

UNITED STATES TARIFF COMMISSION

WILTON, BRUSSELS, VELVET, AND TAPESTRY CARPETS AND RUGS

**Report to the President (No. TEA-IR-5-65)
Under Section 351(d)(1) of the
Trade Expansion Act of 1962**



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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
September 13, 1965.

To the President:

Introduction

Following an escape-clause investigation by the Tariff Commission and report to the President under section 7 of the Trade Agreements Extension Act of 1951, as amended, the President, by proclamation dated March 19, 1962, ^{1/} 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 business on April 18, 1962. By proclamation dated March 27, 1962, ^{2/} the President deferred the effective date of the increased rate to after the close of business on June 17, 1962.

Section 351(d)(1) of the Trade Expansion Act of 1962 (76 Stat. 900) 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.

This is the third report to the President involving Wiltons and velvets under section 351(d)(1). The material in this

^{1/} Proclamation No. 3454; 3 CFR, 1959-1963 Comp., p. 164.
^{2/} Proclamation No. 3458; 3 CFR, 1959-1963 Comp., p. 171.

report is confined principally to developments that have occurred since those described in the Commission's second report, made on September 14, 1964.^{1/}

U.S. Tariff Treatment

Wilton (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). Had there been no escape action, these articles would be dutiable at 21 percent ad valorem under item 360.45 of the TSUS. Products of designated Communist-dominated or Communist-controlled countries are currently dutiable at 60 percent ad valorem under that item.

Recent Developments

The basic trends evident in the past several years have continued, most notably the shift in consumer demand toward tufted and away from woven products. There has been a further reduction in and consolidation

^{1/} For detailed information relating to earlier periods see the following reports:

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); 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); and Wilton, Brussels, Velvet, and Tapestry Carpets and Rugs: Report to the President (No. TEA-IR-5-64) Under Section 351(d)(1) of the Trade Expansion Act of 1962, TC Publication 137, 1964 (processed).

of Wilton and velvet production capacity in the United States and a concurrent expansion of tufting capacity. 1/

In 1965 Mohasco Industries, Inc., ceased producing Wiltons and velvets at its Laurens (S.C.) mill but continued to supply the residual market from other plants. A. & M. Karagheusian, Inc., which was acquired by J. P. Stevens & Co., Inc., in 1964, was merged with the new parent company in 1965 to become the Gulistan Division. In September 1964 the Roxbury Carpet Co. completed the closing of its Wilton plant in Worcester, Mass.; all of its machinery and equipment was disposed of by mid-1965. Much of the equipment from mills which have closed has been either scrapped or sold to foreign buyers and is thus permanently removed from domestic production. Since mid-1961 seven plants have either closed or have ceased producing Wiltons and velvets.

Expansion of tufting facilities was reported both by firms producing Wiltons and velvets and by those engaged predominantly in producing tufted carpets. In June 1965 Mohasco Industries, Inc., disclosed plans to build a new tufted-carpet plant in Dublin, Ga., which would initially employ 160 persons. Several other Wilton and velvet producers reported additions to their tufting facilities. An example of expansion of such facilities by firms that do not produce Wiltons and velvets is the opening of a new tufting plant in Rome, Ga., by Trend Mills.

1/ Tufted floor coverings are manufactured by inserting pile yarns into a preexisting backing fabric by means of a high-speed multiple-needle operation, as distinguished from woven floor coverings, such as Wiltons and velvets, made on looms which form the pile and the backing during the weaving process. The production rate of tufting machines is much greater than that of Wilton or velvet looms.

Firms that have been among the chief importers of Wiltons and velvets indicate that they now derive most of their carpet sales volume from domestically produced tufted floor coverings.

New developments in fibers, products, and production processes are reported to have made the market position of tufted carpets even stronger in 1965. The techniques and equipment for producing tufted carpets have been improved materially in recent years, with the result that tufted carpets embodying better styling, particularly in surface patterns, have been made available to consumers in increasing quantities. Moreover, new dyeing techniques, including the adaptation of printing processes to carpets, have broadened both color and design possibilities. Manmade fibers continued to be the predominant materials used in tufted carpets; nylon was the leading fiber. The consumption of acrylics increased and, for the first time, polypropylene was used in significant quantities in both face yarns and backing materials. Various other backing materials which replace jute are expected to be used in increasing quantities. Manmade fiber producers have devoted substantial funds to promoting the sale of carpets containing the fibers they produce.

