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U. S. JURY INDICTS BRAKELINING GROUP

20 Manufacturers of Material Accused of Violating Laws for Prevention of Trusts

Twenty manufacturers of replacement brake and clutch lining materials, who account for 96 per cent of the nation's production, were indicted yesterday by a Federal grand jury on charges of violating anti-trust laws. They were named in three indictments along with fifty-three individuals and the Brake Lining Manufacturers Association of 370 Lexington Avenue.

The indictments, two involving domestic sales and one export sales, accused the defendants of a conspiracy to fix prices, trade discounts and other trade practices for the purpose of eliminating competition. The Brake Lining Manufacturers Association was declared to be the agency through which the defendants effected the alleged violations.

The indictments represented the fourth attack upon big business by Government agencies this week. The Federal Trade Commission made charges of illegal practices against the steel industry while the Department of Justice filed anti-trust charges against the automobile tire industry and the color motion picture industry.

Surprised at Charges

Lester D. Stickles, general counsel of the indicted trade association, said that he was aware that the association had been under investigation for two years, but was "surprised that alleged violations of the anti-trust laws are charged by the grand jury."

"Of course," Mr. Stickles continued, "the grand jurors heard only one side of the matter and, therefore, were not in possession of the full facts. The grand jury has even gone so far as to indict dead persons. The individuals, corporations and the association mentioned in the indictment will fight vigorously to protect themselves in reference to these claimed violations."

Mr. Stickles said that the practices in the industry are of long-standing, going back to the National Recovery Administration days, and have been open and well-known. He said he was unable to understand "why big business should be attacked along criminal lines when it was only too happy to abide by the laws." He declined to identify the deceased manufacturers who were indicted.

\$45,000,000 Yearly Business

Attorney General Tom C. Clark said that the replacement friction material industry does a \$45,000,000 annual business and that the pricing and other trade practices especially affect Federal and State Governments, municipalities and other large operators of automotive equipment.

He noted that because of the continued use of old vehicles, the replacement friction materials are an essential to highway safety. It was noted also that the defendants, through manipulated price and discount lifts, caused the materials to be sold abroad at prices cheaper than those in the United States.

John F. Sonnett, assistant Attorney General in charge of the Anti-trust Division, said that replacement brake linings are five times that of new equipment and added that the cases should "promote safety on the highways by enabling the public to purchase brake material at fair competitive prices." He said that John M. Murtagh, Commissioner of Investigation for New York, had cooperated by furnishing significant facts on the cost of these materials for ambulance, fire, police, sanitation and other city equipment.

Vincent A. Spina, president of the Brake Lining Manufacturers Association, described as "preposterous" the assertion by Government officials that the anti-trust actions would promote highway safety.

"The brake lining and clutch facing business is one of the most intensely competitive businesses in the country," he asserted. "Profit margins are always narrow and, although since 1940 basic material costs have increased approximately 50 per cent and labor costs are up about 80 per cent, the prices for these materials have advanced on an average of 12 per cent, although the OPA itself authorized an increase of as high as 15 per cent."

Mr. Spina said that the manufacturer today receives about \$2.50 for the brake lining and clutch facings used to reline the popular-make cars. Furthermore, he said, this brake lining which contributes so much to the public safety "is

a vastly improved technological product over the pre-war product. Through expensive research and development a much more efficient product has been made available to motorists, affording greater public safety at a negligible advance in cost."

The corporations indicted were:

American Brake Shoe Company, Detroit.
 Asbestos Manufacturing Company, Huntington, Ind.
 Bendix Aviation Corporation, Detroit.
 Fibre and Metal Products, Inc., Downey, Calif.
 Firestone Tire and Rubber Company, Akron.
 Firestone Tire and Rubber Export Company, Akron.
 Gatke Corporation, Chicago.
 General Motors Corporation, Detroit.
 Grizzly Manufacturing Company, Bell, Calif.
 Johns-Manville Corporation, New York.
 Johns-Manville International Corporation, New York.
 Lasco Brake Products Corporation, Ltd., Oakland, Calif.
 L. J. Miley Company, Chicago.
 Pharis Tire and Rubber Company, Ridgeway, Pa.
 Raybestos-Manhattan, Inc., Passaic, N. J.
 Russell Manufacturing Co., Middletown, Conn.
 Scandinavia Belting Company New York, N. J.
 Southern Friction Materials Corporation, Charlotte, N. C.
 Thermoid Company, Trenton, N. J.
 World Bestos Corporation, Paterson, N. J.