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UNITED STATES TARIFF COMMISSION

# BARBERS' CHAIRS AND PARTS THEREOF
# EMIL J. PAIDAR COMPANY

Report to the President on Investigation No. TEA-F-9 Under Section 301(c)(1) of the Trade Expansion Act of 1962

TC Publication 320
Washington, D.C.
April 1970

UNITED STATES TARIFF COMMISSION



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Address all communications to

United States Tariff Commission

Washington, D.C. 20436


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Note.--The whole of the Commission's report to the President, including the statistical appendix, may not be made public since it contains certain information that would result in the disclosure of the operations of individual concerns. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission
April 21, 1970

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(1) of that act, relating to barbers' chairs with mechanical elevating, rotating, or reclining movements and parts thereof.

## INTRODUCTION

The investigation to which this report relates was undertaken to determine whether --

> barbers' chairs with mechanical elevating, rotating, or reclining movements and parts thereof, provided for in item 727.02 of the Tariff Schedules of the United States

are, as a result in major part of concessions granted thereon under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the Emil J. Paidar Company, a domestic firm producing like or directly competitive products.

The investigation was instituted by the Commission on December 31, 1969, upon petition filed under section 301(a)(2) of the Trade Expansion Act of 1962 by the Emil J. Paidar Company, Chicago, Illinois, one of two principal domestic producers.

Public notice of the investigation and of a public hearing to be held in connection therewith was given in the Federal Register of January 6, 1970 (35 F.R. 212). The hearing was held February 3-4, 1970, and all interested parties were afforded opportunity to be present, to produce evidence, and to be heard. A transcript of the hearing and copies of briefs submitted by interested parties in connection with the investigation are attached. 1/

Also, upon the petition of the Emil J. Paidar Company and certain labor unions, the Tariff Commission on December 31, 1969, instituted an investigation under section 301(b)(1) of the Trade Expansion Act of 1962 to determine whether barbers' chairs and parts thereof are, as a result in major part of concessions granted thereon under trade agreements, being imported into the United States in such quantities as to cause, or threaten to cause, serious injury to the domestic industry producing like or directly competitive products. 2/ In the interest of efficient administration and utilization of the Commission's limited resources and in order to expedite overall the performance of its related functions under sections 301(c)(1) and 301(b)(1), the Commission, pursuant to section 403(a) of the act, consolidated

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1/ The transcript and briefs were transmitted with the original report to the President.

2/ The Koken Companies, Inc., of St. Louis, Mo., the other major producer of barbers' chairs was not a petitioner for these current investigations. On September 15, 1969 the Koken Companies, Inc., sold its manufacturing facilities to Riverview Manufacturing Company, Missouri, Inc., St. Louis, Missouri, a subsidiary of the Takara Company, New York, Inc., the principal importer of barber chairs from Japan. Riverview Manufacturing Co. was not a petitioner for either of these current investigations.

its proceedings under section 301(c)(1) with those under section 301(b)(1).

Previous to these investigations, the Commission conducted three joint investigations concerning barbers' chairs and submitted reports thereon to the President on January 22, 1968. 1/

FINDINGS OF THE COMMISSION

On the basis of its investigation, the Commission, being equally divided, 2/ makes no affirmative finding under section 301(c)(1) of the Trade Expansion Act of 1962 with respect to whether articles like or directly competitive with barbers' chairs and parts thereof produced by the Emil J. Paidar Company, Chicago, Illinois, are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to said Company.

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1/ These reports were: 1. Barbers' Chairs, Report to the President on Investigation No. TEA-I-11 Under Section 301(b)(1) of the Trade Expansion Act of 1962 (TC Publication 228). 2. Barbers' Chairs; Emil J. Paidar Company, Report to the President on Investigation No. TEA-F-7 Under Section 301(c)(1) of the Trade Expansion Act of 1962 (TC Publication 229). 3. Barbers' Chairs; Koken Companies, Inc., Report to the President on Investigation No. TEA-F-8 Under Section 301(c)(1) of the Trade Expansion Act of 1962 (TC Publication 230).

2/ Chairman Sutton and Commissioners Leonard and Newsom voted in the negative, and Commissioners Thunberg, Clubb, and Moore voted in the affirmative.

# VIEWS OF THE COMMISSIONERS

## Views of Chairman Sutton and Commissioners Leonard and Newsom

The facts obtained in this firm investigation do not support an affirmative determination under section 301(c)(1) of the Trade Expansion Act. Our reasoning is the same as that for our determination in the industry investigation, simultaneously conducted, under section 301(b) of the act with respect to barbers' chairs and parts (Investigation No. TEA-I-16 (April 1970), T.C. Publication 319).

In summary, our view is that the requirement of the statute that the increased imports must be a result "in major part" of trade-agreement concessions has not been satisfied, and that, therefore, an affirmative determination is not justified.

March 2, 1970

Views of Commissioners Clubb and Moore

Emil J. Paidar Company (hereinafter referred to as "Paidar") has petitioned the Tariff Commission pursuant to section 301 of the Trade Expansion Act (TEA) for a determination that it is eligible to apply for adjustment assistance. Petitioner is entitled to an affirmative determination if (1) imports of barber chairs have been increasing; (2) the increased imports are a result in major part of trade agreement concessions; (3) the petitioner has been seriously injured; and, (4) the increased imports resulting from trade agreement concessions have been the major factor in causing the serious injury. 1/ We have concluded that all the

1/ Section 301 (c)(1) of the TEA reads as follows: "In the case of a petition by a firm for a determination of eligibility to apply for adjustment assistance under chapter 2, the Tariff Commission 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 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. In making its determination under this paragraph, the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities of the firm, inability of the firm to operate at a level of reasonable profit, and unemployment or underemployment in the firm." 19 U.S.C., Sec. 1901(c)(1).

statutory requirements have been met in this case, and that therefore, the petitioner is eligible to apply for adjustment assistance pursuant to the Act.