Tufted carpets have been widely accepted as a good value in the household market; many marketing executives feel that most consumers no longer distinguish between woven and tufted carpets. Wilton and velvet producers have been better able to maintain sales in the "commercial" market than elsewhere, but even in this expanding market tufted carpets have made rapid gains. Total shipments of machine-tufted carpets and rugs were greater in 1964 than in 1963, continuing the rapid upward trend of recent years. Shipments in 1964 totaled

314 million square yards, composed of 254 million square yards of carpets larger than 4 by 6 feet 1/ and 60 million square yards of carpets 4 by 6 feet and smaller (table 1, appendix). During the period 1961-64, the shipments of tufted carpets increased in each succeeding year, at an average annual rate of approximately 20 percent.

U.S. Consumption

Whereas the U.S. consumption of all types of machine-made pile floor coverings has increased markedly in recent years, the consumption of Wiltons and velvets has declined annually since 1959, when it was 47 million square yards (table 2). In the period 1961-64 the U.S. annual consumption of Wiltons and velvets declined from 37 million square yards to 25 million square yards, or by an average rate of 10 percent annually. From 1961, the peak year of imports, through 1964, U.S. annual production declined by 4.4 million square yards, or by an average annual rate of 5 percent, and imports declined by 7.3 million square yards, or by an average annual rate of nearly 25 percent. The available data indicate that consumption of Wiltons and velvets in 1965 will be below that in 1964, but that the decline will be smaller than in each of the 2 preceding years. Exports have been small for a number of years.

U.S. Producers

After the closing of the Wilton plant of the Roxbury Carpet Co. in Worcester, Mass., and the Laurens, S.C., Mill of Mohasco Industries, Inc., there remained 28 plants, operated by 25 firms,

1/ Including 36 million square yards of automobile and aircraft carpeting.

manufacturing Wiltons or velvets or both. This total includes 1 company operating a plant, under a lease arrangement, which had previously been reported as closed. Of the 28 plants, 8 were located in Pennsylvania; 4 in Massachusetts; 3 in New Jersey; 2 each in South Carolina, New Hampshire, New York, and North Carolina; and 1 each in California, Connecticut, Georgia, Maine, and Virginia. Before the escape-clause action (1961) there were 33 plants operated by 26 firms.

Of the 26 firms 1/ which produced Wiltons and velvets in 1964, 15 also produced machine-tufted carpets and rugs. In that year Wiltons and velvets constituted 20 percent of the aggregate production of soft-surface pile floor coverings by the 15 producers; machine-tufted carpets constituted 69 percent and other machine-woven and machine-knitted floor coverings, 11 percent. The corresponding percentages for the same producers in 1963 were 26, 61, and 13, respectively.

A number of large textile companies producing fabrics and other textile products have added floor coverings to diversify their product lines, either by acquiring the facilities of producers already making such products, by building new plants, or by expanding existing plants.

U.S. Production, Sales, and Inventories

The U.S. production of Wiltons and velvets in 1964 was about 14 percent lower than in 1963, reflecting a 29-percent decline in the

1/ The 25 firms mentioned above plus Archibald Holmes & Son, which ceased production of woven carpets in early 1964.

annual production of Wiltons and a 6-percent decline in that of velvets. During 1961-63 the annual output of Wiltons and velvets was fairly stable. A comparison of the output during the periods January-June 1964 and January-June 1965 shows a decrease of about 5 percent. The combined production of Wiltons and velvets in 1964 was lower than in any other year in nearly two decades.

Indexes of the production, sales, and inventories of 19 firms that supplied data for the years 1957-64 (which in the aggregate accounted for approximately 97 percent of the estimated output of Wiltons and velvets in 1961-64) are shown in table 3. The lower production in 1964, compared with that in 1963, reflected a decrease in the quantity and value of sales; the decrease in production, however, was considerably greater than the decrease in value of sales. All indexes for 1964 were at the lowest points reached during the period 1957-64.

U.S. exports of Wiltons and velvets in recent years have been of minor significance (table 2).

Producers' yearend inventories of Wiltons and velvets in 1964 declined, as they had in the preceding 4 years, and reached a low for the period 1957-64.

U.S. Imports

U.S. annual imports of Wiltons and velvets have declined very substantially since reaching a record high of 8.2 million square yards in 1961 (table 2). In 1964, imports totaled 949,000 square yards, which was 88 percent smaller than in 1961 and the lowest in any year since 1948. This decline is attributable to the increase

in the duty in 1962, the increased price competition from domestic tufted carpets, and the shifting consumer demand away from woven toward tufted floor coverings. Imports in the first 6 months of 1965, amounting to 303,000 square yards, indicate that the total for 1965 will be lower than that in 1964. The ratio of imports to production declined annually from a peak of 28.7 percent in 1961 to 3.9 percent in 1964 and continued downward to 2.6 percent in January-June 1965.

