

NATIONAL RECOVERY ADMINISTRATION

CODE OF FAIR COMPETITION

FOR THE

CARPET AND RUG
MANUFACTURING INDUSTRY

AS APPROVED ON JANUARY 12, 1934

BY

PRESIDENT ROOSEVELT



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UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1934

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Approved Code No. 202

CODE OF FAIR COMPETITION

FOR THE

CARPET AND RUG MANUFACTURING INDUSTRY

As Approved on January 12, 1934

BY

PRESIDENT ROOSEVELT

Executive Order

An application having been duly made, pursuant to and in full compliance with the provisions of Title I of the National Industrial Recovery Act, approved June 16, 1933, for my approval of a Code of Fair Competition for the Carpet and Rug Manufacturing Industry, and hearings having been held thereon and the Administrator having rendered his report containing an analysis of the said Code of Fair Competition together with his recommendations and findings with respect thereto, and the Administrator having found that the said Code of Fair Competition complies in all respects with the pertinent provisions of Title I of said Act and that the requirements of clauses (1) and (2) of subsection (a) of Section 3 of the said Act have been met:

NOW, THEREFORE, I, Franklin D. Roosevelt, President of the United States, pursuant to the authority vested in me by Title I of the National Industrial Recovery Act, approved June 16, 1933, and otherwise, do adopt and approve the report, recommendations and findings of the Administrator and do order that the said Code of Fair Competition be and it is hereby approved, subject to the condition that the provisions of Article VII, Section 19 (a) be stayed pending further investigation and determination by the Administrator of the issues raised with respect thereto.

FRANKLIN D. ROOSEVELT.

Approval recommended:

HUGH S. JOHNSON,
Administrator.

THE WHITE HOUSE,
January 12, 1934.

The PRESIDENT,

The White House.

SIR: This is the report on the Code of Fair Competition for the Carpet and Rug Manufacturing Industry as proposed by the Institute of Carpet Manufacturers of America, Inc.

The hearing was conducted in Washington, D.C. on October 4, 1933. Every person who requested an appearance was freely heard in accordance with statutory and regulatory requirements. The code was presented by duly qualified and authorized representatives of the industry representing 95 percent of the volume of business and 86 percent of the number of establishments.

I. DESCRIPTION OF INDUSTRY

At the present time the carpet and rug manufacturing industry is composed of 35 plants with a potential annual productive capacity of \$215,000,000. Sales during 1933 are estimated at \$60,000,000, which is a marked decrease from the sales of \$167,000,000 that were obtained in 1928. Under these circumstances, it is entirely natural that there should be a similar decline in employment from 32,800 in the latter year to approximately 16,000 at the present.

Several considerations set this industry apart from other enterprises in the textile manufacturing field. Although carpets and rugs are woven on looms, the principles of construction vary materially from any other type of weaving. The looms are extremely complex and certain types often cost as high as \$35,000 apiece. It is generally true that the capital investment per productive employee is extremely high.

Both large and small plants exist in the industry, but in this particular branch of textiles even a small plant is relatively large when compared with textile mills generally. The three largest manufacturers produce roughly 50 percent of the entire volume of the industry.

Design and quality are of extreme importance. The industry naturally follows the trend in interior decoration and furniture design which, although variable, does not have the sharp swings found in the apparel trades. The proponents of the code stressed the necessity for minimum quality specifications and substantiated their contentions by citing numerous instances of fabrics, ingrain carpets for example, which actually passed out of existence, due to long-continued debasement of quality. Constant cheapening of both material and construction finally brought this product into such extreme consumer distrust that it was no longer merchantable at any price. They pointed out that unless reasonable minimum specifications were established and conscientiously adhered to several of the currently manufactured items would disappear in the same manner.

Those proposing the code presented a comprehensive set of fair trade practices which have the practically unanimous approval of

the entire industry and have been very carefully reviewed by the Administration. At the hearing, strong objections were made to several of these provisions as they were originally submitted and it is believed that most of these objections, when valid, have been met. The extreme decline in sales over the last five years was conclusive proof that destructive competitive practices among manufacturers, unless checked, would destroy a capital investment of over \$200,000,000 and destroy the working opportunity for several thousand highly skilled workers.

