

UNITED STATES TARIFF COMMISSION
Washington, D.C.

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TARIFF COMMISSION REPORTS TO THE PRESIDENT ON PETITION
FOR ADJUSTMENT ASSISTANCE BY GENERAL PLYWOOD CORP.

The U.S. Tariff Commission today reported to the President that, being equally divided, it makes no affirmative finding on whether, as a result in major part of concessions granted under trade agreements, birch and lauan plywood door skins are being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the General Plywood Corp. Commissioners Sutton and Culliton voted in the negative; Commissioners Fenn and Thunberg voted in the affirmative. Commissioner Talbot was absent on account of illness during the investigation and therefore did not participate. The investigation was conducted under section 301(c)(1) of the Trade Expansion Act of 1962.

The Commission's report to the President, exclusive of information received in confidence, is reproduced in the following pages. Omissions are indicated by asterisks.

UNITED STATES TARIFF COMMISSION

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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
October 29, 1965.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 872), the U.S. Tariff Commission reports herein the results of its investigation made, under section 301(c)(1) of that act, in response to a firm's petition for the determination of eligibility to apply for adjustment assistance. The petition was filed with the Commission on August 30, 1965, by the General Plywood Corp. of Louisville, Ky. 1/

The purpose of the Commission's investigation was to determine whether, as a result in major part of concessions granted under trade agreements, birch and lauan (Philippine mahogany) plywood door skins provided for in items 240.14, 240.18, and 240.20 of the Tariff Schedules of the United States (TSUS), like or directly competitive with articles produced by the General Plywood Corp., are being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to said corporation.

The Commission instituted the investigation on September 3, 1965. Public notice of the receipt of the petition and of the institution of the investigation and of a public hearing to be held in connection therewith was given by publication of the notice in the Federal Register (30 F.R. 11575). The public hearing was held October 5, 1965, at which all interested parties were afforded opportunity to be present, to produce evidence, and to be heard. A transcript of the hearing and formal briefs submitted by interested parties in connection with the investigation are attached. 2/

In addition to the information obtained at the hearing, the Commission obtained data from its files, from other agencies of the U.S. Government, from briefs submitted by interested parties, and through field visits, interviews, and correspondence by members of the Commission's staff with officials of General Plywood Corp. and other producers of plywood door skins and doors, and importers of door skins.

1/ A petition was initially submitted to the Tariff Commission on June 29, 1965, and was found to be incomplete in some respects. Amendments were subsequently submitted on Aug. 30, 1965, and the petition was regarded as having been filed on that date.

2/ Transcript and briefs were attached to the original report sent to the President.

Commission Action

Upon consideration of the information obtained in this investigation, the Commission, being equally divided, 1/ makes no affirmative finding under section 301(c)(1) of the Trade Expansion Act of 1962 on the question of whether, as a result in major part of concessions granted under trade agreements, birch and Lauan plywood door skins (provided for in TSUS items 240.14, 240.18, and 240.20), like or directly competitive with articles produced by the General Plywood Corp., are being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to said corporation.

Statement of Commissioners Sutton and Culliton

Corporate operations

Prior to 1960, a large part of the production of the General Plywood Corp. consisted of gum door skins and doors, 2/ but allegedly owing to imports during the 1950's of lauan door skins it was forced to discontinue such production and to close its plants at Louisville, Ky., and Tarboro, N.C. In 1959, it acquired the Paine Lumber Co., a producer of quality hardwood door skins and doors, and began to concentrate on the production of high-grade birch and oak door skins and doors at the plants of that company.

Since 1960, the domestic operations of the General Plywood Corp. have been confined to three plants: the plants of the Paine Lumber Co., a division of the General Plywood Corp., in Oshkosh, Wis. and Antigo, Wis., and a plant of the corporation in New Albany, Ind. The Antigo plant produces veneer, which it supplies to the Oshkosh and New Albany plants; the plant in Oshkosh produces mainly door skins and doors of a high-quality birch; and the plant in New Albany produces mainly birch wall panels.

The conversion from production of gum door skins and doors to production of quality birch door skins, doors, and wall panels has gradually enabled the corporation, owing largely to the increase in demand for high-grade doors and wall panels, to achieve an increasing level of profits on such operations. However, in 1962 the General Plywood Corp. sought to diversify and expand its overall operations by

1/ Only four of the five Commissioners participated in this investigation. Commissioners Sutton and Culliton voted in the negative; Commissioners Fenn and Thunberg voted in the affirmative; and Commissioner Talbot was absent due to illness.

