PLAINTIFF'S EXHIBIT

GP-891

SEMIANNUAL REPORT TO THE MEMBERSHIP

September 16, 1974

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MEMBERSHIP

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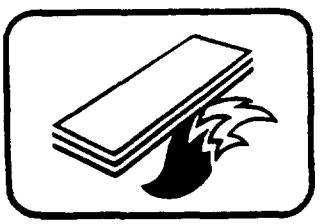

Gypsum Association

REPORT OF THE SECRETARY TO THE MEMBERSHIP SEPTEMBER 16, 1974

During the past year we have witnessed the dramatic effect of public reaction on the major decisions made by the Federal Government. In most cases, the decision makers in the executive and legislative branch of our government stated that their decisions were based upon the public's feelings or the specific constituent reaction to a situation. These were not the public opinion polls, but letters, telegrams and phone calls from individuals, company and industry representatives who made their feelings quite clear to their public servants guiding our country. In particular, this was the case in the recent change of administrations and the unprecedented actions of those involved.

We feel very strongly that the leaders of the gypsum industry who direct the action of our Association, want to make our thoughts known to the country's leaders on the major issues that affect the future of the gypsum industry.

We have reported, both orally and in written form, that the Gypsum Association is organized to play a major role in the communications procedures that can and should be used to guide the administrative and legislative decisions that are being made in Washington.

The history of the Gypsum Association shows a success story throughout the years in this area of activity. Many years ago, the Association represented the industry in obtaining a percentage depletion allowance for the mineral, gypsum. Periodically, our position was successfully defended. During this same time, the Association was very active in procedures for locating claims and the common varieties classifications of mineral rights, mine safety regulations, general freight legislation and most of the general building code legislation. For many years we successfully opposed severance taxes in the individual states so that today, of some thirty states having severance taxes, only one specifically includes gypsum - the remaining declare gypsum as exempt.

During the last several years, the need for such legislative activity has increased many times over. Your Association has reorganized to conduct this activity and the results have been gratifying. While we do not ask for copies of the individual letters and contacts made by our member companies, we are quite sure that our recent campaign to retain percentage depletion resulted in letters in the hundreds from our member companies. The campaign to allow a 10% increase in truck weights is in progress and we have copies of our member company communiques which show their serious interest in this legislation.

Almost without exception, there is similar proposed legislation in the area of activities of each of our standing

committees - rules and regulations affecting our shipments in the Traffic Committee; Association of American Railroads regulations affecting train loading restrictions in our Materials Handling Subcommittee; the change to metric measures, testing and labeling of products and systems, and general standardization regulations within our Technical Committee; the Occupational Safety and Health Act, mine safety regulations, industrial health liability within our Safety Committee; and environmental regulations, zoning restrictions, land reclamation within the Manufacturing and Mining Committee. Of course, the Building Code Committee spends the majority of its total activity on code statutes, all of which is legislative in nature. Moreover, the organization of consumer products safety legislation affects all facets of our industry and will require greater attention in the future.

We would like to reemphasize that each single installation, be it manufacturing, distribution or sales, of each member company has the right and indeed, the duty, to inform two Senators and at least one Congressman of its individual or corporate position on any pending legislation. The policy of the Gypsum Association is not to personally contact individual legislators, but to coordinate, assist and advise the member companies where best to place their most important emphasis on any pending legislation. We will continue to appear at formal hearings and to submit statements wherever it is deemed advisable. There is no question from review of past experiences that such action is indeed effective.

There has also been a great increase in Federal Government activity of administrative program affecting the gypsum industry. Many of these are surveys that are initiated by the government and contracted out to research firms for compliance. The Association is usually contacted first for assistance. We were most active in the survey of air pollution programs for the Environmental Protection Agency. Most recently, we assisted in the survey of the impact of last year's fuel shortage on our industry and of our fuel requirements for the Department of Commerce and the Federal Power Commission. We are now in the midst of a survey of our industry on water environmental statistics. These programs were, and are vitally important to the industry and confirm our policy of being involved as the intermediate party to assist in the field surveys. We believe these efforts are worthy of each member company's attention and active support.

We solicit comments and recommendations as to other activities in which we may assist our member companies in state or federal legislative work. Our recent opening of a Washington, D.C. office and our new Research Associate assigned to the National Bureau of Standards enables us to keep a close, operative organization in the technical, building code, safety, manufacturing or transportation areas. We will continue to be active in all OSHA and mine safety federal regulations (MESA). We plan to work closely with Mr. Frank Zimmerman who has just received his second appointment to a Federal Mine Safety Advisory Commission.

GYPSUM INDUSTRY IMAGE

Later in this report, more detailed information is given on the progress of our program to upgrade the image of our industry in the eyes of company employees and customer groups. The Promotional Committee has given close study to some very important concepts: the feelings an employee has toward his company and his industry, and the feelings a customer has toward his major supplier.

The Board of Directors and Membership directed their attention to the program and reviewed in detail the study that had been made by the Promotional Committee. Realistically, it was determined that company employees and customers indeed did have a rather diminished view of our industry and that a positive program was needed to set the record straight.

The first step of this program has been completed. The result is a prepared speech that has been field tested by members of the Promotional Committee and Association staff. We believe that this message can, and should be presented throughout the industry and, as a second step in the program, it could also (with some modifications) be presented to our large customer groups.

It was interesting to note that seven plant managers who were in the test audiences requested a copy of the speech so that they could present it at supervisory management meetings and outside business and professional groups. The presentation will be available at the semiannual meeting and we solicit your

requests for copies so that it may be given throughout our industry.

FINANCIAL MATTERS

The current financial status of the Gypsum Association is included in this report (Directors' copies). It is recommended that the second half of the 1974-75 assessment previously made upon the membership, be declared due and payable October 15, 1974.

