

UNITED STATES TARIFF COMMISSION

WILTON, BRUSSELS, VELVET, AND TAPESTRY CARPETS AND RUGS

Report to the President (No. TEA-IR-5-66)  
Under Section 351(d)(1) of the  
Trade Expansion Act of 1962



TC Publication 187

Washington, D. C.  
September 1966

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(TC28827)

REPORT TO THE PRESIDENT

U.S. Tariff Commission,  
September 13, 1966

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, <sup>1/</sup> 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, <sup>2/</sup> 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 fourth report to the President under section 351(d)(1) involving Wiltons and velvets. The material in this

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<sup>1/</sup> Proclamation No. 3454; 3 CFR, 1959-1963 Comp., p. 164.  
<sup>2/</sup> 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 third report, made on September 13, 1965.<sup>1/</sup>

#### 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).<sup>2/</sup> Had there been no escape action, these articles would be dutiable at 21 percent ad valorem under item 360.45 of the TSUS. Carpets and rugs imported from designated Communist-dominated or Communist-controlled countries are currently dutiable under that item at 60 percent ad valorem.

Under section 351(c)(1)(B) of the Trade Expansion Act of 1962, any increase in duty proclaimed pursuant to the escape-clause provisions of the Trade Agreements Extension Act of 1951 will terminate

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<sup>1/</sup> 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); TC Publication 137 (No. TEA-IR-5-64), 1964 (processed); and TC Publication 160 (No. TEA-IR-5-65), 1965 (processed).

<sup>2/</sup> The Automotive Products Trade Act of 1965, P.L. 89-283, effective January 18, 1965, provided duty-free treatment for U.S. imports from Canada of original motor vehicle equipment, but imports of floor coverings subject to this provision have been negligible.

not later than October 11, 1967, unless extended by the President pursuant to section 351(c)(2). Under that section, the President is authorized to extend the increase (in whole or in part, for a period up to four years at any one time) after taking into account advice received from the Tariff Commission following an investigation by the Commission.<sup>1/</sup> On the basis of such investigation, the Commission advises the President of its judgment as to the probable economic effect on the industry concerned of the termination of the increased duty. The institution of an investigation is dependent upon a petition being filed by the industry during the period January 12 - April 12, 1967 (sec. 351(d)(3)).

#### Recent Developments

The trend of U.S. production of Wiltons and velvets has been downward since 1959. Although in the first half of 1966 output of Wiltons and velvets was slightly greater than in the corresponding period of 1965,<sup>2/</sup> tufted carpets will probably continue to supply an increasing share of the market, while Wiltons and velvets find their greatest acceptance among buyers to whom price is not the major consideration.

New Jersey Carpet Mills, Inc., of Englishtown, N.J., ceased producing Wilton and velvet carpets in 1966 thus continuing the decline in the number of Wilton and velvet plants in recent years, which fact reflects primarily the shift in consumer demand from woven to tufted carpets. Since mid-1961, eight plants that had produced Wiltons and

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<sup>1/</sup> Advice must also be sought from the Secretaries of Commerce and Labor.

<sup>2/</sup> 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.

velvets either have closed or have ceased producing such carpets, leaving 27 plants still engaged in the manufacture of these floor coverings. 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.

The rapid increase in domestic shipments of tufted carpets, (they have increased at an average annual rate of approximately 20 percent since 1961), continued in 1965. Shipments in 1965 totaled 376 million square yards; 309 million square yards of this total consisted of carpets larger than 4 by 6 feet <sup>1/</sup> and 67 million square yards were 4 by 6 feet and smaller (table 1, appendix). Man-made fibers continued to predominate in tufted carpets. Meanwhile, both the fiber producers and the tufted carpet manufacturers conducted vigorous advertising and sales promotion programs. A new tufting machine, which allegedly attains higher speeds and affords more versatile styling, was introduced, but is not yet in widespread use. New types of "outdoor" carpeting, both tufted and needle-punched, were also introduced; they have been used on such areas as terraces and tennis courts.

Several concerns that imported Wilton and velvet carpets at the time of the escape-clause action no longer import such carpets. Firms that account for the bulk of current imports derive most of their carpet sales volume from domestically produced tufted floor coverings.

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<sup>1/</sup> Including an estimated 42 million square yards of automobile and aircraft carpeting.

