

UNITED STATES TARIFF COMMISSION

**WILTON, BRUSSELS, VELVET, AND TAPESTRY
CARPETS AND RUGS**

**Report to the President
on
Escape-Clause Investigation No. 7-104
Under the Provisions of Section 7
of the
Trade Agreements Extension Act of 1951, as Amended**



TC Publication 28

**Washington
August 1961**

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CONTENTS

	<u>Page</u>
Report to the President-----	1
Findings-----	2
Recommendation-----	3
Considerations bearing on the Commission's findings and recommendation-----	3
U.S. customs treatment-----	3
Description and uses-----	4
Wilton carpets and rugs-----	4
Velvet carpets and rugs-----	6
Axminster and other machine-woven pile carpets and rugs-----	8
Machine-tufted pile carpets and rugs-----	8
Machine-knitted pile carpets and rugs-----	10
The U.S. industry-----	10
U.S. production-----	11
Sales and inventories-----	12
U.S. imports-----	12
U.S. exports-----	15
Price trends-----	15
Employment and earnings of workers-----	18
Financial experience of producers of machine-woven pile carpets and rugs-----	20
Profit-and-loss experience on all products-----	21
Profit-and-loss experience on Wilton and velvet carpets and rugs-----	21
Summary and conclusion-----	22
Statistical appendix-----	26

(TC28827)

TABLES

1. Axminster, n.s.p.f., Wilton, Brussels, and velvet or tapestry carpets, rugs, and mats, and carpets, rugs, and mats of like character or description: U.S. rates of duty under the Tariff Act of 1930 and under that act as modified, as of June 30, 1961
2. Machine-woven and machine-tufted pile carpets and rugs: U.S. production, by types, 1950-60
3. Wilton and velvet carpets and rugs: Indexes of U.S. production, net sales, and inventories, 1957-60
4. Wilton, Brussels, and velvet or tapestry carpets, rugs, and mats, and carpets, rugs, and mats of like character or description: U.S. imports for consumption, by principal sources, 1954-60
5. Wilton and velvet carpets and rugs: U.S. production, imports for consumption, and apparent consumption, 1950-60
6. Machine-made carpets and rugs: Indexes of prices received by domestic producers, January and June 1954-61
7. Wilton and velvet carpets and rugs: Man-hours of employment and aggregate annual earnings of production and related workers for 17 U.S. concerns, 1957-60
8. Carpets and rugs: Financial operations of 18 U.S. producers, 1957-60

REPORT TO THE PRESIDENT

U.S. Tariff Commission
August 3, 1961

To the President:

The U.S. Tariff Commission herein reports the results of its investigation No. 7-104 under section 7 of the Trade Agreements Extension Act of 1951, as amended, to determine whether

Wilton carpets, rugs, and mats; Brussels carpets, rugs, and mats; velvet or tapestry carpets, rugs, and mats; and carpets, rugs, and mats of like character or description; all the foregoing classifiable under paragraph 1117(a) of the Tariff Act of 1930

(hereinafter referred to as "the designated machine-woven pile floor coverings") are, as a result in whole or in part of the duty or other customs treatment reflecting concessions granted thereon under the General Agreement on Tariffs and Trade, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

The aforementioned investigation was instituted on February 13, 1961, upon application of the American Carpet Institute, Inc., New York City, New York. Public notice of the institution of the investigation and of the public hearing to be held in connection therewith was duly given by posting copies of ~~the notice~~ at the office of the Commission in Washington, D.C., and at its office in New York City, and by publishing ~~such notice~~ in the Federal Register (26 F.R. 1420) and in the February 16, 1961 issue of ^{see also by} Treasury Decisions. The public hearing was duly held,

beginning on May 23, 1961 and ending on May 26, 1961, at the Commission's hearing room in Washington, D.C. All interested parties were given opportunity to be present, to produce evidence, and to be heard.

In addition to the information obtained at the hearing, the Commission in this investigation used information obtained from its files, through field work by members of the Commission's staff, from other Government agencies, and from responses to questionnaires sent to domestic producers and importers.

FINDINGS ^{1/}

As a result of the investigation, including the hearing, the Commission unanimously finds as follows--

(a) That as a result, in part, of the duty reflecting the concession granted thereon in the General Agreement on Tariffs and Trade, the designated machine-woven pile floor coverings are being imported into the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing like products; and

(b) That in order to remedy the serious injury so found, it is necessary that the rate of duty being imposed under paragraph 1117(a) on the designated machine-woven pile floor coverings be increased to 40 percent ad valorem.

^{1/} The Tariff Commission was composed of five commissioners when these findings were made. Commissioner J. Allen Overton, one of the five, did not participate due to illness.

RECOMMENDATION

In view of the foregoing findings, the Commission recommends that the appropriate tariff concession granted in the General Agreement on Tariffs and Trade be modified to permit the application to the designated machine-woven pile floor coverings of the increased rate of duty specified in finding (b) above.

CONSIDERATIONS BEARING ON THE COMMISSION'S
FINDINGS AND RECOMMENDATION

The Commission's findings and recommendation are based principally on the considerations hereinafter discussed.

U.S. Customs Treatment

The imported carpets and rugs covered by this investigation, as well as certain other machine-woven pile carpets and rugs, are dutiable under the provisions of paragraph 1117(a) of the Tariff Act of 1930. Identical customs treatment is now provided for Axminster, n.s.p.f., Wilton, Brussels, and velvet or tapestry carpets, rugs, and mats, and for carpets, rugs, and mats of like character or description. The rates of duty originally imposed under the act of 1930 were 40 percent ad valorem on such floor coverings valued at not more than 40 cents per square foot, and 60 percent ad valorem on those valued at more than 40 cents per square foot. Reductions in the rates of duty were subsequently effected pursuant to concessions granted by the United States in bilateral trade agreements and in the General Agreement on Tariffs and Trade. Since June 6, 1951, all of the carpets and rugs covered by

paragraph 1117(a) have been dutiable at a common rate regardless of type or value (table 1, Appendix). The rate of duty became 21 percent on June 30, 1958.

