AGENDA
MEETING OF THE MCA BOARD OF DIRECTORS
3:30 p.m., Monday, April 8, 1974
The Madison (Mount Vernon Room), Washington, D. C.

I. Opening Remarks and Introduction of Guests

II. Minutes of Meeting of March 13, 1974, Including Financial Statement for Nine Months ended February 28, 1974

III. Business Items:
- (a) Report of the Membership Committee
  - (1) El Paso Products Company
  - (2) Great American Chemical Corporation
- (b) Proposed Disposition of MCA Equipment in Custody of Ichthyological Associates (Attachment)
- (c) Appointment of Committee Members (Attachment)
- (d) Budget and Financing for Fiscal 1974-75 Preliminary Report

IV. Report of Director of Government Relations

V. Reports of Committees:
- (a) Food, Drug, and Cosmetic Chemicals Committee
  George W. Ingle, Chairman
- (b) Insurance Committee
  W. E. (Walt) Winans, Chairman
- (c) Plastics Committee
  C. M. (Doc) Neher, Chairman

VI. Trade Testimony by Chemical Industry Trade Advisor

VII. Report of the President

Next Meeting of the Board of Directors - 10:30 a.m., Tuesday, May 14, 1974, Union Club, Park Avenue and 69th Street, New York, N. Y.

MINUTES of the two hundred thirtieth meeting of the Board of Directors of the Manufacturing Chemists' Association, Inc., held at The Madison, Washington, D. C., Monday, April 8, 1974, at 3:30 p.m. There were present:

Directors:	Werner C. Brown, Chairman	James A. Hughes
	Frederick L. Bissinger	William W. Huisking
	Harry W. Buchanan	Robert H. Malott
	C. C. Candee	Harry T. Marks
	E. E. Chipman	Robert L. Mitchell
	Thomas C. Dabovich	Robert M. Morris
	William J. Driver	Donald D. Pascal
	James H. Gardner	Robert T. Powers
	Carl A. Gerstacker	Peter C. Reilly
	James M. Gill	George W. Russell
	John R. Hall	Jack B. St. Clair
	John M. Henske	

Alternates:	J. Earl Burrell (for Joseph A. Neubauer)
	Orell T. Collins (for Robert T. Powers)
	C. Preston Cunningham (for John W. Hanley)
	Paul F. Hoffman (for Robert M. Morris)
	Leo H. Johnstone (for William C. Douce)
	Gordon Kiddoo (for Donald G. Stevens)
	James E. Magoffin (for Harry D. McNeeley)
	W. C. Roher (for Z. D. Bonner)
	William S. Sneath (for Warren M. Anderson)
	E. A. Von Doersten (for John R. Hall)
	Richard N. Williams (for John M. Henske)
General Counsel:	Lloyd Symington
Secretary-Treasurer:	George E. Best
By invitation:	Bruce M. Barackman, MCA
	Marjorie V. Campbell, MCA
	Albert C. Clark, MCA
	Morgan M. Hoover, MCA
	George W. Ingle, Monsanto Company
	H. Barclay Morley, Stauffer Chemical Company
	C. M. Neher, Ethyl Corporation
	Victor H. Peterson, MCA
	William M. Stover, MCA
	John G. Tritsch, MCA
	Walter E. Winans, Stauffer Chemical Company

Chairman Brown opened the meeting by calling for self-introduction of those present in turn.

I. MINUTES OF MARCH 13, 1974, MEETING

Minutes of the March 13th Board meeting, as distributed, which included the financial statement for nine months ended February 28, 1974, were duly approved.

II. REPORT OF THE SECRETARY-TREASURER

Exhibit A, attached hereto.

III. BUSINESS ITEMS

(a) Report of the Membership Committee As chairman of the Membership Committee, Mr. Candee reported on the committee's examination of the qualifications of two applicants and a recommendation for their election.

ON MOTION, duly made and seconded, it was,

VOTED: That the following be elected to membership in the Association:

El Paso Products Company

Great American Chemical Corporation

(b) Proposed Disposition of MCA Equipment in Custody of Ichthyological Associates Subject proposal was furnished in advance with the tentative agenda. Chairman Brown reported a favorable recommendation by the Executive Committee.

ON MOTION, duly made and seconded, it was,

VOTED: That the proposal to dispose of MCA equipment in custody of Ichthyological Associates in exchange for an extended program of research as outlined in Exhibit B, attached hereto, be approved.

(c) Appointment of Committee Members Appointments were approved as listed in Exhibit C, attached hereto.

(d) Preliminary Report on Budget and Financing for Fiscal Year 1974-75 As chairman of the Executive Committee, Mr. St. Clair reported as follows:

At their joint meeting earlier today, the Executive and Finance Committees examined the budget and financing for fiscal year 1974-75 as proposed by Association management, and recommend adoption. Particulars will be furnished to all Directors for their study in advance of the May 14th Board meeting when this matter will be presented for decision.

The budget contemplates total expenditures approximating $2.42 million, consisting of $1.99 million for operations and $0.43 million for projects, the latter including $130,000 for support of the Office of the Chemical Industry Trade Advisor. This compares with the current year budget of $2.15 million, including supplementary appropriations of $70,000 for the Trade Advisor Office and nearly $18,000 for an economic study of the chemical industry.

Next year's revenue is estimated at $2.28 million -- $1.98 million from membership fees, $0.16 million investment income, and the rest from meetings and sale of publications. The percentage increase in projected expenditures is the same as the estimated increase in income, namely, 13%.

The difference between income and expenditures corresponds roughly to the amount budgeted for MCA's support of the Trade Advisor.

Because financial reserves have accumulated substantially above the six months' operating level which it has been Board policy to maintain, the Finance Committee recommended no change in the membership fee schedule for the coming year, and use of reserves to balance expenditures and funding.

While original budgeting for the current year envisioned some use of reserves (about $40,000), as did the aforementioned supplementary appropriations, there is hope that fiscal year 1973-74 will end with income and expenditures in approximate balance, thanks to much higher than anticipated investment income and under-spending in both operations and project categories.

That being so, full use of $140,000 of reserve funds in fiscal 1974-75, as indicated, would drop the balance to 48.8% of the budget at year end. Historically, however, revenues exceed estimates and expenditures are held well within the budget, hence the recommended program would not in fact be expected to deplete reserves below the desired level.

IV. REPORT OF DIRECTOR OF GOVERNMENT RELATIONS

Mr. Stover supplemented his prepared report, attached hereto as Exhibit D, with remarks on recent developments on pending patent legislation and on the Association's reception for Washington officials this evening. [Attendance record attached hereto as Exhibit E.]

V. REPORTS OF COMMITTEES

Reports presented by the following committee chairmen are attached hereto as indicated.

Mr. George W. Ingle Food, Drug, and Cosmetic Chemicals Committee	Exhibit F
Mr. Walter E. Winans Insurance Committee	Exhibit G
Dr. C. M. Neher Plastics Committee	Exhibit H

VI. TRADE TESTIMONY BY CHEMICAL INDUSTRY TRADE ADVISOR

Dr. Dawson having been delayed, Mr. Brown reported briefly on the March 28th testimony at Senate hearings on trade legislation by a three-man panel headed by Dr. Dawson, with Mr. Richard M. Brennan, chairman of MCA's International Trade Committee and Robert Barnard, Esq., of SOCMA's counsel also participating. Mr. Brown mentioned Senator Packwood was highly complimentary about the chemical industry presentation.

VII. REPORT OF THE PRESIDENT

Mr. Driver's Staff Report is attached hereto as Exhibit I.

Orally, he dwelt largely on the first item in the report, concerning litigation on EPA effluent guidelines and standards and the decisions on MCA's course of action in relation thereto under guidance of the Executive Committee, viz.: (1) To take no further legal action, since the jurisdictional-procedural questions are sufficiently posed by the action in which MCA has joined in the Fourth Circuit Court of Appeals (effluent guidelines for inorganic chemicals manufacture); (2) to consider filing amicus curiae briefs at any stage at which it seems fitting based on principle; and (3) to maintain legal liaison with the Washington law firm coordinating the litigation so as to keep Executive Contacts apprised, including information on suits entered and chemicals covered.

