MINUTES
EXECUTIVE COMMITTEE MEETING
National Paint, Varnish & Lacquer Assn., Inc.
Palmer House - Chicago, Ill.
July 11th, 1939

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A regular quarterly meeting of the Executive Committee of the National Paint, Varnish and Lacquer Association, Inc. convened at ten-thirty A. M. Tuesday, July 11th, 1939, in the Palmer House, Chicago, Ill., with the following in attendance:

T. J. Campbell	S. R. Matlack	C. N. Seidlitz
E. A. Foy	H. A. Melum	F. L. Sulzberger
E. D. Griffin	J. V. Reardon	Ernest T. Trigg
Howard Kellogg	C. J. Roh	H. E. Webster
D. A. Kohr	Harold Rowe	Val Wurtele
deLancey Kountze		W. M. Zintl

ASSOCIATION STAFF

H. A. Gardner	M. Q. Macdonald	Reuel W. Elton

ABSENT

D. W. Figgis	E. E. Morton
W. I. Longsworth	Benjamin Patterson

CALL TO ORDER

The meeting was called to order by Mr. Charles J. Roh, Chairman.

MINUTES OF LAST MEETING

The Chairman stated that the minutes of the preceding meeting had been mailed to all members of the committee, and that the agendum of this meeting would take care of any unfinished business carried over from the last meeting. It was moved by Mr. Zintl, seconded by Mr. Melum, that the minutes of the meeting of the Executive Committee of April 26th, 1939 be approved without reading. Motion carried.

REPORT OF TREASURER
AND OF BUDGET AND FINANCE COMMITTEE

The Treasurer, Mr. Matlack, reported that the Budget and Finance Committee had met at breakfast this same date and had found the financial situation of the Association in good shape. He referred to the comparative balance sheet as of June 30th, 1939 and 1938 and to the statement of income and expense for the period October 1st, 1938 to June 30th, 1939 (copy attached) and pointed out that the item "expense over income" had been reduced from approximately $24,000.00 as reported at the end of the last quarter, to approximately $10,000.00 as indicated in the present financial statement; he expressed the opinion that this item would be further reduced before the end of the fiscal year. In answer to a question by Mr. Zintl Mr. Matlack stated that the increase of expense over budget in schedule 5 "Clean Up and Paint Up Campaign" was due to the greatly increased demand for Clean Up promotion material this year, and in further explanation of this item he read the following memorandum.

"We have had a practice of carrying inventories of Clean Up material only on items we have for sale. These we carry as the Clean Up Display Material Inventory.

Clean Up prepares a large quantity of printed matter for use in local campaigns. One large item of these is the Handbook. This is the instruction of how to run a local campaign. This season 10,000 copies were printed at the cost of $1,556.28. In a normal year these would have been sufficient for two full seasons. With the unusually large campaign now over, we have 2,256 on hand valued at $351.03. In past practice, it has been found uneconomical to print for one season only, and so the printed matter has usually been for two seasons. The full cost has appeared in the year the purchase was made.

The mat service is on a two year basis also. Each set of mats is used for two years. One half of the total mats offered each year is new that year, and one half is the prior years new mats used for a second year. In this way the stock is freshened each year and additional use is made of last years mats. A large part of the cost of a new mat is the art work, shop composition, and original cuts. The entire cost of this occurs in the year purchased, the second year bears only the cost of the reordered impression of the mat. The mats on our shelves which are carried over represent a considerable value, which might be inventoried. However, we expect to reorder next year many of this years mats now out of stock. It would be difficult to carry over the full proportional cost of the mats we have sold out and do not have on our shelves.

Since each year bears the full cost of one half of the mats offered, the total yearly costs tend to be in balance as to basic costs. Each years demand causes most of the yearly variations over the basis costs due to reordering to fill orders."

Mr. Matlack stated that the excess of expense over budget in Schedule 10 "Trade Sales Division" had been due in large measure to the promotion of "Paint Styling", and he stated that this schedule would be more nearly in balance by the end of the fiscal year."

Mr. Roh stated that one of the interesting points brought out in the meeting of the Budget and Finance Committee was the fact that the Clean Up and Paint Up Campaign had an actual record of definite campaigns conducted in more than twelve hundred communities during the year, and that this represented an approximate cost of $17.00 per campaign.

It was moved by Mr. Zintl, seconded by Dr. Kohr that the report of the Treasurer and of the Budget and Finance Committee be approved. Motion carried.

Mr. Matlack stated that the Budget and Finance Committee recommended to the Executive Committee that the National Paint, Varnish and Lacquer Association contribute $500.00 to the flax development committee of the Flax Institute for the furtherance of flax development work. It was moved by Mr. Trigg, seconded by Mr. Zintl, that the appropriation as recommended be approved. Motion carried.

REPORT OF THE SCIENTIFIC SECTION

Dr. Gardner, Director of the Scientific Section, presented the following report of work being conducted by the Scientific Section:

The following Scientific Section Circulars have been published since Jan. 1, 1939:

Circular No.	569	Putty Investigations
	570	Reagent Resistance Tests on Finishes
	571	Perilla and Chia Experiments in 1938
	572	Too Much Moisture
	573	Paint Tests on Impregnated Wood
	574	Recent Mildew Tests in Florida
	575	Yellowing of Flat Wall Paint
	576	Preparing Panels for Reflectance Values
	577	Hiding Power of Paints
	578	Preparing Panels for Specular Reflection Value
	579	Mildew Prevention
	580	Testing Blistering of Paints Upon Insulated-Humidified Dwellings
	581	Improved Abrasion Apparatus
	582	Perilla Experiments in 1939
	583	A Portable 60° Glossmeter

Abstract Review No. 57
" " No. 58

In addition to the above, the Special Circular entitled "Tung Oil Culture" has been reprinted to meet the continuing demand for information on this subject.

The scientific Section is continuing its work in advising with various government organizations which are required to purchase paint products on specification. Notable instances of this kind in the past six months have been the U. S. Maritime Commission and the various housing organizations. Private organizations also frequently call on us for advice in connection with their painting problems.

