

A G E N D A
MEETING OF THE MCA BOARD OF DIRECTORS
8 a.m., Thursday, March 16, 1978
Center and Council Rooms, Del Monte Lodge
Pebble Beach, California

- I. Opening Remarks and Introduction of Guests
- II. Minutes of Meeting of February 14, 1978
- III. Business Items:
 - (a) Report of Membership Committee
Catalyst Development Company
 - (b) Report of Finance Committee
- IV. OSHA Proposal on Chemical Substances Identification
- V. American Industrial Health Council
- VI. Chemical Industry Trade Advisor
- VII. Report of Director of Government Relations
- VIII. Technical and Functional Committees (Attachment)
- IX. Information Items by Directors
- X. Report of the President

After the Director's meeting, a panel presentation will begin at 9 a.m. titled "Should the Chemical Industry Write Off California?." All, including the ladies, are urged to attend.

Next Meeting of the Directors - 10 a.m., Tuesday, April 11, 1978, The Madison, Washington, D. C.

CMA 071710

MINUTES of the two hundred sixty-fifth meeting of the Board of Directors of the Manufacturing Chemists' Association, Inc., held at Del Monte Lodge, Pebble Beach, California, March 16, 1978, at 8 a. m.

Directors: James G. Affleck, Chairman
 William S. Sneath, Vice Chairman
 William H. Bricker Duncan J. MacLennan
 John S. Coey M. Donald McClusky
 John T. Connor Robert L. Mitchell
 William J. Driver Paul F. Oreffice
 Peter J. Fass John M. Pitblado
 John T. Files George F. Polzer
 Edward J. Goett Charles W. Smith
 Richard E. Heckert Tom K. Smith, Jr.
 John M. Henske Eugene J. Sullivan
 James W. Kent Konrad M. Weis
 W. C. Krumrei Robert A. Winslow

Alternates: James H. Alexander (for Konrad M. Weis)
 William J. Canavan (for John M. Henske)
 F. X. Dwyer (for Raymond H. Marks)
 Ben C. Hayton (for John K. McKinley)
 William B. Jackson (for Fletcher L. Byrom)
 Lester C. Krogh (for John M. Pitblado)
 William W. LaRoche (for Duncan J. MacLennan)
 Joe D. Ligon (for John T. Files)
 Max A. Minnig (for Eugene J. Sullivan)
 Charles A. Polachi (for George F. Polzer)

General Counsel: Edmund B. Frost
 Outside Counsel: John H. Pickering
 Staff Counsel: Bruce M. Barackman

Secretary-Treasurer: George E. Best

By Invitation: Donald J. Badamo, Dow Corning Corporation
 D. B. Barlow, Chevron Chemical Company
 Richard M. Bressler, ARCO Chemical Company,
 Division of Atlantic Richfield Company
 Ray I. Brubaker, The Dow Chemical Company
 E. E. Chipman, Productol Chemical Division,
 Ferro Corporation
 A. C. Clark, MCA
 T. P. Dougan, The Upjohn Company
 Keith Edmondson, The Upjohn Company
 Wm. J. F. Francis, Kerr-McGee Chemical Corporation
 M. E. Gillis, Exxon Chemical Company
 T. G. Hughes, Chevron Chemical Company

By Invitation (cont'd): Emerson Kampen, Great Lakes Chemical Corporation
 Leo H. Johnstone, Phillips Chemical Company,
 A Division of Phillips Petroleum Company
 W. C. Keenan, E. I. du Pont de Nemours & Company
 H. B. Morley, Stauffer Chemical Company
 R. Prideaux-Brune, Chevron Chemical Company
 P. C. Reilly, Reilly Tar & Chemical Corporation
 W. M. Stover, MCA
 H. O. Thomas, Stauffer Chemical Company
 Raymond C. Tower, FMC Corporation, Chemical Group
 Norman J. Travis, United States Borax & Chemical Corporation
 Richard F. Tucker, Mobil Chemical Company, A Division of Mobil Oil Corporation
 E. A. Von Doersten, Ashland Chemical Company, Division of Atlantic Richfield Company
 Lawrence A. Wigdor, Tenneco Chemicals, Inc.

Chairman Affleck welcomed all to the Board's West Coast Regional Meeting, thanked the host companies and committees for their part in making it a most enjoyable occasion, and called for self-introduction of those present in turn.

I. MINUTES OF FEBRUARY 14, 1978, MEETING

Minutes of the February 14th Board Meeting, as distributed, including the financial statement for eight months ended January 31, 1978, were approved.

II. REPORT OF THE SECRETARY-TREASURER

Exhibit A

III. BUSINESS ITEMS

(a) Report of Membership Committee As chairman, Mr. Polzer reported the committee's having examined the qualifications of the company named below and recommending its election.

ON MOTION, duly made and seconded,
 it was

VOTED: That Catalyst Development Company be elected to membership in the Association.

