

UNITED STATES TARIFF COMMISSION

WILTON, BRUSSELS, VELVET, AND
TAPESTRY CARPETS AND RUGS

Report to the President
on Investigation No. TEA-IR-5-70
Under Section 351(d)(1) of the Trade Expansion Act of 1962



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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
December 29, 1969.

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

In 1962, in response to a Tariff Commission finding of serious injury to the domestic Wilton and velvet carpet industry, the President proclaimed an increase in the rate of duty applicable to imported Wilton and velvet carpets from 21 percent to 40 percent ad valorem. Thereafter the Commission made several annual reports to the President on developments in the trade. In 1967 the Commission reported on the probable economic effect on the industry of restoring the 21-percent rate of duty. Following receipt of the latter report, the President extended the period during which the 40-percent rate would remain in effect to December 31, 1969.

On November 18, 1969, following an investigation in response to a petition by the domestic industry, the Commission reported to the President that in its judgment, under conditions which currently existed in the domestic Wilton and velvet industry, in the

marketplace, and in the industry abroad, the U.S. producers in the aggregate would be little affected by the termination of the duty increase. ^{1/} After receipt of this report, the President announced a decision to permit the increased rate of duty on imitation oriental types of carpeting to revert to the 21-percent rate but to extend the escape-clause rate (40 percent ad valorem) on Wiltons and velvets other than imitation oriental types to the close of December 31, 1972. At the same time, the White House announced that the President would ask the Tariff Commission for additional information regarding non-oriental carpets and rugs to help determine whether any further action might be necessary regarding the tariff on those articles.

In response to the Presidential request, the Commission conducted an investigation under section 351(d)(2) of the Trade Expansion Act of 1962 and made a report to the President on June 19, 1970. ^{2/} The report supplied additional information and concluded that conditions in the U.S. market with respect to competition between imported and domestic Wiltons and velvets had not changed in any significant degree in the 6 months since the product coverage of the escape-clause rate was modified. The Special Representative for Trade Negotiations

^{1/} U.S. Tariff Commission, Wilton, Brussels, Velvet, and Tapestry Carpets and Rugs: Report to the President on Investigation No. TEA-I-EX-5 Under Section 351(d)(3) of the Trade Expansion Act of 1962, TC Publication 302, 1969. This report contains a detailed listing of earlier Commission reports and Presidential actions on Wiltons and velvets.

^{2/} U.S. Tariff Commission, Wilton, Brussels, Velvet, and Tapestry Carpets and Rugs: Report to the President on Investigation No. TEA-I-A-9 Under Section 351(d)(2) of the Trade Expansion Act of 1962, TC Publication 326, 1970.

announced on October 5, 1970, that the President had decided that no further action was warranted with regard to tariffs on Wiltons and velvets of nonoriental design. Such floor coverings will continue to be dutiable at 40 percent ad valorem under item 922.50 through December 31, 1972, unless the President proclaims otherwise.

Pursuant to section 351(d)(1), this report is made respecting developments in the Wilton and velvet industry; the report is confined principally to developments during the current calendar year.

U.S. Tariff Treatment

Wilton (including Brussels) and velvet (including tapestry) floor coverings, and floor coverings of like character or description, other than imitation oriental floor coverings, 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). If the escape-clause rate were terminated, these articles would become dutiable at 21 percent ad valorem under item 360.46 of the TSUS. 1/

Imitation oriental floor coverings are currently dutiable at 21 percent ad valorem under item 360.46; these types of Wilton and velvet floor coverings were dutiable at the increased rate of 40 percent ad valorem from June 18, 1962, to the close of December 31, 1969. 2/ The trade-agreement rate (21 percent ad valorem) applicable to imports

1/ Imports from designated Communist-dominated or Communist-controlled countries are dutiable at 60 percent ad valorem.

2/ Presidential Proclamation No. 3953 (35 F.R. 141).

under item 360.46 is the same as that in 1962 before the escape-clause action was taken; such floor coverings were reserved from the Kennedy Round negotiations by virtue of section 225(a)(3) of the Trade Expansion Act.