Intermediate distribution channels, it was claimed, had added further to the chaos brought about by the practices within the industry itself. The mills through their own direct sales to retailers and also through their branch warehouses, control the great majority of goods going to the retailer. For this reason, it is vital that intermediate distributors should be bound in their selling practices by the same conditions as the manufacturer in selling direct to retail channels. Otherwise no reforms could be effected.

From the figures of productive capacity and sales previously cited, it is obvious that control of production is essential, but the sponsors of this code believed it impracticable to achieve this result by restricting machine hours. Any kind of machine-hour restriction that would allow the flexibility necessary to meet seasonal and style peaks would be unnecessarily involved and impossible of administration. Several of the leading firms in the industry made a careful study of their sales and production records over the last ten years. From this they evolved a production-control feature, which provides that at no time can a manufacturer maintain an inventory of more than one third of his sales for the previous twelve months. When the inventory reaches this allowable figure, the manufacturer is granted 120 days to readjust his inventory to the allowed figure before curtailing production. In this way, a mill may start building its stock two or three months before the anticipated peak demand and then can taper off production after the selling season. By this, it is hoped that there will be a leveling out of the peaks and valleys of production and hence furnish more stable employment throughout the year.

II. LABOR PROVISIONS

Except for learners and physically handicapped employees, the industry proposes to pay a minimum wage of 35 cents per hour in the North and 30 cents per hour in the South. Hours of labor are limited to 40 hours per week and 8 hours in any one day. To take care of peak periods, employees may be permitted to work up to 48 hours per week for a period of six weeks during any six months' period, in which case an employee may work up to 10 hours in any one day.

III. ADMINISTRATION

The provisions for the administration of this code are capable of providing the N.R.A. and the Carpet and Rug Manufacturing Industry with sufficient data to recommend any modifications or amendments that may be indicated by experience.

IV. CONCLUSION

The Deputy Administrator in his final report to me on said Code having found as herein set forth and on the basis of all the proceedings in this matter.

I find that:

(a) Said Code is well designed to promote the policies and purposes of Title I of the National Industrial Recovery Act, including removal of obstructions to the free flow of interstate and foreign commerce which tend to diminish the amount thereof and provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among the trade groups, by inducing and maintaining united action of labor and management under adequate governmental sanctions and supervisions, by eliminating unfair competitive practices, by promoting the fullest possible utilization of the present productive capacity of industries, by avoiding undue restriction of production (except as may be temporarily required), by increasing the consumption of industrial and agricultural products through increasing purchasing power, by reducing and relieving unemployment, by improving standards of labor and by otherwise rehabilitating industry.

(b) Said Industry normally employs not more than 50,000 employees; and is not classified by me as a major industry.

(c) The Code as approved complies in all respects with the pertinent provisions of said Title of said Act, including without limitation Subsection (a) of Section 3, Subsection (a) of Section 7, and Subsection (b) of Section 10 thereof; and that the applicant association is an industrial association truly representative of the aforesaid Industry; and that said association imposes no inequitable restrictions on admission to membership therein.

(d) The Code is not designed to and will not permit monopolies or monopolistic practices.

(e) The Code is not designed to and will not eliminate or oppress small enterprises and will not operate to discriminate against them.

(f) Those engaged in other steps of the economic process have not been deprived of the right to be heard prior to approval of said Code.

For these reasons, I recommend that you approve this Code.

Respectfully,

HUGH S. JOHNSON,
Administrator.

JANUARY 11, 1934.

CODE OF FAIR COMPETITION
FOR THE
CARPET AND RUG MANUFACTURING INDUSTRY

ARTICLE I—PREAMBLE

To effectuate the policies of Title I of the National Industrial Recovery Act the following provisions are submitted as a Code of Fair Competition for the Carpet and Rug Manufacturing Industry and upon approval by the President shall be binding upon every member thereof.