FUTURE MEETINGS

Reservations have been made for the October semiannual meetings of the Gypsum Assocition to be held at the following locations:

1975 - Ponte Vedra, Florida

1976 - Napa, California

1977 - Tarpon Springs, Florida

Respectfully submitted,

A. V. Abnee, Jr.

A. Victor Abnee, Jr.
Secretary

REPORT OF THE
TECHNICAL COMMITTEE
TO THE MEMBERSHIP
SEPTEMBER 16, 1974

The ninety-third meeting of the Technical Committee was held August 7, 8 and 9 in Wemme, Oregon. The meeting was attended by eleven representatives from six companies, five Association staff members and legal counsel.

Work has been started in ASTM Committee C11 to combine all gypsum board product standards into as few standards as practical. At the present time, there are eight standards for gypsum board products (including lath) with common requirements for many of the products. The draft of a proposed specification combining six of the products into one standard was distributed at the meeting for review of the Technical Committee prior to submission to ASTM.

It was reconfirmed by unanimous vote that further attempts should be made with ASTM Committee C11 to delete concrete bond plaster and type "R" plaster (rapid plaster) from the ASTM plaster specification (C28). Previous attempts to delete these products from the specification were unsuccessful since the plastering faction of the ASTM committee insisted that they remain. Neither of these products have been manufactured for several years.

Conversion to metric measure was discussed. Since no adverse comments have been received from the Manufacturing and Mining Committee on our proposed conversion table (presented to

them at their last meeting), it is assumed that there is basic agreement. The gypsum industry is therefore prepared to present its recommendations to any group concerned with conversion to the metric system. It was reported that Canada is further along than the United States in metric conversion of the building industry. Close contact will be kept with their work to assure no major conflicts.

Draft of a proposed specification for predecorated gypsum board was reviewed by the committee. During discussion, it was quite evident that a specification is needed for 5/16" gypsum board. With the increased use of gypsum board in mobile home ceilings, 5/16" board is becoming more of a standard item with a number of manufacturers. Therefore, the Technical Committee recommends that the Gypsum Association recognize 5/16" board as a generic product. The Technical Committee will then take the necessary steps to add this thickness to all applicable standards.

The Technical Committee also recommends that 5/8" type X sheathing (white core and core treated) be recognized since several member companies manufacture this product. It would then be added to all applicable standards.

A task group was appointed at the last meeting to review the Association publication on gypsum sheathing to recommend revisions and to determine if new racking and shear test data is needed. The publication was revised and will be submitted to the Promotional Committee for publication. Old test data was deleted from the

publication to make it more of a promotional, rather than technical piece. Therefore, it was decided that new Association data was not needed.

Round robin testing of gypsum board samples to develop a bench test method for a type X determination is continuing. It is expected that the test method will be finalized at the next meeting and submitted to ASTM Committee C11 for promulgation.

Four application standards have been sent to main committee letter ballot of ASTM Committee C11 - Application of (1) Interior Lathing and Furring, (2) Gypsum Plaster, (3) Veneer Plaster Base and (4) Veneer Plaster. No problems are anticipated with these standards and they should be sent to the Society for ballot and publication after the January meeting.

The first major application standard - Installation of Metal Framing to Receive Gypsum Board - has been approved by Society and will be published in part 13 of the 1974 Book of Standards.

Draft of the ASTM Standard for the Application of Gypsum Wallboard (revision of ANSI A 97.1) was sent to letter ballot of both subcommittee and main committee of C11. The draft as proposed by the Association Technical Committee was weakened considerably by the ASTM task group. Consequently, the Technical Committee, by unanimous vote, advised the staff representative on C11 to vote negative on both letter ballots. It is doubtful

that this specification will pass letter ballot without considerable revision and compromise. Therefore, based on the decision reached at the last meeting and approved by the Board of Directors at the annual meeting in April 1974, this standard will be published as an Association specification.

The use of gypsum board as a substrate for exterior finishes appeared to offer a substantial new area for the use of our products. This project was approved by the Board of Directors and the subject was discussed to some length at a number of Technical Committee meetings. However, the experience of several of the companies that have field tested the product is such that the project seems impractical and has been dropped from the agenda with no expenditure by the Association.

It appears to be only a matter of time before the mobile home industry will be forced, by legislation, to use gypsum board (or some other low flame spread product) rather than plywood on the sidewalls of mobile homes. Therefore, the Technical Committee is beginning work on the development of specifications for products and application of these products in mobile homes. Initial efforts will be concentrated on those areas most susceptible to fire - furnace enclosures, kitchens, and corridors.

A task force was appointed to review application methods for gypsum board over rigid plastic foam and the need for mechanical fasteners. This item has become quite important since all plastic foam in buildings must be covered with a noncombustible material.

The Building Code Committee reports an increasing number of questions pertaining to the effect of openings in partitions on fire and sound ratings. There has been some work done and published on this. A task force was appointed to review the published data and recommend a test program, if needed.

The Building Code Committee also recommended that the Technical Committee obtain mini-ratings (less than one hour fire ratings) to comply with recently published one and two family codes. A task group was appointed to prepare a list of assemblies for testing. This list will be submitted to the Building Code Committee for comment before any program is started.

There have been no industry fire or sound tests conducted by the special testing subcommittee since the last meeting. In addition to the load requirements and the stress grading of lumber, questions have been raised concerning the performance of some of the boards during fire test. The Technical Committee recommends that an exploratory two hour test, duplicating the assembly that previously failed, should be conducted using only one manufacturer's board to resolve this question. In the meantime, work of the subcommittee is concentrated on updating sound test data for the design manual. Further discussion of this program will be given in the chairman's verbal report.

The Association publication "Using Gypsum Board for Walls and Ceilings" has been revised and, when edited, will be reviewed by the Technical Committee. It will then be submitted to the Promotional Committee for publication.

