

MINUTES of the one hundred fifty-fourth meeting of the Directors of the Manufacturing Chemists' Association, Inc., held at The New York Hilton, New York City, on Tuesday, February 8, 1966, at 9:30 a.m. (EST).

There were present:	E. B. Brooks	M. A. Minnig
	Chester M. Brown	Joseph E. Rich
	F. L. Byrom	W. T. D. Ross
	Herschel H. Cudd	Kenneth Rush
	David H. Dawson	Robert B. Semple
	George H. Decker	Hans Stauffer
	J. Robert Fisher	Robert C. Swain
	Carl A. Gerstacker	Harold E. Thayer
	Thomas C. Jones	Henry A. Thouron
	Alexander Lewis, Jr.	Jesse Werner
	John O. Logan	John E. Wood, III
	A. R. Marusi	M. F. Crass, Jr.

Alternates:	S. H. Anonsen (for Harold E. Thayer)
	David L. Eynon, Jr. (for F. L. Byrom)
	C. C. Garvin, Jr. (for Harold W. Fisher)
	Leonard Hynes (for W. T. D. Ross)
	C. B. McCoy (for David H. Dawson)
	C. L. Randolph (for Hugo Riemer)
	T. M. Welton (for T. G. Hughes)
	William Wishnick (for M. A. Minnig)

General Counsel:	Lloyd Symington - Fowler, Leva, Hawes & Symington
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Present by Invitation:	Invited to the meeting and to the conference which followed were the Executive Contacts of all member firms. Representation was present from 65 member firms, including those represented on the Board and committee personnel. Attached to these Minutes as Exhibit A is a listing of those present, other than the Directors and Alternates set out above.
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#### I. OPENING REMARKS.

Chairman Robert B. Semple called the meeting to order at 9:30 a.m. He stated that several years ago the MCA Policy Study Committee recommended to the Board of Directors that an annual conference of member Executive Contacts be held to receive and discuss information relating to the projects and activities of the Association and its committees. The first of such conferences was held in Chicago during October 1963 in conjunction with a regional meeting of the Directors. The present conference is the third of the series.

Registrants were asked to introduce themselves and give their company affiliation. Chairman Semple urged them to take an active part in the discussion.

II. MINUTES OF DECEMBER 14, 1965, MEETING.

The Minutes of this meeting were duly approved as submitted to the members.

III. REPORT OF THE SECRETARY-TREASURER.

(a) Financial Report -- June - January 1966. The financial report for the eight months ending January 31, 1966, was summarized by the Secretary-Treasurer.

ON MOTION duly made and seconded, it was

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

(b) 15th Semi-Annual Meeting. The Treasurer reported a balance of \$18,414 with all bills paid.

(c) Investments. It was reported that the Executive Committee had authorized the Treasurer to invest \$200,000 from the savings account in two-year Certificates of Deposit bearing a higher rate of interest. Balance of the savings account will be maintained on a daily interest basis subject to immediate withdrawal either in whole or in part.

(d) Membership Fees -- Fiscal 1966-67. On January 17 the Treasurer circularized the Executive Contacts for 1965 "chemical sales" data to be utilized on a confidential basis for membership fee purposes during the next fiscal year. It was urged that those who had not responded please do so promptly.

IV. BOARD OF DIRECTORS.

(a) Membership Committee. Chairman Cudd reported that applications had been received from

Basic Chemicals  
&  
SunOlin Chemical Company

and that, in the opinion of the Membership Committee, the applicants were qualified for membership under the Association's By-Laws.

ON MOTION duly made and seconded, it was

VOTED: That the applicants be approved, subject to the 30-day notification of members provided under Article III, Section 4, of the By-Laws.

(b) West Coast Regional Meeting of the Directors. The Secretary reported that all details had been finalized for the March 7-10, 1966, West Coast Regional Meeting. On January 20 letters of invitation were sent to the Executive Contacts

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of all member firms having operating facilities in the three coastal states, with the invitation extended to the West Coast managers of such facilities. The meeting will open with a dinner in San Francisco on the evening of March 7. On March 8 registrants will be transported to Pebble Beach where a schedule of business and social functions has been arranged. The Secretary requested that any Executive Contact with a West Coast facility who had not received an invitation should contact him promptly.

(c) 94th Annual Meeting. During the first week of March the staff will send to the Executive Contacts full details relating to this meeting, including tentative program, reservation instructions, and transportation information. The Association has again been assigned all hotel space, excepting a small block which has been set aside for the use of permanent guests. Space is the same as that of last year in the face of a somewhat increased membership. A total of approximately 850 registrants can be accommodated, and this will again mean that there must be a voluntary allocation of space instituted. A special train has been arranged which will leave New York City on the evening of Wednesday, June 8. The hotel has agreed to provide all three of the 18-hole golf courses for tournament play on Friday morning, June 10.

#### V. STAFF REPORT.

General Decker presented a report of developments in the Association's program of projects and activities since the last meeting. Copy of this report is appended to these Minutes as Exhibit B.

#### VI. COMMITTEE APPOINTMENTS.

The following committee appointments were approved:

(a) Air Quality Committee.

Herbert Kay, American Metal Climax, Inc.

R. D. Hall, Diamond Alkali Company, replacing W. R. Taylor.

(b) Chemical Packaging Committee.

M. T. Miller, Canadian Industries Limited, replacing J. D. Crichton.

(c) Education Activities Committee.

Joseph P. Palumbo, Chemetron Chemicals.

(d) Industrial Relations Advisory Committee.

G. B. Cameron, The Lubrizol Corporation, replacing M. J. Staley.

(e) Labels and Precautionary Information Committee.

Anthony C. Diliberto, Stauffer Chemical Company.

(f) Mechanical Technical Committee.

N. Karnoutsos, The Dow Chemical Company, replacing K. J. Loescher.

(g) Medical Advisory Committee.

