on-highway brake linings only. Support for this proposal was suggested by the OSHA moves to lower the factory exposure levels. Mr. Comins suggested the reasoning behind any such Government ban is that the OSHA limits could effectively prohibit the manufacture of asbestos-containing friction materials in the United States, forcing United States manufacturers to compete with the more expensive non-asbestos types against the less costly asbestos types from off-shore sources.

Mr. Riopelle noted from the RTI Report that there were 4908 workers exposed to asbestos in United States friction materials manufacturer factories. A capital outlay of $25,500,000 was projected to move United States friction materials manufacturers into compliance, with the following annual operating costs for the exposure level indicated:

0.5 fibers per cc	$13,500,000
0.2 fibers per cc	13,900.000
0.1 fibers per cc	14,400,000

These costs were in support of the premise that compliance may only be economically achieved by eliminating asbestos from the friction product.

Mr. Comins stated that he wished this subject to be submitted to the Membership at the June 13 meeting. Any such action would be for replacement on-highway brake linings only. The Directors concurred that this subject would be an agenda item at the June 13 meeting.

ASBESTOS PRODUCT LIABILITY INSURANCE

Mr. Comins requested that this subject be discussed at the Membership Meeting. Because of the subject matter, and the fact that there were only four Directors present at this meeting, he suggested that this be discussed but only as background at the Board Meeting. The Product Liability Insurance topic is primarily for the third party litigation and not for Workmens Compensation Insurance. It was noted from the earlier report that there were 4900 workers exposed in the factory, and about 1,500 in secondary manufacturing, but over 500,000 in service and repair. The largest exposure is to the third party suits from the repair shops.

At this point Mr. Comins was seeking an exchange of information. Could there be an exchange of views on this subject? Would the Members wish to make suggestions in this area? Perhaps an Insurance Committee could be established for those interested in this problem. A question was asked as to whether this was a legitimate topic for the Membership agenda, and the Board concurred in having this subject discussed at the June 13 Membership Meeting.

TREASURER'S REPORT

Mr. William Simon, Treasurer, prepared this report, based on figures developed by the Institute Secretary. Refer to EXHIBIT 3.

In summary, the report indicated that the Institute operated with its expenses coming in slightly under budget. There were added income items primarily from increased Membership Dues and Investment Income that lifted the projected excess of income over expenses to over $16,000. No major expense variances were noted.

A Director asked if Mr. Simon should continue as Treasurer. Counsel advised that the Board of Directors had a fiduciary responsibility to insure that the Treasurer would fully perform the duties called for in the Constitution. It was noted that Mr. Simon had served as Treasurer since coming off the Board of Directors several years ago, and that a possible replacement could be nominated at the meeting of the new Board of Directors.

A Director suggested that if Mr. Simon were to be replaced as Treasurer that the Institute honor him with a plaque or certificate of appreciation for his many contributions to the Institute. The Secretary was directed to have a suitable certificate prepared and presented to Mr. Simon.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To Accept the Treasurer's Report as written.

INVESTMENT ADVISORY COMMITTEE REPORT

Mr. F. William Barton, Chairman, presented his Committee's Report. Refer to EXHIBIT 4.

Mr. Barton noted that the Institute had continued strengthening its portfolio with increased holdings of U. S. Treasury notes and decreased holdings of United States Agency certificates. Investment income was projected at near $28,000 for 1983-84 versus actual investment income of $21,902 in the previous year. Investment income consists of interest income from U. S. Treasury obligations, dividend income from the Money Market Funds, and the gains on dispositions of certain Agency Obligations during the year.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report of the Investment Advisory Committee as written.

BUDGET COMMITTEE REPORT

Mr. Bob Mighton, Chairman, prepared the Budget Committee Report. Refer to EXHIBIT 5. The Secretary read the report.

The preliminary Expense Budget figures for 1984-85 worked out to $117,480, approximately 3.9% over the 1983-84 budget. There were no specific expense items that were markedly increased over 1983-84. The only items up noticeably were those directly related to wages which includes the Pension Expense as well as Salaries.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report of the Budget Committee as written.