Description and Uses

Wilton (including Brussels) and velvet (including tapestry) carpets and rugs constitute two of the major types of textile floor coverings marketed in the United States. Both are included in the category termed "machine-woven pile ^{1/} carpets and rugs." Included also in this category are the Axminster and various minor types, such as chenille, Smyrna, and sheen. Another major type of textile floor covering is the machine-tufted pile carpet, which has grown rapidly in importance in recent years. Still another type, the machine-knitted pile carpet, is growing in significance and may ultimately become an important factor in the market. Machine-made pile floor coverings--embracing the machine-woven, machine-tufted, and machine-knitted types--currently account for the great bulk of the domestic production of all textile floor coverings. A miscellaneous assortment of products, none of which is outstanding in the total trade, make up the remainder.

Wilton carpets and rugs

Wilton carpets and rugs currently account for nearly a third of the domestic production of machine-woven pile floor coverings but for less than a tenth of the output of machine-made pile floor coverings. The technical literature of three or more decades ago described the Wilton carpet as being a cut-pile fabric and the Brussels

^{1/} Pile carpets are those having tufts that stand erect and form the surface of the carpet. The tuft ends may be cut or uncut (looped).

carpet as being an uncut-pile (loop or round-wire) fabric. Current trade practices, however, do not distinguish between Wiltons and Brussels. The nomenclature identifying Brussels as a distinct product is no longer employed to any significant extent, either by domestic producers or by importers. Wiltons are currently being produced domestically, as well as being imported, with cut pile, with uncut pile, and with both cut and uncut pile. Thus, "Wilton" has become a generic term to cover all three types.

The Wilton carpet is woven on a loom that utilizes a specialized Jacquard attachment. The Jacquard mechanism 1/ is used to achieve a variety of effects in the carpet, especially to give it a pattern, either in color or in texture, or to give it depth. The Jacquard mechanism assures control of the individual yarns by timing their appearance in the surface. Conversely, it determines which pile yarns are to be submerged in the body of the fabric until the design calls for their appearance at the surface. Even when a solid color or two-tone carpet is desired, the Jacquard action can be utilized to obtain a textured or sculptured pattern in the surface. Occasionally, these effects are achieved by using the Jacquard in conjunction with other mechanisms auxiliary to the weaving process, e.g., variations in the types of wire used to control the pile height, and use of position-control devices.

The Wilton carpet generally contains submerged pile yarn. In the Wilton weave, pile yarns that are not required on the surface to form

1/ A pattern-making mechanism using cards in which holes have been punched to control the position of the yarns being used to form the pile surface of the carpet.

the pattern lie buried in the body of the carpet. This gives to the Wilton what has been termed a cushion back, a buried surface cushion, or buried value. Layers of pile yarns are fed into the loom from frames; the number of frames employed determines not only the number of basic colors or types of yarn appearing in the surface pattern but also the number of pile yarns submerged in the body of the carpet. High-quality Wiltons may contain as many as 6 frames; 1/ constructions having 3 frames or less, however, constitute the bulk of current domestic production.

Velvet carpets and rugs

Velvet carpets and rugs currently account for more than a third of the domestic production of machine-woven pile floor coverings and for less than a tenth of the output of machine-made pile floor coverings. In times past, velvet carpets and rugs were sometimes known as tapestry velvets; and tapestry carpets were sometimes referred to as "tapestry Brussels" (a misnomer). Three or four decades ago, when there was substantial trading in tapestry carpets and rugs, the velvets were characterized as being cut-pile fabrics, and the tapestries as uncut pile fabrics. Velvet carpets are no longer distinguished in the trade from tapestry carpets, i.e., as being of cut rather than of uncut pile. In other words, plain-woven carpets and rugs of both cut and uncut pile are regularly marketed as velvets.

1/ More than six colors can be introduced into the surface pattern by "planting" extra color yarns in one or more of the several frames in order to supplement the basic colors employed therein.

The velvet carpet utilizes one of the simplest of carpet weaves. It is usually less expensive to weave than the Wilton, since the loom required is less complicated and the method of weaving usually requires less pile yarn per square yard in the finished product. Nevertheless, when closely woven, velvets are long wearing and are rich in appearance. On first inspection it is difficult to distinguish some of the better quality velvets from Wiltons. In fact, product innovation has occurred with such frequency in recent years that the distinction between velvets and Wiltons is no longer as sharp as it formerly was. According to the American Carpet Institute, Inc.--

the American market has invited frequent and numerous variations of rug design, color, texture, and qualities, with a consequent lessening interest in the value of basic weave classifications as a factor of market importance, on the part of foreign suppliers, and importers. . . . More than in the case of any other basic weave, the characteristics of Velvet carpet have been revolutionized. 1/

In recent years, velvets have been produced largely in solid colors. Numerous textured effects are achieved by a variety of methods. The ordinary plush surface is attained when the pile is cut and the tufts are uniform in height. The pile may be woven at different heights to form a sculptured or textured surface. Tightly twisted pile yarns finished in cut pile provide a frieze surface. Uncut looped pile supplies a pebbly texture. Other effects are obtained by combining cut and uncut pile in the surface.

1/ Application by American Carpet Institute, Inc., for investigation with respect to Wilton and velvet carpets and rugs, January 1958, p. 12.

Axminster and other machine-woven pile carpets and rugs

The principal type of machine-woven pile carpet, other than the Wilton and the velvet, is the Axminster. Until recent years the Axminster carpet was the most widely used floor covering in the United States. During the period between World War I and World War II it accounted for about half of the total domestic production of machine-made pile carpets; it still accounts for about a fourth of the output of machine-woven pile carpets and rugs but for less than a tenth of the total production of machine-made pile floor coverings (table 2). In 1960 the domestic production of Axminsters was about 32 percent smaller than that of velvets and about 18 percent smaller than that of Wiltons.

Various additional types, including chenille, Smyrna, and sheen, account for the remainder of the domestic production of machine-woven pile carpets and rugs.

Machine-tufted pile carpets and rugs

In 1960 three-fourths of the machine-made pile floor coverings produced in the United States were of the type identified in the trade as "tufted." Ten years ago tufted rugs were relatively unimportant in the trade. The Bureau of the Census has been reporting such production only since 1950. At that time the bulk of machine-tufted pile carpet output consisted of scatter rugs, bathmats, and other floor coverings 4 by 6 feet and smaller. Currently, about three-fourths of the total domestic production of machine-tufted floor coverings is in sizes larger than 4 by 6 feet (table 2).