J. H. Wolfsie, M. D., United States Rubber Company.

- (h) Nuclear Committee.  
Alex Stewart, Jr., National Lead Company, replacing G. W. Wunder.
- (i) Public Relations Committee.  
Edward G. Ackerman, Nopco Chemical Company.  
William G. Ball, Jr., Ethyl Corporation.  
E. N. Brandt, The Dow Chemical Company, replacing Arthur Smith, Jr.
- (j) Tax Policy Committee.  
Richard Guregian, Wyandotte Chemicals Corporation.
- (k) Washington Advisory Committee.  
Frederick B. Lee, Olin Mathieson Chemical Corporation.
- (l) Water Resources Committee.  
R. D. Hall, Diamond Alkali Company, replacing W. R. Taylor.

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There being no further business to come before the meeting it was unanimously resolved to adjourn at 10:20 a. m. Chairman Semple then turned the chair over to General G. H. Decker, who presided during the balance of the conference. Following brief opening remarks, he introduced the speakers and stated that there would be a period allocated following each presentation which would be devoted to the answering of questions submitted from the floor. He urged all registrants to join in the discussion.

Formal presentations consisted of the following items:

1. Transportation and Distribution Committee --  
P. T. Brewbaker, Hooker Chemical Corporation
2. Industrial Relations Advisory Committee --  
E. W. Dwyer, Monsanto Company
3. Tax Policy Committee --  
R. A. Wentz, Jr., E. I. du Pont de Nemours & Co.
4. Legislative Developments --  
James R. Carnes, MCA Staff

Copies of the above presentations are attached to these Minutes as Exhibits C through F, inclusive.

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At 12:00 the conference was adjourned. Registrants then participated in a short reception period followed by luncheon.

M. F. Crass, Jr.  
Secretary-Treasurer

MINUTES SUBJECT TO APPROVAL

Attachments

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ATTENDANCE LIST  
(Excluding Directors and Alternates)

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Allied Chemical Corporation

John S. Gates

Aluminum Company of Canada, Limited

D. W. Evans

American Mineral Spirits Company

Edward M. Toby

Atlas Chemical Industries, Inc.

Ralph K. Gottshall

BASF Colors & Chemicals, Inc.

W. K. Veith

Callery Chemical Company

E. G. Sanner

CIBA Corporation

Harry B. Marshall

Continental Oil Company

Gordon A. Cain

Diamond Alkali Company

Raymond F. Evans

E. I. du Pont de Nemours & Co.

R. A. Wentz, Jr.

Du Pont of Canada Limited

Herbert H. Lank

Escambia Chemical Corporation

Howard F. Roderick

Essex Chemical Corporation

Louis Bay, 2nd

FMC Corporation

F. A. Gilbert

Glyco Chemicals, Inc.

W. W. Huisking

Great Lakes Chemical Corporation

E. T. McBee

Hooker Chemical Corporation

P. T. Brewbaker

F. L. Bryant

I. C. I. (Organics) Inc.

Thomas Richardson

Jefferson Chemical Company, Inc.

J. K. Goerner

Jefferson Lake Sulphur Company

J. T. Files

Kay-Fries Chemicals, Inc.

H. K. Vanderhoef

H. Kohnstamm & Co., Inc.

Paul L. Kohnstamm

The Lubrizol Corporation

M. M. McGrew

Manufacturing Chemists' Association, Inc.

F. H. Carman

James R. Carnes

Elkins Oliphant II

The Matheson Company, Inc.

F. M. Belmore

Merck & Co., Inc.

Luther S. Roehm

Millmaster Onyx Corporation

R. J. Milano

Mobil Chemical Company

J. D. Fennebresque

Monsanto Company

E. W. Dwyer

Pearsall Chemical Corporation  
Mason P. Pearsall

S. B. Penick & Company  
P. D. Reed

Pfister Chemical Works, Inc.  
Albert Bendelius

Chas. Pfizer & Co., Inc.  
A. J. Schmitz

Pittsburgh Activated Carbon Company  
A. M. Townsend

Pittsburgh Plate Glass Company  
J. A. Neubauer

Rayonier Incorporated  
M. A. Brown

The Richardson Company  
H. Stanley Lawton

Rohm & Haas Company  
D. S. Frederick  
R. J. Whitesell

Shell Chemical Company  
C. W. Humphreys

Stauffer Chemical Company  
R. W. Gunder

Tennessee Products & Chemical Corp.  
David Reich

Texaco Inc.  
M. F. Granville

Ventron Corporation  
M. C. Lauenstein

Witco Chemical Company, Inc.  
Robert I. Wishnick

STAFF REPORT  
February 8, 1966

Presented by General G. H. Decker

Federal Legislative Developments

Although the war in Viet-Nam is the dominating concern of the Second Session of the 89th Congress, the President's State of the Union Message, Budget Message, and Economic Report indicate the nature of probable Federal legislative activity in the coming months. Those parts of the President's program of most interest to the chemical industry are his tax package, his strong support for an active program of water pollution abatement, amendment of the unemployment compensation law, and repeal of Section 14(b) of the Taft-Hartley Act. Underlining the President's recommendations regarding water pollution abatement, Senator Muskie's Special Air and Water Pollution Subcommittee, on January 25th, released a report of its hearings around the country last year on the needs and the effectiveness of the Federal water pollution control program. Included were legislative recommendations on Federal financial support of the fight against water pollution.

Various committees of Congress have commenced hearings, or have indicated intention to act on other subjects of interest to you, including:

1. State taxation of interstate commerce.
2. Relaxation of annual limitation on amount of investment credit.
3. Study of corporate pension plans.
4. Uniform Government patent policy.
5. Humane treatment of laboratory animals.

In his review of legislative prospects scheduled for the Executive Conference later this morning, Mr. Carnes, MCA Director of Government Relations, will cover details of the more important legislative items.

Tax Treaties

On January 25, MCA Tax Policy Committee representatives met with Assistant Secretary of the Treasury Stanley S. Surrey and his advisers to discuss MCA's objections to the definition of "permanent establishment" in recent tax treaties, notably the Philippine and Thailand Treaties. Twice last year the Association commented on this definition, once by letter to Treasury and once by testimony before a congressional subcommittee.