2/ In 1959, a large number of lauan door skins and doors made from imported lauan were also produced by General Plywood.

acquiring the Kochton Plywood & Veneer Co., Inc., which was a wholesale warehouse distributor operating 22 warehouses located in 17 States. As a part of this transaction, the General Plywood Corp. borrowed about \$7 million from a commercial lending institution (factor) at a high rate of interest of 13 percent per annum on the unpaid balance. Although the Kochton Co. proved to be profitable during 1962, substantial losses were incurred during each of the years 1963 and 1964 in operations of which less than 5 percent consisted of sales of doors and in what the petitioner refers to as a highly competitive, small profit, distribution field. In 1964, the petitioner sold the Kochton Co. at a loss and reduced the corporation's outstanding indebtedness. As of October 1, 1965, the petitioner's loan had been reduced to approximately \$1.8 million and the rate of interest to about 11 percent.

Allegations

General Plywood contends that due to past imports of mainly lauan door skins it was forced to discontinue its integrated production of gum door skins and doors, and in the process of continuing and diversifying its subsequent operations it incurred a large loan at a high rate of interest. It alleges, notwithstanding the apparent success that it has had in producing and marketing its birch and oak doors, door skins, and wall paneling, that it is being injured by the high interest it pays on the remaining portion of its loan. Subsidiary allegations are also made regarding the effects of imports of lauan and birch door skins on the petitioner's operations during the 1960's.

Conclusion

Under section 301(c)(1), it is provided that the Tariff Commission, upon petition by a firm for a determination of eligibility to apply for adjustment assistance under chapter 2, shall promptly make an investigation to determine whether--

as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by a firm is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to such firm.

Section 301(c)(3) provides that, for the purposes of the foregoing provisions, increased imports shall be considered to cause, or threaten to cause, serious injury to a firm when such increased imports constitute "the major factor in causing, or threatening to cause, such injury".

Thus, in accordance with section 301(c)(1) and (c)(3), there are essentially five conditions which the Tariff Commission must find to exist before it can make an affirmative finding for a petitioning firm:

- (1) that the imported article is "like or directly competitive" with an article produced by the firm;
- (2) that the imported article "is being imported into the United States in * * * 1/ increased quantities";
- (3) that such increased imports are a result "in major part" of concessions granted under trade agreements;
- (4) that the firm is being caused, or threatened with, "serious injury"; and
- (5) that the increased imports constitute "the major factor" in causing, or threatening to cause, such injury.

In the instant case, there is no doubt that condition (2) has been met, i.e., lauan and birch door skins are being imported in increased quantities. 2/ However, the other conditions do raise serious doubts. Without making any determinations with respect to conditions (1), (3), or (4), we find with respect to condition (5) that increased imports of lauan and birch door skins are not causing, or threatening to cause, serious injury to the firm.

Although the petitioner has made various allegations that current increased imports are seriously injuring the firm, we are not able to find the required cause-and-effect relationship between such imports and the alleged injury. The difficulties experienced by the firm and the losses incurred by it following the conversion from production of gum door skins and doors to production of quality birch door skins, doors, and wall panels, resulted in large measure from a number of expenses, including litigation, research, and development with respect to its Microseal patent; high interest rates on borrowed capital; acquisition and modernization of plants; and temporary warehousing operations. The financial burden presently borne by the petitioner is in no way causally related to the present level of imports of lauan and birch door skins.

1/ The word omitted in this quotation is "such" which implies that something more than mere increased quantities is necessary. In some previous cases where the Commission has found that there were no increased quantities being imported it obviously found it unnecessary to evaluate them. We believe that this has tended to distract attention from the requirement that an increase in imports alone is not the criterion.

2/ In determining whether an article "is being imported . . . in . . . increased quantities", the Commission generally examines the rate of importation of the article involved during the most recent years. In the present case, all available statistics show that birch and lauan door skins are being imported into the United States in increased quantities within the meaning of the statute.

Serious injury that may have existed a number of years ago as a result of increased imports does not qualify the firm for adjustment assistance under the statute. The provisions of the statute are designed not for purposes of compensating firms for past injury resulting from past imports but to provide temporary governmental aid to individual firms having difficulty adjusting to current increased import competition. Since the sale of the Kochton Co., General Plywood has operated at a profit, and data for the first 9 months of the fiscal year ending in 1965 indicate a substantially higher profit in 1965 than in 1964. Employment, which was stable during 1962-64, rose in 1965, and increased sales and enhanced profits are anticipated for the future. Demand for the corporation's products continues strong; its output of plywood door skins and panels is limited by capacity; and it has a substantial backlog of orders. The corporation is increasing its capacity and expects to expand production substantially in 1966.

A step-by-step application of each of the standards required by the law--and the rejection of any petition which fails to meet any one--may appear arbitrary and unsympathetic. Economic cause-and-effect relationships and measurement of phenomena (like injury) are not that fractionated or that precise. Economic reality as well as common sense suggests that there must be some kind of "overall appraisal" to see whether the conditions have been met in total. At the same time, however, legal reality as well as common sense suggests that the overall appraisal cannot be used as a substitute or a subterfuge to avoid the application of the specific tests. Standards begin to mean nothing when they are waived or loosely applied.

We find that the facts of this case do not meet the statutory standards which the Tariff Commission is required to apply.

Respectfully submitted.

