

*File in Hershey*

*contains information relative to the industry*

REMARKS OF MR. DOUGLAS WHITLOCK TO THE  
SCPI EXECUTIVE COMMITTEE, MAY 16, 1962

*Ret To  
Gsell*

George (Godfather) - *I ran across this in Kenneth's files.  
Thought you might be interested in Logan Counsel's  
words of wisdom - 15 years ago!*

Dorrah - 1977

A very great responsibility rests upon all of us here not only to the industry we represent, but to our individual companies and the future advancement of brick and tile. It is a responsibility that this, the only elected and organized group of individuals in the brick and tile industry, must take hold of, deal with and try to find a solution. I think that it might be well in presenting the questions to review the efforts made by the brick and tile industry to get together for the purpose of cooperatively advancing the use of brick and tile in construction.

I don't know whether many of you realize it, but there was no recognized brick and tile industry as such until 1886 - that isn't very long ago - only 76 years. Up to that time, the brick and tile manufacturers were isolated units operating on their own pretty much as agricultural units, digging clay from their places, making some brick with hand and mule teams and selling them in the immediate locality. But in 1886 there was a movement to bring together the manufacturers to discuss an industry, its problems, its future and how to improve it. The first meetings of the industry were at luncheons and dinners held once a year (the first one being in Cincinnati, Ohio) called together by a manufacturer with the aid of the publisher of "The Clay Worker" - a magazine serving the clay industry. There was a big demand for brick and tile in those days because clay products were the only load-bearing structural materials and therefore they had a corner on the market for any high-rise construction. Their efforts at those luncheons and dinner meetings were

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directed at how to increase production, how to make a better product and how to reduce the production costs. No consideration of demand was brought up because the demand was whatever the American economy, in its expansion, required of them. The debates were on machinery and how to improve production by mechanization. Out of these meetings what is now the American Ceramics Society was formed to handle technical problems. While production was constantly increasing, and while the demand was good, they were satisfied with a yearly meeting and their discussions. That situation existed until around 1914 when the United States faced World War I and the clay industry faced its first crisis. Also by that time, the industry was beginning to experience competition from cement and from metal. The crisis created by World War I was the curtailment of production in the interest of saving war materials, such as freight and fuel. The net result was that the industry was forced by the United States Government to organize into associations in order to cooperate with the government and curtail production in the interest of the war effort and the American participation in the struggle. In that period from 1914 to 1918, associations were created for the first time to struggle with the effects of this crisis, and so The American Face Brick Association, The Common Brick Manufacturers Association, The Hollow Building Tile Association, and The National Paving Brick Association were formed.

At the end of World War I, these associations undertook to try to promote and plan the future of the brick and tile industry, to grapple with the problems of what they were going to do with over-production - the over-production resulting from competitive materials taking their markets and a lessening of the construction market which began to get very bad in 1926, eight years after the end of the war. As construction lessened and as the manufacturers attempted

to sell their production in this smaller market, the industry proceeded to go down and down toward complete chaos. In 1933 - in fact in the first six months of 1933 - 500 brick and tile manufacturers became insolvent and many of them went completely out of existence. Larger corporations reorganized their financial structure under the famous 77B. Because of the lack of markets, a completely demoralized price situation developed due to more production than demand. Out of the chaos facing all industries due to the depression of that time, the National Recovery Act was passed by Congress and for the first time, this industry was given an opportunity to do some industrial planning. When the manufacturers got together under the NRA Code Authorities, both at the national and local levels, they tried to find some way to stop the demoralized price situation that was bankrupting all of them. They spent more time thinking about that, perhaps, than they did on the basic reason for the problem, which was more production than demand for their products.

The NRA provided a price-fixing code for the industry. It allowed manufacturers to sit around a table in each producing locality and agree on a figure below which no one could sell without violating the law. Those manufacturers set up a so-called "allowable cost" which prevented bankruptcy of many companies. As one code authority member, Frank Butterworth said, "the code was a straw in a sea of despair". These code authorities were not given the opportunity to do anything about promoting or creating demand. Their associations were bankrupt or financially impaired to the point of being ineffective. The United States Government would not let them spend code authority funds for the promotion of their products because it would set up competitive forces against other materials and so the code only dealt with prices

and labor rates and did nothing to increase demand.

