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"1975 - 1976 OPERATION RESOURCE" - THE PLASTICS OUTLOOK

FOR DELIVERY AT

THE ANNUAL CONVENTION OF THE NATIONAL SOFT DRINK ASSOCIATION

Atlantic City, November 20, 1974

It is a real pleasure ladies and gentlemen to be with you today to report on the plastics industry, the new boy on the block. Compared to your volume of use of the other materials you have been hearing about in the last few minutes, we are very small potatoes. But just wait. We have great hopes for the future of your industry and with your industry.

Earlier this year all you heard about the plastics industry was that we were experiencing great difficulties with shortages and with much higher prices. However, in recent weeks our availability has vastly improved. Resin salesmen are around asking for orders. Suddenly it would seem that all our problems are over - right? Wrong!

Actually, the situation today is that demands for plastics have slackened considerably because of slowdowns in the automotive, construction and appliance businesses, and because of inventory accumulation in the past that now looks high.

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Our basic supply situation remains unchanged. There is no real increase in availability because there has been no substantial increase in capacity. The outlook for the next two years into late 1977 is for our industry to move sideways - at best. It promises to be a period for some at least of prosperous non-growth.

Well, how did we get into this position of non-growth? I need only remind you that plastics are derived from oil and gas. All types of petrochemicals, including textiles, anti-freeze, paints and coatings, fertilizer and plastics account for only 5 per cent of the oil and gas consumed in this country. Plastics alone account for only a little over 1 percent of the total-load. The trouble is that that 1 percent is easily forgotten and very vulnerable. We have had a very difficult struggle in maintaining our claim to that 1 percent. We anticipate a continuing fight to make sure that we maintain that small share.

It is not just that petrochemical feedstocks are in short supply, we also face possible inroads because of crises in related areas. For example, if we have very cold weather this winter, there will be a new squeeze on natural gas and on propane. This will seriously curtail the availability of ethylene, our principal feedstock. In addition, when the new cars begin to draw down more lead-free gasoline, this

promises to tighten up benzene availability.

To make a long and complicated story much too short, we are suffering now from previous over capacity. From the period beginning about 1967 or 1968 until 1972 we were under utilizing available raw material capacity. Then, in 1972 and 1973 demand spirted ahead and by early 1973, we were hitting capacity ceilings. At this point, we also began to run out of feedstock because of basic refinery and by-product capacities as well as the decreasing availability of oil and gas.

Thus, at the present time we have both a capacity and a feedstock ceiling problem.

It is not likely that we will get out of this bind until new capacity and new feedstock availability comes in, and this is not expected until towards the end of 1977. Further, this is provided that the nation's basic energy programs move forward in the interim. However, I expect our industry to resume its more traditional 12 per cent a year growth by late in this decade.

Meanwhile, all of you who are interested in or use plastics in your own operations need to recognize if we do have a ceiling, that we are likely to move sideways. I urge you to use caution in expanding your use of plastics, making sure that materials will continue to be available after the present softness goes away.

On the other hand, I urge you to get ready for what lies ahead for our industry.

Any evaluation of plastics availability also has to take into account three other areas of concern or obstacles to growth. The first of these has to do with our fire problems. The public seems to forget sometimes that plastics do burn, and on occasion vigorously. We have launched a major education program to bring about proper use, proper understanding and proper safe guards on the part of people who work with plastics. We are developing new tests and new standards for safe use.

I don't have to tell this audience that we have had environmental problems, similar to yours. Barry Commoner, for example, considers all synthetic materials "against nature." We have certainly heard all the criticism about irreplaceable resources, nonbiodegradability, etc. In the long run we believe we will be able to demonstrate the energy saving facets of plastics. We believe that in the incinerator power plants of the future, in addition, that energy recovery will be materially aided by the presence of plastics in consumer waste. We like to remind people of what the Shah of Iran said last spring; namely, that "oil is too valuable a raw material to burn as a fuel." We believe that in the long run more and more that while we are strongly criticized by the environmentalists, we can persuade them of our benefits and advantages.

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Our third present obstacle has to do with the matter of toxicity, exemplified by our present concerns with vinyl chloride monomer. Let me assure you here today that this is a chemical industry problem with a gas used in the production of polyvinyl chloride or vinyl. We can't totally, absolutely prove it at this point, but we feel certain that ultimately we will be able to show that the workers in fabricating industries and also the general public have nothing to fear from vinyl chloride. We do have a serious chemical industry problem to cope with.

We have been caught up in an era of over concern, over reaction. Vinyl chloride may well turn out to be another cyclamate. OSHA, for a number of reasons, was forced into a very political decision and we, in turn, have been forced to appeal to the courts for a review of OSHA's decision.

There will be, undoubtedly, a howl and cry over other synthetic materials presently and potentially used in your industry. You can be sure that we will make certain of your safety even before FDA, the Food and Drug Administration, injects itself into the picture.

What I am trying to say in discussing all three of these problem areas is this: We have the programs underway to cope with these problems. We certainly have the will to succeed in overcoming them. Most of all we have the incentive because of the

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long-range prospects which we believe are ahead for the plastics industry.

In the 1973 report issued by Stanford Research Institute predicted that there would be demand for 100 million metric tons of plastics per year by the year 2000. That is not quite, but nearly 10 times larger than the present level of consumption. One fourth of this would be headed for packaging applications of all kinds.

We visualize many innovations ahead for all the uses of plastics. Your industry represents a most important and enticing market opportunity in our future.

We are thinking not only of the present applications for carriers, cartons, cases, but also for the beverage package itself. Experimentally work ranges widely into many new types of plastics resins. There are opportunities for a number of composite products utilizing the best characteristics of plastics in combination with glass or metal or paper.

In the long run we expect to demonstrate the advantages of plastics to you. We certainly will have to prove our environmental worthiness and to earn our way from every point of view. We want you to regard plastics, not as cheap substitutes, but as materials being used because of superior performance and superior economics.

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But all of that is in the future and certainly not in any substantial volume during the next two years. I urge you to keep in touch with us to watch developments in our industry. For the short term, I recommend considerable caution in moving into new applications or new products unless you are absolutely certain that the materials will ~~be~~ continue to be available for you. For the long term, get ready to see a lot more help from the plastics industry than you have seen in the past.

For all of these reasons, I look forward to seeing you at future meetings of the National Soft Drink Association. Thank you.