ARTICLE II—DEFINITIONS

1. The term "industry" as used herein means the manufacture and original sale of all woven floor coverings and the spinning of carded wool or worsted sales yarn for carpets and rugs. Woven floor coverings, the principal content of which is cotton, grass, or paper, are specifically excluded.

2. The term "auto and airplane carpets" as used herein means those floor coverings manufactured for original sale to automobile manufacturers, to airplane manufacturers, to automobile body manufacturers, and to automobile carpet jobbers for installation in automobiles and airplanes.

3. The term "employee" as used herein includes anyone engaged in the industry in any capacity receiving compensation for his services, irrespective of the nature or method of payment of such compensation.

4. The term "employer" as used herein includes anyone by whom any such employee is compensated or employed.

5. The term "member of the industry" as used herein includes anyone engaged in the industry as above defined, either as an employer or on his own behalf.

6. The term "subscriber" as used herein includes that member of the industry who voluntarily and formally declares to the authority which shall administer this Code that he will be bound by its provisions and will bear his proportionate share of expense in the administration of this Code.

7. The term "regular merchandise" as used herein means all merchandise other than mill seconds, drops, private patterns, samples, remnants, and mill ends.

8. The term "wholesale distributor" as used herein means a firm or organization maintaining an establishment and performing a warehousing and distributing function by carrying a stock of rugs

or carpets, and also maintaining a selling organization to contact floor covering outlets and assuming the credit risks involved in such distribution.

9. The term "contract order" as used herein means an order in which the fabric is sold for a specific installation and not for a part of any dealer's stock.

10. The term "automobile jobber" as used herein means a firm or organization maintaining an establishment and performing a warehousing and distributing function by carrying a stock of automobile carpets and also maintaining a selling organization to contact automobile manufacturers and automobile body manufacturers and assuming the credit risks involved in such distribution.

11. The term "low basis price" as used herein means the manufacturer's published list price, less maximum published trade discount only.

12. The term "drops" as used herein means discontinued patterns.

13. The term "perfect merchandise" as used herein means merchandise which is free from defects, as determined by the inspection department of the manufacturer.

14. The terms "President", "Act", and "Administrator" as used herein shall mean respectively the President of the United States, Title I of the National Industrial Recovery Act, and the Administrator for Industrial Recovery.

ARTICLE III—HOURS

1. No employee shall be permitted to work in excess of forty (40) hours per week, nor more than eight (8) hours per day, provided, however, that during a period not to exceed six (6) weeks during any six months' period, employees may not work in excess of forty-eight (48) hours per week, but no more than ten (10) hours in any twenty-four (24) hour period.

2. It is provided further, that the maximum hours prescribed above shall not apply to professional workers employed in their professional capacity or to any person on a managerial staff receiving in excess of thirty (30) dollars per week, or to watchmen.

3. It is provided further, that a tolerance of ten (10) percent above the maximum hours prescribed above may apply to engineers, electricians, firemen, employees engaged on repair-shop or outside crews, or in the operation of shipping, except common labor.

4. In any special case where restrictions of hours of highly skilled workers would unavoidably reduce the total employment in a plant, or where employees are engaged in emergency maintenance or repair work involving breakdowns or the protection of life or property, employees may be permitted to work in excess of the maximum hours prescribed above. Any emergency time shall be reported monthly to the Code Authority.

5. All hours in excess of the maximum prescribed in the foregoing paragraphs of this Article shall be compensated for at the rate of one and one third ($1\frac{1}{3}$) of the time or piece work rate.

ARTICLE IV—WAGES

1. No employee in the northern section shall be paid less than at the rate of thirty-five (35) cents per hour, except as herein otherwise provided.

2. No employee in the southern section shall be paid less than at the rate of thirty (30) cents per hour, except as herein otherwise provided.

3. The southern section as used above shall include the states of Virginia, Kentucky, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi and Tennessee.