Ensuing discussion brought out the traditional policy of the Association not to become involved in individual product problems of this nature on account of potential antitrust sensitivity. In response to his query, one Director was advised this proscription would apply to Association sponsorship of cooperation among individual companies in connection with the pending development of an OSHA regulatory standard on vinyl chloride, concerning which substance MCA is currently administering a research project to develop toxicological data.

George E. Best

George E. Best
Secretary-Treasurer

Certified correct:

Werner C. Brown

Werner C. Brown
Chairman of the Board

EXHIBIT A

REPORT OF THE SECRETARY-TREASURER
April 8, 1974

Dollar amounts rounded from tabular details
($000)

INCOME & EXPENSE
June 1, 1973 - March 31, 1974 - 10 Months (83%)

				Percent of Total Budget
Income	- Membership Fees	$1,770		100.283%
	- Other	290		113.726%
			$2,060	101.98 %
Expense	- Operations	$1,503		81.375%
	- Projects	168		55.813%
			$1,671	77.793%

ASSETS
(As of March 31, 1974)

Cash	$ 62	
Investments	2,088	
Miscellaneous	2	
		$2,152

CMA 070453

MANUFACTURING CHEMISTS ASSOCIATION

STATEMENT OF FINANCIAL POSITION

March 31, 1974

BALANCE SHEET

Assets

Cash			
National Savings & Trust - Commercial Account		$ 54,160	
National Savings & Trust - Payroll Account		6,000	
Imprest Funds (Petty Cash, Chem. Forum Luncheon Fund & Postage)		1,800	$ 61,960
Investments			
Bank Certificate of Deposit		$ 100,000	
U. S. Government Securities		855,154	
U. S. Government Agency Securities		777,109	
Corporate Securities		355,300	2,087,563
Deposits			
U. S. Government Printing Office		$ 200	
American Airlines		425	625
Account Receivable			
Travel Advances		$ 1,058	
OCITA		928	1,986
			$2,152,134

Liabilities & Fund Balances

Liabilities			
D. C. Use Tax			$ 110
Reserve			
Deferred Compensation			99,306
Fund Balances			
Restricted (Schedule I (e))		$ 341,238	
Unrestricted - From Previous Fiscal Years	$1,322,156		
- Current Fiscal Year	389,324	1,711,480	2,052,718
			$2,152,134

CMA 070454

INCOME & EXPENSE

	To Date 10 Months	Budget For Year
INCOME		
Membership Dues & Entrance Fees	$1,769,900	$1,765,000
Income from Investments	142,814	120,000
Publication Sales	80,336	82,000
*(1)Meeting & Special Funds (Schedule I (d))	66,497	53,000
Miscellaneous	283	-
Total Income	$2,059,830	$2,020,000
EXPENSE		
Management	$ 331,492	$ 371,690
*(2)Technical - General	493,215	664,420
Technical - Chemtrec	131,310	158,490
Public Relations	332,096	442,050
*(3)Government Relations	172,591	252,907
Information Service	58,258	75,480
Office Administration	151,544	183,290
Total Expense *(4)	$1,670,506	$2,148,327
Income less Expense	$ 389,324	$ (128,327)

FOOTNOTES:

*(1) Net Income on Completed Projects

*(2) Budget increase approved by Board of Directors October 1973 for support of the Office of the Chemical Industry Trade Advisor (CITA) $70,000

*(3) Budget increase approved by Board of Directors March 1974, for an Economic Study $17,637

*(4) Total General Program Expense to Date

Fiscal Year 1973-74 Budget Program Expense (above)	$1,670,506
Expenditures from Project Funds carried over from previous Fiscal Year (Schedule I (c))	1,000
	$1,671,506

SCHEDULE I - RESTRICTED FUNDS & MEETING ADVANCES

March 31, 1974

	Balance June 1, 1973 (a)	Current Fiscal Year Receipts (b)	Expenditures (c)	Transfers To Income (d)	Balance March 31, 1974 (e)
Carry-Over of Budgeted Funds					
Information Service	$ 1,000	$ -	$ 1,000	$ -	$ -
Non-Budgeted Funds & Meetings					
Meetings, Workshops & Symposia	$ 71,928	$173,649	$131,774	$ 66,497	$ 47,306
Tank Car Mileage Compensation	27,395	1,148	4,195	-	24,348
Epidemiological Investigation	4,797	(2,667)	2,130	-	-
Odor Threshold Determination Fund	-	1,400	1,400	-	-
Mercury in the Environment	3,632	(3,114)	518	-	-
Vinyl Chloride Research - Inhalation	62,852	62,500	42,307	-	83,045
Vinyl Chloride Research - Epidemiological	-	91,940	65,684	-	26,256
Phosgene Safety Research	34,095	3,500	17,087	-	20,508
Fluorocarbons Research	6,000	107,000	85,110	-	27,890
Phthalate Esters Research	16,000	2,000	2,676	-	15,324
Total - Non-Budgeted Funds & Meetings	$226,699	$437,356	$352,881	$ 66,497	$244,677
Plastics Group Financial Package	$ 80,502	$ 60,000	$ 43,941	$ -	$ 96,561
	$308,201	$497,356	$397,822	$ 66,497	$341,238