When the codes were ended in the Schechter Case by the U. S. Supreme Court, this industry replaced its code with sales agencies. There were eleven of them formed throughout the country and these regional groups continued to try to hold a floor under the price structure of the industry. Also, for the first time, they began to finance a national effort to deal with over-production and to create a demand to use up the productive capacity that existed. Those sales agencies were the basis of this organization we represent here today, because the sales agencies contributed money to the Structural Clay Products Institute to try to do something to increase demand. As this industry was developing sound plans to serve the industry, all of a sudden we faced World War II and in that crisis, the same as in World War I, we had to again curtail production. We were not allowed to have material to produce brick and tile - we were not allowed to have fuel or power - we were not allowed to have transportation. Having learned lessons from World War I and NRA in a controlled economy, we were permitted to cushion the affects of a curtailment of production by having OPA set our prices. One of our present members, Karl Mathiasen, was the price administrator for our industry and he established prices controlling the limited demand during World War II. SCPI, having undertaken the guidance of the industry after NRA failed, and working with the sales agencies which were of course regional, did the planning and the adjustments of the controls and curtailment of World War II.

In 1945, with the end of World War II, we found this industry free again and we were in a position to undertake plans to increase the demand for our products. There were certain things which had been decided upon, one being that the technology of this industry had to be put in usable shape so that the

designers and the users of clay products would know how to construct and use our products well and economically in competition with other products that had come into our markets. We also knew that if we did increase demand for our products, we had to get more bricklayers into the field:

With the end of the war and with the freedom of the industry from controls for the first time since the depression of 1933, we began to plan ways and means to increase demand in order to soften the blow of over-production and the effects of competition from metal and other materials which were becoming increasingly worse. Metals of all types were materially expanded during World War II with the building of aluminum plants and steel plants. The lumber program also set up competitive production which was seeking outlets against brick and tile.

We got our technology documented, we got a bricklayer training program underway, we used all of the available dollars, which were not many dollars and which never are very plentiful in the brick industry because our total gross national production is only 400 million dollars, whereas Johns-Manville, a single company competitor, is 567 million dollars. We'll never have the dollars of our competitors and therefore we'll have to do our planning so as to use the strong "grass roots" allies we have in contractors, bricklayers and dealers. The responsibility for this planning rests on this group of men here today and, in the Fall, on the larger group of elected Directors.

After we got our technical and bricklayer training programs underway, we turned in 1948 to the problems of new developments, new methods, and new uses. For a 2-year period we sold this industry, under the direction of your predecessors on the Executive Committee and Board of Directors, on the need

for research and new technology and in 1950-51, we began our research program in order to increase demand.

In 1952, this same Board, or its predecessors, said, "it's time for us also to be sure of what we're doing - whether or not our method of organization is correct - whether SCPI and its programs are the type of programs that will help the industry". To obtain the answer the SCPI Directors voted to have a complete study made and the Robert Heller Associates were employed to make such a study.

In the fall of 1952, after several months of careful analysis, the Heller organization reported that there was a need for strong promotion to overcome our great productive capacity; that the competition of aluminum, steel, concrete and lumber had to be dealt with by programs of competitive promotion. They also strongly said that related groups such as dealers, contractors and bricklayers, should be enlisted in our support and that efforts should be made to get these related groups behind the programs of the brick and tile industry. They also said that the users of brick and tile must better understand the industry and its products and how to use them. Since 1952 - in this past 10-year period - this Executive Committee has been doing just that - wrestling with programs - employing necessary staff - meeting and discussing ways and means of increasing the use of brick and tile in order to market our productive capacity.

These programs divide themselves into two classes - non-residential and residential construction. This industry, up until the last few years, believed that our products moved 50% in the non-residential field and 50% in the residential field and accordingly we gave equal emphasis to both types of

construction, but suddenly we came to a very surprising realization - that 66-2/3% of our products moved in the residential market and 33-1/3% of our products moved in the non-residential field. Even though we realized this disproportionate distribution of our demand, we were better able to work in the non-residential field. The non-residential field is a better organized field than the residential field. For years there has been the AIA - American Institute of Architects - representing those who design in the non-residential field. There has also been the Associated General Contractors who build in the non-residential field. And there have been strong building trade unions to furnish the labor in the non-residential market. So, we found it easy - easier I should say - to develop programs for the non-residential market or the 33-1/3% of our production. We have done a good job in non-residential promotion. Our programs, working with AIA, AGC and the unions have had good effect.

