86th ANNUAL MEETING

OF THE

NATIONAL PAINT AND COATINGS ASSOCIATION, INC.

November 12-14, 1973
The Conrad Hilton
Chicago, Illinois

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Opening General Session
Monday, November 12, 1973

Bob Roland: Good morning, ladies and gentlemen! Welcome to the 86th Annual Meeting of the National Paint and Coatings Association, and welcome to Chicago. The NPCA charm has worked again and we are in the midst of three or four days of beautiful weather, so I think you will be able to enjoy not only the activities inside but the activities and plans for outside as well. I know many people are interested in why we have a section in back roped off with red ribbon--that's for the raw materials suppliers. I don't know whether or not it's to keep you from them, or them from you, but you'll know where they are when the time comes and that might be helpful today.

It is a pleasure to be with friends and aquaintances, particularly in times of stress and difficulty and these certainly qualify as those times. The security of working together to find solutions to our problems and share the answers to some of our burdens is a comforting thing. The challenge of coping with the change that confronts us and capitalizing on our strengths and talents to achieve progress to newer and better ways of serving our public is indeed a satisfying thing. And this, I think, is what the Annual Meeting theme is all about this year. It is our desire and our responsibility and our opportunity to influence our future by what we do today.

I think we have demonstrated during the past year, and our President, Chuck Brethen, will discuss some of these accomplishments with you this morning, we have demonstrated that when we work together and when we strive to effect our own destiny we can do just that--realize what we want to see happen. But we have got to work at it and even though many of us in industry, many of you, have come forward and volunteered your time and services, there are many more who have not, and to those of you who have failed to share this responsibility, have failed to grasp this opportunity, I would take a moment again this morning to urge you, not only in support of the Association and the mission managers of the task forces and the chairmen of the committees, and the directors and the staff, but in the best interest of your own future, your own careers and your own companies, to step forward when we ask for your help and don't be timid, speak up, manifest what your feelings are to those in government and the public, generally, so that they understand the problems we face and they also understand the solutions that we advocate. I can't stress this too much because it has been the secret of success for us, and it will be the secret of future success we hope to accomplish.

Our program during the next few days supports this concept by stimulating our responses in marketing areas, technology, management, manpower development, and issue understanding and resolution, and for the outstanding program that has been put together, I would like to express the thanks of the officers, directors and staff, to those program chairmen who have worked so closely with us to develop what I believe is an outstanding program. I have two changes that I would like to note on the program. The first is that our Wednesday afternoon speaker will not be Fred Thompson. Our Wednesday afternoon speaker will be Irving R. Levine, NBC's most famous foreign correspondent who is now based in Washington, D.C., and will comment on the national scene as well as the international scene for us. Mr. Levine has, of course, been Bureau Chief for NBC in Moscow, London, Rome and has travelled in six continents during his career. I think he will have an interesting prospective to give us from the very historic events that have been transpiring during this past year. Mr. Thompson's responsibilities with the Select Committee on Watergate and the continuation of the hearings beyond the time when their report was due, also the desires of the Chairman and Vice Chairman that he stay there, have prevented him from joining us, so rather than wait to the last minute, we have asked Mr. Levine to join us and he will do that. Another program change that I think is important to note is on Tuesday morning. The Action Breakfast in your program indicates Federal and State Regulations in Parlor A. That should read Federal and State Legislation. We will be discussing there the major legislative problems at the federal and state levels that are relevant to us right at this present time and in the immediate future, so it will be a broader picture than what was indicated in the program.

On the social side, I think your program reflects that we have developed, thanks to the outstanding Co-chairwomen of our Ladies' Hospitality Committee, Mrs. Barbara Brethen, and Mrs. Nancy Larsen, a program that all the ladies will enjoy and that perhaps the men would like to enjoy, too, while we are here in Chicago. Our thanks to them and also to the Chairmen of the Men's Hospitality Committee, Ray Meifert of Armstrong Chemcon, for his work in putting together not only useful information for us, but a comprehensive program to help us get around the city. The Hospitality Committees, both men's and women's, are identified by their white ribbons, the Officers have their gold ribbons, and the staff have red ribbons.

I have an announcement that I would like to make regarding the hotel (actually it's a lot of announcements about the hotel). Hopefully, everybody is ensconced in a room and I know the hotel is trying to make everyone as comfortable as possible. It is a very full week for them here in Chicago, and I know they are tight on rooms everywhere. The hotel has asked me to mention first the VIP checkout that is a pretty standard procedure for us, but in case you have forgotten, you got one of these in your registration kit. The instructions on the back are fairly clear. Fill it out and check with the Assistant Manager down in the Lobby by the registration desk and it will certainly expedite your getting out of the hotel. Second item that I think always bears repeating, perhaps sadly so, but when we are in large cities, large hotels, there is always concern for the matter of security. And while there is no particular problem in Chicago, or in this fine hotel, we would again remind you that your door locks from both sides, so when you get inside use the chains and double lock the doors, and I think your valuables will be secure. If you have anything that is of particular value to you, the hotel can provide for safe deposit box facilities and encourages you to use it.

Mr. Brethen will report to us this morning on some of the activities of the Association. There are two items that transpired very recently that I think are worthy of mention right now because they seem to be, they are, uppermost in everyone's mind. With regard to the energy situation, particularly the allocation of fuel, we have addressed a telegram on the 8th of November to President Nixon at The White House. This was immediately before his address to the nation. If the legislation which is not pending is passed, which we believe will be, he will have the responsibility of developing almost immediately an allocation program. We have therefore addressed a telegram to him as follows:

"As spokesman for the paint and coatings industry, this is to urge as a matter of economic necessity that any comprehensive fuel allocation program include adequate provisions for the needs of our industry. Our Association represents manufacturers of more than 90% of dollar volume of paint and allied products and also major suppliers of raw materials. Industry sales are several billion dollars annually at retail level and employment at manufacturing and retail level approximates 300,000 persons. The industry is heavily dependent on numerous petroleum products as necessary ingredients of our end products. While percentages of petroleum products for our industry is extremely small in comparison with total use of petroleum, failure to insure adequate supply of essential raw materials will cause irreparable harm to the industry with greatest impact on smaller firms. Great doubt exists as to the ability of many firms to survive any prolonged shortage of raw materials. The shortage will affect not only the consumer market paints and coatings used around the home to preserve and beautify, but will have an especially severe impact on industrial, original finish and maintenance coatings. A few examples of the latter include factory applied finishes for farm machinery, cars, boats, aircraft, appliances and furniture, highway safety markings and preservatives for structual metals used in construction, compounding of adverse impact to other industries dependent upon our products is apparent. We will be pleased to meet with appropriate officials of your staff at an early date to provide additional information desired, so that broad adverse economic impact is avoided. We cannot overstate the extremely serious impact on our industry and the numerous other industries using our products of failure to make adequate provision for our essential raw materials."

R.A. Roland, Executive Vice President, NPCA

Just yesterday the Board of Directors of your Association met and gave the staff permission to go ahead with not only the development of an economic impact statement, to be presented to the Cost of Living Council essentially seeking or considering decontrol of the coatings industry and the raw materials suppliers concerned with us, but also to enable us to develop an economic evaluation and study program in the Association which will carry on for perhaps for years to come. Obviously more and more of the things that are happening to our industry are predicated upon or have incident to their promulgation economic effects that are very far reaching. These must be studied, they must be understood, they must be related back to the people who are passing these laws and to the public who are concerned with our products. So your Board of Directors has moved ahead in that area and we are hopeful that we can see some relief very shortly for the industry. It is a matter of utmost concern to all of us, and I needn't remind any of you of special programs on Tuesday dealing with the Energy Crisis and the Raw Materials Supply Situation. I think almost everybody will be there.

I have been extremely fortunate, as have you and all of us on staff, to have had the leadership of Chuck Brethen as President of the Association during this past year. Working along with Mr. Brethen have been two other outstanding gentlemen who we are hopeful will continue on through the chairs of the Association because we have developed a fine working relationship with them and their leadership abilities have been manifested already. I will introduce Mr. Brethen in a moment, but I would like to first introduce, sitting to Mr. Brethen's right, Dr. E.C. Larsen, Vice President of PPG Industries, who is Vice President of the Association, and to Dr. Larsen's right, John Armitage, President of the John Armitage Co., our Treasurer. Gentlemen we are delighted to have you here today.

It is fairly obvious that when you work for a year or more with a gentleman who is working his way through the chairs and leadership of an association like ours, that you develop a highly personal and professional working relationship with him. This has always been the case and it has always been a matter of high personal delight and professional stimulation to me to work with the kinds of men we have had in the leadership of our Association. I think that in the case of small companies this leadership presents a particular burden to the individual. In a large company there is always staff to fall back on and maybe other resources that the company can bring up to cover for the loss of the absence of the chief executive officer. In a small company, however, the burden is doubly hard for the individual because he must keep up his responsibilities in the company and also pursue his responsibilities as leader of the industry through the Association. In Chuck's case he's had some pretty good resources in the form of Barbara, his wife, and Chip, his son, who have given him a great deal of help. I think Nancy and Susan, his daughters, have given him moral support more than anything else. Maybe they have cancelled their Master Charge cards or something while he was President to relieve the burden. But, I think that while Chuck may represent a company that is small in size, he personally represents an individual who is hugh in energy, and in breadth and scope and understanding and it has been a delight for me and all of us on staff, and I think it has been a privilege for us and industry to have had the leadership of Chuck Brethen during this past year. I will turn the program over to him for his report. Chuck Brethen, our President.