The Research Associate program at the National Bureau of Standards was discussed at length with Mr. Lawson. There are three primary areas in which the Technical Committee wishes Mr. Lawson to become involved as much as possible. These are: (1) the testing program being conducted on mobile homes at NBS; (2) work being conducted on the fire testing equipment at NBS as it pertains to possible revisions of the standard fire testing procedures; (3) the continuing test program on the development of "bench" tests to predict fire performance concentrating on the "ease of ignition" test.

The agenda for an upcoming fall meeting of the Gypsum Association-Underwriters' Laboratories policy committee was discussed. Agenda items thus far approved by both the Building Code and Technical Committees include (1) lightweight steel columns; (2) use of UL labeled board of member companies used in fire tests conducted by non-gypsum companies; (3) UL recognition of type X board. It was again suggested that highest level management of the member companies consider attending this meeting since topics under discussion could include interpretations of policy affecting the industry. The next meeting will be scheduled to include the president of Underwriters' Laboratories who expressed a desire to be present.

A complete review of the design manual was conducted in preparation for the 1975-76 edition. Revision is on target and will be ready for submission to the printers by January 1, 1975. During the review, a list of assemblies was made that

need updated sound tests. This list is being reviewed by a task force and will be submitted to the testing subcommittee.

As you know, many building codes offer trade-offs in fire ratings if sprinkler systems are used in buildings. It is believed that the cost savings with these trade-offs is very minor. Therefore, in line with our "balanced protection" concept in high rise buildings, the Technical Committee is reviewing the trade-off problem. We believe a cost analysis is in order and outside consultants will be contacted to determine the cost of conducting such an analysis.

Respectfully submitted,

John D. Shull, II

John D. Shull
Chairman

REPORT OF THE
BUILDING CODE COMMITTEE
TO THE MEMBERSHIP
SEPTEMBER 16, 1974

Six member companies were represented at the Building Code Committee meeting in Oregon last August. The subjects reviewed and discussed included model codes, federal and state agencies, and cities and local jurisdictions making rules and regulations covering the use of gypsum products.

Presently, the American Insurance Association, through the National Fire Protection Association, is promoting a new definition of combustibility for building materials which rate them on a "Limited Combustibility" scale. This would apply to most of the materials other than steel, concrete and masonry.

As discussed at the annual meeting last spring, this move would give the Gypsum Association and the gypsum wallboard manufacturers problems in changing from the long established noncombustible concept of gypsum wallboard products to a "Limited Combustible" classification for gypsum wallboard. Tests made, listed and released by some of the groups working under this new definition, show gypsum wallboard a leader in providing fire resistance because it falls in the very low area of the materials grouped under "Limited Combustibility." Gypsum wallboard is being used in comparative tests at the Bureau of Standards in various fire test programs, by Underwriters' Laboratories in their development of so-called "Corner Fire Tests"

and in some corner burn-out test comparisons at Factory Mutual Research Laboratories.

At this time the NFPA standard 220T, incorporating the limited combustibility concept, has been published for a one year public review period ending next May. It appears that the tentative standard will be advanced to full standard although some important fire protection authorities have spoken out against the proposed standard.

In current burn-out tests on mobile home units at the National Bureau of Standards, one with a gypsum board interior is being used as the standard to measure and compare the combustibility of other types of interior finishes used in mobile units.

I'm sure the representatives on the Technical Committee and the Building Code Committee have made each member very much aware of the major project all committees are working on now, revising and updating the 1973-74 edition of the Fire Resistance manual.

The Association staff cannot be commended too highly for the fine work done in obtaining adoption of the 1973-74 edition under the three model codes for fire resistance. Many municipalities and other governmental agencies around the country have also adopted the manual. However, we plan to further update and revise details, improve the editorial material and standardize

descriptions. The Gypsum Association's success has been unique from two views. First, no other association or industry has had such an extensive listing of fire rated assemblies and further, never has any other organization been successful in having so much technical data adopted for inclusion in building codes.

All committee members who have been active in developing the manual and particularly the Building Code Committee are carefully reviewing improvements in the book to avoid any loss in position gained thus far. The better the manual, the easier it will be for salesmen to understand and use it in the field. As mentioned in the past, Association building code activity has been almost entirely on the fire resistance of gypsum material and assemblies using gypsum plus some structural value where partition assemblies have been considered as a diaphragm in a building giving resistance to racking under wind stresses.

In the last decade, sound transmission characteristics of partitions as well as floor and ceiling assemblies have become important factors. Requirements for better performance in restricting sound transmission appear in more codes each year, particularly in the larger cities.

Again, the staff members have been very helpful and Mr. M. C. Smith has been successful in getting the International Conference of Building Officials in their Uniform Building Code to accept the manual for a reference on sound transmission characteristics of fire rated assemblies, particularly those

with a 50 or higher STC. Additional sound tests, proposed by the Fire and Sound Testing Special Subcommittee, are to be made as rapidly as possible. The sound transmission data for the listings will be updated and strengthened by filling in gaps. The Building Code Committee recommends the Association members approve money needed for sound tests (and some fire tests) as proposed by the Fire and Sound Test Special Subcommittee.

At the last meeting, some figures were presented on the cost of building code approvals with an emphasis on the very high costs proposed by CABO, a growing organization of state building officials, and others, proposing through their National Research Bureau to grant approval of new materials and assemblies that would be acceptable to all three model code groups. However, instead of succeeding in getting the CABO group to be more realistic and reduce the proposed charges, the three model code groups have announced increases in their charges such that the sum total of their individual charges will closely approximate or even exceed the fees proposed by CABO.

The Mobile Homes Manufacturing Association has been successful in delaying enforcement of proposed code changes limiting the flame spread characteristics for interior finishing materials in mobile home units. It still appears inevitable that the interiors will include more gypsum board in lieu of hard board, luan and particle board for these interiors as the regulations become more strict.