Based on subsequent Board of Directors deliberations, the line item for Salaries was increased to $65,000 for 1984-85, increasing the overall 1984-85 Expense Budget to $119,980, a 6% increase over the 1983-84 budget.

FEE FORMULA COMMITTEE REPORT

Mr. Robert H. Nelson, Chairman, read the Fee Formula Committee Report. Refer to EXHIBIT 6.

In summary, the report indicated that if the 1983-84 Fee Formula was carried over to 1984-85 that income would exceed expenses by over $12,000 in the 1984-85 fiscal year. This would be on top of a projected provision for the environmental affairs reserve. This excess was based on anticipated investment income and the preliminary Expense Budget detailed in the Budget Committee Report.

A Director asked about the Environmental Affairs Reserve. This was set up at the June 1982 meetings and the first credits to the Reserve were made in the 1982-83 fiscal year. As of June 30, 1984, the Reserve will total about $14,300. The Reserve was started with an approximate 10% increase in the fee starting July 1, 1982. For Active Members, this was accomplished by an increase in the Basic Fee of $150. The category charge of $700 was not increased. In addition to Active Members, those Regional Members paying the same fee as Active Members had their fees increased by the $150 basic fee. Other Regional Members had a $200 increase from $1,400 to $1,600 while the Licensee Fee was increased from $550 to $600.

The purpose of the Environmental Affairs Reserve was to allocate funds for possible asbestos related expenses and other contingencies related to safety and health. A Director suggested reducing the annual fee by $150, the same as the July 1, 1982 increase.

After further discussion, it was suggested that this be a suspension of $150 of the Basic Fee for Active Members (and Regionals paying Active Member Fee levels).

Upon motion duly made, seconded and unanimously passed, it was:

> RESOLVED: To suspend the $150 Basic Fee increase for Active Members for the 1984-85 fiscal year.

Upon motion duly made, seconded and unanimously passed, it was:

> RESOLVED: To accept the report of the Fee Formula Committee as written, with the adjustment noted in the previous resolution.

HISTORICAL SALES REPORTING

The Secretary read his report on the Historical Sales Reporting program for the 1983 calendar year. Refer to EXHIBIT 2. The results for the first quarter of 1984 had just been prepared by the Accountants and were not included in the report.

While the Secretary's report indicated that there was more stabile participation in the 1983 reporting, the results were criticized by a Director.

In particular there was dissatisfaction with reports for Brake Blocks and Clutch Facings. A Director asked why the individual companies who report in a category are not listed on the quarterly reports in the same fashion as in the year-end report. The Secretary advised that when the Historical Sales reporting format was last revised, this was the way it was set up in an attempt to conceal quantities reported where only three or four Members reported in a category - essentially the Clutch Facing reports. It was stated that if the quarterly reports included details on which companies reported in each category, the report could have more meaning and be more readily analyzed.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: That all quarterly and year-end statistical sales reports include data on which individual Members reported in each of the four reporting categories.

The Directors further asked that the Accountants review the data more thoroughly and compare with prior quarter and prior year information to see if there is input apparently inconsistent with earlier input. The Secretary was directed to contact the Accountants to see that they make such a judicial review before preparing the final report.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report on Historical Sales as written.

PUBLIC RELATIONS COMMITTEE REPORT

Mr. Simon, Chairman of the Public Relations Committee submitted his report on Committee activity in 1983-84. His report was read to the Directors. Refer to EXHIBIT 11.

Mr. Simon's report noted the assistance given by Mr. Rob Nelson and Klock Advertising in expanding the Institute's list of automotive trade magazines for PR purposes.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report of the Public Relations Committee as written.

DATA BOOK COMMITTEE REPORT

Mr. Gordon Smith, Chairman of the Committee submitted this report. The Secretary read the report. Refer to EXHIBIT 8.

Mr. Smith's report covered activities of the Committee which were handled primarily at a March 28, 1984 meeting. Several specific items were noted such as decisions on the thicknesses of integrally molded disc brake linings, the use of insulators, imported car coverage, and other topics.