Within the Association, the Scientific Section is cooperating with the Industrial Division in the testing of railroad finishes, acoustic paints, color standardization, etc.; with the Unfair Competition Bureau on the examination of products suspected of misbranding; with the Save the Surface Campaign in the technical editing of bulletins. The Scientific Section is also cooperating with various groups in the Association membership, such as the manufacturers of furniture finishes, manufacturers of roof coatings, manufacturers of caulking compounds, etc. Talks have been given before advertising executives in the industry, suggesting new sales possibilities. Representatives of the Scientific Section have attended meetings of production men, technical organizations such as the American Chemical Society and American Society for Testing Materials, and Farm Chemurgic conferences. Active cooperation with all these organizations is being continued.

Dr. Gardner stated that a special meeting had been called for this evening to discuss "Proposed FHA Specifications for two-coat paint systems", which had been prepared by Dr. Browne of the Forest Products Laboratory, and which were ready for mailing to all Federal Housing Administration representatives throughout the country. Dr. Gardner stated that he and President Trigg had called upon representatives of the Federal Housing Administration in Washington and had requested that the mailing of these proposed specifications be held up until the industry had had an opportunity to consider the subject at its meeting tonight. He stated that a second meeting for the consideration of these proposed specifications would be held tomorrow morning, and that Dr. Brown had been invited to attend that session. In explanation of the situation Dr. Gardner read the following memorandum regarding "Proposed FHA Specifications";-

"Two-coat paint systems shall be acceptable only when they comply with the following requirements which have been established as the only conditions under which the Forest Products Laboratory will recommend such paint systems for two-coat work:

1. Both priming paint and finish paint must be made by the same manufacturer for use together in two-coat initial painting and shall be currently offered by him to the paint trade under his established trade brand. Both priming paint and finish paint must bear labels identifying the brand and manufacturer together with the formula in accordance with the National Paint, Varnish and Lacquer Association's special circular on 'Nomenclature for Formula Labeling'.

2. The priming paint, when thinned for application according to the manufacturer's directions, shall contain not less than 0.15 gallon of opaque pigments, 0.24 gallon of total pigments, and 0.60 gallon of nonvolatile material per gallon of paint, calculated by the procedure for volume analysis of paint formulas of the Forest Products Laboratory. (A complete description of this procedure is contained in 'Industrial and Engineering Chemistry', Vol. 29, page 1018, issue of September, 1937)

3. The finish paint, when thinned for application according to the manufacturer's directions, shall contain not less than 0.20 gallon of opaque pigments, 0.25 gallon of total pigments, and 0.89 gallon of nonvolatile material per gallon of paint, calculated by the procedure named in requirement 2.

4. In one gallon of priming paint plus one gallon of finish paint there shall be a total of not less than 0.43 gallon of opaque pigments, calculated by the procedure named in requirement 2.

When the question of acceptability arises, the local office shall inform the manufacturer of the above and request him to write to the Forest Products Laboratory at Madison, Wisconsin, for an opinion as to whether or not his paint complies with their requirements.

Such requests shall be accompanied by sample labels revealing the brand name, name of material, formula, and directions for application. The set of sample labels shall include all tints of the colors, both of primer and finish paints, for which consideration for acceptance is requested. This is necessary because white, tinted, and color paints differ in formula, often very materially. In many cases, some paints in the brand will meet the requirements while others will not. Therefore, approval of a whole brand on the basis of the white primer and finish paint alone cannot be made. Where the white paint is acceptable "but the tints are not, however, it will often be possible to let the painter tint the white paint to make acceptable tints.

When the above material has been examined by the Forest Products Laboratory, they will inform the Technical Division of their recommendations, who will in turn advise the local office."

Mr. Zintl expressed the opinion that this association should oppose the establishment of any general specifications for the products of the industry.

President Trigg expressed the belief that this proposed activity has implications beyond the technical field and he expressed the hope that as many members of the Executive Committee as could conveniently do so would be present at the special sessions for the consideration of the subject this evening and tomorrow.

In answer to a question by Mr. Roh, Dr. Gardner stated that the fifteen who have already indicated their intention to be present at the meeting this evening are all technical men.

Dr. Kohr suggested that a compromise with Dr. Browne rather than direct opposition to his proposal might be the best policy for the industry, and President Trigg expressed agreement with that suggestion insofar as it did not threaten a vital issue.

Mr. Kountze expressed the belief that this situation is a serious one, and that the carrying out of the proposed plans would tend to place the members of this industry under the control of Dr. Browne of the Forest Products Laboratory.

Mr. Sulzberger expressed the opinion that this matter is one of policy rather than one of a technical nature, and he expressed the hope that as many of the Executive Committee members would attend these special sessions as possible; Mr. Zintl said he was of the same opinion, and Dr. Kohr expressed the belief that the question of "volume specification" was not as important as the question of policy involved in this situation.

Dr. Gardner stated that two of the technical men had advised him that they believed that it was too late to take any action on this matter, and that it might be advisable to let the proposed specifications go through. President Trigg stated that it was quite possible that some of the technical men had discussed with Dr. Browne the question of specifications and have been convinced that the proposed specifications would not adversely affect them, but at the same time overlooking the broad effect the proposal might have on the entire industry. Dr. Kohr stated that Dr. Browne had expressed to the technical men of his company a desire to have help from the paint industry.

Following a discussion as to the proper procedure for this evening's meeting, it was moved by President Trigg, seconded by Mr. Melum, that the members of the Executive Committee present at this evening's session be constituted a committee to represent the entire Executive Committee with power to draw up a proposal for the Executive Committee to be presented to Dr. Browne at tomorrow's session. Motion carried.

In answer to a question by Mr. Griffin, President Trigg stated that he had no information regarding any other products which may be under consideration for "FHA specifications".

LEGISLATION

Painters License Bills:

President Trigg reported that painters license bills had been presented in 22 state legislatures this year, and that all of the bills had been killed with the exception of Texas, where the legislature adjourned and immediately reconvened; he expressed the belief that the bill will be killed in Texas giving the paint industry a perfect score for the year on this subject. President Trigg complimented Mr. Pitt, Vice-Chairman of the National Legislative Committee, for the exceptionally fine work he had done in bringing about the defeat of these many bills.

