

CANADIAN INSTITUTE of PLUMBING and HEATING

Proceedings of Annual General Meeting held in
Montreal, October 17th. 1 9 3 4.

Copy of President's Address.

Recommended "Definition of A Wholesaler".

The Canadian Institute of Plumbing and Heating held their Annual General Meeting at the Windsor Hotel in Montreal, P.Q., on Wednesday October 17th. 1934. The active work extended over a period of two days as there were meetings of the Executive and Special Constitutional Committees both preceding and following the General Meeting.

Mr. Ivan R. Leger, the President, gave a very capable address as presented herewith. He made a resume of the activities of the committees during the past year and dealt with the phases of the work of the Institute which would require the immediate attention of the officers in the programme of expansion which has been planned.

The membership Committee, in presenting its report, felt that the future success of the Institute would be based upon due consideration, at this time, to the setting up of the strongest basis for membership, namely, a parent body - in this case, the Canadian Institute of Plumbing and Heating - would comprise in its membership representatives from the various groups of manufacturers and wholesalers and, in that way, have the strongest and the broadest interest.

The Special Constitutional Committee reported that there were several problems with which they dealt during the past year:-

- (a) The question of having a study made of the plumbing and heating industry and the engagement of Dr. J. P. Day who

- colaborated with Mr. W. W. Goforth for this purpose
- (b) Consideration of giving strength to the membership structure and recommending to the Executive Committee that a change be made from the present basis.
 - (c) Consideration of enlarging the budget so that the work of the Institute could be broadened and making recommendations to the Executive Committee in this respect.
 - (d) Recommendation to the Executive Committee that the 1934 election of officers, executive and committees, be for a period of three months, (or until successors are elected or appointed as the case may be). The question of membership structure to be carefully considered in the interim.

The activities of the Publicity and Advertising Committee to date has been mainly through the Trade Papers which had been given news items pertaining to the activities of the Institute. The distribution of the Day - Goforth Report in printed form has given rise to much comment and favourable publicity and leading Daily Newspapers gave editorial space to this report. The officers of the Institute feel that their work has not advanced sufficiently as yet to call for any programme of advertising.

As one of the results of committee work the members were given a suggested "Definition of A Wholesaler" which is a necessary part of the channels of distribution. This

definition is intended as a "yardstick", not with the intention of removing those who are to-day in business as wholesale distributors but to provide a basis whereby those seeking to enter into this field will do so rightfully and as strong adjuncts to it and that those now in it will improve their position and assume their proper responsibilities as wholesale distributors. The definition therefore provides an important step towards sound merchandising.

Many comments were made at the meeting that the Institute has completed the organization period of its history and was now/^{ready}to embark upon one of production. So as to do this an enlarged budget was presented to the meeting. It contains the voluntary commitments of the Executive Officers and other firms who see reason for providing further funds that the Institute may expand its work. It has been established at \$15,500.00 for the ensuing year.

The present officers have felt for some time that the scope of the Institute's work was demanding a greater amount of attention and direction than they could give to it individually or collectively, and in planning a larger budget it was with the idea of engaging a manager who would devote his full time to the work of the Institute. In this regard they have been very fortunate in securing the services of Mr. W. W. Goforth who collaborated with Dr. J. P. Day in producing the report on the plumbing and heating industry which bears their names. Mr. Goforth is bring/^{ing}to his work an aggressiveness and a breadth of viewpoint that should

br productive of considerable good to the entire industry and he has been assured of the experience and the wholehearted support of the Institute officers.

The officers, executive and committees were re-elected so that the plans for re-construction could be proceeded with and brought back in tangible form for further consideration by the members. An amendment to the by-laws of the Institute increased the number of directors from five to six.

The elected officers and directors are:-

President - Ivan R. Leger

Vice-Presidents - Omer DeSerres
L. L. Anthes
G. C. Crawford

Directors - Thomson Robertson
E. H. Gurney
C. H. Ivey
A. M. Hyde
P. Garfinkle
Fred. Armstrong

Mr. Thomson Robertson was appointed Treasurer by the Executive Committee.

