

A G E N D A
MEETING OF THE MCA BOARD OF DIRECTORS
11:00 a.m. (EDT), Tuesday, September 15, 1964
Union Club, New York City

I. MINUTES OF JUNE 10 AND JUNE 11, 1964, MEETINGS.

II. REPORT OF THE SECRETARY-TREASURER.

- (a) Financial Report -- June 1 - August 31, 1964
- (b) Status of Membership Fee Collections
- (c) Financial Report -- 92nd Annual Meeting
- (d) Records Retention Policy

(Enclosure)

III. BOARD OF DIRECTORS.

- (a) Appointment of Alternates
- (b) Appointment of Pension Committee
- (c) Pension Plan -- Administration and Amendments
- (d) October 13, 1964, Regional Directors Meeting in Wilmington, Del.
- (e) Membership Committee -- Applications of
American Metal Climax, Inc.
The Pantasote Company, Eleonora Chemical Division
- (f) Program Committee -- Nov. 24, 1964, Semi-Annual Meeting
- (g) Statement on Environmental Health
- (h) Reprinting of By-Laws
- (i) Amendment of "General Principles" to Provide for Associates on Committees

(Enclosure)

(Enclosure)

(Enclosure)

IV. COMMITTEE APPOINTMENTS.

(Enclosure)

V. COMMITTEE REPORT.

Transportation and Distribution Committee - Car Advisory Subcommittee --
George L. Wilson, Chairman

VI. STAFF REPORT AND MISCELLANEOUS ITEMS.

NOTE: Next Meeting of the Board of Directors will be held at 11:00 a.m. (EST), on
Tuesday, October 13, in the Conestoga Room, DuPont Country Club,
Wilmington, Delaware.

CMA 068252

MINUTES of the one hundred fortieth meeting of the Directors of the Manufacturing Chemists' Association, Inc., held at the Union Club, New York City, on September 15, 1964, at 11:00 a.m. (EDT).

There were present:

Chester M. Brown	Charles S. Munson
F. L. Bryant	Thomas S. Nichols
Herschel H. Cudd	Donald D. Pascal
George H. Decker	Joseph E. Rich
William P. Drake	Robert B. Semple
Harold W. Fisher	Wesley H. Sowers
J. Robert Fisher	Hans Stauffer
Carl A. Gerstacker	Joseph R. Stevens
Ralph K. Gottshall	Robert C. Swain
Kenneth H. Hannan	George R. Vila
Thomas C. Jones	Harry B. Warner
William P. Marsh, Jr.	G. L. Weissenburger
Harry B. Marshall	W. N. Williams
C. B. McCoy	M. F. Crass, Jr.
R. C. McCurdy	

Alternates:

A. E. Albright (for Hans Stauffer)
 E. E. Fogle (for Kenneth H. Hannan)
 Hugh C. Land (for William P. Drake)
 John O. Logan (for Thomas S. Nichols)
 W. F. Michener (for Harold E. Thayer)
 Thomas B. Nantz (for Harry B. Warner)
 C. L. Randolph (for Hugo Riemer)
 W. T. D. Ross (for Robinson Ord)

General Counsel:

H. H. Fowler) Fowler, Leva, Hawes &
 Lloyd Symington) Symington

Present by Invitation:

James R. Carnes - MCA
 R. C. Plumb - American Cyanamid Company
 George L. Wilson - Rohm & Haas Company

Chairman Gottshall called the meeting to order at 11:00 a.m. In his opening remarks, he welcomed the new Directors and guests who were present.

I. MINUTES OF JUNE 10 AND JUNE 11, 1964, MEETINGS.

The Minutes of these meetings were duly approved as submitted to the members.

II. REPORT OF THE SECRETARY-TREASURER.

(a) Financial Report, June - August 1964. The financial report for the three months ending August 31, 1964, 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) Status of Membership Fee Collections. The Secretary-Treasurer reported that all members had paid their dues and that the Association's financing for the new fiscal year had been completed.

(c) Resignation. The resignation of Mississippi Lime Company was reported to those present. Two recent consolidations have removed the following firms from the membership roster: Spencer Chemical Company and Western Chemicals Ltd.

Although the foregoing actions resulted in a net loss of income to the Association of \$3,625, this amount has been virtually recovered through voluntary upward fee adjustments on the part of two members.

(d) Financial Report -- 92nd Annual Meeting. The Secretary-Treasurer reported Annual Meeting income of \$36,056. Expenses totaled \$12,533, leaving a net balance of \$23,523 which has been transferred to the operating account in accordance with financing arrangements previously approved by the Board.