CMA 071712

(b) Report of Finance Committee As chairman, Mr. Orefice spoke of a prospective surplus of income over expenses for the current fiscal year, but a deficit for next year because of sharp increases in insurance and legal costs. In order to reduce the magnitude of the deficit, the Finance Committee proposes increasing the maximum fee, without change in the fee scale as it has been in effect for some years, and also increasing Annual Meeting and Semiannual Meeting registration fees. Board approval will be sought at a future meeting in conjunction with budget consideration.

IV. OSHA PROPOSAL ON CHEMICAL SUBSTANCES IDENTIFICATION

Mr. Bricker reported having met with OSHA on March 1, with another meeting in prospect early in April. Efforts are being directed to limiting the regulation to toxic and hazardous substances (instead of its being applicable to all substances) in the workplace. OSHA is continuing its economic impact studies.

V. AMERICAN INDUSTRIAL HEALTH COUNCIL

Mr. Orefice stated 89 companies have subscribed \$1.3 million, all but \$150,000 of which has been allocated. Originally, AIHC's purpose related solely to the OSHA proposal for generic regulation of carcinogens. A poll of the supporting companies has approved broadening the scope to apply to carcinogens in the workplace* no matter which regulatory body is involved. Some 150 to 200 witnesses from industry are expected to testify in the hearings scheduled by OSHA.

VI. CHEMICAL INDUSTRY TRADE ADVISOR

Mr. Sneath stated that U.S. Special Trade Representative Strauss is pushing hard for early completion of the Tokyo Round of GATT negotiations, his objective being an average cut of 40% in tariffs. Although there is provision for an extensive advisory mechanism, this is largely being ignored. A major problem lies in the fact that chemical industry concerns rest on potential future consequences rather than immediate effects.

A booklet, "New Realities Require New Solutions," explaining the chemical industry's position has just been printed and will be distributed soon. Contacts with members of Congress are continuing, attempting to convince them that now is not an opportune time to make major tariff cuts and that certain exemptions should be allowed.

VII. REPORT OF DIRECTOR OF GOVERNMENT RELATIONS

CMA 071713

Mr. Stover's report is attached as Exhibit B. A tabulation of the status of legislation of interest to MCA as of March 7, 1978, was distributed to those present.

* 4/11/78 - "carcinogens in the workplace" corrected to "generic cancer policies."

VIII. TECHNICAL AND FUNCTIONAL COMMITTEES

A summary of the most recent meeting of the Transportation and Distribution Committee was distributed in advance with the tentative agenda.

IX. REPORT OF THE PRESIDENT

In addition to his Staff Report, attached as Exhibit C, Mr. Driver mentioned the Special Review Committee is reviewing the relative roles of the Association's Board of Directors, Executive Committee, and President, with consideration being given to frequency and duration of meetings, Board size appropriate to membership representation, working relationship with the President, etc. -- all in the interest of more expeditious action on the membership's behalf. He invited comments from Directors bearing on such aspects of the Association's modus operandi. He assured that the ensuing recommendations will be developed fully in writing, and will be subject to Board review and determination. Mr. Affleck added that the need for prompt action on many issues of major significance to the chemical industry appears to call for greater concentration of authority in the Executive Committee.

Mr. Driver also referred to current attention to minimizing accidents involving chemicals in transportation, in the wake of several recent rail disasters. He took this occasion to emphasize the importance of speedy and adequate follow-up by companies whenever their products are involved as reported to them through CHEMTREC, MCA's Chemical Transportation Emergency Center. He characterized CHEMTREC as a great contribution by the chemical industry to the public safety, but stressed it is likewise a great responsibility, one in which the industry can ill afford less than excellent performance. He spoke of a series of MCA workshops designed to inform more widely about CHEMTREC's function and operation, and encouraged attendance.

Mr. Affleck closed the meeting by referring to Mr. Driver's announced intention to retire from the MCA presidency at the end of May. Mr. Affleck identified Mr. Donley as heading a search committee, with Mr. Henske as vice chairman, to secure a successor, and invited the Directors to submit any suggestions they might wish to offer.

* * *

The business meeting of the Board was followed immediately by a two-hour program moderated by Mr. T. G. Hughes, chairman of the Arrangements Committee, attended by all registrants (including spouses) numbering about 175. The following four speakers presented remarks


and responded to questions and comments under the title, "Should the Chemical Industry Write Off California?":

Robert T. Monagan, President, California Manufacturers
Association

Alan Stein, Secretary, Business & Transportation Agency,
State of California

John Zierold, Sierra Club

Ronald A. Zumbrun, President, Pacific Legal Foundation


George E. Best
Secretary-Treasurer

Certified correct:



James G. Affleck
Chairman of the Board

EXHIBIT A

REPORT OF THE SECRETARY-TREASURER

March 16, 1978

Dollar amounts rounded from tabular details
(\$000)

INCOME & EXPENSE

<u>June 1, 1977 - February 28, 1978 - 9 Months (75%)</u>		<u>Percent of Budget</u>
Income - Membership Fees	\$3,248	101.184%
- Other	624	115.556%
	<u> </u> \$3,872	103.253%
Expense - Operations	\$2,563	73.502%
- Projects	155	33.333%
	<u> </u> \$2,718	68.775%