Painters License "Model" bill:

President Trigg referred to a petition received from Painting and Decorating Contractors of America requesting changes in the Model Painters License Bill to provide for the establishment of examining boards. He stated that he had advised the representatives of the painters organization that this association had been constantly opposed to that particular item, and that it would not be possible to comply with their request. He reported that the painters had suggested that if the manufacturers would not consent to this amendment to the bill it might be necessary for the painting contractors to join up with organized labor in order to get state laws acceptable to them enacted. The matter is now in the hands of the painters representatives for further consideration.

President Trigg referred to the protest which had been made by the Louisville Paint, Varnish and Lacquer Association to the acceptance by the Executive Committee of the so-called "Model Bill"; he stated that there was no indication that any other local association had taken similar action to that taken by the Louisville Association, but that several of the local associations had opposed the stand taken by the Louisville Association.

Other Legislation:

Mr. Macdonald stated that 55,000 bills had been proposed in the present session of Congress, and in 20 of the 44 state legislatures which are in session. He read the following memorandum regarding various legislative matters:

Status of 1939 Legislation
as of July 5, 1939.

LICENSING-EXAMINATION OF CONTRACTING AND JOURNEYMEN PAINTERS, ETC.

North Carolina	HB	138	Dead
New Hampshire	HB	4	"
Indiana	HB	454	"
New Mexico	HB	193	"
Washington	(HB	88	"
	(HB	223	"
North Dakota	HB	164	"
South Dakota	SB	265	"
Utah	HB	172	"
Oregon	HB	280	"

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Michigan	HB 173		Dead
Nebraska	No. 477		"
Ohio	HB 124		"
Maine	HB 915		"
Missouri	HB 126		"
Florida	HB 1125		"
Illinois	SB 395		"
Texas	SB 174		"
Pennsylvania	(HB 173	(Model Bill)	"
	(HB 517		"
Colorado	(HB 11	(Model Bill)	"
	(SB 564	" "	"
New Jersey	HB 555	(Model Bill) No action - introduced 5/1/39	
Minnesota	(HB 1116	(To repeal Act of 1937 -	Withdrawn
	(SB 353	" " " " -	Adjourned before actio
	(HB 540	(To amend Act of 1937) -	Dead
	(SB 493		"
Wisconsin	(SB 59	(To repeal 1935-37 Acts)	"
	(HB 254	" " " " "	"
	HB 434	(To amend Acts 1935-37)	Hearing 6/27/39

MISCELLANEOUS BILLS

Connecticut	HB 1664	To require repair and painting of advertising signs	Passed
Ohio	HB 1	Liquid Fuel Tax. Continues exemptions of raw materials for Paint and Varnish Industry	Passed
	HB 202	To prohibit use of certain type of paint sprayers.	Dead
Nevada	SB 31	To require registration of Trade Marks and payment of fee or risk of appropriation by and validation of title in others who may register same.	Dead
Illinois	HB 299	Formula Labeling.	Dead
New York	SB 167	To require periodical painting of courts and shafts of multiple dwellings.	Dead
North Dakota	HB 262	Requiring registration of Brands of Paint and Varnish and payment of annual fee of $50.00 on each Brand.	Dead
California	HB 2513	To prevent lead poisoning.	Dead

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Alcohol - Shortly before the last meeting of the Executive Committee, Senator Gurney (S.D.) offered an amendment to the salary taxing bill, which would relieve manufacturers of gasoline from the federal tax when the gasoline contains 10% or more of anhydrous ethyl alcohol produced from domestic agricultural crops. The amendment was withdrawn at the request of the Chairman of the Senate Finance Committee in order not to complicate consideration of the salary taxing bill. On June 22d, it was again offered as an amendment to the Revenue Bill and defeated by a vote of 38 to 28.

The purpose was to afford a partial solution of the agricultural problems through the consumption of surplus grain and other farm products. There was nothing objectionable in the amendment itself, but if it had passed there was the danger of another supplementary proposal to place a tax on blackstrap molasses, thus increasing the cost of alcohol used by this industry. It would have been difficult, if not impossible, to have opposed such an amendment as it was offered on the floor of the Senate after all hearings had closed, and was disposed of in less than an hour.

Another alcohol measure is H.R. 6068 entitled "A Bill to reduce the tax on ethyl alcohol intended for nonbeverage purposes" This title was not calculated to alarm users of industrial alcohol, but it would impose a tax of $1.10 on that used by this industry. The bill provides that "upon all ethyl alcohol withdrawn and used for other than beverage purposes the tax shall be $1.10 per proof gallon." The existing law provides for tax-free withdrawal and denaturing of alcohol "for use in the arts and industries" and for use in scientific research and hospitals.

This proposal resulted in a legislative bulletin to our industrial alcohol users. It is believed that a change in the status of tax-free alcohol was not intended. As a result of the protests the bill is being recast. I have seen a redraft, and am not satisfied that it is any improvement on the original, but there is no chance of any action by this Congress.

"Buy American" - S. 1720 introduced by Senator Bone of Washington would prohibit the use of funds granted, lent or insured by the United States, for the purchase of materials which are not of domestic origin. It was inspired by the Northwestern Shingle manufacturers who are in competition with Canadians. They are attempting to coordinate the efforts of every interested group of manufacturers and labor union in the country.

This bill reverses the theory of the Flannery and Doughton bills, which require marks indicating foreign origin and assumes that unmarked goods are of domestic origin. The Bone Bill on the other hand provides that only such goods shall be identified as of domestic origin as are branded or labeled to indicate that they are produced in the United States. The Director of Procurement may publish a list of articles which do not have to be so identified if he determines that the cost of such identification would materially increase the cost of the article, or that the fact of domestic origin is obvious.

The purchase of foreign articles may be authorized if "like" domestic articles cost 25% more, - if imports of such articles amount to less than 1% of domestic consumption, - or if the article or material is not produced in the United States in sufficient quantities and in satisfactory quality.

Much would appear to depend on the broad or narrow interpretation that may be given to the words "like article". Whether perilla oil and tung oil are "like" linseed oil because they are all drying oils is a question.