We also found that it has been difficult to work in the residential field because there is really no cohesive home building industry as such. The home builders are trying to build themselves an organization. They started out seeking government assistance and money and created a lobby in the National Association of Home Builders, but gradually have come around to where they are now trying to promote the residential market. By their request for building money from the government they did two things, they created an over-abundance of home builders - 30,000 of them - but worse than that, or maybe better, which ever way you look at it, 900 of those builders learned how to get government aid and to use it better than others with the result they have become the big builders, building 80% of the total housing. While 29,100 remained small builders and although they all belonged to the NAHB, there is no concerted plan for promoting residential construction. In the residential field, there are no

designers such as there are in the non-residential field. The architects have little interest in the residential field and there are no quality designers except in such cases where an architect is hired by a home builder to design what the builder thinks the market demands. In the home building field, there are few unions, so there is no organized strength of the crafts because the building trades had never found how to deal with the residential market. Our bricklayers are an example of this. So we have a disorganized residential industry in which 2/3 of our products move and have a well-organized non-residential field where 1/3 of our products move.

While we have been struggling to find a solution to these markets, we have had a cohesive force in SCPI holding the brick and tile industry together even though we did not have a crisis, such as a war or a depression. However, we have had the factors of over-production with too little demand and rough competition. We also have had a cohesive factor in our depletion efforts and as long as we had depletion, we have held to an industry plan and had support. There are always some who get weak-hearted in a struggle with situations like ours and who might have left us, but were held to supporting this organization because of depletion. Finally last year our depletion fight came to an end, for at least a time, and the situation was worsened because of a general economic condition which is sometimes referred to as the "profitless prosperity". We are selling our products for less profit. Costs have gone up, but the price structure of industry generally has not been allowed to rise with it. You've just seen a similar situation in steel. But even if we could have raised the prices of brick and tile, we couldn't have made them stick because of the severe competition we face from the over-production of aluminum, steel lumber and cement. And so we have the pressure from cost and selling price

and we also have productive capacity which is undemanded. And so I have watched, and you have watched, increasing dis-integration of our organizations. I've watched and been alarmed that research and our new technology does not occupy the place it did after we got our existing technology organized and documented in "Brick & Tile Engineering". Manufacturers are taking the position that we don't need new technology because it doesn't benefit their individual companies. We're watching our regional organizations struggle to meet their budgets and find lessening support at the local level in several places. We're watching another facet of this situation which is very disturbing - we're seeing the attrition of clay companies who produce non-quality products, or who produce products which cannot find a market because more dominant companies or better marketing methods are being used in competition with them. We have whole areas of this country that are going through vital changes. For instance in New England, what at one time had a tremendous common brick market, almost all of the common brick plants are gone while those who remain have added concrete block production to their business, and there is a competitor with facing brick that is dominating the whole area.

We've also watched the Hudson River Valley which at one time was one of the greatest brick producing areas in this country, and have seen common brick fall from a position of 70% of the New York metropolitan market as against 30% face brick to a complete reverse. Today it's 30% common brick and 70% face brick. We watched that area go from 28 companies down to six. The attrition has been 22 companies. We watched the common brick dealers of that great metropolis go from 19 dealers down to four. All of these economic changes have created a terrific price situation and taken a terrific toll on the advancement of our industry in both of these areas. The net result today is that we

have no representatives at this meeting from Region 1, New England, or from Region 2, the Hudson River and New York markets.

We're watching the same struggle go on in Region 28, the facing tile producers where a demoralized and chaotic situation exists due largely to over-production and too little demand.

We have also seen scattered throughout this whole country many small companies who have not modernized, who have not changed their methods, who have either faded out of the picture or have been bought up by a more enterprising manufacturer, and we've seen the whole complexion of the productive capacity of this industry in volume changing from a great number of plants in these areas to fewer companies who dismantle or renovate them as the case may be. This is beginning to affect the support of the industry group here in SCPI which is devoted to industry planning. We face a serious question here of how we shall plan for our industry support at a time when we don't have a war, a severe economic depression, or an interest in such a thing as depletion.

