

COMPETITIVE ASSESSMENT OF THE U.S. WOOD AND UPHOLSTERED HOUSEHOLD FURNITURE INDUSTRY

**Report to Subcommittee on Trade,
Committee on Ways and Means,
U.S. House of Representatives
Investigation No. 332-170,
Under Section 332(b) of the
Tariff Act of 1930, as
Amended**

USITC PUBLICATION 1543

JUNE 1984

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

Paula Stern

Veronica A. Haggart

Seeley G. Lodwick

Susan W. Liebeler

David B. Rohr

Kenneth R. Mason, Secretary to the Commission

This report was prepared principally by

Rhett Levèrett and Ruben Moller

General Manufactures Division

Office of Industries
Norris A. Lynch, Director

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

PREFACE

On October 20, 1983, at the request of the Subcommittee on Trade, House Committee on Ways and Means 1/ and in accordance with section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)), the United States International Trade Commission instituted investigation No. 332-170, a competitive assessment of the U.S. wood and upholstered household furniture industry. The Commission was asked to assess the factors affecting the present international competitive position of U.S. wood and upholstered household furniture producers, compare structural characteristics of the U.S. industry and principal foreign competitors, and describe U.S. and foreign government policies and regulations and their influence on the wood and upholstered household furniture industry.

Notice of the investigation was given by posting copies of the notice of investigation at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publication of the notice in the Federal Register (48 F.R. 50631, Nov. 2, 1983). 2/

A public hearing in connection with this investigation was held in High Point, N.C., on April 3, 1984. Testimony was received by the Commission from members of Congress and from U.S. producers and importers of household furniture. 3/ Notice of the hearing was given by publication of the notice in the Federal Register (48 F.R. 10589, March 21, 1984). 4/

In the course of this investigation, the Commission collected data and information from questionnaires sent to producers, importers, and purchasers of household furniture. In addition, information was gathered from various public and private sources, from the public hearing, from questionnaire responses prepared by overseas posts of the U.S. Department of State, and from interviews with industry executives representing producers, importers, and purchasers of household furniture, as well as from public data gathered in other Commission studies.

1/ The request from the Ways and Means Committee is reproduced in app. A.

2/ A copy of the notice of the Commission's investigation and hearing is reproduced in app. B.

3/ Lists of witnesses who testified at the hearing and of persons who submitted written statements are shown in app. C.

4/ A copy of the supplementary notice of the Commission's hearing is reproduced in app. D.

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EXECUTIVE SUMMARY

The health of the labor-intensive U.S. wood and upholstered household furniture industry is closely tied to the general conditions of the domestic economy. Because of the unstable economy during 1979-83 and such concomitant factors as high interest rates, lower levels of disposable income, and declining housing starts that characterized the economic downturn in 1981 and 1982, the domestic industry experienced decreased sales, particularly in 1982. During the same period, foreign producers, particularly manufacturers in Taiwan, but also those in Canada, Denmark and Yugoslavia, significantly increased their sales in the United States.

The U.S. industry has expressed concern in recent years that its competitive position in domestic as well as foreign markets has been eroding. Industry concerns are reflected in the request of the Subcommittee on Trade of the House Ways and Means Committee that the International Trade Commission examine the factors of competition in the furniture industry.

Highlights of the Commission's investigation are as follows:

1. Structure of the domestic and foreign industry.

- o The U.S. wood and upholstered household furniture industry is composed of many small and mid-sized firms, but a few large producers represent a major share of U.S. production.

Approximately 60 percent of the 2,100 firms producing wood household furniture have 20 or fewer employers. The top 40 percent of the firms account for an estimated 80 percent of total U.S. production. The top 10-15 companies, located primarily in the Southeast, tend to dominate the industry and are the best known nationally. Together, they account for approximately 30 percent of wood household furniture production. These large companies tend to supply much of the mass merchandising market, but no company supplies more than 4 percent of the overall wood household furniture market. ^{1/} Most of the larger firms produce both wood and upholstered household furniture. Approximately 120,000 persons were employed by all firms that produce wood household furniture, with an estimated annual payroll of \$1.6 billion in 1983. The industry reported significant capital investments in the period 1979-83, with the bulk of the expenditures for new machinery, equipment, and fixtures.

