

UNITED STATES TARIFF COMMISSION

WILTON, BRUSSELS, VELVET, AND TAPESTRY CARPETS AND RUGS

Report to the President (No. TEA-IR-5-68)
Under Section 351(d)(1) of the
Trade Expansion Act of 1962



TC Publication 261

Washington, D. C.
September 1968

UNITED STATES TARIFF COMMISSION

Stanley D. Metzger, Chairman

Glenn W. Sutton, Vice Chairman

Penelope H. Thunberg

Bruce E. Clubb

Donn N. Bent, Secretary

Address all communications to

United States Tariff Commission

Washington, D. C. 20436

C O N T E N T S

	<u>Page</u>
Introduction-----	1
U.S. tariff treatment-----	4
General developments-----	5
U.S. consumption-----	6
U.S. producers-----	7
Production, sales, and inventories-----	8
Employment and man-hours-----	9
Prices-----	9
U.S. imports-----	10
Statistical appendix-----	12

T A B L E S

1. Machine-woven and machine-tufted pile carpets and rugs: U.S. production, by types, 1958-67-----	13
2. Wilton and velvet carpets and rugs: U.S. production, imports for consumption, exports of domestic merchan- dise, and apparent consumption, calendar years 1958-67, fiscal years ending June 30, 1962-68, and January-June of 1962-68-----	14
3. Wilton and velvet carpets and rugs: Indexes of U.S production, 1957-67-----	15
4. Wilton and velvet carpets and rugs: Indexes of U.S. net sales and inventories, 1957-67-----	16
5. Indexes of the average number of production and related workers employed and man-hours worked in Wilton and velvet plants, 1960-67-----	17
6. Indexes of wholesale prices in the United States of Wil- ton and velvet carpets and rugs, and all soft-surface floor coverings, January and June 1957-68-----	18
7. Wilton and velvet floor coverings: U.S. imports for con- sumption, by specified sources, 1963-67 and January- June 1968-----	19

(TC 28827)

REPORT TO THE PRESIDENT

U.S. Tariff Commission
September 5, 1968

To the President:

This report is made pursuant to section 351(d)(1) of the Trade Expansion Act of 1962 (76 Stat. 900), which provides that--

So long as any increase in, or imposition of, any duty or other import restriction pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned, and shall make annual reports to the President concerning such developments.

Introduction

Following an investigation by the Tariff Commission (hereinafter referred to as the Commission) and reports to the President on August 3, 1961, and on December 1, 1961, 1/ under section 7 of the Trade Agreements Extension Act of 1951, as amended, the President, by proclamation dated March 19, 1962, 2/ increased the rate of duty applicable to Wilton, Brussels, velvet, and tapestry carpets, rugs, and mats, and carpets, rugs, and mats of like character or description (hereinafter referred to as Wiltons and velvets), effective after the close of

1/ U.S. Tariff Commission, Wilton, Brussels, Velvet, and Tapestry Carpets and Rugs: Report to the President on Escape-Clause Investigation No. 7-104 , TC Publication 28, 1961 (processed); Wilton, Brussels, Velvet, and Tapestry Carpets and Rugs: Report in Response to the President's Request for Information Supplemental to the Report on Escape-Clause Investigation No. 7-104, TC Publication 41, 1961 (processed).

2/ Proclamation No. 3454; 3 CFR, 1959-1963 Comp., p. 164.

business on April 18, 1962. By proclamation dated March 27, 1962, 1/ the President deferred the effective date of the increased rate to after the close of business on June 17, 1962.

On September 13, 1963, the Commission made its first report to the President pursuant to section 351(d)(1) of the Trade Expansion Act of 1962. Four annual reports have been made pursuant to this section of the Act. 2/

Under the provisions of section 351(c)(1)(B) of the Trade Expansion Act, the increased duty would have terminated not later than October 11, 1967, unless extended by the President pursuant to section 351(c)(2). Under that section, the President is authorized to extend the increase in whole or in part for such periods (not in excess of 4 years at any one time) as he may designate if he determines, after taking into account the advice received from the Tariff Commission and, after seeking advice of the Secretary of Commerce and the Secretary of Labor, that such extension is in the national interest.