The Heller organization was called in to study the New York market and they came up with what I think is a very logical report, and that is that the differential in price between the common brick produced by Hudson River and the face brick produced by manufacturers outside of Hudson River is so small that it has resulted in Hudson River brick being no longer of interest to the designers who prefer to use facing brick. The high cost of labor, transportation and handling has forced the price of the lesser quality product so close to the better quality of facing brick that the designers have switched to using facing brick as produced by outside manufacturers. That was why things have changed from 70% to 30%. The recommendation of the Heller organization to the Hudson

River manufacturers was to improve their product, consolidate their forces, move closer to the market and get their transportation cost down, but continue to serve the market with a product of a type of common brick that would meet better specifications and compete with the brick coming in from outside sources. They refused to do this and I have watched that region slowly disintegrate each month.

We've had the attrition of small and obsolete plants and we've had another thing - that being a change in the type of ownership. When I met this industry in 1933, the ownership of the plants was usually a family affair. They had come down through the generations from what I called the agriculture type of operation into a business in one or two generations. Today companies are publicly owned in many cases and there is trend toward more public ownership and to management control rather than family-type operations. I've watched in many sections of this country, a complete change in the type of management of the industry as this attrition of small and obsolete plants, as well as the mergers and the buying and the need of capitol caused public stock issues to come into the picture. There has also been a very decided change in the method of selecting the leadership of this industry. In 1886, men who owned their own plants came to the dinner I referred to and sat around and talked about their problems enjoying an over-demand and too little production. From 1914 to 1933, the planning for this industry was in four trade associations. After 1933, for a period it was in the NRA Code Authority of eight men. Following the Code Authority, it has been in SCPI and the group of men right here. In case you don't realize it, you men have planned the course of the clay industry longer than any other group of men. From 1933 to 1963 is 30 years. From 1886 to 1914 is 34 years - maybe you can say that the dinner method is one year

older - but it wasn't a planning group - it was just a meeting. Management of the planning for this industry has been longer here than in any other group.

Now there's another factor that has got to be considered by you in directing the course of this industry. The present industry is organized into regions that were set up by the necessity for sales agencies following the NRA. The regions were based on production. In other words, for us to legally have sales agencies, we had to organize the producers in a given geographical area, and not more than 60% of them could join a sales company to stabilize the price and try to cope with over-production. We inherited this geographical organization and our structure which is based on production by regions. It was right when we created it, but today it presents a problem. Region 2 is a good example. The production of Region 2 in New York along the Hudson River is Hudson River common brick. It was set up that way so Hudson River common brick could have a sales agency if they wanted it. They didn't want it. Their representatives to SCPI were elected to come here by the producers of common brick in that area. Today they're serving only 30% of the New York market and 70% of that same market is being served by manufacturers elsewhere. Yet our plan of operation is that the Hudson River manufacturers should promote the brick industry in New York, the same as Ohio manufacturers promote the brick industry in Ohio, or the Chicago manufacturers promote the brick industry in Chicago. And so, on a dwindling 30% of the market, we expect them to take care of the biggest market in the country, not receiving anything locally for the promotion of the 70% of brick that moves into New York from other sections of the country - from Ohio, Pennsylvania, North Carolina and elsewhere. And so there is a group that is not represented here today, but who I've been struggling

to help during the last several months, who ask how they can maintain an office and promote the clay industry on 30% of the market while 70% contribute nothing to the promotion of this same market, except on a national basis through SCPI.

Now these things all are background to these questions. Number 1, are we a crisis industry in our planning and in our cohesiveness for advancement? Does it take a crisis in this industry to bring enough people together to plan and pay for the advancement of the industry with its problem of over-production and too little demand? The next question is, how do we as a group cope with the attrition of products such as common brick that has either to improve or disappear, and how do we cope with a chaotic situation like we find in facing tile that will eventually effect the entire clay industry? Third, how do we cope with the attrition of plants who no longer can compete because they either haven't the desire or the capital to improve and are for sale, yet those that are in a buying mood don't seem to want them, and yet they're there ready to compete in this over-produced industry? Another question is the proper way to organize this industry. Production was the proper way in 1933, but is it the proper basis today? Ought not the promotion of demand follow the product to the sales point rather than at the producing point. Is it right for the manufacturers of New York to promote the market for other areas shipping into New York without the other areas paying for promotion in New York? It's a very fundamental question of organization that was right at one time, but may be completely wrong at this time. Next, does this industry accept the basic idea for the need of continued new technology to compete with competition from other building materials. I'm afraid the acceptance of that concept was not firmly sold except to the few loyal members of the Research