It is unlikely that the bill will come up during this session, but it appears to have a rather favorable legislative background and active proponents, and being an extension of legislation that is in effect today, it may be difficult to oppose.

A companion bill, H. R. 6696 has been introduced in the House.

Flaxseed and Tung Oil Investigation - An item in the Department of Agriculture appropriation bill providing for the cultivation and breeding of flax for seed purposes, including a study of flax diseases, was increased by the Senate by $20,000 but was reduced by $10,000 by the Conference Committee. This was part of an appropriation for investigation of cereal crops and diseases and flax and broom corn investigations. The total amount now allocated to flax is $25,145. While considering this bill in the Senate Finance Committee, Senator Russell asked Dr. Auchter, Chief of the Bureau of Plant Industry, how he is getting along with the Tung Oil investigations. His reply was:-

> "Very excellently. We have research groups established at Bogalusa, La., right close to Mississippi that handles those two states and some in Alabama; - then we have another at Gainesville, Fla., that handles the western Florida and part of the eastern Alabama area; and at Cairo, Ga. that handles Georgia, and parts of Alabama and Florida; we have some twelve scientists employed in the work, and I believe that we have made very excellent progress on that work to date."

Flaxseed Prices - Senate Resolution 167 of the last Congress ordered the Secretary of Agriculture to investigate the factors keeping the price of flaxseed under parity, and particularly to report on the effectiveness of the existing tariff on flaxseed and linseed oil, and of the tariff or excise taxes on perilla and other competitive oils and oil seeds.

This report was made available in May as Senate Document 62, - 80 pages of considerable interest to those having to deal with oil legislation. Among other things the Department reported that "the present duty of 4.5 cents per pound is more than compensatory in relation to the duty on flaxseed", and that "the present tariff on flaxseed during the years in which it has been in effect has brought about an increase in domestic prices equal to about 90% of the net tariff rate".

The report shows that in 1938 flaxseed prices, while below parity were higher than prices of all farm products combined and considerably higher than wheat prices.

The report is entirely factual and no recommendations are made.

Indications of Foreign Origin - On April 25th, Congressman Flannery introduced H. R. 5985, "to require informative labeling of imported articles." This is a revision of his H. R. 3582 discussed at the last meeting of the Executive Committee. At that time it was not believed that the bill would be reached during this Congress. Since then, however, it has been referred to a sub-committee of the House Committee on Interstate and Foreign Commerce, and is said to have labor and agricultural support. The bill is drastic, and ambiguous, and whenever applied to the products of our industry would be extremely troublesome. Compliance would be expensive and of little benefit to the public. Detailed comment on the bill is contained in a letter from Mr. Trigg to the Chairman of the Committee, copies of which were sent to every member of the House Committee and to the Secretary of State and the Secretary of the Treasury. The Secretary of State had opposed a rather similar proposal in New York State which was nevertheless passed but later vetoed by Governor Lehman. The Secretary of the Treasury is charged with the enforcement of the Customs

Administrative Act which we believe adequately deals with the subject of labeling foreign products.

A copy of the protest was mailed to members of the Executive Committee and duplicate copy is attached.

It is the intention of the sub-committee to hold hearings in the near future. Other industries will oppose the bill.

Another proposal along this line is H. J. 308 introduced May 29th by Congressman Doughton and referred to the Committee on Ways and Means of which he is Chairman. This is an Administration measure proposed by the Treasury to define "the true intent and meaning" of Section 304 of the Tariff Act which requires such marking of imported articles in such manner as to indicate to "an ultimate purchaser" in the United States the country of origin of the article. The courts had held that the ultimate purchaser was the importing manufacturer of tooth brush parts. The pending measure defines "ultimate purchaser" as "the last purchaser in the United States who could be informed of the country of origin". It is not intended to apply to articles, the marking of which would necessarily be obliterated or destroyed by treatment. Notwithstanding the expressed intent of the Treasury Department, I am not satisfied with the language of the resolution and the same is true of others interested in the matter. We will attempt to clarify the language in conference with the Customs officials.

Painters' License - At the last meeting of the Executive Committee, litigation pending in Sheboygan, Wisconsin, involving the validity of a local painters' and paperhangers' license ordinance was discussed. Mrs. Christ Balde had been convicted in the Municipal Court of paperhanging without a license. An appeal had been taken to the Circuit Court, but she was financially unable to prosecute the appeal. It was suggested that it might be desirable for this Association to authorize, up to a certain limit, the financing of the appeal if further investigation indicated such procedure desirable. The President was "authorized to take such action as may be deemed advisable, and to make such expenditures as may be necessary in connection with this situation."

Mr. Pitt was authorized to go ahead, with five hundred dollar limit of expenditure, provided the appeal be so framed as to avoid possibility of a decision on unimportant technicalities and to place the issue of constitutionality squarely before the court. Subsequently, Mr. Harlan W. Kelley, the attorney who defended Mrs. Balde and is reported well qualified, wrote to Mr. Pitt advising that he had arranged to try the case in the Circuit Court at a time to suit the mutual convenience of the attorneys, and that it would be carried by the losing party to the State Supreme Court. He assured Mr. Pitt that he had our objectives thoroughly in mind and that they correspond with his own.

Although it makes little difference under this arrangement whether the decision of the Circuit Court was for or against the defendant, I have not so far been advised of the result of the second trial. We have asked Mr. Pitt to check with Mr. Kelley.

State Trade Barriers - At the last meeting of the Executive Committee it was suggested that a report be made on State Trade Barriers insofar as they may affect the paint industry.

There is nothing in this field specifically directed at this industry. The general subject has attracted much attention during the last 2 years, and the most hopeful development is the place it occupies in the periodical conferences of State Governors. The Governors are in a position to recommend legislation and to veto it. The opposition to laws of this kind is heading up rapidly. The Department of Agriculture recently released a comprehensive report on the subject, and last month a conference on Interstate Trade Barriers, held in Denver, was sponsored by 11 of the Western States.

The subject appears to be too broad to receive special attention by any one industry and I would suggest that we merely continue what we have been doing since this trend in legislation was brought to public notice - keep as close track of the movement as possible and cooperate when it seems advisable with the U.S. Chamber of Commerce, the National Association of Manufacturers and similar groups concerned with the problem.