1/ Proclamation No. 3458; 3 CFR, 1959-1963 Comp., p. 171.

2/ These four reports are as follows:

(1) Wilton, Brussels, Velvet, and Tapestry Carpets and Rugs: Report to the President (No. TEA-IR-5-63) Under Section 351(d)(1) of the Trade Expansion Act of 1962, TC Publication 107, 1963 (processed).

(2) TC Publication 137 (No. TEA-IR-5-64), 1964 (processed).

(3) TC Publication 160 (No. TEA-IR-5-65), 1965 (processed).

(4) TC Publication 187 (No. TEA-IR-5-66), 1966 (processed).

Upon a petition filed, on behalf of the domestic industry, by the American Carpet Institute, Inc., New York, N.Y., the Tariff Commission instituted on January 18, 1967, an investigation, in order to advise the President pursuant to section 351(d)(3) of the Trade Expansion Act, of its judgment as to the probable economic effect on the industry of a termination of the increase in duty. After receiving the report of the Commission (dated September 5, 1967), 1/ and after receiving the advice of the Secretaries of Commerce and Labor, the President, by proclamation dated October 11, 1967, 2/ extended the increased rate of duty to the close of business December 31, 1969. At the time of issuance of the proclamation, the President announced the appointment of a Task Force of representatives of the Departments of Commerce, Labor, the Small Business Administration and other appropriate agencies to make a comprehensive study of the Wilton and velvet carpet industry with a view to developing solutions which would enable the industry to make the necessary adjustments to the domestic and world market conditions within the time provided by the extension of the duty increase.

This report is confined principally to developments that have occurred since those described in the Commission's report of September 5, 1967, under section 351(d)(3).

1/ U.S. Tariff Commission, Wilton, Brussels, Velvet, and Tapestry Carpets and Rugs: Report to the President on Investigation No. TEA-I-EX-2 under Section 351(d)(3) of the Trade Expansion Act of 1962, TC Publication No. 213, 1967 (processed).

2/ Proclamation No. 3815; 3 CFR, 1967 Comp., p. 89.

U.S. Tariff Treatment

Wiltons (including Brussels) and velvet (including tapestry) floor coverings, and floor coverings of like character or description are currently dutiable at the escape-clause rate of 40 percent ad valorem provided for in item 922.50 of part 2 of the appendix to the Tariff Schedules of the United States (TSUS). ^{1/} In the absence of escape-clause action, these articles would be dutiable at 21 percent ad valorem under item 360.46 of the TSUS, formerly part of item 360.45. Item 360.45 was abolished and replaced by the two items 360.46 and 360.48 pursuant to the Kennedy Round of trade-agreement negotiations, effective January 1, 1968. Item 360.46 is applicable to Wiltons and velvets while item 360.48 is applicable to all other floor coverings formerly dutiable under item 360.45. No reduction in duty was or could have been granted by the United States in the trade negotiations on item 360.46. Such floor coverings were reserved from the negotiations by virtue of section 225(a)(3) of the Trade Expansion Act.

As previously noted, Wiltons and velvets will continue to be dutiable at 40 percent ad valorem under item 922.50 through December 31, 1969, unless the President proclaims otherwise.

^{1/} Pursuant to the Automotive Products Trade Act of 1965, P.L. 89-283, effective January 18, 1965, duty-free treatment is provided for U.S. imports from Canada of original motor vehicle equipment, but imports of Wiltons and velvets eligible to receive such treatment are believed to have been negligible.

General Developments

Production and sales of all soft-surface pile floor coverings improved during the last half of 1967 and the first half of 1968 following a slowdown during late 1966 and early 1967. Tufted floor coverings continued to account for the major growth in output and in 1967 comprised more than 90 percent of the total market for soft-surface pile carpets and rugs. The production of Wiltons and velvets continued its downward trend in 1967 and in that year supplied about 5 percent of the market. Axminster carpets, knitted carpets, and narrow cushion-backed carpets woven on upholstery-type looms supplied most of the remainder. There has been a substantial growth in the production of so-called indoor-outdoor carpets, of which felted or needle-punched types have contributed an increasing share.