Tufted carpets are produced in a wide range of qualities and prices. In recent years they have made rapid inroads into the market that was formerly supplied almost exclusively by machine-woven products. Moreover, there appears to be general agreement in the trade that the rapidly expanding output of tufted carpeting has not yet reached a point where it will cease to make further inroads into the market for pile floor coverings. Virtually all the increase in consumption of pile carpets and rugs that has been stimulated in recent years by the increase in the national population and by the generally high level of national income has been supplied from the production of tufted products.

Machine-tufted carpets differ in construction from machine-woven carpets principally in the manner by which the surface yarns are anchored to the base of the fabric. In Wiltons and velvets, the pile tufts (pile warp) are anchored into the backing during the weaving process, by the weft yarns, which run the width of the fabric. The weft yarns, in turn, are bound into the fabric by the chain warp. In the tufted carpet, the tufts are inserted mechanically into a previously prepared woven backing. This backing, which is generally made of jute or cotton, is coated with latex after the tufts have been inserted, in order to inhibit the carpet's sliding and to anchor the tufts more firmly. In recent years many of the tufted carpets produced have been provided with an additional backing of scrim or other fabric, bonded to the original backing, to give more body and wearability to the carpet. The tufting machine (which probably should be thought of as a tuft-inserting machine) employs a multiple-needle operation to sew the pile yarns (tufts) into the backing.

It operates at many times the speed of an ordinary Wilton or velvet loom, thereby contributing to the lower cost of the tufted rug.

Machine-knitted pile carpets and rugs

Machine-knitted carpets and rugs, another type of pile floor covering, first appeared in the market in the late 1940's. During 1957 at least two domestic manufacturers produced machine-knitted carpeting on a commercial scale. Since then others have gone into such production. The Census of Manufactures showed that in 1958 the production of knitted carpets and rugs amounted to 4,523,000 square yards, and it is believed that such production was higher in 1959 and in 1960.

Machine-knitted carpets cost less to produce than machine-woven carpets. The types of knitting machines now employed produce substantially more yardage per hour than do the looms required for velvets and Wiltons.

The U.S. Industry

On the basis of information developed in this investigation, including data obtained by questionnaire from concerns accounting for the great bulk of the domestic production of Wilton and velvet carpets and rugs, the Commission found that the domestic industry producing products that are "like" the imported products under investigation is coextensive with the domestic production of Wilton and velvet floor coverings as they are now known in the trade.

During 1960, 35 plants in the United States are known to have manufactured either Wiltons or velvets, or both. The plants are located as follows: 10 in Pennsylvania; 5 each in Massachusetts and New Jersey; 4 in New York; 3 in South Carolina; 2 each in New Hampshire and North

Carolina; and 1 each in Maine, Connecticut, Virginia, and Illinois. It is estimated that some 7,500 production and related workers are employed in producing Wilton and/or velvet carpeting in the domestic industry.

The 35 Wilton and/or velvet plants are operated by 27 individual concerns. Ownership of the operating facilities is usually direct rather than through a subsidiary. Most of the concerns operate only one plant in which Wiltons or velvets, or both, are made. One concern, however, produces such carpets in 3 plants, and 5 others each produce them in 2 plants. The 27 concerns are engaged primarily in making machine-woven pile floor coverings. In 1960 about 39 percent of their total output of carpets and rugs 1/ consisted of Wiltons and velvets.

As regards the major types of carpeting, 24 of the 27 concerns produce velvet carpeting; 22 make Wiltons; 9 make Axminsters; 14 make machine-tufted; and 8 make machine-knitted.

U.S. Production

The output of Wiltons and velvets was at an unusually high level of 54,669,000 square yards in 1950, partly because of anticipated shortages resulting from the Korean conflict (table 2). Production decreased sharply to 40,358,000 square yards in 1952, increased to 45,658,000 square yards in 1953, and then, although it fluctuated from year to year, declined to a low of 31,530,000 square yards in 1960. Preliminary data indicate that the domestic production of Wiltons and velvets will also decline in 1961.

1/ In terms of quantity (square yards) and an even larger percentage in terms of value.

Sales and Inventories

Twenty-two concerns, whose output is estimated to have accounted for approximately 96 percent of the total production of Wilton and velvet carpets and rugs in 1960, submitted reasonably complete data regarding sales and inventories. The trend of sales of Wilton and velvet carpets and rugs by the 22 concerns closely approximated the trend of production of such floor coverings. In 1957 both production and sales were slightly higher than the annual average for the period 1957-60 (table 3). In 1958 they were somewhat below the average, but in 1959 they were at a high for the period. In 1960 both production and sales were lower than in any year during 1957-60. On a quantity basis (square yards), sales of Wilton and velvet carpets and rugs in 1960 were 11 percent lower than in 1957, 7 percent lower than in 1958, and 19 percent lower than in 1959. A further decline in both production and sales is indicated for 1961.

Annual yearend inventories of Wilton and velvet carpets and rugs were fairly stable during 1957-60, and averaged about 20 percent of sales for the period. Wilton and velvet stocks were about 10 percent lower in 1960 than in 1957.

U.S. Imports

In 1960 at least 40 firms are known to have imported Wilton and velvet carpets and rugs. Six large importers brought in about 70 percent of the total imports in that year. One of the largest importers is also a producer of such floor coverings domestically. Another fairly large domestic producer also has an importing subsidiary. For the most part, importers operate as jobbers; several of them also obtain some of their

carpets and rugs from domestic manufacturers. A few large department stores and chain stores import machine-woven pile floor coverings directly.

Prior to and during World War II, U.S. imports for consumption of Wiltons and velvets were small, having averaged about 208,000 square yards annually in 1936-38. Thereafter they increased to an annual average of 502,000 square yards in 1946-48; 1,880,000 square yards in 1950-52; 4,368,000 square yards in 1955-57; and 6,593,000 square yards in 1958-60. Imports of Wiltons and velvets in 1960, the highest recorded in any year thus far, amounted to 8,165,000 square yards (table 4).

