AGENDA
MEETING OF THE MCA BOARD OF DIRECTORS
3:00 p. m., Monday, November 20, 1978
Pinnacle Club (Rooms A, B, & C), New York City

		TAB
1.	Opening Remarks and Introduction of Guests -- Chairman Donley	
2.	Approval of September 12, 1978, Minutes -- Chairman Donley	
3.	Financial Report -- Treasurer Herrman	1
4.	Finance Committee Report -- J. E. Burrell	
5.	Proposed Amendment to the Bylaws -- Secretary Barackman	
6.	Report of Chairman of the Board -- E. Donley	2
7.	Association Activities --R. A. Roland	
8.	Government Relations Report -- W. M. Stover	3
9.	Report by General Counsel -- E. B. Frost	4
10.	Semiannual Meeting -- B. M. Barackman	
11.	New Business	
12.	Adjournment.	

Next Meeting of the Board of Directors -- 12:30 p.m., Tuesday, January 9, 1979, The Madison, Fifteenth and M Streets, N. W., Washington, D. C.

CMA 071874

MINUTES of the two hundred seventieth meeting of the Board of Directors of the Manufacturing Chemists' Association, Inc., held at the Pinnacle Club, New York, N. Y., Monday, November 20, 1978, at 3:00 p.m.

Directors:	Edward Donley, Chairman	
	Tom K. Smith, Jr., Vice Chairman	
	William R. Barrett, Sr.	H. Barclay Morley
	William H. Bricker	Paul F. Oreffice
	J. Earl Burrell	George F. Polzer
	M. Blouke Carus	Seymour S. Preston, III
	Peter J. Fass	Toy F. Reid
	William J. Ferracone	Robert A. Roland
	John T. Files	Jack B. St. Clair
	Charles F. Fogarty	John P. Sachs
	John M. Henske	William G. Simeral
	William B. Jackson	Charles W. Smith
	Richard A. Jay	Eugene J. Sullivan
	Emerson Kampen	Raymond C. Tower
	William C. Krumrei	Alexander B. Trowbridge
	Duncan J. MacLennan	Hugh B. Vanderbilt
	James A. McGowan	H. Kent Vanderhoef
	Robert L. Mitchell	Harriette F. Witmer
		Alfred C. Stepan, Jr.
Secretary:	Bruce M. Barackman	
General Counsel:	Edmund B. Frost	
Treasurer:	Gary C. Herrman	

By Invitation:

Dieter H. Ambros, BASF Wyandotte Corporation
E. M. Beavers, Rohm and Haas Company
E. P. Blanchard, SOCMA, E. I. du Pont de Nemours & Company
H. W. Buchanan, Virginia Chemicals Inc.
J. S. Coey, Hooker Chemical Corporation
Thomas C. Dabovich, Morton Chemical Company, A Division of Morton Norwich Products, Inc.
J. Morris Evans, PQ Corporation
Myron T. Foveaux, MCA
James M. Gill, Ethyl Corporation
Stephen L. Goldstein, Olin Corporation
William W. Huisking, Glyco Chemicals, Inc.
George W. Ingle, MCA
Edward J. Klecka, MCA
Lester Krogh, Minnesota Mining and Manufacturing Company, Chemical Division
Robert H. Malott, FMC Corporation
Harry D. McNeeley, Eastman Kodak Company

By Invitation: (cont'd)

Max A. Minnig, Borden Chemical Division of Borden, Inc.
Donald D. Pascal, National Starch and Chemical Corporation
Victor H. Peterson, MCA
Paul M. Pitts, ARCO/Chemical Company, Division of Atlantic Richfield Company
L. John Polite, Jr., Essex Chemical Corporation
P. C. Reilly, Reilly Tar and Chemical Corporation
John E. Slavick, MCA
William M. Stover, MCA
John G. Tritsch, MCA
Konrad M. Weis, Mobay Chemical Corporation

1. OPENING REMARKS AND INTRODUCTION OF GUESTS

With a special welcome to past directors and other guests, Chairman Donley opened the meeting by calling for self-introduction of those present in turn.

2. MINUTES OF SEPTEMBER 12, 1978, MEETING

Minutes of the September 12, 1978, Board meeting, as distributed, including the financial statement for three months ending August 31, 1978, were approved.

3. FINANCIAL REPORT

A summarized financial statement for five months ending October 31, 1978, Exhibit A, was reviewed by Mr. Herrman. Noting that assets totaled approximately $8.6 million, of which $4.4 million related to special projects, he emphasized that with budget amendments this year, we currently have budgeted revenues of $4,525,000 and total budget expenses of $5,362,000. Assuming no further budget changes, we are looking forward to a budget deficit of $837,900 at the end of this fiscal year. The monthly Treasurer's report for the period June 1, 1978 - October 31, 1978 will be mailed with the Board minutes.

4. FINANCE COMMITTEE REPORT

As chairman, Mr. Burrell reviewed the activities of the Finance Committee in addressing the impact on expenses resulting from the reorganization of MCA. To date, this would create the expected deficit of $837,900 mentioned by Mr. Herrman as a result of additional funding approved by the Executive Committee. This could increase to a deficit of $1,263,000 if contemplated additional requests from MCA standing committees were approved. Two lternatives for financing the deficit were presented to the Executive Committee -- funding from reserves or levying a special assessment. In the former approach, a deficit of $1 million would reduce reserves to 25% of the operating budget, while reserves would drop to 19% with a deficit of $1.3 million as against the general criteria the Association has followed of a reserve of about 50%. With the special assessment approach, at a reserve level of 50% a deficit of $1 million would require a special assessment of 33% of current dues for each member and a deficit of $1.3 million would require a special assessment of 43%.

The Finance Committee unanimously recommended to the Executive Committee that the fiscal year 1978-79 deficit should be funded by utilization of MCA's reserves with the criteria that the operating reserves could not fall below the 25% level. This was approved by the Executive Committee.

Mr. Donley then reviewed the reorganization of MCA, its enhanced advocacy role, and the increased commitments of member companies in providing strong people to the new committees, in order to enable the Association to respond effectively to the increased pressures of governmental action. He solicited response from the Board and all member companies to the increased communications which will emanate from MCA so that the Associations activities can best reflect the interests of the industry.

. PROPOSED AMENDMENT TO THE BYLAWS

Mr. Barackman advised that proposed Bylaws amendments enclosed with the notice of meeting would effect the necessary changes resulting from splitting the functions of the Secretary-Treasurer approved by the Executive Committee.

ON MOTION, duly made and seconded, it was

VOTED: That the proposed amendments to the Bylaws, as set fourth in Exhibit B, be approved.

5. REPORT OF CHAIRMAN OF THE BOARD

Mr. Donley's report is attached as Exhibit C.

7. ASSOCIATION ACTIVITIES

Mr. Roland's report follows: The Chairman's report is the first of a series of quarterly reports which will be published to the entire MCA membership.

-- In the public relations area we had 12 company experts at the National Association of Farm Broadcasters convention in Kansas City on hand to discuss 23 topics 46 broadcasters taped 146 radio shows to be aired over nearly 1,600 radio stations covering about 75% of the United States. The program's cost of reaching one person varies with audience size and ranges from less than one and a half cents to a thousandth of a cent.

-- In a visit with Alfred Kahn, Chairman of the Council on Wage and Price Stability (COWPS), he said he was against wage/price controls and would work for more effective and economical government in the framework of regulatory reform Because he indicated a willingness to do so, a meeting with Mr. Kahn, together with Mr. Barry Bosworth, director of COWPS, has been requested at which time the chemical industry problems, as embodied in the economic and regulatory profile developed for the recent meeting with Commerce Secretary Kreps, would be discussed - especially in light of the fact that the selection of 1976-77 as base years for profits and prices was unfortunate for many companies. Meanwhile Mr Kahn asks for industry support of the announced wage/price guidelines.

-- Another area of concern is chemical industry coordination with other associations. To effect this, the new position of Director of Association Liaison is being established within MCA. This move has been applauded by some 20 associations with whom it has been discussed. The Director will be responsible for communicating information regarding MCA's positions, activities and needs to other relevant industry trade associations and groups while providing MCA with similar information from them.

-- The words "Manufacturing Chemists Association" don't accurately reflect the membership of the industry association for today's man in the street. The name "Chemical Manufacturers Association" (CMA) conveys the idea that the association is made up of corporations, rather than persons, who make the commodity chemicals. The Executive Committee supports this name change. The matter will be placed on the agenda for the January Board meeting. The Executive Committee recommends that if approved by the Board, the entire membership then be polled for their reaction.

-- Mr. Roland concluded his report with a description of the program planned for the day following the Board meeting.