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Gentlemen:-

We are attending to-day the second annual general meeting of the Canadian Institute of Plumbing and Heating and it is my privilege, as President, to briefly call to your attention the reasons for bringing this Institute into being, the progress which it has made since its inception, and - most important of all - the plans which should be laid for its future development.

The Canadian Institute of Plumbing and Heating was incorporated about a year and a half ago. Its incorporators set down in its charter a fair and proper conception of their intentions. They were guided by conditions in this industry that were harmful or troublesome to the fair and proper conduct of the individual in his business life. It is true that the individual creates most of his own troubles and they are created as an expedient of the moment - without due consideration to the possible reactions - because the individual is too busy with the problems of the day to think of all that may develop as a result. We study only a part of our problems, we make decisions for only a part and we leave the rest to care for itself.

In the plumbing and heating industry the manufacturer has given most of his time and money to the production of the best product. He has not given sufficient thought to the proper marketing of those products, such as - what is the proper type of distributor for his products, what are the

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responsibilities of that distributor? Anything less than the highest class of distributor means that the distributing class, failing to realize their responsibilities and position, also fail to establish proper retail distribution through their outlets - the installing plumber and steamfitter. The Wholesale distributor has contributed his quota to this weakness. He has been obsessed with the idea of obtaining volume without regard for his outlets. He has not used discretion in the selection of his outlets. He has extended credit indiscriminately. As a result, a proper class of retail distributor has not been built up. The plumbing and heating contractor has not been encouraged to become a merchandiser and the standards of the whole industry have therefore been lowered. As we are all aware of these things it is not necessary that I should dwell any more upon them. Our problem is to provide corrective measures for the future as it is essential that any industry should seek to have the most orderly marketing of its products with due regard to the position of all engaged in that industry and also for the rights of the consumers of its products.

The Canadian Institute of Plumbing and Heating was created to do this. It was designed so that it could study the problems of the industry - production, distribution and installation - and set forth a policy as a guidance for the best interests of all. The

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Institute, while it must of necessity deal with problems which are related to prices, does not intend to be a price fixing organization. Its duties are to determine policies, make suggestions and prepare plans which are available for others.

Since the annual general meeting of a year ago the officers and members of the Executive Committee have held many meetings. Each problem with which they dealt developed other problems and great care had to be exercised to avoid hasty decisions that would creat future embarrassments. I trust that when you have heard the reports of the various committees to-day you will find much reason to appreciate the careful work which has been done to date.

During the year a very valuable contribution was made to all industry in the compilation of the Day - Goforth Report. This was accomplished through the foresight of your Executive and Special Constitutional Committees. They sought the opinions of an eminent independent economist, Dr. J. P. Day, who called in Mr. W. W. Goforth to colaborate with him; the Committee underwrote practically the entire amount necessary for this work; they emphasized the necessity of securing an unbiased report that was in the best interests of all within the industry - whether they be large manufacturers or small plumbing and heating operators - and they also stressed the urgency of giving full consideration to the best interests of

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the consumer. The result has been that the plumbing and heating industry has sponsored one of the first scientific attempts ever made in this country to get to the root of the problems of industry. We believe it to be worthy of a place in the files of the economist and the business man as a text-book for future guidance. Almost three hundred printed copies of this report have been mailed out in the Dominion of Canada. Its coverage has included the heads of Federal, Provincial and Municipal Governments, the Boards of Trade, the Chambers of Commerce, the leading Daily Newspapers, the Trade Press and many others. Many of the leading Daily Newspapers across Canada have made favourable comment on this report and it can be safely said that the plumbing and heating industry has received most favourable publicity because of it. The publication of this report alone, which has brought out problems out into the open, is of itself sufficient justification for the existence of the Institute.

You will learn to-day that the Institute has provided a "Definition of A Wholesaler". This meeting should give approval to this definition as a suggested standard.

You will be asked to-day to give consideration to the appointment of a manager for the business of the Institute.