This is the second time in slightly more than two years that the Commission has had this matter before it. In the first case petitions were filed by Paidar and Koken Companies, Inc. (hereinafter referred to as "Koken") and certain labor unions, seeking a determination that (1) the domestic barber chair industry was eligible to apply for adjustment assistance, or failing that, for (2) a determination that Koken individually, and/or (3) Paidar individually was eligible for such assistance. In January 1968, the Commission unanimously found that the industry 2/ and Koken 3/ were not eligible for relief, and decided by a 3 to 2 vote that Paidar was not eligible. 4/

On December 31, 1969 Paidar again petitioned the Commission (Koken in the meantime having been substantially purchased by Japanese interests) for a determination that (1) Paidar individually is eligible for adjustment assistance, and (2) that the domestic barber chair industry as a whole is eligible. Under the TEA the Commission has 60 days or until March 2, 1970, in which to complete the investigation relating to the Paidar Co. individually, and six months, or until June 22, 1970 to complete the investigation relating to the entire barber chair industry. This statement, therefore, relates only to the petition of Paidar. Another report will be filed later relating to the barber chair industry.

2/ Barber's Chairs, Inv. No. TEA-I-11, Sec. 301(b)(1), U.S. Tariff Commission Pub. 228 (January 1968).
3/ Barber's Chairs, Koken Companies, Inc., Inv. No. TEA-F-8, Sec. 301(c)(1) (January 1968).
4/ Barber's Chairs, Emil J. Paidar Company, Inv. No. TEA-F-7, Sec. 301(c)(1) (January 1968).

In January 1968 the facts relating to this matter were summarized as follows:

> The domestic barber chair manufacturing industry is made up substantially (98% of U.S. production) of two firms, Koken and Paidar, which have been in the business for many years. Under the Tariff Act of 1930, the domestic barber chair industry enjoyed the protection of 27-1/2% rate of duty, which over the years has been eroded by successive trade agreements to the present level of 10%.
>
> After World War II a vigorous new barber chair industry grew up in Japan. Through energetic design, sales and advertising campaigns, this industry built up the barber chair market in Japan until it is larger than that of the United States, despite the smaller population of Japan.
>
> Imports of barber chairs into the United States, which were practically nil in 1956, increased dramatically thereafter until in 1966 they supplied almost .../a substantial share*/ of the U.S. market. United States consumption has expanded somewhat during this period, but to a large extent the importers' sales have been increased at the expense of the domestic producers. As a result of these lost sales, Koken's profits have declined, and Paidar has begun incurring increasingly ominous losses. 5/

Since that report there have been several significant changes which have caused Paidar's position in the barber chair industry to deteriorate further. First, the duty has been reduced from 10% to 8%, thereby making imported chairs

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5/ Barbers' Chairs, Emil J. Paidar Company, Inv. No. TEA-F-7, Sec. 301(c)(1), USTC (Jan. 1968), pp. 30-31. Dissenting statement of Commissioner Clubb.

*The exact figure cannot be published because it would reveal the operations of a company.

even more attractive. Paidar's barber chair sales have continued to decrease, and losses on such sales have increased. Despite a substantial decrease in apparent U.S. consumption of barber chairs, imports have continued to increase both absolutely and relatively, until they now account for about .../a large share*/ of U.S. consumption (compared to .../a smaller share*/ in 1967). In addition, the principal importer, Takara Company, New York, Inc. (hereinafter referred to as "Takara") a subsidiary of the Japanese manufacturer, purchased the manufacturing assets of Koken in St. Louis, Missouri. That plant is now being operated by Riverview Manufacturing Company, Inc., a wholly owned subsidiary of Takara, and is offering substantial new competition to Paidar in the midwestern markets. Thus, Paidar now must not only compete with imports which have the benefit of a lower tariff than in 1967, but also must compete with a vigorous Japanese owned (and partly Japanese staffed) domestic producer near its home territory.

Under these circumstances we find that Paidar meets all of the statutory requirements for adjustment assistance. Imports of barber chairs have increased; the increased imports are the result in major part of trade agreement concessions; Paidar continues to be seriously injured; and the increased imports resulting from trade agreement concessions have been the major factor in causing the serious injury. 6/

6/ For a more detailed discussion of each of the statutory tests as applied to this matter see Barbers' Chairs, Emil J. Paidar Company, Inv. No. TEA-F-7, Sec. 301(c)(1), USTC 1968 (pp. 45-48) (Dissent)

*The exact figure cannot be published because it would reveal the operations of a company.

This case also presents a procedural question which merits comment because a very dangerous precedent has been set. If this precedent is followed in future cases it could result in outrageous delays in the processing of firm and worker petitions. On December 31, 1969 Paidar filed a petition seeking relief for itself under section 301(c)(1), and on the same date Paidar and the Upholsterers and Furniture Workers Union jointly filed a petition seeking relief for the entire industry under section 301(b). The Act gives the Commission 60 days, or until March 2, 1970, 7/ to complete its investigation in the Paidar case, and 6 months, or until June 22, to complete its investigation of the entire barber chair industry. 8/

On February 20, however, 13 days before the Paidar report was due, the Commission voted to ignore the 60-day statutory deadline for the firm report, and to issue a joint firm and

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7/ Section 301(f)(3) provides, "The report of the Tariff Commission of its determination under subsection (c)(1) or (c)(2) with respect to any firm or group of workers shall be made at the earliest practicable time, but not later than 60 days after the date on which the petition is filed."

8/ Section 301(f)(2) provides, "The report of the Tariff Commission of its determination under subsection (b) shall be made at the earliest practicable time, but not later than 6 months after the date on which the petition is filed (or the date on which the request or resolution is received or the motion is adopted, as the case may be). Upon making such report to the President, the Tariff Commission shall promptly make public such report, and shall cause a summary thereof to be published in the Federal Register."

industry report within 6 months. 9/ Although the Commission expressed the hope that it would be able to issue the joint report by March 16, it could come as late as June 22, 1970.