8. GOVERNMENT RELATIONS REPORT

Mr. Stover's report, distributed at the meeting, is attached as Exhibit D. During his report he reviewed in detail the meeting with Commerce Secretary Kreps and chemical industry spokesmen and also called attention to the importance of the question of oil price regulation. Regarding the latter, MCA has testified on the pricing issue on numerous occasions, in support of any actions which permit petroleum prices to rise to world levels through decontrol or phased removal of price controls. This would enable primary energy prices to reflect replacement costs and provide the maximum incentive to develop new resources and expand the supply base.

At the conclusion of Mr. Stover's report, Mr. Foveaux discussed the Administration's anti-inflation program headed by Alfred Kahn, chairman of COWPS. He also described the establishment of an MCA task group charged with monitoring developments in the wage/price area; guiding companies to sources of information; proposing MCA responses as appropriate and recommending them for approval at the proper level; and coordinating communications as they are needed.

9. <u>REPORT BY GENERAL COUNSEL</u>

Mr. Frost's report is attached as Exhibit E.

10. <u>BUSINESS ITEM</u>

<u>Report of Membership Committee</u> As chairman, Mr. Polzer reported the committee's having examined the qualifications of the company named below and recommended its election.

> ON MOTION, duly made and seconded, it was
>
> VOTED: That Hatco Chemical Corporation be elected to membership in the Association.

11. <u>NEW BUSINESS</u>

Mr. Donley advised that the Chairman's quarterly report to the Board of Directors would be distributed to all member companies.

Mr. Morley expressed concern about proposals developing in the MCA Occupational Safety and Health Committee for the identification of chronic hazards on sample labels appearing in MCA safety data sheets. Since safety data sheet labels could be considered in some quarters as an industry standard, he felt that there was a serious risk that even minor defects could lead to costly but unnecessary testing for every product marketed by a company. He wanted to be sure that proposed chronic hazard labeling guidelines received appropriate review by all of those member companies with representatives serving on the committees and task groups with responsibilities related to labeling. He was assured by Mr. Roland that the report of the Occupational Safety and Health Committee, which has the responsibility in this area, will be given the widest possible consideration, including review by other relevant committees, and that all the input necessary for a good vork product will be considered by that committee and by the staff. He invited comments from anyone having a concern in this matter.

Mr. Henske expressed the view that in two years, if we continue on our present course, MCA's budget will be about double the current fiscal year's budget. MCA has become more active, which costs money. If there are any reservations or questions about where the Association is headed, they should be communicated between now and spring at which time decisions concerning next year's budget will be made. We are headed for a material increase in the costs of running MCA. Comments, advice and guidance of the member companies are welcomed.

Mr. Donley announced that copies of the Finance Committee report and minutes will be distributed to all Board members.

Bruce M. Barackman
Secretary

Certified correct:

Edward Donley
Chairman of the Board

Exhibit A

REPORT OF THE TREASURER

November 20, 1978

Dollar amounts rounded from tabular details
($000)

INCOME & EXPENSE

June 1, 1978 - October 31, 1978 - 5 Months (42%)

				Percent of Budget
Income	- Membership Fees	$3,610		99.9%
	- Other	402		44.2%
			$4,012	88.7%
Expense	- Operations	$1,913		41.7%
	- Projects	127		19.8%
			$2,040	39.0%

ASSETS

(As of October 31, 1978)

Cash	$ 41	
Investments	8,638	
Miscellaneous	8	
		$8,687

Exhibit B

Proposed Amendments
to
MCA Bylaws

Attached are MCA Bylaws amendments submitted by General Counsel to effect changes resulting from splitting the functions of the Secretary-Treasurer.

MCA
EC - 11/20
BD - 11/20/78

PROPOSED AMENDMENTS TO THE BYLAWS

(Language to be deleted struck through;
new language underscored)

Article III -- MEMBERSHIP
Section 4. Election of Applicants (Fourth sentence)

Following election to membership, notice thereof shall be mailed to the applicant and to all other members of the Association by the ~~Secretary-Treasurer~~ Secretary and upon payment of the entrance fee and membership fee the applicant shall become a member of the Association.

Article III -- MEMBERSHIP
Section 5. Withdrawal

Any member may, upon payment of any unpaid obligations to the Association, withdraw from membership at any time by giving at least thirty days' advance written notice thereof to the President or the ~~Secretary-Treasurer.~~ Secretary.

Article III -- MEMBERSHIP
Section 7. Termination (Second sentence)

It shall be the duty of each such member to give prompt notice in writing to the President or ~~Secretary-Treasurer~~ Secretary of any change in ownership or activities affecting the qualifications for membership of such member.

Article IV -- FEES
Section 3. Arrears

Any member failing to pay his entrance or annual membership fee within thirty days from the time it becomes due, shall be notified by the ~~Secretary-Treasurer~~ Treasurer and if payment thereof is not made within the succeeding thirty days, such member shall be reported to the Board of Directors as in arrears, and, if so ordered by the Board, shall be dropped from membership and thereupon shall forfeit all rights and privileges of membership.

Article V -- BOARD OF DIRECTORS
Section 9. Minutes

The Board of Directors and the Executive Committee, respectively, shall keep minutes of its proceedings and after each meeting shall transmit to the ~~Secretary-Treasurer~~ Secretary of the Association, for permanent filing among the records of the Association, a copy of the minutes of such meeting signed by the Secretary of the meeting and certified as correct by the presiding officer.

Article VI -- OFFICERS
Section 1 Number and Election (First and second sentences)

The Officers of the Association shall consist of a Chairman of the Board, a Vice Chairman of the Board, a Chairman of the Executive Committee, a President, one or more Vice Presidents, ~~and a Secretary-Treasurer,~~ a Secretary, and a Treasurer. Except for the Vice Presidents, ~~and the Secretary-Treasurer,~~ the Secretary and the Treasurer, the Officers shall be elected annually by the Board of Directors at the Annual Meeting of the Board.

Article VI -- OFFICERS
Section 5. The President (First sentence only)

There shall be elected as President an executive who will devote his full time to administering the affairs of the Association.

Article VI -- OFFICERS
Section 6. The Vice Presidents (First sentence)

The President, with the approval of the Board of Directors, shall appoint one or more Vice Presidents, each of whom shall have such powers and duties as shall be prescribed by the President; he may also designate the ~~Secretary-Treasurer~~ Secretary and the Treasurer to be ~~a~~ Vice Presidents.

Article VI -- OFFICERS
Section 7. ~~The Secretary-Treasurer~~ The Secretary and the Treasurer

The ~~Secretary-Treasurer~~ Secretary and the Treasurer shall be appointed by the President, with the approval of the Board of Directors. ~~He~~ The Treasurer shall be the chief ~~administrative,~~ financial and accounting officer of the Association and shall have charge

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of all funds of the Association and shall cause such funds to be deposited to the credit of the Association in one or more banks designated by the Board of Directors Such funds may be drawn only over the signature of such person or persons as may be authorized by the Board of Directors The Treasurer shall maintain a proper record of all dues, fees, and contributions received The ~~Secretary--Treasurer~~ He may be required, at the expense of the Association, to give a bond for the faithful discharge of his duty in such amount and with such conditions as the Board of Directors may require

The ~~Secretary--Treasurer~~ Secretary shall have the custody of the books and papers and the corporate seal of the Association; and shall keep a correct roster of all members with their last known addresses ~~and shall maintain a proper record of all dues, fees, and contributions received.~~

The ~~Secretary--Treasurer~~ Secretary shall give notice of and attend all meetings of the Association and of the Board of Directors, and shall keep minutes of such meetings. He shall notify the Officers and Directors and members of the Association of their election, and committee members of their appointment

In case of the absence or disability of the ~~Secretary-Treasurer~~ Secretary or the Treasurer, the President may appoint an acting ~~Secretary--Treasurer.~~ Secretary or Treasurer.

Article VI -- OFFICERS
Section 9 Compensation of Officers (Second sentence)

The President, the Vice Presidents, ~~the Secretary-Treasurer,~~ the Secretary, the Treasurer, any officers and agents elected or appointed under Section 8 of this Article, and all other employees of the Association shall receive such compensation as may be determined by the Board of Directors.

Article VII -- MEETINGS
Section 1. Annual Meeting

The Annual Meeting of members of the Association for the election of Directors and other purposes, shall be held during the month of June each year, at such time and place, either within or without the State of New York, as may be fixed by the Board of Directors. At least fourteen days' written notice of the Annual Meeting shall be given by the ~~Secretary--Treasurer~~ Secretary to each member of the Association

Exhibit C

CHAIRMAN'S REPORT
August, September, October 1978

Introduction

The close of the 95th Congress in October brought a mass of legislation which we are still studying for its relevance to the chemical industry. The National Energy Program, of course, is the most important of these last-minute bills because of the wide-ranging and continuing impact it will have. But amid the closing rush were other signal successes for MCA and the industry. They were treated extensively in a special Federal Legislative Bulletin and a special insert to MCA News, but their names bear repeating here: Section 311, "superfund," TSCA amendments, energy reporting.