A greater variety of manmade fibers are being used for carpet face (pile) yarns. Increased use of polypropylene and polyester fibers, in addition to nylon, acrylic, and rayon fibers, has occurred recently. New types of manmade fiber yarn, especially designed for use in carpets, have been introduced. Manmade fibers accounted for about 85 percent of the face yarns used in soft-surface floor coverings in 1967.

New or improved production processes continue to be more widely utilized, especially in tufted carpet production. Such new processes and equipment include hot melt lamination for backing materials, continuous piece dyeing, printing of carpet designs, high-gauge tufting machines, and horizontal (low-line) tufting machines.

Several market developments have helped expand carpet sales. Promotion of "indoor-outdoor" carpet, which is resistant to the effects of water and sunlight, and provides ease of stain or spot removal, has broadened the sales potential of soft-surface floor coverings. Greater acceptance of carpeting for commercial and institutional use is evident, even in schools and hospitals where the use of carpet was negligible a few years ago. Recent rulings of the Federal Housing Administration and Veterans Administration have enabled carpeting to be included in home purchases as part of an insurable mortgage.

U.S. Consumption

The U.S. consumption of Wiltons and velvets declined from 47.4 million square yards in 1959 to 21.3 million square yards in 1967, a decrease of about 55 percent (table 2). During 1962-63 the decline in consumption was accompanied by a sharp decrease in imports, which was largely attributable to the duty increase in mid-1962. The decline in consumption in subsequent years was accompanied by a declining domestic production, which in turn reflected largely an increasing consumption of tufted carpeting. From 1961, the peak year of imports, through 1967, annual imports declined by 7.6 million square yards (92 percent) and U.S. production declined by 7.8 million square yards (27 percent). Imports supplied 23 percent of the U.S. consumption of Wiltons and velvets in 1961 but only 3 percent in 1967. Domestic production, which comprises the bulk of current consumption, is sold largely in commercial and institutional markets while the relatively small

quantity of imports is sold largely in the residential market. A negligible quantity of domestic production is exported.

In the first half of 1968, consumption of Wiltons and velvets was 10.9 million square yards, which was about 0.5 million square yards greater than in the corresponding period of 1967.

U.S. Producers

Wiltons and velvets were produced in 25 plants by 22 concerns in 1967. Seven of these concerns produced Wiltons and velvets only. As regards the other 15 concerns, all produced tufted carpeting, 7 produced Axminsters, and 4 produced knitted carpeting. Seven of the 25 plants were located in Pennsylvania; 4 in Massachusetts; 2 each in New Jersey, South Carolina, New Hampshire, New York, and North Carolina; and 1 each in Connecticut, Georgia, Maine, and Virginia. Doyle Carpet Co., Franklin, Massachusetts, reportedly ceased production of velvets after 1967. Mohasco Industries, Inc. announced, in May 1968, plans to phase out during 1968 most carpet manufacturing operations at its plant in Amsterdam, New York.

Several of the producing concerns have only a small output of Wilton and velvet carpets. In 1967, 7 concerns produced approximately 87 percent of the total output of Wiltons and velvets; they manufactured about 81 percent of the Wiltons and 89 percent of the velvets. Wiltons and velvets accounted for 18 percent and tufted for 75 percent of the total output of machine-made pile floor coverings by these 7 concerns.

The share of tufted carpet in the total output of those concerns that produced Wiltons and velvets increased from 73 percent in 1966 to 76 percent in 1967. Plans of several large producers to expand tufting facilities indicate a further increase in the share accounted for by tufted carpets.

Considering only the plants in which Wiltons and velvets were produced in 1967, tufted carpet accounted for 63 percent of the production, Wiltons and velvets 32 percent, and other types about 5 percent.

Production, sales, and inventories

The U.S. production of Wiltons and velvets in 1967 of 21 million square yards (table 1) was about 11 percent lower than in 1966, reflecting a 6-percent decline in the annual production of Wiltons and a 13-percent decline in that of velvets. The output of Wiltons and velvets in the first half of 1968 (table 2) was slightly higher than in the corresponding period of 1967, reflecting a slight increase in the output of velvets and a larger increase in the output of Wiltons.

During 1960-65, the production of Wiltons declined sharply while that of velvets remained relatively stable; since 1965, however, the decline in output of velvets has been greater than that of Wiltons (table 3). Velvets continue to account for the major part of total Wilton and velvet production.