The trend does justify close observation. Along the line of the Flannery bill in Congress and the Bone "Buy American" bill are laws in 9 states requiring the state of origin labels on food containers. Bread made outside of Oklahoma must show the day and hour of baking. In Arizona "fresh eggs" are defined as those laid in Arizona. These laws fit into the "Buy at Home" campaigns. They are based on the same principle as the Flannery bill which covers all products and not merely food.

The difficulty in stopping or reversing this trend lies in the fact that the laws all are designed to benefit the people in the states that adopt them, and the opposition, coming from the outside, supplies an argument for the proponents

Strategic and Critical Materials - On April 26th (the date of the last meeting of the Executive Committee), the President signed a bill appropriating $100,000,000 for the purchase over the period of 4 years of such strategic and critical materials as may be determined by the Army and Navy Munitions Board.

Strategic materials are those essential to national defense for the supply of which in time of war dependence must be placed in whole or in large part on foreign sources, and for which strict conservation and distribution control measures will be necessary. No raw material for this industry is classified as strategic.

The Munitions Board included Flaxseed, Titanium and Toluol in a list of twenty critical materials. Critical materials are those essential to national defense, the procurement problems of which, in war, while difficult, are less serious than those of strategic materials, but for which some degrees of conservation and distribution control will be necessary.

A list of 35 essential materials includes Acetone, Alcohol, Lead, Shellac and Zinc. As to these, no procurement problems in war are anticipated, but they would be under constant surveillance because future developments might necessitate reclassification as strategic or critical materials.

Transportation Costs - Another proposal which was introduced and defeated on the same day with no chance for consideration or opposition was an amendment to S. 2009 by Senator Shipstead to amend the Federal Trade Commission Act by making it unlawful to charge as part of the price of a product, a rail rate when in fact the product is transported by water or truck. It was defeated 51 to 21 but largely because it was not germane to the bill under consideration.

Other Legislation - As typical of the work which is continually going on at headquarters in connection with examining, analyzing and, where necessary, protesting against proposed legislation, President Trigg presented a copy of a communication sent to the Hon. Clarence F. Lea, Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C., under date of June 15th, the material for which he stated was supplied by Mr. Macdonald. (copy attached)

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China Wood Oil Situation -

Mr. Kountze stated that representatives of our industry had held several meetings with representatives of the Universal Trading Corporation and had recommended to the Trading Corporation that they work out a plan so that dealers (importers) would know in advance what China Wood Oil would be available over a period of two weeks or a month so that they might go to their customers to sell China Wood Oil, and so that the industry might be protected. He stated that representatives of the Universal Trading Corporation reported that some trucks are now in operation on the Burma road and that some oil is being shipped that way though an adequate supply is not yet assured. He stated there was some hope of getting action through the State Department for the release of approximately 10,000 tons of China Wood Oil owned by American interests but held at Hankow under Japanese control. He suggested that all companies interested in the release of this oil at Hankow could be helpful by indicating their interest to their representatives in Congress.

President Trigg stated that the importers have advised that they have no China Wood Oil not under contract and must depend on the Universal Trading Corporation for their supply. He expressed the belief that importers are better qualified to determine who should receive China Wood Oil than are representatives of the Universal Trading Corporation, and he expressed the hope that a plan would be developed whereby the Universal Trading Corporation would be able to tell importers the amount of oil they can expect to receive for resale for a period of a month. He expressed the further hope that the Universal Trading Corporation might be successful in establishing the price of China Wood Oil for a period of at least ten days so that there could be some stability in the market. President Trigg stated that the Universal Trading Corporation is now receiving approximately 55% of the oil brought into this country - the other 45% being brought in by importers; he expressed the belief that that situation will change and that the Universal Trading Corporation will control practically all of the China Wood Oil coming into this country, not including the 10,000 tons now held in Hankow. President Trigg stated that importers have been assured that if they will make a request to the state department for the release of the oil owned by them but held at Hankow, this Association will ask consumers to urge their representatives in Congress to take such steps as may be necessary to bring about the release of that oil.

In answer to a question, Mr. Kountze stated that he did not believe that oil was being held up at the present time to stabilize price, and he stated it was apparent there was not sufficient oil to supply the demand.

Mr. Kellogg stated that his company had not been able to get any oil to sell in several months. He stated that the Universal Trading Corporation does not seem to follow any particular plan and that at the present time there did not seem to be any way to determine what oil would be available from day to day. Mr. Kellogg stated that the organization handling the distribution of China Wood Oil in China - the Chinese Vegetable Oil Corporation - was practically a government company operating with State money, and that between that company and the Universal Trading Corporation they could rather effectively control the marke He stated that his company has only 1500 tons of China Wood Oil in Hankow and that they had offered to sell the oil to the Japanese who are apparently opposed to having the oil moved down the river. Mr. Kellogg stated that their representative in China had expressed the belief that the Japanese plan eventually to take the oil without payment.

President Trigg stated that it is particularly desirable to have the present distributing system retained so that small manufacturers can get their supply of oil whether it be for a drum or a tank car. In answer to a question by Mr. Matlack, President Trigg stated that the Universal Trading Corporation does not establish the price at which importers must sell their oil, but that the price is controlled by competition.

In answer to a question by Mr. Wurtele, President Trigg and Mr. Kountze stated that the Universal Trading Corporation had made no statement recently regarding the subsidizing of the cost of distribution of China Wood Oil, but that they did hope to create some savings through their method of handling the situation.

In answer to a question by Mr. Sulzberger regarding substitutes for China Wood Oil, Dr. Gardner stated that the importation of oiti oil had increased from five million to ten million pounds a year, and Mr. Kellogg stated that the use of dehydrated castor oil was decidedly on the increase. Mr. Campbell stated that he had heard that substitutes are now being used for approximately 65% of the demand for China Wood Oil. Mr. Kountze stated that the Universal Trading Corporation have expressed the hope that by November or December of 1939 they will have a reserve supply of China Wood Oil. President Trigg stated that he did not believe that representatives of the Universal Trading Corporation take seriously the statement made regarding the use of substitutes for China Wood Oil.