Foundation and yet I know and you know that unless we have new technology, this industry cannot compete very long. Let's also think about the strain that exists between local and national organizations. Time and time again in this period of profit squeeze, it's been said to me, "I can use my dollars at home better than I can by sending them to the national organization". We have Regional Directors who are struggling to maintain their organization, who think if they could keep the money in their region, it would do more good. Yet we know there is no area that can support the overall needs of this industry, plan its course of action and coordinate this industry without a national group just like we have here in SCPI and in its Board of Directors. But this strain between local and national is a constantly besetting problem of this industry, although it is approached differently by different localities, by different companies and by different Regional Directors.

There has been a great deal of thought during this period of profit squeeze to another question and that being the soundness of our dues policy, i.e., having one dues for SCPI, another set of dues for research (especially since many of whom are the same companies), and still another set of dues for the regions. There have been suggestions that there be one dues payment for the support of all of the industry efforts and some equitable and proper apportionment be adopted to develop a well-rounded program of promotion and expansion of all markets, to develop new technology, and to support national planning and the promotion at the grass roots level.

We have also a problem developing from the expenditure of promotion funds by our allies such as the bricklayer, mason contractor and dealer. In New York, \$90,000 is being spent by the bricklayers on promotion. Because we were able to maneuver ourselves into a position through our advertising and public

relations agency, we are for the moment directing this expenditure and their program is based upon sound industry technology, but it's a very slim thread we are hanging on. We have other places where the local promotion is pre-dominately now concrete block instead of brick by some of these related groups. We maintain our control, at the moment, because we have more effective promotional material and technology, but at anytime should our competitors get as effective as we are with Tech Notes, with Brick & Tile pamphlets, with handbooks, etc., our control of these related groups is going to be challenged. At the present moment, we are challenged in reinforced brick masonry and we're struggling to catch up. It could be just as bad in other fields as in RBM. What are we going to do about the manufacturer who doesn't understand, or doesn't want to understand, and is sometimes referred to as the "free rider". He enjoys a favorable climate in which literally millions of dollars have been spent to help him. You know them, they are all over this country. There are 500 companies and there are 150 in SCPI, so there are 350 we could name right off who are enjoying the favorable climate created for them and who do not understand or choose not to understand. That man uses his percent that you pay for dues to compete with you. He has already a one or one and a half percent advantage competitively to you who are trying to do something for the industry and your company. Then there are those who are not necessarily free riders, really very fine fellows, but who demand personal attention. I tried to get one of these men to come here today because he said he didn't understand SCPI or what it is trying to do, and can't see what it does for him. I think he's sincere, but he doesn't make the effort to find out.

Now I think it's time for this industry to consider these questions and I'll read them off hurriedly again to you. Do we advance only during crisis that

force us together? How do we cope with the attrition that is going on of our products and our plants? Are we set up right to be on a production organization basis rather than upon a demand and sale basis? Have we and do we believe in new technology? Are we properly organized and do we properly administer the local and national organization to prevent the least strain? Would there be a soundness in a one dues payment policy with proper and equitable distribution of the funds thus collected? Can we force in some way greater support from companies that do not now support the industry? What is the proper relationship between the related industry groups that are now beginning to come alive and attempt to promote this masonry industry? God knows we need their dollars and their support because our great strength lies at the grass roots. What do we do with a manufacturer who doesn't understand, who refuses to understand, who wants to be a "free rider"? I think that this is this Committee's responsibility. There is no other group anywhere in the whole industry that the rank and file of this industry can turn to for guidance, for planning, for understanding, or for a program. I think this situation should be discussed - it's a very large and important program, but I don't believe you can take the time to discuss it here and my recommendation is that this Committee, after some discussion of what I have said, recommend and vote that the President of this organization create a Committee, and I suggest the name of a Study Committee on Coordination and Structure of the Structural Clay Products Industry, and charge the Committee with the responsibility of considering these questions and proposing some solution to this Committee at the proper time.