We believe that by ignoring the statutory 60-day time limit for firm investigations, the Commission violated the clear mandate of Congress in the Trade Expansion Act. Congress has long been concerned about administrative delays in the handling of domestic producers petitions for relief, and has - over the objection of the Commission -consistently shortened the time within which such petitions are to be handled. 10/

The record is clear that Congress carefully reconsidered the time limit problem again while the Trade Expansion Act was being enacted. The Commission went to considerable lengths to

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9/ The Commission minutes for February 20 reads in part as follows: "After further discussion, the motion adopted at the morning session was reintroduced by Commissioner Newsom and seconded by Commissioner Leonard - that the Commission, on the basis of the General Counsel's February 19 memorandum, combine the two investigations under authority of section 403(a), TEA, and issue the reports on the two investigations simultaneously before the end of March, if possible. The vote on this motion was: Affirmative - Chairman Sutton and Commissioners Thunberg, Leonard, and Newsom; negative - Commissioners Clubb and Moore. The Commission Members voting affirmatively agreed that the report would be issued as soon as possible after the March 2 deadline, with an informal target date of March 16."

10/ The original Escape Clause procedure set up under an Executiv Order set no time limit on Commission investigations and reports. When the Escape Clause was written into law in 1951, however, Congress provided that the Commission must report its findings to the President within one year of the filing of a petition. In 1953 this time was shortened to 9 months, and in 1958 to 6 months. See Memorandum on H.R. 9900 of the 87th Congress, U.S. Tariff Commission, April 9, 1962, pg. 90.

inform the appropriate committees of both Houses of the strain the 60-day time limit would impose on the Commission's staff, and the difficulties of obtaining adequate data within that period. 11/ Nonetheless, Congress in the end provided only 60 days, and used language which makes it clear that the time limits were meant to be obeyed. The Act states that:

> "The report of the Tariff Commission of its determination under subsection (c)(1) or (c)(2) with respect to any firm or group of workers shall be made at the earliest practicable time, but not later than 60 days after the data on which the petition is filed." TEA Sec. 301(f)(3). (Emphasis supplied.)

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11/ The Executive Branch version of the bill gave the Commission 6 months in industry cases and 45 days in firm cases. H.R. 9900, 87th Congress, 2d Session, Sec. 306(b) and Sec. 304(b) (1962.) The Commission complained about both, stating that experience indicated it needed at least 9 months for an industry investigation, and the 45-day limitation in firm cases was "materially too short to permit the Commission to meet its obligation". The Commission said, "If the Commission is to assume responsibility for its judgments in this regard and if such judgments are not to be derived from superficial analysis, a period substantially longer than 45 days would certainly be required to complete the necessary fact finding, analysis, and report in all but a few cases." (Memorandum on H.R. 9900 of the 87th Congress , U.S. Tariff Commission, April 9, 1962, pg. 94). Despite the pleas of the Commission for more time, however, the Ways and Means Committee reported a bill reducing the time for industry investigations from 6 months to 120 days, and slightly increasing the time for firm investigations from 45 to 60 days. (H.R. 11970, 87th Cong., 2d Sess. (1962), Sec. 301(f)(1) and (2). When the bill reached the Senate the Commission again complained about the time requirements, requesting 9 months for an industry investigation, and viewing the 60-day limit on firm cases "with deep concern". (Memorandum on H.R. 11970, 87th Cong., U.S. Tariff Commission, August 10, 1962.) The Senate Finance Committee recommended that the time limit in industry cases be returned to 6 months, and confirmed the 60-day limit on firm cases. In this form the bill was enacted.

The mandatory words of the statute are supported by similar mandatory language in the Committee reports. The Ways and Means Committee said that sections 301(f), (2) and (3) "fix the maximum time for making of reports by the Commission of its determinations", and that

> "Paragraph (3) of section 301(f) provides that in the case of a determination with respect to any firm or group of workers, under section 301(c)(1) or (c)(2), the Commission's report must be made not later than 60 days after the date on which the petition is filed for determination of eligibility to apply for adjustment assistance." H. Rep. No. 1818, 87th Cong., 2d Sess. (June 12, 1962) pg. 48.

The Commission majority (Commissioners Clubb and Moore opposing) voted to disregard this mandatory time limit in this case. By use of an obscure provision in the Act giving the Commission the power to "consolidate proceedings before it", 12/ the Commission majority has voted to "consolidate" a firm proceeding, having a 60 day time limit, with an industry proceeding, having a six month time limit, and to treat both reports as being due at the later time.

We believe that the statutory authorization to consolidate proceedings was included in the Trade Expansion Act for a worthwhile purpose. 13/

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12/ Sec. 403 of the Trade Expansion Act of 1962 reads as follows: "(a) In order to expedite the performance of its function under this Act, the Tariff Commission may conduct preliminary investigations, determine the scope and manner of its proceedings, and consolidate proceedings before it."

13/ The explanation for the inclusion of Sec. 403 in the TEA is contained in a Tariff Commission report dated April 9, 1962, whic stated, "These are in the nature of 'housekeeping' provisions and are helpful to the Commission from the point of view of contributing to the efficiency of carrying out the Commission's function under the proposed legislation." (Memo on H.R. 9900 of the 87th Congress, the Trade Expansion Act, 1962, U.S. Tariff Commission, April 9, 1962, par. 101).

However, to rely on this Section for a dilatory purpose, or to depend on it as authority for delay in submitting a report to the President under the adjustment assistance provisions of the Act, strains its interpretation beyond all reason.

We take vigorous exception to the cavalier treatment which our colleagues have given to the mandatory time limits in the Trade Expansion Act.

