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FEDERAL TRADE COMMISSION
Docket No. 4613 COMMISSIONER'S Exhibit No. 187-2
IN THE MATTER OF Home Heaters
DATE 6/3/42 WITNESS
REPORTER F. incun

MEMORANDUM OF MEETING
Low Pressure Covering
3/25/37
New York City, N.Y.

TO ALL LICENSEES:

The following items were discussed but left for final disposition later.

(1) Equipment Accounts. Definition and recent ruling clearly indicate that an account buying materials to be incorporated as an integral part of equipment whether the work is done at factory or on the job should be considered equipment accounts for the product so handled. Where other insulation materials are handled by an equipment manufacturer for other purposes, distinction should be made.

Example: A furnace manufacturer incorporating materials in his furnace would be an equipment account even though work is done on the job. When this same manufacturer takes a job to install a system and puts insulation on pipes, ducts, etc. he becomes a mechanical contractor.

(2) Copper Tubing. In order to clarify this subject, it is my belief the following should be inserted in all Schedules: "For pricing purposes on Copper Tubing, use the list price for the nominal iron pipe size which corresponds to the nominal pipe size of the copper tube, regardless of actual outside diameter of tubing or the actual size of covering furnished." For example: If size specified for copper tubing is 3/4", 1", 1-1/4" use iron pipe list for 3/4", 1", 1-1/4" etc. It is recognized that in some cases it might be possible to furnish standard covering for the next lower iron pipe list. For pricing purposes, however, the above should hold.

(3) Price Protection. We are facing a period of inflation similar to that of the War era rather than the 1920's. It behooves all business men to take only reasonable risks against long term commitments. If any protection is offered on contract jobs, it seems reasonable to protect them for the life of the job. This is done now on Magnesia. On the other hand, it should be possible to anticipate rising costs on at least a 30 day basis, in which case it is unlikely that radical price increases will come suddenly, requiring any future price changes in excess of 5% at one time.

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REPORTER *Finn*

The function of contract organizations is to assume the risks incident to contract work, and long term protections simply shift a part of that burden to manufacturers.

It has been suggested that all protection to all classes of trade be eliminated, and that future increases, occasioned by rising costs be made as frequently as required but in small amounts.

It is my understanding that the enamelware, brass and other industries have eliminated protections.

(4) Carload Quantity. On coverings reports have been filed to the effect that a \$5,000.00 list value is not sufficiently high and that buyers sometimes insist on purchasing this minimum which occasionally does not fill a car and necessitates excess freight charges. On the other hand examples have been cited where a \$5,000.00 list cannot be loaded in a car, necessitating back ordering of the balance.

Discussion on this subject indicated that most organizations apparently do not have trouble in securing an order sufficiently large to constitute a full car. It is obvious that unless we set up separate quantities for each product and for different sizes of the products that no yardstick would be available to your salesman. A weight basis cannot be used because weights vary and could not be standardized. The conclusion seems to be to leave the quantity basis as it is and instruct salesman on the necessity for taking orders sufficient to fill a car completely regardless of the minimum list.

(5) Extra charges for Canvas: On this subject it appears that although radical increases in costs have occurred that increases in covering have been sufficient to cover these when sold on the covering. That little is sold separately and that when future price changes are made this item can be taken care of.

Your comments on the policies outlined above would be appreciated.

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EXHIBIT J-a

Interview with *K. A. Wae*
Date *3/29/39*
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ATTORNEY *685*

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