4. This article establishes a minimum rate of pay which shall apply irrespective of whether an employee is actually compensated on a time rate, piece work, or other basis.

5. The dollar differentials in wages between skilled and unskilled employees as existing at August 15, 1933, shall not be decreased. This provision shall not be binding as to employees earning in excess of thirty (30) dollars for forty (40) hours of work.

6. A person whose earning capacity is limited because of age or physical or mental handicap may be employed on light work at a wage below the minimum established by this Code. Each employer shall file with the Code Authority a list of all such persons employed by him, provided, however, that such class of employees shall not exceed five (5) percent of the total employees in any plant.

7. Learners shall not be paid less than eighty (80) percent of the minimum wage, and shall not constitute more than ten (10) percent of the total number of employees in any plant. Learners are persons who have been employed in the industry not longer than six (6) weeks, except as listed below:

Weavers, Pickers, Threaders, Spoolers, Spinners, and

Dyers-----	two months
Setters and Jacquard Creelers-----	four months

ARTICLE V—GENERAL LABOR PROVISIONS

1. No person under sixteen (16) years of age shall be employed in the industry. In any State an employer shall be deemed to have complied with this provision as to age if he shall have on file a certificate or permit duly issued by the Authority in such State empowered to issue employment or age certificates or permits showing that the employee is of the required age.

2. In compliance with Section 7 (a) of the Act, it is provided:

(a) That employees shall have the right to organize and bargain collectively, through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.

(b) That no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing, and

(c) That employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment, approved or prescribed by the President.

3. No employer shall reclassify employees or duties of occupations performed for the purpose of defeating the provisions of the Act or of this Code.

4. No provisions in this Code shall supersede any State or Federal law which imposes more stringent requirements on employers as to age of employees, wages, hours of work, or as to safety, health, sanitary or general working conditions, or insurance, or fire protection, than are imposed by this Code.

5. All employers shall post complete copies of this Code in conspicuous places accessible to employees.

ARTICLE VI—ADMINISTRATION

1. To provide for the administration of this Code within the industry, a Code Authority is hereby established to consist of the Board of Trustees of the Institute of Carpet Manufacturers of America, Inc., or its successor organization. This Board shall have power to appoint any committees or delegate any of its powers to same and utilize any agencies it may deem best for the purpose of administering this Code.

In the public interest and in order to carry out any of the powers of the President of the United States under the National Industrial Recovery Act, the President may appoint one or more representatives who may without cost to the Industry attend meetings of the Code Authority, but without vote, or confer with the Code Authority as to methods or measures for the administration of the Code.

2. Each trade or industrial association directly or indirectly participating in the selection or activities of the Code Authority shall (1) impose no inequitable restrictions on membership for participation in the formation of this Code or in the adoption of any amendments thereto, or in its administration, and (2) submit to the Administrator any articles of the association's By-Laws, regulations, and any amendments when made thereto, which in any way affect the purposes of the National Industrial Recovery Act in the administration of the Code.

3. In order that the Code Authority shall at all times be truly representative of the Industry and comply with the provisions of the Act, the Administrator may prescribe such hearings as he may deem proper; and thereafter if he shall find that the Code Authority is not truly representative or does not comply with the provisions of the Act, may require the membership of the Industry to make an appropriate modification in the method of selection of the Code Authority.

4. Members of the Industry shall be entitled to participate in and share the benefits of the activities of the Code Authority and to participate in the selection of the members thereof by sustaining their reasonable share of the expenses of its administration; such reasonable share of the expenses of administration shall be determined by the Code Authority on the basis of such factors as may be deemed equitable.

5. Nothing contained in this Code shall constitute the members of the Code Authority partners for any purpose. Nor shall any member of the Code Authority be liable in any manner to anyone for any act of any other member, officer, agent, or employee of the Code Authority, nor shall any member of the Code Authority exercising reasonable diligence in the conduct of his duties hereunder be liable to anyone for any action or omission to act under this Code.