Only hopeless confusion can result from the policy adopted by our colleagues. It is clear that they intend in this case to miss the statutory deadline by only about two weeks. But, if the Commission can amend the statute to permit the filing of such a report two weeks beyond the statutory deadline, why not four weeks, why not two months, or four months, or longer? Why not "consolidate" a proceeding with a time limit together with one having no time limit, and treat both as being without a limit?

We reject such policy as being contrary to law. We have, therefore, complied with the mandatory requirement of the Act by filing with the Secretary of the Tariff Commission, on March 2, 1970, this statement of our determination in this case together with the staff report entitled "Information Obtained in the Investigation". Responsibility for the failure of the Commission to submit its report to the President within the sixty day period rests with the majority.

Views of Commissioner Thunberg

I agree with the conclusions of Commissioners Clubb and Moore that an affirmative determination in regard to the petition of the Emil J. Paidar Company under section 301(c)(2) of the Trade Expansion Act is warranted. 1/ Imports of barber chairs have increased; the increased imports are the result in major part of trade-agreement concessions; and the increased imports resulting from trade-agreement concessions have been the major factor in causing serious injury to the Paidar Company.

Since our last consideration of the barber chair industry, 2/ Paidar's position in the industry has deteriorated substantially; indeed, Paidar's continued existence as a corporate being is now in jeopardy. As a result of changes in the industry since 1968, 3/ Paidar is now faced with intensified competition not only from progressively lower duties and their resulting impact on imports but also from a Japanese-owned U.S. producing unit in the midwest.

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1/ I wish, however, to dissociate myself from their conclusions regarding the action taken by the Commission, under section 403(a) of the Trade Expansion Act, to consolidate this firm investigation with the industry investigation being concurrently conducted under section 301(b) of the act. I was a part of the Commission majority responsible for that action.

2/ See Barbers' Chairs, Emil J. Paidar Co., Investigation No. TEA-F-7, U.S. Tariff Commission 1968, pp. 24-29.

3/ For a detailed discussion, see Barbers' Chairs, Investigation No. TEA-I-16, U.S. Tariff Commission 1970.

Paidar's competitive efforts since 1967 have seriously depleted its resources; its working capital is exhausted; its marketing efforts have been contracted; its sales volume is declining. Under these circumstances, I find that without assistance Paidar must cease to exist very shortly.

# Information Obtained in the Investigation

## Description and uses

Barber chairs, the subject of these investigations, are specially designed chairs that are used in barber shops and in men's hair-styling shops. There are two basic types of barber chairs--conventional barber chairs and men's hair-styling chairs.

Conventional barber chairs may be classified into two subcategories--compact chairs and traditional chairs. Although both have the same general configuration and the same mechanical features, the compact chair is lighter in construction and is considered a dual purpose chair which can be used for both hair styling and hair cutting. The men's hair-styling chair, a recent innovation in barber chairs, is a modified chair for use in men's hair-styling shops--specialty shops rendering such services as the shaping, shampooing, styling, tinting, and waving of men's hair. Men's hair-styling chairs are lighter in construction than conventional barber chairs, but they have essentially the same mechanical features as the latter. Hair-styling chairs are lower in height than conventional barber chairs and the hydraulic pumps used in these chairs are lighter and have shorter pistons. 1/ Ordinarily the hydraulic pump is foot-operated on a hair-styling chair rather than hand-operated as on a conventional barber chair. As used in the remainder of this report the term "barber chair", denotes both conventional barber chairs (including compact chairs) and men's hair-styling chairs.

1/ Identical hydraulic pumps are often used in beauty-parlor chairs.

A barber chair consists of a base or pedestal on which rests a seat to which a back, arms, and a footrest are attached. To facilitate the work of the barber and to provide for the comfort of the seated patron, barber chairs incorporate mechanical devices that--when activated by hand, foot, or electric motor 1/--raise, lower, recline, revolve, or lock the seat, back, and footrest in a desired position. The principal mechanical device in a barber chair is a hydraulic pump, which is incorporated into the base or pedestal; when activated, it raises and lowers the seat, back, and footrest as a unit.

Barber chairs vary in physical dimensions according to make and model. The producers, both domestic and foreign, make several models of barber chairs; the various models differ in both construction and styling.

The production of barber chairs involves primarily the fabrication of the various metal and upholstered components (usually on a wooden base) and the subsequent assembly of these parts into complete chairs. The manufacture of the metal frame (pedestal, seat, back, and footrest) of barber chairs entails the casting, machining, chroming, stamping (or otherwise forming) of metal parts and the subassembling and assembling of such components. The upholstered part of the backrest and seat are made by constructing wooden frames, mounting springs on the

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1/ Barber chairs that are powered by an electric motor are known in the trade as "motorized chairs". Their installation requires an electrical service connection (in the floor in many states) where they are to be located; because of this feature their sales have been limited largely to newly established shops. Their prices, which are considerably higher than those of nonmotorized chairs, have also limited their sale.

frames, padding the springs, and covering the whole piece with upholstery (usually vinyl) material. The upholstered parts are mounted on the metal frame after the frame has been assembled. Part of the footrest of most barber chairs is also upholstered. On some models, sheet metal parts are laminated with vinyl; on others, certain parts are made of plastic.

Barber chairs differ from beauty-parlor chairs in several features. Unlike the footrest of most beauty-parlor chairs, that of a barber chair may be raised and the back reclined to bring the entire chair into a reclining position. Moreover, the seat of a barber chair, when adjusted to its lowest position, is positioned higher from the floor than that of a beauty-parlor chair. The hydraulic pumps used in barber chairs are designed to permit a longer range of elevation than those used in beauty-parlor chairs. 1/ Barber chairs are also larger and heavier than beauty-parlor chairs.

The average life of a conventional barber chair is about 20 years and very little servicing is required during its lifetime. 2/ Consequently, parts for barber chairs are not significant articles of trade. Dealers do not maintain inventories of replacement or repair parts; they must be ordered from the manufacturer or importer.