Glenn W. Sutton, Commissioner

James W. Culliton, Commissioner

Statement of Commissioners Fenn and Thunberg

A finding that General Plywood Corp. qualifies for adjustment assistance under the provisions of the Trade Expansion Act follows from recognition of the fact that neither the impact of a trade-agreement concession, nor the resulting injury to a corporate being is likely to be an instantaneous phenomenon. The promptness with which imports respond to a duty reduction and the duration of that response depend on the nature of the market for the commodity concerned. A duty reduction is not, after all, a specific action like the placing of an order for goods; it is a fundamental change in the conditions under which trade is conducted. Conceptually its impact continues as long as the duty remains unchanged. The impact depends, inter alia, on the number of firms already in the domestic market as producers and as importers, the number and capacity of producers in foreign countries, the ease with which new producers can enter the field here and abroad, and the responsiveness of domestic purchasers to price reductions. It depends on contacts already established between importers and exporters, the ease of expanding marketing facilities and importers' evaluation of prospects for a profitable expansion of U.S. imports.

It is true, of course, that the longer a reduction is in force, the more likely it is to become merely one of a number of factors causing currently increasing imports. Under such circumstances, the law--which declares that the rising imports must be caused "in major part" by the concessions--would be less likely to apply. In this case, however, we find that the duty reduction from 40 to 20 percent in 1951 enabled lauan to underprice gum, its closest domestic competitor; that the price differentials between lauan and gum have been maintained; that though other causes have also contributed to currently increased imports, 1/ the changed conditions represented by the duty concession still are in major part the cause of the increased imports.

The resulting injury to a domestic producer will similarly vary in degree and duration depending on the nature of the responsiveness of imports to a duty reduction, the degree to which the imported product is a close substitute for the domestic article, the degree to which the relative price of the domestic product declines, the profit rate of the firm, the overall flexibility of the firm's

1/ Like our colleagues, we find that imports are increasing within the meaning of the Trade Expansion Act.

productive resources, the financial strength of the firm, the importance of this product in the firm's total operations--among other factors.

It is unrealistic to consider a date of injury to a business as one would that to a person. A man may be hit by a bus on March 17; this becomes the date of his injury, though his suffering may continue for some time thereafter. A company, however, finds itself in a period of injury which is likely to be characterized by intervals of gradual onset, intense impact, and, in cases of survival, tapering off.

The phrasing of the adjustment assistance provisions of the Trade Expansion Act indicates clearly that the Congress did not adopt an instantaneous concept of injury. Nevertheless, the use of the present tense in section 301 indicates that the Congress did not intend to involve the U.S. Treasury in an open-ended commitment to provide aid for import injuries which might have occurred at some remote time before the aid application. Thus, since the Act is not designed to compensate for past injury, the firm must still be in the period of injury for it to be eligible.

General Plywood is in such a period of serious injury. As a result of increased competition from lauan imports, the petitioner lost its markets in the South and Southwest, was forced to sell major production facilities at a loss, and sustained a severe drop in the level of employment * * *. As a result of accumulating injury the petitioner has been unable to secure bank financing at regular commercial conditions and rates of interest and has been forced to turn to factoring concerns for its short-term requirements at rates varying from 11 to 13 percent plus extra charges. * * *. At the hearing the statement was made that it will take about 3 more years of earnings at the current rate for the petitioner to secure normal bank financing.

It could convincingly be argued that the lauan imports today--October 1965--are not the major cause of General Plywood's injury as we have described it, even though these imports are adversely affecting the climate within which the company is attempting to adjust, and they did set in motion the whole chain of circumstances which resulted in the company's difficulties. This line of argument seems to us, however, to be an unduly narrow and restrictive interpretation of the Act and of the intent of Congress. In this particular case, the causal relation between the imports and the

injury, which was close enough to satisfy any reasonable man only a few short years ago, has been somewhat blurred by the evolving situations of a dynamically changing business situation. We recognize that there are hazards in either an overly precise or an overly broad construction of the words of the Act which require that "an article like or directly competitive with an article produced by the firm is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to such firm". We are impressed by the fact that the Commission has generally considered some period such as five years in making a determination as to whether imports are increasing or not; by the same token, it seems to us manifestly reasonable to consider over some similar period of time the degree of causal relationship between a duty concession and increasing imports and increasing imports and injury to a firm.

For the foregoing reasons, we find that the General Plywood Corp. is eligible for adjustment assistance.

Respectfully submitted.