Belgium and Japan continued to be the principal sources of imports in 1964; Belgium supplied 64 percent of the total, and Japan, 15 percent (table 4). Aggregate imports from these two countries in 1964 were 54 percent lower than those in 1963. In the fiscal year ending June 30, 1965, 56 percent of the total imports were from Belgium and 13 percent were from Japan; aggregate imports from these two countries were 65 percent lower in that year than in the fiscal year ending June 30, 1964.

Employment and Man-Hours

The number of production and related workers employed in plants producing Wiltons and velvets declined from about 12,500 in 1960 to about 9,000 in 1964. Of the total man-hours worked by such workers in 1964, roughly half were spent on the production of Wiltons and velvets.

Indexes of the number of workers employed and the man-hours worked in the Wilton and velvet plants of the 19 firms whose data were used in the section on production were computed for the years 1960-64 (table 5). The index (1960-62=100) of the average number

of production and related workers employed on all products made in these plants decreased from 88 in 1963 to 81 in 1964, whereas the index of the man-hours worked on all products in those years declined from 94 to 86. The index of man-hours worked on Wiltons and velvets decreased from 88 in 1963 to 73 in 1964, or by 17 percent, compared with a decline in the production of Wiltons and velvets by the same 19 firms of 15 percent.

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 1957-65. After 1960 all three indexes declined to 1963, the index for velvets dropping about 10 percent, that for all soft-surface coverings about 6 percent, and that for Wiltons about 4 percent. In 1964 higher prices for raw material were accompanied by substantial increases in all indexes, especially that for Wiltons, which rose by about 10 percent. During the first half of 1965 all indexes declined in about the same degree. As a result of these price movements Wiltons, which are generally more expensive than other types of carpets, became even more expensive relative to other floor coverings. This fact, coupled with the trend away from patterned carpets, subjected Wiltons to a sharp decline in output. In contrast to the production of velvets, which has remained approximately at the 1960 level, that of Wiltons has declined by more than half (table 7).

Appendix

Table 1.--Machine-woven and machine-tufted pile carpets and rugs:
U.S. production, by types, 1958-64

Year	(In thousands of square yards)						Grand total
	Machine-woven		Machine-tufted ^{2/}		Total		
	Wilton and velvet	All other ^{1/}	4' x 6' and smaller	Over 4' x 6'			
1958	34,258	16,802	51,060	34,057	79,583	113,640	164,700
1959	40,570	19,484	60,054	36,416	96,107	132,523	192,577
1960	31,530	16,781	48,311	^{3/} 38,220	^{3/} 113,764	^{3/} 151,984	200,295
1961	28,663	15,614	44,277	^{3/} 44,530	^{3/} 134,095	^{3/} 178,625	222,902
1962	29,473	14,614	44,087	^{3/} 48,569	^{3/} 176,253	^{3/} 224,822	268,909
1963 ^{5/}	28,290	13,983	42,273	^{3/} 52,432	^{3/} 210,553	^{3/} 262,985	305,258
1964	24,233	13,523	37,756	^{3/} 59,632	^{3/} 254,077	^{3/} 313,709	351,465

^{1/} Includes sheen, chenille, axminster, and others.

^{2/} Shipments.

^{3/} Not strictly comparable with years prior to 1960.

^{4/} Includes automobile and aircraft carpeting amounting to 30,437 thousand square yards in 1962, 34,191 thousand square yards in 1963, and 36,439 thousand square yards in 1964.

^{5/} Revised.

Source: Production of machine-woven pile carpets and rugs estimated by the U.S. Tariff Commission from data supplied by domestic producers; shipments of machine-tufted, 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 1958-64, fiscal years ending June 30, 1962-65, and January-June of 1962-65

Period	Production		Imports		Exports ^{1/}		Apparent consumption ^{2/}		Ratio of imports to--	
	1,000 square yards	square yards	1,000 square yards	square yards	1,000 square yards	square yards	1,000 square yards	square yards	Production	Consumption
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		3/ 28,290		4/ 1,853		188		3/ 29,955	3/ 6.6	6.2
1964		24,233		4/ 949		149		25,033	3.9	3.8
Fiscal year ending June 30--										
1962		29,423		9,070		248		38,245	30.8	23.7
1963		3/ 29,419		2,407		175		3/ 31,651	8.2	7.6
1964		3/ 25,548		4/ 1,472		187		3/ 26,833	3/ 5.8	3/ 5.5
1965		23,663		4/ 638		5/ 187		24,114	2.7	2.6
January-June--										
1962		15,157		4,508		135		19,530	29.7	23.1
1963		3/ 15,103		995		80		3/ 16,018	6.6	6.2
1964		3/ 12,361		4/ 614		75		3/ 12,900	3/ 5.0	3/ 4.8
1965		11,791		4/ 303		5/ 110		11,984	2.6	2.5

^{1/} Exports of wool floor coverings. ^{2/} Production plus imports minus exports. ^{3/} Revised.