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1/ The seat height of most barber chairs can be raised about 8 to 11 inches--of most beauty-parlor chairs about 7 to 8-1/2 inches.
2/ Many chairs continue to be used as barber chairs after they are retired by the first owner.

U.S. tariff treatment

The imported products covered by these investigations are barbers' chairs with mechanical elevating, rotating or reclining movements and parts thereof, as provided for in item 727.02 of the Tariff Schedules of the United States (TSUS). The current trade-agreement rate of duty applicable to such articles is 8 percent ad valorem. This rate became effective on January 1, 1970, and reflects the third stage of a five-stage concession granted during the Kennedy Round of trade negotiations. Imports of such articles from designated Communist countries are dutiable at 35 percent ad valorem.

Before the effective date of the TSUS (August 31, 1963), barber chairs and parts were dutiable as machines and parts under paragraph 372 of the Tariff Act of 1930. The rate of duty originally applicable to such articles under the Tariff Act of 1930 was 27.5 percent ad valorem. The rate has been reduced on several occasions as a result of concessions granted under the trade agreements program. Changes in the rate applicable to barber chairs and parts since 1930 (including those pending pursuant to a Kennedy Round concession) and the effective dates of each, are shown in the following schedule:

| Effective date | | Rate of duty established (Percent ad valorem) |
|---|---|---|
| June 18, 1930---------------- | | 27.5 |
| January 1, 1948-------------- | | 15.0 |
| June 6, 1951----------------- | | 13.75 |
| June 30, 1956---------------- | | 13.0 |
| June 30, 1957---------------- | | 12.0 |
| June 30, 1958---------------- | | 11.5 |
| January 1, 1968-------------- | 1/ | 10.0 |
| January 1, 1969-------------- | 1/ | 9.0 |
| January 1, 1970-------------- | 1/ | 8.0 |
| January 1, 1971-------------- | 1/ | 6.5 |
| January 1, 1972-------------- | 1/ | 5.5 |

U.S. consumption

As measured by the number of chairs sold to dealers, the U.S. annual apparent consumption of barber chairs (hereinafter referred to as consumption) climbed erratically from 1962, reached a peak in 1966 and then declined in 1967-69. ***

The volume of annual sales of new barber chairs is influenced by various factors including changes in the size and age composition of the male population, men's hair styles, sales of used barber chairs, use of hair cutting devices in the home, prevailing economic conditions, and the number and size of barber shops being operated. In recent

1/ Reduced pursuant to a concession granted in the Kennedy Round of trade negotiations.

years new barber shops opening in shopping centers in outlying suburban areas have compensated in part at least for the excess barber chair capacity in the older shops concentrated in metropolitan areas. Data available on the number of barbers and barber shops are summarized below: 1/

| Year | Number of barbers including apprentices | Number of barbershops | Approximate number of barbers per barbershop |
|---|---|---|---|
| 1962 | 274,000 | 126,000 | 2.2 |
| 1966 | 321,000 | 136,000 | 2.4 |
| 1967 | 314,000 | 135,000 | 2.3 |
| 1968 | 318,000 | 134,000 | 2.4 |
| 1969 | 324,000 | 135,000 | 2.4 |

In the past dealers have done considerable business in used chairs. They have frequently renovated such chairs (largely a process of replacing the upholstery and rechroming metal parts) and sold them to shops that could not or would not buy new chairs. This trade in used chairs has declined substantially during the past several years. The decline has been attributable for the most part to the rising cost of renovating chairs and a consequent increase in price which has caused such chairs to be less attractive compared with new chairs, particularly imported chairs. In 1965-66, sales of used

1/ Based on reports of the National Association of Barber Schools, Inc.

chairs were equal to about a third of the sales of new chairs by dealers. Information from the trade indicates that sales of used chairs have deteriorated further in the past three or four years. Another apparent trend in the barber chair market is that domestic producers and importers are placing more emphasis on offering complete barber shop and beauty shop equipment lines. Sales of modular equipment or turn-key barber shops are gaining momentum largely because of price. A barber chair producer or importer can usually provide the standard furnishings of a barber shop more reasonably than a local dealer who must fabricate each sale to order.

Marketing methods

Barber chairs are usually sold by producers and importers to dealers (or jobbers), who in turn sell direct to the user. The contractual relationships between the dealer and the manufacturer or the importer vary considerably. Commonly dealers are given exclusive franchises for a geographic area. ***

Both the producers and the principal importer organize their marketing efforts in the United States by sales districts or areas. The producers' or importers' sales staffs in each district call on dealers and frequently work with the dealer's salesmen in attempting to develop prospective sales.

In some instances, sales involving the purchase of barber chairs in larger than usual numbers, such as sales to Government institutions, military installations, and barber schools, are often made directly by the producer or importer. In such cases, the dealer that usually serves the customer or the area may or may not receive a commission on the institutional sale, depending upon the relationship that exists between that particular dealer and the supplying-producer or importer.

Before 1967 the domestic producers generally advertised only through professional barber publications. The principal importer has advertised in such journals and has also conducted large-scale mailings of advertising literature direct to barbers. Since 1967 domestic producers have also engaged in direct-by-mail advertising to a limited extent.

In the Commission's report on the previous investigation, a new method of marketing barber chairs was mentioned. Two importing concerns had begun selling barber chairs directly to barber shops (by-passing dealers) by means of advertising in professional barber publications. Both sold chairs f.o.b. point of shipment (usually the port of entry). Data for 1967-69 indicate that direct sales to barbers accounted for a small *** portion of sales of imported barber chairs because of reluctance on the part of barbers to buy from other than a local dealer. Although barber chairs seldom require repairs, new chairs must be uncrated and "set-up"; the lack of repair or service arrangements is generally a deterrent to sales where the purchaser is located at some distance from the importer.

U.S. producers

There are only two major producers of barber chairs in the United

States--Emil J. Paidar Company, Chicago, Ill., and Riverview Manufacturing Company, Missouri, Inc., St. Louis, Mo.