The successes were the result of close cooperation among all staff members. It is this kind of cooperation, this kind of activity that will mark the spirit of the new advocacy role MCA has begun to play.

The agenda for the next quarter is full. The Resource Conservation and Recovery Act, certain aspects of the Toxic Substances Control Act, pretreatment regulations, prevention of significant deterioration regulations, state implementation plans on air pollution, product liability legislation. And more. Never, it seems, has there been so much to do, and never has the Association been in better condition to do it. The reorganization is working, and the more tightly structured committees and staff are responding with renewed spirit to the tasks facing them.

EDWARD DONLEY
Chairman of the Board

TECHNICAL DEPARTMENT

CHEMICAL REGULATIONS ADVISORY COMMITTEE. MCA has made every effort to make clear to EPA that overly strict rules under section 5 (Premanufacturing and Processing Notices) can obstruct innovation if demands for health, safety and marketing information go beyond the statutory need to establish that there is no unreasonable risk.

Economic Impacts Task Group. A one-year, $300,000 pilot study on the economic impact of the Toxic Substances Control Act (TSCA) was begun with the signing of an agreement with National Economic Research Associates, Inc. The primary objectives are to establish a method for measuring the economic impact of TSCA on the chemical industry and the U.S. economy, to impact EPA during the regulatory development process and to impact Congress for regulatory reform. Over the next few months, the actual survey questionnaire will be developed and pretested on a small group of member companies.

DISTRIBUTION COMMITTEE. MCA is asking appropriate member companies if they accept the railroad's proposal for a new tank car mileage allowance system that would increase compensation by almost two-thirds in three years. Approval by MCA member companies and other parties to the proceeding seems certain. MCA will file a statement noting that a proposal to change truck drivers' hours of service might actually increase accidents. The proposal of the Transportation Department's Bureau of Motor Carrier Safety will increase costs by 25 percent. In an Interstate Commerce Commission proceeding on increased freight rates and charges, MCA has filed a statement contending that the rail rates on six chemical product groups were already too high. MCA plans to file a similar statement on future railroad freight rate increase proposals that would raise chemical freight rates.

ENERGY CONSERVATION COMMITTEE. The latest energy conservation report (for the period June 1977 to June 1978) to the Department of Energy was presented to the press at a luncheon on November 6, with Robert A. Roland as host. Also distributed to the press were MCA replies to the General Accounting Offices' reporting program and the Energy Information Administration's report to Congress that could give Congress the impression that a more legislation and regulation are needed to accomplish what already is being accomplished. The committee is working on tentative industry positions on the National Energy Act and has discussed coal conversion regulations with the DOE's economic regulatory administrator. On December 7, the committee will conduct a seminar for DOE on cost determination in the chemical industry.

ENGINEERING ADVISORY COMMITTEE. The Engineering Advisory Committee's (EAC) National Electrical Code Task Group met in August to recommend MCA proposals for revision of the National Electrical Code. The EAC's Task Group on Electrical Motors met in August to finish a proposed MCA guide entitled "Recommended Specification Guide for NEMA-Frame Size Totally-Enclosed Fan-Cooled Horizontal Induction Motors for Chemical Industry Service".

ENVIRONMENTAL MANAGEMENT COMMITTEE. During August through October, the Environmental Management Committee and its task groups met more than 30 times on its present major programs: solid waste regulations, hazardous chemical spills, pretreatment regulations, prevention of significant deterioration regulations, content of pending revisions to state implementation plans, health effects of air quality, water quality criteria, toxic pollutant sampling and new economic perspectives on environmental regulations.

The committee also developed a program for combined technical and legal actions to prepare the bases for responding to 25 critical regulations, among 87 identified of importance, scheduled to be issued by the end of 1979. In structuring this program, the EMC established 15 task groups, compared to 47 under the "old" committee structure, and reduced task group members to about 80 from more than 250.

INSURANCE COMMITTEE. On September 28, Robert L. Mitchell of Celanese Corporation presented a statement before the Subcommittee on Miscellaneous Revenue Measures of the House Ways and Means Committee supporting the tax deductibility of reserves to pay product liability claims. Congress failed to act on legislation for reserve deductibility but instead enacted tax "carry-back" provisions which will do little to alleviate product liability claim problems.

OCCUPATIONAL SAFETY AND HEALTH COMMITTEE. In a statement for MCA before the Subcommittee on Labor of the Senate Committee on Human Resources on October 5, Dr. Bruce W. Karrh, medical director of the DuPont Company, called on OSHA to work cooperatively with industry rather than taking punitive action to secure an injury-free workplace.

In a post-hearing brief submitted to OSHA, MCA said the agency exceeded its statutory authority in issuing its much debated carcinogen regulation proposal. Also reviewed were the need for risk/benefit analysis and points in support of the American Industrial Health Council position.

A Task Group on Chronic Hazard Labeling is drafting recommended guidelines for use in preparing exemplary labels in MCA chemical safety data sheets.

At its meeting September 13, the Occupational Safety and Health Committee recommended that MCA challenge the "access to records" portion of the final (interim) regulation promulgated by OSHA regarding exposure and medical records. Guidelines are being developed by a task group on this subject for the collection of health and industrial hygiene information to be used in epidemiologic studies. The use of such guidelines by member companies would help assure compatibility of the data when such studies are undertaken.

Guidelines also are being developed on the "evaluation, classification, risk assessment and control of chemical teratogens," as well as "control of embryotoxic agents in the workplace," by still another task group of the committee.

SPECIAL PROJECTS. Fluorocarbons. Significant progress has been made in the fluorocarbon research program administered by MCA towards its goal of determining the effects of these materials upon the atmosphere. Sufficient data and knowledge of the chemistry involved from studies completed to date have made it possible to begin development of a multidimensional computer model of the role of fluorocarbons in the atmosphere.

At its September 28 meeting, the Technical Panel on Fluorocarbon Research approved proposals for the continued operation of the Atmospheric Lifetimes Experiment. This project is designed to determine the residence time of fluorocarbons in the troposphere, and, in combination with the computer modeling activity, will yield valuable information about the lifetimes of fluorocarbons in the atmosphere. Four stations analyze ambient air continuously for species of interest. The fluorocarbon research program provided $420,000 to establish these stations and to begin operations in early 1978. The program provided an additional

$335,000 on September 28 to operate the stations and to analyze data for the second year of the experiment.

Other ongoing studies of particular importance are the development of a method of analysis for total chlorine in the stratosphere and catalytic destruction of fluorocarbons in the troposphere by air-borne dust and sand particles. Proposals for trend analysis of ozone concentration, joining the relatively new satellite observations with an extensive set of ground-based data, are presently under consideration in the panel.

Phosgene. The Technical Panel on Phosgene Safety met on October 31 to complete action on 14 agenda items. Among the more important of these were six investigative proposals. Five of these are concerned with retrospective mortality studies, retrospective pulmonary studies and a prospective on-site study in a member company wherein the phosgene unit is relatively isolated from other suspect exposures. The sixth project under consideration is a long-term, low-level inhalation study.

Titanium Dioxide. The Tabershaw Occupational Medicine Associates P.A., have in progress a feasibility analysis for an epidemiological study of titanium dioxide workers. On-site visits have recently been completed. A draft of the final report is to be submitted in November. Depending on the findings evolving from the feasibility study, a full-scale epidemiological investigation might be conducted.

Trichloroethylene. The Trichloroethylene Task Group on the Audit of the Chronic Inhalation Study met in November to prepare a final report on this research program, which was conducted by Industrial BIO-TEST Laboratories, Decatur, Ill. Two important actions must be completed by the audit task group prior to its final report: A comprehensive review of and critique on the air concentration report or the exposure chamber concentration report. Review of a critique on a draft of the final report covering a histopathologic study conducted by Experimental Pathology Laboratories, Inc.

Epichlorohydrin. The Technical Panel on Epichlorohydrin will meet on November 21 to review the findings of the 90-day inhalation probe. Also attending will be Dr. A. R. Sellakumar, who will discuss his research at the New York University Medical Center. On October 12 a Current Intelligence Bulletin was issued advising that epichlorohydrin should be treated in the workplace as if it were a human carcinogen.

Ethylene Dichloride. Research on the effects of long-term inhalation is not yet complete, although preliminary results do not show any excess carcinogenicity. The National Cancer Institute recently issued its report on the carcinogenesis bioassay of ethylene dichloride, stating that oral administration of the compound produced cancers in rats and mice.