Chuck Brethen: Thank you, Bob, for the kind words. Ladies and gentlemen, it is a great personal pleasure to preside over this opening session of the 86th Annual Meeting, my 25th, of the National Paint and Coatings Association. Will you join me now and stand please for the playing of our National Anthem.

National Anthem:

If you will remain standing one moment, I will call on the Reverend Robert Crocker of the First United Church of Western Springs who will give the invocation.

Reverend Crocker: Unto you O God we lift our voices in prayer. We find ourselves in a confusing time, a time in which we have been bombarded by headlines day after day, making us aware of our nation's moral groping. Each new day exposes us to the importance of those natural resources of air and water and energy and the imperative to husband these with care. Sensitize us we pray to your spirit and to your responsible intention for the lives we would live. Snap us awake with an awareness of the responsibility you place upon us tomorrow and all tomorrows. Give us such vision that we are able to see our personal responsibility as integrity and moral rightousness. Quicken our understanding of responsibility in such a way that we become to mean the creating of a healthier and fuller life for the future that is to be. Enable these men and women gathered here to be responsive to your will so that the industry they represent may be in the vanguard of those who bring the influence today and tomorrow of your spirit to the lifestream of our nation and even of the world. Amen.

Chuck Brethen: Thank you, Dr. Crocker.

Our Association enjoys cooperation and productive relationships with a number of other organizations. It is an honor to have many of their officers with us today and to be able to introduce them to you at this time. I ask that they remain standing and that you hold your applause until the end when we can give them a warm welcome.

First, from the Federation of Societies for Paint Technology, their President, Mr. Gordon Rook, from San Francisco, Gordon; their President-Elect, Mr. Michael Malaga, from Cleveland, Mike; their Executive Vice President, Mr. Robert Matlack, from headquarters, Bob; and their in-coming Executive Vice President, their Executive Secretary, Mr. Frank Borrelle, from headquarters.

From the National Decorating Products Association, their President, Mr. Alex Walker of New York; and Mr. Bob Petit, the Executive Vice President, from their new headquarters in St. Louis.

From the Painting and Decorating Contractors Association, the President, Mr. Myron Heiberg, from the State of Washington; and the Assistant to the President, from their new Washington, D.C. headquarters, Mr. Glen Craven, Glen.

From the Paint and Wallpaper Dealers Association of Greater New York, we have with us the Executive Director, Mr. Jack Faber, Jack.

And, from our friends across the border in Canada, the Canadian Paint Manufacturers Association, their esteemed President, Mr. David Burnham, Canadian Industries Limited in Toronto, Canada; and the Executive Vice President, from their headquarters in Montreal, Mr. Eric Barry.

Gentlemen, welcome! It's a pleasure to have you all with us.

We also have a guest this morning from England--from Yorkshire, England, Mr. Leslie Silver, President of the Silver Paint and Lacquer Company. It is a pleasure to have you with us, Mr. Silver. Will you stand and be recognized? We hope you enjoy our session.

And now a time to reflect on the past, friends who have left us during the year. The Memorial Committee Chairman, Mr. Charles Argana of DuPont will come forward and lead us in a prayer of remembrance for those honored members who have passed on during the last year. Chuck!

Charles Argana (Memorial Report):

Mr. President, Ladies and Gentlemen: In your registration kits you found a brochure listing the names of members of our industry who have died in the last year.

We would like to take a few moments now to honor these men and women who have dedicated their careers to our industry. Their efforts and devotion contributed greatly to its development and progress, and we are grateful to them for their endeavors. We remember them today with sadness, for they were our friends and we mourn their passing.

Our deepest sympathies are extended to their families, their friends and business associates.

Let us now stand and observe a moment of silence in their memory.

Thank you, Chuck!

And now to see how we are doing financially, our Treasurer will give his report, Mr. John Armitage of the John L. Armitage Co., John!

John Armitage (Treasurer's Report):

Good morning! I am happy to report to you that your Association, for the first nine months of our calendar year, had income of $999,051, and for the first time assets just over $1,000,000. Expenses for the nine months were $916,609, leaving an excess of income over expenses of $82,442. It is anticipated that we will finish the calendar year with a surplus.

Our surplus on September 30, 1973, was $752,682, of which $324,566 is in cash and savings and treasury bills. The balance of our assets is in securities, accounts receivable, building, etc.

The statement as herein given is an interim statement. The Accounts of the Association will be audited by Ernst & Ernst at the end of the calendar year. Their audit report will be included in our published Annual Report and will be mailed out to the membership.

Thank you very much!

Thank you, John! You deserve that hand. Than's a nice surplus and our ship of state is in good hands with John.

We now turn to the Nominating Report. The Association's Nominating Committee has the responsibility of seeing that capable, dedicated industry leaders be selected for nominations for Association offices and the Board of Directors. The slate selected by this Committee must also represent a balanced cross-section of the industry. To give the recommendations of the Committee, I now call on Mr. Bill Kinsell from Glidden-Durkee to give the report. Bill!

W.D. Kinsell (Nominating Report):

Mr. President, Gentlemen: The By-Laws of your Association require that the preliminary report of the Nominating Committee shall be presented at the first business session of our 86th Annual Meeting. Therefore, your Nominating Committee has the honor to present the following ticket for the elective officers in question:

For a one-year term:

President: E.C. Larsen
PPG Industries, Inc., Pittsburgh, Pennsylvania

Vice President: John L. Armitage
John L. Armitage Co., Newark, New Jersey

Treasurer: Mansel O. Wiley
Celanese Coatings & Specialties Co., Louisville, Kentucky

Regional Vice Presidents:

New England Zone: A. Bernard Shore
Bonded Oil, Boston, Massachusetts

Eastern Zone: E.F. Reilly
Reynolds Metals Co., Richmond, Virginia

East Central Zone: B.J. Gooel
Standard Detroit Paint Co., Detroit, Michigan

West Central Zone: Harry Oliver
Revilo Paint Co., Kansas City, Missouri

Southern Zone: John J. Hughes
Dozier & Gay Co., Jacksonville, Florida

Southwestern Zone: Allan R. Molsbee
Southland Paint Co., Inc., Gainesville, Texas

Western Zone: William G. Owen
Fuller-O'Brien Corp., San Francisco, California

For a three-year term - Board of Directors:

Class A:

Clinton S. Brown
National Mfg. Corp., Tonawanda, New York

R.G. Bull
The Sherwin-Williams Co., Cleveland, Ohio

E.A. Cowman
Cowman-Campbell Paint Co., Seattle, Washington

F. John Derrick
Perry & Derrick Co., Cincinnati, Ohio

Howard W. Hecht
McCloskey Varnish Co., Philadelphia, Pennsylvania

C. Robert Hiles
Lilly Industrial Coatings, Inc., Indianapolis, Indiana

John A. Klacsmann
E.I. duPont de Nemours & Co., Wilmington, Delaware

D.B. Kurfees
Kurfees Coatings Inc., Louisville, Kentucky

Henry P. Morris
Elliott Paint & Varnish Co., Chicago, Illinois

Class B:

Peter Fass
Reichhold Chemicals, Inc., White Plains, New York

John Ludden
American Cyanamid Co., Bound Brook, New Jersey

William C. Lowrey
Shell Chemical Co., East Orange, New Jersey

For a two-year term - Board of Directors:

Class A:

C.A. Brethen, Jr.
Wyandotte Paint Products Co., Wyandotte, Michigan

Class B:

E.A. Von Doersten
Ashland Chemical Co., Div. of Ashland Oil & Refining Co., Columbus, Ohio

For a one-year term - Board of Directors:

Class B:

D.H. McClure
Exxon Chemical Co. U.S.A., Houston, Texas

Mr. President, no action is required by the 86th Annual Meeting at this time. The final report of your Nominating Committee will be presented at the closing session on Tuesday.

This report is respectfully submitted by: W.D. Kinsell, Jr., Chairman, Glidden-Durkee, Div. of SCM Corp.
Mansel O. Wiley, Celanese Coatings & Specialties Co.
Richard E. Heckert, E.I. duPont de Nemours & Co.
Edward A Foy, Foy-Johnston, Inc.
Arthur L. Klobe, Cargill, Inc.
J.L. Jones, Davies Can Co.
C.A. Brethen, Jr. (ex-officio)

Thank you very much, Bill! Thank you and your committee for a job well done.

Those desiring to present any type of resolutions before this Annual Meeting are requested to propose them in person to our Resolutions Committee before the Business Luncheon tomorrow. This Committee is chaired by John Ayres of the Cook Paint and Varnish Company. And members of this Committee are Bernie Malm of DeSoto and Ray Stevens of Pratt & Lambert. If you have any resolutions see one of those three gentlemen before the luncheon tomorrow.

And now, I am going to give you a report as I have seen 1973 through the eyes of your President of what happened in our National Association this year.

C.A. Brethen's Report: See Attachment I.

Our keynote speaker, Mr. E.B. Weiss, is the Senior Vice President, Creative Marketing, for Doyle Dane Bernback, one of the largest advertising agencies. He might be described, however, as marketing's most distinguished futurist. As Mr. Weiss is both a commentator and forecaster of the future of marketing in our society, a society that undergoes changes at a constantly accelerating pace.

Mr. Weiss probably has done more speaking and writing on future marketing trends--both domestic and worldwide--than any dozen marketing men combined. He has been a speaker at countless meetings ... a contributor to many business publications ... he's an author of books on marketing .. and he's an author of marketing studies, including "The Communication Revolution" and the "Checkless Era."