Dan H. Fenn, Jr., Commissioner

Penelope H. Thunberg, Commissioner

Summary of Information Obtained in the Investigation

U.S. tariff treatment

Plywood door skins, not face finished, or face finished with a clear or transparent material which does not obscure the grain, texture, or markings of the face ply, are dutiable under item 240.14 of the TSUS at 15 percent ad valorem if of birch, and under item 240.18 at 20 percent ad valorem if of lauan. Other birch and lauan plywood door skins are dutiable under item 240.20 at 20 percent ad valorem. Prior to the effective date of the TSUS (Aug. 31, 1963), birch and lauan plywood door skins were dutiable under paragraph 405 of the Tariff Act of 1930, as modified, at 15 percent and 20 percent ad valorem, respectively. The rates of duty originally provided in the Tariff Act of 1930 were 50 percent ad valorem on door skins of birch and 40 percent ad valorem on those of lauan. Pursuant to trade-agreement concessions, the rate of duty on birch door skins was reduced to 25 percent ad valorem on November 2, 1936, to 20 percent ad valorem on May 25, 1950, and to 15 percent ad valorem on June 6, 1951. The rate of duty on lauan door skins was reduced to 20 percent ad valorem on June 6, 1951.

Description and uses

A plywood door skin is a thin flat panel used as a face in the assembly of a flush door. It is distinguished from a standard plywood wall panel (4 by 8 feet by 1/4 inch thick) by being manufactured in a door-size panel, generally 1/8 inch thick. Two plywood skins of the same dimensions are required to complete a flush door. Virtually all domestic and imported plywood door skins consist of three plies of veneer, with the two outer layers selectively designated as face and back. The wood of the face veneer, which becomes an exposed face of a flush door, determines the kind of skin. For example, a birch plywood door skin has a face ply of birch, selected for its clear sound grade; the back ply may be of the same wood or a different wood but generally is of a quality and grade inferior to that of the face veneer.

Plywood door skins are made in various types and grades, constructed to meet the requirements of the industry producing flush doors for use in dwellings, office and institutional buildings, and industrial plants. Nearly all plywood flush doors are faced with hardwood, and most of them are finished clear to display the natural wood grain. The principal factors determining the type and class of plywood skins are set forth below.

Species.--The skins are made from many native and foreign species of wood; the more important species are gum, birch, oak, and lauan (Philippine mahogany).

Size.--The skins are generally 1/8 inch thick and are made to conform to U.S. standard flush door sizes. The most common size is 2-1/2 feet wide by 7 feet long, measuring 17-1/2 square feet per side or 35 square feet per door.

Type of bond.--Plywood door skins are produced chiefly in two types of bond, depending upon the kind of adhesive used: Technical or fully waterproof bond to withstand full weather exposure, such as for entrance and storm doors, and moisture resistant bond to withstand occasional wetting and drying, as for interior doors. Moisture resistant bond is used in most imported and domestic door skins.

Grade.--Door skin plywood is graded according to the quality of wood in the face and back of a finished panel. There are four basic grades, ranging in order from No. 1, or A, good grade (best) to No. 4, or D, reject grade (poorest). ^{1/} A finished panel is graded by face and back, in that order.

Finish.--When assembled into the flush door, virtually all plywood door skins are "in the white," a term which applies to the sanded panel with no additional finish. Most hardwood plywood flush doors are given a clear finish to display the natural wood grain, as stated above; however, most gum plywood flush doors are paint finished to cover the indistinct or undesirable natural wood grain.

Competing products.--Since World War II, hardboard has been used in place of plywood in some flush doors. Hardboard competes most sharply with lower priced plywood door skins, such as those to be paint finished.

U.S. consumption

For several years after their introduction in the mid-1930's, flush doors, in which plywood door skins are used, accounted for a small proportion of the doors installed, but they accounted for a

^{1/} The grades are those specified by the U.S. Department of Commerce in its bulletins Commercial Standard, Hardwood Plywood, CS 35-49, CS 35-56, and CS 35-61, and Commercial Standard, Douglas Fir Plywood, CS 45-55 and CS 45-60. Although importers generally adopt the standards of the United States in selling imported plywood door skins, there are differences in grade terminology which make it difficult to compare some domestic and imported products.

rapidly growing proportion in the postwar period. Until 1950, when there was a widespread shortage of building materials, they supplemented the customary panel door. Between 1951 and 1960, they virtually replaced it. Growth in the market for flush doors, and for the door skins of which they are made, continued after 1960 with the increase in building construction. In comparison with the 360 million square feet consumed in 1950, apparent consumption of plywood door skins amounted to 679 million square feet in 1958 and averaged 968 million square feet a year in 1963-64 (table 1).

The market for plywood door skins has been favorably influenced by the recent popularity of flat surfaces of plywood in furniture and of interior wall paneling complemented by flush doors. Birch door skins are generally used on the better grade doors, and imported lauan or domestic gum skins on the cheaper doors. The consumption of birch door skins has increased, but that of gum door skins has declined to less than 3 percent of the total, as gum has been largely replaced by lauan. Door skins of lauan now account for by far the greater part of consumption.

U.S. imports

Imports of plywood door skins, which are not reported separately in official statistics, have been estimated from the imports of birch plywood and other plywood not specially provided for (predominantly lauan) on the basis of an analysis of invoices. ^{1/} Door skins comprise 40 to 50 percent of the imports of birch plywood, 50 to 60 percent of those of lauan plywood, and a comparatively small proportion of the imports of plywood of other species. Since 1953, imports of lauan door skins have greatly exceeded those of birch (table 4).

