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METALS

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Aluminum producers buy time on bauxite

With only mild public protests, the major U.S. aluminum companies—Aluminum Co. of America, Reynolds Metals, and Kaiser Aluminum—this week submitted to the will of the Jamaican government. They agreed to increase the tax and royalty payments on their bauxite mining and alumina processing activities in Jamaica this year from \$25-million to \$200-million. The result will be higher prices for aluminum products in the U.S.

In effect, they had no choice. The U.S. aluminum companies have a gross capital investment in Jamaica of \$800-million—which they could have lost if they had refused to bow to the Jamaican government's order. Even more important, Jamaican bauxite and alumina supplies today account for a critical 40% of the aluminum produced in this country.

"We will pay the additional revenues . . . but will do so under protest," acknowledges John D. Harper, chairman and chief executive officer of Alcoa. Along with Reynolds and Kaiser, Alcoa has requested that the International Center for Settlement of Investment Disputes (a body formed under the auspices of the World Bank) rule on the legality of the Jamaican government's increased tax and royalty action which, the companies claim, breaches long-term contract agreements.

While the investigation proceeds, however, the increased payments will be made. And this, plus a growing shortage of aluminum in the U.S., could force the price of aluminum ingot, now running at 33½¢ per lb., up to 36¢ to 38¢ by August and maybe as high as 40¢ by yearend.

Where it hurts. Because they do not depend equally on Jamaican bauxite and alumina, the big U.S. aluminum producers will not be equally hurt by the Jamaican tax boosts. Alcoa, for example, will have to pay only an additional \$21-million because it gets only about 15% (or 775,000 short tons) of its alumina from Jamaican bauxite.

For Kaiser and Reynolds, the increase will be a much tougher pill to swallow. Reynolds gets 60% of its bauxite from Jamaica, and its royalty bill "will climb to about \$50-million gross before any tax effect, based on estimated production of about 4.5-million tons this year," says Richard S. Reynolds, Jr., president and board chairman. Reynolds, the largest U.S. user of Jamaican bauxite, pays export taxes



Alcoa's Harper: Aluminum expansion will more likely be in the U.S.

not only on the 3.4-million tons of Jamaican bauxite it ships to its U.S. plants each year but also on 1.1-million tons of ore it sends to the Jamaican alumina plant it owns with Kaiser and Anaconda Copper.

The Kaiser bite will be somewhat smaller—an additional \$48-million payment. But between 70% and 75% of Kaiser's U.S. alumina requirements are totally dependent on Jamaican bauxite. So the effect on the company's over-all costs—and thus on its prices—cannot fail to be more sweeping. Looking elsewhere. Over the longer haul, though, the Jamaican tax boost could force even more important changes in the U.S. aluminum industry.

The outlook is for higher prices for aluminum products in the U.S.

"Bauxite may well be pricing itself out of the market," concedes Alcoa's Harper. "This doesn't mean that we are walking away from Jamaica. But it means that our future expansion will more likely be in the U.S."

Aluminum, he continues, is a very common element in the earth's crust. It is contained in anorthosite, in laterite ore, in clay, and there are big amounts in coal mine wastes.

"We will not go ahead with domestic ores until we have demonstration plants built," says Harper. "And then it will take two to three years to get new facilities operating." But implicit in the active interest of U.S. aluminum producers in developing alternate sources of aluminum is the knowledge that other bauxite-rich countries in the Caribbean and Africa may not be long in following Jamaica's lead in demanding far higher taxes on bauxite. ■

CHEMICALS

The spreading fight over vinyl chlorid

In May, the federal Occupational Safety & Health Administration issued a proposed standard that would limit the concentration of vinyl chloride in a plant's atmosphere to "no detectable level"—in practice, about one part per million. Next week, producers and users of this chlorinated hydrocarbon, which is the monomer used to make polyvinyl chloride (PVC), industry's most versatile plastic, will square off against OSHA at public hearings in the hope of squashing the new standard.