In answer to a question by Mr. Melum, Mr. Kountze stated that he believed the representatives of the Universal Trading Corporation had sincerely intended to subsidize the transportation of China Wood Oil, but that apparently those plans had been changed.

<u>Toxic Materials</u> - President Trigg read the following memorandum regarding the subject, and the copy of a proposed letter which it is suggested be sent to all Class A members of the Association.(copy attached)

Our Industrial Sales Steering Committee has on numerous occasions discussed our responsibility to the public and the protection of the industry itself with respect to the use of toxic materials in the industry's products. Reports received indicate that there is an increasing recognition on the part of some consumers, more particularly in the industrial field, of the fact that some paint products may or do contain toxic ingredients.

The Steering Committee felt it desirable to have this subject considered by a special committee, which was duly appointed, consisting of -

L. F. THEURER (Chairman), Pittsburgh Plate Glass Company
C. F. BEATTY, Socony Paint Products Company
W. C. DABNEY, Jones-Dabney Company
H. E. LACKEY, E. I. du Pont de Nemours & Co.
H. E. WEBSTER, Pratt & Lambert, Inc.

At a meeting of the Toxic Materials Committee held on May 17th, the subject was very thoroly discussed and it was the unanimous opinion that it would be wise for the Association to prepare a confidential, carefully worded letter to be sent to all Class A members to be strictly informative and nothing else. It was the feeling that perhaps a good many manufacturers were not as familiar with materials that are or may be under some circumstances toxic and that for their own information and guidance we should give them the best information available and stop there. Such a letter in the Committee's opinion should be, given no other publicity but should be sent as a confidential communication to the Class A members only.

Accordingly, such a letter was prepared with extreme care and after it was prepared a copy was submitted to each member of the Toxic Materials Committee for his comments.

There is attacht hereto a copy of the proposed letter and copies of the correspondence regarding it from the members of the Toxic Materials Committee.

After clearing this thru the Committee, it was then submitted to the members of the Industrial Sales Steering Committee for their consideration at a meeting held in New York on June 27th. There is attacht hereto copy of a letter which accompanied the submission of this matter addressed to the members of the Industrial Sales Steering Committee.

The Industrial Sales Steering Committee unanimously approved of the communication and felt that it should be dispatched as promptly as possible. While it was their feeling that the matter is of primary importance to industrial finishes manufacturers, they nevertheless recognize that it is important to all types of paint manufacturers and understand accordingly the whole subject will be submitted to the Executive Committee for its consideration and action at the meeting on July 11.

P.S. Since the above was dictated, Mr. Lackey of the Du Pont Company has submitted some slight changes or additions to the original letter and Dr. Gardner has considered and incorporated those changes so far as he deems advisable in the copy of the proposed letter attacht.

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It was moved by Mr. Zintl, seconded by Dr. Kohr, that a letter similar to the letter presented on the subject of toxic materials be sent to all Class A members of the Association. Motion carried.

There was considerable discussion regarding the responsibility of paint manufacturers in connection with the use of toxic materials in their products.

Trade Sales Products Made on or to Meet Government Specifications:

President Trigg read the following memorandum regarding the subject:

In the last two or three years there have been isolated cases of manufacturers of trade sales goods advertising certain products as "complying with", "made to meet", "made on", etc. government specifications. Where these things have occurred and they have been brot to our attention, we have promptly discussed them with the manufacturers involved, explaining that such procedure, if eventually generally followed by the industry, would result in all manufacturers making the same claims for their products and create a situation where salesmanship, prestige, quality and other selling arguments would be displaced by price only. Furthermore, that smart buyers would expect manufacturers to furnish such government specification goods at the same prices similar specification products are being sold for to the government itself, which prices to the government as is well known leave little, if any, margin of profit for the manufacturer.

In all cases up to recently manufacturers with whom we have talked have recognized that such a practice was ill-advised and have discontinued it.

Recently, however, the Baltimore Paint & Color Works of Baltimore started out on a rather ambitious program of that sort and I find on talking to them that they considered it as a practical way to get the interest of prospective customers, admitting frankly that the volume of business they obtained on such government specification material was negligible. After some considerable conversation, they agreed that by not later than October 1st of this year they would discontinue the practice explaining that they had some literature now printed which they felt they must make use of.

The day following my talk with them, however, they wrote me calling attention to the fact that in Montgomery-Ward's catalog, spring and summer issue of 1939, which was mailed out about a month ago, they list on page 736 "a government approved house paint which is guaranteed to meet TT-P-101A". They also advised me that they had just talked to Sears-Roebuck over the telephone, who gave them a price on Master Mixed House Paint, which they stated as on the label was "guaranteed to meet government specification TT-P-101A".

As a result of this situation, they now state they feel that if Montgomery-Ward and Sears-Roebuck are going to continue this practice, they will feel justified in doing so.

This is the first time we have had the Montgomery-Ward matter brot to our attention, but we did take up the Sears-Roebuck procedure with their Mr. D. M. Nelson last fall and under date of September 27, 1938, he wrote me that they were discontinuing this practice and that "there are now some publications in circulation that carry this statement, but in the future they will be omitted".

Promptly on receipt of the information from the Baltimore Paint & Color Works, we checked up on the matter here and find that Sears-Roebuck are offering this particular paint so labeled from their Washington retail store. I have, therefore, written to Mr. L. B. Logan of the Sears-Roebuck Company, who is in charge of this department now, and should have his reply before our meeting. (This memorandum is being dictated on June 23d).

In the June issue of the Painters Magazine is a full page advertisement of the McCloskey Varnish Company of Philadelphia on "Nuseal", which they state in large type at the head of the ad "Meets U. S. Bureau of Standards specifications for exterior spar, interior rubbing, and floor varnish". In the same magazine, same issue, is a half-page advertisement of John W. Masury & Son on Masurite Marine Spar, which features an illustration at the top of the ad and states "It meets all government specifications for marine varnish".

We have taken up the matter with both McCloskey and Masury but have not as yet received their replies.

These developments would indicate that there is a growing tendency to merchandise products as being made on government specifications and it is believed that the subject is of a nature and of importance which justifies the consideration of the Executive Committee.