(e) Records Retention Policy. The Washington office has now set up facilities for the storage of inactive records, according to procedure recommended by the management consultant team which studied over-all Association operations during the early part of 1963. A formal records retention policy has been also adopted in accordance with the recommendations of the team which were approved in principle by the Directors following completion of the study.

The Secretary-Treasurer briefly described the procedure which had been reviewed by General Counsel and which will be placed in effect immediately. The report was accepted without comment.

III. BOARD OF DIRECTORS.

(a) Appointment of Alternates. The Chairman advised that the following Board members had requested the appointment of alternates:

<u>Board Member</u>	<u>Alternate and Company</u>
Chester M. Brown	Harry S. Ferguson, Allied Chemical Corporation
F. Leonard Bryant	Thomas F. Willers, Hooker Chemical Corporation
F. L. Byrom	C. E. Brown, Koppers Company, Inc.
Herschel H. Cudd	P. C. Livesay, Amoco Chemicals Corporation
William P. Drake	Hugh C. Land, Pennsalt Chemicals Corporation
H. W. Fisher	John E. Wood III, Enjay Chemical Company
Carl A. Gerstacker	Leland I. Doan, The Dow Chemical Company
John L. Gillis	Charles H. Sommer, Monsanto Company
Ralph K. Gottshall	Edward J. Goett, Atlas Chemical Industries, Inc.
Kenneth H. Hannan	E. E. Fogle, Union Carbide Corporation

Board Member

Thomas C. Jones
 Wm. P. Marsh, Jr.
 C. B. McCoy
 R. C. McCurdy
 Thomas S. Nichols
 Robinson Ord
 Hugo Riemer
 Robert B. Semple
 Hans Stauffer
 R. C. Swain
 Harold E. Thayer
 George R. Vila
 Harry B. Warner
 G. L. Weissenburger
 W. N. Williams

Alternate and Company

David G. Braithwaite, Nalco Chemical Company
 Robert E. Hulse, National Distillers and Chemical Corp.
 David H. Dawson, E. I. du Pont de Nemours & Co.
 George W. Huldum, Jr., Shell Chemical Company
 John O. Logan, Olin Mathieson Chemical Corporation
 W. T. D. Ross, Canadian Industries Limited
 C. L. Randolph, United States Borax & Chemical Corp.
 Bert Cremers, Wyandotte Chemicals Corporation
 A. E. Albright, Stauffer Chemical Company
 D. J. O'Connor, Jr., American Cyanamid Company
 W. F. Michener, Mallinckrodt Chemical Works
 F. D. Chittenden, United States Rubber Company
 T. B. Nantz, B. F. Goodrich Chemical Company
 Denton A. Shriver, Vanadium Corporation of America
 Donald Oskin, FMC Corporation

ON MOTION duly made and seconded, it was

VOTED: That all appointments be approved.

Mr. Gottshall stated that if additional Directors desired to designate alternates they should submit nominations to the Secretary-Treasurer for appointment at the October 13 meeting.

(b) Appointment of Pension Committee. The Chairman announced that for the 1964-65 fiscal year the Pension Committee would consist of the following Directors:

W. N. Williams, Chairman
 Harold E. Thayer
 Donald D. Pascal

(c) Pension Plan. Administration and Amendments. The Employee's Pension Plan, as re-constituted on December 1, 1963, makes no provision for the services of a Trustee. In accordance with this change, administrative duties in connection with the Plan have been vested in the Secretary-Treasurer's office. Records of the Trustee have, accordingly, been transferred to that office.

Sent to Directors in advance of the meeting were two proposals for further amendment of the Pension Plan in order to bring it into line with requirements of the Internal Revenue Service. Following discussion,

ON MOTION duly made and seconded, the following Resolution was adopted:

THAT the President and Secretary-Treasurer are hereby authorized and directed to execute, on behalf of the Association, under its corporate seal, the following amendment to the Pension Plan, as amended, effective December 1, 1963.

In accordance with the provisions of Section 15 of the Pension Plan, as amended, effective December 1, 1963, the Plan is hereby further amended as follows:

- (1) Section 3 is amended by adding at the end thereof the following:

"An Employee will be considered as 'full-time' if his customary employment with the Association is for at least 20 hours per week and for at least five months in the calendar year."

- (2) Section 5(b) is amended by deleting the second sentence thereof:

"If his salary decreases, then his highest yearly salary attained as a participant prior to that time shall remain the standard until his salary increases above such amount."

(d) October 13, 1964, Regional Meeting in Wilmington. On August 19, the Secretary-Treasurer transmitted to all Directors and to the Executive Contacts of member firms with headquarters located in the Delaware Valley Area full details concerning the Wilmington, Delaware Regional Meeting on October 13, including program and registration information. Mr. Gottshall reviewed arrangements and summarized program details for the benefit of those present. On the basis of advance registration, an excellent turnout is expected.