Data obtained in the previous investigation indicated that in 1957 velvet was the type imported in largest quantity. 1/ In that year 53 percent of the total imports were velvets, 44 percent were Wiltons, and 3 percent were Axminsters. In 1960, however, according to data obtained by questionnaire, 71 percent of the total imports were Wiltons, 28 percent were velvets, and 1 percent were Axminsters. The large increase in the

1/ According to official statistics, Wiltons have usually constituted the largest category of machine-woven pile floor coverings imported under paragraph 1117(a). The next largest category has been a group of related products identified in tariff language as "carpets, rugs, and mats of like character and description," i.e., "like" any of the carpets and rugs identified in paragraph 1117(a)--viz, Axminster, Brussels, Wilton, velvet, and tapestry. None of the importers reported any entries properly classifiable under the "like character or description" designation. This information corroborates the opinion expressed by the customs examiner in New York City that the great bulk of the imported floor coverings that have been classified in official statistics as being "like" Wilton, velvet or tapestry, Brussels, or Axminster carpets and rugs actually have been Wiltons and velvets in chief value of wool.

ratio of Wilton imports to the total is believed to be the result of the very substantial increase in the imports of Wiltons from Japan. For many years imports of Axminsters have been small.

Domestic and imported Wilton and velvet carpets and rugs are generally comparable, type for type. It would be difficult, if not impossible, for a layman to tell whether a piece of carpeting was produced in the United States or was imported. Both are made of the same kinds of raw materials, processed on the same types of machinery, and their end uses are identical. Both are available in wide ranges of quality and price. In recent years the bulk of the imports have been valued at not more than 40 cents per square foot (foreign value).

Before 1948 the small imports of Wilton and velvet carpets and rugs came mainly from Belgium, France, the United Kingdom, and Italy (table 4). In more recent years through 1958, approximately 80 percent of the annual imports came from Belgium. In 1960 that country supplied about 54 percent of the total. Imports from Japan, mostly Wiltons, have increased substantially since 1954. In that year they totaled 14,000 square yards; by 1960, they had increased to 3,001,000 square yards. In January-April 1961, imports from Japan were 4 percent greater than those from Belgium. Italy, France, and the United Kingdom are still fairly important suppliers.

Before 1951 annual imports of Wilton and velvet carpets and rugs were equivalent to less than 3 percent of the domestic consumption of such floor coverings (table 5). The ratio of imports to consumption in subsequent years increased steadily to nearly 21 percent in 1960. The

ratio of imports of Wiltons and velvets to the domestic production of such carpets rose from 3 percent in 1950 to nearly 26 percent in 1960.

As the result of a concession granted in the General Agreement on Tariffs and Trade (GATT), the rate of duty on all floor coverings dutiable under paragraph 1117(a) was reduced to 25 percent ad valorem, effective June 6, 1951. In that year imports of Wiltons and velvets amounted to 1,680,000 square yards; subsequently, they increased sharply until they reached 4,008,000 square yards in 1955. Again as the result of a concession granted in the GATT, the rate of duty on such floor coverings was reduced to $23\frac{1}{2}$ percent ad valorem, effective June 30, 1956; to $22\frac{1}{2}$ percent ad valorem on June 30, 1957; and to 21 percent ad valorem on June 30, 1958. Imports of Wiltons and velvets, which averaged annually about 4,600,000 square yards in 1956-58, increased very substantially to 6,982,000 square yards in 1959, and to 8,165,000 in 1960.

U.S. Exports

Domestic exports of machine-woven pile carpets and rugs in recent years have been equivalent to less than half of 1 percent of domestic production. The ratio of exports of Wiltons and velvets to domestic production of such floor coverings would be equally insignificant.

Price Trends

Data were obtained by questionnaire from most domestic manufacturers respecting the prices received for machine-woven pile carpets and rugs. From these data, which covered the principal products marketed by such firms, index numbers were computed (columns 1 and 2 in table 6).

Used also were price indexes for Wiltons, velvets, and all soft-surface floor coverings, ^{1/} published by the U.S. Bureau of Labor Statistics (columns 3, 4, and 5).

The price index (1957-60=100) for Wiltons (as computed) increased from 98 in January 1954 to 101 in January and June 1957, or by 3 percent. Thereafter, it declined to 98 in January 1959, and then increased to 102 in June 1960. In January 1961 a major producer announced price reductions averaging 2-1/2 percent on selected grades of woven carpets. Shortly thereafter, most other manufacturers of woven carpets announced similar price reductions. As a result, the price index for Wiltons decreased to 98 in January and June 1961.

The prices of velvets fluctuated more widely than did those of Wiltons. The index for velvets increased from 92 in January 1954 to 102 in January 1957, or by about 11 percent; it decreased to 97 in June 1958, or by about 5 percent. Thereafter, it rose to 101 in June 1960 and then decreased to 98 in January and June 1961.

The price index for all soft-surface floor coverings followed much the same trend as did the individual indexes for Wiltons and velvets. The index for all soft-surface floor coverings increased from 95 in January 1954 to 105 in January 1957, or by 11 percent; it declined to 96 in January 1959, and then rose to 100 in June 1960. By January and June 1961 it had declined to 97.

^{1/} The index of wholesale prices for soft-surface floor coverings is a composite of indexes of wholesale prices for Wilton, velvet, Axminster, and other types of carpets and rugs. As used by the U.S. Bureau of Labor Statistics, the term "soft-surface floor coverings" is roughly equivalent to the term "machine-made pile carpets and rugs," as the latter is used throughout this report.

Relative to the general price level, as measured by the Bureau of Labor Statistics wholesale-price index, prices of these carpets and rugs increased less markedly between 1954 and 1957 than indicated above. By similar comparison, however, they decreased over the longer period 1954-61. After adjustments are made for changes in the general price level, the price indexes for Wilton and velvet carpets and rugs were 4 and 1 percent lower, respectively, in June 1961 than in January 1954 (columns 6 and 7, table 6).