Indexes of the sales and inventories of concerns that supplied data for the years 1957-67 (which in the aggregate accounted for more

than 90 percent of the output of Wiltons and velvets during the period) are shown in table 4. The quantity of sales has declined more sharply since 1963 than has the value of sales. Producers' yearend inventories were lower in 1967 than in 1966, continuing the general downward trend of recent years.

Employment and man-hours

Nearly 9,000 production and related workers are employed in U.S plants producing Wiltons and velvets but, based on man-hours worked, more than half are estimated to be engaged in the production of other products.

Indexes (1960-62=100) of employment in Wilton and velvet plants for the years 1960-67, based on reports by firms accounting for more than 90 percent of the domestic production of Wiltons and velvets, are shown in table 5. The three indexes shown all declined in 1967, continuing the trend of annual decline since 1960. The index of the average number of production and related workers employed on all products decreased from 75 in 1966 to 70 in 1967; that of man-hours worked on all products decreased from 78 in 1966 to 74 in 1967. The index of man-hours worked on Wiltons and velvets alone declined from 68 in 1966 to 62 in 1967, or by 6 points, compared to a decline of 4 points in man-hours worked on all products in these plants.

Prices

Wholesale-price indexes for Wiltons, velvets, and all soft-surface floor coverings, as reported by the U.S. Bureau of Labor

Statistics, are shown in table 6 for January and June 1957-68. Many of the price changes during these years reflect changes in the prices of raw materials. In late 1966, however, price reductions were instituted by several mills following compliance with a Federal Trade Commission ban on volume rebates. Further price reductions in 1967 reflected lower fiber costs and a slackening of demand. Increases in manmade fiber prices were followed by slight increases in carpet prices in early 1968. Carpet-wool prices during the past 12 months have been below earlier levels. Further increases in carpet prices have recently been instituted by several mills following a general increase in wages in mid-1968. The labor cost per unit of production is much higher for Wiltons and velvets than for tufted floor coverings.

U.S. Imports

After declining sharply during 1962-65, annual U.S. imports of Wiltons and velvets increased in 1966 and 1967 (table 2). In 1967 they were about 8 percent as large as in 1961 and were equivalent to about 3 percent of domestic production. Imports in the first six months of 1968, 393 thousand square yards, were 153 thousand square yards greater than in the first six months of 1967. Contributing to the gradual increase in imports since 1965 has been greater demand in a small segment of the market for rugs of oriental or other special designs.

Belgium continues to be the major source of U.S. imports of Wiltons and velvets; it supplied over 70 percent of the total imports

in 1967 (table 7). Since 1964 Italy has been the second largest source of U.S. imports.

The average unit value of imports in 1967 was \$5.86 per square yard, slightly higher than in 1966 but much higher than the low of \$3.29 in 1962. The bulk of the imports now consist of medium-priced Wilton rugs of oriental design plus a smaller quantity of higher-priced velvet carpet. These articles are sold primarily in the residential market.

Statistical Appendix

Table 1.--Machine-woven and machine-tufted pile carpets and rugs: U.S. production, by types, 1958-67.

Year	(In thousands of square yards)							Grand total
	Machine-woven ^{1/}		Machine-tufted ^{2/}			Total	Grand total	
	Wilton and velvet	All other ^{3/}	Total	4' x 6' and smaller	Automobile and aircraft			Over 4' x 6'
1958	34,258	16,802	51,060	34,057	6,508	73,083	113,648	
1959	40,570	19,484	60,054	36,416	4/	96,107	132,523	
1960	31,530	16,781	48,311	38,220	4/	113,764	151,984	
1961	28,663	15,614	44,277	44,530	4/	134,095	178,625	
1962	29,473	14,614	44,087	48,569	30,437	145,816	224,822	
1963	28,290	13,983	42,273	52,432	34,191	176,362	262,985	
1964	24,248	13,507	37,755	60,674	38,539	219,703	318,916	
1965	23,546	12,275	35,821	67,389	48,474	259,885	375,748	
1966	23,359	10,492	33,851	75,705	43,298	288,710	407,713	
1967	20,855	9,062	29,917	62,310	40,198	318,160	420,668	

^{1/} In recent years, significant quantities of machine-woven pile floor coverings have been made on upholstery-type looms, but only small quantities of such production are believed to be included in this tabulation.