(e) Program Committee -- November 24, 1964, Semi-Annual Meeting. Mr. Jones reported that the Program Committee had met the previous evening to finalize program and arrangements for the 14th Semi-Annual Meeting and Midyear Conference of the Association at the New York Hilton on November 24, 1964. Pattern of the program will closely follow past practice. Panel sessions, which convene at 10 a.m. and run throughout the day, will include the following topics: Environmental Health -- Status of Air and Water Pollution Control Legislation; Effective Management of Community Problems; Economic Health Versus Excess Capacity*; Chemicals and the Kennedy Round of Tariff Negotiations; and Mergers and Joint Ventures in View of Recent Antitrust Developments.

The luncheon session will be addressed by MCA President Decker. Guest speaker at the evening banquet will be J. Peter Grace, Jr. Printed programs and reservation forms will be distributed to the membership within the next two weeks.

(f) Report of the Membership Committee. Chairman Bryant reported that applications had been received from

American Metal Climax, Inc.

and

The Pantasote Company, Eleonora Chemical Division

* This panel was later cancelled and a new one entitled "Current Tax Considerations Affecting Management Decisions" substituted in its place.

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 to members provided under Article III, Section 4, of the By-Laws.

(g) Reprinting of By-Laws. Distributed to those present were copies of the newly printed By-Laws as amended by the membership on June 11, 1964. Copies have been distributed to the Executive Contacts and to members of the technical and functional committees.

(h) Statement on Environmental Health. A proposed statement of Association principles in the field of environmental health, drafted by the Environmental Health Advisory Committee and transmitted to Directors for advance study, was considered. Entitled "The Chemical Industry and Environmental Health," the statement describes the over-all problem facing the nation, the chemical industry's responsibilities in this respect, and organization for action by the Association. It was proposed that the statement be circularized widely within the Association and be transmitted to the Executive Contacts with a covering letter from President Decker, draft of which was also supplied the Directors for review.

ON MOTION duly made and seconded, it was

VOTED: That the statement be approved for circularization as outlined.

Copy of the statement is appended to these Minutes as Exhibit A.

(i) General Principles Applicable to the Structure and Operations of Committees. It was explained that the Association has had associate members on several technical committees for over 40 years, such associates being drawn from companies or organizations not members of MCA. Provision for associate memberships is not contained in the "General Principles." The staff, therefore, proposed that Paragraph 4(a) of the "General Principles" be supplemented by adding at the end the following sentence: "Where special technical or engineering knowledge is required, a committee may nominate for Board consideration and approval one or more associate members having such knowledge from non-member companies or organizations."

Following discussion,

ON MOTION duly made and seconded, it was

VOTED: That the amendment be approved.

j) Depreciation Guidelines and Rules. With respect to the Internal Revenue Service's Depreciation Guidelines and Rules, Mr. McCurdy reported that, at a meeting of the Executive Committee held earlier that day, recommendations of the Tax Policy Committee had been considered relating to (1) an immediate extension of not less than two years to the initial three-year test period for application of the Reserve Ratios, and (2) abandonment or substantial revision of the Reserve Ratio Concept and amendment of the law so that guideline lives prescribed are available to taxpayers as a matter of right. He stated that the Executive Committee had approved Item (1) for recommendation to the Board but that further study was recommended insofar as Item (2) was concerned. Both proposals, with explanatory information, are appended to these Minutes as Exhibit B.

Following discussion, during which time R. C. Plumb, Chairman, MCA Tax Policy Committee, explained reasons for the Committee action,

ON MOTION duly made and seconded, it was

VOTED: That the staff be authorized to promptly submit to the Treasury Department the recommendation for the two-year extension of the Reserve Ratio Test; and that the Tax Policy Committee be instructed to give further study to its recommendation concerning abandonment or revision of the Reserve Ratio Concept, with report to the Directors to be made at a later meeting.

(k) Environmental Health -- Travelling Symposium Proposal. At the request of the Chairman, Mr. Gerstacker outlined a proposal, which he had presented to the Executive Committee for discussion earlier that day, designed to seek a basis for better understanding by establishing a neutral ground where exchange of views can take place among key groups involved with environmental health problems -- either in their research and production, their regulated use, or their criticism -- such groups including industry, government, and conservation organizations. It was proposed that, as a first step, a travelling symposium be conducted, in which approximately 40 participants would fly in a chartered plane to selected governmental, industrial, and institutional research laboratories, and to regulatory installations to discuss facts relative to these problems. Preliminary discussions have indicated support from National Agricultural Chemicals Association and the Audubon Society, with possible sponsorship of the tour by the National Academy of Sciences -- National Research Council. Timing is set for early November. Active sponsorship and over-all financing of the proposal (\$40,000--\$50,000) was proposed for MCA if this can be promptly arranged. Failing this, Mr. Gerstacker stated that a number of MCA members would underwrite the necessary funds, in which case the Association would lose its opportunity to be the active sponsor of the symposium.