Today, Mr. Weiss will be using his remarkable insight to examine the impact of social change during the last ten years on short-term and long-term coatings industry production. He will answer questions at the end of the program. I am sure we are all eager to hear Mr. Weiss' address "Turning New Lifestyles into Profit Opportunities for Industry." Ladies and gentlemen, I present to you at this time, Mr. E.B. Weiss! Mr. Weiss!

E.B. Weiss (Keynote Address): See Attachment II.

Thank you very much for your candid thinking and for giving your remarks to us. May we have a nice hand for Mr. Weiss.

Ladies and gentlemen that concludes our morning program. The luncheon in the Grand Ballroom will be at my right, and your left, at 12:30. The morning meeting stands adjourned.

Final Business Session
Tuesday, November 13, 1973

Chuck Brethen: Gentlemen, if you will come to order, please. Welcome to the Final Business Session of 86th Annual Meeting.

It gives me great pleasure to introduce the Local Association Presidents who are with us this afternoon. These men provide leadership at the grassroots of our industry, which is where the coatings industry, like any other industry, is really at. It is local paint people who keep the paint flowing, the sales moving, and the industry rolling along.

Local presidents serve in a dual capacity. They must see that the local programs keep their members informed about important national and state developments. At the same time, they must facilitate a flow of information about local problems to National Headquarters.

The Local Association Presidents also oversee a variety of programs which are unique to local associations and can be carried out effectively only at the local level--like organizing "clean-up/paint-up" campaigns in their own communities, sponsoring local manpower development programs and providing political intelligence and political support for the National Association at a local level.

I will now introduce our Local Association Presidents and ask that they remain standing. Please hold your applause until they are all on their feet. Starting on my left from:

Atlanta - Pat Hensen, Camco Paints
Birmingham - Leo Ryan, Southeastern Steel Container Co.
Buffalo - T.J. O'Connor, Shanco Plastics & Chemicals Inc.
Florida - Bob Massarelli, Mary Carter
Golden Gate - Roy Cohn, Pabco Paint Corp.
Indiana - J.H. Duggins, Ashland Chemical
Kansas City - Jack Tucker, Conchemco
Louisville - John DeHart, DeHart Paint & Varnish Co.
New England - Mark Aronson, Beacon Paint Works, Inc.
New York - Frank Bolway, Jr., D.H. Litter Co.
Puget Sound - Bob Swanson, Van Waters & Rogers, Inc.
St. Louis - Bob Walsh - Walsh & Associates
Toledo - Edward Klasa, Pratt & Lambert
Virginia - David Peltz, Hampton Paint Mfg. Co.
Chicago - Clarence Robertson, Bradley-Vrooman Coatings
Portland - Dick Sawyer, Central Solvents & Chemicals
Southern California - Jack Horn, E.T. Horn Co.

Gentlemen, let's have a warm welcome.

We also have a distinguished guest with us from Europe, Mr. Rahajek from the Czechoslovakian Paint Research Institute in Prague. Mr. Rahajek would you please stand and be recognized. It's a pleasure to have you with us.

We are indeed fortunate today to have with us Harry House, President of Verlan Limited, the coatings industry's captive insurance company. Verlan's continued growth and success has been a striking example of the achievements possible through aggressive industry sponsored programs. Since Verlan is a totally owned subsidiary of the Association, it is appropriate for Harry to give us a report, bringing us as members up to date on the growth and current status of Verlan.

Harry, if you will, please!

Harry House (Verlan Report):

Thank you, Chuck! It's a pleasure to be here with you gentlemen today. I assume the ladies are out enjoying themselves as well. Verlan is pleased to be represented here in this group.

The original objective of the NPCA Directors in starting Verlan was to create an underwriting organization with capacity to care for the coatings industry through a profit-making, wholly owned subsidiary. Basic strategies to accomplish this objective included a stable insurance, reasonable rates, a broad scope of coverage, and industry-oriented engineering. Now, we can consider these four basic points as being met through the Verlan Plan.

To date Verlan has insured 60 companies whose facilities involve more than 225 locations with insurable values exceeding $235 million. An increase amounting to 100 additional locations during the past year has significantly taxed our engineering facilities. Yet, we are well aware of the fact that our engineering program is a key factor in the growth of Verlan, and it will expand to meet the needs.

Engineering each facility before providing coverage has helped Verlan pinpoint the hazardous areas and enables the potential insured to remedy the problems before coverage becomes effective. Special attention has been given to specific areas of industry technology that affects the loss potential. Investigation and research has helped us to be better prepared to meet the needs of each company desiring coverage under the Verlan Plan.

Capital and surplus of Verlan is double what it was last year, indicating continued growth. It is our hope that the National Paint and Coatings Association will continue adding to capital as it can, and that in addition Verlan will continue to be profitable keeping losses low, yet meeting the needs of Association members and policyholders. Just during this meeting your Board of Directors has voted to increase their participation in Verlan and for this, we are very pleased. I know that as these Directors have sat in meetings and recognizing what Verlan has done for your organizations, they recognize that we have met many of the needs. In fact some of you have indicated that without Verlan you might not be in business today. For this we are very pleased.

Verlan's loss ratio (incurred losses to earned premiums) continues to remain at a low level for which we are most thankful. The first year's operations developed a 35% loss ratio, the second year 15%, and so far this year it is only 6%. Most of the credit goes to good company management by our policyholders as well as continued support for and follow-up of Verlan engineering recommendations.

Even though premiums written for the year have not grown as much as we would have liked, we are pleased that more than $100,000 has been returned to policyholders through rate reductions, using Verlan's own industry-oriented rating schedule. This rating schedule was implemented during 1973, and will now help us to not only point out costly situations in existing plants, but help us provide a significant input for the company planning on an entirely new facility, whether it be a manufacturing plant, a warehouse, or a retail outlet.

Since the startup of Verlan in September 1970, we have developed two very important aids to policyholders--The Verlan Technical Bulletins and the PML. Both are dedicated to Preventing Major Losses in the coatings industry, and have been well received. Now, we are introducing a newsletter for all Association members--The VIP. The first copy should be on your desk when you return home. It is designed to provide a unique forum for not only discussing Risk Management, but also as a facility for discussion of insurance coverages in an open and non-technical approach.

Topics will vary, but the content is specifically designed to meet the needs of our industry. Such topics as Business Interruption, Products Liability, Automobile No-Fault insurance, and others will be included in the future.

Now that another year has passed we are actually pleased with the growth of Verlan, but we are not satisfied because we feel there is so much more we can do for you as Association members--more than we have done for you in the past. We need your support. Verlan is interested in helping all members. Maybe there is some confusion in your mind because the Association totally owns Verlan that you have not had the full benefits from Verlan that you could have. Keeping in mind, however, that Verlan is a profit making organization. Therefore, as we do engineering studies it's important that we either follow up an engineering study with coverage for you providing you with this engineering study at no cost, or the support of your company by the cost of this engineering study. Our philosophy is simply that we know we can save you money, and if we can save you money we are pleased to come in and engineer the program. On the other hand, if we can't save you any money it's a possibility that you would very much like to have the benefit of our engineering study and also support the Verlan program by picking up the cost of this engineering program.

We need the support of the full Association. It's not an individual program. We feel that the Directors of the Association have continued to support us very loyally and by voting this increase in capitalization, helped us become a real strong organization.

I am very thrilled to point out to you that just within the last 24 hours we for the first time during the existence of Verlan have been approached by a major brokerage firm in the United States, in fact the largest international brokerage firm in the insurance business, offering to us a package of business among the coatings industry totaling approximately $90 million for one of our members. So, we are thrilled that they have recognized us by reviewing our capitalization, our reinsurance, and our ability to engineer this type of risk. So I think that you can now be satisfied that Verlan is not only an underwriter of the small company, but has the capability of underwriting the larger risk as well.

The Association has provided you with a tool. We know that you are caught in a situation today where raw materials are not only providing you a problem in supply but in cost as well. We feel that Verlan could very well provide you with a significant factor in reducing your insurance costs to put those dollars in another, possibly more vital area, of your operation.

We thank you for your support and we hope you will take the opportunity to visit with some of our staff in Suite 806 before you go home. Thank you very much!

Thanks for a great job and a fine report, Harry!

I would like to recognize at this time the two key men that work with Harry in Verlan--Mel Harris, Director of Engineering--Mel, would you stand and be recognized; and Larry Nobel, Director of Field Services, Larry!

The next order of business concerns resolutions. We asked Monday morning that if there were any to please turn them in to the Resolutions Committee and I am asking the Chairman, John Ayres, if there are any to report. (There were none)

I will now call on Ned Foy, Co-chairman of the Nominating Committee to make the final recommendations to this body. Ned!

<u>Ned Foy (Nominating Report)</u>:

Mr. President, Gentlemen: Your Nominating Committee has the honor to present its final report to our 1973 Annual Meeting.