The upholstered furniture industry is geographically less concentrated than that producing wood household furniture. Over 50 percent of the 1,200 companies that manufacture upholstered household furniture have fewer than 20 employees; however, the top 30 percent of the firms account for the bulk of upholstered furniture production. The top 10 manufacturers account for approximately 20 percent of the upholstered household furniture shipments. Nearly 81,000 workers were employed by this industry with an estimated annual payroll of \$950 million in 1983. Most capital investments during 1979-83 were for new machinery, equipment and fixtures.

^{1/} Based on information received during the hearing on Apr. 3, 1984, at High Point, N.C.

The wood and upholstered household furniture industry appears to have operated at profitable levels during 1979-83, with ratios of before tax profits to total sales in the 7 percent to 9 percent range. Less than 5 percent of producers reported overall losses during the period.

- o A relatively small number of firms in the principal foreign supplying nations provided the bulk of U.S. imports.

In each of the major sources of U.S. imports of wood and upholstered household furniture, only a few companies tend to supply the bulk of exports; these are usually the largest and most technologically advanced companies. In Taiwan, an estimated 8 to 10 companies out of 50 to 60 manufacturers of wood furniture and parts supply virtually all exports to the United States. Very little upholstered household furniture is imported from Taiwan, as its producing companies tend to specialize in wood products that can be shipped in a partly assembled or unassembled manner (known as knocked-down or KD). In Canada, 20 to 30 companies account for the bulk of Canadian shipments of residential or household furniture to the United States. These companies represent only a fraction of the approximately 900 companies that produced household furniture in 1983. The bulk of Canadian furniture is produced in the Eastern provinces of Ontario or Quebec; thus, many of the Canadian producers are closer to the major U.S. population centers in the Northeast than many domestic manufacturers. The Danish furniture industry is small and extremely export oriented with the bulk of the companies having fewer than 50 employees each. Most furniture exported from Denmark is of high quality and is in the middle to upper middle price ranges. Less than one fourth of the Yugoslavian furniture manufacturers export to the United States, with a few large firms accounting for the bulk of these exports. There are several plants that manufacture primarily for export to the United States with most of these exports consisting of Early American chairs or rockers, although all types of wood furniture are exported to the United States.

2. The U.S. market.

- o The value of U.S. consumption of wood and upholstered household furniture was closely tied to the U.S. economy in 1979-83.

During 1979-83, the value of apparent U.S. consumption of wood and upholstered household furniture rose moderately from \$8.1 billion in 1979 to \$9.2 billion in 1981, fell to \$8.4 billion in 1982; then rose in 1983 to \$9.8 billion as the economy rebounded. Overall, the value of U.S. consumption of wood and upholstered household furniture grew by 20 percent during the period. However, available data indicate that in terms of quantity, consumption was static at best during the 5-year period.

- o U.S. producers' shipments generally reflected U.S. economic conditions during 1979-83.

Reflecting the general economic conditions in the United States during 1979-83, the value of U.S. producers' shipments of wood household furniture increased by 8.6 percent, rising from \$4.7 billion in 1979 to \$5.2 billion in 1981; it fell to \$4.6 billion in 1982; then increased to \$5.3 billion in

1983. U.S. producers' shipments of upholstered household furniture also grew irregularly from \$3.2 billion in 1979 to \$3.8 billion in 1983, or by 19 percent. Collectively, producers' shipments of wood and upholstered household furniture increased by 14 percent during the period from \$8.0 billion to \$9.1 billion (although considering inflationary pressures, U.S. production generally remained flat). The weak performance of this industry during the latter part of 1981 and 1982 was due primarily to the recession, the decrease in disposable income, the tightening of credit, high interest rates, the lowering of inventories by retailers, and the growing volume of imports.

- o U.S. exports of wood and upholstered household furniture have been small and have accounted for a limited portion of U.S. producers' shipments.

The value of U.S. exports of wood and upholstered household furniture averaged about 1.4 percent of total U.S. producers' shipments during 1979-83. After increasing by 52 percent from \$116 million in 1979 to \$177 million in 1981, exports declined by 29 percent to \$125 million in 1983. About 80 percent of such exports consisted of wood household furniture. Canada and Saudi Arabia were the largest markets and collectively accounted for about 60 percent of total exports because of the proximity of the former and the preference for western consumer goods by the latter.