At its prior session, the Executive Committee voted to defer final consideration of the proposal until the October 13 Directors Meeting in order to provide time for full information and facts to be developed for the guidance of the Directors in their consideration of the matter. General discussion at the Directors Meeting, however, emphasized the importance of a prompt decision, with indication that a one-month delay might jeopardize the possibility of MCA sponsorship. It was pointed out by Mr. Logan that, at its September 10 meeting, the Environmental Health Advisory Committee had adopted the following Resolution:

"It was VOTED to endorse the idea of a pesticide fact-finding symposium in principle, having the objective of promoting better understanding among those concerned with and interested in pesticides, with MCA financing under the aegis of the National Academy of Sciences."

At the conclusion of the discussion, a motion was made and seconded that MCA sponsorship of the symposium proposal, as presented by Mr. Gerstacker, be approved. This was passed by a vote of 14 to 12, with five Directors present, or represented by alternates, not voting.

IV. COMMITTEE APPOINTMENTS.

The following committee appointments were approved:

(a) Air Quality Committee.

Bruce R. Edwards, Aluminum Company of Canada, Limited, replacing R. D. McQuire.

(b) Chemical Industry Council Advisory Committee.

Glen Perry, E. I. du Pont de Nemours & Co., as Chairman.
 Henri Wolbrette II, Louisiana Chemical Association, as Vice Chairman.
 A. A. Boehm, Union Carbide Corporation.
 C. E. Correll, E. I. du Pont de Nemours & Co.
 Donald G. Ellis, Stauffer Chemical Company.
 A. J. Jennings, E. I. du Pont de Nemours & Co.
 Donald E. Lynch, Hooker Chemical Corporation.
 C. Parkes Matzinger, Mountain Copper Company.
 Richard O. Priebe, Wyandotte Chemicals Corporation.
 Joseph E. Rich, Morton Chemical Company.
 Carlton E. Smith, E. I. du Pont de Nemours & Co.
 Philip C. Staples, Pennsalt Chemicals Corporation.
 Harry P. Whitworth, Texas Chemical Council.
 G. S. Williamson, Shell Chemical Company.
 Howard Zeh, Stauffer Chemical Company.

(c) Education Activities Committee.

Joseph P. Palumbo, Corn Products Company.

(d) Food, Drug, and Cosmetic Chemicals Committee.

John M. Stocker, Merck & Co., Inc., replacing William J. Quinn.

- (e) Mechanical Technical Committee.
K. J. Loescher, The Dow Chemical Company, replacing
H. W. Schmidt.
- (f) Medical Advisory Committee.
MacRoy Gasque, M. D., Olin Mathieson Chemical Corporation,
replacing H. B. Snyder, M. D., Humble Oil & Refining Company.
- (g) Plastics Committee.
Werner C. Brown, Hercules Powder Company, Inc., as Vice Chairman.
Glenn Pitzer, Union Carbide Corporation, replacing W. B. Humes.
- (h) Public Relations Committee.
Ashworth Burslem, Hercules Powder Company, Inc., replacing
Montgomery R. Budd.
Donald L. Maher, Air Reduction Company, Inc., replacing
Walter Goerg, Jr.
J. R. Ryan, Olin Mathieson Chemical Corporation, replacing
Henry H. Hunter.
- (i) Safety and Fire Protection Committee.
A. L. Cobb, Eastman Kodak Company, as Chairman.
A. H. Christian, FMC Corporation, as Vice Chairman.
- (j) Technical Committee on Rocket Propellant Safety.
J. P. Swed, E. I. du Pont de Nemours & Co., replacing C. O. Davis.

The following was brought to the attention of Directors as a matter of information:

Advisory Subcommittee for Texas A&M Research Project.
M. T. Cichelli, E. I. du Pont de Nemours & Co., replacing
R. L. Moison.

V. COMMITTEE REPORT.

In setting up the agenda for the meeting, plans had been made for the appearance of George L. Wilson, Chairman of the Car Advisory Subcommittee, Transportation and Distribution Committee, to discuss developments relating to the Tank Car Mileage Allowance matter. Because of the shortness of time, Mr. Wilson agreed to defer his report until the October 13 Regional Meeting in Wilmington.

VI. STAFF REPORT.

General Decker presented a detailed summarization of developments in the Association's program of projects and activities since the June 10, 1964, meeting. Copy is appended to these Minutes as Exhibit C.