ASSETS

(As of February 28, 1978)

Cash	\$ 24
Investments	7,172
Miscellaneous	8
	<u> </u> \$7,204

CMA 071716

BUDGET PROGRAM

February 28, 1978

	MANAGEMENT		TECHNICAL				PUBLIC RELATIONS		GOV'T RELATIONS		STAFF SERVICES		TOTAL TO DATE 9 MONTHS	
	EXPENSE	BUDGET	GENERAL		CHEMTREC		EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET
			EXPENSE	BUDGET	EXPENSE	BUDGET								
Employees	13		27		7		12		12		14		85	86
OPERATING EXPENSE														
Salaries & Related Expense	\$283,491	\$310,200	\$444,315	\$475,800	\$103,772	\$104,963	\$189,791	\$191,025	\$164,433	\$186,825	\$155,144	\$156,187	\$1,340,946	\$1,425,000
Retirement Plan & Group Ins.	56,822	50,775	98,790	77,775	23,286	17,175	56,481	31,125	33,143	26,288	37,707	25,612	306,229	228,750
Hosp. Ins. & Health Plan	5,052	5,250	12,656	11,700	1,345	1,125	5,056	5,025	3,752	4,125	6,235	5,400	34,096	32,625
* (4) Legal Fees & Expense	308,414	241,500	27,450	30,000	-	-	-	-	13,563	22,500	-	-	349,427	294,000
Consultants & Investment Serv.	-	4,275	10,179	18,750	-	-	-	-	-	-	-	-	10,179	23,025
Audit	4,500	3,000	-	-	-	-	-	-	-	-	-	-	4,500	3,000
Rent & Premises Expense	17,619	19,275	26,092	28,875	5,719	6,337	14,520	16,200	12,457	10,800	25,328	27,413	101,735	108,900
Taxes & Insurance	10,507	11,513	19,775	21,750	64,697	88,650	9,188	10,088	9,764	9,487	10,240	9,937	124,171	151,425
Supplies & Gen. Office Exp.	7,155	9,000	21,936	27,750	2,073	2,250	10,872	15,000	10,731	9,750	5,205	6,000	57,972	69,750
Furniture & Equipment	1,585	1,500	3,581	5,400	168	4,500	-	187	3,210	1,500	11,228	450	19,772	13,537
Printing	4,498	4,275	-	2,025	1,358	975	4,925	3,975	-	750	-	1,275	10,781	13,275
Telephone & Telegraph	5,108	5,550	16,306	17,475	13,837	16,050	6,461	6,900	6,472	6,225	4,911	5,475	53,095	57,675
Postage	2,776	3,375	19,720	26,250	418	750	34,662	41,250	6,019	9,000	1,406	1,725	65,001	82,350
Travel & Entertainment	6,082	11,250	19,379	22,500	398	1,125	20,087	20,625	10,666	15,000	572	750	57,184	71,250
Meeting Expense	4,012	11,250	443	675	-	-	47	75	2,725	3,000	-	-	7,227	15,000
* (7) Periodicals, Books, Business Services	671	1,575	5,340	4,050	120	450	1,716	1,350	4,725	6,000	1,316	1,500	13,888	14,925
Organizational Memberships	1,806	2,625	2,449	2,100	82	75	945	750	818	1,125	152	113	6,252	6,788
Contingency	1,159	3,750	-	-	-	-	-	-	-	-	-	-	1,159	3,750
Operating Expense Totals	\$721,257	\$699,938	\$728,411	\$772,875	\$217,273	\$244,425	\$354,751	\$343,575	\$282,478	\$312,375	\$259,444	\$241,837	\$2,563,614	\$2,615,025
PROJECTS														
Technical														
* (2) Insurance			\$ 14,946	\$ 18,750									\$ 14,946	\$ 18,750
* (5) Water Resources			25,741	67,500									25,741	67,500
Multi-Committee/Transportation			-	3,150									-	3,150
Multi-Committee/Publications:														
Safety			14,306	64,350									14,306	64,350
Other			7,257	19,500									7,257	19,500
Public Relations														
Community Relations							\$ 12,490	\$ 18,150					12,490	18,150
Consumer Information							14,286	36,525					14,286	36,525
Environmental Quality							25,176	26,250					25,176	26,250
Internal Publications							5,250	19,500					5,250	19,500
Media Relations							6,473	7,500					6,473	7,500
* (1) Water Pollution							6,805	5,625					6,805	5,625
College & Hi School Teacher Awards							4,423	12,375					4,423	12,375
Education Exhibits							3,034	3,375					3,034	3,375
Education Publications							2,439	13,875					2,439	13,875
Government Relations														
* (3) Equal Employment Advisory Council									\$ 5,000	\$ 3,750			5,000	3,750
Trade Advisor									7,000	27,000			7,000	27,000
Staff Services														
* (6) Document Center/OSHA Cancer Policy											\$ -	\$ 1,500	-	1,500
Project Totals	\$ -	\$ -	\$ 62,250	\$173,250	\$ -	\$ -	\$ 80,376	\$143,175	\$ 12,000	\$ 30,750	\$ -	\$ 1,500	\$ 154,626	\$ 348,675
COMBINED TOTAL	\$721,257	\$699,938	\$790,661	\$946,125	\$217,273	\$244,425	\$435,127	\$486,750	\$294,478	\$343,125	\$259,444	\$243,337	\$2,718,240	\$2,963,700