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The ground work for these things and also for the general expansion of the Institute's work has been done by the Executive Committee and the Special Constitutional Committee. In this connection you will receive a report covering the proposed budgeting of the Institute's finances. It is the feeling of your Executive Committee that they have carried on the work of the Institute for the past year and have formulated plans which make it necessary that the actual work involved be placed in the hands of a manager who will devote his entire time to furthering these plans. It is too much to ask of the Officers and Directors personally as the work proposed requires more attention than they are able to give. It is necessary that this meeting establish a basis upon which the plans of the Institute may be proceeded with if the desired progress is to be secured.

I have stated on previous occasions that the problems with which the Institute have to deal may be divided into three main questions:-

First - Internal Problems, that is putting the plumbing and heating industry in order.

Second- Public Relations, that is making the public mind more receptive and more friendly to our industry and more appreciative of the services which this industry can render.

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Third - Broadening the Market, that is advertising our products, merchandising our products and retaining to our industry those kindred products which are coming on the market to-day and which should be merchandised through this industry and not through other industries.

There is little use in attempting to Broaden the Market by advertising unless the Public Mind is first made receptive and it is also of little use to gain the Public Good Will unless our industry is capable of making the best use of it.

The immediate work of this Institute is to correct the Internal Problems of the industry.

The manufacturers of the various classes of commodities should form themselves into groups, where such do not now exist. They should work towards a solution of the problems of their own group. These groups should have representation with a Central Manufacturers Group within the Institute so that co-operation on their common problems could be secured and co-ordination of merchandising and other policies attained. These problems have to do with:-

- (a) Costs
- (b) Design
- (c) Demand
- (d) Classification of Distributors

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(e) Excessive Number of Lines

(f) Faulty Trade Practices.

In dealing with these problems the manufacturers should strive:-

1. To have a uniform standard of products, of the highest quality possible, and with as little variety as possible, considering the smaller market in Canada as compared with the greater markets elsewhere where large varieties can be profitably produced.
2. To avoid rapid changes in designs which might make obsolete the equipment and stock of other companies. It is fair to give other companies in the same line proper notice in this regard.
3. To decide as a body on a fair policy of distribution of their products, protecting in a fair manner and giving consideration to existing outlets. To discourage the establishment of new outlets who are unqualified to properly act as distributors with benefit to the trade and the public, that is, while recognizing all existing wholesalers, to describe the necessary qualifications of any new firms deserving to enter the wholesale business for distributing plumbing and heating supplies.
4. To agree on a uniform fair credit policy.

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Then there is urgent need for the wholesale distributors to be formed into groups, or Councils. Some of these are in existence to-day and wherever they are you will find that there is more semblance of orderly marketing conditions than in those sections of the country which do not have such Councils. These Councils should elect a committee which would make representations to the governing body - the Institute - who would give to them a workable answer to the problems which they presented, it being always understood that the Institute would not be responsible for any of the acts or policies of any group unless these had first secured the approval of the Institute. This question of responsibility is a very important one and is the only basis upon which the Institute can properly perform its functions of guiding and advising the plumbing and heating industry. The problems which the wholesale distributors have to deal with are:-

- (a) Lack of Volume
- (b) Cost of Distribution
- (c) Rebates
- (d) Cash Discounts
- (e) Returns
- (f) Credits
- (g) Classification of Contractors
- (h) Faulty Trade Practices.

The wholesale distributors, the same as the manufacturers, should deal with their own problems alone and should be

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guided in their decisions by the necessity of recognizing to the fullest the rights of all within the industry and also the consuming public. In dealing with these problems they should set up standards.

1. To handle high class products only and to discourage the manufacture of inferior materials, and in this regard to carry stocks of materials manufactured by properly established producers having a fair trading policy.
2. To carry sufficient stocks and not to pose as wholesalers, expecting the necessary profit of a wholesale distributor, when as a matter of fact they are only agents in certain lines.
3. To decide on a fair trade policy of selling as well as buying, and to outline their selling policy,-
 - (a) To have only a fair selling price
 - (b) To protect in price the plumbing and heating contractor, and jobbing plumbers, having due regard for the consumer's interests and not restricting markets.
 - (c) To decide that where protection is given the installer must accept responsibility for the merchandise.
 - (d) To sell direct to the industries having their own installing staff. This does not definitely cover plumbing fixtures where, in different sections of the country, different practices exist.
 - (e) Not to sell to other wholesalers, except as an

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accommodation.

