

ADDRESS BY  
HON. ROBERT E. FREER, MEMBER OF FEDERAL TRADE COMMISSION,  
AT OPENING OF  
TRADE PRACTICE CONFERENCE  
FOR THE  
RUBBER TIRE INDUSTRY,  
AT  
STEVENS HOTEL, CHICAGO.

(For release upon delivery at 11 a.m., Thursday,  
June 4, 1936, Eastern Standard Time.)

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COOPERATION IN INDUSTRY

Members and staff of the Federal Trade Commission are always glad of an opportunity to meet with the members of an industry such as yours and to assist in any way consistent with the law and their official duty in the friendly solution of its problems. This conference typifies a great cooperative movement in industry. I might even refer to it as a cooperative corrective movement, since it has for its objective the correction or the eradication of such trade abuses and unfair trade practices as may have grown up through the years, and which, unless they be abated or eliminated, may threaten the health, if they do not destroy the life of the industry which they poison.

Yours is a very large industry. Its prosperity is essential to the welfare of the country itself. The pneumatic rubber tire industry occupies such an important place in modern transportation that its business health is of even more importance to the welfare, progress and happiness of the nation than mere size would indicate, monumental as it may be in terms of capital, membership, and volume of production. From the best information I have been able to obtain, while there are fewer than one hundred rubber tire manufacturing establishments in the United States, there are approximately one hundred thousand outlets where consumers buy tires and obtain service. The invested capital in the tire industry in the United States is, I am told, approximately two billion dollars. Its annual volume of business is approximately three-quarters of a billion dollars, and it gives direct employment to from one hundred and fifty thousand to a quarter of a million workers.

I venture to say that there is no one present too young to recall the days when the automobile tire, as well as the automobile industry, was in its infancy. A comparison of the production of rubber tires twenty years ago and at the present gives an idea of the enormous growth of your industry. In 1915, there were only about thirteen million pneumatic automobile tires produced in the United States. During 1935, production of pneumatic casings approximated fifty millions, while in some of the peak years intervening, the number produced was as high as sixty millions. In 1915, the sales value of pneumatic tires produced was a little more than one hundred million dollars. In 1925, their value exceeded six hundred million dollars, and while the figure was considerably under the latter total for 1935, I do not doubt, as I am sure you do not, that it will not be many years until your industry will be talking about billion dollar annual production.

Many of you travelled here at express train speed over broad and smooth highways which all of us now take for granted, but I doubt that even you gave much thought to the fact that without the last decade's improvement in pneumatic tires neither our marvelous highway system nor relative safety of

travel at high rates of speed would be possible. It is no exaggeration to say that without the development that has taken place in the rubber tire industry, particularly the improvement in pneumatic tires for automobiles, trucks and busses, we would be totally unable to meet the traffic problems with which we have to cope in these days of enormous volumes of highway traffic moving on express schedules.

During 1915, the average life of a pneumatic tire was only about nine months; in 1935 it was two and one-half years. Without attempting to translate the average life of a tire into terms of definite mileage, it is of interest to note that the guarantee on the fabric tires so largely in use back in 1915, was 3,500 miles. With the introduction of the cord tire about 1918, the guarantee on such improved tire was raised to 8,000 miles. The present day average mileage for balloon tires is between 15,000 and 20,000 miles, and mileage as high as 50,000 miles is not unknown, under proper conditions of use. What this extended longevity means in dollars and cents to the tire user, it would probably be difficult to estimate. It is interesting to note, however, that, in 1915, the average wholesale price of a cord tire, with its relatively low mileage, was a little more than \$26, while in 1935 the average wholesale price per tire for balloon tires, was \$9.15. Two decades have thus brought the public a more comfortable riding tire, with a mileage guarantee of double or more that of those for which they paid a wholesale price nearly three times as great. The enormous development and improvement of the pneumatic tire means obsolescence for the old solid tire, and that is as it should be, for it would have been physically and financially impossible to have built highways to withstand the wear and tear resulting from the use of solid tired vehicles in any such number as pneumatic tired vehicles are today in use. In 1919, the number of solid tires produced was approximately one and one-half millions; fifteen years later production of solid and cushion tires for trucks had decreased to fewer than 100,000.