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President Trigg stated that since this memorandum had been written, Mr. Jarden, President of the McCloskey Varnish Company, had advised that he did not know his company had been using this type of advertising and that it would be discontinued. President Trigg read a letter received from Sears, Roebuck Company stating that "As far as we know none of the retail stores and certainly none of our control stores are advertising our house paint as conforming with any government specifications x x x On the label of our Master Mixed House Paint a statement does appear that it 'conforms with U. S. Government Specification TT-P-101A'. This will be deleted on the next printing of labels." Mr. Reardon stated that this was a very general practice in the water paint group and he believed all members of the group should be requested to abandon the practice.

The discussion which followed indicated that the committee felt that advertising which referred to products as meeting, or conforming with, various government specifications would prove detrimental not only to the industry but to those who have made use of it in their promotional activities. Although not unmindful of the reasons which have prompted the use of such descriptions, the Committee, after full discussion and careful consideration of all aspects of the problem was of the opinion that any possible temporary benefits are far outweighed by injurious results which are summarized as follows:

The development by this industry of consumer demand for products made on government specifications emphasizes the value of such goods in comparison with other formulations developed by each manufacturer.

It depreciates the value of the good will in individual brands that each manufacturer has built up through years of effort, by fair treatment of customers and large expenditures.

If it is sound advertising theory and is as successful as the advertiser hopes it may be, others of necessity will adopt and advertise the same specifications. Individual selling arguments will be eliminated, and of competition built on quality, service and price, price alone would be the determining factor.

Price competition would be further intensified by consumer comparison with bids on identical specifications made to the government. It is common knowledge that the average manufacturer could not long exist if all sales were made at prices quoted to the government.

With price competition alone remaining, manufacturers now enjoying wide distribution of their products would find markets sharply curtailed by transportation costs, and such reduced distribution would of necessity react on their cost of production.

The creation of widespread consumer demand for government specification products would render it unprofitable for the industry and its members to engage in laboratory and technical research in new and improved materials and processes. Initiative in the development of improved products would be left largely with the government which lacks the incentive encouraged in private enterprise.

By emphasizing the value of government formulas, consumers would be educated by the industry itself to reject products that have not as yet received government sanction.

The abandonment of competition in the development of individual formulas, trade names, and brands in favor of competition in the sale of standardized formulations would be a long step toward voluntary regimentation of the industry.

It was moved by Mr. Zintl, seconded by Mr. Campbell, that the following resolution be approved:

> RESOLVED that for the reasons above set forth the Executive Committee strongly deprecates the use of advertisements which tend to create consumer demand for products made on government specifications.

HEADQUARTERS BUILDING SITUATION

President Trigg reported that the special committee appointed by the Executive Committee to handle the situation had, at the request of the Federal Government, offered the Association property at $165,000.00 - the book value being $132,000.00 less depreciation. He expressed the opinion that while this is probably just the opening of negotiations, it looks now as though the sale of the property might go through. In order to clarify the records, President Trigg presented the following resolution:

> "WHEREAS, On January 27, 1937 this Committee appointed a committee consisting of Ernest T. Trigg, Charles J. Roh and Herbert W. Rice to take care of interim details regarding the purchase and sale of property between meetings of this Committee, and
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> WHEREAS, The authority of such committee was continued by the Executive Committee on July 14, 1938, and pursuant to such authority the committee acting through Ernest T. Trigg submitted an offer to the United States Government, Procurement Division of the Treasury Department, to sell the property now occupied by this Association at 2201 New York Avenue, N. W., Washington, D. C., for the sum of $165,000.00;
>
> NOW, THEREFORE, BE IT RESOLVED, That the said action of the committee be and it is hereby approved, ratified and confirmed."

It was moved by Dr. Kohr, seconded by Mr. Zintl, that the resolution, as presented, be approved. Motion carried.

President Trigg presented the following resolution appointing a committee authorized to negotiate the sale of the Association property:

"WHEREAS, pursuant to Acts of Congress, steps are being taken by agencies of the United States to acquire sites for new public buildings in Washington, including the land and building occupied as headquarters of this Association at 2201 New York Avenue, N. W., and

WHEREAS, it is considered by this Committee necessary in serving the best interests of this Association to be able promptly to deal with such situations as may from time to time arise in connection with the acquisition of the said property, and to that end to appoint a committee for such purpose, be it

RESOLVED, That a committee consisting of Ernest T. Trigg, Charles J. Roh and Herbert W. Rice be, and it is hereby appointed to serve until discharged, with full authority to negotiate the sale of said property to the United States, and as agent for and in the name of the National Paint, Varnish and Lacquer Association, Inc. to offer or to accept such price as the committee may deem just and reasonable, to cause such abstracts of title or other documents to be prepared and incur such incidental expenses in connection with said negotiations as may be deemed necessary, and, by one of its members with the approval of the others, to execute a valid contract of sale of the said property; and

IT IS FURTHER RESOLVED, That in the event of the inability of any member of the said committee to serve when required, the then Chairman of the Executive Committee shall be fully authorized to appoint another member of the Executive Committee to act in his place and stead."

It was moved by Mr. Zintl, seconded by Mr. Reardon, that the resolution as presented be approved. Motion carried.

President Trigg presented the following resolution authorizing the appointment of a committee to arrange for association headquarters in case the Federal Government takes over the present association property:

"WHEREAS, it is anticipated that the United States government will acquire the property now occupied by this Association at 2201 New York Avenue, N. W., Washington, and may not demand immediate possession, BE IT

RESOLVED, That a committee be appointed by the Chairman, to serve until discharged, with full authority as agent for and in the name of the National Paint, Varnish and Lacquer Association, Inc. to rent or lease the said premises on such terms and conditions as may be mutually agreed upon, and by one of its members with the approval of the others to execute such lease or rental agreement as may be appropriate, and

BE IT FURTHER RESOLVED, That the committee is authorized to consider other property, improved or unimproved, for occupation as headquarters of this Association, and is instructed to report developments and make its recommendations to the Executive Committee.