Inasmuch as no further nominations have been made, we present at this time the slate of the elective officers to be filled as originally presented at the opening session of the Annual Meeting as follows:

For a one-year term:

President: E.C. Larsen
PPG Industries, Inc., Pittsburgh, Pennsylvania

Vice President: John L. Armitage
John L. Armitage Co., Newark, New Jersey

Treasurer: Mansel O. Wiley
Celanese Coatings & Specialties Co., Louisville, Kentucky

Regional Vice Presidents:

New England Zone: A. Bernard Shore
Bonded Oil, Boston, Massachusetts

Eastern Zone: E.F. Reilly
Reynolds Metals Co., Richmond, Virginia

East Central Zone: B.J. Gooel
Standard Detroit Paint Co., Detroit, Michigan

West Central Zone: Harry Oliver
Revilo Paint Co., Kansas City, Missouri

Southern Zone: John J. Hughes
Dozier & Gay Co., Jacksonville, Florida

Southwestern Zone: Allan R. Molsbee
Southland Paint Co., Inc., Gainesville, Texas

Western Zone: William G. Owen
Fuller-O'Brien Corp., San Francisco, California

For a three-year term - Board of Directors:

Class A:

Clinton S. Brown
National Mfg. Corp., Tonawanda, New York

R.G. Bull
The Sherwin-Williams Co., Cleveland, Ohio

E.A. Cowman
Cowman-Campbell Paint Co., Seattle, Washington

F. John Derrick
Perry & Derrick Co., Cincinnati, Ohio

Howard W. Hecht
McCloskey Varnish Co., Philadelphia, Pennsylvania

C. Robert Hiles
Lilly Industrial Coatings, Inc., Indianapolis, Indiana

John A. Klacsmann
E.I. duPont de Nemours & Co., Wilmington, Delaware

D.B. Kurfees
Kurfees Coatings Inc., Louisville, Kentucky

Henry P. Morris
Elliott Paint & Varnish Co., Chicago, Illinois

Class B:

Peter Fass
Reichhold Chemicals, Inc., White Plains, New York

John Ludden
American Cyanamid Co., Bound Brook, New Jersey

William C. Lowrey
Shell Chemical Co., East Orange, New Jersey

For a two-year term - Board of Directors:

Class A:

C.A. Brethen, Jr.
Wyandotte Paint Products Co., Wyandotte, Michigan

Class B:

E.A. Von Doersten
Ashland Chemical Co., Div. of Ashland Oil & Refining Co., Columbus, Ohio

For a one-year term - Board of Directors:

Class B:

D.H. McClure
Exxon Chemical Co. U.S.A., Houston, Texas

This report is respectfully submitted by: W.D. Kinsell, Jr., Chairman, Glidden-Durkee, Div. of SCM Corp.
Mansel O. Wiley, Celanese Coatings & Specialties Co.
Richard E. Heckert, E.I. duPont de Nemours & Co.
Edward A. Foy, Foy-Johnston, Inc.
Arthur L. Klobe, Cargill, Inc.
J.L. Jones, Davies Can Co.
C.A. Brethen, Jr. (ex-officio)

Mr. President, I move the election of the entire ticket as presented by your Committee and that the Secretary, Allan Gates, be instructed to cast one ballot for their election.

Allan Gates: As Secretary of the Association I am pleased to cast a unanimous ballot for the officers and members of the Board of Directors as just presented.

Thank you, Ned and Allan.

It has been a challenging year and one that I have found personally rewarding. As I prepare to turn the gavel over to your new President, I would like to take this last opportunity to commend the Officers, the Board members and the staff for the fine cooperation and support that they have given to me during 1973. Our Committee members, our Local Associations have done much to make this a successful year. I am proud of having had the privilege of serving as President of this truly outstanding Association. I would like to extend my own personal thanks to each of you for your loyal support during the past year. Just before I turn my gavel over, I want you--every member out there--all of you to know the work, the cooperation, the dedication, the spirit of our staff. Until you have been where I am standing today, and have been here for a year, you don't really appreciate what they have done. I give you my word, they are terrific. I would like, in closing, to have every member of the staff, including Bob Roland, just stand and let's give them a real warm welcome for the job they have done and our appreciation for their contributions in 1973.

Now, Lars, as our new President, I know you will lead the Association into new dimensions of achievement. You have a big job ahead of you, and I know you are extremely capable of carrying this out. Everyone in this room is behind you 100% and we wish you well for your coming year as President. Lars, it's my pleasure to give you the gavel at this time.

E.C. Larsen: Thank you, Chuck. And I want to thank you, the members of the Association, for the honor and this trust. 1974 is going to be a trying year, let's face it, but it will be a year when the two major segments of our Association; that is, the makers of the paint and coatings, and the raw material producers will have to work together as never before in the history of the Association.

I want to assure you that the achievements reached under Chuck's leadership will be continued and expanded in the years ahead. I think, at this time, we should give special thanks to Chuck for the outstanding job that he has done, and in recognition of the fact that inflation is here we have given him an unusual gift. I would like to present you with this check for $1 million as a token of appreciation for the job you have done.

It just occurred to me that a few years from now when I join this group of Past Presidents, I can look back to this meeting and say that I received the gavel of office from Chuck Brethen at a luncheon that was sandwiched in between a forum on the Energy Crisis and one on the Raw Materials Crisis.

The new members of your Board will be introduced to you tomorrow, but I do want to introduce the new officers that will be serving with me this year. They are John Armitage and Mansel Wiley.

We are looking forward to hosting you and your wives at a Reception this evening at 7:00 p.m. in the International Ballroom in honor of Chuck and Barbara Brethen.

I have a few short announcements to make. It may not have come to your attention, but there is a very interesting meeting coming up, February 6 and 7, here at the Marriott Hotel in Chicago on the Design and Construction of a Paint Manufacturing Plant, and I am sure your engineering design people will be very happy to attend this session.

This afternoon, at 2:00 p.m., in the Grand Ballroom there will be a Raw Materials Forum. I know now that raw materials is on the major list of concerns for all of us. This forum will be entitled, The Availability of Raw Materials. I want that clear, I didn't say available raw materials. This is on the availability of raw materials. And then tomorrow morning we will have the last of our Action Breakfasts. The topics for tomorrow's breakfasts are: Industrial Metals; Air Quality; Sealants, Caulking and Glazing Materials. The locations for these breakfasts are found in your wallet program.

If there is no further business to conduct at this time, the meeting is adjourned.

ATTACHMENT I

By C. A. Brethen, Jr.
President
National Paint & Coatings Association
86th Annual Meeting
November 12, 1973

REPORT ON ASSOCIATION ACTIVITIES 1972-1973

At a time in our nation's history when confidence has sagged extensively in many of this society's institutions -- the most noteworthy being the government -- I am truly thankful that when I think of NPCA, I think of confidence. That is what I want to talk about today. One of our great business leaders, Cornelius Vanderbilt, Jr., had this to say about confidence: "When a man has confidence he gets along in business, but without confidence he might just as well not enter business at all. For confidence is the son of vision and is sired by information."

I think what you are seeing today in the National Paint and Coatings Association is a great degree of confidence -- confidence in its own abilities to solve industry problems. Conversely, the industry has great confidence in NPCA to effectively represent its interests. This confidence is possible because of the great amount of information that NPCA generates to solve the monumental problems we face.

Why is NPCA succeeding? I can think of two highly important reasons. They both revolve around people. The first is that there is a high degree of professionalism on the part of your Officers, Board of Directors, Committees, Task Forces, and especially the Staff. This professionalism is vital in dealing with the complex problems which are facing us in all areas of our industry. The second, and equally important reason, is that individuals, companies and local associations make commitments to involve themselves and their companies in the affairs and activities of NPCA. This commitment -- personal involvement in the Association -- is one of the prime reasons why we are winning legislative and regulatory battles at all levels of government.

I do not use the word "winning" loosely. We are winning substantial legislative and regulatory battles. We're winning technical arguments because of NPCA research. We're proving our case in the public's mind. It all came about because of the close cooperation, planning and marshaling of Association and industry resources -- working together!

Some of you may not be aware of the NPCA accomplishments which generated this trust. I am going to go through some of them over the last year so that you have a good understanding of how the Association operates and, more importantly, what it is doing on your behalf to protect your products and your business.

Without doubt, NPCA's activities in the legal arena have been the most obvious.

Look at the lead area first. At the state legislative level, over thirty lead bills were introduced. Only two passed -- Illinois and Maine -- and the lead tolerances ultimately adopted for them were at the 0.5% level. In addition, Maine approved our request to permit alternate wording for labels of products with lead content in excess of one-half percent. This action resulted in substantial savings for members marketing in Maine. Incidentally, that alternate wording is consistent with NPCA's Recommended Label 14 (for household products) in the Association's new Labeling Guide. The new Guide is a must reference book for every member company. Incidentally, Supplement Number One to the Guide will include the new label format for industrial products.

State lead bills were almost always followed by a rash of city ordinances. Concerted efforts by Local Paint and Coatings Association, individual members and your Washington staff were necessary to bring these ordinances in line with existing federal standards and realistic labeling requirements. Typical of these are ordinances passed in Columbus, Detroit, the District of Columbia, and Burlington, Iowa.

At the federal level, the House of Representatives' lead bill which passed on September 5th, included three amendments recommended by NPCA. The first established a 0.5% lead standard. The second granted federal preemption to supersede any state or local laws containing different lead content requirements. The third provided for additional research and a longer time in which to accomplish it.

The Senate lead bill was much more restrictive -- including a 0.06% lead provision. And when the Joint Conference Committee of the House and Senate resolved the differences between the bills, the 0.06% level remained in the Compromise Bill. However, the 0.06% level was delayed a year, until December 31, 1974, and the Bill also provides that government and private research now being conducted must be evaluated before the lower lead standard is implemented. The federal preemption and research clauses of the House Bill were retained in their entirety in the Compromise Bill.

We're now at the stage where the President acted on this final Compromise Bill just this past Friday night. He signed the Bill into law, and it is in effect now.