Already, OSHA has extended the Washington hearings beyond the four days originally scheduled. Some witnesses have asked for as much as three hours to testify. Controversy is hardly new to OSHA, which has seen most of its standards hotly contested, but this, says an official, "is going to be the biggest show we've ever had."

The fight is over OSHA's attempt to protect workers against angiosarcoma, a rare form of liver cancer. Vinyl chloride, normally a gas, has long been a suspected carcinogen, and European scientists had previously reported tumors in rats exposed to heavy doses. Then in January, B. F. Goodrich Chemical Co. reported that several of its long-time vinyl workers had died of angiosarcoma. OSHA quickly dropped the previous exposure limit of 500 ppm to 50 ppm as a temporary measure. In April, studies sponsored by the Manufacturing Chemists Assn. showed that 2 of 200 rats exposed seven months to 50 ppm developed tumors. Meanwhile, the number of confirmed deaths due to angiosarcoma among vinyl workers, worldwide, has reached 21. "And we've only begun to look at the problem," says William Lloyd, head of the health surveillance office of the National Institute of Occupational Safety & Health (NIOSH).

Under the proposed standard, workers exposed to detectable amounts of vinyl chloride would have to wear respirators. But, as it did in earlier standards, OSHA says it will insist, where feasible, on engineering controls and work practices that avoid contamination of the air in the first place.

Crippling standard. The vinyl industry's position is, first, that rat tests to date do not prove the need for a 1-ppm limit for human beings, and second, that such a limit is technologically and economically not feasible. The Society of the Plastics Industry (SPI) has called the proposed standard "excessively and

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...dnealistically restrictive." Anton Vittone, Jr., president of B. F. Goodrich Chemical, states bluntly that the 1-ppm level "cannot be obtained at this time or in the future." A spokesman for Firestone Tire & Rubber Co. puts the case more strongly: The standard, he says, "would literally cripple this industry."

The threat, moreover, is not confined to those companies that make the monomer and the polymer. The standard, says Vittone, "could displace not only the 6,500 vinyl chloride workers and PVC production workers, but also hundreds of thousands of other employees in the companies that use PVC." Some 5-billion lb. of the plastic was used in the U. S. last year to make such products as pipe, wire insulation, packaging film, and floor tiles.

The danger to PVC processors lies in the small amounts of unreacted vinyl chloride that remain in the polymer. That danger took on added weight last week with reports of deaths due to liver cancer of two Connecticut PVC workers. One had worked on a General Electric Co. wire-coating line in Bridgeport, the other on a fabric-coating line at Ross & Roberts, Inc., in Stratford. "We're afraid the problem extends far out into the plastics industry," says NIOSH's Lloyd.

Disputed report. No one has had time to calculate fully the economic impact that the new standard could have, but SPI this week released some preliminary findings of a study made for it by Arthur D. Little, Inc. ADL researchers figure that a shutdown of vinyl producers would result in a loss of at least 1.6-million jobs and \$35-billion in annual sales. Hardest hit would be the automotive and construction industries, heavy PVC users. ADL is studying the possible use of substitutes for PVC in some applications and will present its findings at next week's hearings.

Even in advance of the SPI report, however, Sheldon Samuels, director of occupational health, safety, and environmental affairs of the AFL-CIO, called it "meaningless." The report, he says, assumes that the standard cannot be met. "But we're getting data showing that the standard can, in fact, be met." His data show, Samuels says, that plants making less than 100-million lb. a year of vinyl chloride will have to resort to respirators; plants of 100-million lb. to 200-million lb. can afford to put in engineering controls; and larger plants could be made "airtight."

The AFL-CIO says it is determined to fight for the tough standard even if it does mean throwing some people out of work. But Peter Bommarito, president of the United Rubber Workers' union, echoes Samuels' confidence. Industry, he says, is trying to "scare everybody about losing a job."

