

Report to the Board

By

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I'm glad to have this time to talk about the work of the Government Relations Committee, and to acknowledge the fine work of my predecessor, Jack Estes of Allied Chemical. Also I want to tell you that Bill Stover and his staff have provided Superfund intelligence and counsel almost around the clock for the last 18 months, and Jack and I are particularly grateful.

In the broadest terms, the CMA (or about any other trade association) has three major areas of activity:

1. to sort out the issues and decide what positions make sense;
2. to mold public opinion in a favorable way;
3. to lobby legislators, regulators and federal and state executives to get acceptable legislation and regulations, and to avoid legislation and regulations when they really aren't needed.

In the current CMA structure, these functions are roughly divided between the Technical Committees, the Communications Committee and the Government Relations Committee. There is a question on how we can sharpen our lobbying of the regulatory agencies and the Executive branch and I'd like to return to that question later on and make a recommendation about it.

All three of these work areas represent big challenges for CMA. Our major issues are complex and generally neither CMA nor the government has all the facts we need to reach a fully objective recommendation on public policy. Public opinion is not on our side, and even with our best efforts it is likely to be a decade or more until the public begins to understand that the benefits of chemicals outweigh their risks. In the meanwhile, lobbying for sound legislation and regulations will continue to be an intensely political activity, and done in a political environment that's always changing.

We don't need to tell you that in September 1980 the nation is deeply divided. And let me tell you, we see that division five days a week on Capitol Hill. About half our citizens and politicians still believe that the government is obligated to address all the major problems of our society and find legislative

and regulatory solutions. The other half believes that the government causes more problems than it solves and wants to see more non-governmental approaches to societal problems. We don't know whether the division is 50/50, 52/48 or 48/52, but it's close and appears to be shifting toward an anti-government, anti-regulation majority. That shift is important to our committee, because Congress decides most tough issues by narrow margins.

The 15 members of our Committee represent a wide array of backgrounds and skills. You've been generous in making this group available and letting them spend so much time on our projects. And the companies not now represented on our Committee are equally generous. We constantly ask for their help and they always respond with enthusiasm.

The ideal member of the Government Relations Committee would have an impressive set of talents:

1. current knowledge of the chemical industry and its role in the American economy, particularly its relationship to other industries;
2. ability to grasp a wide variety of complex issues and articulate CMA's position on them to anyone -- from the highest levels of Congress to junior staff;
3. political know how -- understanding (as only experience teaches) how to win political battles, even when you don't hold all the cards, and to deal effectively with both liberal and conservative politicians.

Not all our members have all those skills, but we are a team! We respect each others expertise, divide up the work to make the best of our talents, and in spite of what you may hear from time to time, we get along well together. Better, in fact, than 15 Department Heads in a typical company.

Against this general background, how do we operate? First we try to set priorities and assign a task group to each priority project. Each task group is approved by the Executive Committee.

Currently we have five task groups (Air, Energy, RCRA, Superfund and Transportation) and they are detailed on Pages 4 and 5 of our Committee Report.

When less immediate needs are identified or where a monitoring approach is called for, we assign a keyman to monitor the developments. We now have nine "keyman" assignments and they are listed on Page 3 of our Report.

Finally, in cases like Superfund where a very complex program is being undertaken, we assign a company representative to coordinate contacts with each Congressional Committee or Sub-

committee involved in the legislation we are working on. Further assignments are made on individual Congressmen. These assignments normally come and go on a short cycle.

When the time comes for all-out lobbying, we bring together in one way or another the entire Washington chemical community plus the allied industries, to plan and execute our moves on Capitol Hill. On those occasions, which may be of very short duration or over one or more Congresses, like Superfund, we know our political muscle is being tested. Let's talk about political muscle, how much we've got, and how we can get more.

The first requirement for effective lobbying is honest, credible, factual information. While it's not necessarily easy to get, it's the simplest of all the resources needed by the Government Relations Committee. Under ideal circumstances, the output of the Technical Committees is a position paper that has most of the back-up material we need for lobbying. Congress seldom has enough information to decide what course to take on legislation. And as economic conditions have begun to turn Congress away from its cavalier attitude of 5-10 years ago, good economic forecasts of legislative effects have a powerful influence on the legislative process. Executive order 12044 has made the regulatory agencies calculate the economic impact of their regulations. We are trying to get that requirement enacted into law. But what's really important is to debate costs and cost effects before the legislation is written, not later. And that's the reason our Committee places such a high value on having appropriate economic information available when we are lobbying priority legislation. In my opinion, this is an area of CMA capability that needs improvement.

The next step is proper management and coordination of lobbying by our Committee. We divide up the work on the basis of who can do it best -- corporate locations and personal contacts generally decide these assignments. Often we have major gaps, and we try to get other trade associations to help on these -- filling in States and Congressional Districts where the presence of the chemical industry is ineffective.

We wish we could give you a meaningful assessment of the political muscle of the Government Relations Committee. I'm sure you know that your lobbyists are limited in what they can do on Capitol Hill. We can understand the chemical industry impact of the issue better than Congress does and work to sell CMA's position on it. Sometimes that's enough. We can trade on our personal relations with a few members and their staffs, and sometimes that's enough. But in terms of political muscle, we don't play hardball like the administration, environmental, consumer and labor lobbyists do. In fact, there aren't that many times we need to play hardball, but there are some. When those times come, when you have to go to a few key Members and say, "we've got a serious problem and we need your help, even if you have to take political risks to help us" -- we need real muscle, the

kind none of your lobbyists are likely to have as individuals. That kind of political strength comes from outside Washington, so let's talk about our needs for external help.