- o U.S. imports increased markedly during 1979-83.

U.S. imports of wood and upholstered household furniture increased by 154 percent during 1979-83, rising from a value of \$312 million to \$795 million. U.S. imports of wood household furniture, primarily dining tables and chairs, and chairs other than dining chairs, accounted for close to 99 percent of total U.S. imports of the furniture items discussed herein. Taiwan at 26 percent, Denmark at 12 percent, Canada at 12 percent, and Yugoslavia at 11 percent collectively accounted for about 60 percent of total U.S. imports of wood household furniture in 1983. U.S. imports of wood and upholstered household furniture entered under the provision of the Generalized System of Preferences (GSP) accounted for an important but declining share of total imports of these products (73 percent in 1979 and 31 percent in 1983). During the period, Taiwan and Yugoslavia accounted for the bulk of such imports. Taiwan lost GSP status for furniture of wood other than chairs in 1980, and Yugoslavia lost GSP eligibility for nonfolding chairs of teak in 1983. The loss of GSP status has had no apparent overall impact on the level of imports from these two countries.

- o U.S. firms supply a predominant but declining share of wood and upholstered household furniture in the domestic market.

Based on the ratio of imports to consumption for wood and upholstered household furniture combined, in terms of value, imports accounted for nearly 4 percent of consumption in 1979 and for more than 8 percent in 1983. For wood household furniture, imports accounted for just over 6 percent of consumption in 1979 and increased to over 13 percent in 1983. Greater foreign penetration of wood household furniture was made possible by a number of factors including the increased popularity of KD furniture lower labor costs

abroad successful adaptation of popular U.S. styles by foreign manufacturers, and perfection of finishing techniques, particularly by manufacturers in Taiwan. However, U.S. firms supplied virtually all (more than 99 percent) of domestic upholstered household furniture consumption, because U.S. producing facilities are, for the most part, closer to major markets, while foreign producers generally must ship this relatively bulky and more fragile furniture over much greater distances at relatively high transportation costs.

3. Factors of Competition in the United States.

- o Lower price with an acceptable level of quality appears to be the principal factor in the success of imports in the domestic market.

Imports of foreign-produced wood and upholstered household furniture, especially that from the Far East, are generally priced lower than comparable domestically-made items. The Far Eastern countries, particularly Taiwan, have a competitive advantage because of their much lower costs of labor; in some cases, the labor advantage reportedly enables importers to sell their furniture as much as 20 to 30 percent less than comparable domestically-produced items even after incurring higher transportation costs. Yugoslav labor is also less costly than that in the United States. Imports from Canada generally have had a price advantage in recent years because of the exchange rate differential, which also benefits Danish and other foreign furniture manufacturers.

- o Foreign producers have upgraded their quality to a significant degree in recent years, and U.S. producers' competitive advantage in this area has lessened.

The quality of wood and upholstered household furniture plays an important role in the selection of household furniture items. For many years, imports of such furniture, by and large, were perceived by American consumers as having a substandard level of quality. In the past 3 to 5 years, however, most foreign manufacturers have significantly improved their quality levels, particularly in the area of finer finishes. Consequently, most importers offer styles such as Early American, Eighteenth Century, and Contemporary that compete well in the U.S. market. Although quality levels still vary, especially for furniture from Taiwan and Yugoslavia, U.S. manufacturers no longer have a significant competitive advantage in this area. However, some U.S. manufacturers do enjoy a small competitive advantage through brand name identification and the perception of quality that these names represent to consumers.

- o Foreign manufacturers have perfected techniques for KD shipment of wood furniture and significantly reduced their transportation costs.

Many foreign producers, especially those in Taiwan and other Far Eastern countries, have perfected techniques of shipping many types of wood furniture such as china cabinets, buffets, and servers in an unassembled or partly assembled manner (KD). Previously, most of this furniture was shipped only as finished pieces. As a result of these compacted shipments, these companies

have reduced their shipping costs for wood furniture from the Far East to regional assembly plants in the United States to a reported 4 percent of the retail selling price. These reductions in transportation costs to foreign manufacturers have lessened the advantage of U.S. producers in this regard.