Vinylidene Chloride. On September 21, a joint NIOSH/OSHA Current Intelligence Bulletin was issued on the carcinogenicity of vinyl halides -- including vinylidene chloride. Citing the NIOSH Criteria Document and Dr. C. Maltoni's work, the bulletin says vinylidene chloride caused angiosarcoma of the liver in animals. The bulletin is currently being reviewed by the technical panel, especially in light of the extensive research program MCA has administered.

Benzene. In mid-summer 1978, MCA entered into a contract with Tabershaw Occupational Medicine Associates for a mortality study of workers exposed to benzene at nine operating plants of member companies. This epidemiological work is expected to be completed about the Spring of 1980.

Butylated Hydroxytoluene (BHT). Additional funds have been approved for an expert's review of the Franklin Institute's report on a literature survey.

TECHNICAL PUBLICATIONS. Procedures to establish and maintain other technical publications in addition to Chemical Safety Data Sheets in an up-to-date condition were recommended by outside counsel in September. Steps to implement the recommendations are being taken. The MCA film, "Safety in the Chemical Laboratory" was found to be out-of-date, has been withdrawn from distribution and purchasers of the film advised. Drafts of 11 revised Chemical Safety Data Sheets are being prepared; eight drafts are now in the edit/review stage; two drafts are in final form, awaiting resolution of chronic hazard question before publication, and one draft--on phosgene--has been published.

Revised drafts of eight Safety Guides are in various states of completion, four are in final draft and one has been published.

CHEMTREC. One CHEMTREC workshop was held in Cleveland in October. One is scheduled for Atlanta in November. The manager of CHEMTREC made the following presentations: Detroit -- 1978 Mid-Continent Conference & Exhibition on Control of Chemical & Oil Spills; Cincinnati -- International Association of Fire Chiefs; Maryland -- University of Maryland - Fire & Rescue Services; Delaware -- Chemical Industry Council and New Castle County Fire Chiefs Association.

CHEMTREC Statistics:

Total Inbound Calls	3,087	
Emergency Calls	877	(28%)
Total Emergencies	739	
Transportation	665	
Non-transportation	74	

GOVERNMENT RELATIONS DEPARTMENT

LEGISLATIVE COMMUNICATIONS: Energy. In connection with the National Energy Plan legislation proposed by the administration, MCA worked in close concert with Washington representatives of member companies and members of the Energy Conservation Committee. Congressional developments were monitored closely to insure that enacted bills were compatible with industry interests. Particular attention was given to energy tax proposals which might have produced user taxes or a crude oil equalization tax.

Environment. Superfund. MCA took the leading role in an inter-industry effort to block enactment of this highly objectionable piece of legislation. We were joined by petroleum, waterways, trucking, railroad and other interests.

Section 311. MCA was the principal industry organization responsible for enactment of a vastly improved Section 311 of the Clean Water Act. The section now clearly distinguishes between discharges associated with routine operations and spills from non-routine causes. The Association, working closely with EPA and several other industry groups and Congressional staff, was able to help to steer the industry bill through both Senate and House in the final hours of the 95th Congress.

The Government Relations Department has begun evaluation of legislative prospects for the coming year in the environmental area, with particular attention to the likelihood of amendments to RCRA.

OSHA. MCA testified before the Senate Labor Subcommittee during its oversight hearings on OSHA in early October. Our staff participated in polishing of Association testimony, gathered useful background material on Subcommittee members, helped to brief and prepare the witness team and handled all logistical communications before and after the hearings.

MCA monitored and reported in detail on the OSHA oversight hearings conducted by the House Manpower Subcommittee in mid-September.

AIHC. In support of AIHC programs, the staff participated in a number of meetings with Washington representatives and with communications specialists handling the AIHC media campaign. A number of advisory communications have been sent to all member companies keeping them abreast of developments. Special attention is being given to constructive contacts with members of Congress to explain the AIHC alternatives package.

Taxation. In connection with MCA testimony in late August on the tax reduction bill, the staff worked closely with the Association witness in preparing him for his appearance before the Senate Finance Committee. We coordinated development and submission of an Association statement on the "sunset" review of taxation issues which was filed September 1. A letter to the House Ways and Means Committee was prepared in early September which expresses our views on the tax treatment of employee fringe benefits. On the 31st of October there was a general meeting of the MCA Tax Policy Committee.

Toxic Substances Control Act. The staff lead industry efforts to communicate with Congress regarding the impending amendments to TSCA, a version of which passed the Senate containing an objectionable indemnification provision. The measure died in the House of Representatives.

Transportation. MCA continues to monitor closely the increased Congressional interest and attention to emergency response capabilities in connection with transportation accidents. We worked closely with Congressional staff and participated in the MCA Emergency Response Workshop conducted in Cleveland in October. We monitored Congressional attention to the Norfolk and Western rail strike, which was causing concern for many chemical shippers.

Trade/Tariffs. The staff answered numerous requests from member companies and media regarding the multilateral trade negotiations. A staff member represented MCA as a consultant to the U. S. Government's delegation to the annual meeting of the Economic Commission of Europe, Chemical Industry Committee. In connection with the visit by leaders from the European Council of Chemical Industry Federations, we prepared an economic analysis and forecast paper for their advance review. In addition, the staff chaired the staff-level briefing conducted for the delegation during their visit October 10. The staff participated in numerous meetings with government officials on trade matters including representatives of GAO, the Office of the Special Representative for Trade Negotiations, the Department of Commerce and Congressional staff.

Product Liability. The MCA staff helped prepare a letter to a Senate Finance Subcommittee setting forth the Association's views on legislation to provide tax deductions for amounts held in reserve for product liability losses. The letter was submitted in early September. Later that month we were also involved in preparing testimony in the same area which was presented to the House Ways and Means Subcommittee.

PROJECTS AND SERVICES: Chemical Forum. The Chemical Forum luncheon series is planned and managed by the staff of the Government Relations Department. The September 12 luncheon featured an address by Representative James G. Martin (R-NC), a member of the House Ways and Means Committee and a well-known spokesman for reasonableness on questions of science and government regulation. On October 10 the forum was addressed by Under Secretary of Commerce Sidney Harman.

Briefing Breakfasts. The Briefing Breakfast series is conducted by the MCA staff as a means of providing regular up-dates for Washington representatives of member companies. Status reports and current action in both legislative and regulatory areas are presented. Special guests frequently make brief presentations and answer questions. On August 31 the special guest was Charles Bruce, a counsel on the staff of the Senate Finance Committee, who discussed pending tax legislation. On October 26, William F. Hildenbrand, secretary to the minority of the Senate and principal Senate floor aide to Senate Minority Leader Howard Baker, gave his forecast on the Senate races in the November 7 elections.

Monitoring and Publications. In addition to routine legislative monitoring, the staff published editions of the Federal Legislative Bulletin on August 29 and October 19 that gave up-to-date reports on legislation of interest to the chemical industry. The October issue furnished a wrap-up of the 95th Congress. Legislative status charts were also prepared on several occasions for use at Briefing Breakfasts and for distribution to the MCA Board of Directors and MCA Executive Committee.

INTERNAL MISCELLANEOUS: During this quarter the Department added two new staff members. H. Christopher Nolde joined us as legislative representative for safety and health. He will manage the legislative communications programs which relate to TSCA and OSHA and will serve as legislative editor. Miss Doris Baquine joins the staff as secretary to Mr. Nolde.

GENERAL COUNSEL

The first few months of activities under the MCA reorganization have brought a significant increase in the scope of MCA's legal advisory program. The successful litigation in the Western District of Louisiana against EPA's regulations under Section 311 of the Clean Water Act was the first major case brought by MCA. More recently MCA joined the American Petroleum Institute and the American Iron and Steel Institute in successfully challenging OSHA's benzene regulations in the Fifth Circuit Court of Appeals. MCA also has asked for a review of EPA's Pretreatment Regulations adopted under Section 307 of the Clean Water Act and a review of EPA's Prevention of Significant Deterioration regulations under the Clean Air Act.

MCA's legal advocacy presently covers a broad range of administrative and regulatory activity including OSHA's proposed generic cancer regulation, OSHA's proposed medical records retention regulations, Consumer Product Safety Commission's cancer regulation, EPA's TSCA regulations, EPA's Clean Water Act permit regulations, and EPA's Resource and Recovery Act regulations. This broad scope of advocacy is not just legal argument. Rather, it integrates legal and technical advocacy, with MCA counsel working closely with MCA committees and technical staff. Not all of the advocacy is litigation. In the case of Section 311 regulations, successful litigation paved the way for a more permanent settlement negotiated with EPA and implemented by legislative amendment. The Section 311 negotiation has, in turn, provided the opportunity for what may be very meaningful, high-level negotiations concerning RCRA and liabilities related to solid waste disposal.