General Developments

U.S. producers' shipments of all soft-surface pile floor coverings increased substantially in 1968 and 1969. A slowdown in sales beginning in late 1969, however, resulted in reduced shipments in 1970. It now appears that shipments in 1970 may be below those in 1969--the first time that annual shipments of pile floor coverings had declined in recent years. On the other hand, the quantity of shipments of woven carpets and rugs, including Wiltons and velvets, declined slightly from 1967 to 1969 and in the first 6 months of 1970 more sharply than the total. Shipments of other types, including needle-punched and upholstery-loomed, continued to increase in 1970 in contrast to the decline in woven and tufted. In the first half of 1970, according to Bureau of the Census data, woven carpets and rugs accounted for about 5 percent of total shipments; tufted, 87 percent; and other types, 8 percent. U.S. producers' shipments of carpets and rugs in recent periods are shown in the following tabulation (in thousands of square yards):

Type	1967	1968	1969	Jan.-June 1970
Woven-----	35,749	35,836	35,220	15,169
Tufted-----	432,160	511,004	562,665	267,518
Other-----	28,885	39,315	44,760	24,124
Total-----	496,524	586,155	642,645	306,811

Manmade fibers apparently will account for more than 90 percent of the face yarns used in soft-surface floor coverings in 1970. The consumption of particular fibers as a percent of total consumption, by weight, in January-June 1970, was as follows:

Nylon-----	41.7
Acrylic-----	18.2
Polyester-----	15.9
Wool-----	7.9
Polypropylene---	7.2
Rayon or acetate-----	7.4
All other-----	1.7
Total-----	<u>100.0</u>

Wool was the major fiber used in face yarns for woven carpets and rugs but accounted for a minor proportion in other types. Acrylic was the leading manmade fiber used in woven carpets and rugs.

Tufting continues to be the dominant method of carpet production; improvements in equipment and processing methods of such carpeting are being widely adopted.

A number of developments are expected to have a significant influence on market trends in the future. These include:

(a) The Federal Government flammability standards, which are being developed for floor coverings, may influence the types of fiber consumed, the methods of processing, and the pattern of sales.

(b) A broader approach to marketing, encompassing the "total home environment," is being undertaken by both retailers and manufacturers. Several major carpet producers have diversified into furniture and other home furnishings.

(c) The emphasis on reduced installation costs, including "do-it-yourself," has led to increased production and sales of carpet with bonded backing and carpet tiles.

(d) The market for products made on carpet equipment by carpet manufacturers has been broadened to include coverings for walls and ceiling and surfaces for athletic fields and other outdoor areas.

(e) Large quantities of carpeting are being sold increasingly as an integral part of new homes, including modular and mobile homes.

Somewhat higher sales and firmer prices for carpets and rugs appeared to be developing in late 1970. Price increases of about 10 percent on bulked continuous filament nylon were announced by leading fiber producers in September and this was followed by announcements of price increases by carpet manufacturers, averaging about 5 percent, on selected lines, with effective dates ranging from November 16, 1970, to January 1, 1971. Most increases at the retail level are expected to occur early in 1971.

The U.S. Industry

In 1970, Wiltons and velvets were produced in 20 plants by 17 concerns. Velvets were produced by 14 of these concerns and Wiltons by 11. Most of the concerns produced other types of floor coverings as well; Axminsters were produced by 3; tufted, by 15; knitted, by 1; and other types, by 4. Of the 20 plants in which Wiltons and velvets were produced, 10 produced no other types of floor coverings.

In some 4 or 5 smaller firms, Wiltons and velvets account for all or a major part of total production of the firm. The remaining firms are nearly all larger, multiplant firms whose Wilton and velvet production accounts for a minor part of their total output. In several individual plants of the multiplant firms, however, Wiltons and velvets constitute all or the major part of the production. Wiltons and velvets comprised about 14 percent of the total floor covering output of firms (including multiplant firms) which produced Wiltons and velvets in 1969; considering only the plants in which the Wiltons and velvets were produced, they accounted for about one-third of the production but more than half the value of sales.

Seven of the 20 plants operating in 1970 were located in Pennsylvania; 3 in Massachusetts; 2 each in New Hampshire, North Carolina, and South Carolina; and 1 each in Connecticut, Maine, New Jersey, and Virginia.