Many reports and articles, in addition to written reports of the Building Code and Technical Committees, have covered "trade-offs" in high rise buildings. This means a reduction in fire resistance of walls and floors where sprinklers are used on the contention that the value of the sprinklers against fire justifies reducing the fire resistance ratings. It has been the Building Code Committee's contention, in view of developments, that "trade-offs" have not been as serious a threat to the use of gypsum as was anticipated, particularly in view of the need for continued multi-layer construction to reduce sound transmission, requirements for compartmentation, and the need to isolate the area around elevator shafts and eliminate any wide open floor space immediately outside the elevator doors.

Details are being developed of a recommendation to pay a qualified architectural engineering firm to analyze the building costs of a building under two premises in order to determine just what the savings in dollars and cents are with a sprinkler system meeting all the other requirements and including "trade-offs" compared with the same building meeting the existing code. The Building Officials and Code Administrators International (BOCA) have recently reversed their position and are requiring fire ratings of one-hour in place of a 3/4 hour and a 2-hour rating in place of 1 1/2 hours. BOCA had the 3/4 and 1 1/2 hour fire resistive requirements for 20 years. These requirements should somewhat offset losses in gypsum due to "trade-offs."

The newly published HUD regulations for 1 or 2 family dwelling units, requiring fractional hour fire resistance in many areas where fire resistance was not required previously, is a step toward requiring more gypsum board than before in homes to meet the performance standards. The National Bureau of Standards, along with other fire protection agencies, are beginning to emphasize more than ever the high loss of life in house fires and the need to give better protection to the occupants of individual homes and garden apartments, or in other words, wood frame low rise buildings. This can only lead to more gypsum board being used in this type construction.

The Association staff and the industry representatives participating in the model code annual meetings are beginning to notice the good effect of the change in procedure that requires a proposed code change be submitted six to nine months prior to the meeting. This change results in more orderly and productive meetings with less "surprise packages" and discourages all the discussion and delays that were so common in these meetings before the change.

The Building Code Committee supports the recommendations of the Technical Committee to continue the fire and sound test program to the fullest extent. This may involve some additional funds.

The normal expenses of the Building Code Committee cover two meetings per year as well as participation in the conventions and special meetings of the three model building code groups. In view of the success to date in promoting the Fire Resistance manual, the cost to participate in these meetings has not been as high as it was when we were first promoting the Fire Resistance manual to these groups.

No recommendations involving the expenditures of new funds are proposed by the Building Code Committee at this time.

Respectfully submitted,

C. E. Abbey

C. E. Abbey
Chairman

REPORT OF THE
TRAFFIC COMMITTEE
TO THE MEMBERSHIP
SEPTEMBER 16, 1974

The Traffic Committee held its summer meeting in San Francisco, California on August 19-20, 1974.

CAR SUPPLY PROBLEMS

Car supply has been generally good this year, due mainly to the lower demand for grain shipments to seaports where cars became embargoed last year due to congestion. While bulk-headed flatcars and boxcars are not always available in quantities requested, generally, supply has been adequate.

The ICC recently approved the "Railbox" freight car pooling arrangement proposed by Trailer Train Company through its subsidiary, American Rail Box Car Company. Initially a pool of 10,000 general purpose boxcars will be purchased and be made available for general use among 38 member carriers. Later, 10,000 flatcars will be purchased and placed into the pool. It will be possible for carriers to load these cars to any destination in the United States, thus permitting better utilization and avoiding considerable empty car mileage now required to route cars back to owner lines.

Several proposed changes in rail car demurrage rules, due to become effective last August, were suspended by the ICC. The most burdensome of the proposed rules was one which would have reduced free time for loading outbound cars from 48 hours to 24 hours. Also suspended was a rule which would have made

private cars on private tracks subject to demurrage rules. Both proposals were strongly contested by a considerable number of shippers. The entire matter is under investigation by the ICC and temporarily suspended pending their findings.

MOTOR VEHICLE LENGTH, WIDTH AND WEIGHT PROPOSED LEGISLATION

The Traffic Committee has been quite active in support of legislation seeking revisions to current restrictions on motor vehicle length, width and weight. Provisions to allow single axle weight increases from 18,000 to 20,000 lbs., tandem axle from 32,000 to 34,000 lbs., and gross weight from 73,280 to 90,000 lbs., and length to increase to 65 feet, have been sliced from House Bill H.R. 12859 (Unified Transportation Assistance Program).

These provisions, along with certain funding provisions, were deleted as being inflationary and unacceptable by President Ford under threat of veto. The House of Representatives deleted these portions and passed the Bill to the Senate.

Senate Bill 3934 Federal Aid to Highway Amendment of 1974, Section 107, contains similar provisions to raise Federal highway axle weight limitations on tractor-trailer units from 18-20,000 lbs. on single axle units, 32-34,000 lbs. on tandem axle units, with the maximum gross capacity of vehicle and cargo subject to Formula B maximum 80,000 lbs. The Association supported the passage of S 3934 and initiated an industry phone campaign. The bill was passed September 11, 1974 containing Section 107 (increased axle weights).

The Association is currently promoting the introduction of companion legislation in the House that will support S 3334 in joint Congressional Conference Committee and assure passage. A detailed report covering our progress in this area will be made at the semiannual meeting.

ASSOCIATION RAIL EQUIPMENT STATISTICAL PROGRAM

To date, the Defective Flatcar Report Program has reviewed 1,173 reports from participating Association members. These reviews have resulted in 623 flatcars being rejected and 550 cars used under protest for lack of more suitable equipment. We are pleased with the results based on letters received from various railroad mechanical officials, acknowledging receipt of our reports and advising of arrangements to have the defective cars repaired.

Defective flatcars are a constantly occurring problem, requiring a great deal of vigilance and patience in reporting. The Traffic Committee members urge all to continue their fine cooperation in preparing and submitting these reports to the Association.