PUBLIC RELATIONS AND EDUCATION

ENVIRONMENTAL INFORMATION. In addition to continuing to provide news on environmental and occupational health matters, ChemEcology addressed three major issues of importance to the industry during this quarter.

Transportation safety was the theme in the August issue. In September, ChemEcology was careful to provide facts about the Love Canal incident which most of the media chose to ignore. This helped to put that issue much more in its proper perspective. Several articles in the October issue emphasized the growing realization that risk/benefit is more than a concept--it is a fact of life. For example, the National Research Council says that the benefits of nitrogen fertilizers outweigh their possible risk to the ozone layer, and a federal court struck down a workplace standard for benzene on the basis that its cost exceeded potential benefits to employees.

During this period 400 additional thought and opinion leaders voluntarily asked to be added to our mailing list, bringing total ChemEcology circulation to 24,000.

Three Toxic Substances Management Memos were issued on Sections 5 and 8(d) of the Toxic Substances Control Act, and on the Association's economic impact study of the Act. At the same time, the circulation of the memos has been expanded and opened to anyone in the industry with a "need to know."

Environmental information was made available during these three months through MCA exhibits at meetings of the American Chemical Society, the American Public Health Association and the National Science Teachers Association.

Education Activities. An ititial printing of 50,000 copies of "Minority Engineers--A Guide to Career Selection" has been exhausted. The booklet is MCA's contribution to the industry's effort to achieve a parity in the hiring of minority engineers within 10 years. A completely new edition of "Chemistry Projects and Science Fairs" was also published. Distribution of "Experiments in the Chemistry of Foods" was stopped because it included suspect chemicals. A public advisory has been issued. MCA exhibited for the first time at a meeting of the

American Public Health Association, a group that includes environmentalists, public health directors, government administrators and educators. October was also MCA's first time to exhibit at an American Chemical Society meeting. At the National Science Teachers Association convention in October, MCA strengthened its liaison and continued its role of leadership within NSTA by serving on the convention planning committee. Through MCA's efforts, the chief toxicologist of The Dow Chemical Company probably will address the NSTA national meeting next April. The manager of education participated in several ACS conferences and in a conference on high school chemical education. Preparations for the next teacher awards have begun.

Consumer Information. MCA has arranged for the first time to participate in the National Association of Farm Broadcasters annual meeting in November. Before this meeting began, MCA had received more than 60 requests from individuals for two to four interviews each with industry representatives for a total of 100-250 tapes. Since this is a first-time effort, only audio tapes will be made. About 3,000 tapes of interviews made at the American Women in Radio and Television annual meeting in June have been requested for use by extension home economists around the country. Response has been positive, with most of the tapes being used at least three times--on the radio, with discussion groups and as source material for newspaper columns. MCA has arranged with the National Association of Extension Home Economists to sponsor a contest for the best multi-media packet which conveys positive aspects of chemistry in extension home economics programs. The winner of the CHEMM-PAK (Creative Home Economics Multi-Media Packet) award will receive $500. Another contest, sponsored originally by the General Federation of Women's Clubs and MCA, will be continued alone by GFWC over the next two years. "It's Your Country, Make It Work" was designed by MCA to explain the U.S. economic system.

In addition to exhibits at the National Extension Homemakers

Council and the National Association of Extension Home Economists, the Consumer Information Section also participated in a National Safety Council program. Another participant used the occasion to ask the consumer information manager to prepare a program on food additives for the annual meeting of the American Association of Orthodontists.

Two six-minute interviews of Edward Donley were conducted by the section for the radio show "Good Living." Arrangements also were made to interview Tom K. Smith Jr. and John Henske for the program. Magazines and trade papers continue to call for reprint rights to "Your Breakfast Chemicals"--one of the most recent uses showing a color photo of a typical breakfast and its natural chemical ingredients in Chemistry magazine of the American Chemical Society.

Press Relations. The section worked closely with Parade magazine on its October cover story on Chemtrec. Parade has a circulation of 55 million, plus multipliers. Arrangements have been made to reprint the story. The section also has cooperated with Chemtrec in writing an article on the emergency service for the monthly publication of the International Association of Fire Chiefs and on another article for Firehouse, a monthly magazine of 100,000 circulation that goes to the firefighter. Chemtrec and the section are also preparing a presentation talk for the Chemtrec manager. The manager of press relations made the arrangements for an NBC television interview with the president of MCA on the Love Canal incident and the possible ramifications of RCRA. Staff also arranged the press luncheon on the industry's energy conservation report that featured MCA's president and members of the Energy Conservation Committee.

Industry representatives have been contacted to write articles for the special Journal of Commerce edition that highlights the chemical industry on the day of the Semiannual Meeting. Coverage of the meeting by the trade and general press has been arranged. Press releases, of course, were issued on all major statements and activities of the Association.

Special Publications. MCA News in October published a special insert on the good work of the Government Relations and Legal Departments in the last session of Congress. It also published Representative Jim Martin's Chemical Forum address as an insert. Dr. Martin's speech was made into a brochure, which will get the widest possible distribution, including 400 copies that were gratefully received by Dr. Martin himself. A special effort was made to call attention to the impressive work of the chemical industry in energy conservation by publishing the results of the latest enery report to DOE in a 12-page booklet. In addition to the figures, a statement by Mr. Roland and a narrative section on "how the industry did it" filled out the publication. The booklet will get wide distribution, but its primary audience will be the Hill and the bureaucrats in DOE. The section wrote and edited some of the materials that went into the work book for the Department of Commerce briefing by the industry on November 14. The section also prepared this report.

Chemical Industry Councils and similar groups have expressed great interest in having Mr. Roland speak to them. The new MCA president spoke to the Louisiana and Texas chemical associations in this past quarter and he is scheduled to speak to the Los Angeles and Northern California groups in November and to the Midwest CIC in the spring.

Exhibit D

MANUFACTURING CHEMISTS ASSOCIATION

REPORT BY THE DIRECTOR OF GOVERNMENT RELATIONS

WILLIAM M STOVER

NOVEMBER 20, 1978

ADMINISTRATION LAUNCHES WAGE-PRICE GUIDELINES PROGRAM

President Carter, on October 24, unveiled his anti-inflation plan in a personal appeal on television It contained three elements:

(1) a voluntary wage-price program

(2) a promise to reduce the Federal budget deficit

(3) a proposed tax rebate to workers receiving less of a pay increase than the seven percent guidelines

On October 25, Alfred E Kahn, Chairman of the Civil Aeronautics Board, was named Chairman of the Council on Wage and Price Stability. He is a 61-year-old economist with broad experience in and out of government. His many years as professor at Cornell were interspersed with middle-level government positions in the Eisenhower, Kennedy and Johnson Administrations He also was a staff economist at the think-tank, Brookings Institute. There seems to be a broad acceptance of Kahn with little or no criticism of President Carter's choice.

The COWPS was immediately expanded from 40 staffers to 150 by transfer from other agencies. Its offices are located a block from the White House in the New Executive Office Building.

The emphasis on prices to date is on an individual company basis. Little or nothing is being done as yet on an industry basis. Four hundred companies with sales over $500 million will be closely monitored. Major companies in groups of ten were called in as early as November 2 to discuss compliance. Each company was allowed two representatives, one a high level executive, the other, a technical staffer. Hundreds of companies are scheduled for similar meetings in a month's time.

Reaction of U. S. business to the President's program is very mixed. Responses from chemical industry range from strong criticism to wary acceptance with uniformly strong emphasis on government budget control.

The problems for companies in complying with details (not called regulations because the program is voluntary) are already becoming evident. Rarely is a government agency thrust into a regulatory role so quickly. Although the last wage-price control experience is instructive, it does not provide answers to many new questions.

There is some indication, just for one example, of dealing differently with various industries.

The chemical industry has had exaggerated price movement in the period 1973-1975, followed by a more normal price movement in the last three years.

	1973	1974	1975	1976	1977	1978*
Chemicals and Allied Products Wholesale Price Index (1967=100)	110.0	146.8	181.3	187.0	192.6	199.0
Increase from Previous Year (percent)		33.5	23.5	3.1	3.0	3.3

It would appear that the choice of the period of 1976-1977 for average price increase determination under the President's program leaves little leeway for price improvement on an industry-wide basis.

The only part of the President's program requiring legislation is the tax rebate plan for those getting compensation increases less than the seven percent guideline. There are already signals from Capitol Hill that this concept will be controversial when the President presents it to the new Congress.

Industry-wide responses will be dealt with by MCA as the program develops. The Association staff will monitor developments in the wage-price program, and an appropriate task group will task group will make recommendations on wage-price issues and lead any necessary communications efforts.

