

REMARKS BY RALPH L. HARDING, JR., PRESIDENT
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"PLASTICS' FOUR HORSEMEN"

The outlook for the plastics industry depends today not so much on how well we develop our opportunities, but rather on how successfully we cope with our problems in the immediate months ahead. The history to date is well documented in the yearbook, "Facts and Figures of the Plastics Industry", issued by SPI's Committee on Resin Statistics. In addition, the prospects for our growth ahead to the year 2000 are set forth in the Stanford Institute Report entitled "The Plastics Industry in the Year 2000".

The key question is: How do we get from here to there? There are many new applications, whole new markets to develop. We anticipate many new or improved materials which will, in turn, open up many exciting new opportunities. On the other hand, at the present time, our road ahead is almost completely blocked by four major obstacles to growth. It's these obstacles which I wish to discuss today.

Seven years ago when I became head of the staff of SPI, the plastics industry was relatively unnoticed. It still had a kind of inward look - doing its own thing. This was a period of rapid growth, of change, but generally, the plastics industry

was left to its own devices. SPI was a loose federation with a lot of different groups, going their own way - talking to each other occasionally. Back in '67 we had a staff of 48 in SPI, and an overall budget of about \$1,000,000 plus about \$500,000 in specially raised funds. My time at that point was about 80% inside. Today the situation couldn't be more different. Take my own job. Things are reversed - it is about 80% ^{outside} ~~inside~~. I travel about 80,000 miles a year on behalf of the industry. Our staff is up by only 6 - to 54. Our budget has tripled to \$3.2 million dollars for this year plus about another 1.3 million in specially raised funds by some of the groups that have problems of their own to work on. We have just completed a reorganization of our staff.

The reasons for all this growth for SPI are clear: This industry has really come into the big leagues. In the process we are being tested. We are in the limelight, in the doldrums, and we are in trouble. There are many major problems which have to be solved. The big budget merely reflects the urgent needs and the action programs which must take place if we are to solve those problems.

In trying to characterize the four problem areas that face the industry, I was searching for a way to state them in some manner that would get attention. How do you dramatize four major problems -- four what? Well, four horseman, and I don't

mean the Notre Dame backfield from '22 to '24. Remember Knute Rockne's backfield of Stuhldocker, Layden, Miller and Crowley? I wish I could talk about them, it would be a lot more fun. Unfortunately, I'm talking about The Four Horsemen of the Apocalypse from the Book of Revelations, Chapter 6. Also the subject of a post WWI novel by Ibanez, the Spanish novelist. The names of those four horsemen are Conquest, War, Famine and Death, which are certainly not happy themes.

I was reminded also that, back when I was going to Sunday School as a kid, one time our Sunday School teacher said, "You know you can find a biblical reference for everything if you put your mind to it." One of the wise guys in the class said, "How about baseball?" The teacher said, "That's easy - Genesis 1:1. In the big inning." Then I saw a new one earlier this fall. The New York Times Sunday sports section had some biblical references to football. One of them is in numbers 20:18 -"Thou shalt not pass." The point is that the four horsemen do characterize our problems.

| The first one was Conquest. Here I am referring to the industry's solid waste and environment problems, because today this country in truth is captive to the environmentalists and the consumerists. When they object, plants don't get built, pipelines don't get built, we are short of power. If somebody wants to build a power plant, they can't get permission to build it. If they get per-

mission to build it, they can't dig the coal or go after the oil. The same problems arise when you go down a long list of environmental problems. Now I am all for a clean environment. I would like to support it in every way we can, but these people who have taken over in many respects have gone too far too quickly in my opinion.

And this falls out on the plastics industry because of continuing anti-plastics sentiment. There are many environmental bills in state legislatures, literally hundreds of bills, and now bills in the Federal Congress. As a result, we have to undertake a positive program to forestall those actions which would really hurt our business.

I don't think it is fair or proper or sound for this industry to underestimate this matter of the anti-plastics sentiment that exists today. The ecologist, Barry Commoner, says that all synthetics are against nature and a solution to the energy crisis is to ban all synthetics. In fact, of course, all of them take only about 5% of all of the total of oil and gas needed and plastics only about 1-1/2%. Critics tend to totally disregard the various values that plastics bring to our economy today - the necessity of plastics in order to keep the economy running. So that is the first major problem we face.

2 The next one the Horseman is known as War, and this represents our fire problems. It was a long time before the plastics industry would really admit that plastics burn, and they burn rather vigorously, I might add. These are organic materials; we can retard the flame spread; we can coat them. Nevertheless in the presence of fire, plastics will be consumed. So we have to face up to these plastics fire problems. And indeed the reason we have to face up to them so much is that we are at War with many regulatory agencies regarding the matter of fire. During the past year I participated with a number of companies in negotiations with the Federal Trade Commission regarding a consent order on foamed plastics. In the process of working out this Consent Order, the Federal Trade Commission also came forward with a proposed rule, a rule which applies to the whole industry in contrast to the order which applies to the 25 companies. In the rule the FTC proposes to severely restrict the use of all the tests that we know today to demonstrate the burning characteristics, or the safe characteristics of foamed materials.