There being no further business to come before the meeting, it was
unanimously resolved to adjourn.

M. F. Crass, Jr.
Secretary-Treasurer

APPROVED: Ralph K. Gottshall
Chairman

ATTACHMENTS

THE CHEMICAL INDUSTRY AND ENVIRONMENTAL HEALTH

I. The Problem Facing our Nation; Its Scope

Environmental health encompasses the total impact of the environment on man's health and well-being, relating both qualitatively and quantitatively to the effect of the environment on man and to the effect of man's activities on his environment.

Environment means more than soil, air and water; it includes everything in this world--plants and animals, raw materials, food, wastes, space for work and play, as well as other needs for all of man's activities. Man's well-being means more than bare subsistence needs, it includes man's general level of health, security, comfort, leisure time, recreation and prosperity.

Man's environment, while being the reservoir for all his material needs, must also serve as the acceptor for all his wastes. In many ways, however, the environment is hostile, for it is from the environment that two of the traditional regulators of man's numbers, famine and pestilence, have arisen. Man has learned to control and subdue these hostile elements effectively, largely through vigilance and technological advances. His numbers are increasing. He is living longer. His standards of living are improving in direct relationship to his utilization of these advances.

In modifying his environment, man has made tremendous gains in his well-being, but these gains have been accompanied by some unfavorable aspects. While gains have vastly outweighed losses, there is still need to deal effectively with the residual unfavorable aspects and to strive for products and activities with a more favorable gain-to-loss ratio.

Continued real progress can be made by the best use of available technology to reduce or erase unfavorable factors, man-made or otherwise; and by constant efforts to attain greater knowledge, better understanding and improved means for still further improvements in environmental health.

Perfect environment and perfect well-being are not attainable though we strive toward continued improvement. We do what we can with what we have now.

The involvement of all society and the limitations of man's present capability create specific problems within the over-all area of environmental health. Principal among these are:

Technical Problems

Despite our advanced science and technology, man does not know all the answers or even know all the questions to ask. Technical problems demand full use of present knowledge and continuing research toward extension of that knowledge.

Social Problems

Since every segment of our society is involved, both as it is affected by and as it affects environmental health, every segment feels its interests must receive full consideration in any solution. These interests are numerous, varied, diverse, overlapping, contradictory, and unequal. The reconciliation of these interests and acceptance of any step to improve conditions require a weighing and balancing of the gains and sacrifices.

Economic Problems

Increased costs of raw materials, productive capacity, manpower, talent, time, goods, services, and taxes enter into the price of gain in environmental health. Again, all of our society is involved, this time in economic roles as consumers or taxpayers. These added costs must be evaluated in the handling of each particular problem. A practical balance of gain with cost is critically important.

Organizational Problems

Steps to alleviate the environmental health problem will require action by all society. Specific actions must be taken by individuals and by groups, yet each must be an integral part of an effective and equitable total. A need thus exists for an accepted public policy which is based on and which encourages constructive action by individuals and groups. Furthermore, self-initiated action based on responsibilities accepted voluntarily by individuals and groups of our society has always been more effective than action imposed solely by regulation.

The chemical industry of the United States has direct identification with several aspects of the nation's environmental health problem as a contributor of materials and services favorable

to man's well-being and because these materials and services also entail some concurrent unfavorable aspects. Industry must therefore assess and act in accord with its responsibilities.

II. The Chemical Industry's Responsibilities

The chemical industry's responsibilities in environmental health matters derive from the nature and use of its products, from its research and production activities, and from its role as a segment of the economy and society. Effective action requires a high level of individual and corporate responsibility, and a continuing effort:

- (1) To advance knowledge and increase competence to deal with these responsibilities within the total problem of environmental health.
- (2) To assure the fitness and appropriateness of its products in relation to man's environment by best use of present scientific knowledge and by continuing to improve fitness and appropriateness as growing knowledge permits.
- (3) To plan and carry out production operations so that they:
 - a. conserve health and safety of all those employed in the production of chemicals;
 - b. conserve environmental resources, particularly by controlling and limiting emission and disposal of industrial wastes.
- (4) To assure the fitness and appropriateness in the use of the industry's products by:
 - a. research and study aimed at broader and deeper scientific knowledge of the handling, application, and ultimate fate of chemical products;
 - b. education of those who sell, handle, and use chemical products by clear instruction in all aspects of handling, use, and disposal, recognizing the need for change with the accumulation of further knowledge.