All the provisions I just mentioned are in the law, and we're pleased with the President's action.

Clearly, this Lead Bill is a victory for us . . . not a total victory. However, in federal legislative work -- getting 75% to 80% of what you want in a bill is batting extremely well. Moreover, lead research, conducted by Midwest Research Institute, confirms our strong contention that the half percent lead level is safe. I'll talk more about research later.

What about mercury? Over a year ago the Environmental Protection Agency cancelled mercury registrations. Immediate action by major phenyl mercurial suppliers and other NPCA members to appeal the cancellation of their registrations enabled continued use of that vital ingredient. To support this effort, NPCA requested and was granted permission to intervene in the administrative proceedings now pending. Again, the united efforts of NPCA and its members prevented an immediate ban on a product for which hazard has not been demonstrated and is considered by many to be essential.

There were mercury regulatory problems at the state level as well. We vigorously opposed regulations of Wisconsin's Department of Agriculture which prohibited the use of mercury in any pesticide formulation. After an NPCA petition, Wisconsin's Pesticide Advisory Council moved unanimously to allow the continued use of phenyl mercurials in paints and coatings until EPA renders a final decision.

Similar success was achieved in Michigan, and we are now working for the same in New Jersey.

State legislatures were active on mercury. A bill was introduced in Minnesota to prohibit the sale or use of any economic poison containing mercury. Another was introduced in New York to prohibit the use of mercury in paints. Passage of these bills was circumvented last year, but you'll see them again next year. NPCA will be there working on your behalf.

Aerosols! Federal, state and local activities against aerosol paints or aerosols in general promise to be the busiest legislative and regulatory area for the Association in the coming year. Last year, aerosol legislation ran the gamut -- from attempting to control explosive hazards to graffiti vandalism. We were also confronted with bills to prevent deliberate inhalation of propellants and solvents. Most recently the new Consumer Product Safety Commission banned 13 aerosol spray adhesives, because the products are alleged to cause chromosome damage leading to genetic birth defects. We're following this CPSC action closely because of the great similarity of product components used in paints. CPSC has not proved its case against the adhesives, but it continues its research.

Meanwhile, NPCA prevented passage of proposed laws in New York, Wisconsin, California, Texas, Michigan and others. And of the many city anti-aerosol ordinances introduced, only the one in Phoenix passed -- and it was substantially amended favorably by industry and NPCA efforts.

An important aspect of this immense legal job has been to get sufficient staff and industry volunteers to get the job done. I'm pleased to report we are in excellent shape on both counts. We have staff legal and technical experts operating in all areas of industry interest now. And we can count on the volunteer help of many industry individuals on an as-needed basis.

This has been particularly important in environmental actions. The continuing hard work of the Air Quality Task Force and our legal staff and technical experts has resulted in many significant successes.

In air quality regulations the Rule 66 approach by most states and jurisdictions is a direct result of the paint industry's smog chamber research. This doesn't mean we are out of the woods. Present regulations in Louisiana and Connecticut are more severe than the Rule 66 approach and could mean considerably more work for us. But, we have the necessary credibility in EPA to give us a very strong voice, and we are pursuing our point of view for reasonable and workable regulations.

It's highly probably that even greater problems are in the offing in water pollution abatement as EPA regional offices and states develop industry compliance regulations. We are geared to meet these problems through the Water Quality Task Force, and our legal and technical staff.

Before leaving legal activities, I think a word should be said about its increasing transportation and distribution programs.

The Transportation and Distribution Committee, which is the new name of the Traffic Committee, for a long time has been bringing about a greater realization and understanding of good transportation and distribution management techniques. One of the important elements of this program is in progress now. It is a Distribution Survey being conducted by the Management Information Committee. Among other things, the survey will provide concrete information in the following areas:

One -- it will describe the distribution pattern of the paint industry; two -- define the cost factors involved in these patterns; three -- show the relationship between the elements of distribution; four -- alert the industry to distribution trends, and finally it will suggest ways to relate the distribution elements to individual company problems.

We are paying increased attention to the U. S. Department of Transportation's Hazardous Materials Regulations. Conversely, DOT is paying close attention to paint industry shipping practices, and they're not happy. Accordingly, the Transportation and Distribution Committee and staff are providing members with essential information they need to comply with these shipping regulations. If you're in doubt, get in touch with NPCA before DOT is forced to take action against you.

There has been a revitalization in the Packaging Committee functions. With the Poison Prevention Packaging Act, it is now necessary for turpentine and methyl alcohol to be packaged in child-resistant containers. The Consumer Product Safety Commission now has jurisdiction over this area, and CPSC is considering special packaging for pre-packaged paint solvents containing 10% or more petroleum distillates, benzene, toluene or xylene and pre-packaged household substances in liquid form containing 10% or more by weight of ethylene glycol. We understand the effective date of the special packaging regulation for ethylene glycol is June 1, 1974. Special packaging is also being considered for certain products classified as economic poisons. This may involve some wood preservatives. The Packaging Committee is conducting a survey on child-resistant packaging to be able to better advise members on meeting special packaging requirements for these products.

Technical information has been vital for that confidence I spoke of earlier.

I know we've dwelled on lead problems for the last couple of years, but I think you should know the details on our lead research. And, our concern with lead will continue, although we are winding down somewhat. Again, I want to salute the work of a task force. The Industrial Metals Task Force has been guiding our metals research.

NPCA's Lead Ingestion Study, which was done by the Midwest Research Institute in Kansas City, is completed. Final compilation of the data is in progress, and when done will be published and made public. The study was begun in early 1973 and involved about 130 carefully selected rats which were fed several lead compounds in the form of dried paint chips in their rat chow. Importantly, the research shows that animal models such as rats can be used to detect the toxic effects of lead. The study shows a profound difference in availability for lead absorption and toxicity between old lead paint formulations and current paint formulations. Vitally important to us is the fact that the study confirms the safety of modern paint formulations containing up to 2.0% lead as lead octuate dryer or lead pigment when a rat is used as the experimental animal and ingests the paint chips. Not surprisingly, rats which were fed the old white carbonate of lead paint chips showed significant increases of lead in blood, kidney, bone, liver and brain. Rats which were fed paint chips containing approximately 13.0% lead chromate developed elevated blood lead levels but only after 13 weeks of feeding. This latter group, however, showed no toxic effects or increases in the body burden of lead.

We know that this study along with others done by government agencies will contribute greatly to the ability of the Federal Government to establish -- once and for all -- what the safe level of lead is in modern paints.

Other research is being conducted on paint flammability. It is being done by the Scientific Committee. This study is necessary because there is a popular misconception that a coating <u>adds</u> flammability to an otherwise non-flammable substrate but we need more information to prove our case.

Regarding mercury, there is a large area of mis-information both within the Federal Government and outside of it on the <u>degree</u> of hazard of various mercury compounds. NPCA and its members have been fighting strongly to keep the phenyl mercurial compounds which we use. They have a very low order of toxicity and have been proven through earlier NPCA research to be safe in the amounts in which the industry uses them.

We assisted monetarily in environmental mercury research being sponsored by the Manufacturing Chemists Association. It involved methyl mercury in lake sediments, and was conducted by Midwest Research Institute. The results showed that the failure to find methyl mercury in lake sediments is due, at least in part, to the presence of bacteria which is capable of degrading methyl mercury. It's apparent from the research that these bacterial organisms may serve a useful purpose in maintaining the environmental methyl mercury concentrations at a minimum. This research is important to the body of knowledge available on the discharge of mercury into streams and lakes.

Aside from the issues surrounding these ingredients, there is a more basic consideration which has been uppermost in our minds as we have fought these battles. It is that policy decisions -- rules, regulations and laws -- should be predicated on facts rather than on emotion or political expediency. Establishing this point is vital to the future of our entire economy and the free enterprise system.

I think a word about our task forces is appropriate. I've already mentioned several. Remember, the purpose of our task forces is to assemble a group of experts from the industry to move quickly into a problem and devote as much time and work as is necessary to solve it. At that point it is dissolved. This is exactly what we did with the old MSDS Task Force. It's work rapidly expanded into occupational health areas. So, what we did was to create a new Task Force on Occupational Health which is now concerned with OSHA carcinogen and asbestos problems. We added another Task Force on Occupational Safety. These two task forces have much in common but they deal with different areas of OSHA and require different individuals to tackle the problems.

At this Annual Meeting we're in the process of structuring a new task force. It will concern itself with metrication. Just this past week, General Motors sent 80,000 suppliers a letter asking what they are doing toward metrication. It's been evident that the metric system is on its way, and there are bills pending in Congress now to convert the nation to the metric system within about 10 years. Every area of company operations will be affected by the metric change-over. The purpose of our Metric Task Force is to make sure that this change-over is accomplished as easily as possible for the industry.

Raw materials problems have occupied much of our time and attention. For those of you who haven't seen it, this new Raw Materials Supply Report from the Industry Suppliers Committee is another helpful source of information in an extremely complex problem. To understand how this works, go to Tuesday's afternoon session called "Raw Materials: Supplies and Shortages." The session will show how this report is made up, and in fact will be updated during the meeting. Here again we are back to information gathering as the root of this whole thing called confidence in our business ability.