The problem here is the fall-out which can undoubtedly be expected for many, many other plastics used in construction, furniture and other applications. We are at War with other agencies as well. We are at War in many cases with the Fire Code people around the country in terms of getting proper

recognition and understanding of plastics. We are also sometimes at war with the advocates of other materials - the steel pipe, the copper pipe people - who, for example, don't care too much for the way plastics pipe has cut in on their business.

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Horseman #3 is Famine. And this, of course, identifies the energy crisis and materials shortage the industry faces today. We have got to recognize we are a "have-not" industry in a nation that is becoming "have-not" as far as energy requirements are concerned. We have to recognize new economics for the plastics industry - the economics of supply rather than of demand, and that higher prices are here to stay for the long pull. We are in a period between now and I think about late '77 - when we cannot expect much growth in this industry for very solid reasons. There is not the feedstock to support growth, and if there were the feedstock there is not the resin capacity for growth. This has to be thoroughly understood - we are going to go sideways.

Right now availability is a little better, but it is not real. Availability is better because demand is off - not because supplies have improved. And this winter we are going to get a real test, if it is a cold winter, because the first thing that will be done is to start to restrict industrial use of natural gas and to soup up the production of propane. In both cases that cuts right into

the middle of the ethylene supply. And as the new cars come along, requiring lead-free gasoline, this draws down our benzene. We have our work cut out for us in fighting for our share of the basic raw materials. And we not only have to fight for all petrochemicals, but there is tough competition within or among petrochemicals for the small share that comes to us.

I think we also have to face the possibility that the talked-about recession could be a little more than the recessions we have experienced since World War II. I don't think so - I think probably in late spring of next year things are going to look a little better. But I don't think this is a time to bet either way. This is a time for caution, on inventories, on capital expenditures, on any kind of expansion. I think that as you look at your business and that as you look at your customers, you will recognize that those molders who are going ahead with new equipment are taking risks which I hope they understand. I know of a couple of cases where they are blithely going ahead on the assumption that the availability is permanently improved. If they can be sure of their supplies or if they are working with certain plentiful engineering resins or if they have firm commitments from their suppliers, they are probably going to be all right. Or if they are replacing old equipment in order to upgrade productivity, quality and profitability -- fine. I don't make myself too popular with our members of the Machinery Division talking this way, but this point must be made.

This has to be a sideways time, not a time for complacency, but a time to try to straighten out everybody's business internally and try to get ready for the growth that's coming in the late 70's and thereafter. Not a cheerful picture but the way it is.

4 And the least cheerful among our particular problems at the present time is represented by the 4th horseman, characterized as death or sometimes called pestilence. Here I am talking about our toxicity problems - and especially right now VCM. The issue here could be settled in a very calm reasoned atmosphere, but this is not the way Washington works today. In fact, as far as we can tell, the potential peril caused by VCM is limited to those workers who are in the PVC or the VCM plants themselves. There is no appreciable risk to the workers in the fabricating area. There is no appreciable peril to the general public.

A kind of confrontation of ideologies took place when we had the hearing with OSHA this summer. I sat though a good many of the hearings, testified, was cross-examined. Everybody seemed to be assigned a preordained role. We were all placed into categories and business "has no conscience" in the minds of some of these people. It is pretty tough. The OSHA decision surprised us. It was a cop-out as far as I am concerned. It covers all people connected with the business. It covers fabricators.

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A truck full of bags of PVC resin may very well have to have a sign on the side of it saying "Caution, cancer suspect area." And the standard of one ppm as an operating basis is unworkable. One ppm, gentlemen, is one ounce of vermouth in 7800 gallons of gin. Todd Walker of Firestone, a big husky guy, operates his business, I think, the way he must have played football, which is pretty directly. Todd says that the OSHA decision was "economically unrealistic, technically unfeasible, medically ridiculous and politically inspired. It is as if you took the automobile safety problem and said that since cars are dangerous, all cars hereafter must run at 1 mile an hour." But that does not solve the problem, so we had to go to court and sue OSHA. Recently I was at the Americana in New York at a conference on VCM. About 1,000 people showed up for the SPE RETEC on the vinyl chloride problem and the leadoff keynote speech was given by Dick Fleming of Air Products. He did a wonderful job and laid this whole thing out and I hope it will receive a considerable amount of publicity, at least in the plastics press. One of our problems in this kind of confrontation is that the general press is very sympathetic to the anti-industry forces. Fortunately, we think the plastics press will at least reproduce a good bit of Fleming's talk and it is a damned good story. The industry has a lot to say for itself. The problem is we can't prove beyond a shadow of a doubt that there is no risk - since you can't prove, you have to qualify. That is why when I went over to record the CBS show

(aired on 19th of October) Mort Dean kept trying to pin me down as to what the risk was to the general public. And there was a long sequence of which he used very little -- I had about 15 minutes worth of tape and he used the 45 seconds of his choice, but he asked me, "Well, what's the risk, what do I tell people?" I said "Well, I tell my friends not to worry, but if I am talking in front of that camera, I have to say we know of no cause for worry". This is really the problem the industry faces, we can't make flat-out blanket denials. How do I know whether they are going to find something that has been so far obscured? I saw on the television this morning that chlorine is now suspected - that chlorine used to purify your drinking water is now a cancer suspect agent. We couldn't breathe before, now we can't drink water. We are into a funny time here. Keep in mind, gentlemen, this is not just going to end with vinyl chloride - it is going to go right on into other chemicals with the benzene family, isocyanates and the fluorocarbons likely to be the next to get it. I am happy to say that the chemical industry is beginning to gear up to defend itself.