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In the thorough discussion of the Association's objections, MCA representatives stated that the new definition might subject chemical companies to taxation by foreign countries where they are not now taxed. Although sympathetic, Mr. Surrey said he did not feel any change could be made in treaties already negotiated. He added, however, that efforts would be made in the future to negotiate treaties similar to the one with Israel, which contains a more acceptable definition of "permanent establishment."

#### Defense Production Act

According to the press, the Defense Department is weighing the need to employ regulations compelling manufacturers to give priority to defense orders.

Under the Defense Production Act of 1950, when the Defense Department is unable to obtain the necessary bids to fill an order, the Commerce Department can require a capable manufacturer to produce the order, unless the company can justify its refusal under certain exceptions.

Because some industries are working at capacity and are carrying high backlogs, issuance of priority orders may be inadequate to meet military demands, and increased use of set-aside orders is forecast to cope with this situation.

#### State Legislative Outlook for 1966

The year 1966 will be an off year for State Legislatures, with only 23 states scheduling regular sessions. In many of these 23, environmental health legislation is expected to be given serious consideration.

#### Indian Patents Bill

On January 4 the Association dispatched to the Secretary of the Indian Parliament a letter setting forth its views on the pending Indian Patents legislation. The letter covered substantially the same ground as a previous letter to the State Department. MCA's views, as well as those of other U. S. industries, were incorporated in an Aide Memoire, presented to the Indian Government by our Ambassador. However, State considered that nothing would be lost by dispatch of a letter directly to the Indian Government. It is understood that the Chamber of Commerce of the United States and the National Association of Manufacturers are planning to send representatives to New Delhi to testify on the bill and that other trade associations are forwarding letters directly to the Indian Parliament.

#### Foreign Trade

The Special Representative for Trade Negotiations, the Honorable Christian A. Herter, has requested the Tariff Commission to undertake a study on imports of benzenoid industrial chemicals and finished benzenoid chemical

products to determine rates of duty which would provide protection substantially equivalent to that provided under ASP. Not having information to support a statement to the Commission, MCA urged member companies with factual cases to submit them. In a January 18 letter the Commission was advised that MCA might wish to participate in the investigation later. SOCMA did submit a brief setting forth its position.

The Washington staff has prepared a study which profiles major chemical companies world wide. The study sets forth the size, financial strength, product range of both U. S. and foreign companies, and other factors relating to their competitive ability. The study was designed to furnish information that would be helpful to the U. S. GATT Negotiators in the Kennedy Round. Copies are available on request.

#### Transportation

The ICC Examiner in the tank car mileage allowance case last Spring issued his report and recommendations December 23. This matter will be presented in some detail during the Executive Conference, so I shall not discuss it further.

In responding to ICC Proposed Rule Making dealing with exterior markings for motor vehicles, MCA recognized the need for improved markings and favored a system based on English wording and contrasting colors. Other interested industry groups, including API, took similar positions. Opposed to this, the Fire Marshals Association of North America has advocated a complex hazard degree and color coding system (NFPA 704M) which industry considers impracticable.

#### Water Pollution Control Seminar

The third Technical Seminar on Water Pollution Control in the Chemical Industry will be conducted at Georgia Institute of Technology in Atlanta the week of February 14. Attendance is oversubscribed, as was the case in the first two of these Seminars.

#### Intermountain Air Pollution Workshop

The Program for the Intermountain Air Pollution Workshop in Denver on March 8 has been distributed. Arranged by the MCA Air Quality Committee, the Workshop will be co-sponsored by the Chemical Industry Council of Denver, Denver Chamber of Commerce, Colorado Petroleum Council, and the Colorado School of Mines. Control agency representatives of five Rocky Mountain area states will take part.

### Plastics Research at NBS

Dr. Warren F. Busse, formerly of du Pont Company and Past Chairman of the Plastics Steering and Technical Activities Committees, now retired, has been retained as a part-time consultant for the Weatherability Research Project under way at the National Bureau of Standards.

### Weatherability of Plastics Symposium

Weatherability of Plastics will be the general theme of a symposium to be jointly sponsored by MCA and the National Bureau of Standards in February 1967. Full details have been supplied member representatives.

### Polyethylene Carboys in Nitric Acid Service Unsuitable

The Chemical Packaging Committee has conducted tests on polyethylene carboys in nitric acid service and believes they are not suitable for this use. Revision of safety data sheets and special reports on the subject are now being considered.

### Industrial Relations

The Association has completed its survey of the membership with respect to shift overlap problems and procedures. The Industrial Relations Advisory Committee will use the data in preparing suggested "ground rules" which will be made available to Association members for utilization and guidance.

### Community Relations Activities

Intended primarily as a basis for generating interest in Chemical Progress Week April 25 - 30, a community relations "continuous service kit" has been mailed to the Chemical Industry Council audience. The material in the kits placed emphasis on plant-level community relations activities, particularly of an environmental health nature. Included was an updated model speech on water pollution, reflecting dealing with the provisions of the Water Quality Act of 1965. Also in the kit was a 12-page brief of the booklet "Everyday Facts About Agricultural Chemicals," principally intended for use by the industry in connection with the National Academy of Science-National Research Council Symposium on pesticides held last week. That event was organized as a "follow-up" to the flying symposium sponsored in 1964 by MCA. More than 600 advance registrations were made, and the sponsors regarded the event as quite successful.

### College Chemistry Teacher Awards Program

As of February 2nd, 39 nominations had been officially submitted for the 1966 College Chemistry Teacher Awards program. It is expected that by the deadline date of April 1, the number of candidates this year will exceed the total of 56 presented in 1965.

REPORT TO THE BOARD OF DIRECTORS  
of the  
MANUFACTURING CHEMISTS' ASSOCIATION, INC.