Imports of birch door skins amounted to 26 million square feet in 1950, the year in which the duty was reduced from 25 to 20 percent ad valorem, and to 25 million in 1951, the year of the last reduction-- to 15 percent ad valorem. ^{2/} Thereafter imports increased substantially, although somewhat irregularly, to 99 million square feet in

^{1/} Invoices were sampled for 1953-54 and 1959-65. Data thus obtained were confirmed by information compiled during the Commission's two investigations of hardwood plywood (in 1955 and 1959) and by certain reports from the U.S. Bureau of Customs.

^{2/} Quantitative data on imports of door skins prior to 1950 are not available but the imports are known to have been small. As shown in table 3, following the reduction in duty from 50 to 25 percent ad valorem in late 1936, imports of birch plywood of all types increased from an insignificant quantity to 1.6 million square feet in 1938. They decreased sharply during the war years and subsequently increased to 18 million square feet in 1946 and to 51 million in 1950.

1964. During the first 5 months of 1965 they exceeded those of the comparable period of 1964 (table 4). Canada, Japan, and Finland have been the major sources of imports.

Imports of lauan door skins in 1950 amounted to about 4 million square feet, valued at \$200,000. Following the reduction of the import duty from 40 percent to 20 percent ad valorem in 1951, they increased rapidly to 407 million square feet in 1957. After a decline in 1958, the imports rose irregularly to 759 million in 1964. During the first 5 months of 1965 they were larger than in the comparable period of 1964 (table 4). Japan and Taiwan have been the two leading sources of imports during the past 15 years. Other countries, such as the Nansei and Nanpo Islands, Korea, Hong Kong, and the Philippines, were important sources after 1958.

As imports and consumption of door skins are estimated upon a different basis, available data showing year-to-year changes in the relationship between them are not necessarily representative. In general, however, it may be observed that imports of birch and lauan door skins increased from less than 10 percent of the consumption of door skins in 1950 to about 75 percent of the consumption in 1957-64.

The average foreign unit value of lauan door skins imported ranged from \$48 to \$58 per 1,000 square feet in 1952-62, except for 1958, when it amounted to \$39 (table 4). It was \$41 in 1963-64 and \$37 in the first 5 months of 1965. The foreign value of \$37 per 1,000 square feet is equivalent after duty and other expenses (such as freight, insurance, and brokerage fees) to a landed value of about \$50 per 1,000 square feet.

The average foreign unit value of birch door skins imported ranged from \$90 to \$132 per 1,000 square feet in 1950-63. It amounted to \$100 in 1964 and to \$109 in January-May 1965. The foreign value of \$109 per 1,000 square feet is equivalent after duty and other expenses to a cost to the U.S. importer of approximately \$130 per 1,000 square feet. Imports of birch door skins have had relatively little impact on the operations of General Plywood Corp. ^{1/}

U.S. production

There is no well defined or separately classified industry producing plywood door skins. They are produced by about 40 of the more than 200 plants producing hardwood plywood. Most of the 40 plants are located in the East, and the remaining few in the Pacific

^{1/} Transcript of the hearing, pp. 15 and 47.

Northwest. All of them are engaged in the manufacture of other types of plywood, including wall paneling. Fifteen of them (including General Plywood Corp.) are integrated door manufacturers primarily engaged in making door skins for use in doors which they assemble. The other 25 (including some of the largest) are plywood manufacturers selling door skins to the nearly 100 independent door producers. These independent door producers, which for the most part utilize imported door skins, account for by far the greater part of the production of flush doors.

As a result of the growing use of plywood wall paneling and the sustained rate of building construction, the production of ordinary hardwood plywood has increased in recent years (table 5). There are no published data on the production of door skins. From a sampling of leading manufacturers and from the difference between the estimated consumption and the imports of door skins, the annual production of door skins in 1950-55 is estimated to have ranged from 300 million to 350 million square feet and to have equaled about one-fourth of the production of ordinary hardwood plywood. Annual production of door skins declined irregularly after 1955 and has apparently amounted to less than 200 million square feet, or about one-tenth of the production of ordinary hardwood plywood, in the last several years.

Prices of plywood door skins

Domestic door skins are generally used by the producer or are sold at negotiated prices and are not subject to regular price quotations. As shown by published data, the average prices of hardwood plywood panels and of flush doors have not varied greatly in recent years (table 9). The price of lauan panels (imported), after having increased in 1960, declined to a level in 1962-65 slightly above that of 1958-59. The price of gum panels and of flush doors (particularly paint grade) increased from 1958 to 1965, and that of birch panels declined.