The output of Wiltons and velvets by U.S. producers is nearly all of nonoriental types. One U.S. producer is believed to account for the bulk of the domestic production of imitation orientals; such articles are a minor part of total production of floor coverings by that firm.

U.S. Consumption

The U.S. consumption of Wiltons and velvets declined from 47.4 million square yards in 1959 to 20.8 million square yards in 1969, a decrease of about 56 percent (table 1). During 1962-63 the decline in consumption was accompanied by a sharp decrease in imports of Wiltons and velvets, which was attributable in part to the duty increase in mid-1962. The decline in consumption in subsequent years and the accompanying decline in domestic production reflected largely the increasing substitution of tufted carpeting for Wiltons and velvets. From 1961, the peak year of imports, through 1969, annual imports declined by 7.4 million square yards (89 percent) and U.S. production declined by 8.3 million square yards (29 percent). Imports supplied 23 percent of the U.S. consumption of Wiltons and velvets in 1961 but only 4 percent in 1969. 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 1970, consumption of Wiltons and velvets was 9.9 million square yards, which was about 0.8 million square yards less than in the corresponding period of 1969. Imitation orientals, supplied largely by imports, accounted for less than 3 percent of total consumption of Wiltons and velvets.

U.S. Production, Sales, and Inventories

U.S. production of Wiltons and velvets in 1969, 20.3 million square yards, was about half that in the peak year of 1959 (table 1). The output in the first half of 1970 was about 6 percent below the corresponding period of 1969. Velvets accounted for about three-fourths of the production in January-June 1970, and Wiltons, for about one-fourth.

Indexes of the sales and inventories of Wiltons and velvets by U.S. concerns are shown in table 2. The quantity of sales has declined more sharply since 1963 than has the value of sales. Producers' year-end inventories were lower in 1969 than in 1968, continuing the general downward trend of recent years. The quantity and value of annual sales were nearly stable during 1967-69. Sales in January-June 1970, however, were more than 10 percent lower than in the comparable period of 1969. Estimated exports have been increasing in recent years but are insignificant in relation to production and usually amount to less than half the volume of imports (table 1).

Employment

About 7,300 production and related workers were employed in plants manufacturing Wiltons and velvets in 1969. Only 40 percent of the total man-hours worked by these employees, however, was devoted to the manufacture of Wiltons and velvets. Indexes of employment and man-hours worked in Wilton and velvet plants for the years 1960-69 are shown in table 3. The three indexes have declined since 1960,

although employment on Wiltons and velvets has declined more than employment on all products of the plants. The sharp declines from 1968 to 1969 in the number of production and related workers employed on all products and in the man-hours worked on Wilton and velvets reflect the fact that by 1969 certain plants had closed or ceased the production of Wiltons and velvets. Because of the particular conditions in these plants and the types of products made, the resulting decline in man-hours worked on Wiltons and velvets was somewhat larger than the decline in the quantity of production.

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 4 for January and June 1958-70. A generally declining trend in the price for all soft-surface floor coverings over the period is attributable largely to declining prices of tufted floor coverings resulting from production efficiencies and lower-cost raw materials. Those price decreases occurred concurrently with a sharp growth in total floor covering sales. In June 1970, the price index for all soft-surface floor coverings was 12 percent lower than the 1957-59 base, while that for velvets was 6 percent lower, and that for Wiltons is estimated to have been about 5 percent higher than the base period.

Current prices also reflect a general slowdown in business and reduced demand. As previously noted, slight increases in prices are expected in 1971 as a result of price increases on raw materials and increased demand.

U.S. Imports

U.S. imports of Wiltons and velvets increased gradually from a low of 519,000 square yards in 1965 to 883,000 square yards in 1969 (table 1). Imports in 1969, however, were only about one-tenth as large as in 1961, the year preceding the escape-clause action. Imports in January-June 1970 amounted to 322,000 square yards compared with 462,000 in January-June 1969. It is estimated that total imports of Wiltons and velvets in 1970 will be about 650,000 square yards, 25 percent less than in 1969.