By P. T. Brewbaker, Chairman  
Transportation and Distribution Committee  
February 8, 1966

I am very pleased to have this opportunity to report to you on the activities of the Transportation and Distribution Committee. All of us fortunate enough to hold membership on this important committee hold it proudly and in high honor. Among the many committees of this nature in the various trade and industry associations, this MCA Committee stands out as the most prominent and the most respected. Serving as Chairman of this committee has been the highlight of my business career.

That this committee is held in such high esteem stems first from the reputability of the Manufacturing Chemists' Association and second from the fact that down through the years the men serving on this committee have been dedicated, experienced, hard-working transportation men, and the record they have made both in their respective companies and on this committee, has gained widespread recognition.

In years past, the Transportation and Distribution Committee has met three times annually, usually in February, June, and October; beginning this year, this committee will meet twice annually, in March and October. We are able to reduce the frequency of our meetings because, more and more, the work of the committee is being done, year-round, in subcommittees and task groups. This arrangement allows us to make full use of the members of the committee, and also considerable use of the transportation men in MCA member companies which do not, at the time, have representation on the committee.

Presently, there are eight standing subcommittees, six of which are charged specifically with certain subject matter in the field of transportation or distribution.

The Legislative Subcommittee is our watchdog over the activities of the Congress and the state legislatures. Its members keep abreast of the bills introduced which may affect transportation or distribution, and reports them to the committee with

recommendations. As a result of these recommendations, appearances have been made, sometimes written, sometimes oral, before congressional committees, letters have been written to congressmen and senators and to state governors. During the last three sessions of congress, many bills have been introduced which would have drastically revised federal regulation of transportation, both private and public. Based on MCA's Legislative Subcommittee's recommendations, MCA supported some of these bills and opposed others. The large majority either died in committee or were still in the hopper when congress adjourned. The only new law of recent vintage and of special interest to MCA member companies stemmed from H.R. 5401, which tightens control over illegal highway transportation, and provides for recovery of unlawful overcharges on highway carrier shipments through court action. A task group of the Legislative Subcommittee is now concerning itself with ICC Docket 3666, Notices 50 and 69. Notice 50 pertains to the transportation of dangerous articles by private motor carrier and, naturally, is of great concern to the chemical industry. This notice requires annual reports to the ICC by private carriers as to the number of trucks operated, the states in or through which the vehicles operate, and the number of accidents where body injury, death or property damage over \$250 resulted. Identification of private vehicles transporting dangerous articles is also required.

Along with other interested parties, MCA introduced argument in the proceeding in opposition to the reporting requirements but not to the identification requirements. The outcome of this ICC proceeding is not yet clear.

The most active subcommittee during my term of office as chairman has been the Car Advisory Subcommittee. For the past four years or more, this subcommittee has been deeply involved in the matter of the mileage allowances which railroads pay to owners of tank cars used in railroad transportation. In order to adequately cover all aspects of this subject, we found it necessary to increase the membership of the subcommittee and to divide it into seven task groups, each handling one specific phase of the over-all subject. In addition, as you know, MCA employed the engineering firm of Ford, Bacon and Davis, and the law firm of Belnap, Spencer, Hardy and Freeman to assist in this matter.

On October 13, 1964, Mr. George L. Wilson, who at that time was chairman of the Car Advisory Subcommittee, reported to you in some detail on the subject of tank car mileage allowances, and explained MCA's position in attempting to resolve the

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matter. I will now review briefly what Mr. Wilson said to you, and also what has transpired since.

For at least half a century, railroads have paid a standard mileage allowance to the owners of private tank cars, regardless of the differences in the costs of ownership of such tank cars. A tank car thirty years old, fully depreciated, and with a salvage value only, was paid exactly the same per mile as a brand new 30,000 gallon, pressurized, insulated, roller-bearing car costing upwards of \$35,000. In recent times, this allowance has been 5.5 cents per mile.

Years ago, when tank cars were relatively inexpensive, and pretty much all of a kind, a single, uniform allowance may have been alright, but since World War II, tank cars have become quite sophisticated, especially in the chemical industry. Their cost, both from an original cost and an operating cost standpoint, ranges all over the map. MCA's Car Advisory Subcommittee concluded, after careful study, that the actual cost of providing tank cars in the chemical industry goes as high as 20 cents per mile, depending upon the value of the car. Consequently, MCA advocated a multi-level plan of mileage payments, grouping all tank cars into value groups, with the payments for each value group predicated upon the ownership costs for tank cars in each group. With the assistance of the tank car leasing companies and the Association of American Railroads, and with the technical assistance of Ford, Bacon and Davis, a study was completed which indicated that for at least an interim period, there should be three value groups of tank cars, with commensurate compensation for each group. In the meantime, a more comprehensive study could be made to determine a firm equitable plan for the future. In October 1964, these interim payments were made effective on three groupings of tank cars according to value. It appeared we were well on our way to a permanent resolution of the matter. Unfortunately, certain railroads, notably the Southern Railway, took actions which brought the whole subject into litigation before the Interstate Commerce Commission. It was at this point that MCA retained Mr. Richard J. Hardy of the law firm Belnap, Spencer, Hardy and Freeman. We had no choice, at this late date, but to enter wholeheartedly into the ICC proceeding. Several members of the Car Advisory Subcommittee, representing MCA as well as their own companies, introduced evidence in support of MCA's position, as did Mr. Eugene Durand of Ford, Bacon and Davis. Others introducing evidence in support of their own positions were The American Petroleum Institute, representatives of the vegetable oil and the meat packing industries, the Association of American Railroads, the four major tank car leasing companies, and several individual railroads whose views differed from that of the AAR.