- (5) To promote a high degree of intra-industry cooperation, beginning with the promotion of full and free interchange, within lawful limits, of information and technology pertinent to environmental health.
- (6) To promote cooperation with all other segments of society in mutual effort toward solution of the total problem of environmental health, by:
 - a. offering knowledge and technology for application wherever it may apply to the problem;
 - b. accepting leadership responsibility in those aspects and areas where the chemical industry's experience may be of value;
 - c. encouraging action by others throughout society, particularly in industry;
 - d. cooperating as may be appropriate in any study or action undertaken by others in the scientific community, in academic circles, in public agencies, and elsewhere.

III. Organization for Action by the Manufacturing Chemists' Association

In order that MCA may assist the chemical industry in meeting its responsibilities in this field most effectively and expeditiously, an Environmental Health Advisory Committee has been organized to assist the Board of Directors in developing constructive programs and insuring their implementation.

The Committee is composed of five members-at-large, especially qualified as to background and industrial stature, plus representatives of MCA technical and functional committees closely related to matters of environmental health--initially ten, as follows:

Air Quality Committee
Food, Drug, and Cosmetic Chemicals Committee
Labels and Precautionary Information Committee
Legal Advisory Committee
Medical Advisory Committee

Nuclear Committee
Public Relations Committee
Safety and Fire Protection Committee
Washington Advisory Committee
Water Resources Committee

This organization provides for full utilization of the individual committees in their respective specialized endeavors, with opportunity for effective integration of the results into programs of broad scope and purpose.

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PROPOSED STATEMENT OF POLICY FOR MCA BOARD
RE INTERNAL REVENUE SERVICE'S
"DEPRECIATION GUIDELINES AND RULES"

In July of 1962, the Internal Revenue Service published "Depreciation Guidelines and Rules" which specified certain standards and lives for depreciation of broad classes of business assets with a view to encouraging equipment replacement. Generally shorter depreciation lives were prescribed; in the case of manufacturing equipment for chemical and allied products, the life specified was 11 years. The adoption of these more liberal lives has reduced the federal income tax burden on the chemical industry and has encouraged additional investment in modern productive facilities in line with similar programs in other countries.

After the initial three-year period during which the prescribed guideline lives could be used without challenge, a Reserve Ratio test is applicable to determine whether the replacement practices of the company substantiate continued use of such lives. Where a company's experience fails to meet the Reserve Ratio test, the depreciable lives used for tax purposes must be extended by 25%. Based on projecting experience with the guidelines to date, it is indicated that the chemical industry, in general, will not meet the Reserve Ratio test and that depreciable lives will be extended by 25% in 1965. Such extended lives could reduce chemical industry depreciation on the order of some \$300 million for that year. This would result in an increase in federal income taxes of approximately \$150 million, and will have the effect of restricting funds available for plant replacement and expansion.

The chemical industry, similar to a number of industries, is today considering plans for plant construction in 1965, 1966 and subsequent years, and forecasting income tax and other cash requirements in its financial planning. A major chemical facility may require two or more years from the time it is proposed until it is constructed and placed in service. Therefore, it is extremely urgent that the Treasury adopt a depreciation policy which will permit projecting the tax burdens payable in the future with a maximum degree of certainty and not have a discouraging effect on industrial growth.

In view of the foregoing, the Tax Policy Committee makes the following recommendations:

1. The Reserve Ratio concept should be abandoned and the applicable law amended so that the guideline lives prescribed are available to taxpayers as a matter of right as is done in determining taxable income of business in most of the other industrial countries. Experience with the Reserve Ratios has indicated a number of inherent defects which are not adequately provided for, particularly where strict percentage limitations are prescribed and specific time factors are involved. Accordingly, we feel that the rules prescribed by the guidelines are not satisfactory as a measure of the useful economic life of chemical industry manufacturing facilities.

2. An immediate extension of not less than two years should be added to the initial three-year test period for application of the Reserve Ratios. This would avoid the adverse influences of the present Reserve Ratio test and permit additional time for the Government to adopt a long-range solution to the problem of providing adequate, uniform and determinable depreciation allowances.

MCA STAFF REPORT
Delivered by General G. H. Decker
September 15, 1964

The climate in Washington this summer has been hot and humid but Congress has remained in session and has shown interest in a host of subjects, many of them of concern to MCA; and as you well know the news media are always with us.

There has been no summer recess by any of the media playing up a growing concern across the country about the problems in the field now commonly known as environmental health. The continuing media coverage, reflecting concern by public officials and others, has served only to further tie together in the public mind the problems of pesticides and air and water pollution. As of the end of August, there was no letup in the attention given this matter.

Domestic Legislation

On September 4, the House Public Works Committee favorably reported the so-called Muskie Water Pollution Control Bill, S. 649, with amendments, the most notable of which -- from MCA's standpoint -- provides authority for the Secretary of HEW to recommend water quality standards subject to their adoption by the states affected. As reported, the bill would also authorize a separate Water Pollution Control Administration in the Department of HEW, a provision which MCA opposed. The section in the Senate passed version of the bill dealing with detergents was dropped from the House reported version.