Without this substantial abandonment of the use of the solid tire, I doubt if either the purchaser of gasoline or the public in general could have borne the taxation that would have been necessary to build and keep in good repair arterial highways anything like those embraced in the highway system we enjoy today, and which has become so indispensable to our economic and social welfare. In passing, it is of interest to note that in 1914, the total surfaced road mileage in the United States was 257,291 miles. Today it is probably in excess of one million miles. You will note, therefore, that development of the American highway system has paralleled development in the pneumatic tire industry.

#### TRADE PRACTICE CONFERENCES

It is not my purpose to trespass long on your time or patience. Nevertheless, I wish to say something to you about the trade practice conference procedure of the Federal Trade Commission, by reason of which you are assembled here today to discuss and, I hope, adopt trade practice rules for your great industry.

The Federal Trade Commission is an administrative agency set up by authority of Congress to prevent unfair methods of competition in commerce. The principle upon which the Federal Trade Commission Act is based is that

honest competitors always should be free to conduct their business in a fair and honorable way, and that the general public should be permitted to enjoy all the benefits flowing from free and fair competition. In the Federal Trade Commission Act, Congress directed the Commission to proceed against persons, partnerships and corporations engaged in unfair methods of competition whenever "it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public." Machinery is provided in the Commission for attaining this objective, through compulsory proceedings, where they are necessary, and through voluntary, cooperative effort, whenever possible. Compulsory correction requires litigation based upon formal charges, often a trial, the presentation of testimony, arguments, and briefs, and finally, sometimes, appeals to the courts for review or enforcement of the resulting order.

To accomplish in a great many cases, by wholesale, and at great saving both to the Government and to business, what would take many separate and time-consuming trials on formal complaint, the Commission sought and finally developed its trade practice procedure. This procedure is the logical development of the Commission's efforts, in cooperation with business and industry, to protect not only honest competitors but the public from the vicious and unlawful practices of those unscrupulous men in many industries who are willing to resort to any method that gives promise of dollar and cent profit.

Under this plan, members of a given business or industry take the initiative in establishing a degree of self-government by setting up a satisfactory code of business ethics, subject only to the limitations of law. As has been done in the case of this conference, a substantial majority of the members of an industry, either through their trade association, through a committee of the industry, or in some other way, request the Commission to sponsor a trade practice conference. If the Commission finds that there is a preponderant sentiment in the industry for such a conference, it authorizes one to be held. At that conference, the industry submits proposed rules for consideration.

The conference is one of and for an industry and the Commission makes no attempt to dictate. Our only concern is to see that your rules are within the law.

Rules adopted may be of two different types. Group I rules may be defined as those a violation of which would constitute a violation of law. For infraction of those rules, a member of an industry may be proceeded against by the Commission. Group II rules may be styled a code of ethics, voluntarily presented and adopted by an industry for the elevation of the business standards and practices of the industry. True, such rules cannot be enforced since they do not proscribe practices violative of law. Yet, the very fact that a substantial majority of members of an industry or a business sit down together and agree among themselves that they urge the adoption of this practice or that, has a moral weight almost as great as that of law itself.

First and last, in the last twenty years the Commission has sponsored around 175 trade practice conferences for a great variety of business and industry. It is very gratifying to report to you that the rules adopted at these conferences, whether Group I or Group II rules, have been observed by an overwhelming majority of the members of those industries.

There has been recently a very substantial increase in the number of industries seeking sponsorship by the Commission for such conferences. This I regard as a most healthful sign. It is substantial evidence that American businessmen are uniting in lawful cooperative efforts to raise their standards; that they not only wish to observe the law, but actively to cooperate in promoting practices fair to all branches of their respective industries and to the public as well.

So I bespeak for you a harmonious and helpful conference. As was said in the Commission's invitation to this conference - "no charges are brought against individuals or individual concerns in a trade practice conference. The subjects discussed are intended to relate to unfair practices or methods, not to persons or firms using them". This is a place where competitors come together in a spirit of mutual cooperation for the benefit of the industry as a whole. No undue advantage will be taken by any particular branch of the industry over another branch with the approval of the Commission. The objective of each individual participating in this conference should be to lay aside personal grievances and to assist in a cooperative effort to eliminate all unfair trade practices, and to condemn all trade evils or trade abuses that may be hardening the arteries of trade in your industry. With this fair and friendly spirit prevailing among your members, the resulting rules will bring renewed hope and inspiration for fairer and more enlightened competition in the rubber tire industry.

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