In view of the wide range of products reported by both domestic producers and importers, it is not feasible to compare prices of domestic Wilton and velvet lines with prices of imported carpets having identical or nearly identical specifications. The information available to the Commission, however, indicates that the imported Wiltons and velvets generally undersell reasonably comparable domestic articles. 1/ This margin is attributable in part to the fact that importers (1) have to maintain larger inventories than domestic producers do in order to assure early delivery; (2) do not have the same recourse to their suppliers in obtaining adjustments for deficient merchandise as do buyers from domestic manufacturers; and (3) do not have the protection against pattern drops and price decreases which is generally supplied by domestic mills to their distributors. Data developed by the Commission's questionnaire indicate that whereas prices of domestic Wiltons and velvets remained fairly stable in recent years, prices of comparable imported products declined. The index computed for prices of imported Wiltons (1957-60=100) declined from

1/ Transcript of the hearing, pages 64, 97, 108, 113, 151, 154, 232, 233, and 235.

104 in January 1957 to 98 in June 1960, or by about 6 percent. Meanwhile, the index for the imported velvets declined from 105 to 102, or by about 3 percent.

Employment and Earnings of Workers

Nearly 18,000 production and related workers are employed by U.S. concerns that produce machine-woven pile carpets and rugs. It is estimated that some 7,500 of them are employed in the manufacture of Wiltons and velvets.

Several difficulties are encountered when one undertakes to measure variations in man-hours of employment in the production of Wilton and velvet floor coverings. Some concerns that had manufactured these products during the past decade have ceased operations, and no records of their employment are available to the Commission. A few others were unable to supply segregated employment data on the products under consideration. Through its questionnaire, the Commission obtained man-hour and wage data from most producers of Wilton and velvet carpets and rugs. The reports submitted by 17 concerns were sufficiently complete for the years 1957-60 to be satisfactory for tabulation and analysis (table 7). In 1960 the output of the 17 firms accounted for more than four-fifths of the domestic production of Wiltons and velvets.

The number of man-hours of employment afforded workers by the 17 concerns in the manufacture of Wilton and velvet carpets and rugs averaged 15.9 million annually in 1957-60. During these years, such employment was highest in 1957 (18.2 million man-hours) and lowest in the recession year 1960 (13.6 million man-hours). Man-hours on Wiltons and velvets in 1960 were about 11 percent lower than in the earlier recession year 1958.

Some of the loss in the employment afforded workers by the domestic production of Wiltons and velvets is attributable to improved techniques and to more efficient utilization of labor. Over the period 1957-60, the data reported by manufacturers of Wiltons and velvets indicate that their aggregate productivity per man-hour increased by some 10 or 15 percent. Had there been no appreciable change in the quantity of labor required for a given unit of output, the most dependable measure of the trend in employment in plants producing Wiltons and velvets would be the trend in output of the products themselves. Without altered utilization of labor-saving techniques, job opportunities for industrial workers would have varied more or less commensurately with production. The facts relating to U.S. production of Wiltons and velvets were presented in an earlier section of this report. Indexes of the annual production of Wiltons and velvets derived from data presented in table 2 show that in recent years the annual production of such carpets varied as follows (1957-60=100):

1957-----	103
1958-----	96
1959-----	113
1960-----	88

Variations in aggregate annual earnings of these workers are determined, of course, not only by variations in the total of man-hours worked but also by changes in the hourly wage rates. Between 1957 and 1960, the average hourly earnings of production and related workers employed in the production of Wiltons and velvets by the 17 concerns increased by about 7 percent. Changes in the aggregate annual earnings of these employees of the 17 concerns, therefore, paralleled only roughly the annual changes in total man-hours worked. During the years 1957-60,

aggregate earnings of production and related workers employed by the 17 companies in the manufacture of Wilton and velvet carpets and rugs ranged from a high of \$33.1 million in 1957 to a low of \$26.4 million in 1960.

Financial Experience of Producers of Machine-woven
Pile Carpets and Rugs

Questionnaires requesting profit-and-loss data, for the years 1957 through 1960, ^{1/} were sent to all domestic manufacturers that were thought to have produced machine-woven pile carpets and rugs in any of these years. Although 30 firms are known to have produced such carpets and rugs, questionnaires were received from only 25. Seven of the 25 concerns failed to furnish adequate profit-and-loss data either for "all operations" or for Wilton and velvet carpet and rug operations. All of the remaining 18 concerns manufactured Wiltons and/or velvets in each year from 1957 through 1960, and most of them produced other types of machine-woven carpets and rugs. Twelve of them also produced pile-surfaced carpets and rugs other than machine-woven, particularly machine-tufted and machine-knitted. In 1960 these 18 concerns accounted for 92 percent of the U.S. production of Wiltons and velvets and for 82 percent of the U.S. production of all machine-woven carpets and rugs (including Wiltons and velvets). Wilton and velvet carpets and rugs accounted for 44 percent of the total net sales of these concerns in 1960.

^{1/} Financial data for earlier years were reported in connection with escape-clause investigation No. 67 (January 1959).

Profit-and-loss experience on all products

The aggregate net sales of all products by the 18 concerns amounted to \$404 million in 1957, \$370 million in 1958, \$431 million in 1959, and \$411 million in 1960 (table 8). Net operating profits on all products of the 18 concerns decreased by nearly 21 percent in 1958, from \$21 million in 1957 to almost \$17 million in 1958; then they increased to about \$41 million in 1959. They declined to \$20 million in 1960, however, or by nearly 50 percent compared with profits in 1959.

The ratio of aggregate net operating profits (before income taxes) on all products to aggregate net sales was 5.2 percent in 1957, 4.5 percent in 1958, 9.4 percent in 1959, and 4.9 percent in 1960. One of the 18 concerns reported a net operating loss in 1957, 4 reported losses in 1958, one in 1959, and 6 in 1960. The 6 concerns that reported losses in 1960 accounted for about 20 percent of the aggregate sales of the 18 concerns.

Profit-and-loss experience on Wilton and velvet carpets and rugs

As shown by table 8, the aggregate net sales of Wilton and velvet carpets and rugs by the 18 concerns that furnished adequate profit and loss data amounted to \$209 million in 1957, \$191 million in 1958, \$219 million in 1959, and \$182 million in 1960.