COSTLE HEADS PRESIDENT'S REGULATORY COUNCIL

President Carter has named Douglas M. Costle, Administrator of the Environmental Protection Agency, to chair the newly created anti-inflation "Regulatory Council". The Council will be comprised of representatives of the Departments of Agriculture, Commerce, Energy, Health, Education and Welfare, Housing and Urban Development, Interior, Justice, Labor, Treasury and Transportation. The role of the Council is to coordinate Federal rulemaking to ensure more efficient and cost-effective regulations. A staff of 10-20 people will be drawn from the Federal agencies involved. The Council's first assignment is the development of a unified calendar of major Federal regulations, to be published in the Federal Register by February 1, 1979.

The Regulatory Council will complement activities already required by Executive Order 12044 on regulatory reform. These would include the work of the Regulatory Analysis Review Group (RARG), which is chaired by the Council of Economic Advisors with staff support from the Council on Wage and Price Stability. However, the RARG has authority to review only 20 major regulations per year with a maximum of four regulations per Federal agency.

The initial proposals for the Regulatory Council would probably have increased the influence of the Council of Economic Advisors, and the Council on Wage and Price Stability to put a cap on costs of regulations However, strong pressure from Congress, environmental groups and labor caused the President to abandon the economic advisors - dominated Regulatory Council, and adopt the current structure which is similar to the one proposed by agency chiefs as an alternative Under the present organizational concept, the Office of Management and Budget (OMB) and the Council on Wage and Price Stability (COWPS) may participate, but only as observers.

Mr Costle's appointment is expected to increase EPA's visability and clout and his own stature within the Administration However, the job, which runs through January 1, 1980, is likely to divert significant amounts of time away from his duties as EPA Administrator.

ATTENTION TO CHEMICAL INCIDENTS CONTINUES

A wide range of governmental and legal actions confront our industry because chemicals may be dangerous when misused, overused or mishandled and because incidents resulting from such abuses greatly concern the public.

Media attention and public concern, in fact, are intense and growing and show no signs of abating This is in spite of the fact that the chemical industry as a whole has had an excellent record in handling hazardous chemicals on a daily basis without harm to the public or the environment

Governmental and Congressional attention is just as intense, and official bodies have proposed many solutions to problems arising from chemical incidents They have done so, however, in a piecemeal and uncoordinated manner

In their various forms, these solutions call for the transfer of resources to provide the following:

- penalties for spills;
- restitution for individuals personally or economically harmed;
- remedies or neutralization of the effects of chemical mishaps; and
- restoration of damaged sites and conditions.

The adjournment of the 95th Congress on October 15 has not halted attempts by the Legislative and Executive Branches to devise remedies for incidents related to overuse, misuse or improper disposal of chemicals

- The House Commerce Subcommittee on Oversight and Investigations held one day of hearings on October 30. The subjects were contamination problems occuring in Hardeman County, Tennessee, where Velsicol Chemical Corporation disposed of chemical wastes at a company-owned 242-acre site, and the continuing problem of Love Canal in Niagara, New York A second hearing is tentatively scheduled for mid-December, to focus on existing laws and their applicability to hazardous waste disposal, with particular emphasis on inactive or abandoned hazardous waste disposal sites

- Just prior to adjournment, Representative John J. LaFalce (D-Niagra-NY) introduced two bills which address these difficult public policy questions. The first would provide relief to all persons injured as a result of toxic pollutants in the environment. The second would establish a double-duty fund for maintenance of new and existing dump sites and maintenance and reclamation of abandoned sites Both bills, as well as other liability and compensation proposals considered but not approved by the 95th Congress, will likely be reintroduced in the 96th Congress

- The EPA has indicated that it is giving top priority to an effort to determine an appropriate system for providing remedial action for inactive or abandoned waste disposal sites which pose a threat to the environment It appears that the fund concept, developed in the 95th Congress - first for oil and then chemical spills - will reappear in new legislative initiatives where restitution is involved.

- All indications suggest that the new Congress will return to formation of public policy regarding liability for chemical incidents early in 1979; staff preparation is already underway. Both the House and the Senate have pledged early action on RCRA and it is anticipated that amendments will be enacted in 1979. It is possible that liability and compensation provisions will be included in amendments to RCRA and that they may either include, or set precedents for, other types of pollution problems resulting from spills or unintentional discharge

- The Senate Environment and Public Works Committee staff is currently examining new Superfund programs for introduction in 1979.

- The House Commerce Committee and EPA are focusing on the problems associated with disposal of hazardous wastes.

IMPORTANT TAX LEGISLATION ENACTED

Three pieces of tax legislation were enacted in the closing days of the 95th Congress which are of interest to the chemical industry.

Revenue Act of 1978: Most important of these is the Revenue Act of 1978 passed by Congress on October 15 and signed by the President on November 6. Following are major provisions of this measure affecting corporations.

- Corporate income tax rate - The maximum corporate income tax rate will be reduced from 48% to 46%, effective 1979.

- Investment Tax Credit - The 10% investment tax credit and the $100,000 used property limitation have been made permanent The amount of tax liability that may be offset by the credit will increase from 50% to 90%, phased in 10 percentage points per year starting in 1979. The credit has been extended to expenditures for the rehabilitation of structures which have been in use for at least 20 years, effective October 31, 1978.

The full investment credit will be available for pollution control facilities, even where 5-year amortization has been elected, effective December 31, 1978 However, if the facility is financed with tax-exempt industrial development bonds, the credit will be allowed for onlyhalf the investment

The liberalization of the investment credit and the reduction in corporate income tax rate will reduce business sector taxes by an estimated $6 4 billion in 1979

- Capital Gains - Effective October 31, 1978, for individuals, 60% (instead of 50%) of net capital gains may be deducted from gross income The alternative capital gains rate of 25% on the first $50,000 of gains is repealed for taxable years beginning after December 31, 1978

For corporations, the alternative capital gains tax will be reduced from 30% to 28% for sales occurring after December 31, 1978.

- Product Liability Losses - Net operating losses attributable to product liability losses may be carried back 10 years. Companies will be permitted to set aside reasonable amounts of after-tax income as a reserve against future liability losses without triggering a penalty tax

- Business Entertainment - Deductions will be denied after December 31, 1978 for certain entertainment facilities, such as yachts and hunting lodges Deductions will continue for country club dues, for tickets to sporting events, and for business meal expenses

Foreign Earned Income Act of 1978. For taxable years beginning after December 31, 1977, this Act eliminated the flat exclusion for Americans working abroad and replaces it with a combination of cost-of-living, excess housing costs, education, and travel deductions

Taxpayers living in certain hardship locations would be allowed a special $5,000 deduction in order to fully compensate them and to encourage U S citizens to accept employment in those areas

Fringe Benefits (PL 95-427): This Act, passed in September and signed by the President in early October, prohibits IRS from issuing final regulations relating to the taxation of employee fringe benefits before 1980

It also prohibits the Treasury Department or IRS from issuing rulings or final regulations concerning the deductibility of certain commuting or transportation expenses incurred before 1980

OIL PRICING CONTINUES

Since its enactment in 1973, the Emergency Petroleum Allocation Act (EPAA), as amended by the Energy Policy and Conservation Act of 1975 (EPCA), has provided the basic authority for Executive Branch regulation of the pricing and allocation of crude oil, residual fuel oil, and each refined petroleum product

- Current Authority: Under these laws the President is required to regulate the price of oil until May 31, 1979 His authority to alter the present oil pricing regulatory scheme prior to that date is subject to Congressional review, and thus a possible veto by either House of Congress The President does have the authority, however, to allow the average domestic price of oil to rise ten percent annually under a price-adjustment mechanism Since the average domestic oil price has been kept well below the legislated ceiling price, there is a significant amount of accumulated percentage increase allowable between now and May, should the President decide to employ this authority

- Presidential Authority from May 31, 1979, through September 30, 1981: On May 31, 1979, the Congressional mandate to control the price of oil expires After that date the President has discretionary authority to promulgate and amend pricing regulations or issue other directives, through September, 1981 However, it is a matter of dispute whether this "discretionary authority" remains subject to Congressional review and veto limitations.

- Petroleum Industry Position: The petroleum industry supports decontrolled domestic oil prices and would like to see the President's "discretionary authority" after May 31, 1979, interpreted so as to provide flexibility to abolish controls, and without the Congressional review and limitations.

- Chemical Industry Position: MCA has testified on the pricing issue on numerous occasions We support any action which will permit petroleum prices to rise to world levels through decontrol or phased-removal of price controls. This would permit primary energy prices to reflect replacement costs and provide the maximum incentive to develop new resources and expand the supply base.