CMA 070455

March 31, 1974

SCHEDULE II - EXPENSE

BUDGET PROGRAM

	MANAGEMENT		TECHNICAL GENERAL		TECHNICAL CHEMTREC		PUBLIC RELATIONS		GOV'T RELATIONS		INFO SERVICE		OFFICE ADMIN		TOTAL TO DATE 10 MONTHS	
	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET
Employees (Actual	10		19		7		12		9		3		11		71	
Employees (Authorized		10		18		7		12		8		3		11		69
OPERATING EXPENSE																
Salaries & Related Expense	$201,789	$201,374	$283,623	$281,457	$ 85,138	$ 83,083	$156,306	$158,499	$108,830	$123,333	$ 39,728	$ 40,083	$107,844	$100,250	$ 983,258	$ 988,079
Retirement Plan	20,014	29,958	23,141	35,817	-	-	8,934	12,583	6,319	14,175	6,342	8,642	4,530	9,658	69,280	110,833
Hosp. Ins. & Health Plan	1,693	2,725	3,366	4,667	523	1,733	1,909	3,017	1,137	2,250	525	983	1,543	2,650	10,696	18,025
Legal Fees & Expense	60,444	22,083	1,090	8,333	-	-	-	-	13,598	12,500	-	-	-	-	75,132	42,916
Consultants&Investment Serv.	-	2,083	-	-	-	-	-	-	-	-	-	-	-	-	-	2,083
Audit	2,750	1,917	-	-	-	-	-	-	-	-	-	-	-	-	2,750	1,917
Rent & Premises Expense	9,421	9,508	18,540	18,792	5,367	5,425	15,896	16,017	9,197	9,275	5,812	5,825	13,675	13,783	77,908	78,625
Taxes & Insurance	6,152	6,575	11,511	11,858	23,038	20,442	6,917	7,925	5,400	5,283	1,786	1,967	6,994	7,250	61,798	61,300
Supplies & Gen. Office Exp.	4,623	4,167	13,503	11,416	1,890	2,666	6,645	7,167	4,814	5,417	543	584	4,212	6,875	36,230	38,292
Furniture & Equipment	520	833	1,003	1,167	499	833	199	625	176	417	57	575	5,661	5,150	8,115	9,600
Printing	2,328	2,000	-	-	-	-	3,363	2,792	417	583	42	-	1,009	833	7,159	6,208
Telephone & Telegraph	3,993	4,517	9,934	8,383	11,884	14,475	6,869	5,808	4,634	3,867	1,107	1,292	4,043	5,158	42,464	43,500
Postage	1,965	1,875	15,589	16,250	390	750	26,828	27,500	4,469	4,583	541	1,000	1,836	833	51,618	52,791
Travel & Entertainment	4,913	4,166	16,961	20,000	2,263	2,292	19,426	18,750	6,330	5,417	560	833	38	167	50,491	51,625
Meeting Expense	5,845	9,167	542	750	-	-	83	608	1,496	1,666	-	-	-	-	7,966	12,191
Periodicals, Books, etc.	299	333	1,061	1,250	260	292	1,171	1,250	5,433	6,250	1,176	1,083	84	67	9,484	10,525
Organizational Memberships	2,421	2,292	2,579	2,125	58	83	752	833	341	1,042	39	33	75	67	6,265	6,475
Contingency	2,322	4,167	-	-	-	-	-	-	-	-	-	-	-	-	2,322	4,167
Operating Expense Totals	$331,492	$309,740	$402,443	$422,265	$131,310	$132,074	$255,298	$263,374	$172,591	$196,058	$ 58,258	$ 62,900	$151,544	$152,741	$1,502,936	$1,539,152
PROJECTS																
Government Relations																
*(2)Economic Study									$ -	$ 14,697					$ -	$ 14,697
Technical																
Air Quality			$ 227	$ 16,666											227	16,666
Water Resoures			15,000	12,500											15,000	12,500
Multi-Committee Transportation			1,474	2,250											1,474	2,250
Multi-Committee Publications			34,071	41,667											34,071	41,667
*(1)Trade Advisor			40,000	58,333											40,000	58,333
Public Relations																
Community Relations							$ 8,910	$ 10,834							8,910	10,834
Consumer Information							14,500	20,000							14,500	20,000
Environmental Quality							17,821	20,000							17,821	20,000
Internal Publications							14,958	18,333							14,958	18,333
Media Relations							5,983	5,000							5,983	5,000
Audio/Visual							-	2,500							-	2,500
Academic - Industry Study							1,621	1,667							1,621	1,667
College & High School Awards							3,236	10,833							3,236	10,833
Education Exhibits							2,019	3,333							2,019	3,333
Education Publications							7,750	12,500							7,750	12,500
Project Totals	$ -	$ -	$ 90,772	$131,416	$ -	$ -	$ 76,798	$105,000	$ -	$ 14,697	$ -	$ -	$ -	$ -	$ 167,570	$ 251,113
COMBINED TOTALS	$331,492	$309,740	$493,215	$553,681	$131,310	$132,074	$332,096	$368,374	$172,591	$210,755	$ 58,258	$ 62,900	$151,544	$152,741	$1,670,506	$1,790,265

*(1) Reflects budget increase approved by Board of Directors October 9, 1973, for support of the Office of the Chemical Industry Trade Advisor $70,000

*(2) Budget increase approved by Board of Directors March 13, 1974, for an Economic Study $17,637

CMA 070456

EXHIBIT B

Proposed Disposition of
MCA Equipment in Custody
of Ichthyological Associates

Under annual agreements between MCA and Ichthyological Associates (IA) beginning in June 1969 and ending July 1972, certain equipment purchased for MCA by IA has been in custody of and used by IA in research on avoidance methodology as a water pollution monitoring technique.

When advised of discontinued annual funding, IA suggested work continuance on a limited scale in exchange for use of the MCA equipment. A proposed research plan was solicited and an appraisal of equipment value was made. Continued research on a limited scale has proceeded in the absence of a written agreement.

Alternatives have been considered. It is estimated that outside sale would net less than $5,000. Donation to a non-profit organization, such as Virginia Polytechnic Institute and State University which has been conducting research in a related area under MCA sponsorship, probably would result in additional cost to MCA (transportation and disposal of unwanted equipment).

RECOMMENDATION: It is recommended that the Board of Directors authorize the transfer to IA of title to the equipment referred to above, having current appraised value of $11,896, in exchange for an extended program of research, specifically, further avoidance studies on chlorine and chlorinated compounds to be conducted by IA. The Water Resources Committee and staff concur in this recommendation.

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MCA

EC - 3/13/74
BD - 4/8/74

EXHIBIT C

COMMITTEE MEMBER APPOINTMENTS

(a) Food, Drug, and Cosmetic Chemicals Committee
G. W. Ingle, Monsanto Company -- As Chairman*
W. H. Meyer, The Procter & Gamble Company -- As Vice Chairman*

(b) Government Relations Committee
Francis E. Cook, Stauffer Chemical Company
Samuel Gusman, Rohm and Haas Company
William H. Thomas, Universal Oil Products Company

(c) Insurance Company
R. B. Chapman, Monsanto Company -- As Chairman**
R. R. Balotti, E. I. du Pont de Nemours & Company -- As Vice Chairman**

(d) Legal Advisory Committee
Robert A. Longman, Celanese Corporation

(e) Plastics Committee
Raymond C. Baxter, Allied Chemical Corporation**
Robert T. Daily, General Electric Company**
Joseph L. Downey, The Dow Chemical Company**
C. A. Grant, Hercules Incorporated**
Charles S. Stryker, Reichhold Chemicals, Inc.**

(f) Technical Information Retrieval Committee
Roger W. Amidon, Uniroyal, Inc.

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* Re-election, effective June 1, 1974
** Effective June 1, 1974

MCA
D-4/8/74

EXHIBIT D

REPORT BY THE DIRECTOR OF GOVERNMENT RELATIONS

WILLIAM M. STOVER

APRIL 8, 1974

CONGRESS TAKES EASTER RECESS

The Congress begins its annual Easter recess at the close of business Friday, April 12, and reconvenes Monday, April 22. Many Members will be spending at least a portion of that period in their home states and districts, providing an excellent opportunity for conversations with constituents, including spokesmen for our industry.

BUDGET REFORM NEARS ENACTMENT

Among the more hopeful recent developments in Washington is the continued progress of the budget reform bill. The Senate passed its bill, 80 to 0, the last week in March after overcoming several procedural obstacles. The House had previously approved a bill, also by an overwhelming vote. The conference could begin this week, giving rise to speculation that a compromise measure might reach the President's desk before the Easter recess. Despite the fact that neither bill is as strong as when originally introduced, the enactment of a comprehensive budget reform proposal will be a genuine breakthrough in encouraging the Congress to adopt a more systematic approach to its fiscal actions.

Though the House bill appears somewhat preferable the broad similarities between the two versions have encouraged observers to hope that the conference will not be lengthy, and that substantive new law will result. For example, both bills call for the establishment of new Congressional budget committees, each house of Congress determining the membership of its own committee. Staff assistance in budget analysis will also be established.

Both bills set the start of the fiscal year for October 1 and create timetables to assure budget action in a timely manner, although differences in the timetable approach could cause problems for conferees. In both bills there is a requirement that Congress adopt resolutions which set budget targets which are to be reconciled with the various separate spending measures. This approach is expected to force Congress to establish priorities and to regard individual spending requests within the framework of overall budgetary needs.

ENERGY-RELATED TAX LEGISLATION

The House Ways and Means Committee today resumed mark-up of an oil tax bill which is expected to be reported out within the next few days.

One provision of the bill, tentatively agreed upon, would phase out the oil depletion allowance by 1977. However, there are a number of exceptions written into the provision that would extend the final phase-out to 1979 for certain producers.

Another provision provides for a "windfall profits" tax on crude oil production. This tax, more in the nature of an excise tax, provides for a sliding scale of taxation depending on the price of oil. The scale starts at 10% of the price of crude in excess of $4.50 a barrel, and rises to 85% on prices above $6.50. The tax would decrease gradually and expire entirely after five years. Companies that plowed back profits into increased production would be exempt to the extent of the amount of profits reinvested in new production facilities and exploration.

In the area of foreign oil and gas income, Ways and Means has approved a proposal that would limit the foreign tax credit to an average 52.8% rate. In addition, oil companies would be forced to take the foreign tax credit on an overall basis, the per-country option being abolished.