The House Rules Committee has not announced when it will consider the request for a rule to bring the bill to the House floor for debate and voting. Thus, in view of a possible early adjournment of this Session, it is difficult at this time to predict the final outcome of this legislation.

The MCA Tax Policy Committee met this summer on the problem caused by the reserve ratio test in Revenue Procedure, "Depreciation Guidelines and Rules." The chemical industry in many cases is not able to meet this test which takes effect next year. The Tax Policy Committee has drafted a proposed policy on depreciation guidelines which has been considered by the MCA Executive Committee. The proposed policy statement urges a two-year moratorium before the reserve ratio test takes effect. In this connection, the National Industrial Conference Board has been engaged by Treasury to conduct a survey on company experience with Federal tax regulations under the title Revenue Procedure 62-21, "Depreciation Guidelines and Rules." This survey will materially aid the Treasury Department in reviewing its policies with respect to the future application of the Procedure. It will also shed light on a number of problems for which up-to-date information does not presently exist in the necessary depth. I am informed that a questionnaire will be sent to the 1,000 largest corporations in the U. S. to obtain information pertinent to the survey.

On August 26th President Johnson signed a measure to provide for private ownership of nuclear materials. MCA supported this legislation.

H. R. 12033, a bill to permit an 18-month time extension for further testing of approximately 250 food additives, was considered by the House. By letters to House and Senate Committees, MCA supported this legislation. The Senate Labor and Public Welfare Committee is being polled by the Committee Staff to ascertain whether or not there is objection to reporting the bill favorably without hearings. If there are no such objections, enactment this session would appear fairly certain.

On August 7, Senator Strom Thurmond of South Carolina made a speech on the Senate floor which was an extraordinarily strong defense of the American Selling Price. The Senator's speech revealed either an unusual understanding on his part of the issues involved or access to an extremely knowledgeable source of information.

MCA has been informally advised that patent fee legislation is dead for this session of Congress. MCA previously supported Senator Dodd's bill, S. 2547, to raise existing fees, but objected to a provision in S. 8190 which provided for maintenance fees for patents.

A Summary of State Legislative action for the year 1964 has been issued. This lists the final disposition of all bills of interest to the chemical industry previously reported in MCA State Legislative Bulletins.

International Issues

Members have been advised that Mr. M. T. Foveaux of Monsanto and Mr. W. F. Christopher of Hooker have been appointed as Technical Advisors to the U. S. GATT negotiators by the Office of the Special Representative for Trade Negotiations. Member companies were invited to appoint a contact for the Technical Advisors for consultation on special problems in connection with the negotiations. A total of 81 individuals (some being alternates) from 60 companies were designated. The International Trade Committee is planning a Washington meeting on September 30 to which these member company contacts will be invited to meet with the Technical Advisors. It is planned to consider the various aspects of the negotiations, the type of questions that may come to the advisors from the negotiators, and an operating procedure to obtain prompt information from members concerned with a specific product. TIC Chairman William H. Rodd, who will be working with the advisors to the GATT negotiators, will be a luncheon speaker.

The chemical industry's views on world trade and trade negotiations were sent in behalf of MCA and SOCMA to both the Republican and Democratic Platform Committees prior to the recent conventions.

In response to the Association's request for an investigation filed in May 1963 on behalf of member producers, the Office of Emergency Planning reported that the imports of manganese and chromium ferroalloys and

electrolytic manganese and chromium metal were not impairing national security. The findings were based on the fact that changing technology and new methods of warfare make it possible to protect the nation with a smaller ferroalloy base. However, the Government did recognize that the ferroalloy industry is essential and that imports are seriously affecting the economy of the industry. It was indicated that changes in the current status of imports could warrant a further review.

The Department of Agriculture invited MCA to suggest nominees for an industry advisor to the U. S. delegation to the Codex Alimentarius Commission. Dr. Howard C. Spencer of Dow has been selected as the advisor for the September 28-October 7 Geneva meeting.

Research Projects

New financing arrangements for industry support of the Texas A&M Research Project on fundamental properties of pure chemicals have been completed. It is expected that subscriptions from member firms together with sales to non-members and additional income through a handling charge to former gratis recipients will equal support formerly provided by the Association. The research projects supported by interested plastics materials member manufacturers have been continued at Case Institute of Technology and M. I. T.

Interested member and several non-member companies, through the Ammonium Nitrate Technical Committee, have financed an ammonium nitrate-sensitivity test program to be conducted by the Bureau of Mines. Liaison with the Institute of Makers of Explosives has been maintained in setting up this test work which must be conducted after October 1 in the Wisconsin test area. This fact-finding test program is deemed necessary because of pending regulations covering transportation and storage of this chemical in eight different states.