Now this is a pretty pessimistic picture.-- these 4 problems. The four Horsemen that are stalking us are not very friendly, and they have these points in common - they are big, they are running at this industry all at once. Any one of these problems carried to the extreme could darn near wipe out a whole segment

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of our industry. No one company can cope individually with these problems. Collective action is really the only solution. We are not the first to have this feeling of being besieged-- other industries have had the same experience. This is why SPI's program has burgeoned and tripled - it is what you have to do. It is why we have now a major Public Affairs Program at SPI with major capabilities to fight our way in legislative matters, to monitor all 50 state legislatures - to keep track of Congress and the administrative agencies. We just hired a guy in Washington -- so, our Washington office will open soon. We have legal problems. Obviously, it is going to cost this industry a considerable amount of money to fight our court battle. In this case, of course, the vinyl chloride people are paying their own way. We are engaged in a number of legal battles and potential legal battles to make sure that our industry's position is protected. We have to get out and do much more in the way of positive publicity to get across the pluses of our industry. Sometimes you will recognize that we were the source, and sometimes you won't. There was a column this summer by John Chamberlain which was in several hundred papers around the country. And that took place because a couple of us had lunch with John and told him a couple of our ideas for a column - no mention of SPI, but the good word got out. There has to be some strong technical work done too to make sure that we have solid data to support our position. Some-

times this technical work will have to be supported by SPI as a whole; sometimes by the particular group involved - the pipe people, the urethane people or others, to develop a better technical base for their position. This kind of program has to be fast-moving, it has to be professional.

There is one other key element - it really is the key to the future of the plastics industry as far as I am concerned. The analogy here is the hand in the fire. Those of you who have been burned at one time or another don't have any trouble remembering what it felt like. Hold your hand out - not only is there a scar, but it hurts. It makes a hell of an impression on you all over, and you don't forget. The scar may disappear, but you will remember what it was like to have your hand in the fire. This is what has been happening to our industry in many respects. Each new crisis has brought forward a wave of new men who have not paid much attention to their industry association before but suddenly began to realize - Hey, there is a better way to do this. The first one was the New York City Packaging tax. A lot of packaging companies suddenly began to realize they could be legislated out of business. And then the FTC problem. The vinyl chloride problem was the latest, but especially was this true in the case of the energy crisis. There was a lot of noise about the energy crisis - a lot of criticism of SPI made by those who were not members and didn't know what we were doing. But as the story unfolded, they began to realize there was real power available in the plastics industry -

real collective clout. And these men who have looked at disaster face-to-face don't forget. They recognize the essentiality of a strong, coordinated, effective program. They don't forget what it is like to have their hand in the fire. Now, when a new problem comes along that isn't theirs, they are still willing to help because they have come to realize that an attack on one part of our industry is likely eventually to lead to get them in trouble too. These men, many of you who are included, have demonstrated a real faith in the future of the plastics industry. That is why SPI is getting strong, and will get stronger. Many men in many companies around this country have stayed away, figuring that SPI was a "party" organization. They thought that the resin companies or the big machinery companies would foot the bill and they take the benefits. They are beginning to realize that they had better participate; they are now taking a new look at their industry association and why they need to be a part of it, to know what is going on - to be able to see that the right kind of things happen. They are beginning to realize that this is where the action is and this is where we have to solve the industry's problems. It is for these reasons that I have become increasingly optimistic about the future of this industry. We are going to go through a lot of trouble between now and '77 - it will take to '77 because it will take that long to increase the oil refining capacity that is going to provide the feedstocks we need - about that time the programs that have been announced

to increase the resin capacity will come in, too. I am talking about the last half of '77. Then you are going to see the combined and very necessary feedstock and resin capacity. Meantime, we are going to be squeezed and scared and shoved, but in due course it will happen. Beyond that we are talking about a potential that was put together in a report issued last year for us by Stanford Research Institute entitled "The Plastics Industry in the Year 2000". They talk about a potential for 200,000,000 pounds - 100,000,000 metric tons by the year 2000. Nothing has happened to that potential - it is still there. Plastics people have just begun to recognize their opportunities, just begun to reach out to the applications that are available to us. What we have to do is struggle through and get ready and when the availability resumes, we can take off like a rocket, because none of those markets are going to go away. They are going to be there.

When I started this I mentioned the Book of Revelations and the grim Four Horsemen of the Apocalypse. I would just like to remind you that the Book of Revelations does indeed end on an optimistic note - talking about the promised land, and I would just like to remind you again that the plastics industry has a fantastic opportunity out there ahead of it, challenging us to earn it.

Thank you very much.

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