ICC TARIFF USERS ADVISORY COMMITTEE

In April, the Traffic Committee agreed that a "Statement of Facts, Views, and Arguments" be presented to the Interstate Commerce Commission in Docket 35613, Regulations for the Transmission and Furnishing of Tariffs and Schedules to Subscribers and Other Interested Persons. Subsequently, this

document was prepared and forwarded and our views presented, indicating support of the ICC earlier decision to require mailing of tariffs to subscribers at the same time tariff material is filed with the ICC. Furthermore, we supported the ICC proposed rule making and order, namely, that mailing of tariff material to subscribers and filing with the ICC should be simultaneous and certified as to that fact; material not over 3 ozs. should be mailed first class and heavier mailings may be by third class, bulk or United Parcel Service; that a reasonable charge is proper; and that copies of tariff material should be available to interested parties on request.

Generally speaking, this subject has received very strong support from shippers. Also, motor carriers for the most part are complying while rail carriers are trying unsuccessfully to block the ICC investigation, urging that the case be discontinued. Final disposition by the ICC is pending.

NORTHEAST REGIONAL RAIL REORGANIZATION ACT

On January 2, 1974, President Nixon signed into law H.R. 9142 - the Northeast Regional Rail Services Act of 1973. Public Law 93-236 is a $2 billion bill to provide for restructuring the rail transportation system in the northeastern and middlewestern regions of the United States.

The law provides for the establishment of the United States Railway Association to prepare and finalize a system plan; Consolidated Rail Corporation to operate and maintain service

and facilities; Department of Transportation to submit their recommendations for regional rail service; ICC to establish Rail Emergency Planning Office to hold public hearings and submit report; special reorganization courts to decide legal controversies arising from bankruptcies, reorganizations, abandonments, etc.; and funding of loans to maintain service while plans are developed.

In July, the courts ruled the Act would not provide fair and equitable compensation to "secondary debtors." A special court will hear arguments. Another court ruled the Act unconstitutional on the grounds creditors were denied assurance of compensation for losses during the reorganization process.

The matter is being appealed to the Supreme Court. The effectiveness of the Act is still quite uncertain, due to a possible negative Supreme Court ruling. Planning is nevertheless progressing while litigation continues.

THE UNIFIED TRANSPORTATION ASSISTANCE PROGRAM (UTAP)

This is House Bill H.R. 12859, sponsored by the Nixon Administration and sent to Congress in February this year. This Bill would provide $9.3 billion for "mass transit"; allow flexibility in use of funds from the Highway Trust Fund; permit mass transit money for operating subsidy; provide an 80-20% federal-local share for highway project costs. The dollar amounts in this Bill were sharply cut by the House before passing it to the Senate, under threat of "Presidential veto" due to infla-

tionary tendency. Also cut from this Bill were the truck size and weight provisions previously mentioned.

THE TRANSPORTATION IMPROVEMENT ACT OF 1974 (TIA)

This Bill, H.R. 12891 (Senate companion Bill S. 3237), was authored by the Department of Transportation and sponsored by President Nixon's Administration. Briefly, TIA would: provide for federal loan guarantees of $2 billion to spur investment in rail plant and equipment; remove "inhibiting" ICC regulations adversely affecting railroads' economic performance; provide $35 million to improve freight car utilization through a national rolling stock scheduling and control system; liberalize abandonment procedures; restrict provisions of rate bureaus inhibiting carriers rate making practices; recommend uniform cost revenue accounting methods for railroads; require rail rates cover variable costs of service; and remove discriminatory "state and local" taxation.

This Bill, along with H.R. 5385 - Surface Transportation Act, are now in mark-up sessions in the House Subcommittee. Present developments point to a finalized bill which will combine the best parts of both proposals.

THE SURFACE TRANSPORTATION ACT

On July 30, an amended version of H.R. 5385 was reported out of mark-up, and is an amalgam of the original H.R. 5385 and H.R. 12891, the Transportation Improvement Act (TIA). The main features of this new bill are: financial assistance to railroads

of up to $2 billion in loan guarantees; $15 million to develop a national rolling stock management information system; prohibit discriminatory taxation of carrier property; establish minimum compensatory rates; develop and implement interim rate adjustments; investigate discriminatory freight rates on recyclable materials; requires rate bureaus to dispose of certain matters within a specified time; prohibits rate bureaus from acting on single line rates, but are permitted to propose joint rates and general rate increases; prohibits reduced federal government rates; establishes uniform cost accounting systems; contains additional provisions concerning per diem, storage charges, rail carrier rate division adjustments, and abandonments.

GENERAL RAIL FREIGHT RATE INCREASES

The Traffic Committee, through the Association's Washington, D.C. legal counsel, filed with the Interstate Commerce Commission a petition of protest and request for suspension against the nation's railroads' request for a general rail freight rate increase in Ex Parte 305, Nationwide Increase of Ten Percent in Freight Rates and Charges, 1974.

This proposed general freight rate increase of 10% was to become effective June 5, 1974, but was suspended by the ICC.

Due to the unusually large number of railroad rate and surcharge increases, we believe the following chart will simplify and clarify the subject:

Ex Parte Number	Amount of Increase	Effective Date	Explanation
299	1.9%	10-1-73	Retirement taxes
	0.7%	1-1-74	Retirement taxes
299-A	0.2%	3-16-74	Retirement taxes
301	2.1%	1-31-74	Fuel cost surcharge
301-A	0.4%	3-9-74	Fuel cost surcharge
301-B	0.3%	4-1-74	Fuel cost surcharge
301-C	0.2%	5-1-74	Fuel cost surcharge
301-D	0.3%	6-1-74	Fuel cost surcharge
303-A	4%	3-9-74	General increase
305-A	10.0%	6-20-74	General increase
	3.3% (1)	6-20-74	Fuel cost surcharge

(1) Aggregate amount of fuel cost surcharge, changed to 3.3% rate increase per ICC order in X-305-A.