To a door manufacturer in the eastern United States the cost of imported lauan door skins, including freight (\$2.50) from the Pacific Coast, ranged from \$55 to \$90 a thousand square feet in 1950 to 1959. It amounted to \$57 a thousand in October 1965. ^{1/} General Plywood's cost of production for gum door skins was \$96 to \$100 per thousand square feet in the early 1950's. It was gradually reduced to \$72.65 in 1955 and eventually, before discontinuance (in 1959) of the manufacture of gum door skins, to a low of \$66.33 per thousand. ^{2/} * * *.

^{1/} Transcript pp. 56, 64, 66, 71, and 80.

^{2/} Transcript p. 6.

Prices of stock hollow-core flush doors made by General Plywood Corp. * * * declined substantially in the years 1953-59, when gum doors were the chief kind it manufactured. Such prices showed no consistent trend in 1960-64, when birch doors were the chief kind made by General Plywood.

Operations of the General Plywood Corp.

The General Plywood Corp. was incorporated under the laws of the Commonwealth of Kentucky on August 27, 1945. ^{1/} The company and its predecessors have been engaged in the manufacture, finishing, and sale of hardwood plywood since 1903. Since 1948, the General Plywood Corp. has been a manufacturer of hardwood flush doors. During the period 1959-65, the company at one time or another, operated six plants as follows:

<u>Location</u>	<u>Product</u>
Tarboro, N.C-----	Gum veneer, plywood panels, and door skins
Louisville, Ky-----	Doors
New Albany, Ind-----	Plywood panels and door skins
Oshkosh, Wis-----	Door skins and doors
Antigo, Wis-----	Birch and oak veneer
Burks Falls, Ont., Can--	Birch and oak veneer

From time to time the company has increased or reduced the number of manufacturing plants and made major changes in its marketing and distribution operations * * *. The plants at Burks Falls, Oshkosh, and Antigo were acquired and the Louisville plant was closed in 1959. The plant in Tarboro and an associated tract of gum timber were sold late in 1960. A warehouse chain, the Kochton Plywood & Veneer Co., Inc., was purchased in 1962 and was sold piecemeal in 1964. During the ownership of Kochton, goods purchased for resale constituted a large part of General Plywood's total sales.

The products manufactured by General Plywood Corp. consist primarily of doors, door skins, and plywood wall panels. Two-thirds to

^{1/} The principal officers are Henry M. Reed, Jr., President; K. E. Hull, W. G. Barry, and James B. Hill, Jr., Vice Presidents; and E. J. Hickey, Secretary and Treasurer. Mr. Reed has served since 1954, Mr. Barry (with a short interruption) since 1961, and Mr. Hickey since 1963. Mr. Barry entered into his present capacity in 1965. Mr. Reed, Mr. Barry, and Mr. Hill, besides serving as officers, are among the nine directors of the corporation. John K. Skaggs, Jr., of the law firm of Skaggs and Hays, counsel for General Plywood, was formerly on the board of directors (1949-53 and 1955-60).

three-fourths of the door skins produced in recent years have been assembled into doors sold by the firm; the remainder have been sold to others for assembly. Doors and door skins accounted for four-fifths of sales of the company's own manufactured products in 1959-60, and for one-half to two-thirds of its sales of such products in 1961-64.

* * * * *

In 1950 more than 60 percent of General Plywood's total business was in gum doors, and the company's largest item of production was a paint-grade door. After 1961, when it no longer owned the gum veneer plant at Tarboro, General Plywood's production consisted substantially of the institutional, solid core, office-building type of doors, which are sold at a premium above the price of low-cost residential doors. 1/

The imported lauan door skins were competitive with the gum and lauan door skins formerly produced by General Plywood and were undoubtedly a factor that influenced the company to discontinue the production of those door skins in 1960-61.

The birch and other door skins currently being produced by General Plywood sell in a much higher price range than the imported lauan door skins. The door skins and doors now marketed by the company are sold in markets where only limited quantities of lauan door skins and doors are demanded.

The birch door skins produced by General Plywood are directly competitive on a price basis with those that are imported, as well as with those produced by other domestic manufacturers. With the rising market for flush doors of birch, both imports and domestic production of birch door skins have increased significantly since 1961; General Plywood has shared in the increase.

* * * * *

Profit-and-loss experience of General Plywood Corp.

Net sales by General Plywood Corp. and its subsidiaries declined from \$13.3 million in 1959 to \$7.2 million in 1961, rose to \$24.2 million in 1962 and to \$28.5 million in 1963, then declined to \$18.8 million in 1964 * * *. Goods purchased from other companies and sold through the corporation's warehouse outlets, acquired in 1962, accounted for most of the added sales in 1962-64. Excluding the sales of goods purchased from other companies, sales of the firm's own manufactured products increased steadily from 1961 through 1964.

1/ Transcript of the hearing, pp. 6-8 and 12-13.

The General Plywood Corp. reported losses before income taxes on its total operations in each of the years 1959-63; the smallest loss, \$150,000, occurred in 1962, and the largest loss, \$1.4 million, occurred in 1960. The company had net profits of \$127,000 in 1964 and \$492,000 (5.1 percent of net sales) in the first 9 months of its accounting year 1965. 1/

* * * * *

1/ As of Nov. 1, 1964, the corporation had a Federal income-tax-loss carryover of about \$5 million from prior years. According to Moody's Industrial Manual, it lost money 10 years out of the last 18 and 7 years out of the last 9. The longest profit making period was during the years 1952-55.