There is another area where we are disseminating a great amount of information and intend to provide much more. It's information for the consumer -- the buyer of our products. This year the Trade Sales Marketing Committee developed a Joint Committee on Consumerism. It includes the Consumerism Subcommittee of the Scientific Committee and Consumer Education Subcommittee of the Trade Sales Marketing Committee. What are they doing? They're starting by developing information. They realized we really don't know what the average consumer thinks of our products so they're asking him through a nationwide survey conducted by the Management Information Division in conjunction with National Family Opinion Research, Incorporated.

The survey will identify those paint characteristics such as washability, hiding and others which the consumer thinks are important and then to rank them in order of importance. We are also going to find out what the consumer understands about these characteristics. How does he perceive them? What does he really think about when he hears the word scrubability or washability? Do they mean the same thing to him as they do to us? In addition to this survey work, the Scientific Subcommittee is taking a close look at the language the industry uses to describe our products so that we can talk about our products in terms that are readily understood. The Subcommittee is also developing uniform test methods for the characteristics identified in the survey.

Obviously, when you get all of this information you have to get it out to the public and this is where the Consumer Education Subcommittee is operating with the Communications Division. They have completely revised the old Scientific Circular 796, called "The Selection of Paint," -- rewritten it so it is more understandable to consumers. The new booklet will be available soon. This entire new consumer program is highly important, and as we pull out of the "lead era," so to speak, this consumer information program will be of immense help in promoting our products and vital in generating that confidence in and necessary good will toward the industry. Here again is that fact: information breeds confidence.

The Aerosol Coatings Manufacturers Committee is wrestling mightily with the aerosol problems I mentioned earlier. They are providing the policy guidance under which the Association will operate. Without doubt, proposed legislation and ordinances will be heavy in this area and we must be prepared now to meet it constructively. You should know that NPCA is represented on the Inter-Industry Ad Hoc Aerosol Committee which also has representatives from the Cosmetic, Toiletry and Fragrance Association and the Chemical Specialties Manufacturers Association. This Ad Hoc Committee has been involved with toxicity research on aerosols -- primarily in the propellant area -- but the decision has been made to expand the scope of that research into all aerosol components. This broader approach is welcome. I might add that the Ad Hoc Aerosol Committee needs more funds for this huge research program. I urge companies that are involved to contribute. We need the information. We are prepared to combat these aerosol problems with great vigor as they are bound to occur during the year.

The Communications Division has changed its programs and communications tools substantially over the year, thanks to input and policy direction from the Communications Committee. The Communications Division now has a very strong environmental and legislative orientation. It's consumer information programs are devoted more to helping the consumer make the right product choice, and then apply it correctly. The Division is also much more active in the development of position papers on specific problems. The Lead Position Paper developed last year was highly useful. It was disseminated widely and helped immensely in getting an understanding of our position. New position papers on mercury and aerosol problems are being released for member use.

The Lead Poisoning Prevention Program developed by the Communications Division continues to be a great success. It proved conclusively this year that NPCA, local associations and individual companies can sponsor lead poisoning prevention programs in their communities and benefit immensely from the good will generated by getting involved. This was proved dramatically in Washington, Portland, Cincinnati and Berkeley. Many NPCA tools are available to you -- pamphlets, media releases, program guides and a film. I want to show you an example of material that was released this summer to about 200 selected TV stations in major market areas. What you are going to see is a 30-second public service spot announcement. This TV spot was very popular and comments we received from TV stations have been very good. In fact, many stations are programming the spot for year-round use. It meets the problem head on, provides needed public information and tells the public that the paint industry is concerned about this old paint and is doing something about it. Incidentally, we have just found out that this spot has been chosen as a finalist in the International Film and TV Festival of New York. It is competing in the Public Service Category. Winners will be announced November 16.

Last March the Communications Committee asked the Management Information Division to develop a survey on consumer attitudes toward paint because of the lead-in-paint controversy. This leads us into some of these newer programs of the Management Information Committee and Division. The survey -- to see if the industry had been harmed by the lead issue -- indicated that the lead-in-paint problem has not effected the industry seriously in the consumer market for today's paint. Granted, there are some problems, but we saw no demonstrated need to embark in a major Association program to combat bad feeling about modern paint. This is only one aspect of the new ways in which the facilities of the Management Information Committee and Division are generating more useful management information. I have already mentioned the consumer survey on paint characteristics and the traffic and distribution survey. Now more than ever before there is a greater need for this kind of problem-solving information.

The new Operating Cost Survey is out. I commend it to your company's operations. It is excellent and will help you analyze your costs. The Raw Materials Usage Survey was published again this year and, of course, you are familiar with the Monthly Sales Indexes, the Census Figures which have become fixtures of this Division's program.

One of the newest NPCA activities was the formation of the Education and Training Division this past July. It is an outgrowth of the Paint Industry Education Bureau which was dissolved earlier in the year. The Education and Training Division will draw upon resources from all NPCA operating divisions and committees as well as input from local associations to develop training programs for management, sales, production, and technical personnel. Recently, an Education and Training Conference was conducted in St. Louis for industry members who are involved in this function in their own companies. They brainstormed solid program ideas for the new Division.

The Chemical Coatings Division has been forcefully moving its information programs to chemical coatings customer groups. These programs -- on the coatings, processes and equipment used in product finishing -- are presented in an atmosphere of information sharing and cooperative problem solving. You'll see concrete evidence of these efforts this afternoon if you attend the session on, "The User Views Tomorrow's Chemical Coatings." This session was structured in cooperation with the Scientific Committee.

Over the past year, the Chemical Coatings Steering Committee was a major participant in finishing programs on electrocoating, powder coating and on the various finishes for aluminum. Because of this Committee's work, NPCA is a co-sponsor of AMSURF '74 -- a major conference and exposition on surface finishing being held in May.

Chemical Coatings Division activities are very much tuned to the information needs of that segment of the industry.

I'll conclude this report with a brief discussion of the Actionplan program which is conducted by the NPCA Field Secretary. The Field Secretary is the NPCA contact man for local associations, and part of his job is to help locals with program development. A few years ago, the Association developed the Actionplan concept to help in this development, and to provide leadership workshops for new local officers. Actionplan also provides a lively forum for the exchange of information and ideas among the various locals.

Actionplan is working very well. The areas for local association projects are almost unending. This will be particularly true when the legislative season gets in full swing after the first of the year.

In that regard, I want to re-emphasize how grateful the national is for the legislative support received from many of the locals. We anticipate we'll need you even more in the year ahead.

Actionplan receives support from all association divisions. And the new Education and Training Division will be very much tuned to local association needs.

This concludes my report, ladies and gentlemen. I believe it shows that the National Paint and Coatings Association does indeed inspire confidence, and merits our continued investments of time, money and manpower.

The tremendous member involvement I have seen this year must increase in 1974 to meet the burgeoning problems, and I have confidence in you that you and the staff will meet these responsibilities.

Thank you.

ATTACHMENT II

By E. B. Weiss
National Paint and Coatings Assn.
86th Annual Meeting
November 12, 1973

TURNING NEW SOCIAL TRENDS INTO NEW PROFIT OPPORTUNITIES

The broad trend toward apartment living is only one of many social trends that will compel vast changes in your marketing. Apartment residents do not use your products in as large volume as owners of traditional private homes.

As a demonstration of the incredible speed with which social changes occur and compel marketing innovations, consider the obvious preferences of the young society for shopping in the giant stores of giant discount chains. In 20 years, the discount chains are outselling the 100-year-old department stores. I assume that includes your product lines. The discount chains are geared to the young generation; department stores seldom are.

The resulting concentration of retailing for all major product classifications into fewer and fewer giant chains and giant store units, obviously is a response to public demand for one-stop shopping. That demand sprang from less time available for shopping -- especially by employed women. Incidentally, it means that more of your volume will come from giant stores in which your products constitute a minor part of the store's total inventory. That's quite a change from the traditional paint store.

Consider also, the remarkable speed with which do-it-yourself (including feminine do-it-yourself) created the giant home center chains.

There is, of course, a trend in all retailing toward giantism.

In soft goods, 30 giant retailers control 50% of total retail in the major soft goods classifications. Indeed, a mere five chains control about 30%.

In major appliances, five chains control 30% of total retail.

In paint and coatings, perhaps 50 giant retail chains, including giant home center chains, franchised chains, independent chains, plus chains owned or franchised by manufacturers, may now control the major part of retail in some classifications of your products.

But your industry faces still another type of concentration that is now typical of major appliances. This is what I mean:

For kitchen and laundry major appliances, the major outlet is less and less the retailer -- more and more the major outlet for major appliances is the builder. The current social trend toward apartment living adds fuel to that trend. That is because, increasingly, multi-unit residential complexes are built by giant builders. Giant builders buy direct. They are also opening retail chains in which your products will eventually be sold in large volume.

. . .

Incidentally, those members of your industry who produce and market chemical coating products have, I assume, already been affected by this significant change in the marketing of major appliances which, in turn, stems from the trend toward apartment living.

Until recent years, private home construction was controlled by thousands of small contractors. They were major customers for your products. Now private home construction as well as giant apartment complexes are being controlled by giant developers.

The time is coming when just 50 giant construction corporations will construct 50% of private home construction, as well as 50% of all apartment complexes built in this country.

Yet, until recent years, multi-unit residences, like private homes, were built by thousands of small to medium-sized developers.

As you know, our society is now showing a strong trend toward apartment living even in the suburbs. The trend is toward enormous apartment complexes -- and includes even new towns started from scratch.. The developers of the huge apartment and new town complexes are corporate giants.

In brief, because of current social trends, your industry faces giantism at the construction end and at the distribution end.

As I have just stated, these construction giants will not buy your products in retail stores. They will buy direct.