The Committee also voted to end the oil import tax, but has agreed to permit the President to retain the tax on foreign oil brought into the Country at a price below domestically produced crude oil.

Another tentative Committee decision would make DISC tax deferral unavailable to income from oil exports.

It should be emphasized that the decisions of the Ways and Means Committee remain tentative until the measure is finally reported out. The oil depletion provision, for example, has been changed several times during Committee consideration.

CONGRESS EYES TAX REFORM

In an election year it is difficult to find a Member of Congress who is not in favor of some type of tax reform. The problems begin in defining terms, and in reconciling short-range objectives with long-range goals.

For example, some sentiment is growing in the Senate for new tax breaks for individuals as an anti-recession measure. Several bills already introduced are aimed at providing more money for consumers to spend -- thus boosting demand. Others, believing that such strong anti-recessionary measures are not presently needed, hold that such an approach would increase prospective deficits and add to inflation.

The same basic disagreement can be seen in the debate over more long-range reform: whether to stimulate demand through tax cuts to lower income groups, or, stimulate supply and growth by encouraging business expansion and investment. It is the contention of many businessmen that existing Federal tax laws retard capital formation and economic growth, and discourage investment in job-producing new facilities.

The House Ways and Means Committee expects to get back to tax reform after it completes action on the energy tax measure. Wilbur Mills, Chairman of the Committee, has indicated that the Committee probably will turn out a "limited" tax reform bill because of time pressures. However, Ways and Means will probably consider changes that would tighten up capital gains, estate and gift taxes, and the minimum tax on preferential income. It appears likely, also, that the Committee will extend to all mineral production the provision of the energy tax measure that phases out the oil depletion allowance.

Attention is also likely to be devoted to the foreign tax area with a view to taking a larger tax bite on foreign source income. You will recall that a year ago the Administration proposed the elimination of tax deferrals on income derived from facilities of U. S. companies located in countries granting "tax holidays". Elimination of deferral was also proposed for "run-away plant" situations. At that time, Mr. Mills proposed an alternative plan requiring current taxation of 50% of foreign source income, and this approach might still gain support in Committee.

There are also indications of sentiment for eliminating the per-country limitation with respect to computation of the foreign tax credit for all U. S. companies with foreign operations. This would amount to a widening of a provision in the energy tax bill, which presently aims only at oil companies.

MCA testified at the House tax reform hearings last year. Should a bill pass the House in time for Senate consideration, we would, of course, expect to present the Association's views at Senate Finance Committee hearings. Meanwhile, the Tax Policy Committee is prepared to respond to developments during the forthcoming Ways and Means deliberations and House floor action when it occurs.

SECTION 861 REGULATIONS MAY BE WITHDRAWN

On March 26, spokesmen from a broad cross-section of U. S. industry strenuously objected to the proposed regulations under Section 861 of the Internal Revenue Code relating to the allocation and apportionment of deductions for income tax purposes. MCA was represented at the hearings by Mr. John R. Malloy, Assistant Comptroller of the duPont Company. Our witness pointed out that the proposed new rules would drastically reduce the foreign tax credit for most U. S. chemical companies. He said that the treatment of research and development expenses in the proposed regulations would discourage research in this country and, in fact, would encourage companies to conduct research abroad. We urged that the proposed regulations be withdrawn and that the full range of rule-making procedures be employed if any further action is contemplated.

There are signs that the vigorous opposition to the proposed regulations may have had an impact on Treasury Department officials. The Assistant Secretary of the Treasury for Tax

Policy, Frederick W. Hickman, has recently been quoted as saying the regulations "will probably be re-proposed." While it is impossible to predict the outcome with certainty, it appears likely that the presently proposed regulations will be withdrawn, revised, and re-issued as an entirely new proposal.

MAY 6 CHEMICAL FORUM FEATURES JACKSON

We are delighted that U. S. Senator Henry M. Jackson (D.-Wash.) has accepted our invitation to address the next MCA Chemical Forum luncheon on Monday, May 6, in Washington, D. C.

Chairman of the Senate Committee on Interior and Insular Affairs, Senator Jackson has become one of Capitol Hill's leading spokesmen on the energy crisis -- the subject on which he will speak to us. He is a former chairman of the Democratic National Committee, and is considered a leading prospect for the Democratic Presidential nomination in 1976. Senator Jackson has been influential in consideration of a number of significant environmental measures enacted by the Congress. He is a principal author of the pending land use bill which has passed the Senate and is presently stalled in the House Rules Committee.

We anticipate an excellent turnout on May 6 and we are hopeful that a number of Board members will find it possible to attend. Please note that this edition of the Chemical Forum will begin at noon in the State Room of the Mayflower Hotel, Connecticut Avenue and DeSales Street, N. W., Washington, D. C. Reservations are requested.

EXHIBIT E

GUEST LIST

for the

PRESIDENT'S ANNUAL RECEPTION AND BUFFET

TO MEET THE

OFFICERS AND DIRECTORS

of the

MANUFACTURING CHEMISTS ASSOCIATION

MONDAY, APRIL 8, 1974

THE MADISON HOTEL

WASHINGTON, D. C.

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EXHIBIT F

REPORT TO THE BOARD OF DIRECTORS
MANUFACTURING CHEMISTS ASSOCIATION

GEORGE W. INGLE, CHAIRMAN
FOOD, DRUG, AND COSMETIC CHEMICALS COMMITTEE

April 8, 1974

When I reported to you a year ago, I recited some of our Committee's achievements, but also stressed our intention to do better in identifying and representing the Association's interests in foods, drugs and cosmetics. We think we've done well in keeping our membership properly informed of the range of subjects in this area, but more is needed, in developing and presenting MCA views on the critical questions.

To this end, our Committee established four small subcommittees--Steering, Legislative and Regulatory, Scientific, and Consumer Information (not to be confused with, but closely coordinated with, the Consumer Information Subcommittee of MCA's Public Relations Committee). These smaller centers of interest and response have already started to operate on a relatively continuous basis in their respective areas. For example, the Scientific Subcommittee is contributing to the preparation and review of monographs defining the safety of individual "GRAS" substances. In addition, through our Committee Secretary's participation in the Ninth Session of the Codex Committee on Food Additives last December in the Netherlands, we are actively concerned with international standards for food additives. The Legislative and Regulatory Subcommittee is monitoring S.2373 (on inspection of food plants), to which GMA has made major contributions. The perennial Nelson bills, now S.2845, are inactive; his proposal, in effect, to extend the Delaney clause to include teratogenicity and mutagenicity has been largely obsoleted by FDA's routine adoption of tests for the former. Tests for mutagenicity are still too unreliable for routine use.

This plan for action has raised another question--how much activity is considered appropriate to member company interests in drugs and cosmetics? To put this in better perspective, a little historical review is in order. During the fifties, the name of this Committee reflected its primary interest in food additives. Indeed, through this Committee, and its then chairman, Hercules' John Kuniholm, MCA made its views known, at Congressional Hearings, on what became, in 1958, the Food Additives Amendment to the 1938 Food, Drug and Cosmetics Act.

In 1962 the minutes show that there was agreement that this Committee should change its name to encompass interests in the drug and cosmetic sectors. This much was done, but until last year, there was no real inquiry as to what more should be done to identify and satisfy member companies' interests in these two fields.

While we have been preparing to be more active in food additives, Congressional activities in drugs and cosmetics have clearly increased in tempo. The Pharmaceutical Manufacturers and Proprietary Association, and the Cosmetics, Toiletries and Fragrances Association have provided leadership. Is this enough for MCA members? Will liaison with these groups suffice for MCA member companies? If not, what more is needed? Should we extend our food additive subcommittee structure to drugs and cosmetics? If so, how many more company representatives will be needed? To best answer these questions, we will review this matter with our membership at next month's meeting, with emphasis on how to best obtain answers to these very questions from MCA member companies.