Effective September 15, 1969, Koken Companies, Inc. (formerly a major producer of barber chairs) sold its manufacturing assets to the Riverview Manufacturing Company, Missouri, Inc., a newly established wholly owned subsidiary of Takara Company, New York, Inc., which has been the dominant importer. Koken sold its real estate, buildings, machinery and equipment used in the manufacture of barber and beauty equipment, most of its inventory of raw materials and unfinished merchandise, and other miscellaneous items ***. It did not sell any of its right, title or interest in or to any of its trademarks, trade names, copyrights, patents, customer lists, molds, jigs and dies, dealer names, and accounts receivable ***.

The reasons for the agreement, as explained during the public hearing and as set forth in the agreement itself, were: (1) the seller, Koken, wanted to divest itself of a manufacturing operation that was yielding declining gross profits; and (2) the parent company of the purchaser, Takara, New York, Inc., wanted a manufacturing establishment in the United States. ***

* * * * * * * * * *

Prior to the signing of the sales agreement between Koken and Riverview, the Antitrust Division of the U.S. Department of Justice, conducted an investigation of the proposed sale; it was decided that a suit would not be brought to enjoin the acquisition. The reasons for that decision were set forth in a letter from the Assistant Attorney General, Antitrust Division, to the Secretary of the Tariff Commission, January 23, 1970. (That letter is reproduced in the appendix to this report.)

* * * * * * * * * *

Since the sale, Riverview has produced in essentially the same manner (i.e. contracting out the manufacture of parts) essentially the same line of barber and beauty furniture and fixtures as Koken did formerly.1/ *** In the barber chair line, the new management has been trying to achieve economies in production *** .

The Paidar Co., currently operating a plant in Chicago, formerly had two sibsidiary companies which operated two smaller establishments--an upholstering plant at Albany, Wisconsin and a combination assembly plant and service depot at Brooklyn, N.Y. The Albany plant was closed in 1963. The assembly operations in Brooklyn were discontinued in 1957 and the facility was used as a sales office until 1965 when it was closed. A third subsidiary--Parkway Finance Co.--is engaged (and has been in the past) in installment-credit financing of equipment (including barber chairs) sold by the parent company. The remaining subsidiary is incorporated and is owned by substantially the same individuals as the parent company.

In 1940, the Paidar Co. purchased the trademark and patterns of the Theodore Kochs Co. of Chicago, which ceased producing barber chairs

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1/ When Koken was operating the establishment, it contracted for the manufacture of most metal parts of barber chairs; except for the fabrication of the upholstered components, the polishing, plating or painting of metal parts and ***.

in that year. Paidar has continued to make and market chairs under the Kochs name. These chairs are produced in Paidar's Chicago establishment; they differ in name only from other barber chairs produced by Paidar. They have been marketed, however, through a separate dealer organization.

Since 1966, Paidar has begun the manufacture of hydraulic and non-hydraulic medical chairs, and medical cabinets. *** Its operations on barber and beauty-parlor furniture and fixtures (cabinets, mirror cases, etc.) have remained essentially the same; Paidar produces virtually all of the components used in barber chairs in its plant in Chicago. It has spent sizeable sums during the 10 years prior to 1967 to automate and improve its production facilities.

As noted in the Commission's previous report, a third producer of barber chairs--Belvedere Products, Inc. of Belvidere, Illinois--began producing barber chairs in 1965. This company is a subsidiary of Revlon, Inc., a manufacturer of cosmetics and beauty products. Beauty-parlor chairs, shampoo bowls, and related articles have remained the principal products manufactured by Belvedere. In the period 1966-69, this company produced only two models of barber chairs, both hair-styling chairs; ***.

Also, as noted in the Commission's previous report, a fourth firm--F & F Koenigkramer Co. of Cincinnati, Ohio--which had produced barber chairs for many years, discontinued such production in November 1966. This concern, still a leading producer of dental and ophthalmic chairs and related types of equipment, ceased producing barber chairs in order to utilize its full capacity on its other product lines. In the years covered in this report, the sales of barber chairs by this company accounted for an insignificant part of the total value of sales by the firm.

In the course of its fieldwork, the Commission's staff obtained information indicating that several firms that specialize in the manufacture of beauty parlor chairs also had begun producing and marketing men's hair-styling chairs in the period 1967-69. This apparently was done on a trial basis and was found to be unprofitable. As far as is known, no domestic company, other than the three producers mentioned, currently produces barber chairs.

U.S. production, sales, and exports

During 1962-69, as in previous years, U.S. manufacturers produced barber chairs to order; consequently, their annual production approximated sales. The decline in sales of barber chairs by U.S. producers is part of a trend that began in 1963. *** The share of total annual sales of barber chairs in the United States accounted for by domestic manufacturers declined steadily from *** in 1962 to *** in 1969.

* * * * * * * * * * *

Domestic producers (unlike the principal importer) maintained virtually no inventories of assembled barber chairs in the period 1962-69; instead, they have inventoried parts and subassemblies for assembly into chairs. Ordinarily, barber chairs are not assembled until orders have been received. Therefore, delivery time, which usually requires several weeks, varies considerably, depending upon the backlog of orders on hand. Year-end inventories of complete barber chairs held by domestic manufacturers averaged *** in the period 1962-69. Such inventories were mostly incidental and consisted of chairs awaiting shipment.

During the period 1962-69, U.S. exports of barber chairs declined ***.

In the period 1962-69, the value of sales of products other than barber chairs by the two principal producers increased erratically and was *** percent higher in 1969 *** than it was in 1962. However, because of the decreased sales of barber chairs, aggregate sales of all products by the two major producers declined from 1962 to 1969 ***.