One growing source of political strength outside Washington is the Political Action Committees. PAC contributions improve access to Members. But over the long term the more important function of the PACS is to upgrade the Congress. As that happens, and it is happening, facts will have more weight in the political process, and our success rate will improve. We need a CMA PAC to get Bill Stover and his staff better known as CMA lobbyists, and our Committee asks your support on this point.

Another encouraging development are the grassroots networks of member companies. A number of companies -- Dow, Monsanto, Allied and du Pont come to mind -- already have effective grassroots systems in place. Any many other companies are rapidly getting this capability organized. If these systems are going to be of maximum benefit to CMA, we've got to feed them materials, through your corporate offices, that are ready to use in their contacts with Members of Congress. In other words, if these grassroots organizations are going to be closely linked to CMA, we've got to make our communication and lobbying programs compatible. In addition, issues management has come of age throughout the business community. It will help other industries to understand and support us. The Chemcap program is a good current example of CMA tailoring materials for use by grassroots operatives. Chemcap should bring us politically closer to other industries that depend on us for essential chemicals, plastics and fibers.

When your grassroots systems are fully developed, we should be able to call for your help and get several thousand letters, telegrams and telephone calls to Members in a few days, each with the stamp of local relevance and personal understanding of the issue. We won't come to your well often, but when we do, please put the pressure on your people to give us maximum response. Advancing these capabilities is so important that our Committee's portion of the semi-annual meeting has the title "Getting your Message to Government."

The final area for CMA muscle is the unique role of senior management in influencing Congress. You are unique because Congress knows that your main concerns are your stockholders, employees and customers. Because Congress is increasingly sensitive to the unintended economic impact of their actions, your views on legislation have a validity no one can match.

We aren't suggesting you spend any fixed amount of time on Congressional contacts, or set any particular goals for yourselves. But as you develop good relations with Members of Congress, and use these relations in CMA campaigns, our political muscle can get to be impressive, even by the standards of, say, the automobile industry. Our Committee is aware that many of you are already doing a lot of good work with Congress. We appreciate

your willingness to come to Washington when we ask you, and encourage you to continue your own initiatives.

At this point, the question becomes, is this political muscle enough? Will the PAC's, the grassroots organizations, issue management, senior management political activity for CMA, when added to the regular work of the Government Relations Committee -- will it be enough to protect our industry from punitive and irrational actions by the government? When the time comes to play hardball, will we be ready?

The answer depends, we believe, on a number of factors.

1. First, high quality work by the Technical Committees. We need to generate, and we think we do, positions that stand up to any coming from our political adversaries. But once again, we need more economic impact information to make our case effectively.

2. Second, on how fast we can turn around the tide of public opinion on chemical hazards. For even our best friends in Congress, there's a limit to how long they'll support us if the public's against us. And for those in Congress and the media that make hay from chemophobia, negative public attitudes toward chemicals represent job security.

3. Third, national political trends and developments will determine if our muscle is adequate. For business as a whole, there's no doubt that our political fortunes are improving. The low point, since WWII, seemed to have been about 1970-72. By 1977-78, when business lobbying beat Ralph Nader on his Consumer Protection Agency Bill, and the AFL-CIO on Common Situs Picketing, it had to be clear that our backs weren't to the wall anymore. Under the present political climate, we have at least half the cards if we play them right. Next year should see an improved political climate, barring unexpected developments. So we think next year should be a time when the CMA can begin, in cooperation with other industries, to amend some of the legislative mistakes of the past ten years. After tax incentives, Clean Air Act amendments may merit the highest priority.

Earlier, I indicated there might be some unresolved questions about lobbying the regulators and the White House for CMA. That's an important question because so much of the action has moved from Capitol Hill to the regulatory agencies. One friend in OMB remarked to me the other day that in his opinion more than three-fourths of the big decisions affecting industry were "made downtown."

If the agencies were more professional and less political, if the ex-parte rule didn't inhibit their ability to work with industry professionals, this question might not need attention. Our Technical Committees that have the expertise the agencies need would find an easy, professional relationship with the agency staffs.

But the cold fact is that the Congress today has more influence over the agencies than the White House does. While the President appoints the Cabinet and the Administrators, the agencies are really the wards of the Congress. Congress writes and reauthorizes the organic acts for all the agencies. Congress appropriates their funds and evaluates and directs their programs through Congressional oversight. As if this wasn't enough Congressional control over the regulators, Congressional veto of regulations has become a major cause celebre. Elliott Levitas in the House and Dale Bumpers in the Senate are champions of the notion that the regulators have no unique ability to regulate. Both Levitas and Bumpers have been supported by a majority of the House and the Senate. One way or another the views they represent are going to impact agency operations. The significance of all this is that CMA should work the agencies and the Congress with a full recognition of the dependence of the agencies on Congressional approval.

The Government Relations Committee believes that hybrid task groups representing our skills and those of the Technical Committees could help us take advantage of the close link between the agencies and the Subcommittees that authorize and appropriate for their programs. I'm pleased to see the Technical Committees taking steps toward hybrid task groups and we are looking forward to participating in these joint efforts.

November 4th, regardless of its outcome, won't bring an end to our political problems with either the Congress or the agencies. But it could bring in a Congress more objective, more willing to listen to facts. But the most dramatic effect would come if the new administration is determined to fill the 1,700 Presidential appointments with qualified people, federal executives that can really understand the complex policy questions they are dealing with, that can manage their organizations effectively and are neutral toward business.

Whatever the outcome of November 4th, the CMA should keep developing its political muscle and the techniques of using it responsibly. We ask you to keep staffing your Washington offices with strong people, encouraging your PAC's and building grass-roots networks and finally, taking your own political initiatives as senior chemical executives. The Government Relations Committee will keep trying to deal with the industry's political problems by making us understood and respected by Congress. And when the time comes to play hardball, we'll try to make good use of the political muscle you've been helping us develop.

Thank you.