Their answers will have a major effect on our future activity. In the food additives sector alone, opportunities to tell "the chemical story" to an ever-widening audience have multiplied.

Our Consumer Information Subcommittee has been working closely with your Public Relations Committee's information program and has assisted in thoroughly revising "Everyday Facts on Food Additives," (now known as "Food Additives--Who Needs Them?") and up-dating the more detailed "Food Additives--What They Are/How They are Used." The dollars the Public Relations committee has requested for printing and distributing these up-dated versions will be, in my opinion, your most effective PR investment.

For over ten years your Consumer Information program has been telling industry's side of the food additive story by working closely with a variety of programs, through personal contact, news releases, meetings, exhibits, and by creating platforms for industry speakers. In my role as chairman of MCA's FDC Chemicals Committee, I have been called on to participate in many of these activities. These have included taped interviews with broadcasters across the country at MCA's suite at the convention of American Women in Radio and TV, and prepared talks at the Universities of Iowa, and of Maine, at the Capitol Press Womens Club here in Washington, and most recently at the Los Angeles Nutrition Expo. MCA's materials have been called to the attention of these many professionals who are really interested in the facts about the chemistry of food additives. Most of these people are women--home economists and nutritionists--federal, state and university employees--all of whom have been dedicated to assessing and transferring their technology long before the House Committee on Science and Technology invented these terms.

If the chemical industry really suffers a credibility gap, it would probably be worse if we had not been continuously providing current and sound information convincingly presented to serious audiences such as these. These presentations have beneficial "multiplier" effects as these listeners, in turn, talk to their audiences through state meetings, news columns and their own radio and TV shows. In this way, MCA information can effectively counter the excessive "anti-chemical" food-faddist propaganda emitted by the media, and, incidentally, decried at last month's AAAS meeting in San Francisco.

It remains to be seen how much of this type of activity will be appropriate to our interests in drugs and cosmetics, assuming it is decided to expand our program in these product areas. Regardless, in the food additive area alone, there's a major and largely untapped opportunity for responsible spokesmanship.

Finally, a small but potentially very important point. Last year our Committee stretched itself--too far in the view of most members--to provide a temporary "home" for a Toxic Substances Group. This is an elite group of member company representatives--primarily toxicologists--to begin early assistance to EPA in preparing for its administration of the anticipated Toxic Substances Control Act. While most of the disciplines, and some of the personnel, are common in that group and in our Committee, there is real concern that "Toxic Substances" are not the best bedfellows for "Food, Drugs, and Cosmetics." Certainly this organization is not publicized, but we do look forward to a more permanent, and more comfortable Committee home for the Toxic Substances Control Group.

I'm pleased to tell you about the FDC Chemicals Committee. I'll try to answer your questions.

EXHIBIT G

REPORT TO THE BOARD OF DIRECTORS
MANUFACTURING CHEMISTS ASSOCIATION

W. E. WINANS, CHAIRMAN
INSURANCE COMMITTEE

APRIL 8, 1974

George Best's invitation to address you this afternoon on my favorite topic, the role your insurance and risk managers play in support of the financial integrity of your companies, was received with considerable pleasure. We insurance people have become increasingly aware of our responsibilities in this interesting, sometimes frustrating undertaking, and I welcome the opportunity to highlight a few of the major challenges we are facing. It is, of course, to these problem areas that your MCA Insurance Committee devotes its time, effort and expertise. Our aim over the years has been, by means of (the) periodic symposia (referred to by Mr. Brown) to strengthen the professional competence of your insurance representatives. Specialists in various fields of contemporary interest have participated, including, on occasion, members of our own group.

I will talk generally and briefly about recent developments and trends in the insurance markets and, specifically, I will attempt to assess their impact on costs and profits of the chemical industry, now and for the future.

In my view, the industrial insurance buyer's job is to strike toward a vital delicate balance in risk management. Namely, to optimize the relationship between the maximum in protection of assets and profits on the one hand, and the minimum in the costs of protection on the other hand. The problem is a complex of risk-reward relationships, and the best solution inevitably comprises a meld of intellectual analysis and intuitive judgment.

Recent developments and trends in the field of insurance and risk management fall into three major categories: First, the operational; second, the legislative; and third, the financial.

The principal recent emergence in the operational area, in my opinion, has been the vastly increased emphasis that the chemical industry - and, indeed, virtually all industry -- now places on the necessity for effective safety and loss-prevention and products quality control programs. Most companies have had such programs for many, many years. The effectiveness of these programs has varied from company to company, and within individual companies their effectiveness historically has varied from time to time.

In the latter part of the 1960's, a number of chemical companies were beset by major catastrophe losses. As a result, the companies found that their insurors were demanding extraordinary increases in premiums, and in a number of instances, chemical companies found themselves unable to buy insurance at any price for certain risks. With recent loss experience showing much improvement, the insurance markets now reflect a considerable easing of pressures. This favorable climate is predicted to be all too short-lived by some, in the sense that the markets action to reduce premiums and expand coverage for competitive reasons has gone too far, too fast, and they fear a renewed unfavorable trend late in 1974 or 1975.

Current improved loss experience, I believe, comes in large part from executive management's recognition that all phases of risk management require constant and vigilant attention. Particularly, this is true of accident and loss prevention. Admittedly, it is a cliché: But small accidents uncorrected lead to big accidents, and small losses unchecked lead to big losses. A good safety program, incorporating sound accident reporting procedures coupled with analysis capabilities, serves as an early-warning device to forestall potential major losses. I think that all of us now have this message, and hopefully will hold on to it. Our insurance underwriters look for effective programs of this nature, and if they do not exist, we are going to pay for their absence by higher premiums or by an inability to obtain needed insurance coverage.

In the legislative area, there have been recent noteworthy developments in respect to product safety and, potentially, in workmen's compensation.

The chemical industry is vitally affected by the new Consumer Products Safety Act and the Federal Environmental Pesticides Control Act. As you well know, court decisions and claims settlements increasingly favor the ultimate consumer, regardless of his own negligence or misuse in the handling of the product. And the settlements in dollar-terms become larger and larger in a climate of inflation, consumerism, and the misbegotten conception that when an insurance company pays the bill, it is a zero-cost that nobody bears. In fact, of course, we all pay the cost of exaggerated insurance claims settlements. This new legislation clearly signals that the manufacturer is going to be charged with ultimate responsibility for his product, wherever, whenever and however used, and it is obvious that certain segments of the legal profession will press their advantage to the ultimate.

As a consequence, we now know that the new legislation must provoke renewed and exhaustive scrutiny of product chemistry and composition, quality control, labeling, storage and handling by all the means at our disposal; and, moreover, that all of these will be factored into costs and into product selling prices.

In workmen's compensation, as in the products liability area, the trend is strongly in the direction of higher awards in settlement of job-incurred claims, with consequent increased costs for industry and higher selling prices to the consumer. The various states are feverishly directing their attention to legislating increased benefits for disabling injuries, to including heretofore excluded occupational diseases, and to extending the eligibility periods for reimbursement of medical and surgical bills. Generally, both the insurance industry and its customers have been in support of this activity on the part of the states as a means of precluding bureaucratic intrusion by the U. S. Congress into the area of workmen's compensation insurance. The Javits-Williams bill, now before the Congress, would eliminate the states role in this area, and the consequences of its passage are, and should be, of great concern to all of you.

On the financial side, we appear to be getting down to a more brasstacks approach to chemical industry insurance needs. The captive insurance company gambit is well established. A number of domestic and offshore insurance affiliates now function actively on behalf of their chemical industry parents. Several captive insurance affiliates remain as shells, unused pending further evaluation of their potential economic benefits. Possible adverse tax rulings by the Internal Revenue Service continue to be a hazard in some instances.

Additionally, on the financial side, most chemical companies are now negotiating insurance coverage with much larger deductibles than has been their historical custom, in recognition that formalized insurance coverage of smaller risks is a minus-sum game for the insured. That is, he swaps dollars with the insurance company, with the latter skimming off costs of servicing,plus a profit in many instances,where the insured would be dollars ahead if he assumed the risk himself.