^{2/} Shipments. Data for 1958 and 1959 are not strictly comparable with those for later years.

^{3/} Includes sheen, chenille, Axminster, and others.

^{4/} Not separately reported. Believed to be included with floor coverings over 4' x 6'.

Source: Production of machine-woven pile carpets and rugs estimated by the U.S. Tariff Commission staff from data supplied by domestic producers; shipments of machine-tufted as reported by the Bureau of the Census, Facts for Industry and Current Industrial Reports.

Table 2.--Wilton and velvet carpets and rugs: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, calendar years 1958-67, fiscal years ending June 30, 1962-68, and January-June of 1962-68.

Period	Production	Imports	Exports ^{1/}	Apparent consumption ^{2/}	Ratio of imports to--	
	1,000 sq. yds.	1,000 sq. yds.	1,000 sq. yds.	1,000 sq. yds.	Production	Consumption
					Percent	Percent
1958-----	34,258	4,632	266	38,624	13.5	12.0
1959-----	40,570	6,982	196	47,356	17.2	14.7
1960-----	31,530	8,165	186	39,509	25.9	20.7
1961-----	28,663	8,234	221	36,676	28.7	22.5
1962-----	29,473	5,919	230	35,162	20.1	16.8
1963-----	28,290	^{3/} 1,853	188	29,955	6.6	6.2
1964-----	24,248	^{2/} 949	149	25,048	3.9	3.8
1965-----	23,546	519	245	23,820	2.2	2.2
1966-----	23,359	574	235	23,698	2.5	2.4
1967-----	20,855	669	204	21,320	3.2	3.1
Fiscal year ending						
June 30--						
1962-----	29,423	9,070	248	38,245	30.8	23.7
1963-----	29,419	2,407	175	31,651	8.2	7.6
1964-----	25,566	^{3/} 1,472	187	26,851	5.8	5.5
1965-----	23,563	^{3/} 594	192	24,009	2.7	2.7
1966-----	24,266	494	233	24,527	2.0	2.0
1967-----	21,143	581	246	21,478	2.7	2.7
1968-----	21,231	822	^{4/} 212	21,841	3.9	3.8
January-June--						
1962-----	15,157	4,508	135	19,530	29.7	23.1
1963-----	15,103	995	80	16,018	6.6	6.2
1964-----	12,409	^{3/} 614	75	12,948	4.9	4.7
1965-----	11,724	259	115	11,868	2.2	2.2
1966-----	12,444	234	103	12,575	1.9	1.9
1967-----	10,228	240	113	10,355	2.3	2.3
1968-----	10,604	393	^{4/} 122	10,875	3.7	3.6

^{1/} Exports of wool floor coverings.

^{2/} Production plus imports minus exports

^{3/} Contains a relatively small amount of pile floor coverings other than Wiltons and velvets, estimated to be less than 10 percent.

^{4/} Estimated.

Source: Production estimated by U.S. Tariff Commission from data supplied by domestic producers; imports and exports compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 3.--Wilton and velvet carpets and rugs: Indexes of U.S. production, 1957-67

(1957-59=100)

Year	Wilton	Velvet	Total
1957	98	100	99
1958	90	94	92
1959	112	106	109
1960	86	83	85
1961	70	82	77
1962	70	86	79
1963	60	89	76
1964	42	83	65
1965	36	85	63
1966	37	83	63
1967	35	73	56

Source: Computed from data supplied the U.S. Tariff Commission by domestic producers.

Table 4.--Wilton and velvet carpets and rugs: Indexes of U.S.
net sales and inventories, 1957-67

(1957-60=100)

Year	Net sales		Inventories as of Dec. 31 (quantity)
	Quantity	Value	
1957-----	100	105	104
1958-----	97	95	95
1959-----	111	109	106
1960-----	91	91	95
1961-----	81	82	94
1962-----	87	86	90
1963-----	82	82	89
1964-----	71	77	79
1965-----	70	75	71
1966-----	68	75	71
1967-----	62	70	65

Source: Computed from data submitted to the U.S. Tariff Commission by U.S. firms whose output is estimated to have accounted for more than 90 percent of the total production of Wilton and velvet carpets and rugs during the period 1957-67.