## U.S. Consumption

Between 1961 and 1965, the U.S. annual consumption of Wiltons and velvets declined, whereas the aggregate consumption of all types of machine-made pile floor coverings increased markedly. During that period, U.S. annual consumption of Wiltons and velvets decreased 35 percent--from 37 million square yards in 1961 to 24 million square yards in 1965. From 1961, the peak year of imports, through 1965, annual imports declined by 7.7 million square yards (93 percent), and U.S. production declined by 5.0 million square yards (18 percent). Imports supplied 23 percent of the U.S. consumption of Wiltons and velvets in 1961 but only 2 percent in 1965.

The available data indicate that the consumption of Wiltons and velvets in 1966 will exceed that in 1965; in no previous year since 1959 has there been an increase in the annual consumption. A substantial portion of the Wiltons and velvets currently being consumed is marketed as "commercial" sales rather than as sales to individual household consumers.

## U.S. Producers

After New Jersey Carpet Mills, Inc., of Englishtown, N. J., ceased producing in early 1966, 27 plants, operated by 24 firms, were manufacturing Wiltons, velvets, or both. Eight of the 27 plants were located in Pennsylvania; four in Massachusetts; two each in New Jersey, South Carolina, New Hampshire, New York, and North Carolina; and one each in California, Connecticut, Georgia, Maine, and Virginia.

Fifteen of the 25 firms which produced Wiltons and velvets in 1965 also produced machine-tufted carpets and rugs. Wiltons and velvets comprised 20 percent of the aggregate production of soft-surface pile floor coverings by these 15 producers in 1965; machine-tufted carpets

comprised 72 percent and other machine-woven and machine-knitted carpets, 8 percent. The corresponding percentages for the same producers in 1964 were 21, <sup>1/</sup>68, <sup>1/</sup> and 11, respectively. These 15 producers accounted for more than 90 percent of the total production of Wiltons and velvets in 1965.

#### U.S. Production, Sales, and Inventories

The U.S. production of Wiltons and velvets in 1965 was about 3 percent less than in 1964, reflecting a 15-percent decline in the annual production of Wiltons and a 2-percent increase in that of velvets. The annual output of Wiltons and velvets had been fairly stable during 1961-63, but declined by 14 percent in 1964, reflecting declines in the output of both Wiltons and velvets. Production of Wiltons has declined more sharply than that of velvets since the late 1950's; the index of production of Wiltons in 1965 was 36 percent of the 1957-59 base, while that of velvets was 85 percent (table 7). In the first half of 1966, the production of Wiltons and velvets was about 6 percent greater than that in the corresponding period of 1965; the production of Wiltons was about 8 percent and that of velvets about 6 percent greater.

Indexes of the production, sales, and inventories of firms that supplied data for the years 1957-65 (which in the aggregate accounted for approximately 97 percent of the estimated output of Wiltons and velvets in 1961-65) are shown in table 3. The smaller production in 1965, compared with that in 1964, reflected a decrease in the quantity and value of sales. All indexes in 1965 were at the lowest points reached during the 1957-65 period.

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<sup>1/</sup> Revised.

U.S. exports of Wiltons and velvets in recent years have amounted to about 1 percent or less of domestic production (table 2).

Producers' year-end inventories of Wiltons and velvets declined in 1965, as they had in the preceding five years, and reached a low for the period 1957-65.

#### U.S. Imports

U.S. annual imports of Wiltons and velvets have declined in each year since 1961, when they had reached a record high of 8.2 million square yards (table 2). The 575,000 square yards imported in 1965 were equivalent to only 2 percent of domestic production and to only 7 percent of the imports in 1961. Imports in the first 6 months of 1966, totaling 254,000 square yards, indicate that aggregate imports of Wiltons and velvets in 1966 will be less than in 1965. Primary factors contributing to the declining imports since 1961 have been price competition from domestic tufted carpets, the decreased popularity of figured carpets, and the duty increase in 1962.

As the quantity of imports declined, however, their average unit value increased from \$3.40 per square yard in 1961 to \$6.12 per square yard in 1965 (table 4), and to \$6.40 in January-June 1966. This rise in unit values suggests that import demand had shifted to high-quality, specialty floor coverings.

Belgium, which continued to be the major source of imports, supplied 51 percent of the total in 1965. In that year Italy provided 18 percent of the total imports and replaced Japan as the second largest source. In the year ending June 30, 1966, Belgium supplied 59 percent and Italy, 17 percent of total imports.