Appendix

Note.--Tables 6, 7, 8, 10, 11, and 12 are omitted from the published report because they contained information submitted in confidence by the General Plywood Corp. They were included in the report sent to the President.

Table 1.--Number of private nonfarm housing starts, production of flush doors, and apparent consumption of plywood door skins in the United States, based on U.S. industry operations, * * * 1950-64

Year	Private nonfarm housing starts ^{1/}	Average number of flush doors per housing start ^{2/}	Production of flush doors ^{2/}	Apparent consumption of plywood door skins ^{3/}
	Thousands		Thousands	1,000 sq. ft.
1950-----	1,908	5.4	10,300	360,500
1951-----	1,420	6.6	9,370	327,950
1952-----	1,446	7.7	11,130	389,550
1953-----	1,402	8.9	12,480	436,800
1954-----	1,532	10.1	15,410	539,350
1955-----	1,627	11.2	18,220	637,700
1956-----	1,325	12.4	16,430	575,050
1957-----	1,175	13.6	15,980	559,300
1958-----	1,314	14.8	19,400	679,000
1959-----	1,495	15.3	22,870	800,450
1960-----	1,230	15.9	19,560	684,600
1961-----	1,285	16.4	21,070	737,450
1962-----	1,439	17.0	24,460	856,100
1963-----	1,582	17.5	27,750	971,250
1964-----	1,530	17.5	27,550	964,250

^{1/} Revised data published in Construction Review, monthly industry report, July 1964 and July 1965; and data from official statistics of the U.S. Department of Commerce, Business and Defense Services Administration.

^{2/} Estimated, based on shipments of flush doors in Census of Manufactures for 1954, 1958, and 1963, and on unpublished data from industry sources.

^{3/} Computed by multiplying number of flush doors produced by 35 square feet, the average surface area (2 door skins) per flush door.

* * * * *

Source: Industry operations compiled from official statistics of the U.S. Department of Commerce, except as noted. * * * .

Note.--Data which would reveal operations of General Plywood Corp. are omitted from this table; the data were sent to the President.

Table 2. Plywood: U.S. imports for consumption of birch and lauan, 1950-64, January-May 1964, and January-May 1965

Year	Birch			Lauan ^{1/}			Total		
	Quantity	Value	Unit value ^{2/}	Quantity	Value	Unit value ^{2/}	Quantity	Value	Unit value ^{2/}
	Million sq. ft.	Million dollars	Per 1,000 sq. ft.	Million sq. ft.	Million dollars	Per 1,000 sq. ft.	Million sq. ft.	Million dollars	Per 1,000 sq. ft.
1950	51	6	\$118	5	3	\$62	56	6	\$113
1951	50	7	142	12	1	77	63	8	130
1952	62	9	146	17	1	61	79	10	128
1953	90	11	122	98	6	63	188	17	91
1954	110	14	123	283	16	56	393	30	75
1955	157	19	121	421	27	63	578	46	79
1956	146	18	125	512	31	61	657	50	75
1957	114	14	119	690	43	63	804	57	71
1958	98	11	110	617	32	52	715	43	60
1959	137	15	107	854	51	60	990	66	66
1960	130	15	114	670	38	56	800	53	66
1961	132	14	108	777	41	53	909	55	61
1962	161	18	114	1,079	62	58	1,240	80	65
1963	197	22	112	1,167	59	51	1,364	81	60
1964	226	25	110	1,433	70	49	1,659	95	57
January-May 1964	92	10	106	522	25	48	614	35	57
1965	104	11	106	568	27	47	672	38	56

^{1/} Not separately classified prior to 1960; imports were estimated for years 1950-59.

^{2/} Computed from unrounded figures.

^{3/} Less than \$500,000.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Note: Because of rounding, figures may not add to the totals shown.

Table 3.--Birch plywood: U.S. imports for consumption, by principal sources, 1935-50

(Value in thousands of dollars)