6. The Code Authority shall have the following further powers and duties:

To obtain from members of the Industry for use of the Code Authority, and for the information of the President, such reports or statistical information listed below, and/or any other reports or information as shall later be deemed necessary for such purposes. Such data shall be furnished to an individual not in the Industry, to be designated by the Code Authority. The source of such data shall not be disclosed to any member of the Industry, except where any such member specifically consents in respect to his own statistics, or where it is specifically provided for in this Code. Each member of the Industry shall furnish:

A. Such information on cost practices as will enable cost experts employed by the Code Authority to recommend a set of principles of cost practices as hereinafter provided.

B. The following statistics:

Monthly.—(1) Analysis of total shipments in square yards of—

Regular Merchandise

Drops

Seconds

Mill Ends

Slow-Moving Merchandise;

(2) Divided by carpets and rugs, also by weaves:

Orders received in square yards,

Production of finished goods in square yards

Inventory of finished goods in square yards

Shipments of finished goods in square yards

Sales billed in dollar value of:

(a) Regular Merchandise

(b) Drops

(c) Seconds

(d) Mill Ends

Semiannually.—A certified report showing the proportion separately of dollar billed sales of drops, seconds, and mill ends, to the dollar billed sales of regular merchandise.

7. The Code Authority shall have power to initiate, consider, and make recommendations for the modification or amendment of this Code.

8. In addition to the information required to be submitted to the Code Authority as set forth in this Article there shall be furnished to Government agencies such statistical information as the Administrator may deem necessary for the purposes recited in Section 3 (a) of the Act.

9. Where any member of the Industry finds that any other member of the Industry in his operation is presuming an interpretation of any provision of the Code which appears contrary to a proper

interpretation, he may complain to the Code Authority and all members of the Industry shall refrain from competitive action on such interpretation pending an interpretation from the Code Authority.

10. The Code Authority upon receipt of a written complaint from any member of the Industry shall, within two weeks, render an interpretation to be binding on all members of the Industry subject to appeal to the Administrator.

11. Each member of the Industry shall file with the person not in the Industry, designated by the Code Authority, the beginning and termination dates of any agreement or contract involving the sale of his product, to the terms of which he remained legally bound beyond the 24th day of November 1933.

12. If the Administrator shall determine that any action of the Code Authority or any subdivision thereof is unfair or contrary to the public interest, the Administrator may require that such action be suspended for a period of not to exceed thirty (30) days to afford an opportunity for investigation of the merits of such complaint and further consideration by the Code Authority pending final action to be taken only upon approval by the Administrator.

ARTICLE VII—FAIR TRADE PRACTICES

1. Inasmuch as the members of the Industry control a preponderant share of the distribution of carpets and rugs to retailers and consumers, which distribution is to be governed by the following trade practices, it shall be an unfair trade practice for any member of the Industry to distribute through intermediate channels in such a manner as shall create unfair competition as defined in Articles VII, VIII, and IX with members of the Industry distributing direct to the retailer and consumer.

2. *Control of Production.*—The finished goods inventory of square yards of merchandise wherever located, owned by any member of the Industry shall not exceed one third ($\frac{1}{3}$) of his sales in square yards of merchandise for the immediately preceding twelve (12) months. A member of the Industry whose inventory shall at the end of any month exceed the aforementioned allowed figure shall be allowed a period of one hundred twenty (120) days in which to restore the balance between his inventory and sales before curtailing production. Should any person or company enter the industry as a manufacturer or should any existing member of the industry have withdrawn or withdrew his lines from the market for a period of not less than three (3) months the above provisions shall be suspended in their case for the period of twelve (12) months; during this twelve (12) months such person or company may carry an inventory of finished merchandise not to exceed that which is allowed to members of the Industry of commensurate capacity under the provisions of this Code.