- * (1) Budget Amendment by Executive Committee July 12, 1977, provides \$5,000 for Water Pollution Communications; supplement of \$2,500 approved by the President September 19, 1977.
- * (2) Budget Amendment by Executive Committee September 13, 1977, provides \$25,000 for Product Liability Survey.
- * (3) Budget Amendment by Executive Committee September 13, 1977, provides \$5,000 Contribution to the Equal Employment Advisory Council.
- * (4) Budget Amendment by the President October 14, 1977, provides \$5,000 for Legal Fees to protest proposed increase in Tank Truck Freight Rates; and Budget Amendment by the Executive Committee November 21, 1977, provides \$30,000 for services of Special Legal Counsel in regard to legislative developments on energy conservation.
- * (5) Budget Amendment by Board of Directors November 21, 1977, provides \$75,000 for expert evaluation of EPA Toxic Pollutants Criteria for Water.
- * (6) Budget Amendment by the President, December 27, 1977, provides \$2,000 for MCA Document Center/OSRA Cancer Policy.
- * (7) Budget Amendment by the Executive Committee January 10, 1978, provides \$3,000 for Reporting Service on Product Liability.

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	Balance June 1, 1977 (a)	Receipts (b)	Expenditures (c)	Transfers To Income (d)	Balance February 28, 1978 (e)
<u>Carry-Over of Budgeted Funds</u>					
A -23 Hydrocarbon Emissions Control Cost Analysis	\$ 45,000	\$ -	\$ 44,980	\$ -	\$ 20
A -24 Oxidant Level Control Study	24,748	-	24,748	-	-
OH -5 Epidemiology (Mortality) Study of Petrochemical Workers/Feasibility	7,500	-	7,500	-	-
Total Carry-Over of Budgeted Funds	\$ 77,248	\$ -	\$ 77,228	\$ -	\$ 20
<u>Non-Budgeted Funds & Meetings</u>					
Meetings, Workshops & Symposia	111,816	\$ 162,748	\$ 182,360	\$ 79,320	\$ 12,884
Tank Car Mileage Compensation	81,180	5,071	35,771	-	50,480
Vinyl Chloride Research	251,530	373,130	303,418	11,226	310,016
Vinylidene Chloride Monomer Research	199,430	-	47,823	8,507	143,100
Styrene Monomer Research	167,883	27,040	76,311	2,653	115,959
Acrylonitrile Monomer Research	354,770	-	220,315	9,501	124,954
Trichloroethylene Research	150,526	94,200	115,742	15,147	113,837
Ethylene Dichloride Research	50,196	157,014	6,888	10,014	190,308
Chlorobenzenes Research	4,354	-	-	1,387	2,967
Phosgene Safety Research	39,678	-	1,337	5,187	33,154
Fluorocarbons Research	1,623,337	1,260,825	870,847	57,719	1,955,596
Allyl Chloride Research	223,413	-	88,690	3,413	131,310
Epichlorohydrin Research	250,973	-	14,646	8,295	228,032
Phthalate Esters Research	20,910	55,441	21,423	6,054	48,874
Loss Data Bank Project	3,850	9,000	12,496	-	354
Benzene Study	356,742	157,150	158,100	6,586	349,206
Epoxy Resins Research	-	10,000	-	1,587	8,413
Titanium Dioxide Research	-	45,500	-	907	44,593
Butylated Hydroxytoluene Research	-	35,000	-	1,041	33,959
Chemical Industry Trade Advisor	-	9,000	8,307	-	693
Total - Non-Budgeted Funds & Meetings	\$3,890,588	\$2,401,119	\$2,164,474	\$ 228,544	\$3,898,689
<u>Advance Membership Dues</u>	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ -
<u>Plastics Group Financial Package</u>	\$ 111,482	\$ 59,600	\$ 41,378	\$ -	\$ 129,704
<u>Document Center/OSHA Cancer Policy</u>	\$ -	\$ 5,000	\$ 2,163	\$ -	\$ 2,837
Total	\$4,089,318	\$2,465,719	\$2,285,243	\$ 238,544	\$4,031,250