- U. S. Price Relative to Major Foreign Competitors: The cost of crude oil and natural gas to U S domestic chemical producers is below that of foreign competitors The average cost for a barrel of crude oil charged to U. S refineries includes six different inputs:

January 1978 U S Refinery Crude Costs[1]

Crudes	Proportion	Cost per Barrel
Old oil	23%	$ 5.68
New oil	19	12.17
Stripper well	7	14.39
Alaskan	4	13.18
Naval Petroleum Reserve	1	12.52

CMA 071906

January 1978 U. S. Refinery Crude Costs[1]
(continued)

Crudes		Proportion	Cost per Barrel
Total Domestic		54	$ 9.83
Foreign Imports		46	14.68
	Composite	100	12.06

[1]Department of Energy Estimate

The composite price of $12.06 gives the United States a competitive advantage (for bulk commodity products only) over countries buying crude oil at the world price of over $14 per barrel. However, crude oil is paid for all over the world with U S. dollars. The countries having currencies which have appreciated against the dollar are getting, in effect, reduced prices on the oil. Two strong chemical competitive countries, Japan and West Germany, are an example. Japan paid 15.3 percent less for its oil in April, 1978, than for the year 1977. West Germany paid 11 7 percent less.

1978 ELECTION RESULTS PRODUCE CHANGES

The Republican Party has staged a modest comeback both in the national legislature and statehouses throughout the country, although Democrats continue to maintain political dominance control. For the 96th Congress, Republicans achieved a net gain of 12 seats in the U S. House of Representatives and 3 seats in the Senate. (The Senate gain is dependent on confirmation of John Warner's victory in Virginia In the House, Republicans could gain another seat or two, depending on the outcome of still undecided contests.) The new membership of the House will be comprised of 276 Democrats and 159 Republicans. The new Senate will include 59 Democrats and 41 Republicans.

At the state level, Republicans won 15 governorships including such important states as Texas, Pennsylvania, Minnesota, Wisconsin and Nebraska previously held by Democrats. This represents a net gain of 6, bringing the governorships now held by Republicans up from 12 to a total of 18. The G.O.P. also gained majorities or ties in 15 state legislatures, and achieved a net gain of approximately 300 state legislative seats.

Of greater significance than mere numerical changes are trends toward the right, Republican Party resurgence at the grass roots level, and changes in the leadership of Congressional Committees which impact on the chemical industry.

- House and Senate Leadership -

On the Democratic side of the House, Speaker O'Neill (MA), Majority Leader Wright (TX) and Caucus Chairman Foley (WA) were returned to Congress November 7, and are expected to be re-elected to their House leadership positions December 4 John Brademas (IN) is expected to be reappointed Party Whip

Regarding House Republicans, there is speculation affecting Minority Leader John Rhodes (AZ) and/or John Anderson (IL), Chairman of the Republican Conference (the number 3 G O P position). Rhodes has been criticized by conservative House Republicans for a lack of aggressive leadership and his willingness to compromise with the opposition It appears that only Republican Whip Robert Michel (IL) could be a real threat to Rhodes, but the two are close friends, and Michel is thought unlikely to mount a challenge Michel is next in line to succeed retired Elford Cederberg (MI) as ranking minority member on the House Appropriations Committee, but Republicans have traditionally foreclosed a member from holding leadership and ranking committee posts simultaneously However, next behind Michel in seniority on the Appropriations Committee is Silvio Conte (MA), regarded as a "big spender" and too liberal by many Republicans. Consequently, there is talk that Rhodes could placate the conservatives and finesse a challenge to his Minority leadership position by backing a waiver allowing Michel to be both Whip and top Republican on Appropriations, one of the most powerful Committees in the House.

An early test of the suggested new conservatism of the House may ensue if Guy Vander Jagt (MI) challenges liberal John Anderson (IL) for leadership of the caucus, known as the Republican Conference. The Republican Policy Committee chair is also open due to the retirement of Del Clawson (CA) Bill Frenzel (MN) is expected to win this post as head of the Republican Research Committee, which could set up a contest between moderate Lawrence Coughlin (PA) and conservative Trent Lott (MS)

In the Senate, Democrats are expected to elect Warren Magnuson (WA) to succeed retired James Eastland (MS) as President Protem They will undoubtedly re-elect Robert Byrd (WV) as Majority Leader and Alan Cranston (CA) as Majority Whip Senate Republicans are expected to re-elect Howard Baker (TN) as Minority Leader and Ted Stevens (AK) as Minority Whip

- Committee Changes -

U S. House of Representatives

House Committees have undergone dramatic changes toward new and younger leadership in recent years, and when the 96th Congress convenes in January, only two Chairmen will have held their posts for more than six years (Education and Labor's Carl Perkins (D-KY) and Commerce's Harley Staggers (D-WV) Because of retirements, defeats, convictions, indictments and reprimands, at least five and possibly seven of the 22 standing Committees will have new Chairmen, and the Subcommittees will be playing a game of "musical Chairmen"

Richard Bolling (D-MO) will become Chairman of the important Rules Committee He is even more liberal, and is expected to work more closely with the leadership than the retiring Chairman, James Delaney (D-NY) Claude Pepper (D-FL) becomes the ranking Democrat on the Committee There will be some changes on the powerful Appropriations Committee, as Jamie Whitten (D-MS) succeeds 43-year veteran George Mahon (D-TX) as Chairman, and Elford Cederberg (R-MI) steps down as ranking Republican Also on the Appropriations Committee, Dan Flood (D-PA) could be forced to give up his Chairmanship of the Labor-HEW Subcommittee (which has jurisdiction over OSHA appropriations), because of his recent indictment

The Committee on Interstate and Foreign Commerce, which has jurisdiction over environmental matters, toxic substances, solid waste disposal, and various Federal health and cancer programs, is in a state of disarray Three of its most important Subcommittee Chairmanships will need to be filled: Health (Paul Rogers, D-FL, retired), Oversight and Investigations (John Moss, D-CA, retired), and Transportation (Fred Rooney, D-PA, defeated)

Leading contenders for the Health Subcommittee Chair are David Satterfield (D-VA) and Richardson Preyer (D-NC) Satterfield is perceived by a number of Committee Members as too conservative to head this key Subcommittee with jurisdiction over clean air, drug reform legislation, saccharin, and other important health and cancer-related issues Preyer, a relative moderate and former Federal judge, respected by Committee colleagues and the House leadership, would be the next choice But he has family connections and investments in the pharmaceutical industry which could cause an apparent conflict in the Subcommittee's work on drug regulation and FDA legislation

Bob Eckhardt (D-TX) is favored in the contest for the Chair of the publicity-prone Oversight and Investigations Subcommittee. If he succeeds, Eckhardt will have to give up his Chairmanship of the Consumer Protection Subcommittee, which will open up this Subcommittee's all-important jurisdiction over the Toxic Substances Control Act The situation is also uncertain for the Transportation Subcommittee, which has jurisdiction over RCRA, hazardous materials derailments, and other environmental issues Somewhere down the line, such leading liberal Democrats as James Scheuer (D-NY), Richard Ottinger (D-NY), Tim Wirth (D-CO), and Andrew McGuire (D-NJ), are going to get their chance to Chair one of these Subcommittees.

The Ways and Means Committee, responsible for Federal tax laws, will lose 6 Democratic Members, including ranking Democrat James Burke (MA), Omar Burleson (TX), Joe Waggoner (LA), and Otis Pike (NY) Of special significance is the retirement of Joe Waggoner, long-time friend of business, leader of Southern conservatives in the House, and Chairman of the Miscellaneous Revenue Measures Subcommittee Leading contenders for his Subcommittee Chairmanship are J. J. Pickle (D-TX) and Charles Rangel (D-NY) All 12 Republicans on the Committee are returning They should pick up an additional seat on the Committee due to the additional Republicans elected to the House, which changes the ratio of Democrats-to-Republicans on Committees

On the Interior Committee, Morris Udall (D-AZ) returns as Chairman, Ranking Republican Joe Skubitz (KS) retired, and Don Clausen (CA) is expected to become top Republican. Phil Ruppe's (R-MI) retirement eliminates one proponent of the PBB indemnification legislation, but others will undoubtedly come forward to espouse this cause.

On the Public Works Committee, Harold Johnson (CA) returns as Chairman, and William Harsha (OH) as Ranking Republican.

A change could occur in the Chairmanship of the Government Operations Subcommittee on Manpower. This is the Subcommittee which held extensive hearings on chemical hazards in the workplace and has played a key role in pressuring OSHA into adopting such recent regulations as the generic carcinogen standard, chemical substances identification, and access to employees medical records. Cardiss Collins (D-IL) is the present Chairwoman, but if Charles Diggs (D-MI) is forced to relinquish his African Affairs Subcommittee Chairmanship because of his recent conviction for payroll irregularities, Ms. Collins may take over Diggs' Chair. This would open her Manpower Subcommittee Chairmanship to either Glenn English (D-OK) or Elliot Levitas (D-GA).