Aggregate net profits earned by the 18 concerns in Wilton and velvet carpet and rug operations decreased by 17 percent in 1958, from \$11 million in 1957 to \$9 million in 1958, a recession year for the economy as a whole. In 1959, however, their net profits amounted to \$24 million; in 1960 they totaled less than \$7 million. Whereas the aggregate net operating profit for all domestic manufacturing industries, as a group, declined by

5 percent between 1959 and 1960, the net operating profit of the 18 concerns in their Wilton and velvet operations declined by 72 percent. The ratio of the aggregate net profits (before income taxes) of the 18 concerns on Wilton and velvet carpets and rugs to aggregate net sales was 5.4 percent in 1957, 4.9 percent in 1958, 11.0 percent in 1959, and 3.7 percent in 1960. Although Wilton and velvet operations of the 18 concerns were in the aggregate profitable in all 4 years, 1957-60, net operating losses were reported by 2 of the concerns in 1957, by 5 in 1958, by 1 in 1959, and by 7 in 1960. The 7 concerns that reported losses in 1960 accounted for about one-third of the total net sales of domestically produced Wiltons and velvets in that year. Included among the 7 concerns are the 6 previously referred to that reported net operating losses on all products in 1960.

Summary and Conclusion

The status of the domestic industry producing Wilton and velvet carpets and rugs has deteriorated materially from the situation observed by the Commission in January 1959, when it published its finding in a similar escape-clause action. On that occasion, a minority of the Commission--comprising two of the undersigned--were of the opinion that the facts then warranted a finding of serious injury within the meaning of section 7. The majority of the Commission--including one of the undersigned--after appraising the complex situation then confronting the domestic producers, were not so persuaded. Regardless of our individual judgments of the action appropriate at that time, we concur that the situation has altered sufficiently to require a recommendation for relief under the escape clause. The last full year for which the relevant

statistical data were available to the Commission, when it made its earlier finding, was 1957. Comprehensive information is now at hand for 3 additional years--1958-60. Data for these years reveal a pattern of increasing encroachment by imports in the domestic market for Wiltons and velvets and a correlative deterioration of the industry producing such carpets and rugs. In our opinion, Wilton and velvet carpets and rugs are being imported in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing like products.

U.S. imports of Wiltons and velvets amounted to 1.6 million square yards in 1950, 3.1 million in 1953, 4.7 million in 1957, 7.0 million in 1959, and 8.2 million in 1960. Not only did such imports increase dramatically after 1957, but in 1959 alone the actual quantity by which they increased was greater than the total quantity imported in any single year before 1953. Imports again increased sharply in 1960. The continuing erosion of the market for domestically produced Wiltons and velvets is graphically revealed by the mounting ratio of imports to domestic production. In 1950 imports of Wiltons and velvets were equivalent to 3 percent of the domestic output; in 1954 the ratio was 8 percent; and in 1958 it was 14 percent. Although 1960 was a recession year, aggregate imports in that year were nearly double the quantity imported in 1957, and the ratio of imports to the domestic output reached a successively new high of 26 percent.

A direct corollary of the mounting tide of imports since 1957 has been a decline in domestic sales of Wiltons and velvets. The impact of

imports was intensified, of course, by the recession that occurred in 1960; sales by domestic producers were confined to a much smaller share of the domestic market, which itself was shrinking. Sales of Wilton and velvet carpets and rugs in 1960 were about 11 percent lower than those in 1957; indeed, they were lower than in any other year since 1957. Reduced sales were reflected by reduced production. During the 3 years that have elapsed since 1957 (1958-60), the U.S. annual production of Wiltons and velvets averaged 11 percent lower than it did in the 3 preceding years. Production in 1960, 31.5 million square yards, was 15 percent (5.4 million square yards) lower than in 1957. Sales lost by domestic producers were supplied largely by increased imports; in major part, the reduced production did not reflect a reduced domestic market. Notwithstanding that 1960 was a recession year, domestic consumption between 1957 and 1960 declined only moderately, whereas imports increased by 3.5 million square yards.

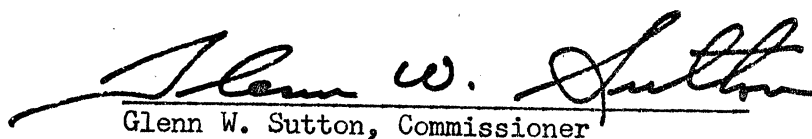
Aggregate net profits of U.S. concerns producing Wilton and velvet carpets and rugs (in their Wilton and velvet operations only) were lower in 1960 than in any other year since 1956. In 1960 such profits were 40 percent lower than in 1957, the last full year for which data were available when the Commission made its earlier finding. Indeed, aggregate net profits earned by concerns in their Wilton and velvet operations in 1960--a recession year for the economy as a whole--were even lower than in 1958--also a recession year, but one marking a recession of somewhat greater magnitude. During the period 1957-60, a substantial number of firms reported operating losses in their Wilton and velvet operations; two reported losses in 1957, five in 1958, one in 1959, and seven in 1960.

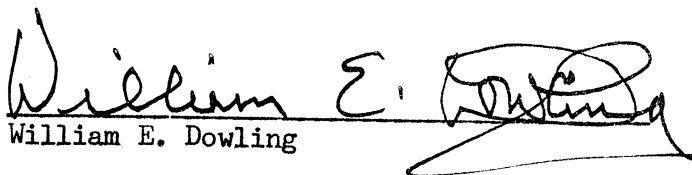
Increasing imports, declining domestic sales and production, and gradual attrition of the domestic industry--these are the principal criteria prescribed by statute for determining whether there has been serious injury within the meaning of section 7. By all of these standards, the position of the domestic industry producing Wiltons and velvets has worsened in recent months and years. We are of the opinion, therefore, that this industry has been seriously injured by increased imports of like competitive products. Unless relief is granted under the provisions of section 7, there is threat of further injury as imports continue to mount.