In the water resources field, you may recall that the Board has authorized a three- to five-year study at Washington University on "Behavior of Organic Chemicals in the Aquatic Environment." Following consummation of the contract, the Water Resources Committee consulted with the Project Director and reported that the work is off to an excellent start.

On air pollution matters, the MCA-USPHS Cooperative Study on Atmospheric Emissions from selected chemical manufacturing processes was extended for another year; the first study on sulfuric acid manufacture has been completed. The next study will be on nitric acid plants.

Workshops and Symposia

Plans are well along for a symposium on product liability sponsored by the Insurance Committee in Philadelphia, September 23. A Chemical Industry Safety Workshop is scheduled in Newark, N. J., September 29.

Arrangements have been completed for a symposium at Houston, Texas, on December 15, 1964, sponsored by the MCA Industrial Relations Advisory Committee and the Texas Chemical Council. Attendance will be limited to representatives of chemical manufacturers. For the most part, the program will deal with serious problems in the fields of personnel relations and collective bargaining, which have been created by recently enacted legislation, and the attitudes of governmental agencies responsible for administration and enforcement.

Technical Publications of MCA

The Chemical Packaging Committee has completed revision of Manual Sheet D-30 as recommended practice for handling steel drums. This combines and updates two manuals issued 20 to 30 years ago covering drums for transportation and storage of corrosive liquids.

The program on MCA Chem-Cards has been given considerable publicity with exceedingly enthusiastic response from fire departments and transportation groups. Plans are going forward to expand the list of 15 cards presently available to include most "hazardous chemicals."

Economic Fact Studies

The economic fact studies authorized by the Board and being undertaken by Dr. Jules Backman, Research Professor of Economics, New York University, are well along.

The first study, Competition in the Chemical Industry, was published in May of this year, and to date some 7,500 copies have been distributed to business and trade publications, key Government agencies, college and university libraries and departments of economics, selected members of the American Economic Association, and MCA Members. The reaction, particularly by the press, to the first of these studies has been gratifying. Newspaper headlines, such as "Competition in the Chemical Industry Dynamic," are typical of the treatment. A United Press feature on the book is known to have appeared in 150 business pages across the country.

The study entitled Prices, Productivity, Wages and Profits is in the hands of the printer and will be available in approximately four weeks as a 128 page booklet.

The study known as Chemicals in the National Economy has been completed and is ready to go to the printer upon final approval of the ad hoc Economic Facts Study Committee.

The study tentatively entitled Chemicals and Foreign Trade is being drafted by Dr. Backman and will be made available to the aforementioned committee within the next three weeks. This will complete the authorized series of four studies.

CIC Developments

The Chemical Industry Council Advisory Committee, approved for organization by the Board at its April meeting, held its first session in Washington during the summer. Glen Perry of du Pont was selected as its first chairman with Henri Wolbrette II of the Louisiana Chemical Association as vice Chairman. Sixteen were present representing Council activity in 11 states. Particularly pleasing has been the cooperation of the autonomous groups in Louisiana and Texas.

On the CIC organization front, the progress on the West Coast has been very gratifying. Three regional committees have been formed and Warren Moyer, President of Chipman Chemical, has been selected as chairman of the Steering Committee.

The addition of Allin G. Robinson, formerly a community relations specialist with the American National Red Cross, to our Community Relations staff should make possible intensified CIC organizational efforts in those areas not now active.

Education Projects

The Education Activities Committee has conducted a survey among the research directors of Member Companies to determine the extent and nature of technical obsolescence within the industry. The EAC has defined "Technical Obsolescence" as a failure or inability of the individual research scientist or engineer to keep abreast of his field. Although the problem has been described by the professional journals as alarming, a preliminary analysis of questionnaire returns does not confirm this. Two-thirds of the respondents do not consider the situation "critical" within their own companies. A complete report will be issued shortly.

The College Chemistry Teacher Awards Program will be repeated for the 9th year, but a new procedure will be followed in obtaining nominations. Leading graduate schools will be asked to designate the undergraduate institutions which provide them with the best qualified students and to identify the professors whom they consider most effective in their preparation. The institutions named will then be asked for corroborating evidence. The EAC also has made plans for conducting a pilot high-school teachers award program, to be conducted by two Chemical Industry Councils.

Printing, distribution, and sale of packets containing safety posters for display in school and college laboratories is being undertaken. The project is being executed in cooperation with the American Chemical Society.

Most of the 25 authors of the "Chemistry in Action" series of books on the application of chemical principles by industry are well under way in the preparation of their manuscripts. Several completed texts are being reviewed by the EAC.