* * * * * * * * * * *

## Employment

The average number of production-and-related workers in the establishments of the two major producers (Paidar and Koken/Riverview 1/) declined from *** workers (on all products) in 1962 to *** workers in 1969. Man-hours worked on all products in these plants showed a somewhat smaller decline ***. Average annual employment of production workers was generally stable from 1962 to 1967; in 1967

1/ Man-hours worked by production workers in the Riverview Company during September-December 1969, have been added to those for Koken covering January through August 1969, to obtain data on operations in this single plant for the year 1969. Also, the average annual number of production and nonproduction employees were similarly calculated to obtain data for 1969 comparable with previous years.

both the average number of production workers and man-hours worked started a sharp decline ***. In 1969, the number of production employees, in the aggregate, was *** percent lower than in 1962, and the man-hours worked was *** percent lower.

* * * * * * * * * * *

The number of man-hours worked annually on the production of barber chairs in these two establishments, although higher in the period 1963-65 than in 1962 when they totaled *** thousand, declined to *** thousand in 1969 ***. The number of man-hours worked on barber chairs was, therefore, *** percent lower in 1969 than it had been in 1962. It is estimated (on the basis of man-hours worked on barber chairs relative to man-hours worked on all products) that the average annual number of workers engaged in barber chair production, which had been *** in 1962, declined by *** percent to *** workers so employed in 1969. ***.

* * * * * * * * * * *

After the Riverview Company purchased the manufacturing facilities of the Koken Companies in September 1969, a new labor contract was negotiated with the six unions which had represented Koken's production employees. Henceforth, the six unions while retaining their autonomy must agree among themselves and negotiate as a single unit with the company. Foremen, as such, have been eliminated and are now lead workers actively engaged in production rather than functioning as supervisors. In addition management has apparently obtained a certain degree of flexibility in the reassignment of workers to a greater variety of tasks within the plant. The new contract had no effect on production in the period covered by this report, but it is expected that it will, in the future, enable Riverview to operate the former Koken production facilities with a more efficient employment of personnel than has been possible in the past.

Unlike Riverview, which, as noted above, now negotiates with only one labor union representative, Paidar must negotiate with each of its three unions separately.

U.S. imports

During the period 1962-69, a single importing concern (Takara Company, New York, Inc.) enlarged its share of the U.S. market for barber chairs from *** percent to *** percent. In 1968, this same concern opened a modern assembling and distribution facility (to replace an older less efficient one); in 1969, it purchased the manufacturing assets of Koken, 1/ one of the two major U.S. producers, and established an assembly and selling depot in Chicago where Paidar, the other major producer, is located.

U.S. importers.--Two firms imported barber chairs into the United States in 1962-64; 6 in 1965-67, and 4 in 1968-69. One concern, however, has accounted for most of the imports. This concern--Takara Company, New York, Inc.--formerly maintained offices and facilities for assembling barber chairs in both Brooklyn, New York and Los Angeles, California. Late in 1968, the Brooklyn operation was moved

1/ In 1968, Koken supplied about *** percent of U.S. consumption of barber chairs.

to Somerset, New Jersey into a newly built (***) facility that contains an assembly plant, showroom, and corporate office. As has been discussed earlier, in September 1969, Takara, through its wholly owned subsidiary, Riverview Manufacturing Company, Inc., acquired the manufacturing assets of Koken Companies, Inc. 1/ The significance of this acquisition--in addition to the obviously increased market share--is that Takara now will be able to supply barbershop furnishings such as back-bars, mirror cases, etc., as well as barber chairs to barbershop owners via its dealers. Heretofore, Takara had not been able to supply complete barbershops, whereas U.S. producers had the facilities to do so. ***

In addition to purchasing Koken's manufacturing assets located centrally in the United States, Takara also recently established a small warehouse and assembly depot in Chicago, Illinois--the headquarters of the other major U.S. manufacturer of barber chairs and furnishings. Takara's imported barber chairs to this depot are shipped containerized from Seattle, Washington.

In Takara's facilities in New Jersey, California, and Illinois, imported barber chairs, as well as beauty chairs, are assembled and packaged for delivery to purchasers. In the barber chair line *** virtually all of Takara's imported chairs have been shipped to the United States substantially disassembled but packaged as complete chairs, in order to save on shipping costs. *** After importation the

1/ Pertinent facts about this acquisition are described in the section dealing with U.S. producers.

chairs are completely assembled in Takara's facilities--some upholstered to order--inspected, ***.

*     *     *     *     *     *     *     *     *     *     *

The assembling and upholstering operation *** in Takara's U.S. facilities are considerably less extensive than any one of the U.S. producers' operations because the chairs when imported are already partly assembled. ***

All the barber chairs imported by Takara Company, New York, Inc. are manufactured by the parent company, Takara Chukosho Company, Ltd. of Osaka, Japan. This company is the largest producer of barber chairs in Japan; recently its annual production amounted to about 36,000 barber chairs of which about 29,000 were sold in the Japanes market and the remainder was exported. 1/ Sales of barber chairs in Japan are several times larger than in the United States, because Japanese barbers change the furnishings of their shops more frequently than the barbers in the United States. Largely since the Commission's last investigation, the majority of Japanese barbershops have changed to motorized chairs. 2/

The barber chairs produced for export to the United States are somewhat larger in size than those produced for sale in Japan; also, the exported chairs are styled to suit the tastes and requirements in

1/ Transcript of hearings, Nov. 8, 1967 (pp. 183 and 195), investigations Nos. TEA-I-11, TEA-F-7, and TEA-F-8; and Feb. 3, 1970 (pp. 129 and 130) investigations Nos. TEA-I-16 and TEA-F-9.

2/ Transcript of hearings, Feb. 3, 1970 (p. 130) investigations Nos. TEA-I-16 and TEA-F-9.

the respective export markets. Chairs marketed in Japan in the last 3 years have been predominantly motorized chairs, whereas most of the chairs exported to the United States are not motorized. Barber chairs imported into the United States are similar to domestically produced chairs; all such chairs, regardless of origin, have a manually or electrically operated hydraulic pump as an essential feature, can be elevated, reclined, and revolved, and are made for the sole purpose of seating a patron while he is being served in a barber shop or hair-styling salon. Although imported barber chairs differ from domestic chairs in some physical dimensions and styling, 1/ such differences do not affect their use by barbers in this country.