CMA 071718

MANUFACTURING CHEMISTS ASSOCIATION

STATEMENT OF FINANCIAL POSITION

February 28, 1978

BALANCE SHEET

Assets

<u>Cash</u>			
National Savings & Trust - Commercial Account	\$	17,053	
National Savings & Trust - Payroll Account		6,000	
Imprest Funds		<u>800</u>	\$ 23,853
 <u>Investments</u>			
Bank Certificates of Deposit	\$	600,000	
Bank Repurchase Agreements		350,000	
U. S. Government Securities		3,217,653	
U. S. Government Agency Securities		1,202,500	
Corporate Securities		<u>1,802,250</u>	7,172,403
 <u>Deposits & Advances</u>			
U. S. Government Printing Office	\$	500	
American Airlines		425	
Postage Meter		4,049	
Travel Advances		<u>2,802</u>	<u>7,776</u>
			<u>\$7,204,032</u>

Liabilities & Fund Balances

<u>Liabilities</u>			
D. C. Use Tax	\$	104	
Installment Purchases		<u>6,870</u>	\$ 6,974
 <u>Reserve</u>			
Deferred Compensation			117,875
 <u>Fund Balances</u>			
Restricted (Schedule I (e))	\$	4,031,250	
Unrestricted - From Previous Fiscal Years	\$1,894,371		
- Current Fiscal Year	<u>1,153,562</u>	<u>3,047,933</u>	<u>7,079,183</u>
			<u>\$7,204,032</u>

INCOME & EXPENSE

INCOME

Memberships Dues & Entrance Fees		\$3,248,042
Income from Investments		316,813
Publications Sales		78,217
*Meeting & Special Funds (Schedule I (d))	\$	79,320
Overhead Reimbursement		
Subscribed Projects (Schedule I (d))		<u>149,224</u>
Miscellaneous		<u>186</u>
Total Income		<u>\$3,871,802</u>

EXPENSE (Schedule II)

Management	\$	721,257
Technical - General		790,661
Technical - Chemtec		217,273
Public Relations		435,127
Government Relations		294,478
Staff Services		<u>259,444</u>
Total Expense		<u>\$2,718,240</u>
Income less Expense		<u>\$1,153,562</u>

FOOTNOTE:

*Net Income on Completed Project

CMA 071719

REPORT BY THE DIRECTOR OF GOVERNMENT RELATIONS

WILLIAM M. STOVER

MARCH 16, 1978

MCA WITNESS AT TAX HEARINGS

The House Ways and Means Committee resumed hearings on the President's Tax Program on March 6 to receive testimony from the general public. MCA Chairman of the Board James G. Affleck testified for the Association on that date, appearing on the lead-off panel with witnesses from NAM, the Business Roundtable and several other organizations.

Our testimony supported proposals which would increase capital investment, namely, the individual and corporate income tax rate reductions and the permanent 10 percent investment tax credit. We strongly opposed proposals to phase out DISC and to require current taxation of undistributed earnings of foreign subsidiaries. We also opposed certain "reform" proposals in the President's tax package, such as reductions in entertainment and travel expense deductions, changes in treatment of industrial development bonds, and new restrictions on real estate depreciation rules. We did not take a position on Ways and Means Committee Chairman Ullman's proposal on the partial integration of corporate and individual income taxes, since member companies have divergent views on this issue.

The hearings are to continue through April 7, with a break for the Easter Recess, and markup should begin about April 11.

Most observers believe that the Ways and Means Committee will report a bill containing rate reductions and some other incentives for capital formation, but that it will include few, if any, of the President's tax reform proposals.

This view is shared by Representative Barber Conable (R.-N.Y.), Ranking Minority Member of the House Ways and Means Committee, who addressed our CHEMICAL FORUM on March 6. Mr. Conable indicated that there is very little enthusiasm in the House for the Administration's proposed tax reforms. Specifically, he was of the opinion that the House would retain "deferral" and DISC. On the other hand, he suggested that the House might approve certain limitations on business entertainment expense deductions.

A recent informal count of the Ways and Means Committee indicated that 20 Members of the Committee generally favored retention of deferral, and 15 favored its elimination. This leaves two Members presently uncommitted.

The House is expected to pass a tax bill by mid-May, whereupon the Senate Finance Committee will begin its work aiming to complete Senate action by early September. This would allow several weeks prior to the hoped-for October 1 Congressional adjournment for conference.

The biggest threats to DISC and "deferral" are likely to come during Senate floor debate. "Reformers" such as Senators Edward Kennedy (D.-Mass.), Gaylord Nelson (D.-Wis.) and Floyd Haskell (D.-Colo.) have been able to muster significant support for the repeal of these provisions on the Senate floor in past years. It will be essential for the business community to remain alert to movements in this direction and to be prepared to forestall them.

HOUSE SUBCOMMITTEE HOLDS TSCA HEARINGS

On March 7, the House Subcommittee on Consumer Protection and Finance opened a series of hearings to consider bills amending, and review the implementation of the Toxic Substances Control Act. Chairman Bob Eckhardt (D.-Tx.-8) heard testimony from Senator Robert Griffin (R.-Mich.) concerning the chemical injury indemnity program contained in the Senate-passed bill, S. 1531. Representative Philip E. Ruppe (R.-Mich.-11) testified on the companion House bill, H.R. 9947. Representative William M. Brodhead (D.-Mich.-17) addressed his own bill, H.R. 9616, which would create an "administrative board for compensation for victims of toxic substances pollution". Another witness involved in the drafting of that bill was also heard. A later day of testimony will be scheduled to accommodate witnesses who were unable to appear because of time pressures.