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In due course briefs were filed, and in late December 1965, the ICC examiner served his recommended report and order. The examiner accepted many of MCA's contentions on matters of principle. He found that the railroads had not justified the three-level allowance system established in October 1964, and that the record made by MCA and others did not support the six-level system advocated by MCA. He did, however, leave the door open for the railroads to gather the data necessary to justify a six-level system which he said should be made effective six months after the date of the ICC's final order. One disturbing part of the examiner's report and order, at least to those parties supplying tank cars to the railroads, was the alternate plan proposed. In what MCA's attorney, Mr. Hardy, described as an "excursion" beyond all of the testimony of record, the examiner said that maybe the time has come for the railroads to scrap the historical allowance system, and to reduce the freight rates on shipments in shipper supplied tank cars to reflect only those services which the railroads provide. This could be interpreted to mean that railroads should make rates to reflect only the cost of roadbeds, tracks, locomotives, and other facilities necessary to "tow" the tank cars supplied by shippers. If because of the nature of the commodity shipped in the tank car, the shipper needed to supply a very expensive tank car, that would be of no concern to the railroads. The examiner also apparently ignored the fact that if tank car ownership costs are compensated for by reductions in freight rates, the compensation will in many cases accrue not to the owner of the tank car, but to a third party.

In any event, MCA's reply brief will attempt to discredit this alternate plan. The reply brief is due on February 23, and it should be remembered that the examiner's recommended report and order is just what its name implies - a recommended report and order. Only the Interstate Commerce Commission itself can make the final order.

I have devoted most of this report to the Car Advisory Subcommittee and this matter of tank car mileage allowances because it continues to be the most important subject to come before the Transportation and Distribution Committee in many years from the standpoint of the member companies of MCA. Already the changes in the mileage payments accomplished thus far have resulted in several millions of dollars of additional compensation for MCA member companies supplying tank cars to the railroads. There is every reason to expect that eventual conclusion of the problem will add many, many millions more.

I do, however, want to mention the other subcommittees of the Transportation and Distribution Committee whose activities contribute to the well-being of the Association's member companies. These are the Tank Truck Subcommittee, the Subcommittee on Trailer-on-Flat-Car Service, the Motor Carrier Subcommittee, the Subcommittee on Transportation Instrumentalities and Car Service, and the Research and Development Subcommittee.

I also should point out the contributions of MCA's Washington staff, particularly those of Mr. C. H. Mayhood, the committee's secretary, to the successful prosecution of the Transportation and Distribution Committee's aims and purposes. We very much appreciate their counsel and assistance.

Report to the Board of Directors  
of the Manufacturing Chemists' Association, Inc.  
By E. W. Dwyer, Chairman  
Industrial Relations Advisory Committee  
February 8, 1966

I am happy to be here today to briefly review with members of the executive conference the objectives and work of the Industrial Relations Advisory Committee.

The Committee, as many of you know, had its first meeting on March 31, 1954. It was organized at the request of the Board following intervention of the Association in the craft severance case involving American Potash and Chemical Corporation and a number of craft unions. It was the feeling of the Board, at that point in time, that problems such as this in the industrial relations field would undoubtedly increase and that it would be well to have an advisory committee to operate specifically in these areas.

Since its formation, the Committee has maintained a high management level insofar as its membership is concerned. As I mentioned in my talk before the Board last year, one of our charter members was Birny Mason of Carbide. We don't have any other presidential promotions to announce but all our members hold positions of top responsibility in their field.

The function of the Committee is officially stated as follows:

"To advise the Board of Directors on industrial relations policy matters of general interest, and to supervise the Association's labor relations reporting services."

With that background, let me quickly come to what we are actually doing and have done.

I have already mentioned that the Committee was born at the time of the American Potash case. It has maintained a close watch on developments in the craft severance field ever since; has kept the Association advised of all important developments; and has offered advice and counsel wherever possible in individual company cases.

The Committee has been active on Walsh-Healey Public Contract matters and has kept in close touch with all government developments in the wage and hour field as they may affect the industry. This has included many contacts with the Department of Labor and appearances at hearings.

As an example of our possible effectiveness, the last effort of the Department of Labor, nearly five years ago, to bring about an unrealistic raise in the minimum Walsh-Healey chemical wage ended up nowhere. No redetermination of chemical minimum wages has been made since.

A problem which rapidly became acute some two/three years ago was the insistence on the part of the Labor Department that companies who operate with continuous shifts, as most of us do, would have to pay overtime for any shift overlap. The possible impact on our industry is obvious, as it is virtually impossible for one operator to take over from another operator without there being at least a de-minimis overlap. When the government gets into one of investigations, its assessment of back pay penalties can come as a real shock.

The Committee has taken vigorous action in this matter. Members of the Committee have met with top officials of the Labor Department, including the principal Assistant Secretary, and recently, as many of you know, a survey of the members of the Association was taken to determine the extent of the governmental attack. General Decker mentioned this study in his remarks. There is now evidence that this harassment is beginning to slack off, at least to some extent. We shall continue to follow developments.

Again, as so many of you know, there has been legislation submitted to require double time penalty for overtime in place of the present time and one-half. This has been on the misguided objective that industry would hire more people rather than pay a heavy overtime penalty. Your Committee vigorously opposed this legislation. Carl Hageman, our then Chairman, presented the Association's case in oral testimony before the House Committee, and we were congratulated by the members of the Committee for the clarity of our presentation and the relevant facts that it included.

A matter of growing importance in the present international situation is in regard to manpower, Selective Service, and reserve call-ups. Your Committee has had a standing subcommittee almost throughout its entire history on these matters. In view of the recent heating up of the situation, our subcommittee has been in direct contact with all of the responsible government agencies to be sure that both current and possible future developments will not catch the Association or its members unprepared.

One word in regard to how we stand. The two criteria used as guides for occupational deferments are that a person be in a critical occupation and working in an essential activity. Both such lists were reviewed with appropriate government agencies in 1963. As a result, the present List of Critical Occupations is quite adequate for our industry. The current List of Essential Activities is quite restricted. However, if a national emergency is declared, the Standby List of Essential Activities covers the chemical industry to a large degree. In brief, I believe the situation is as good as it can be under the present circumstances and do not believe that much else can be accomplished for the moment.

Strong pressure has developed in the Congress to revise the Unemployment Compensation Act, again to the disadvantage of industry. The proposed legislation in H. R. 8282 would essentially eliminate experience rating by setting federal standards; further socialize the service; unreasonably extend benefits, and so on. The Committee has been very alert to these developments and has participated jointly in a number of meetings with the NAM, U. S. Chamber, Unemployment Benefit Advisors, and other groups.