Imitation oriental floor coverings accounted for 60 percent of the quantity and 58 percent of the value of total Wilton and velvet imports during January-September 1970 (table 5). Although entries of these floor coverings were not separately reported until January 1, 1970, when the increased rate of duty was terminated, trade information indicates that imports of imitation orientals have not increased since the duty reduction. Imports of the Wiltons and velvets subject to the 40-percent rate amounted to 188,000 square yards, valued at \$1.2 million, during January-September 1970 and it is estimated that such imports will total about 250,000 square yards for the full year.

Belgium has been the leading supplier in recent years of Wiltons and velvets of both the imitation oriental and other types (table 6). Belgium, the United Kingdom, and Italy together supplied about three-fourths of the U.S. imports of Wiltons and velvets other than imitation orientals during January-September 1970. Belgium supplied 49 percent of the quantity; the United Kingdom, 18 percent; and Italy, 10 percent. The unit value of such imports from these sources was highest for those from the United Kingdom (\$7.03 per square yard) and lowest for those from Belgium (\$5.33 per square yard); the average unit value of imports from all sources was \$6.12 per square yard.

Virtually all of the Wilton and velvet imports from the United Kingdom were types other than imitation oriental whereas the majority of those from Belgium and Italy were imitation orientals dutiable at the lower trade-agreement rate.

It is estimated that in 1970 imports of the nonoriental types subject to the escape-clause rate will equal about 1.3 percent of U.S. consumption of such floor coverings.

Statistical Appendix

Table 1.--Wilton and velvet carpets and rugs: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1958-69 and January-June 1969 and 1970

Year	Production <u>1/</u>	Imports	Ex-ports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of import to consumption
	<u>1,000</u> sq. yds.	<u>1,000</u> sq. yds.	<u>1,000</u> sq. yds.	<u>1,000</u> sq. yds.	Percent
1958-----	34,258	4,632	266	38,624	12.0
1959-----	40,570	6,982	196	47,356	14.7
1960-----	31,530	8,165	186	39,509	20.7
1961-----	28,663	8,234	221	36,676	22.5
1962-----	29,473	5,919	230	35,162	16.8
1963-----	28,290	<u>4/</u> 1,853	188	29,955	6.2
1964-----	24,248	<u>4/</u> 949	149	25,048	3.8
1965-----	23,546	519	245	23,820	2.2
1966-----	23,359	574	235	23,698	2.4
1967-----	20,855	669	204	21,320	3.1
1968-----	21,169	879	327	21,721	4.0
1969-----	<u>5/</u> 20,331	883	401	20,813	4.2
Jan.-June:					
1969-----	<u>5/</u> 10,363	462	138	10,687	4.3
1970-----	9,759	322	220	9,854	3.3

1/ In recent years, a relatively small quantity (believed to be less than 5 percent) of floor coverings woven on upholstery-type looms has been included in this tabulation.

2/ Exports of wool floor coverings, including Wiltons and velvets.

3/ Production plus imports minus exports.

4/ Contains a relatively small quantity of pile floor coverings other than Wiltons and velvets, estimated to be less than 10 percent.

5/ Revised.

Source: Production estimated by the 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 2.--Wilton and velvet carpets and rugs: Indexes of U.S.
net sales and inventories, 1957-69

(1957-59=100)

Year	Net sales		Inventories as of Dec. 31 (quantity)
	Quantity	Value	
1957-----	97	102	102
1958-----	95	92	93
1959-----	108	106	104
1960-----	89	88	93
1961-----	79	80	92
1962-----	84	83	88
1963-----	80	80	87
1964-----	69	75	77
1965-----	68	73	70
1966-----	66	73	69
1967-----	60	68	64
1968-----	60	68	61
1969-----	60	67	56

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 1957-69.

Table 3.--Indexes of the average number of production and related workers employed and man-hours worked in Wilton and velvet plants, 1960-69

(1960-62 = 100)

Year	Average number of workers 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	71
1966-----	75	79	67
1967-----	70	74	62
1968-----	73	76	61
1969-----	67	72	56

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 1960-69.

Table 4.--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 1958-70

(1957-59 = 100)

Year and month	Wiltons	Velvets	All soft-surface floor coverings <u>2/</u>
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
1969:			
January-----	106	95	91
June-----	<u>3/</u>	94	90
1970:			
January-----	<u>3/</u>	94	89
June-----	<u>3/</u>	94	88

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.