We attempt to eliminate duplication of costly safety engineering and claims processing services, where possible. This has been exemplified by a notable move toward so-called "excess of loss" insurance, with large deductibles of $2 million or more, and without insurance company services. In such programs, the underwriter requires assurance of the existence and adequacy of these services within your company.

Also, financially, we have come to recognize the importance of immediacy in cash-flow. We now resist arrangements with insurors wherein we pay a deposit premium with expectation of recovery of a portion of the premium at the end of the policy term, if loss experience is favorable. On the assumption that loss experience will be good, we endeavor to negotiate minimum premium payout at the outset. We press for promptness in the return to ourselves of all cash funds that the insuror may get his hands on for our account. None of the cited financial techniques are particularly sophisticated or proprietary. All insurance buyers are cognizant of them, but constant attention is essential in order to exploit them to the full.

It is important to emphasize that just as claims and losses are largely controllable, insurance costs are correspondingly controllable. In all corporations, control starts at the absolute top of the ladder. If you will lean hard enough to stimulate and maintain a good safety program, you will see absolute and very positive results in terms of reduced losses or well-maintained loss levels, and consequently in profit improvement.

To be specific for a moment, it is the present intent of the Insurance Committee to ask the Board's approval very soon of a special MCA project. This is the installation of a computerized means of gathering and analyzing property loss information for our mutual benefit. If successful, we expect it will become a regular and valued MCA service.

In closing, I appreciate your attention to this necessarily circumscribed review of insurance matters. It has been a privilege to reacquaint you with a fascinating segment of your business, and my hope is that these remarks have given you some insight into the current problems and potential opportunities which are under continual study by the MCA Insurance Committee. Insurance programs are temporal. We must constantly alter our approach to risk control in all its ramifications if we are to maximize its benefits to your companies.

EXHIBIT H

REPORT TO THE BOARD OF DIRECTORS
MANUFACTURING CHEMISTS ASSOCIATION

C. M. NEHER, CHAIRMAN
PLASTICS COMMITTEE

APRIL 8, 1974

The principal function of the Plastics Committee is to develop and provide surveillance over the programs supported by the Plastics Group consisting of 55 MCA member companies, and representing most of the polymer production in the United States.

The programs are selected for their major importance to the industry and for their general concern to all the member companies.

Our budget is $120,300 in the current fiscal year, and almost all of these expenditures are in the preparation of background reports and literature surveys that bear on the major problems of our industry.

The 55 member companies are also the major contributors to the $2.9 million per year budget of the SPI. These company managements desire close liaison in defining the major problems that need attention by both SPI and MCA. SPI, since it has only a plastics interest, is the plastics industry's major spokesman in handling of problems with the Government and the public. We have found that the best support the MCA plastics program can give to the SPI programs is to serve as a major source of basic information and literature survey material. Thus, the SPI's actions are based on the best available literature information from both the public and the private sector.

We would list our major current problems in the following order:

1. <u>Energy -- Product Availability</u>

Our industry will have zero growth unless we have a growth in supply of product to the industry.

MCA contributed to SPI's exploration of the growth of the major polymers through the year 2000. This study showed remarkable growth and even with higher energy charges we believe these growths will be quite significant.

Also, MCA and SPI supported independent studies at the Midwest Research Institute which are about ready for publication. This was to develop the basic data on the relative amount of energy used in the production of various plastics and the contribution to air and water pollution in their overall cycle of production and use.

We believe the data from these reports will show that as energy costs increase, plastics may be handicapped in some few areas, but generally they will remain a solid growth area for the overall economy.

2. Combustibility

a. SPI is hopefully in the last stages in the negotiations between the industry and the Federal Trade Commission. This agreement would limit the use of "self extinguishing" and "non-burning" in advertising claims for plastics and put considerable restriction on tests and standards.

b. The SPI position now on foam installations is that they should be covered with plaster or fiberboard which would make it much more difficult for a fire to originate.

c. MCA has contracted with Stanford Research Institute to the extent of $83,000 for a study on combustion to be released in late '74. It will be a compilation of the test methods and combustibility results using company files and published literature on a worldwide basis. This should help our industry and society leaders, the public and the Government officials to arrive at criteria that are reasonable from everyone's point of view.

3. Toxicity

a. Vinyl chloride at the monomer plants, at the polymer plants and further down the chain. Companies are taking the position that the real solution to this problem is getting the monomer to an undetectable level in the packaged product (using a test method that is sensitive to 50 ppb in the material exposed to the PVC containers). I believe there are companies who will be meeting these requirements in a matter of weeks so that they should be able to insure the public and the Government that this problem is being handled.

b. Other packaging materials that may have a monomer migration problem must also be carefully scrutinized.

4. <u>Solid Waste</u>

This has been a problem requiring a great effort on the part of SPI -- not only at the national level, but at the municipal and state levels.

The MCA plastics program has produced five reports dealing with this area, either issued or to be issued by June of this year. We believe that the basic information needed for the solution of this problem is available and that it is in reasonably good hands.

5. <u>Consumer Product Safety</u> -- will likely be more of a problem in the future, and so may have a bearing on our future program concerning plastics materials.

6. <u>The small independents</u> (who were never associated with the SPI) formed their own association, TOPP (The Organization of Plastics Processors) because they are dissatisfied. They're a highly vocal group pressing for relief on raw materials. The SPI also tried to get some relief in this area especially as regards feedstock allocations.

EXHIBIT I

STAFF REPORT

by

William J. Driver

April 8, 1974

On March 12, EPA published final regulations for effluent limitation guidelines for the inorganic chemicals manufacturing point source category. It also proposed regulations on pre-treatment requirements before inorganic chemical plant effluents are discharged into municipal sewerage.

As you know, at our last Board meeting concern was expressed as to whether MCA's member companies should seek participation in the current litigation challenging these effluent guidelines and standards under the Federal Water Pollution Control Act Amendments of 1972. Also, the question was raised as to whether the Association should become actively involved in this litigation.

My letter of March 27 advised the Board that a letter was going forward to all Executive Contacts summarizing the legal aspects of the situation to alert them to the steps they may wish to consider to protect their legal interests. At the same time, the Board was advised that, while not legally necessary to the successful prosecution of the suit, steps were being taken by MCA to join as a co-petitioner in one of the review proceedings recently brought in the U.S. Court of Appeals for the Fourth Circuit in Richmond. This will provide MCA the opportunity to represent the interests of its total membership at the brief-writing stage in that Court.

By letter dated April 1 to all Executive Contacts, I summarized the legal status and implications of the various legal actions undertaken or planned by individual chemical companies in:

the U.S. Circuit Court of Appeals for the Fourth Circuit (Richmond);
the Natural Resources Defense Council (NRDC) suit in the U.S. Court of Appeals for the Second Circuit (New York);
and other lawsuits pertaining to particular chemicals being filed in various Federal District Courts.

The current status of litigation is as follows:

a) In the Fourth Circuit suits in Richmond, nine companies are challenging the inorganic chemicals effluent guidelines as well as new plant standards. MCA has taken action to join as co-petitioner in the former, since the major legal questions of concern to MCA's membership as a whole have to do with challenges to the guidelines. A decision in these suits might not occur before the latter part of July since the presently projected due date for reply briefs is July 10 in regard to the inorganic guidelines and July 17 in regard to inorganic new sources.

b) In the Natural Resources Defense Council suit in the Second Circuit (New York), NRDC claims that EPA does not have the power to grant exceptions to guidelines under the so-called "variance" procedure. Motion for leave to intervene by ten chemical companies has been granted. The intervention will enable the chemical industry to express its views on the authority of EPA to apply effluent guidelines flexibly and to raise the issue of whether review of effluent guidelines is properly in the Court of Appeals--one of the issues also raised in the Fourth Circuit suits in Richmond. The merits of the inorganic chemical effluent guidelines are not at issue in this case.

c) At present, one District Court suit has been filed (Western District of Virginia--Roanoke). Eight companies have challenged the effluent guidelines for sulfuric acid plants and, in particular, are seeking to obtain an expedited District Court decision on a key jurisdictional point--that is, whether the law requires such challenges to be brought in the Court of Appeals within 90 days from promulgation of the guidelines.

d) On March 29, one company filed a petition for judicial review in the Fourth Circuit Court of Appeals (Richmond) concerning the effluent guidelines for plastics and synthetics published in the FEDERAL REGISTER .

e) The Washington law firm coordinating the litigation to date presently plans to file additional petitions for review concerning: plastics and synthetics new source, June 3; organic chemicals guidelines, approximately April 15; organic chemicals new source, June 17. This schedule, subject to change, is based on the projected date of issuance of future regulations by EPA.