The railroads proposed to increase the fuel cost charge of 3.3% to 3.5% effective August 10, 1974. This railroad action received extremely heavy shipper protest, including individual action by members of the Traffic Committee. The ICC placed the proposal under suspension while they conduct their investigation of the proceeding.

GENERAL MOTOR CARRIER RATE INCREASES

Since February 7, 1974, motor carriers have been applying a 6% surcharge under authority granted by the ICC in Special Permission Order No. 74-2525, Emergency Fuel Surcharge for Line-Haul Transportation Charges and Other Charges - Motor Common Carriers, to recoup losses incurred from increased fuel costs.

By mid-year all the major motor common carrier rate bureaus had proposed and filed for further general rate increases to cover additional costs, particularly labor increases.

On June 28, the ICC suspended general rate increase proposals of five major rate bureaus, scheduled to become effective on July 1. They subsequently suspended four other bureau proposed increases.

On July 10, the ICC issued its order Ex Parte MC-92, Investigation of Impact of Rising Costs on Motor Common Carriers, stating the fuel surcharge authorized in Special Permission No. 74-2525 was no longer necessary in view of de-escalation of fuel crisis and more gradual increase in fuel prices; that surcharges were to be phased out and cancelled by no later than 45 days.

The ICC also issued individual orders in each rate bureau rate increase suspension case, authorizing them to re-submit increase proposals of 8%. This 8% included the portion applicable to the former fuel cost surcharge, and the Commission specifically noted that owner-operators of motor vehicles were to be compensated in the same amount as they were under the surcharge, providing a formula for this to be accomplished.

At this writing, there are three major rate bureaus with general increase proposals filed to become effective on varying dates in September. These increases are for 2.2%, 2.5% and 2.5% respectively. One other bureau has under serious consideration the possibility of filing for 5%.

MOTOR CARRIER GATEWAY RESTRICTIONS - EX PARTE 55, SUB 8

This ICC order, served February 25, seeks to initiate regulations aimed at eliminating motor carrier gateways. A

gateway results from a motor common carrier voluntarily "combining" or "tacking" two separate and unrestricted grants of irregular-route authority at a service point common to each, "the gateway point," and conducting operations through the gateway from points served under one authorization to those served in the other.

Frequently, adherence to these rules results in circuitous, uneconomic and inefficient operations, adversely affecting our environment and not permitting the best utilization of our critical energy resources. Thus, this ICC order was aimed primarily at fuel conservation, and secondarily at reducing highway congestion, alleviation of air and noise pollution and lowering of safety hazards.

The Commission permitted carriers to file gateway elimination proposals and set up a special ad hoc unit to speed up processing. The deadline for filing was June 4, and at that time more than 15,000 letter notice applications and 7,500 formal applications had been received.

Two federal court actions have been filed, one seeking to extend the filing deadline, the other seeking to enjoin the ICC from barring tacking by carriers who have not filed letter notices.

The regular route common motor carriers have petitioned the Commission to institute a rule-making proceeding to permit their carriers the same 80% circuity formula in their super-

highway and deviation rules.

A further report covering industry transportation subjects of interest will be made at the semiannual meeting.

Respectfully submitted,

John D. Friedlein

John D. Friedlein
Chairman

REPORT OF THE
PROMOTIONAL COMMITTEE
TO THE MEMBERSHIP
SEPTEMBER 16, 1974

The report of Promotional Committee activities was to have been made by Promotional Committee Chairman Don Miller of The Celotex Corporation. As most of you know, Mr. Miller died this past June.

Don had been a member of the Promotional Committee for many years and had served several terms as chairman. He was a major contributor to Association advertising, promotion and trade relations programs. I know I speak for all of us on the staff and the membership when I say he will be sorely missed by all of us in the industry to whom he was a friend as well as an associate.

Don was very active in Association affairs up to the time of his death and was particularly interested in the possibilities of an industry image program, an area which the Board of Directors had instructed the Promotional Committee to study.

Due to the circumstances, rather than a formal Promotional Committee report, this is a summary of Promotional Committee activity in this and some other areas.

I - INDUSTRY IMAGE PROGRAM

At the annual meeting in April, Chairman Miller outlined a long range industry image program projected by the Promotional Committee. This program received the enthusiastic support of the

Board of Directors. The over-all program is aimed at several potential audiences; the people within our own companies, trade factor groups and distributors; the construction industry as a whole; and the general public. It was the feeling of the Promotional Committee that most of the negative attitudes toward big business within all of these groups are the result of a lack of information on the essential functions of the corporation in a free enterprise system and the many benefits that corporations provide for them as individuals.

As a first step in the proposed program, the committee requested and received authority from the Board of Directors to prepare an inspirational talk aimed at our own industry employees and trade factor groups. The purpose of this presentation is to explain benefits of the free enterprise system in general and how the gypsum industry functions within that system. The committee was instructed to develop this talk and present it for review at the semiannual meeting in October. Research and development of this speech has been underway since that time. The talk has been field tested, edited, revised and given again to the point where it is felt to be ready for use by individual member companies with their own personnel. Copies of the talk will be distributed at the semiannual meeting. It is intended that additional copies will be made available to individual member companies for their own use.

The possibility of using visuals for this presentation had been mentioned originally but in the course of developing and testing the talk it was determined that direct contact between the speaker and audience would be the most effective way to express our message.

The Promotional Committee would like to have the reaction of the membership to this speech before proceeding with the next steps in the long range program outlined at the annual meeting. A next logical step would be preparation of a brochure to be used as a handout along with the speech. Other possible areas of activity will be reviewed in the Promotional Committee oral report. We might emphasize that this speech, particularly suitable for use at the supervisory management level, could also be utilized at business clubs and with small investor groups. It has been tested and proven effective.

In determining the next phase of activity in the program, it should be borne in mind that the Promotional Committee has been formally asked to consider the financial community as a particular audience.