MONEY & CREDIT

A new set of rules for floating currencies

"We hope we have taken a first step back toward more stability in currencies," said a central banker fresh back in Europe from last week's Committee of 20 monetary reform negotiations in Washington. That first step was an agreement on some rules for managing today's floating exchange rates, and this week monetary authorities in both the U. S. and abroad were mulling over how to make those rules work.

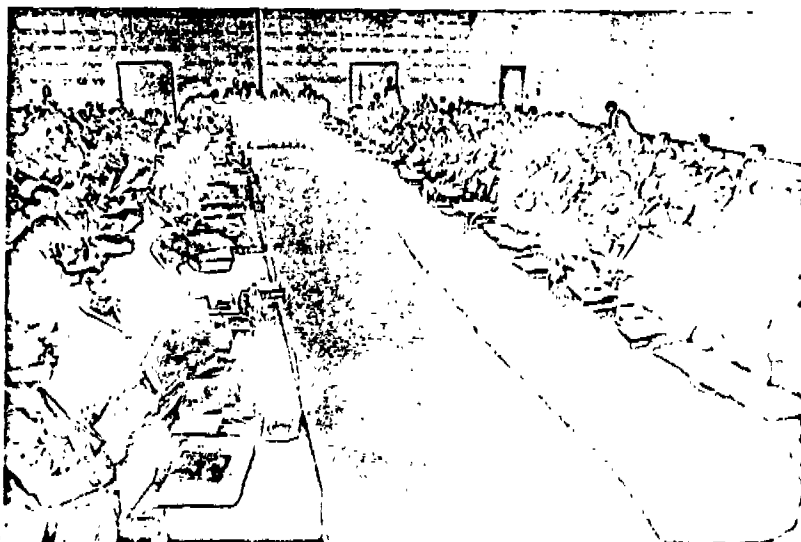
There is no longer a prayer of the sort of full-scale reform that govern-

money from newly rich oil nations that will help poorer lands pay their oil bills.

Most significant, though, was the agreement on rules for floating. Much of the technical side of these rules remains to be worked out, and there is no guarantee that nations will follow the rules. The IMF will help draft them, but it cannot force a government bent on competitively devaluing to obey them. "The rules simply express a hope," as one central banker sees it.

Tinkering. The aim of these rules for floating is to insure that governments avoid competitive devaluations that might damage the exports of other nations. Technically, the rules went into effect last week. In practice, it will be a while before they are applied, and there probably will be tinkering with the present relationship of rates first.

In coming months, governments in bilateral talks with the IMF staff will



Delegates from 20 nations conferred on money at a two-day meeting in Washington.

ments had in mind when they created the C-20 two years ago: a dramatic return to fixed exchange rates. "We'll never see the 'big reform'—just a lot of small steps," says one European.

Yet in a world of floating rates, roaring inflation, and deteriorating economies, even small steps look important. At the least, the negotiators have insured that international monetary cooperation is not dead. Faced with the unpleasant prospect of returning home empty-handed, the officials buckled down in Washington and reached some substantive agreements. Further, the Washington meeting produced a much-strengthened International Monetary Fund. The IMF has a new, more attractive special drawing right (SDR) to hand out—one that will be of use not only in government but in private transactions as well. And the IMF gets to manage a \$3-billion "oil facility"—

work out confidential "target zones"—or ranges of fluctuation—for each currency. Thereafter, a government would be obliged to keep its currency trading within these zones—intervening if necessary to keep it there. If a government wants to change its zone, either to correct a past mistake or to accommodate future economic policy, it will be expected to consult with the IMF. And the fund staff, based on its own models, may suggest when it thinks it is time for a government to move a zone up or down a bit.

The IMF can only suggest—not order. It does get some muscle from the creation of a new, ministerial-level interim consultative committee. This committee, including the same 20 ministers who made up the Committee of 20, is to meet yearly to supervise the implementation of the rules for floating. The committee per se will have no real