2/ Includes Wiltons, velvets, and tufteds.

3/ Not reported.

Source: U.S. Bureau of Labor Statistics.

Table 5.--Wilton and velvet floor coverings: U.S. imports for consumption, by specified sources, by types, January-September 1970

Source	Imitation oriental	Other types	Total
Quantity (square yards)			
Belgium and Luxembourg--:	248,244 :	92,777 :	341,021
United Kingdom-----:	688 :	34,308 :	34,996
Italy-----:	25,259 :	19,826 :	45,085
West Germany-----:	5,112 :	8,984 :	14,096
France-----:	2,808 :	9,195 :	12,003
Denmark-----:	673 :	7,976 :	8,649
Japan-----:	530 :	7,850 :	8,380
All other-----:	1,661 :	7,130 :	8,791
Total-----:	284,975 :	188,046 :	473,021
Value			
Belgium and Luxembourg--:	\$1,395,550 :	\$494,882 :	\$1,880,432
United Kingdom-----:	5,059 :	241,105 :	246,164
Italy-----:	112,907 :	125,825 :	238,732
West Germany-----:	34,835 :	54,173 :	89,008
France-----:	18,230 :	64,326 :	82,556
Denmark-----:	4,458 :	75,260 :	79,718
Japan-----:	2,438 :	53,787 :	56,225
All other-----:	20,299 :	41,973 :	62,272
Total-----:	1,583,776 :	1,151,331 :	2,735,107
Unit value (per square yard)			
Belgium and Luxembourg--:	\$5.58 :	\$5.33 :	\$5.51
United Kingdom-----:	7.03 :	7.03 :	7.03
Italy-----:	4.47 :	6.35 :	5.30
West Germany-----:	6.81 :	6.03 :	6.31
France-----:	6.49 :	7.00 :	6.88
Denmark-----:	6.62 :	9.44 :	9.22
Japan-----:	4.60 :	6.85 :	6.71
All other-----:	12.22 :	5.89 :	7.08
Average-----:	5.56 :	6.12 :	5.78

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

Table 6.--Wilton and velvet floor coverings: U.S. imports for consumption, by specified sources, 1966-69 and January-June 1969 and 1970

Source	1966 ^{1/}	1967	1968	1969	Jan.-June 1969	Jan.-June 1970
Quantity (1,000 square yards)						
Belgium and Luxembourg----	379	498	649	636	328	239
United Kingdom--	45	40	55	57	25	25
Italy-----	106	101	^{2/} 132	125	85	28
West Germany----	17	9	26	18	9	12
France-----	17	14	6	14	6	8
Japan-----	6	3	5	4	2	^{3/}
All other-----	4	4	6	29	7	10
Total-----	574	669	879	883	462	322
Value (1,000 dollars)						
Belgium and Luxembourg----	2,197	2,907	3,571	3,364	1,574	1,358
United Kingdom--	288	266	359	416	180	167
Italy-----	466	503	^{2/} 641	613	383	144
West Germany----	104	56	147	133	67	75
France-----	104	104	41	95	40	50
Japan-----	37	34	23	19	11	1
All other-----	40	52	54	209	66	70
Total-----	3,236	3,922	4,837	4,849	2,321	1,865
Unit value (per square yard) ^{4/}						
Belgium and Luxembourg----	\$5.80	\$5.83	\$5.50	\$5.29	\$4.80	\$5.88
United Kingdom--	6.43	6.66	6.56	7.35	7.20	6.68
Italy-----	4.38	4.99	4.86	4.92	4.51	5.14
West Germany----	6.01	5.99	5.66	7.50	7.44	6.25
France-----	6.22	7.48	6.98	6.88	6.67	6.25
Japan-----	5.88	10.16	4.30	5.28	5.50	^{5/}
All other-----	8.64	15.18	8.30	6.82	9.43	7.00
Average-----	5.63	5.86	5.50	5.49	5.02	5.70

^{1/} Country breakdown partly estimated

^{2/} Includes 11 thousand square yards, valued at \$50 thousand, shipped from Italy, but country of origin unknown.

^{3/} Less than 500 square yards.

^{4/} Calculated from unrounded figures.

^{5/} Not available.