Throughout the day Chairman Eckhardt confined discussion and his questioning to the indemnity aspects of the pending proposals and made it clear he has serious questions concerning the role and responsibility of the government in providing protection to third party victims in chemical incidents. There was no discussion of the EPA funding levels contained in the Senate bill, nor of the rulemaking amendment adopted on the Senate floor.

A second day of Subcommittee hearings, focusing on oversight of TSCA, has been postponed. MCA was scheduled to appear March 20 as a member of a panel comprised of spokesmen from several different organizations including the Assistant Administrator for Toxic Substances at EPA, Steve Jellinek. This hearing has not as yet been rescheduled. Subcommittee Chairman Eckhardt is a member of the House Energy Conference Committee of Natural Gas Pricing and the recent activity in this area pre-empted this oversight hearing and will continue to cast doubt on when hearings may resume.

The legislative outlook is further clouded by a Budget Committee deadline of May 15 for authorization bills. Both the Senate-passed bill and the House counterpart called for increased authorizations for TSCA in 1978 and 1979. If the hearings do not resume soon, it may be likely that a "clean (authorization only) bill" would be acted upon by the full Commerce Committee before the deadline.

We are moving to insure that the chemical industry is alert to the situation and that coordinated action can be initiated if necessary. The Government Relations Committee has been active and direct communication with a number of other trade associations proceeds on a continuing basis.

OVERSIGHT HEARINGS ON TRAIN DERAILMENTS AND EXPLOSIONS

Representative Fred B. Rooney (D.-Pa.-15), Chairman of the House Transportation and Commerce Subcommittee of the Interstate and Foreign Commerce Committee, has scheduled oversight hearings on recent train derailments in Tennessee and Florida. Hearing dates are set for March 15 and 16, and will continue on March 17 if necessary.

Originally scheduled for mid-April in order to meet the May 15 Budget Committee deadlines for authorizations, the hearings have been moved up to address the recent train derailments in Tennessee and Florida. Attention will be focused on the effects of the accidents; other pending safety bills; the Office of Technology Assessment safety report; and safety programs authorizations for the Federal Railroad Administration.

Witnesses scheduled to appear March 15 include several Members of Congress from Florida and Tennessee, and representatives from the National Transportation Safety Board, the Office of Technology Assessment, the Occupational Safety and Health Administration, and the Department of Transportation.

Mr. David L. Rooke, Vice President and Director of Operations, Dow Chemical U.S.A., will testify on behalf of MCA on March 16. He will highlight our strong record of concern and contributions in transportation safety, our CHEMTREC program, and plans for a joint ad hoc effort by the Association of American Railroads and MCA, aimed at improved rail handling of hazardous materials.

Also scheduled to appear on March 16 are representatives from the National Regulatory Commissioners, the Association of American Railroads, the United Transportation Union, the International Association of Fire Chiefs, and the Deputy Commissioner of Transportation for the State of Tennessee.

PROGRESS IN THE ENERGY CONFERENCE

House and Senate conferees on the natural gas pricing portion of President Carter's energy package have made significant progress toward agreement. On March 7, the Senate conferees broke an internal deadlock, with 9 of 17 Senators now favoring a proposal which would remove controls from natural gas prices by January 1, 1985. Consequently, there is optimism that agreement can be reached on the natural gas issue in the near future. Chairman Ullman speculates that the entire energy bill might be ready for the President by the middle of April.

Details of the agreement are:

- the price of natural gas would be raised to \$1.75/Mcf retroactive to April 20, 1977, which places the price of natural gas today at roughly \$1.87/Mcf
- the price of natural gas would be allowed to rise at a rate equal to the Consumer Price Index (CPI) plus 3½% for the first four years; and at the rate of the CPI plus 4% for the next three years
- following the seven years that gas would remain under controls, a two-year floating cap would be in effect, during which time the President would have the authority to reimpose controls
- onshore gas would be defined as new gas if found outside a perimeter of 2½ miles from an existing reservoir

- offshore gas would be defined as new gas if
 - 1) contracted for under new leases, or
 - 2) a new reservoir found under an existing lease

- incremental pricing will be provided for in the agreement. The provisions on incremental pricing apply to Major Fuel Burning Installations (MFBI). The agreement also provides for rulemaking by the Federal Energy Regulatory Commission.