That extraordinary combination of concentration in construction and in retailing, will compel changes of hige dimensions in the distribution and marketing of your products.

For example, it is quite likely that what I call the non-public market will become the major market for most of your products. In other words, I am suggesting that the public, shopping for your products in retail stores, will represent a declining share of the market for most of your products. Giant builders make this inevitable. As I just mentioned, this is precisely what has already happened with major appliances.

The social trend toward apartment living -- of and by itself -- makes this a reasonable forecast. The coming era of 50 giant construction firms makes it a certainty.

As I mentioned a few moments back, our new society clearly prefers shopping in the giant stores of giant chains. So at both the construction end and at the retail store end, your industry faces concentration of distribution on a large scale. And social change is responsible.

Our society has changed more in the last decade than in any previous two and possibly three decades. Here are about 20 examples:

1. The hippie — long hair, blue jean -- sub-culture generation started about ten years ago. It totally revolutionized not only our society, but worldwide society -- in ten years. Fashion, music, theater, movies, art, literature, life style -- all have been changed by the young. And all in only ten years.

2. Modern women's lib took off exactly ten years ago. It changed women's status in society more in ten years than in the previous 60 years of this century. As one consequence, look for credit liberation for married women. This may relate to the purchase and use of some of your products.

   Women's position in our society will change even more over the next ten years than over the last ten years. As one consequence, masculine-oriented industries will now cater to women as well as to men. Your industry has tilted toward the masculine. It will now tend to become more feminized. As one small example, more retail salespeople for your products may be women.

   During the remainder of the 70's, the scope of change of women's position in our society will dwarf the substantial changes in women's status during the last 70 years. The pace of this change will accelerate every year of the 70s -- and at an astonishing pace.

   By 1980, women's educational achievements will begin to rank alongside of men's. Women will also achieve, by 1980, a total earning power much closer to the earning power of men!

   Their new economic status, plus higher education, plus equal rights, will combine to bring women's total role in our society very close to that of the male.

   In this connection, I recall reading recently about an improvement in the paint roller that makes its use less messy and therefore more appealing to women. Perhaps if your industry had been more aware of the new position of women in our society and how this social trend affects you, the paint roller would have been feminized much sooner.

3. The remarkable drop in the birth rate to the lowest point in our history (sharply under the 2.11 replacement rate and still dropping) started only about five years ago. The baby food processors are already diversifying.

4. The high divorce rate -- it is already 50% in California for seven-year-old marriages -- leaped ahead only five years ago. It has doubled in ten years.

5. The enormous increase in "singles" households -- still climbing -- is a ten-year development. One cause -- when youngsters graduate from college, they do not return home. Other causes -- the high divorce rate, later marriages, open marriages. Singles constitute a huge, distinctive, segmented and largely segregated market. Moreover, it represents a dynamic growth market for your products -- especially for do-it-yourself.

6. Legalized abortion was frowned on by the majority of American women only three years ago. Three years later, the majority favor it.

7. Air pollution, water pollution, noise pollution were barely discussed ten years ago.

8. Consumerism, as a term, had not even been coined ten years ago -- neither was corporate social responsibility.

9. Five years ago we never dreamed of anything remotely resembling an energy crisis.

10. Ten years ago only half as many mothers of children under six years of age were gainfully employed.

11. Ten years ago, the traditional Puritan work ethic was still dominant. In ten years, absenteeism has more than doubled -- employees change jobs twice as often -- traditional incentives for employees, are less effective and compulsory overtime is a no-no.

12. Ten years ago there was little public distrust of industry -- the fierce credibility gap of today barely existed. Some recent Lou Harris polls reveal this credibility gap with almost frightening statistics. As one consequence, it appears likely that the claims made for some of your products will not persuade our more cynical society.

    Bear in mind, in this connection, that you will be selling to more millions who will have had a higher education. The professional segments of our society are leaping ahead in numbers as well as in knowledge. More customers with an education in chemistry will be buying your products than ever before.

13. The trend toward more youthful attitudes by the middle-aged generation was not in evidence ten years ago. Ten years ago, social concepts still percolated down from the older generation to the younger. Today, that process is completely reversed. This suggests a study of the underground, because what is underground today will go aboveground tomorrow.

    Graffiti is an underground innovation -- and may I add that your industry has failed to exploit it with social responsibility.

14. Over the last ten years information-communication technology revoluted and changed society enormously domestically. Now satellite communication will change society worldwide.

15. The three-day weekend was rare ten years ago. So were two annual vacations.

16. Ten years ago, child-care centers barely existed; soon 50% of children under six will be attending pre-school centers.

17. Ten years ago there were no comments about the disolution of the traditional family structure. Today the traditional family is eroding at an accelerating pace. Most of the demographics used in marketing and advertising are based on the traditional family structure. Your products traditionally have been related to all of the traditional connotations of the family.

18. Ten years ago the present trend toward a nocturnal society had barely begun — there was no all-night radio. Now NBC has announced a 2AM network news broadcast and all-night television is next. Even children between three and eight years of age go to sleep much later.

    Including moonlighters, about 23% of the employed now work night shifts. This will increase rapidly. We are quickly becoming a 24-hour-a-day society. This is why more stores are open until midnight -- and even later. More of your products will be applied at night.

19. Ten years ago there were no "warehouse" retailers, no "showroom" retailers. One reason they mushroomed is that employed women had to shop faster.

Your industry tends to follow housing start statistics closely. But housing starts tend to obscure the fact that total wall, floor and ceiling square footage is not increasing as fast as housing start statistics, traditionally interpreted, suggest.

That is because our society is moving into smaller and smaller total living areas. Women who are gainfully employed, as well as the cost factor, account for this phenomenon. Smaller homes require less time for housekeeping and more millions of liberated women are not only disenchanted with housekeeping but, when employed, just don't have the time.

So the total surface your industry's products will cover may therefore register a decline for social as well as economic reasons.

Certainly apartments will average considerably smaller in square footage than the private residence.

Our society is trending toward fewer rooms as well as smaller rooms. The typical private home built in 1971 actually averaged 14% smaller than 1970 construction -- 20 to 25% smaller than in 1960.

The mobile home is part of this trend. It now accounts for about one out of seven new residential units. By 1975, it may account for one out of five.

The modular multi-family residential unit constructed off-site may become the construction wave of the future. The number of rooms and the size of the rooms in the modular unit will average smaller than was typical years ago. Also, the surfaces presumably will be covered off-site and may include new types of surfaces that are protected almost permanently.

In brief, we may add more residential units of all types over the next five to ten years than were added during any similar period in our history. But the total interior square footage will be sharply under the last great residential building boom -- and new construction techniques affecting the use of your products may also play a role in your projections.

In home furnishings, this shrinkage in the living area of the typical home has already led to:

1. Scaled-down spatial design for home-furnishings--small sizes--compacts--sub-compacts.
2. Designs that enable one product to perform several functions each of which formerly required a separate product.
3. More use of walls for products that formerly rested on the floor.
4. Multi-tier designs.
5. Collapsible designs, deflatables.
6. Compressible designs.
7. Detachable designs.
8. Miniaturization.
9. Disposable designs (in varying degree).

Fundamentally, each of the rooms in the limited-space home will be used for more purposes.

There will be more varied living, more of the 24-hours of the day, for all rooms -- particularly in apartments but also including the private home. Certainly the bedroom is moving toward 24 hour use and the dinette is displacing the dining room. Surely these changes affect the uses of your products.

And now I propose submitting additional social trends that will play a rold in your marketing.

1. The second home is multiplying. It tends to be used only part of the year. It also tends to be inadequately heated. For these and other reasons, the second home involves a somewhat unique situation for the use of some of your products. I have had a personal experience here because we have a large old home in East Hampton and every Spring we have a paint problem -- most often in the rooms most recently painted.

2. In this era of remarkable advances in chemistry, is it really impossible to create paints and coatings that leave a reasonably pleasant odor and that would not irritate the eyes? Our society is less willing to pay more to avoid these inconveniences.

3. A recent research disclosed that women really don't know the differences between cologne and toilet water. Can you imagine the vast ignorance regarding your products that must be quite common among the millions of women as well as men who now use your products?

4. A comparatively new retailing trend that will be a factor in your marketing by 1980 is the rental trend. I don't know whether brushes and scrapers would be logical, but what about ladders? How many private homes -- not to mention apartments -- have a suitable ladder or drop cloth?

   An extension ladder, for example, or even a six-foot latter. How many private homes -- not to mention apartments -- have a suitable ladder or drop cloth?

   An extension ladder, for example, or even a six-foot ladder. How many families living in apartments have a ladder high enough to reach the ceilings?

5. Your industry may develop procedures that will make it possible for the home owner to get a better picture of how a room will look with a new color scheme in advance of the paint job. Our new society would appreciate that. In most instances, the user of your products must take something of a gamble -- and it is not always a well-calculated risk.

6. Home decoration is becoming quite sophisticated because our society has more knowledge, better taste. But some users of your products find that they get lost in a color wilderness when they try to correlate the paint colors with drapery colors, carpet colors, etc.

. Perhaps your indus try will cooperate more closely with the textile industry on color. The textile industry, over the years, has developed a highly sophisticated color technology and system.

7. There is a positive demand by our society for more fun in life. This is one reason wild bedsheets are going up on walls and ceilings.

   The auto makers cater to the trend with dune buggies and other fun cars. Fun upholstery. The multiplying number of devotees of graffiti are part of this trend.