3. *Selling Below Cost.*—No member of the Industry shall sell any regular merchandise at a net price or net prices below his cost, excepting that any such member may sell under the provisions of this Code at a price below his cost (a) to meet current prices on regular merchandise of essentially equivalent grade and quality sold by any competitor complying with the provisions of this Code, or (b) where

the Code Authority grants him permission to sell below his cost because exceptional conditions have been presented. The Code Authority shall, through expert cost accountants, determine the principles of a cost practice, both as to the character of the items to be included and the method of their application to the finished products, and each member of the Industry shall set up and maintain records which will conform to the principles recommended and be governed thereby in all computations and reports required for the administration of this Code.

4. *Open Price Data.*—(a) Each member of the Industry shall file with the Code Authority and publish to the trade certified lists of his prices and discounts and also any revision of prices, which shall be immediately forwarded to all members of the Industry. If any member of the Industry desires to revise any of his prices he shall file with the Code Authority any such revision which shall become effective not less than seven (7) days thereafter, exclusive of the date of the filing thereof. Any such revision shall be forwarded immediately to all members of the Industry, who, thereupon, may file any revision of prices which may become effective upon the date when the revised price first filed shall go into effect.

(b) No member of the Industry shall sell any regular merchandise for less than his published list prices, which shall be subject to no greater discount than his maximum trade discount as filed with the Code Authority.

5. *Rebates.*—No member of the Industry shall rebate to any purchaser any part of the purchase price either in the form of trade discounts, advertising allowances, or any other allowances, excepting allowances filed with the Code Authority.

6. *Donations.*—No member of the Industry shall make any donation or contribution in the form of cash, credit, advertising, or other gratuitous consideration to any purchaser.

7. *Contracts.*—No member of the Industry shall accept a contract order at less than his published list price, less his published trade discount.

8. *Quality Specifications.*—Each member of the Industry accepts the minimum specifications for Axminster, Wilton, and Velvet fabrics, which have been adopted by the Institute of Carpet Manufacturers of America, Inc., which shall be filed with the Bureau of Standards at Washington, and shall not manufacture any Axminster, Wilton, or Velvet merchandise inferior to these specifications except to complete the weaving of any fabric in the looms. It is understood that automobile carpets and rugs and also carpets and rugs whereof the surface yarns are composed entirely of jute are excepted from the quality specifications above referred to. Any member of the Industry may require of the Code Authority an interpretation regarding such specifications as to his product.

9. *Copying of Patterns.*—No member of the Industry shall produce in an inferior grade a copy of a running line pattern by any other manufacturer.

10. *Invoicing and Marking.*—All merchandise shipped to customers shall be correctly described and priced on the invoices which are issued covering such merchandise. Rugs other than "perfect" shall be plainly and permanently marked "mill seconds."

11. *Return Merchandise*.—All sales of merchandise shall be final, and no member of the Industry shall accept the return of any merchandise, either for exchange or credit, except where the quality of the merchandise is in question or where an error has been made in size or pattern, or for credit reasons, or where such return is authorized by the Code Authority or its agent.

12. *Credit Terms*.—The following maximum credit terms will apply in all sales of merchandise with the understanding that any member of the Industry be permitted to exercise his option as to which terms best suit the needs of his company:

- (a) 4% 70 days from date of invoice, or
- (b) 4% 60 days from end of month.

Abatement of discount beyond maturity date to be at the rate of one (1) percent a month, left to the option of each member of the Industry, but in no case should abatement of discount be permitted beyond thirty (30) days after maturity date of invoice. Any deviation from the above terms shall be only upon approval of the Code Authority.

13. *Compensation for Losses*.—No member of the Industry shall guarantee any purchaser against, or compensate him for, any losses arising through the operation of his business.

14. *Protection*.—No member of the Industry shall extend price protection or stock protection to purchasers other than wholesale distributors or firms performing a similar distributing function in the event of any decline in prices.

15. *Consignment*.—No member of the Industry shall consign the products of his manufacture to retail dealers or consumers.

16. *Consumers*.—No member of the Industry shall sell direct to the ultimate consumer or his agent, with the exception of sales to city, state, and federal governments, railroads, steamship companies, and common carriers or employees. Sales made through contract departments of wholesale distributors shall not be considered as being made to the ultimate consumer or his agent.