Mr. Smith's report noted action that the Committee took on three subjects referred to the Committee after the June 1983 meetings. The Board had referred to the Committee a recommendation that numbers outside the 700/7000 Series be assigned to heavy duty disc brake linings. The Committee recommended that we stay with the 7000 Series numbers for all disc brake linings. Mr. Comins noted that he had made this recommendation at the 1983 meetings and its purpose was to distinguish heavy duty disc brake linings from the regular automotive discs. The different series for heavy duty discs was to parallel the use of the 4000 series for blocks on drum brakes, which differs from the 100/1000 and 200/2000 series for passenger cars and light trucks. Mr. Comins wished this subject referred back to the Committee for action.

The Directors discussed the cut-off for heavy duty versus light/medium duty. One suggested that the 10,000# GVW be the cut-off, as this generally follows cut-offs used by the Department of Transportation on their brake systems standards. It was suggested that the question of cut-off be referred to the Committee for its recommendations.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report of the Data Book Committee as written with exception of the assignment of FMSI Numbers for heavy duty disc brake segments.

The Secretary was directed to refer this question on assignment of numbers outside the 700/7000 Series for heavy duty disc brake linings back to the Committee.

BRAKE PERFORMANCE STUDY COMMITTEE

Mr. Wayne Matthes, Chairman, prepared the Committee report. Mr. Bob Nelson read the report for the Chairman. Refer to EXHIBIT 7.

A significant part of the report dealt with the meeting the Committee held in July 1983 concerning the Truck Trailer Brake Research Group (TTBRG). This group was originally lead by Mr. Sid Williams of NHTSA and had representatives from trade associations for vehicle manufacturers, trailer manufacturers and the trucking industry. Their concern was with dissatisfaction with the V-3 Procedure for matching linings on tractors and trailers, and with other problems with the edge code. The TTBRG had asked for Institute input and the Committee had responded in detail to the items raised by TTBRG. The Committee agreed that the friction codes did not provide a satisfactory means of matching friction materials on tractors and trailers, and that the edge codes did have readability problems after use.

The Institute reply indicated that the edge code proliferation problems were a creation of the vehicle manufacturer and private brander, and the brake lining manufacturers would support any attempt to reduce this proliferation. As regards the V-3 Procedure, Mr. Nelson pointed out that the SAE now has an ad hoc committee attempting to develop a procedure that would be worthwhile in truly evaluating brake lining compatibility. He noted that the V-3 Procedure was an expedient to solve a specific problem--the New York State brake lining law in the 1960's. It cannot be used for compatibility

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: That Institute contributions to individual SEP-IRA's be at 15% of eligible salaries, with eligibility and maximum contribution in conformance with Internal Revenue Service regulations in effect as of June, 1984.

OTHER BUSINESS

The Directors discussed the difficulties earlier in the Meeting where a quorum of Directors was not present to hold this Board of Directors Meeting. In addition to the one vacancy on the Board, three Directors could not attend. It was suggested that what the Institute needed was some "internal public relations" work to indicate to Member companies that the Institute is important to its Members. It was noted that if companies can be convinced of the Institute's value, there will be more support and better attendance at the Institute Meetings. This is particularly true of Board of Directors Meetings. The purpose would be to solicit top management support for the Institute.

It was suggested that the Institute Office prepare a folder with inserts such as the History of the Institute published earlier, to outline background and accomplishments of the Institute. Reference could be made to the catalogs and bulletins published by the Institute along with responses the Institute has made to the Environmental Protection Agency (EPA), Occupational Safety and Health Administration (OSHA), National Highway Traffic Safety Administration (NHTSA, Truck/Trailer Brake Research Group (TTBRG) and others. The work that Mr. Nelson and his Committee did in the 1960's as regards a brake lining law should be noted. In summary, the Institute should prepare a folder outlining accomplishments and indirectly soliciting support of the Institute from Member Company management.

The Secretary was directed to prepare such a booklet or folder and distribute it to the Membership.

* * * * *

There being no other business brought to the attention of the Board of Directors, upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To adjourn

Adjourned at 1:20 PM

E. W. Drislane
Secretary