   What is your industry doing to cater to our society's obvious desire to escape from the multiplying problems of life? How much fun have you put into your products -- in use, in result, etc. Tom Sawyer made fence painting fun.

   Certainly the "singles" are particularly receptive to "fun" ideas.

8. Armstrong is introducing French Provincial Chandelier ceilings. It represents, in part, a reaction to the wave of nostalgia that is sweeping this nation. And that wave of nostalgia, in turn, represents a vast desire to return to a period of time when life presumably was more pleasant. It has encouraged the "country fresh" kitchen -- and other so-called "country fresh" ideas. How have you reacted to this public yearning for yesteryear?

9. Relative to the energy crisis -- and it will be with us for the major part of the next 15 years -- is there, or could there be a paint formula that would offer some added degree of home insulation? Home insulation may become legally compulsory if our energy situation worsens -- as it probably will and for at least 15 years.

10. Pierre Cardin has agreed to design curtains. Does this suggest couture designer names for some of your product classifications?

11. Approximately one out of every five households purchased draperies in 1972. This is equal to a total of 13.3 million households. It is interesting to note that one out of five families move each year. There must be some correlation apply to your products?

12. Non-flammability for your products may become more important as part of the consumerism trend -- especially in the institutional-commercial markets.

13. Five years ago, a suburban dinner part for high-income families meant white tablecloth, elaborate floral centerpiece, silver candlesticks, bone china, beef Wellington. The beef Wellington is still around, but nearly everything else is different.

    The formal dining room table is used less often. Now it's buffet. In plush suburbs, buffet entertaining now includes -- hold your breath -- paper plates and cups, plastic cutlery, paper napkins.

One result --Dixie paper cup and plate sales are growing ten times as fast as the population. Traditionally a summer business, Dixie's volume has been mushrooming year-round. (Fall-winter sales now account for 42% of Dixie's year-round total!)

The causes of the trend away from formal entertaining at home include the unavailability of domestic help, the overall trend toward informal-casual life style, the time problem of employed wives, women's lib, etc.

Lenox, Inc., in a move that could revolutionize fine china merchandising, is going after the buffet market with a new marketing concept called the "Three Piece Buffet Placesetting." It is aimed directly at the buffet trend.

Informal home entertaining is booming sales of dinette furniture. As I mentioned before, it also means that the dining room is becoming less important. Are your decorating suggestions for the dining room and dinette in tune with this trend toward informality?

14. More people are retiring at 50 and 55. These younger retirees are really semi-retired. They will constitute a new demographic classifications.

Moreover, the retired couple will both have worked full-time, part-time, or flex-time, so both will draw social security and pensions. They can anticipate 20 to 25 years of reasonably affluent living as compared with traditional retirement income. They will think younger, act younger, be more receptive to new ideas than any previous retired generation in history.

Between 1970 and 1985, American 65 and over will increase 28% to 25 1/2 million. The increase in the 55 to 65 age bracket will be almost as large. The two age brackets will grow almost twice as fast as the middle-age group.

Nearly 25% of yesteryear's aged were foreign born. Over half had no more than an eighth grade education. Few women had been part of the labor force.

By 1985, only about 10% will be foreign born. Most will have had at least a high school education. Most women will have been gainfully employed. (A rapidly increasing percentage of retired couples both will have had a college education -- many will return to college.)

They will be more knowledgeable, accustomed to a more active lifestyle. They will possess a wider range of interest.

Median family income for retirees of 55 and over will triple by 1985. The retiree's purchasing power per dollar of income is greater since they may not have children to support, their incomes are not subject to social security withholding, and many have paid for their homes.

Collectively, the total income of retirees was about $63 billion in 1972. By 1985, they should have incomes totaling at least $170 billion.

15. A recent Harvard University study found more public skepticism about business -- a large credibility gap by far than even before.

As one consequence of the business credibility gap, manufacturers in America are facing time times as many product liability suits as ten years ago.

Claims against manufacturers in the States jumped from 50,000 in 1960 to 500,000 in 1972. Judgments are being awarded for $500,000, $1,000,000 and more. Feminine activists are partly responsible for this trend.

This is why Kaiser Aluminum has developed a 28-minute audio-visual presentation to stimulate an awareness by its employees of product liability problems in product design, production, sales and marketing. film was produced only because Kaiser has been among the American corporations most aware of the organizational innovations that are essential in this era of the public's magnificent discontent.

16. I referred earlier to the 24-hour bedroom. The bedroom is still furnished and decorated primarily for sleeping. The bedroom's major floor area is occupied by the bed or beds. A secondary part of the bedroom is occupied by furniture designed for storing apparel -- the dresser, highboy, etc.

Bedroom furniture is no longer relevant to its present newer uses. It is even less relevant to its future newer uses as a 24 hour room

The new bedroom will have beds disappearing into walls, beds that lift up to the ceiling and become decorative ceiling units. How will that affect your ceiling market?

Surely the 24-hour bedroom will be decorated differently than the traditional bedroom. Even small refrigerators are going into the new bedroom and over 70% have TV sets.

17. Every large corporation has a well-stocked morgue consisting of new products and services that were killed at the various stages through which innovations go. Those that were market-tested often were not tested often were not tested scientifically.

But, most important, our new society may be warmly receptive to new products and services it would not accept years ago.

Consequently, more marketing executives will take a new look at the product morgue.

18. The consumer will have an indirect voice in future design of Westinghouse appliances under an expansion of consumer services at the company. Westinghouse said it has set up a consumer value assurance department to expand dialog with the consumer, to help decide how reliable and serviceable its appliances will be and to determine what product features are necessary.

    Information will be gathered from the consumer by service technicians, surveys and direct phone contact. The consumer value assurance department will then interpret the data and communicate it to the manufacturing divisions and design centers.

    The basic objective is (a) continuous feedback from the public, (b) prompt unbiased interpretation of that date, and prompt correction and improvement based on that data.

    This is a concept whose time has come as a direct reaction to our new society. I recommend it to your industry.

19. Sears has developed a major program to cater to the black market. It is retaining black designing talent. Surely our black population will offer your industry a growing market -- a market with its own concepts of color, design, etc.

    I should add that the ready-to-wear market -- the fashion market has already been profoundly influenced by black talent and the preferences of the black market.

20. By the way, if some of you are dubious about feminine do-it-yourself, may I suggest a check of the broad trend toward self-service gas stations where you can find millions of women using the self-service facilities. Actually, some auto stations that have arranged to rent their facilities to the public for do-it-yourself car repair and maintenance report that many women are responding to this offer.

    I should report here that a large building supply chain now designs its stores with women customers in mind. Perhaps this is the proper point to inquire why retailers of your products do not use more women as salespeople.

21. The textile industry is aiming at more soil resistance through new technology in carpeting. This is a logical move in view of our polluted environment. Can your products be formulated so as to be more soil resistant?

22. Apparently, 78% of the time required to spray-paint the interior of a three-bedroom two bathroom house involves make-ready work — filling holes, sanding, patching, cleaning, masking, preparation. That seems and sounds very much like a horse-and-buggy procedure.

    This represents just one example of how you have lagged in the technological race. It may constitute a factor encouraging surface protection away from the site.

    Some paints are incompatible with previous costs. Could scientific study make the various paints more compatible?

23. The coming dominant position giant retailers will occupy in your distribution, to which I referred earlier, very likely means that the private label will become still more important. Giant retailers demand private labels.

    Sears accounts for over 90% of its volume on its own labels. Most major giant retailers now plan to emulate Sears.

24. Incidentally, it is important to bear in mind that the private label is no longer an unknown label. To the contrary, since it usually bears the name of a large retailer, it is also a strongly presold brand. Moreover, it tends to offer a superior value. Also, our more knowledgeable women tend to accept the private label more readily — so again we get back to our new society.

25. In connection with the general trend toward diversification, it might be an idea for paint manufacturers to look into the present techniques for cleaning the exterior of buildings.

    I believe the customary techniques involve steam and a detergent. This may or may not be the ultimate — I doubt that the equipment being used today is as sophisticated as it should be.

    Giving a building a cleaning is related to painting a building. Both are designed to restore its original appearance and beauty. Sometimes it is an alternative to painting. Consequently, this could be a logical avenue of diversification.

26. The era of informed selling in your major retail outlets is over. It will never be brought back! Self-service will spread. It will involve still more robot-like techniques.

    One of your major problems is how to sell the right product for the right use at the right time — under the self-service, self-selection retailing that is typical in major retail outlets. These problems may be lessened as you turn to the new audio-visual tape technology. The audio-visual tape may be used for educating both the public and the retail salesperson. Both tend to be uninformed.

27. As still more evidence of the changed status of women in our society, it is pertinent to note that Proctor &Gamble has made media changes directly as a consequence of the large increase in gainfully employed women who obviously are not home watching daytime TV.

28. Sears Roebuck and Allied Chemical Corp. have jointly developed KinderKarpet, a learning carpet which incorporates graphic patterns and learning symbols printed on the carpet.

The carpet was developed to add greater scope to instructional techniques while permitting children to exercise their learning potential either individually or in conjunction with fellow pupils.

The carpet printed on Allied Chemical's Anso nylon fiber, will be sold nationally by Sears' contract sales division.

The system, developed in consultation with educators, allows children to familiarize themselves with geometric shapes, measurements, ratios, arithmetic forms and alphabets in a manner consistent with today's teaching methods.

I haven't the foggiest notion of how this concept could be adapted for your products, but it certainly related to changes in our society.