The response of House leaders has been cautiously optimistic. Rep. Thomas Ashley (D.-Ohio-9), Chairman of the House Ad Hoc Committee on Energy, said that the Senate plan closely resembles a pre-Christmas proposal approved by most House Democratic conferees but rejected at that time by the Senate. He predicted that this latest approach would be accepted in its basic form by House conferees. Predictably, however, criticism is coming from both the left and the right. Three Senate liberals (Metzenbaum of Ohio, Abourezk of South Dakota, and Durkin of New Hampshire) denounced the compromise as "capitulation to the natural gas industry." Two Senate conferees (Republicans Hansen of Wyoming and Bartlett of Oklahoma) also were critical, arguing that the compromise continues price controls for seven more years, extends them to the intrastate market, and provides no guarantee of prices sufficient to encourage increased production. Another influential House Member, Rep. John D. Dingell (D.-Mich.-16) expressed concern over cost estimates of the Senate proposal and expressed the view that the matter "needs refining."

At this point there is no firm date set for a resumption of meetings by the full conference committee.

U. S. PROPOSALS FOR TARIFF CUTS TROUBLE INDUSTRY

Negotiations with almost 100 other nations to remove barriers to trade have accelerated. Ambassador Strauss has set a completion date of July 15 for the complex bargaining but most close observers expect the final written agreements in 1979. The Congress must assess the final agreements and consider giving its approval to those dealing with nontariff barriers. The negotiated tariff cuts can be put into effect with signature of the President.

At this time the U. S. offer to other countries includes a maximum tariff cut on chemicals with few exceptions. Also, an agreement for a new, international import valuation system is expected which would eliminate the American Selling Price valuation system. Its existence presently avoids predatory pricing of competitive imported benzenoid chemicals.

The Office of the Chemical Industry Trade Advisor has expressed the industry's disappointment in trade negotiation developments. The proposed tariff cut for chemicals is too large and little can be gained from nontariff barrier changes. The American chemical industry already suffers a competitive disadvantage due to the high costs for pollution abatement and procedures mandated by OSHA and the Toxic Substances Control Act. Expected large increases in crude oil and natural gas prices will further exacerbate this problem. These factors, coupled with tariff reductions on imported chemicals, will have serious consequences for the domestic chemical industry. An increasingly large share of the world's chemicals are produced by nationally owned chemical plants. Experience has shown that many of these plants sell their products without regard to cost or other market factors in an effort to build production capacities.

William Sneath, the Chemical Industry Trade Advisor, has made these points in separate meetings with Special Trade Representative Strauss and his deputy, Ambassador Wolff. Contacts have been made with key Congressional staffers. Trade Advisor Sneath made a policy speech March 2 in New York before the Synthetic Organic Chemical Manufacturers Association. Further meetings with key Administration figures are in prospect. Also, a Congressional contact program asking intervention on our behalf with Ambassador Strauss is planned.

LABOR REFORM BILL STILL PENDING IN THE SENATE

Senate leadership continues to expect that the bill to amend the National Labor Relations Act, which is strongly opposed by the business community, will be brought to the Senate floor following conclusion of the current debate on ratification of the Panama Canal Treaty. It is clear that a considerable volume of mail is being received in Senate offices -- both pro and con -- and that both labor unions and business groups are pulling out all the stops.

It is expected that once the bill is taken up, a filibuster will begin, and thereafter the decisive votes will come on motions to curtail debate. Should efforts at cloture be unsuccessful, it is expected that the Senate leadership will be forced to lay the measure aside and move on to other pressing matters. For this reason, the business community is urging Senators to oppose the bill and to resist efforts to cut off debate.

CMA 071725

There is some reason to believe that the current coal strike is resulting in reduced enthusiasm among Senate members for a bill which would obviously increase the influence of labor unions. Nevertheless, it is extremely important that companies continue to express concern to Senators through every appropriate means.

CMA 071726

STAFF REPORT

by

William J. Driver

March 16, 1978

Jim Affleck testified on President's Carter's 1978 tax plan on behalf of the Association on March 6 before the House Ways and Means Committee. He said that the chemical industry strongly opposes this country's current taxation of profits earned abroad by foreign operations owned by U.S. interests, explaining that deferral is necessary for American business to be competitive overseas.

The chemical industry supports parts of the program designed to increase capital investment, since plants and equipment built in an "energy-abundant" time must now be replaced or substantially modified. The need for higher environmental standards also calls for more capital investment, he added, and urged that the investment tax credit be made a permanent part of the federal income tax laws.

We also urged that DISC be retained, opposed revision of some of the rules applying to the integration of Social Security and private retirement plans, urged retention of rules on bonds for pollution control expenditures and opposed changes to laws on travel and entertainment.

* * * *

We have filed notice with OSHA that we intend to appear in the hearings on the proposed generic carcinogen regulation. In the notice, we emphasized our concern that the workplace be made as safe and healthful as is reasonably possible, but we also pointed to the following defects in the OSHA proposal:

- o It exceeds the limits of the authority delegated to OSHA by Congress.
- o Because of insufficient interagency consultation, it creates the likelihood of inconsistent regulation by the government.
- o It fails to make provision for the comparative evaluation of the risk and the benefit involved in taking regulatory action.
- o In suggesting the requirement of substitution for existing chemicals, it enters an area where it has little expertise and which is properly a matter for decision by industry.