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

^{5/} Estimated.

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 3.--Wilton and velvet carpets and rugs: Indexes of U.S. production, net sales, and inventories, 1957-64

(1957-60=100)

Year	Production (quantity)	Net sales		Inventories as of Dec. 31 (quantity)
		Quantity	Value	
1957-----	102	100	105	105
1958-----	96	98	95	95
1959-----	114	112	109	107
1960-----	88	90	91	94
1961-----	82	82	82	92
1962-----	85	86	85	88
1963-----	82	82	82	87
1964-----	70	72	77	76

Source: Computed from data submitted to the U.S. Tariff Commission by 19 U.S. firms whose output is estimated to have accounted for approximately 97 percent of the total production of Wilton and velvet carpets and rugs in 1961-64.

Table 4.--Wilton, Brussels, and velvet or tapestry carpets, rugs, and mats, and carpets, rugs, and mats of like character or description: U.S. dutiable imports for consumption, by specified sources, calendar years 1960-64 and fiscal years ending June 30, 1962-65

Country	Quantity (1,000 square yards)					Fiscal year ending June 30--				
	1960	1961	1962	1963	1964	1962	1963	1964	1965	
Belgium and Luxembourg	4,386	4,357	3,512	1,285	611	5,145	1,649	1,027	356	
Japan	3,001	3,063	1,833	356	145	3,028	529	238	81	
Italy	401	445	261	78	32	436	119	36	73	
France	193	208	178	72	57	260	62	75	33	
United Kingdom	115	114	95	43	61	135	42	63	54	
West Germany	42	36	28	8	14	50	3	14	12	
Netherlands	3	2	6	1/	1/	7	1/	1/	1/	
All other	24	9	6	6	29	9	3	19	29	
Total	8,165	8,234	5,919	1,853	2,949	9,070	2,407	1,472	2/ 633	
	Foreign value (1,000 dollars)									
Belgium and Luxembourg	15,518	15,458	11,446	4,442	2,302	17,672	5,291	3,436	1,929	
Japan	8,735	8,358	5,142	1,262	358	8,368	1,712	937	400	
Italy	1,892	2,275	1,293	425	236	2,206	609	217	462	
France	853	879	750	338	262	1,058	329	303	192	
United Kingdom	780	744	509	305	393	882	269	406	333	
West Germany	227	199	154	42	86	276	15	82	78	
Netherlands	14	15	34	1	3/	39	3/	1	3/	
All other	154	58	47	41	144	58	27	105	26	
Total	28,173	27,986	19,475	6,856	2/ 1,021	30,569	8,252	2/ 5,537	2/ 3,260	
	Unit value (per square yard) 4/									
Belgium and Luxembourg	\$3.54	\$3.55	\$3.26	\$3.46	\$3.77	\$3.44	\$3.21	\$3.40	\$5.42	
Japan	2.91	2.73	2.80	3.55	4.13	2.76	3.24	3.93	4.93	
Italy	4.72	5.12	4.96	5.43	7.37	5.06	5.10	6.09	6.29	
France	4.41	4.23	4.22	4.68	4.57	4.11	5.29	4.06	5.88	
United Kingdom	6.78	6.53	6.44	6.35	6.42	6.53	6.39	6.44	6.14	
West Germany	5.39	5.52	5.49	5.64	6.14	5.48	5.76	5.69	6.75	
Netherlands	4.57	6.72	5.31	11.51	6.79	5.36	6.34	8.89	10.47	
All other	6.80	6.62	3.16	6.59	4.89	6.42	9.53	5.44	4.30	
Average	3.45	3.40	3.29	3.70	4.24	3.37	3.43	3.76	5.52	

1/ Less than 500 square yards.

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

3/ Less than \$500.

4/ Calculated from the unrounded figures.

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

Table 5.--Indexes of the average number of production and related workers employed and man-hours worked in plants in which 19 U.S. firms produced Wilton and velvet carpets and rugs, 1960-64

(1960-62=100)

Year	Average number employed on all products	Man-hours worked on--	
		All products	Wiltons and velvets
1960-----	112	109	109
1961-----	97	97	97
1962-----	91	94	94
1963-----	88	94	88
1964-----	81	86	73

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

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 1957-65

(1957-59=100)

Year and month	Wiltons	Velvets	All 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 <u>2/</u> ----	105	96	95

^{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/} Preliminary.

Source: Computed from official statistics of the U.S. Bureau of Labor Statistics.

Table 7.--Wilton and velvet carpets and rugs: Indexes of
U.S. production, 1957-64

(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

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

