

# Gypsum Price Hearings

## *iaWCC/GDCI Testifies at Session of Council on Wage and Price Stability*

**T**oo high or not too high — that is the question.

Whether it's gypsum prices or the bid prices of wall and ceiling contractors, or better to pull out of the sea of troubles, the controversy of high and climbing drywall prices moved

up a notch last month to the Council on Wage and Price Stability.

iaWCC/GDCI President Richard M. Connor and Construction Dimensions Editor Gerald Wykoff both testified at the Council's hearings in Washington, D.C., emphasizing the

havoc that price hikes in the past two years have on the installation end of the business.

At the same hearings, The Flintkote Company's President, Monte C. Carpenter, and President James P. Rowe, of Domtar Gypsum America Incorporated, described their company's efforts to revive a profit-barren gypsum industry.

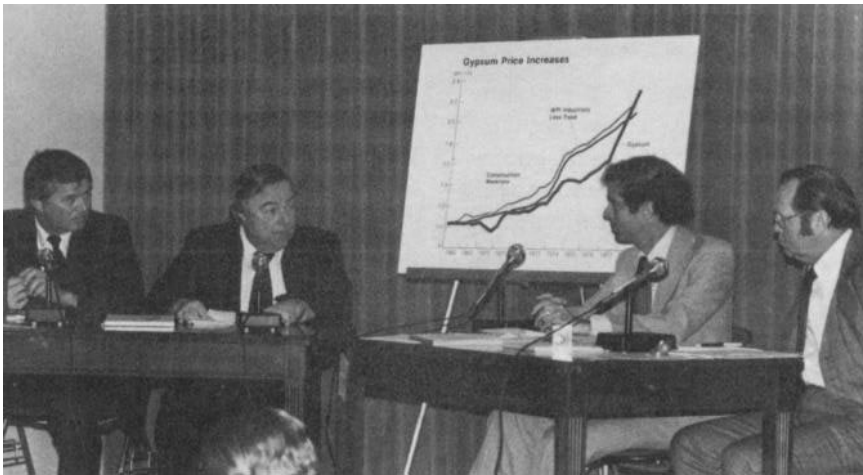
"In view of the rapid and unprecedented expansion of prices during the 18 months that our association surveyed," Connor told the Council, "it is reasonable to inquire as to the location and the precise junction where justifiable cost recovery ends and tactical profiteering begins.

"Any increase in costs experienced by a manufacturer can be passed onto the next purchaser — the contractor. Increases in wallboard prices for a drywall subcontractor may not be so easily passed on because he is operating at a fixed contract price agreed to and accepted by both parties before they even joined the contract," the iaWCC/GDCI President explained.

Said Flintkote's Carpenter: "No one likes to raise prices. But we must be concerned about receiving an adequate price for our products and achieving sufficient profit — not just to reward our employees and shareholders — but ensure the long-term life of the corporation.

"In fact, we are getting such an adequate return from only one of the product lines you have asked us to discuss — gypsum wallboard. And we are getting that return only in the current year, after several years of losing considerable amounts of money," Carpenter added.

Carpenter's position was complimented by the testimony of Domtar's Rowe who reviewed Kaiser (recently



iaWCC/President Richard M. Connor, second from left, answers a question on gypsum wallboard prices put to him by Jack E. Meyer, assistant director of the Council on Wage and Price Stability, during hearings last month in Washington, D.C. Construction Dimensions Editor and Economist Gerald Wykoff, left, who participated in the hearing, and Council Economist Malcolm Leggett, right, look on.



While in Washington, DC., to testify at gypsum price hearings, iaWCC/GDCI President was also a guest at a special reception held for the supporters of contractor Bill Barlow, second from left, the man who challenged OSHA and won. At left is Idaho Congressman George Hansen who orchestrated the U.S. Supreme Court triumph and on the right is Illinois Congressman Phil Crane, a leading GOP presidential aspirant.

sold to the Canadian-based Domtar) gypsum business from 1973 to 1978 as “a financial diaster.”

“The average (loss) of the last five years is a loss of \$1,720,000 per year,” Rowe said, “and considering that Kaiser had an average investment of approximately \$58,000,000 in the assets employed in the gypsum operation during that period, it’s not surprising that Kaiser decided to redeploy the capital it had invested in the gypsum business to its cement operations.”

But iaWCC/GDCI’s Connor had a subcontractor’s answer for the dismal earning records of gypsum companies.

“In the absence of realistic and proprietary cost data from the manufacturers,” he testified, “this association is in no position to specifically deny the validity of some of the increases which have taken place.

“But,” he continued, “however well a drywall contractor manages to cope

with such excessive, unpredictable price patterns, it is inevitable that that contractor brushes dangerously close to bankruptcy the contractor must expand his ‘hedge factor’ . . . avoid completely large or long-term jobs and thus reduce competition . . . or simply absorb somehow the full impact.”

In his opening statement at the hearings, Jack A. Meyer, assistant director for Wage and Price Monitoring, noted that gypsum prices rose 57 percent during the current housing start upturn which began in 1975, contrasting with the 10.2 percent increase that occurred during the previous 1970-1972 upturn which was almost as lengthy (11 quarters vs.

Furthermore, Meyer said, gypsum prices actually rose 25.4 percent during the 1973-75 collapse of homebuilding. After citing other statistical developments, Meyer contended, “The claim that the recent rapid

increases in gypsum prices have been necessary to restore profit margins to historical levels appears unjustified.”

Warned Connor in wrapping up his statement: “If this condition is permitted to continue we will most certainly find ourselves the victims of our own excesses. Wage and price controls, despite an unsavory history, are not a remote possibility.”

The public hearings by the Council on Wage and Price Stability represents one of the final efforts by iaWCC/GDCI to bring some review of the recent pricing chaos in drywall. Following an 18-month spurt in which drywall prices throughout North America escalated 43%, the association reflected growing contractor disenchantment with a Construction Dimensions editorial by Joe M. Baker, Jr., Executive Vice President of iaWCC/GDCI.

This was followed up with Baker paying a few visits to key government agencies and personnel. The House Task Force on Housing invited iaWCC/GDCI to participate in hearings, and then the association made a request to the Council to look into the chaotic situation.

Following the hearings, Baker noted that the association never sought a price rollback and emphasized that such ugly words as “conspiracy” or “collusion” were never employed.

“With all of the risk involved in this industry called construction,” he said, “there needs to be some order. For the past approximately two years we’ve simply had pricing chaos.

Drywall contractors once thought of material as the safety margin in a bid with the labor estimate representing the unpredictable element. In these past two years, drywall contractors couldn’t predict their labor — or their materials. and that isn’t bidding. That’s sheer gambling with unacceptable rewards.

“We have today the opportunity to bring back some sense of order in the drywall industry. We need now only the good intentions and the will,” he concluded.