### Employment and Man-Hours

The annual average number of production and related workers employed in plants producing Wiltons and velvets declined from approximately 12,500 in 1960 to 9,000 in 1964, and slightly further to 8,900 in 1965. Not all of these workers, however, were engaged in producing Wiltons and velvets. Roughly half of the total man-hours in 1965 were spent on the production of Wiltons and velvets.

Indexes of the number of workers employed and the man-hours worked in Wilton and velvet plants accounting for 97 percent of domestic production were computed for the years 1960-65 (table 5). In 1965 the index (1960-62=100) of the average number of production and related workers employed on all products made in these plants was 80, and the index of the man-hours worked on all products was 85, both unchanged from 1964. The index of man-hours worked on Wiltons and velvets alone declined from 72 in 1964 to 71 in 1965.

### Prices

From January, 1957 to June, 1966, the prices of Wiltons and velvets, as well as soft-surface floor coverings in the aggregate, fluctuated irregularly (table 6), largely in response to changes in the prices of raw materials. During this period, moreover, both Wiltons and velvets, and particularly Wiltons, became more expensive relative to other soft-surface floor coverings. In June 1966, the index for all soft-surface floor coverings was 94 percent of the 1957-59 base, while that for velvets was 98 percent, and that for Wiltons 106 percent of the base.

**Appendix**

Table 1.--Machine-woven and machine-tufted pile carpets and rugs:  
U.S. production, by types, 1958-65

Year	(In thousands of square yards)						Total
	Machine-woven		Machine-tufted		Total		
	Wilton and velvet	All other 1/	4' x 6' and smaller	Over 4' x 6'			
1958	34,258	16,802	51,060	79,583	113,640	164,700	
1959	40,570	19,484	60,054	96,107	132,523	192,577	
1960	31,530	16,781	48,311	3/ 113,764	3/ 151,984	200,295	
1961	28,663	15,614	44,277	3/ 134,095	3/ 178,625	222,902	
1962	29,473	14,614	44,087	3/ 48,569	3/ 224,822	268,909	
1963	28,290	13,983	42,273	3/ 52,432	3/ 262,985	305,258	
1964 5/	24,248	13,507	37,755	3/ 60,674	3/ 318,916	356,671	
1965	23,634	12,290	35,924	3/ 67,389	3/ 376,224	412,095	

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, 36,439 thousand square yards in 1964, and an estimated 41,500 thousand square yards in 1965.

5/ Revised.

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

Table 2.--Wilton and velvet carpets and rugs: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, calendar years 1958-65, fiscal years ending June 30, 1962-66, and January-June of 1962-66

Period	Production		Imports		Exports		Apparent consumption		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		28,290	3/	1,853		188		29,955	6.6	6.2
1964	4/	24,248	3/	949		149	4/	25,048	3.9	3.8
1965		23,634	3/	575		245		23,964	2.4	2.4
Fiscal year ending June 30										
1962		29,423		9,070		248		38,245	30.8	23.7
1963		29,419		2,407		175		31,651	8.2	7.6
1964	4/	25,566	3/	1,472		187	4/	26,851	5.8	5.5
1965	4/	23,630	3/	638		192	4/	24,076	2.7	2.6
1966		24,436	3/	526		244	5/	24,718	2.2	2.1
January-June										
1962		15,157		4,508		135		19,530	29.7	23.1
1963		15,103		995		80		16,018	6.6	6.2
1964	4/	12,379	3/	614		75	4/	12,918	5.0	4.8
1965	4/	11,761	3/	303		115	4/	11,949	2.6	2.5
1966		12,489	3/	254		114	5/	12,629	2.0	2.0

1/ Exports of wool floor coverings. 2/ Production plus imports minus exports.

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

4/ Revised. 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, 1957-65

(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	71	76	76
1965-----	68	69	74	70

Source: Computed from data submitted to the U.S. Tariff Commission by 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 1961-65.



Table 5.--Indexes of the average number of production and related workers employed and man-hours worked in plants which produced approximately 97 percent of domestic Wilton and velvet carpets and rugs, 1960-65

(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-----	80	85	72
1965-----	80	85	71

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 1957-66

(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-----	105	96	95
1966:			
January----	106	98	94
June <u>2/</u> -----	106	98	94

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: U.S. Bureau of Labor Statistics.

Table 7.--Wilton and velvet carpets and rugs: Indexes of  
U.S. production, 1957-65

(1957-59=100)

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

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