Fortunately, in this case, a close liaison is being developed between all of the major business organizations to program our efforts in opposition to the more radical aspects of the legislation.

Our strategy may well be to back a substitute bill, if we can find one that is acceptable. We had hoped it might be a bill being developed by the Interstate Conference of State Agencies. This bill has just been released. We have not yet had an opportunity to study it but get the impression that it may go too far. Our friends in Congress tell us that there is no doubt that some legislation will be passed. Our Committee is working closely with MCA's Tax Policy Committee in the preparation of a possible statement to be submitted to the Senate at the time the bill becomes active in that body.

The Association is already on record in opposition to the repeal of Section 14-B of the Labor Management Relations Act. Our Committee is following these developments closely in the next couple of weeks and will be prepared to quickly advise the Association on action that should be taken.

Under the law, companies having welfare and pension plans must annually disclose certain specified information to the Department of Labor. This is done by means of a questionnaire entitled "Form-D 2". The usual bureaucratic procedure has again operated in this case. The Department this year has requested a far more detailed report than previously. This was strongly opposed by members of your Committee through the Advisory Council on Federal Reports. Unfortunately, the government could not be dissuaded and the revised form has been approved.

It is our belief, that while the decision must be left to each company on how fully it reports the information requested, that much of the detail goes beyond the original intent of the Act.

I could go on. We are involved in so many matters of importance to the Association that a full report on all of our activities would take much more time than is allotted here this morning.

I would like to close by mentioning one other Committee activity which has proved quite rewarding and which we believe of value to the Association membership.

In December 1964 the Committee arranged a full-day symposium on industrial relations matters for Association members in the Houston area. This symposium, jointly sponsored with the Texas Chemical Council, was well attended (in fact, we ran out of space at the Hotel America) and the feedback was highly favorable.

With this success under our belts, the Committee arranged for a second symposium in the Chicago area in December of the past year. This meeting was attended by approximately 170 people representing Association members in that area. Again, our feedback so far has been most encouraging.

I don't feel a report on our Committee would be complete without mentioning the fact that two of our charter members -- Gordon Mitchell of Dupont and Mark Staley of Lubrizol -- retired from active membership this year. Their contributions

were great and they will be sorely missed. Fortunately, they were replaced by John Oliver of Dupont and Gordon Cameron of Lubrizol, who, we are sure, will prove to be most worthy replacements.

And, as usual, our sincere thanks to Maurice Crass for his wise counsel and the members of the MCA staff for their unfailing support.

It has been a pleasure to meet with you and if you have any questions I will be more than happy to answer them.

CMA 068501

Report to the Board of Directors  
of the Manufacturing Chemists' Association, Inc.  
By R. A. Wentz, Jr., Chairman  
Tax Policy Committee  
February 8, 1966

The Tax Policy Committee of the MCA is presently composed of representatives of 24 companies. Ordinarily this would be considered too large a group to operate effectively, but because of the considerable demand from members in the last five years for representation on the Committee, it has been necessary to expand. Before I discuss the work of the Committee, I would like to tell you a bit about tax groups generally and why we think the MCA Committee is somewhat unique.

Almost every national trade association has a tax committee. Indeed, the proliferation of committees which purport to deal with either general or specific tax problems is so great that no individual company can expect to even keep informed on all of the activities in this field. The trouble with most tax committees is that the interest of all the members just does not coincide. The NAM, Chamber of Commerce, TEI, National Foreign Trade Council, etc., are all made up of companies of such diverse interests that it is almost impossible to reach agreement on any meaningful recommendation. Others swing to the opposite extreme generally, condemning any Treasury proposal without a thorough consideration of how some members might be favorably affected.

The MCA Committee, for various reasons, has the advantage of representing companies which, in the absence of some unusual circumstances, are all concerned with more or less the same problems. However, the increase in stature of the Committee, opposite the Treasury and the Congress in the past five years, can be directly attributed to the fact that the company representatives on the Committee are technically informed and are willing to work to achieve a good end product. Even with this cooperative spirit of the individual members, it would have been impossible for the Committee to function as efficiently as it has in these years of high tax legislative and administrative activity without the services of special tax counsel which the MCA Board authorized in connection with the Revenue Act of 1962. I think we were particularly fortunate in obtaining a man who could reflect the views of individual members and directly advise the Committee with respect to the innumerable problems involved in dealing with the Treasury Department.

The Committee meets irregularly at the call of the Chairman as the need for action requires. I would suppose that our average attendance at Committee meetings is about twenty, and that during the year 1965, we met at least ten times, not including an annual two-day meeting at which we tried to consider in detail mutual problems of special interest.

CMA 068502

Legislation

In 1965, the Committee devoted considerable time to the problems posed by the adoption by the Internal Revenue Service of a so-called reserve ratio test which could apply to substantially limit the amount of the deduction for depreciation which companies could claim for tax purposes. After thorough consideration, the Board of Directors of the MCA acted favorably on a recommendation by the Committee to seek amendatory legislation. In order to obtain widespread support, the depreciation subcommittee through General Decker, invited representatives of a number of the leading trade associations to discuss the bill which the MCA believed desirable. As expected, support was overwhelming. In fact, only the representative of the U. S. Chamber of Commerce indicated any substantial objection, and this was based on some concern that introduction of such a bill would be opposed by the Treasury Department and could result in elimination of the investment credit. We have lately learned that the Tax Committee of the Chamber of Commerce has not adopted this view and, in fact, would probably support the MCA bill.

It is important that we work with the Treasury Department to the extent agreement can be reached on procedures which would accomplish our goal. Treasury representatives have indicated that they are interested in any MCA proposal, and we plan to consult with them at the appropriate time. We have recently learned that, because of the heavy legislative program this year, Congressional tax leaders desire to postpone to a later date any legislation involving significant tax policy issues. However, time this year should be spent by the Association in laying the groundwork for possible introduction of the MCA depreciation proposal in the next session of Congress.