<u>U. S. Senate</u>

On the Commerce Committee, Howard Cannon (D-NV) returns as Chairman, but James Pearson's (R-KS) retirement and Robert Griffen's (R-MI) defeat opens the Ranking Republican post for Ted Stevens (R-AK). However, if re-elected Minority Whip, Stevens would be precluded from holding this Committee post, which would then go to Bob Packwood (R-OR).

Chairman Jennings Randolph (D-WV) and Ranking Republican Robert Stafford (R-VT) return to the important Environment and Public Works Committee.

Henry Jackson (D-WA) returns as Chairman of the Energy Committee, but the retirement of James Abourezk (D-SD) and defeats of Floyd Haskell (D-CO) and Wendell Anderson (D-MN) open three Democratic seats on the Committee. Retirement of Clifford Hansen (R-WY) opens up the Ranking Republican position for Mark Hatfield (R-OR).

On the Finance Committee, Chairman Russell Long (D-LA) returns, but defeats of Floyd Haskell (D-CO) and William Hathaway (D-ME) vacate two Subcommittee Chairmanships, which will probably be filled by the two Democrats appointed to their seats. Ranking Minority Member Carl Curtis (R-NE) retirement opens the way for Robert Dole (R-KS) to fill that slot, but to do so Dole must give up his Ranking Minority position on the Agriculture Committee

There may also be some changes on the Human Resources Committee which has jurisdiction over such major legislation as labor law reform, workers compensation, ERISA and OSHA. If Ranking Minority Member Jacob Javits (R-NY) takes the Ranking Republican post on the Foreign Relations Committee, as expected, he will lose his ranking position and some staff on the Human Resources Committee. Chairman Harrison Williams (D-NJ) may give up his Labor Subcommittee Chairmanship for another Subcommittee of a different Committee, and then merge his Labor Subcommittee into the full Human Resources Committee.

- Timetable for Selection of Committee Members and Chairmen

During the first week in December, House Members will elect their leadership: Speaker, Majority Leader and Majority Whip by Democrats, and Minority Leader and Minority Whip by Republicans Recommendations for Committee assignments on both sides will be considered during the interim before the new Congress convenes January 15, 1979. Soon thereafter, the Democratic Caucus will meet to approve Committee Members, Committee Chairmen, and Appropriations Subcommittee Chairmen Subsequently, the Committees will meet to select their Subcommittee Chairmen The House Republican Conference will undertake a similar process for Minority positions on Committees and Subcommittees.

In the Senate, the Democratic Caucus will elect their President Protem, Majority Leader and Whip on or about January 15, 1979. Soon thereafter, the Democratic Steering Committee will meet to make recommendations on Committee assignments and Chairmenships, which must be approved by the entire Democratic Caucus The Senate Republican Conference will undertake a similar process.

Exhibit E

Status Report

Litigation and Regulatory Proceedings

1. Prevention of Significant Deterioration Regulations (PSD) Appeal The Court heard oral arguments on October 10, 1978, on the first phase of the litigation (i.e., effective date of the regulations). At this time, we are awaiting a decision from the Court on this issue. MCA's counsel, Theodore L Garrett of Covington & Burling, reports that on November 2, 1978, the United States Court of Appeals for the District of Columbia issued an order establishing dates for submittal of briefs and for hearing oral arguments in the second phase of the litigation (i.e, challenges to the substantive provisions of the PSD regulations).

MCA's counsel has been assigned the lead counsel responsibility for developing arguments and briefing two of the "major issues of concern" to industry. These issues concern: (1) the application of the PSD requirements to a modification of a facility where there is no net increase in emissions at the source, and (2) the application of the PSD requirements to hydrocarbons, carbon monoxide, photochemical oxidants, and nitrogen oxides before the Agency has complied with Section 166 of the Act Initial industry briefs are to be submitted to the Court by December 15, 1978, with oral arguments tentatively scheduled for April 19 and 20, 1979.

2. Pretreatment Regulations MCA's counsel, Ted Garrett of Covington & Burling, has notified all MCA parties that both the National Resources Defense Council and the United States Brewers Association filed challenges to EPA general pretreatment regulations with the United States Court of Appeals for the District of Columbia prior to MCA's filing its petition with the United States Court of Appeals for the Fourth Circuit. As a result, EPA has filed a motion, pursuant to 28 U.S.C § 2112(a), seeking to transfer MCA's petition, as well as a petition filed by the Pacific Legal Foundation with the United States Court of Appeals for the Ninth Circuit. EPA has also filed a motion in the District of Columbia Circuit to defer briefing pending the disposition of EPA's motions to transfer the MCA and Pacific Legal Foundation cases, and pending an order of the Court establishing a briefing schedule,

3. Resource Conservation and Recovery Act (RCRA) Intervention On November 7, 1978, Judge Gerhard A. Gesell issued an order ruling on several aspects of the litigation seeking an injunction to require EPA to promulgate necessary regulations to implement RCRA by a specific date MCA counsel, Andrew Macdonald of Wilmer, Cutler & Pickering, advises that although Judge Gesell granted MCA's motion to intervene, it aligned MCA with EPA as a party defendant In addition, the Court granted a motion for partial summary judgment, ruling that EPA failed to comply with the nondiscretionary duties of RCRA to promulgate implementing regulations by April 1978. The Court ordered EPA to submit a schedule by December 4. 1978, for promulgating the necessary implementing regulations and to submit appropriate materials to justify such a schedule. Judge Gesell will entertain comments from any party on the proposed schedule until December 13, 1978. After considering all comments, Judge Gesell will hear oral arguments on January 2, 1978, and then will issue an order establishing a schedule for EPA to promulgate the RCRA implementing regulations.

4. Section 311 Litigation/Legislation On November 2, 1978, President Carter signed an EPA authorization bill that included a rider amending Section 311 of the Clean Water Act. Of prime importance to the chemical industry are the following changes made by Congress in amending Section 311: (1) discharges resulting from normal plant operations will be regulated exclusively under Section 402 (NPDES permits), and not under Section 311 (accidental discharges of sufficient magnitude will be regulated under Section 311); and (2) the maximum penalty under Section 311 is significantly reduced from $5 million to $50,000. and amounts in excess of $50,000 must be imposed by a Federal district court. EPA is in the process of developing regulations to implement the amended Section 311 requirements MCA will work with EPA to develop regulations that establish a responsible spill program without placing an unreasonable burden on the chemical industry. EPA expects to be able to propose the revised regulations early in 1979.

5. OSHA Medical Records Regulations With regard to the Interim (Final) Regulations, outside counsel (Wilmer, Cutler & Pickering) has recommended that MCA wait until OSHA attempts to obtain medical records and a specific case is presented before litigating to overturn the interim regulation. Outside counsel is preparing to initiate litigation when a specific case arises. With regard to the Proposed Permanent Regulations, an OSH Committee task group is working with outside counsel to prepare testimony for hearings to be held in Washington and Chicago in the next few weeks.

6. National Pollution Discharges Elimination System (NPDES) Proposed Regulations As a result of requests by MCA and several other trade associations, EPA has extended the comment period until November 20, 1978, for submission of comments on the proposed NPDES regulations, the proposed Spill Prevention Control and Countermeasures Regulations, and the proposed Best Management Practices Regulations. In addition, MCA and several other trade associations, under the auspices of the Washington Environment Coordinating Committee (WECC), have met informally with EPA to discuss several of industry's technical, legal, and economic concerns with the proposed NPDES regulations.

7. Section 21(a) Petition to Amend, and/or Repeal Regulations to Implement Section 8(d) of the Toxic Substances Control Act As of this date, we have not received a formal Agency response to our petition, nor have we been contacted by representatives of the Administrator to provide further information, or participate in any administrative proceedings on this matter. The Agency has until December 10, 1978, to either grant or deny the petition.

8. Toxic Substances Control Act (TSCA), Section 5 Premanufacturing Notification EPA has indicated that they anticipate proposing regulations to implement Section 5 of TSCA between December 15 and December 30, 1978. The Chemical Regulations Advisory Committee (CRAC) has established an ad hoc committee to provide overall guidance and strategy for advocating MCA's positions on the Section 5 regulations during the informal rulemaking process. The initial meeting of this group was held on November 8, 1978. In addition, MCA has requested C. Boyden Gray of Wilmer, Cutler & Pickering, to prepare a legal memorandum that advocates the positions adopted by CRAC. It is our hope that this memorandum will be the cornerstone document for the development of MCA's comments on the proposed Section 5 regulations.