Period	Quantity	Foreign value	
		Total	By principal sources
	<u>1,000</u>		
	<u>sq. ft.</u>		
1935-----	<u>1</u> / 21	<u>1</u> / <u>2</u> /	Poland and Danzig; Denmark.(T)
1936:			
Jan. 1-Nov. 1-----	<u>1</u> / 19	<u>1</u> / <u>2</u> /	Japan; Finland; Poland and Danzig.
Nov. 2 <u>3</u> /-Dec. 31----	41	4	U.S.S.R. 4.
1937-----	608	18	Finland, 17; Japan, 1.
1938-----	1,641	33	Finland, 21; U.S.S.R. 6; Latvia, 4; Poland and Danzig, 2.
1939-----	1,441	29	Finland, 20; Latvia, 7; Poland and Danzig, 2.
1940-----	612	13	Finland, 12; Canada, 1.(T)
1941-----	636	8	Canada.(T)
1942-----	11	<u>2</u> /	Canada.(T)
1943-----	4	4	Canada, 4.
1944-----	<u>4</u> /	<u>4</u> /	
1945-----	605	59	Canada.(T)
1946-----	18,162	1,521	Finland, 838; Canada, 683.
1947-----	23,318	2,411	Canada, 1,986; Finland, 392.
1948-----	18,890	5,652	Canada, 2,569; Finland, 29.
1949-----	16,204	1,969	Canada, 1,922; Finland, 48.(T)
1950 <u>5</u> /-----	51,221	6,027	Canada, 5,941; Finland, 64; Japan, 22.(T)

1/ Includes imports of alder plywood.

2/ Less than \$500.

3/ Effective date of reduction of duty on birch plywood from 50 to 25 percent ad valorem.

4/ No transactions.

5/ Effective May 25, duty on birch plywood reduced from 25 to 20 percent ad valorem.

(T) Denotes that the countries shown account for total imports.

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

Table 4.--Plywood door skins: Estimated U.S. imports for consumption of birch and lauan, 1950-64, January-May 1964, and January-May 1965 1/

Period	Birch				Lauan 3/				Total			
	Quantity	Value	Unit value 2/	Quantity	Value	Unit value 2/	Quantity	Value	Quantity	Value	Unit value 2/	
	Million sq. ft.	Million dollars	Per 1,000 sq. ft.	Million sq. ft.	Million dollars	Per 1,000 sq. ft.	Million sq. ft.	Million dollars	Million sq. ft.	Million dollars	Per 1,000 sq. ft.	
1950	26	3	\$106	4	4/	\$55	29	3	29	3	\$99	
1951	25	3	128	9	1	70	34	4	34	4	114	
1952	31	4	132	12	1	56	43	5	43	5	111	
1953	48	5	107	74	4	55	122	9	122	9	75	
1954	58	7	112	193	10	51	251	16	251	16	65	
1955	85	9	112	278	16	58	363	26	363	26	70	
1956	74	8	111	322	18	55	397	26	397	26	66	
1957	56	6	100	407	23	56	463	29	463	29	62	
1958	44	5	103	333	13	39	377	18	377	18	47	
1959	74	7	99	567	31	54	640	38	640	38	59	
1960	67	7	101	419	21	51	486	28	486	28	58	
1961	64	6	90	457	22	48	521	28	521	28	53	
1962	76	8	100	626	30	49	701	38	701	38	54	
1963	89	9	104	625	25	40	713	34	713	34	48	
1964	99	10	100	759	32	42	859	42	859	42	49	
January-May--												
1964	40	4	97	276	12	42	317	16	317	16	49	
1965	44	5	109	290	11	37	334	16	334	16	47	

1/ Estimated from total plywood imports by species based on an analysis of import invoices. No estimate is available of such imports prior to 1950, but they are known to have been small.

2/ Computed from unrounded figures.

3/ Not separately classified prior to 1959; imports of all types of lauan plywood were estimated for years 1950-59.

4/ Less than \$500,000.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Note.--Because of rounding, figures may not add to the totals shown.

Table 5.--Ordinary hardwood plywood: ^{1/} U.S. production,
by species, 1959-64

(In millions of square feet, surface measure)

Year	Birch	Gum	Lauan	Other species	Total
1959 ^{2/} -----	499	411	101	457	1,468
1960 ^{2/} -----	371	267	175	543	1,356
1961-----	387	277	183	565	1,412
1962-----	489	277	199	660	1,625
1963-----	571	267	235	705	1,778
1964-----	635	254	301	790	1,980

^{1/} Exclusive of container and packaging hardwood plywood.

^{2/} Estimated from the total reported for market shipments.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 9.--Average wholesale prices of hardwood plywood panels and flush doors in the United States, 1958-65

Year	Stock (standard) 1/4-inch hardwood plywood panels			Flush doors, interior type	
	Lauan plain 1/	Gum	Birch	Sound paint- grade	Premium grade (natural wood face)
	Per 1,000 sq. ft.	Per 1,000 sq. ft.	Per 1,000 sq. ft.	Each	Each
1958-----	\$120.00	\$123.14	\$213.55	\$6.50	\$7.91
1959-----	120.00	126.22	214.12	6.73	7.93
1960-----	134.50	126.28	219.18	6.66	8.00
1961-----	123.63	127.01	214.06	6.51	7.71
1962-----	121.50	126.14	208.00	6.26	7.71
1963-----	121.50	126.38	206.00	6.26	7.89
1964-----	121.50	127.49	208.76	6.56	8.09
1965 (January-June)---	121.50	127.49	207.97	6.83	8.24

1/ The Commercial Bulletin (Boston).

Source: Compiled from official statistics of the U.S. Department of Labor, except as noted.