17. *Drops*.—The dollar billed sales of drops by any member of the Industry shall not exceed ten (10) percent of his dollar billed sales of his regular merchandise at his regular published prices, for any calendar year, beginning January 1, 1934. In the case of any excess above the foregoing, then a subscriber shall pay to the Code Authority, as and for liquidated damages, the sum of twenty (20) percent of the amount of such excess, such sum to be devoted to meeting the expenses of the administration of this Code.

18. *Slow-Moving Merchandise*.—Slow-moving merchandise which remains in stock after having been offered for sale as mill seconds, drops, and mill ends for a period of not less than three (3) months, may be sold at discounts necessary to move same, but such slow-moving merchandise shall be sold only during the months of June and December and without further price or stock protection.

19. *Allowances*.—(a) Retail stores are to be credited or paid the volume allowances based only on merchandise invoiced to an individual company. No manufacturer shall pay or allow credit for any cost of re-shipping merchandise shipped and invoiced to a retailer.*

* Provisions of this subsection stayed; see paragraph 2 of Executive Order approving this Code.

(b) All members of the Industry shall lodge with the person not in the Industry, designated by the Code Authority, at the beginning of each season, schedules of all their allowances to wholesale distributors and to other purchasers. Allowances for dollar volume shall be calculated and paid or credited to retailers for no less a period than six (6) months, and in accordance with the schedule filed as provided herein. Notification of any proposed revision in a schedule of allowances shall be given the person not in the Industry, designated by the Code Authority, not less than one (1) week prior to the date upon which any such revision shall become effective.

ARTICLE VIII—AUTO AND AIRPLANE CARPETS

The following additional provisions shall apply to the sale of auto and airplane carpets:

1. *Off Goods*.—Merchandise consisting of seconds, returned goods, and overweavings may be offered to the automobile trade at any time, but if offered to the regular floor-covering trade all provisions of the Code shall apply.

2. *Consignment*.—No member of the Industry shall consign automobile carpets.

3. *Credit Terms*.—Each member of the Industry shall abide by the following terms in the sales of his merchandise:

(a) No cash discount or volume allowances to be allowed to purchasers of auto and airplane carpets; sales to jobbers on four (4) percent basis.

(b) Terms of sale shall specify for payment for merchandise not later than the 25th of the month following the date of the invoice.

(c) Shipments shall be f.o.b. mill.

4. *Filing of Orders*.—Each member of the Industry shall file with the person not in the Industry, designated by the Code Authority, certified copies of all orders received in excess of five hundred (500) dollars; such lists to be filed on the 12th of each month, showing the orders taken during the preceding month. Orders must show quantity, price, terms, life of such agreement and quality and construction specifications, consisting of all-over weight per square yard and pile weight per square yard. After a lapse of three (3) months specifications and price particulars of any order will be considered available for the information of any member of the Industry who may so request. Name of member of the Industry and purchaser shall not be disclosed unless in the opinion of the person not in the Industry, designated by the Code Authority, it is necessary in the event of a claim of unfair practice.

5. *Protection*.—Price protection or stock protection shall not be extended to automobile manufacturers or to distributors or retail dealers in automobile carpets.

6. *Shipping Specifications*.—All orders shall be specified quantities and stipulate the period during which the entire order must be released for shipment or billed. No goods shall be manufactured except against written orders.

ARTICLE IX—WOOL SALES YARN

The following additional provisions shall apply to those members of the Industry spinning carded and worsted wool sales yarn for carpets and rugs, with the understanding that Section 6 (b) of Article VI and Article VII of this Code, shall not apply to said members of the Industry:

1. *Control of Production.*—The finished yarns inventory of pounds of merchandise, wherever located, owned by any member of the Industry defined in this Article shall not exceed one sixth ($\frac{1}{6}$) of his sales in pounds of merchandise for the immediately preceding twelve (12) months. Since, however, seasonal variations require fluctuating inventories of finished yarns, a said member of the Industry whose inventory shall at the end of any month exceed the aforementioned allowed figure shall be allowed a period of one hundred twenty (120) days in which to restore the balance between his inventory and sales, before curtailing production. Should any person or company enter the industry as a manufacturer or should any existing member of the industry have withdrawn or withdrew his lines from the market for a period of not less than three (3) months the above provisions shall be suspended in their case for the period of twelve (12) months; during this twelve (12) months such person or company may carry an inventory of finished merchandise not to exceed that which is allowed to members of the Industry of commensurate capacity under the provisions of this Code.