Respectfully submitted,


Joseph E. Talbot, Commissioner


Walter R. Schreiber, Commissioner


Glenn W. Sutton, Commissioner


William E. Dowling

STATISTICAL APPENDIX

Table 1.--Axminster, n.s.p.f., Wilton, Brussels, and velvet or tapestry carpets, rugs, and mats, and carpets, rugs, and mats of like character or description: U.S. rates of duty under the Tariff Act of 1930 and under that act as modified, as of June 30, 1961

(Percent ad valorem)			
Tariff paragraph and description	Statutory rate <u>1/</u>	Trade-agreement modification	
		Rate	Effective date and trade agreement <u>2/</u>
Par. 1117(a):			
Wilton carpets, rugs, and mats; and carpets, rugs, and mats of like charac- ter or description:			
Valued at not more than 40 cents per square foot----	40%	40 ^{3/4} %	4/16/38-4/22/39; Czechoslovakia.
		25%	6/6/51.
		23 ^{1/2} %	6/30/56.
		22 ^{1/2} %	6/30/57.
		21%	6/30/58.
Valued at more than 40 cents per square foot----	60%	40%	1/1/39; U.K.
		30%	1/1/48.
		25%	6/6/51.
		23 ^{1/2} %	6/30/56.
		22 ^{1/2} %	6/30/57.
		21%	6/30/58.
Brussels carpets, rugs, and mats; velvet or tapestry carpets, rugs, and mats; Axminster, n.s.p.f., carpets, rugs, and mats; and carpets, rugs, and mats of like character or description:			
Valued at not more than 40 cents per square foot----	40%	30%	1/1/48.
		25%	6/6/51.
		23 ^{1/2} %	6/30/56.
		22 ^{1/2} %	6/30/57.
		21%	6/30/58.
Valued at more than 40 cents per square foot----	60%	40%	1/1/39; U.K.
		30%	1/1/48.
		25%	6/6/51.
		23 ^{1/2} %	6/30/56.
		22 ^{1/2} %	6/30/57.
		21%	6/30/58.

1/ Currently applicable to the products of Communist-dominated countries or areas designated by the President pursuant to sec. 5 of the Trade Agreements Extension Act of 1951.

2/ General Agreement on Tariffs and Trade (GATT), unless otherwise indicated.

3/ Bound.

Table 2.--Machine-woven and machine-tufted pile carpets and rugs:
U.S. production, by types, 1950-60

Year	Machine-woven				Machine-tufted ^{1/}			Grand total
	Wilton and velvet	Axminster	All other ^{2/}	Total	4'x6' and smaller	Over 4'x6'	Total	
1950	54,669	42,038	3,025	99,732	2/ 12,000	3/ 3,000	15,000	114,732
1951	40,461	28,031	3,286	71,778	15,070	6,076	21,146	92,924
1952	40,358	27,521	3,343	71,222	19,146	10,421	29,567	100,789
1953	45,658	29,446	3,218	78,322	22,811	16,285	39,096	117,418
1954	37,714	22,366	3,196	63,276	24,891	29,520	54,411	117,687
1955	41,639	23,043	4,541	69,223	30,477	47,345	77,822	147,045
1956	40,648	23,084	4,481	68,213	28,949	54,228	83,177	151,390
1957	36,945	17,805	4,175	58,925	30,725	68,926	99,651	158,576
1958	34,258	12,365	4,437	51,060	34,057	79,583	113,640	164,700
1959	40,570	14,070	5,414	60,054	36,416	96,107	132,523	192,577
1960	31,530	11,724	5,057	48,311	4/ 38,196	4/ 113,426	151,622	199,933

^{1/} Data for 1950-52 are for production; data for later years are for shipments.

^{2/} Includes sheen, chenille, Smyrna and others.

^{3/} Estimated by the U.S. Tariff Commission.

^{4/} Not strictly comparable with prior years. Includes data for a number of concerns not previously included in the Census survey. The new concerns accounted for approximately 8 percent of the value of tufted carpet shipments in 1960.

Source: Machine-woven, estimated by the U.S. Tariff Commission from data supplied by domestic producers. Machine-tufted, Bureau of the Census, Facts For Industry and Current Industrial Reports, except as noted.

Table 3.--Wilton and velvet carpets and rugs: Indexes of U.S. production, net sales, and inventories, 1957-60

(1957-60=100)

Year	Production (quantity)	Net sales		Inventories (as of Dec. 31)
		Quantity	Value	
1957-----	103	101	105	104
1958-----	96	97	94	96
1959-----	113	112	109	106
1960-----	88	90	91	94

Source: Computed from data submitted to the U.S. Tariff Commission by 22 concerns whose output is estimated to account for approximately 96 percent of the total production of Wilton and velvet carpets and rugs.

Table 4.--Wilton, Brussels, and velvet or tapestry carpets, rugs, and mats, and carpets, rugs, and mats of like character or description: U.S. imports for consumption, by principal sources, 1954-60

Country	1954	1955	1956	1957	1958	1959	1960
	Quantity (1,000 square yards)						
Belgium and Luxembourg	2,331	3,378	3,670	3,623	3,550	4,947	4,387
Japan	14	109	181	355	548	1,459	3,001
Italy	156	190	218	289	312	353	401
France	228	180	190	193	88	70	193
United Kingdom	68	50	52	104	82	108	115
West Germany	65	96	84	80	36	27	42
All other	18	5	30	27	16	18	26
Total	2,880	4,008	4,425	4,671	4,622	6,982	8,165
	Foreign value (1,000 dollars)						
Belgium and Luxembourg	8,266	11,555	12,917	13,617	12,121	16,032	15,518
Japan	41	265	477	1,063	1,713	4,596	8,735
Italy	531	649	771	1,123	1,247	1,519	1,892
France	979	744	747	896	354	297	853
United Kingdom	441	341	336	659	537	699	780
West Germany	416	529	489	491	189	140	227
All other	141	35	112	92	78	73	169
Total	10,815	14,118	15,849	17,941	16,239	23,256	28,174
	Unit value (per square yard)						
Belgium and Luxembourg	\$3.55	\$3.42	\$3.52	\$3.76	\$3.41	\$3.24	\$3.54
Japan	3.08	2.42	2.64	2.99	3.13	3.16	2.91
Italy	3.40	3.41	3.53	3.88	4.00	4.31	4.72
France	4.29	4.13	3.94	4.65	4.01	4.23	4.41
United Kingdom	6.52	6.84	6.49	6.35	6.54	6.47	6.78
West Germany	6.37	5.54	5.81	6.16	5.21	5.20	5.39
All other	7.77	6.30	3.63	3.31	4.85	4.08	6.54
Average	3.76	3.52	3.58	3.84	3.50	3.35	3.45

1/ Preliminary.