It was moved by Mr. Sulzberger, seconded by Mr. Melum, that paragraph two of this resolution be changed to read:

RESOLVED, That a committee consisting of Ernest T. Trigg, Charles J. Roh, and Herbert W. Rice be, and it is hereby appointed to serve until discharged, with full authority as agent for and in the name of the National Paint, Varnish and Lacquer Association, Inc. to rent or lease the said premises on such terms and conditions as may be mutually agreed upon, and by one of its members with the approval of the others to execute such lease or rental agreement as may be appropriate, and"

Motion carried.

It was moved by Mr. Melum, seconded by Mr. Reardon, that the resolution as amended be approved. Motion carried.

SAN FRANCISCO NON-EXCHANGE VIOLATION

President Trigg reported that a rather serious non-exchange case on the Pacific Coast had been referred to the Association involving an exchange of the products of six manufacturers by a representative of the Bay City Hardware Company, distributors for the Glidden line. He stated that when the situation was called to the attention of the Glidden Company they sent their Vice-President, Mr. Horsburg, to the West Coast to investigate, and that Mr. Horsburg had reported back to the Association that he had interviewed all manufacturers affected, and that the matter had been settled to the satisfaction of all parties concerned.

President Trigg stated that he sent a copy of Mr. Horsburg's statement to all parties affected and asked them for their comments; he stated that some of those affected had indicated that they were not satisfied and that they were expecting some action from the National Association to prove whether or not the Non-Exchange Agreement is a vital instrument. President Trigg stated that the Glidden Company did not deny their responsibility in the case, but said that they had incurred considerable expense in connection with the investigation, and had suggested that they be permitted to accept responsibility - make a small token payment of not more than $100.00 - and sign an agreement against any repetition of the situation.

Following some discussion it was moved by President Trigg, seconded by Mr. Griffin, that this matter be referred to a small committee of three members of the Executive Committee with power to act. Motion carried. The Chairman subsequently appointed as the members of this committee T. J. Campbell, Chairman, DeLancey Kountze, and E. A. Foy, Jr.

In answer to a question by Mr. Sulzberger, President Trigg stated that though it is not the usual custom to refer Non-exchange cases to small committees, this action had been taken in the past, and that where no complications arose, the President individually representing the Executive Committee, has handled cases.

PROCUREMENT DIVISION CHANGE IN PURCHASING METHODS

Mr. Kountze reported that he, with President Trigg, had called upon Captain Collins of the Procurement Division of the Treasury Department and had

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been assured that the Procurement Division would change their system of requesting bids so that the period covered would be for three months instead of for twelve months, and so that only the successful bidder would be required to submit samples. He stated that in the near future with President Trigg he hoped to have a conference with representatives of the War Department in an effort to get them to change their method of advertising for bids. President Trigg stated that he had worked for three years with representatives of the Procurement Division in an attempt to bring about this result - working on the merits of the case - but that Mr. Kountze because of his entree to the present administration in Washington had been successful in getting results in a few weeks.

CONVENTION ASSESSMENTS

President Trigg explained that the By-laws provided that "the assessment at the annual convention shall not exceed $20.00 for each person attending the convention; the amount to be determined by the Executive Committee prior to the opening of the convention." He moved that the registration fee for the 1939 convention be established at the same rate as for last year - $10.00 for men and $10.00 for women. The motion was seconded by Mr. Sulzberger, and was carried.

NOMINATING COMMITTEE

President Trigg stated that the By-laws provide that "at least three months preceding the annual convention the President shall appoint subject to the approval of the Executive Committee a nominating committee of 7 members - 4 to be selected from Class A membership, 2 to be selected from Class B, Class C or Class E membership, and the President". President Trigg recommended the appointment of the following committee:

C. J. CASPAR, Pittsburgh Plate Glass Co., Pittsburgh, Chairman
W. H. GERKE, The Sargent-Gerke Co., Indianapolis
C. K. STODDER, The Savogran Company, Boston
E. T. STILLE, Stille-Young Corp., Chicago
A. J. WITTENBERG, Stroock & Wittenberg Corp., New York
WERNER G. SMITH, Werner G. Smith Co., Cleveland
ERNEST T. TRIGG, President

It was moved by Mr. Zintl, seconded by Mr. Wurtele, that the appointment of the Nominating Committee as suggested be approved. Motion carried.

MEMBERSHIP

The Secretary presented the following list of firms from whom applications for membership have been received:

Class "A" Members

V. J. DOLAN AND CO.
Chicago, Ill.

INDUSTRIAL MARINE CO., Inc.
New Smyrna Beach, Fla.

F. O. PIERCE CO.
New York, N.Y.

Class "B" Member

WHITING-ADAMS CO., Inc.
Boston, Mass.

Class "E" Members

AALFS PAINT & GLASS CO.
Sioux City, Iowa

MOHNS BROS. CO.
Milwaukee, Wis.

STANDARD GLASS & PAINT C
Des Moines, Iowa

CAPITAL WALL PAPER CO.
Washington, D. C.

PETERSON-DOYLE PAINT CO.
Sioux City, Iowa

GEO. E. WATSON CO.
Chicago, Ill.

DWELLE KAISER CO.
Buffalo, N. Y.

THE ROEHHILDT CO.
Dayton, Ohio

WISCO HARDWARE CO.
Madison, Wis.

It was moved by Mr. Zintl, seconded by Mr. Campbell, that the firms referred to be elected to membership in the classifications indicated. Motion carried.

The Secretary presented the following list of firms with the recommendation that their memberships be cancelled:

Class "A" Members

Finishing Specialties & Service Co.
Chicago (out of business)

Industrial Chemical Co.
Fairlawn, N. J. (bankrupt)

E. O. Gillen Corp.
Milwaukee (business being liquidated)

U. S. Gypsum Co.
Chicago (claims rate of dues too high)

Class "B" Members

Cliffs Dow Chemical Co.
Marquette, Mich. (not supplying paint industry)

J. C. Pushee and Sons, Inc.
Boston, Mass. (business in liquidation)

It was moved by Mr. Reardon, seconded by Mr. Seidlitz, that the memberships referred to be cancelled. Motion carried.

ADJOURNMENT

There being no further business to come before the members of the committee, the meeting adjourned at three-fifteen P. M.

Reuel W. Elton
Secretary