Another principal area of concern involves the taxation of reimbursements for moving expenses. The Tax Committee as long ago as 1963 had considered the problems which were facing a number of members as a result of Internal Revenue Service audits of moving expense reimbursements. The whole situation was brought to a head with a Court of Appeals decision in the Seventh Circuit which upheld the Treasury position that reimbursements for many incidental transfer expenses were taxable. MCA's tax counsel prepared an amicus curiae brief urging the Supreme Court to hear the taxpayer's appeal in that case. The Court just recently denied certiorari which means that the Seventh Circuit decision will stand and will be used as authority by the Internal Revenue Service in taxing reimbursements for all moving expenses except those which involve the actual transportation of the man, his family and furniture.

In attempting to draft a bill which would cure this problem, we became aware of a Civil Service bill which would allow the government to reimburse transferred employees for a variety of expenses incurred in connection with a move. The bill which we are now supporting would provide essentially that all reimbursements which would be authorized under the Civil Service bill would be tax exempt.

CMA 068503

From time to time, we have been asked to consider the possibilities of providing tax incentives for the construction of pollution control facilities and to encourage additional research and development expenditures. In the pollution area, we have recently prepared a draft of a report outlining the various possibilities. No conclusion has yet been reached although an immediate write-off of the cost without loss of the investment credit would seem to have the most general appeal. We hope to have a final report on tax incentives for pollution facilities available for consideration at the March meeting of the MCA Executive Committee and Board. In the research and development area, the Committee was almost unanimous in deciding that legislation could not be justified at this time.

### Regulations

We followed past practice in submitting Committee comments on proposed Treasury regulations. The most important of these dealt with Section 482 of the Internal Revenue Code which is being used by Internal Revenue Service in allocating income of foreign subsidiaries to the parent company.

Summation of detailed Committee comments served to free individual companies from inhibitions they might have had had such comments borne the name of any single company.

Reciprocal tax treaties with a number of countries were renegotiated during the year. The MCA submitted comments to the Senate Finance Committee on the German and Thai treaties. The amendments to the German treaty were of particular benefit to U. S. companies although some trade associations were not able to agree that the benefits outweighed the particular objection of some member company. A thorough study convinced the MCA Committee that the treaty should be supported. On the other hand, the Committee was, and continues to be, concerned about the broadening of the definition of a "permanent establishment" contained in the proposed Thai treaty. This is important because if a U. S. company is deemed to have a permanent establishment in Thailand, it will be subjected to Thai taxes. While the Thai treaty by itself would probably not be of much importance to most member companies, counsel learned that this treaty could be considered a prototype for treaties with other less developed countries such as Mexico or Brazil where interest would be considerably higher. The Assistant Secretary of the Treasury, Mr. Surrey, asked that members of the Tax Committee meet with him to discuss the comments which were contained in the MCA recommendations on the Thai treaty and this was done. I think that the MCA was the only association to pick up this point and our comments were sincerely appreciated by the Treasury Department.

Committee members also met with Assistant Commissioner of Internal Revenue, Harold Swartz, and members of his staff concerning the delay in the issuance of necessary rulings by Internal Revenue Service before rights to intangibles and other property are transferred to foreign companies in exchange

for stock. Here again, I think the Committee introduced some new thinking to the IRS, partly because the chemical industry has a particular stake in being able to transfer its know-how.

The foregoing only highlights the principal activities of the Tax Committee. One by-product of Committee meetings is the interchange of ideas and experiences concerning tax administration. It is often very comforting to simply know that other companies are encountering the same kinds of problems even though solutions are rarely forthcoming. Such an interchange of ideas also serves to make companies aware of problems which they might expect to face.

As I have indicated before, the Tax Committee has been very fortunate in having active and interested members who are technically qualified to speak on subjects at hand, and to be able to rely on the ability of paid counsel to both keep them informed and to coordinate members' views. Our MCA staff member, Jim Kittelton, is always cooperative and without him, our work would be much more difficult. Under prior chairmen, the MCA Tax Committee has achieved a status which makes it possible for all of the members of the MCA to benefit from its services. I hope that we will be able to continue to maintain the high standards which have been set.

REPORT OF THE  
GOVERNMENT RELATIONS DEPARTMENT  
TO  
MCA BOARD OF DIRECTORS  
FEBRUARY 8, 1966

As already indicated in General Decker's Staff Report, any review of legislative prospects for this Session of Congress must take into consideration the fact that Vietnam is the dominant issue and all others are relative thereto. If the military situation in Vietnam continues to escalate, legislative requests and Congressional actions will be modified or subordinated accordingly.

Federal taxes will be one of the areas most sensitive to the course of events in Vietnam. In connection with the Budget Message, Economic Report, and tax package, the President and other Administration spokesmen have left little doubt that, if the speed-up in corporate tax payments, the graduated withholding of personal income tax, and the restoration of telephone and automobile excises do not produce additional revenue sufficient to offset the cost and inflationary pressures of Vietnam, the next area to be considered as a source of revenue will be an increase in corporate and individual income tax rates. As for the prospects for enactment of the tax package requested by the President, there is little doubt that Congress will come close to giving him exactly what he asked for and by March 15, which is the date by which he requested it.

Of interest in connection with the passage of the President's tax package through Congress are the questions by some members of the House Ways and Means Committee during Secretary Fowler's testimony as to why the Administration had not considered repeal of the 7% investment credit as an appropriate anti-inflation measure under present circumstances. Along the same lines, Senator Gore has introduced a bill which would repeal the investment credit and has announced his intention to propose it as an amendment to the Administration's tax package when it comes before the Senate Finance Committee. Responses from the Administration to such probings indicate that the Administration considers the investment credit to be a more or less permanent part of our tax laws and is strongly opposed to its repeal. There is no present evidence that such repeal will be seriously considered by either the House or the Senate.