2/ Calculated from the unrounded figures.

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

Table 5.--Wilton and velvet carpets and rugs: U.S. production, imports for consumption, and apparent consumption, 1950-60

Year	Production		Imports	Apparent consumption ^{1/}		Ratio of imports to--	
	1,000 sq. yds.	1,000 sq. yds.		1,000 sq. yds.	1,000 sq. yds.	Production	Apparent consumption
					Percent	Percent	
1950	54,669	1,620	56,289	3.0	2.9		
1951	40,461	1,680	42,141	4.2	4.0		
1952	40,358	2,340	42,698	5.8	5.5		
1953	45,658	3,115	48,773	6.8	6.4		
1954	37,714	2,880	40,594	7.6	7.1		
1955	41,639	4,008	45,647	9.6	8.8		
1956	40,648	4,425	45,073	10.9	9.8		
1957	36,945	4,671	41,616	12.6	11.2		
1958	34,258	4,632	38,890	13.5	11.9		
1959	40,570	2/ 6,982	47,552	17.2	14.7		
1960	31,530	2/ 8,165	39,695	25.9	20.6		

^{1/} Production plus imports. Exports have been negligible.

^{2/} Preliminary.

Source: Production, estimated by the U.S. Tariff Commission from data supplied by domestic producers. Imports, compiled from official statistics of the U.S. Department of Commerce.

Table 6.--Machine-made carpets and rugs: Indexes of prices received by domestic producers, January and June 1954-61

Year and month	Unadjusted price indexes				Price indexes adjusted for changes in the wholesale-price index (1957-60=100)													
	Derived from data supplied by domestic producers		Reported by the Bureau of Labor Statistics		Derived from data supplied by domestic producers					Reported by the Bureau of Labor Statistics								
	Wilton	Velvet	Wilton	Velvet	Wilton	Velvet	Wilton	Velvet	Wilton	Velvet	Wilton	Velvet	Wilton	Velvet				
1954:																		
January	98	92	94	88			102	99			101	94						103
June	99	93	94	87			103	101			102	94						103
1955:																		
January	95	94	96	91			103	103			104	98						105
June	97	95	98	92			105	104			107	99						107
1956:																		
January	98	97	99	95			105	104			105	101						108
June	99	97	99	95			106	104			103	99						106
1957:																		
January	101	102	104	101			103	104			106	103						106
June	101	102	104	101			102	103			106	103						105
1958:																		
January	100	99	100	101			100	99			100	101						102
June	97	97	97	97			97	96			96	96						97
1959:																		
January	98	97	95	97			98	97			94	96						96
June	100	101	99	100			99	100			98	99						97
1960:																		
January	100	101	100	100			100	100			100	100						98
June	102	101	102	102			101	101			101	101						99
1961:																		
January	<u>1</u> /98	<u>1</u> /98	99	98			<u>1</u> /97	<u>1</u> /97			98	97						96
June	<u>1</u> /98	<u>1</u> /98	<u>2</u> /99	<u>2</u> /98			<u>1</u> /98	<u>1</u> /98			<u>2</u> /99	<u>2</u> /98						<u>2</u> /98

1/ Estimated.
2/ Preliminary.

Source: Computed from official statistics of the U.S. Bureau of Labor Statistics and from data supplied by domestic producers; the quotations obtained directly from domestic producers covered leading products sold by those firms.

Table 7.--Wilton and velvet carpets and rugs: Man-hours of employment and aggregate annual earnings of production and related workers for 17 U.S. concerns, 1957-60

Year	Man-hours	Aggregate earnings
	<u>Thousands</u>	<u>1,000 dollars</u>
1957-----	18,190	33,134
1958-----	15,237	27,539
1959-----	16,495	31,283
1960-----	13,589	26,380

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

Table 8.--Carpets and rugs: Financial operations
of 18 U.S. producers, 1957-60

(Money figures in thousands of dollars)

Item	1957	1958	1959	1960
	All products			
Net sales-----	404,007	370,488	431,383	411,054
Cost of goods sold:				
Raw materials used-----	183,651	157,368	181,327	180,996
Labor, direct and indirect-----	77,422	67,557	75,071	69,491
Other expenses-----	69,220	77,722	79,975	84,994
Total cost of goods sold-----	330,293	302,647	336,373	335,481
Gross profit-----	73,714	67,841	95,010	75,573
Administrative and selling expense:				
Officers' salaries-----	3,261	3,277	3,365	3,298
Research and development expense-----	1,811	2,258	2,336	2,370
Other administrative expense-----	12,771	12,875	13,499	13,631
Selling expense-----	34,736	32,738	35,143	36,152
Total administrative and selling expense-----	52,579	51,148	54,343	55,451
Net operating profit-----	21,135	16,693	40,667	20,122
Ratio, net operating profit to net sales-----percent--	5.2	4.5	9.4	4.9
	Wilton and velvet carpets and rugs			
Net sales-----	209,232	190,733	219,381	181,980
Cost of goods sold:				
Raw materials used-----	96,172	83,342	94,237	80,985
Labor, direct and indirect-----	39,559	33,942	37,688	32,158
Other expenses-----	35,911	38,111	35,224	37,964
Total cost of goods sold-----	171,642	155,395	167,149	151,107
Gross profit-----	37,590	35,338	52,232	30,873
Administrative and selling expense:				
Officers' salaries-----	1,812	1,885	1,913	1,662
Research and development expense-----	775	774	921	927
Other administrative expense-----	6,515	6,779	7,077	6,012
Selling expense-----	17,249	16,575	18,138	15,455
Total administrative and selling expense-----	26,351	26,013	28,049	24,056
Net operating profit-----	11,239	9,325	24,183	6,817
Ratio, net operating profit to net sales-----percent--	5.4	4.9	11.0	3.7

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