Recently three firms--in addition to Takara--imported barber chairs into the United States (including Puerto Rico). The firms were the Americana Barber Chair Company of Washington, D.C., the Save-way Barber and Beauty Supplies, Inc. of N. Miami Beach, Florida, and the Honolulu Barber and Beauty Supply, Inc. of Hawaii. ***

Volume of imports.--During 1962-69, U.S. imports of barber chairs (as distinguished from their sales in the United States) increased from *** in 1962, to *** in 1968, and then declined to *** in 1969. Such imports were valued at about *** in 1962, *** in 1968, and *** in 1969. The average unit value (f.o.b. foreign port) of the partially disassembled imported chairs which was *** in 1962, rose to *** in

1/ Chairs made by domestic manufacturers also differ in dimensions and styling from model to model.

1963, and to *** in 1969. During the same period, as in previous years, imports of parts of barber chairs, remained small compared with imports of barber chairs; 1/ they amounted to only *** in 1969. Virtually all U.S. imports of barber chairs and parts have originated in Japan.

Sales of imported barber chairs in the United States increased at an average annual rate of *** percent during 1962-66 but increased an an average rate of only about *** percent thereafter; meanwhile U.S. consumption of barber chairs increased at an average annual rate of *** percent during 1962-66 and declined thereafter at an average rate of *** percent. As a consequence, the share of consumption supplied by sales of imported chairs increased from *** percent in 1962 to *** percent in 1966, and to *** percent in 1969.

* * * * * * * * * * *

In 1966, the earliest year for which data on importers' sales by geographic area are available, sales of imported barber chairs in the United States were proportionately larger along the populous East and West Coasts than in the interior. *** Sales by domestic producers in these coastal areas were equal to about *** of their total sales. In 1969, the coastal areas accounted for slightly below *** of the importers' total sales while the proportion sold in the East North Central states increased.

1/ Although imports of barber chairs by the Takara Company are entered in a knocked-down condition (except for *** models which are assembled from imported parts), all imports by that company, except for repair parts, are reported as complete chairs in the import statistics.

* * * * * * * * * * *

In 1969, importers accounted for more of the sales of barber chairs in each area than in 1966. The most significant increases occurred in the East North Central States ***, and in the Pacific States ***.

Ocean freight rates

In its earlier report the Commission noted that ocean freight rates represent a significant part of the cost of importing barber chairs. Currently, ocean freight rates are about 10 percent higher than they were in 1966. Despite this increase, however, such rates were 25 percent lower in 1969 than those that were in effect in 1956. ***.

Pricing practices and prices

The domestic producers and principal importers issue price lists to their dealers covering the barber chairs they sell. 1/ The price lists show a list price for each model, a "trade-in allowance" for a used chair, and the dealer's cost. 2/ A "trade-in allowance" is deducted from the list price in arriving at the net price to the dealer for all chairs; it is the dealer--rather than the producers and importers-- who actually accepts and disposes of trade-ins. 3/ Optional extras, such as special upholstery, usually are added to the price.

1/ Prices of barber chairs are changed infrequently and the discounts allowed generally apply to all dealers.
2/ ***
3/ New barbershops, with no chairs to be traded in, ordinarily also pay the net price.

In ordinary practice, the dealer's cost is the list price, less a trade-in allowance, less 40 percent (with an additional discount for cash--***). The producers and principal importers also give quantity discounts to dealers.

Prices of barber chairs, as published, do not generally include an amount to cover transportation costs; chairs are ordinarily sold f.o.b. point of shipment (usually from the producer's or importer's plant or the port of entry).

Dealers sell to their customers (barbers) largely on a negotiated price basis. Various factors--including the number of chairs sold, used chairs traded in, competition from other dealers, other barber shop equipment included in a given transaction, the prospect of future sale of supplies, and good will generated--have a bearing on the price charged for a barber chair by the dealer.

* * * * * * * * * * *

Profit-and-loss experience of domestic manufacturers

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# APPENDIX

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20530

Address Reply to the
Division Indicated
Refer to Initials and Number
WMcL:CDM
60-208-037

JAN 23 1970

RECEIVED

JAN 26 1970

OFFICE OF THE SECRETARY

Mr. Kenneth R. Mason
Secretary
U.S. Tariff Commission
8th & E Sts., N.W.
Washington, D. C. 20436

Re: Takara-Koken

Dear Mr. Mason:

This is in response to your inquiry concerning the acquisition of certain assets of Koken Companies, Inc. by Takara Company.

In early June 1969 the Antitrust Division began its investigation of this transaction. The investigation revealed that Takara proposed to purchase certain of Koken's manufacturing assets, with Koken to continue thereafter as an independent seller of barber and beauty supplies. Under the terms of the agreement Takara would, after the acquisition, serve as Koken's supplier of barber and beauty supplies. The value of the assets acquired was extremely small, namely $325,000.

Although both Takara and Koken enjoyed substantial shares of the barber and beauty chair market in this country, our investigation revealed that Koken, although not a "failing company" in the sense that term is used in connection with Section 7 of the Clayton Act, had nevertheless suffered operating losses and it seemed likely that these losses would continue in the future. The proposed acquisition was also viewed in terms of allocation of the Antitrust Division's resources. Although the Division certainly has no policy which would permit small firms to do with impunity those things prohibited by the antitrust laws, we are forced to be selective in allocating our resources even within the class of so-called little cases such as this.

After giving careful consideration to each of the foregoing factors we determined that suit should not be brought to enjoin the proposed acquisition. The transaction was consummated in late August or early September 1969.

Sincerely yours,

RWMcLaren

RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division