II - THE TOWERING INFERNO

Through personal contact and various other sources, the Association has been keeping a close eye on production of the upcoming major motion picture, THE TOWERING INFERNO. The film, a joint production of Twentieth Century Fox and Warner Brothers, has an all-star cast including Paul Newman, Steve McQueen, William Holden,

Faye Dunaway, Fred Astaire, Jennifer Jones, Robert Wagner, etc. We have reviewed the final shooting script and found nothing detrimental to gypsum per se; however, the large scope of the fire disaster in the film will undoubtedly cause public concern about living and working in high rise buildings. It is reported that several special interest groups (sprinkler, building management, and electrical interests), who feel they are presented in a negative way, are considering possible ways to counteract adverse public reaction.

The film is now being edited and prepared for scheduled release at the end of the year. It should be pointed out that, because of the public interest, media interest in high rise fires will also be great at this time and it would be appropriate to provide the media with editorial material on the positive fire containment qualities of gypsum products and systems.

III - FIRE ON THE RISE

FIRE ON THE RISE, the film being sponsored by the Gypsum Association, along with several other interested groups, is now being filmed by the Walter J. Klein Company. At our recommendation, the Association concept of balanced protection (containment, detection, suppression, evacuation, and fire services) is being utilized in the film.

As part of our contract, the Walter J. Klein Company will promote showings of the film on TV stations and to interested groups as they did with our previous film, FIGHTING FIRE WITH SCIENCE.

Due to the theme and timeliness of FIRE ON THE RISE the Promotional Committee is considering a supplementary distribution program by the Association.

IV - LITERATURE

Distribution of Association literature remains at a high level with several new publications in various stages of preparation. We are on schedule with production of the 1975-76 edition of the FIRE RESISTANCE manual which will be out early in 1975. Another very important book currently in production is the new GYPSUM ASSOCIATION WALLBOARD SPECIFICATIONS which will replace the outdated A97.1 in our inventory. A97.1 is currently under revision by ASTM and until it is completed we have been directed to use our own specifications. The Association specifications should be in print by the semiannual meeting. Other publications under revision include the gypsum sheathing brochure and USING GYPSUM BOARD FOR WALLS AND CEILINGS.

V - TRADE RELATIONS

As was verbally reported at the annual meeting, the Gypsum Drywall Contractors International has voted down the proposal to merge with the international association of Wall & Ceiling Contractors. Circumstances surrounding the proposed merger have resulted in a certain degree of friction between the two organizations. The Gypsum Association took no official position in the matter and we continue to maintain amicable relations with both groups. The Association is currently presenting a series of

seminars on drywall for regional iaWCC meetings. Two such seminars were presented during August in LaCrosse, Wisconsin and San Antonio, Texas. Both were very well received.

A feature article, written by the Association and outlining many of the ways in which gypsum manufacturers work on behalf of the contractor, appeared in the July/August issue of GDCI's DRYWALL MAGAZINE.

Respectfully submitted,

T. Donald MacQueen

T. Donald MacQueen, Secretary
Promotional Committee

REPORT OF THE

MANUFACTURING AND MINING COMMITTEE

TO THE MEMBERSHIP

SEPTEMBER 16, 1974

The Manufacturing and Mining Committee will hold its semiannual meeting at Ojai, California on October 8, 1974. That meeting date is subsequent to the preparation of this report, but prior to the semiannual meeting where a supplemental oral report will be presented.

Increasingly, the activities of this committee have been concerned with current or proposed legislative activity at either the State or the Federal level, together with response to the requirements of Federal regulatory bodies. It is apparent that the new regulators - agencies like EPA, OSHA, EEOC, to name a few, are here to stay, and that both the individual members and the Association itself must learn to deal with them.

Highlights of the committee's activities are covered below:

LAND PRESERVATION AND RESTORATION

Investigation into continuing joint land restoration actions in Fort Dodge has resulted in the recent completion of an initial land use study of the depleted quarries in the area. A 32 page report covering this most recent study including projected landscape models will be available at the semiannual meeting for further review and discussion.

Committee recommendations covering future restoration plans for the Fort Dodge, Iowa lands will be covered in my report at the Ojai meeting.

The committee continues to be involved with the efforts of the gypsum producers in the Fort Dodge area, to bring about desired changes in the Webster County zoning regulations, so that it will not be necessary for mineral producers to secure special extraction permits when opening new deposits. Unfortunately, we have not met with success in this effort and the zoning regulations, which were imposed some time ago, remain in effect without the modifications we seek. The effort continues, supplemented by assistance from four other Webster County companies extracting clay and limestone, and we have Association legal help in the matter. At this time, it is not possible to predict a successful conclusion, but new action is being initiated, even though it may involve the public hearings which we had hoped to avoid.

ENVIRONMENTAL MATTERS

As reported at the last meeting, the air pollution study of the industry has been completed. This study established criteria which would indicate the capability of the industry to achieve roll-back in air pollution in the event that ambient air standards currently existing, should be threatened in any location. We do not expect further governmental activity of this nature on air pollution, unless conditions in some locality should seriously worsen.

The Environmental Protection Agency has now engaged VerSar, Inc. to conduct a survey of industry water pollution pursuant to the later establishment of water pollution guidelines. Members of the committee and the Association met with this contractor during the summer, assisted in his general planning, and were effective in modifying some of the initial activities which had been planned. Subsequently, Association members have accompanied the contractor on visits to typical gypsum operations and the report and recommendations are now apparently in preparation. This work leads to establishment of guidelines which will meet the current legislative requirements for the best practical water pollution technology in all industry by July, 1977, to be followed (unless the regulation is modified) by a requirement for the best available technology by July, 1983.

On the surface, the industry would not appear to have significant problems. However, surface drainage, mine and quarry water control, cooling water, as well as effluent from other processes located at gypsum plants, could pose substantial problems, if guidelines developed are not intelligently written with understanding of the actual situations which occur.