(f) To do a fair amount of independent advertising to sell more and better products.

(g) To discourage mail order and direct-to-you selling of plumbing fixtures in Canada.

4. To agree on a uniform, fair and complete credit policy.

It is possible that the Institute could be of assistance in these problems as it already has in the preparation of a "Definition of A Wholesaler".

With the formation of these manufacturing and wholesale distributor groups the Institute can go further in preparing the way for correcting the abuses and meeting the ever changing new contingencies which face the plumbing and heating industry.

The question of how far and in what way the Institute should proceed with its work gives rise to much thought. The Day-Goforth Report indicates that, whilst the Industry might by voluntary agreement modify many of its troubles, to make such agreements completely effective, Governmental Approval and Authority for its Agreements must ultimately be secured. It may be that your Executive Committee may later on recommend that some contact should be made with the Dominion Government at Ottawa in this regard.

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Then there is the question of what contacts, if any, should be made with plumbing and heating contractors who have their various organizations across Canada. The ultimate success of the Institute is predicated upon complete recognition of the rights of all within the plumbing and heating industry and also with due regard to the interests of the public. While recognizing this basic fact your Executive Committee have not, as yet, set up any such contacts. Past experiences in this regard have not had satisfactory results due, in a large measure, to dealing with groups who may not be fully conversant with all the problems of the industry and fail therefore to realize the pitfalls.

The Institute however could do some work towards:-

1. Advocating a policy whereby the manufacturing and wholesaler sections could each do some promotional work to secure wider and bigger markets for better materials - some advertising, some display publicity, and some educational work among the salesmen and plumbing and heating contractors.
2. To secure Legislation, through publicity, of
 - (a) Interest to Contractor
 - (b) Interest to Labor
 - (c) Interest to Investor
 - (d) Public Health.

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- (e) Public Safety
- (f) Protection against General Contractors
bid peddling.
- (g) Protection against Unsound Financial Plans
- (h) Relief from High Interest Rates

3. Investigate and make recommendations for Standard

Practices on:-

- (a) Credits
- (b) Rebates
- (c) Returns
- (d) Cash Discounts
- (e) Apportionment of Business
- (f) Introduction of New Lines.
- (g) Bankrupt Stocks
- (h) To adjust Production with Demand
- (i) Non-acceptance of Settlements other than cash
- (j) Price Lists
- (k) Bids
- (l) Quotations
- (m) Guarantees

All of the matters on which I have spoken to you to-day have been before your Executive and Special Constitutional Committees for consideration. It is hard to visualize the wide ramifications of these problems unless one has actually worked with them and tried to make them into a composite picture showing tangible progress. I think they show that sincere efforts have been made by your

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Committees to lay a sound foundation for ultimate success while avoiding the difficulties generally encountered which encumber an organization of this kind and even destroy it.

Before closing I would like to speak about the matter of Membership in this Institute. The intention of the incorporators has been that the membership should embrace all those firms in the manufacturing and wholesale distributing fields who could subscribe to its purposes. The question has been raised regarding the flat rate for annual dues and that this was not equitable when applied to the largest and the smallest firm. In first establishing this flat rate it was thought that such a basis provided the most equitable arrangement for voting purposes. However, it is the desire of the Executive Committee to have the Institute membership as representative as possible but it is proper that I point out to you here that in the underwriting of the expense for the Day-Goforth Report and also in the voluntary subscriptions to the proposed budget which will be laid before you to-day that the larger firms have already committed themselves to many times their annual dues and it is very evident that the work of expansion which the Institute will likely engage in can not be met out of annual dues alone.

President's Address

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May I express at this time my sincere appreciation of the untiring work of my fellow officers and directors and the chairman and members of the committees without which this report would not have been possible to-day.