It seems certain that there will be hearings this year on new water pollution control legislation. As mentioned earlier by General Decker, Senator Muskie's Subcommittee recently published its report

on a series of hearings which it held around the country in 1965 and made six recommendations for amendments to the law under which the Federal Government grants funds for waste treatment research, for state and interstate water pollution control programs, and for sewage treatment construction. Perhaps the most significant of the Subcommittee's recommendations is the one which urges that the ceiling on Federal grants for construction of sewage treatment facilities be raised from \$150 million to \$1 billion per year through 1972.

The Subcommittee report also recommends doubling the authorization for Federal support of state water pollution control programs, and increasing the Federal grant authority for research into waste treatment methods, including the feasibility of joint municipal industrial waste treatment systems, to \$25 million per year for five years, which would be five times the current rate. A significant recommendation which relates to enforcement is that legislation be enacted to direct the Secretary of HEW, in cooperation with state agencies, to collect data as to sources, quantity, and types, as well as treatment, of industrial wastes, with penalties for failure to answer or false answers to inquiries for such data. Finally, since the Muskie Subcommittee has no jurisdiction in tax or fiscal matters, its report urges the appropriate House and Senate committees to give serious consideration to a tax write-off or similar proposal as an incentive to industry for improving its waste treatment practices.

In this connection, it might be well to comment on a prediction you may have seen in a recent Kiplinger Washington Letter, echoed by an NAM Washington Outlook report, to the effect that this proposal and other measures which would reduce revenue will get short shrift from Congress in the current fiscal situation. Among other such proposals mentioned in which the chemical industry is interested are the increased annual ceiling on the investment credit and more liberal treatment with respect to employee moving expenses. These predictions are reinforced by the statement in the Economic Report of the President that the Administration would oppose "any specific legislative measures, however meritorious, involving significant net tax reduction."

Upon releasing his Subcommittee's report, Senator Muskie announced his intention to hold hearings this year on the Subcommittee's legislative recommendations and Capitol Hill sources informally predict they will begin in March.

The President, as well as Congress, continues to press for water pollution abatement. In both his State of the Union and Budget Messages, the President promised to continue the attack on water pollution --- one thrust is toward "improved enforcement authority needed to conquer pollution;" the other toward Federal, state, and

local government cooperation to show how pollution can be eliminated throughout entire river basins.

The Economic Report also emphasized this determination of the President to progress in the control of pollution and the related Report of the Council of Economic Advisers sheds some light on the nature of the Administration program. The Council speaks of extending interstate water quality standards to waters wholly within one state, of accelerating enforcement procedures, of obtaining information on waste discharges from all polluters and of using treatment of the Potomac River pollution problem as an example of how, with the cooperation of the states, entire river basins can become scenic and recreational assets. The Council of Economic Advisers takes up the theme of the President's Science Advisory Committee panel and recommends charges on polluters to fully support the cost of municipal treatment facilities and, in cases where no municipal facilities exist and industries therefore discharge their wastes to rivers, the Council recommends effluent charges on these industries as a waste reduction device.

Labor legislation is another area where congressional activity of interest to the chemical industry is taking place. I'm sure that most of you are following the progress of the Senate filibuster to prevent a vote on the repeal of the so-called right-to-work provisions of Section 14(b) of the Taft-Hartley Act. The Senate is scheduled to vote at 11:00 o'clock this morning on a cloture petition to shut off the present debate on whether or not to bring up the repeal bill for consideration. The feeling prevails, strengthened by the New York Transit strike, that the Senate majority leadership will not be able to break the filibuster and bring repeal of Section 14(b) to a vote this year. On the other hand, some experienced Washington experts say it would be a mistake to assume that it will not come to a vote on the merits and that expressions of industry views to Senators would still be very much in order. Today's vote may provide further guidance as to the need for such expressions.

As soon as the House Ways and Means Committee completes action on the President's tax package, it is expected to get back to executive sessions on H.R. 8282, the Unemployment Compensation bill on which it held hearings last year. It is generally conceded that an amendment to the Unemployment Compensation law, which is being urged by the President, will be enacted this year. It is estimated that H.R. 8282, the Administration proposal, would increase the cost of the unemployment compensation program by 27 per cent in some states and up to 175 per cent in others. This bill, as now written, would change the whole structure of unemployment compensation as we have

known it in this country. It would extend the period of benefits beyond 26 weeks at Federal expense, requiring some support from general revenues, and would subject state programs to Federal standards as to eligibility for benefits, weekly benefit amounts, duration and disqualification, all of which are matters now left to the states to determine. This is extremely complex legislation but the sociological and cost implications of it justify a close look by industry.

Speaking of sociological implications brings me to suggest that you will be interested in the recommendations of the President's Commission on Automation which are in the Commission's report released last Thursday. Conceding that most of its proposals are out of the question until Vietnam is over, the Commission called for, among other innovations, a guaranteed income for all families, sometimes referred to as a negative income tax, Federalization of the employment service, and a regional economic planning system under the Federal Reserve Board. Rough estimates of the cost of the guaranteed income plan alone run as high as \$20 billion per year.

In his Messages, the President also called for the creation of a Department of Transportation and again requested increased highway and aviation user charges and introduction of waterway user charges. The new Department of Transportation would undoubtedly affect to some extent the present procedures for regulation of transportation; so would the imposition of added user charges affect the cost of shipping the chemical industry's products. This is, therefore, legislation which MCA will be following closely.

Finally, in this catalogue of legislation of interest, the President has called for amendments to strengthen present legislation on drugs and cosmetics. While the details have not been spelled out, it is believed such legislation may follow the general outline of legislation introduced, but not acted on, in the previous Congress. If this be true, the chemical industry will be concerned with the possibility of additional factory inspection and other procedures related to the manufacture of chemical components of the regulated drugs and cosmetics.

Despite the overshadowing issue of Vietnam, and the various announcements by Congressional leaders last year that this Session of Congress would not be asked to consider anything like the number of laws it passed at the First Session, the foregoing recital makes it clear there will be an abundance of legislative issues on which the chemical industry will wish to make its views known to both the committees and members of Congress.

JRC/hgs  
February 4, 1966

CMA 068509