We are not, we stated, opposed to any regulation which would identify, classify and control carcinogens in the workplace. On the contrary, a regulation which would produce a reasonable uniform and practical approach to the problem would be welcome, we said.

* * * *

The House Subcommittee on Consumer Protection and Finance held the first of two hearings on the Toxic Substances Control Act on March 7. The subcommittee heard testimony on three pieces of legislation, all dealing with the creation of a "toxic substances injury assistance program." These bills also contain increases in authorizations for the act, and one contains a section granting broad rulemaking power to the administrator. Neither the rule-making nor the appropriations provisions were discussed at this first hearing. Chairman Bob Eckhardt raised many questions on the indemnity concept and indicated the problem needed much more study

The second day of the hearings, March 20, will be devoted to oversight. MCA will participate in an informal roundtable discussion among industry, environmental groups, labor and EPA that will be for the record. In our written statement we will highlight our continuing cooperation with EPA during implementation as well as our concern with the revised inventory reporting regulations and EPA's procedures for handling confidential data. We will express our opposition to the expanded rulemaking authority proposed in S. 1531 and express our view that there is no reason to amend the act now.

* * * *

We have filed a motion for leave to intervene as a petitioner in the American Petroleum Institute's seeking of a review of OSHA's permanent standard on benzene and a stay of the effective date of the regulation until the review is completed. Outside counsel also has notified the Mining Enforcement and Safety Administration that our comments on a proposed standard setting threshold limit values for airborne contaminants, including benzene, remain the same. Our position is that appropriate consultations with concerned agencies and organizations regarding the standard were not held, and that it is uncertain whether the standard is applicable to benzene.

* * * *

We have sent to the appropriate government agencies a final report of an epidemiological study of mortality in workers employed in the production of vinyl chloride and its polymers. The report covers investigations from June 15, 1973, through December 1977. The research covers 10,173 workers from 37 plants, and the contractor indicated that 9,677 of these--95.1 percent--were traced

* * * *

MCA will sponsor a series of workshops on compliance with the Toxic Substances Control Act this spring. Developed by the Chemical Regulations Advisory Committee, the workshops will be held in Houston on April 5, in San Francisco on April 13 and in Cincinnati on April 19. The committee also is planning a workshop on environmental testing to be held in Cincinnati on April 18. This workshop will be limited to CRAC members and will describe the state of the art of environmental testing, which generally is considered to be 20 years behind toxicological testing on mammals.

* * * *

As an adjunct to Bill Krumrei's Special Committee on Benefit/Risk Analysis, I have sent a letter to seven member company experts inviting them to join a committee that would organize a symposium/workshop of scientific authorities to discuss carcinogenesis and threshold concepts, to organize the results of the workshop for dissemination and to help design and implement a program to bring these results to the attention of academic, governmental and other audiences.

* * * *

OSHA is still holding up its proposals for chemical substances identification. Publication of the first section dealing with medical and industrial hygiene records had been scheduled for this month. We are in the first stages of preparing a position paper on the proposals.

* * * *

In writing critiques of EPA's draft water quality criteria documents for the 65 compounds and classes of compounds identified as toxic pollutants in the Clean Water Act Amendments of 1977, we have found the quality of work to be highly variable. It ranges from good to unacceptable, with more unacceptable than good. EPA appears to be relying on references selected to support their point of view. There are mistakes in mathematics and errors in interpretation of data owing to inexperience. Critical references have been overlooked or ignored. Critiques by non-industry scientists engaged by MCA have been completed on 45 documents, with work on the others in progress.

* * * *

A CHEMTREC review group has determined that the performance of some participating companies in responding to transportation incidents could be improved. In particular, response time of the shippers or manufacturers frequently has been too long. The National Transportation Safety Board, in recommending a review of

emergency response activities last year, also implied that response time could be improved. The review group has identified the areas most needing strengthening and upgrading, and I have notified executive contacts of these. The two most important areas are:

- o The need to shorten the total time between an incoming call and the initial response by the company whose product is involved.

- o The need for more company dedication to the concepts of emergency response.

In this context, I would like to call attention again to four two-day regional workshops planned by CHEMTREC this spring. They will expand on the elements of a good response system, and I urge you to encourage your responsible personnel to attend.

* * * *

Dr. Elizabeth M. Whelan, author of "Panic in the Pantry" and other books which take a reasoned approach to chemicals and to the risk/benefit concept, has founded a tax-exempt organization composed of scientists whose viewpoints are more similar to those of business than dissimilar. The scientists in this American Council on Science and Health, 15 at present, are deeply concerned that emotion is replacing science in governmental and public decisions and are pledged to speak out when fallacy or emotion replaces fact in their specialties. ACSH is being pinched for funds, but in the interest of independence and credibility will not accept support from any chemical company or any company which could even remotely be concerned with the aims of the council. If you are interested in the work of the council and know of possible sources of funds, such as foundations, Dr. Whelan would be happy to hear from you. Her address at the council is 165 West End Avenue, New York, N.Y. 10023.

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