I would repeat the suggestion in my letter to the Executive Contacts, that you evaluate with your own counsel your environmental control program in the light of the EPA regulations and pending litigation to determine whether legal action is required to protect your interests.

After consideration this morning by the Executive Committee, it was decided that MCA would take no further legal action, since the jurisdiction-procedural questions are sufficiently posed by the action in which MCA has joined in the 4th Circuit Court of Appeals.

Each company should examine its own status, as indicated in my April 1st letter, especially as to individual chemicals.

A further letter to Executive Contacts is contemplated. MCA will provide continuing information to the membership as the cases progress, so that each member can evaluate its own needs.

MCA will consider filing amicus curiae briefs at any stage at which it seems fitting based on principle.

MCA General Counsel will be pleased to advise individual members with any information desired.

I would appreciate your keeping me apprised of any legal actions your company takes in regard to the EPA regulations.

* * *

In acknowledging our letter of March 8, expressing opinions on the Agency's interpretation and promulgation of guidelines under the Federal Water Pollution Control Act, Mr. Alan Kirk, EPA Assistant Administrator for Enforcement and General Counsel reiterated the EPA intent to establish national uniformity and "standards for 1977." This is contrary to our stated belief that:

- the Act specifically provides for promulgation of guidelines and not National standards of rigid effluent limitations.

and that:

- the guidelines are the tool to be used in establishing effluent limitations providing for the application of "best practicable control technology currently available" and "best available technology economically achievable."

Further, Mr. Kirk was not responsive to my letter of February 27 to Mr. Train reaffirming recommendations that:

- Administrative flexibility and integrated management are basic to a proper program.

- EPA should provide guideline ranges and/or direct Regional Administrators to prescribe effluent limitations with discretion, taking into account variables which logically cannot be applied uniformly Nation-wide.

- Proposed Level I guidelines (for 1977 effluent limitations) should, in a number of instances, be adjusted to reflect technology that is consistent with and supported by a demonstrated technological base.

- Level II guidelines (for 1983 limitations) and Level III standards of performance for new sources should be promulgated for only those subcategories for which the technology is documented, or at most as interim goals subject to confirming demonstration of projected technologies.

* * *

Public hearings on the proposed standards for toxic pollutants started today and will continue through May 3. These relate to the nine sub-part pollutants declared "toxic pollutants" under the Federal Water Pollution Control Act published December 27. A number of MCA member companies have filed objections and submitted testimony for examination. MCA submitted written comments and recommendations on March 27.

* * *

The MCA response to the EPA's proposed document on effluent limitations guidelines for existing sources to pretreatment standards for incompatible pollutants for the phosphate manufacturing point source category was submitted March 22.

* * *

EPA has scheduled the first of a series of "technology transfer seminars" on toxic substances control for April 19 in Atlanta, and technical experts of three member companies will make presentations on industry impact and plant control programs.

* * *

Two chemical industry workshops on the Federal Water Pollution Control Act Amendments of 1972 have been scheduled for April, one in Atlanta and the other in Saddle Brook, N.J., under the sponsorship of MCA and EPA.

Both are designed primarily for plant operating and technical management employees.

* * *

As a direct result of the interest in vinyl chloride generated by the recent recognition of that chemical as an occupational carcinogen, the Environmental Protection Agency has organized a task group on vinyl chloride under the leadership of Mr. Glenn E. Schweitzer, Director of the EPA Office of Toxic Substances. Fifteen offices and divisions of EPA are represented thereon, including those with responsibilities for air and water pollution, solid wastes, and pesticides.

At the request of Mr. Schweitzer, MCA conducted a one-day briefing session to provide the EPA group with a broad and integrated background of the industry, the health and environmental effects of its products, and its emission control practices and problems. Over thirty industry experts staffed four discussion panels, and sixteen representatives attended for EPA.

The exchange of viewpoints and information must be characterized as cordial and productive, but it was clearly stated by Mr. Schweitzer that he felt industry response to the problems constituted a "mini effort to solve a maxi problem."

* * *

The Occupational Safety and Health Administration announced March 22 its intention to promulgate an emergency temporary standard for exposures to vinyl chloride monomer arising in any industrial operation.

The temporary emergency standard will reduce permissable exposure levels of employees to the monomer to a 50 ppm ceiling limit. At higher levels, respiratory protection must be provided. Route monitoring to assure compliance with these standards will be specified.

John Stender, assistant secretary of OSHA, confirmed, however, that no exposures would be permitted to detectable levels of vinyl chloride based on an analytical method sensitive to 1 ppm. He also expressed the view that beyond those precautions necessary to prevent reentrainment of exhaust gases in the intake ventilatory air to work space, it was not within the province of OSHA to regulate discharges into the ambient atmosphere.

MCA was invited by EPA to prepare an industry briefing for EPA's vinyl chloride task group, providing the group with available industry data and views on what may be, and what are not, the significant problems of vinyl chloride and/or polyvinyl chloride contamination of the environment. The briefing was held at MCA on April 2.

MCA and industry representatives are cooperating with Dr. Irving Selikoff of New York's Mt. Sinai Hospital in developing a technical program for a May 10 session on vinyl chloride sponsored by the New York Academy of Sciences.

* * *

With the encouragement of DOT, in 1969 MCA began the formal study which led to the Board approval of CHEMTREC in June 1970. In October of that year the Congress passed the "Hazardous Materials Control Act of 1970" which required that". . . . the Secretary shall, within six months after the date of enactment . . . . . establish a central reporting system . . . . to provide technical and other information and advice . . . ."

At this time the organization of CHEMTREC was proceeding, and it became operational in September, 1971. DOT had taken no observable steps to establish their own system. Internally there appeared to be dissenting opinions as to whether the word "establish" meant it had to be in-house, or if it could be external.

In November 1972, in response to a letter I sent him, General Benjamin Davis, Assistant Secretary for Environment, Safety and Consumer Affairs, stated that "consistent with the responsibilities referred to in the 1970 Act, they were proceeding with a center in the Coast Guard." As they studied the problems, costs, manpower requirements and lack of know-how, CHEMTREC was establishing a record of efficient performance and was acquiring an excellent reputation. A year ago at the President's Reception General Davis advised me that they were abandoning the idea of their own center, and that they would recognize CHEMTREC. The legal question of an outside operation appeared to finally be resolved.

General Davis sent us a letter in January in which he suggested the exploration of possible benefits from DOT's financial participation in the program. He also stated that the Office of Hazardous Materials was prepared to assign a staff member as a formal liaison representative "for the purpose of closer relationship between CHEMTREC and the Department." Last week a delegation headed by W. J. Burns, Director of the Office of Hazardous Materials met with us to accomplish this.

The magnitude of the possible financial support is unknown at this time. There are some advantages in not being financially involved with the government, and this is being further considered.

On the next reprinting, we plan to add a paragraph in the CHEMTREC brochure, commenting on the DOT cooperation. As of this writing, we do not have agreement on the appropriate wording.