Table 5.--Indexes of the average number of production and related workers employed and man-hours worked in Wilton and velvet plants, 1960-67

(1960-62=100)

Year	Average number employed on all products	Man-hours worked on--	
		All products	Wiltons and velvets
1960-----	112	109	110
1961-----	97	97	96
1962-----	91	94	94
1963-----	83	89	87
1964-----	78	82	74
1965-----	77	81	72
1966-----	75	78	68
1967-----	70	74	61

Source: Computed from data supplied the U.S. Tariff Commission by domestic producers whose output is estimated to have accounted for more than 90 percent of the total production of Wilton and velvet carpets and rugs during 1960-67.

Table 6.--Indexes of wholesale ^{1/} prices in the United States of Wilton and velvet carpets and rugs, and all soft-surface floor coverings, January and June 1957-68

(1957-59=100)

Year and month	Wiltons	Velvets	Soft-surface floor coverings
1957:			
January-----	104	102	105
June-----	104	102	104
1958:			
January-----	100	102	102
June-----	97	97	98
1959:			
January-----	95	98	97
June-----	99	101	98
1960:			
January-----	100	101	99
June-----	102	103	100
1961:			
January-----	99	99	98
June-----	99	98	98
1962:			
January-----	99	95	96
June-----	97	95	96
1963:			
January-----	97	92	94
June-----	97	91	94
1964:			
January-----	108	98	99
June-----	108	98	97
1965:			
January-----	105	96	95
June-----	105	96	95
1966:			
January-----	106	98	94
June-----	106	98	94
1967:			
January-----	105	95	90
June-----	102	94	89
1968:			
January-----	105	94	90
June-----	105	94	90

^{1/} The term "wholesale," as used in the index, refers to sales in large lots at the first (primary market) level of commercial transaction; later transactions at other stages in the distribution cycle are not included.

Source: U.S. Bureau of Labor Statistics.

Table 7.--Wilton and velvet floor coverings: U.S. imports for consumption, by specified sources, 1963-67, and January-June 1968

Source	1963	1964	1965 ^{1/}	1966 ^{1/}	1967	Jan.-June 1968
Quantity (1,000 square yards)						
Belgium and Luxembourg---	1,285	611	266	379	498	287
Italy-----	78	32	95	106	101	62
United Kingdom-----	48	61	50	45	40	24
France-----	72	57	20	17	14	2
West Germany-----	8	14	13	17	9	16
Japan-----	356	145	49	6	3	-
All other-----	6	29	26	4	4	2
Total-----	2/1,853	2/ 949	519	574	669	393
Value (1,000 dollars)						
Belgium and Luxembourg---	4,442	2,302	1,826	2,197	2,907	1,623
Italy-----	425	236	495	466	503	339
United Kingdom-----	305	393	333	288	266	149
France-----	338	262	130	104	104	13
West Germany-----	42	86	88	104	56	84
Japan-----	1,262	598	270	37	34	17
All other-----	42	144	118	40	52	-
Total-----	2/6,856	2/ 4,021	3,260	3,236	3,922	2,225
Unit value (per square yard) ^{3/}						
Belgium-----	\$3.46	\$3.77	\$6.87	\$5.80	\$5.83	\$5.66
Italy-----	5.43	7.37	5.22	4.38	4.99	5.48
United Kingdom-----	6.35	6.42	6.61	6.43	6.66	6.18
France-----	4.68	4.57	6.61	6.22	7.48	6.82
West Germany-----	5.64	6.14	6.52	6.01	5.99	5.26
Japan-----	3.55	4.13	5.55	5.88	10.16	-
All other-----	6.62	4.90	4.54	8.64	15.18	8.12
Average-----	3.70	4.24	6.28	5.63	5.86	5.66

^{1/} Country breakdown partly estimated.

^{2/} Contains a relatively small amount of pile floor coverings other than Wiltons and velvets, estimated to be less than 10 percent.

^{3/} Calculated from the unrounded figures.

Source: Compiled from official statistics of the U.S. Department of Commerce.