SURFACE MINING

Both the House and the Senate have passed surface mining legislation which is directed to coal, but provides for a "study" of all other minerals. Specifically, the Secretary of the Interior can make annual grants to a state to develop a program

for designating lands as unsuitable for mining of minerals and materials other than coal, if such program provides for proper consideration of regional and national requirements for mineral development. Just what this will mean, remains to be seen.

OTHER FEDERAL LEGISLATIVE ACTIVITY

There is increasing activity aimed at the development of a solid waste bill by the Senate Public Works Committee, which will bear the attention of the Association in the months ahead.

A National Employment Priorities Act is being proposed in both the Senate and the House which, in essence, would require employers to give at least two years notice prior to moving an employment site, and a number of federal actions would be designed to retrain and compensate employees terminated by plant relocation. We are informed that this legislation is not likely to be passed as the Congress is presently constituted, but it will require watching over the next year or two and could be the subject of Association testimony at some later date.

The committee plans to become better informed on the possible problems relating to the proposed Consumer Protection Agency legislation which has been under active consideration in the Senate.

SEVERANCE TAX

This report will confirm information sent to you earlier that the Association was successful in an attempt to defeat a 3%

extra levy by the State of Wyoming, which would have been an increase in the existing 1% tax.

ENERGY

The committee has been actively cooperating with the Stanford Research Institute who was awarded a contract to develop a wealth of energy use information for the government related to the gypsum industry, the lime industry, and the ready mix and Portland Cement industry. Our work with SRI included guidance on the type of information to be developed, plant inspections by SRI personnel, and general counsel as to the direction of their work with our industry.

It is thought that the purpose of this study was to identify the energy savings possibility in the event that a usage reduction might be initiated at the federal level, or to support a possible future quota system. We have been informed that the major aspect of this project is the establishment of industry norms so companies may measure their individual performances against those norms.

INDUSTRY WASTE PAPER SHORTAGE

We have had no further activity in this area since the annual meeting in April. However, subsequent to the issuance of this report, the committee chairman plans to meet with the secretary of the Paper Makers Institute to learn the extent of that Association's activity in this area and to determine if there is any opportunity for these two associations to support each other.

FLATCAR LOADING RULES

Since the occasion of the annual meeting, the extensive program of loading seminars authorized at that time by the Directors has been carried out in excellent fashion by the Materials Handling Subcommittee at various plant locations throughout the country. To the best of our knowledge, improved loading techniques by manufacturing plants in combination with the revised loading rules which are now in effect have resulted in very satisfactory performance of flatcar shipments of gypsum board.

Whether this disappearance of the flatcar loading problem is a result of the new rules and our own better procedures, or whether it is largely brought about by a substantial reduction in long distance flatcar shipments as the building boom has cooled, must remain in doubt. I would suggest to the members that proper flatcar loading procedures will require constant attention, and it is important that our individual efforts in this direction should continue.

MATERIALS HANDLING SUBCOMMITTEE FUNCTION

In addition to maintaining continuing surveillance in the matter of flatcar loading results, the Materials Handling Subcommittee is now undertaking the matter of securing approval of appropriate loading figures for interstate truck shipments as required by the Federal Highway Administration.

FUTURE COMMITTEE MEETINGS

In 1974 - for the first time in its existence - the committee planned two meetings as opposed to the single annual meeting formerly held. The matter of future meetings will be discussed on October 8 and an oral report covering this question will be made.

Respectfully submitted,

W. W. Holloway, Chairman

REPORT OF THE

MATERIALS HANDLING SUBCOMMITTEE

TO THE MEMBERSHIP

SEPTEMBER 16, 1974

Effective with the annual meeting held at the Drake OakBrook Hotel, Oak Brook, Illinois during April 1974, the Materials Handling Committee has been operating as a subcommittee of the Manufacturing and Mining Committee.

The currently assigned projects are:

(1) The AAR Loading Program

(2) Federal Highway Administration Docket MC #12

(3) AAR Paper Loading on Rail Cars and American Paper Institute Project

(4) Materials Handling Manual - Periodic Update and Revisions

(5) Materials Handling Training Film - Periodic Update and Revisions

At the request of the AAR we reviewed the new Figure 101, Section #5 of the AAR Loading Rules, and made suggestions for minor changes which the AAR is currently reviewing for their publication.

The AAR - Gypsum Association test load program is about completed. This test program of 250 carloads, consisted essentially of three methods of applying interlacing boards. One test was two packages high, one test three packages high, and the third test four or more packages high.

The response from the AAR on the test shipment program indicates that tests have been completely successful.

Gypsum Association loading seminars were held throughout the United States during the period of May 7 to May 16 in preparation of the mandatory rules which became effective on May 20, 1974.

The loading seminars were attended by plant personnel of each member company, three nonmembers and several railroads. The training material was extremely well received.

Seminars were held at the following locations:

United States Gypsum Co.	Jacksonville, Florida	May 7
National Gypsum Co.	Long Beach, California	May 7
Temple Gypsum Co.	Irving, Texas	May 9
National Gypsum Co.	Richmond, California	May 9
Georgia-Pacific Corp.	Fort Dodge, Iowa	May 14
The Celotex Corp.	Port Clinton, Ohio	May 16
The Flintkote Co.	Camden, New Jersey	May 16

As a result of the seminar program, a manual and slide presentation program has been prepared and is being distributed to plant locations for training and review purposes.

A task force of the Materials Handling Subcommittee is working on clarification of the rules covering safe loading of motor vehicles under the Federal Highway Administration Rules and Regulations Docket No. MC-12.

The other agenda items on the Materials Handling Subcommittee list will be reviewed at the Manufacturing and Mining meeting to be held at the semiannual meeting.

Respectfully submitted,

E. R. Kiehl

E. R. Kiehl
Chairman