In order to inform the President of the United States as to the regulation of production conformable with sales, a return shall be made each month to the person not in the Industry, designated by the Code Authority, by each said member of the Industry showing the sales in pounds for the month and the inventory of finished yarns at the end of the month.

2. *Standard Spinning Contract.*—The said members of the Industry, through the Code Authority, shall set up a standard contract for the sale of carpet yarns, which shall include a description of the yarn, a definite date, price, quantity, and a specific time for completion, and it shall be considered unfair practice to allow customers to specify deliveries which shall carry any contract past its completion date. All sales shall be final and any of the said members of the Industry shall not allow rebates of any sort, whether for stock protection, financial protection, or anything else that would change the terms of the contract.

3. *Arbitrations.*—Upon any question arising under this Code which would involve dispute between any said member of the Industry and a weaver to whom he has sold yarn, the complaint of either may be brought to the attention of the Code Authority for its recommendation. If it is determined by said Authority that the contention of any said member of the Industry or of the weaver is without justification then the person not in the Industry, designated by the Code Authority, will be requested to seek an arbitration between the said member of the Industry and weaver involved.

4. *Options.*—Options that are given in yarn purchases shall not exceed ten (10) days.

5. *Seconds, Damaged, or Off-Colored Merchandise.*—All merchandise sold at prices below the contracted price of such merchandise because of yardage, quality, or color, must be reported to the Code Authority monthly. Sales of such merchandise shall not exceed more than $2\frac{1}{2}\%$ of the yearly sales in pounds of each said member of the Industry. This includes such items as inferior or damaged yarn, discontinued or slow-moving colors or any types of merchandise that might properly be classified under these headings.

6. *Donations.*—It shall be considered as unfair competition for any said member of the Industry to make any donation or contribution in the form of cash, credit, advertising, or other gratuitous consideration to any customer in connection with any sale.

7. *Terms.*—Each said member of the Industry shall abide by the following credit terms in the sales of his yarn:

$3\frac{1}{2}\%$ -----	10 days
3% -----	30 days
Net-----	60 days
f.o.b. shipping point.	

From date of invoice which shall be date of delivery.

Interest shall be charged at the rate of one half of one ($\frac{1}{2}$ of 1) percent per month in excess of 60 days. Any deviation from the above terms shall be only upon approval of the Code Authority.

ARTICLE X—MODIFICATION

1. This Code and all the provisions thereof are expressly made subject to the right of the President, in accordance with the provisions of subsection (b) of Section 10 of the National Industrial Recovery Act, from time to time to cancel or modify any order, approval, license, rule, or regulation issued under Title I of said Act.

2. This Code, upon recommendation to the Administrator by the Code Authority, based on conditions in the Industry which tend to effectuate the operation of this Code or the purposes of this Act, may be modified or amplified, except as to provisions required by the Act; such modification or amplification to have the same force or effect as any other provision of this Code after approval by the Administrator under such notice or hearing as the Administrator may specify.

ARTICLE XI—MONOPOLIES

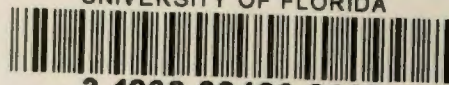
No provision of this Code shall be so applied as to permit monopolies or monopolistic practices, or to eliminate, oppress, or discriminate against small enterprises.

ARTICLE XII—EFFECTIVE DATE

This Code shall become effective the second day after date.

Approved Code No. 202.
Registry No. 214-1-04.

UNIVERSITY OF FLORIDA



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