* * *

John Zercher, CHEMTREC manager, recently attended a meeting of the Packaging Subcommittee of the United Nations Committee of Experts on the Transportation of Dangerous Goods as an advisor to the United States delegation. Seven governments are represented on the group, whose objective is to make recommendations for international packaging standards. Support to the U.S. delegation has been a continuing program of MCA for a number of years.

Of particular importance to the chemical industry were deliberations on design criteria of multimodal tank containers, an international hazard information system, definitions for classifying chemicals and certain packaging proposals.

* * *

In March, MCA submitted comments on the National Fire Prevention Code proposed recently by the National Fire Prevention Association. Several member companies presented comments regarding specific provisions of the code, while MCA's comments con-concerned improving references to the Department of Transportation

Hazardous Materials Regulations. Sanford Schreiber, Allied Chemical, has been nominated as the MCA representative on the NFPA committee that will review comments on the proposed code.

* * *

On March 13, MCA sponsored an informal conference with members of DOT's Hazardous Materials Regulations Board to discuss the proposed consolidation of regulations for the transportation of hazardous materials and the proposed Hazard Identification System.

* * *

The three-man chemical industry panel testified March 28 before the Senate Finance Committee on the Trade Reform Act of 1973.

The three--Dave Dawson, the chemical industry trade advisor; Richard M. Brennan, chairman of MCA's International Trade Committee, and Robert C. Barnard, counsel for SOCMA and appearing for SOCMA's President Harold C. Whittemore, Jr.--recommended the following changes in the bill:

. Tariff cuts be limited to not more than 50 percent, and no U.S. tariff over 25 percent be reduced below 15 percent.

. Full use of industry advice and help in the negotiations be required.

. Any agreement on American Selling Price be required to have congressional approval.

. Reciprocal bargaining by sector be required for tariff cutting.

Dr. Dawson told the committee of the industry's great need for energy and said that since Congress first started consideration of the trade bill the whole character of world trade has changed dramatically because of the energy crisis. In discussing international competitive relations and the "admittedly largely unhappy" experiences in the Kennedy Round, Dr. Dawson said, "It is clear that the control of energy materials outside of a mechanism for international negotiations is fraught with great danger. Finally it is clear that this bill should be further amended to provide requisite mechanism for grappling with these problems."

Mr. Brennan addressed specifically the tariff cutting authority and industry liaison with trade negotiators. He said, "Although we do not question the need for our trade negotiators to have congressionally delegated authority to modify U.S. tariffs, we are concerned that too much authority would be provided by section 101 of H.R. 10700." In support of industry advice during negotiations, he said, "We seek only to achieve the same degree of close coordination between businessmen and their government negotiators that we have witnessed in the practice of our trading partners abroad."

Mr. Barnard, citing testimony by Mr. Whittemore, said that the special provisions in the bill relating to benzenoid chemicals subject to the ASP method of valuations should be amended. He said that Congress should retain the right to review and approve any trade agreement changing the ASP method of valuation and that the Act should make sector-by-sector reciprocity the principal objective in any trade negotiations, not just in negotiations on non-tariff barriers.

* * *

John R. Malloy, assistant comptroller of Du Pont, testified March 26 on behalf of MCA at an Internal Revenue Service hearing on proposed income tax regulations relating to the allocation and apportionment of deductions for computation of taxable income. He stated that the proposed regulations are considered to be of questionable validity by the chemical industry and that they would create excessive, serious and burdensome double taxation if adopted. He stated further that the regulations could result in reduced research and development in the U.S., and that they would give foreign business another competitive advantage.

Mr. Malloy pointed out that the proposals could cause a substantial increase in the amount of deductions, expenses and other items that U.S. taxpayers could be required to allocate to foreign source income. As a consequence, he said, the foreign tax credit of most U.S. chemical companies would be drastically reduced.

MCA believes that the treatment of research and development expenses under the proposed rules is deterimental to the best interests of the U.S., Mr. Malloy stated, because these rules would impose more burdensome taxes on our enterprises and discourage research in this country.

This would be so, he said, because the larger allocations required to be made to foreign source income would nullify the current deductions for these expenditures through the reduction in the foreign tax credit allowed. Thus, this foreign tax credit loss would be an additional impetus for companies to conduct research abroad.

Mr. Malloy recommended that the proposed regulations be withdrawn, and that it be made clear that existing audits should be covered by the present rules.

* * *

The House Ways and Means Committee devoted the first two weeks of March to marking up a "windfall profits" tax measure applicable to the petroleum industry, but has not yet reported out a bill.

The Committee tentatively has decided:

. To impose a graduated "windfall" tax on the increase in price over a base price, subject to a plowback allowance for new exploration.

. To phase out the depletion allowance for oil and gas, but only for those producers whose prices are not controlled.

The committee is considering eliminating the option of the per-country limitation in computing the foreign tax credit of oil companies and only permitting an overall limitation.

* * *

On March 21, House-Senate conferees reached agreement on provisions of the $2.30-an-hour minimum wage bill. The conference report was approved by both the House and Senate March 28.

The conferees agreed to:

1) Raise the present $1.60 an hour mimimum to $2.00 on May 1 and to $2.20 in two further steps by January 1, 1976, for most workers currently covered under the Fair Labor Standards Act.

2) Expand the coverage of the Act by 7.1 million to a total of 56.5 million workers.

3) Broaden the existing youth differential provision, allowing students to be paid 85% of the minimum wage.

4) Extend overtime protection to about 9.5 million workers.

5) Extend coverage to state, local, and Federal Government workers, domestic workers and, on a more gradual scale, farm workers.

The legislation, which was passed by the Senate March 7 and approved by the House March 29, now goes to the White House. Presidential approval, despite last year's minimum wage veto, is expected.

* * *

The Cost of Living Council on March 13 took further steps to decontrol the petrochemical industry.

1. It exempted from Phase IV controls prices charged by category II and III firms (firms with annual sales under $100 million) and eliminated pre-notification and cost-justification requirements. It retained profit controls for category I firms (firms with annual sales of $100 million and over) in the following industries: miscellaneous plastic products, adhesives and sealants, surface active agents/finishing agents, explosives, inorganic pigments, gum and wood chemicals and paint, varnishes and allied products.

2. It exempted from Phase IV price controls petrochemical products listed in the Council's January 30 ruling as profit-controlled. The products include: cyclic (coal tar) crudes, and cyclic intermediates, dyes and organic pigments (lakes and toners); industrial organic chemicals, not elsewhere classified; plastic materials, synthetic resins, and nonvulcanizable elastomers; synthetic rubber; cellulosic man-made fibers; synthetic organic fibers, except cellulosic; printing ink, and carbon black.

3. It exempted from Phase IV wage controls the wages and salaries paid by all firms in the industries cited above regardless of annual sales. Executive and variable compensation are not included and remain subject to regulation.

Taking further action on April 1, the Cost of Living Council exempted from controls alkalis and chlorine: industrial gases; industrial inorganic chemicals, not elsewhere classified; pesticides and agricultural chemicals, not elsewhere classified; and chemicals and chemical preparations, not elsewhere classified.

* * *

More than 1,000 science teachers visited the MCA education exhibit March 15-19 at the National Science Teachers Association convention in Chicago. The visitors, attending the largest gathering of science teachers from the U.S. and Canada in 1974, reviewed MCA publications, learned about services available to educators and talked informally with more than 20 industry representatives enlisted by the Chemical Industries Council of the Midwest. More than 3,500 copies of MCA publications were distributed.

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The first packet of materials prepared for the grassroots public relations program on the chemical industry and energy is ready for mailing. A cover leter to all executive contacts will explain the program and stress the need for top management to emphasize it, particularly to plant managers. A number of packets will be mailed over the next several weeks. They will contain news and feature stories and speeches tied to major points of the industry's position on energy. Material for the packages was developed by public relations personnel on loan from member companies and by MCA public relations staff.

* * *

Senator Henry M. Jackson, chairman of the Interior and Insular Affairs Committee, will be the speaker at the Chemical Forum Luncheon on May 6.

* * *