- o U.S. producers generally have held the advantage vis-a-vis foreign firms concerning the channels of distribution, responsiveness to orders, and dealer-supplier relationships.

The cost of packaging and transportation for wood and upholstered household furniture items, particularly finished products, can be quite high. Because many U.S. producers maintain their own trucks, they have been able to maintain some edge in the area of distribution. The whole concept of inventories has shifted in the furniture industry in the last 3 years, with manufacturers being forced to carry the bulk of inventories and reduce turn-around time on orders. Generally, foreign manufacturers have a lead time of several months, which places them at a relative disadvantage. Additionally, because most foreign companies are somewhat new in the U.S. market, they have not had a long relationship with U.S. retailers, unlike many domestic producers, who have acquired a certain amount of loyalty from the retailers.

- o Foreign producers have improved their marketing practices in the United States, often concentrating on fewer styles which have greater potential for sales.

Virtually all importers now maintain showroom space, particularly in the High Point, N.C. area, to present their products to U.S. furniture retailers during the semi-annual shows. Reportedly, several companies in Taiwan have a relatively limited number of pieces and suites to sell, preferring to concentrate more on items they project will be successful sellers, offering them at attractive prices and reducing production costs through economies of scale.

- o The level of technology used in household furniture manufacturing plants is roughly equivalent worldwide, with no country having a clear competitive advantage.

While none of the major wood and upholstered household furniture producers in the world use robots, computers, or computer assisted production runs to a large extent, virtually all companies use modern woodworking equipment to varying degrees. The most advanced woodworking machinery is produced in Germany, Japan, and Italy and is available to furniture manufacturers worldwide. Foreign companies as well as U.S. producers have access to the same equipment.

- o Government regulations appear to favor foreign manufacturers, particularly those in the Far East who are export-oriented.

Policies of foreign governments, particularly those in the Far East, including Taiwan, reportedly give financial and special tax incentives to furniture and other companies which are important employers and are export oriented. Also, furniture companies in these countries are burdened to a lesser extent by environmental regulations and health and social benefits than are the industries in most western industrialized countries.

PRODUCT DESCRIPTION AND USES

Wood and upholstered household furniture and parts include movable articles which are designed to be placed on the floor or ground and which are used primarily to equip dwellings or residences or used as ornamentation.

Wood Household Furniture

The primary types of wood household furniture include all types of dining furniture, tables, chairs, buffets, breakfronts, china cabinets and servers. Other types of wooden furniture, frequently referred to as "case goods," include nonfolding chairs (except director's chairs) as well as occasional tables which are small items such as end tables, coffee tables, cocktail tables, console tables and other similar tables. Bedroom furniture is also an important part of wood household furniture and includes beds, headboards, dressers, night stands, chests of drawers, highboys and other bedroom storage furniture. Also included are wall systems, bookcases, and wall storage cabinets along with juvenile furniture, all other types of wooden furniture, and all parts of wooden furniture.

Raw material

Wood is the principal component used in the manufacture of household furniture because of its popularity, availability, susceptibility to being "worked" (shaped or bent), attractiveness, and durability. There are a wide variety of woods which can be used in furniture fabrication. The principal hardwoods used for domestic production include oak, walnut, ash, maple, cherry, and mahogany. Pine and spruce are the most common domestic softwoods. The principal woods used in imported furniture include mahogany, beech, ramin, teak, pine, and, to a lesser extent, rubber wood.

Composition wood, which includes particle board and fiberboard, is also widely used in furniture construction. Particle board, composed of heat-treated and compressed wood chips or waste woods mixed with glue, is used in the formation of many pieces. Fiberboard, which is made of compressed wood fibers, includes chip-core (compressed waste wood) and resin-core (fine particles of the resinous inner core of wood). Particle board and fiberboard are the main types of composition board used in furniture manufacture; resin-core, the product most closely matched to solid wood, is also the most expensive type of composition wood. In the finished product, the composition board is concealed by veneers, plastic laminates, or upholstery.

Some of the major furniture manufacturers operate their own chip-core or particle board plants where wood scraps are processed into usable pieces which may be consumed by the company's own furniture plants or sold to other manufacturers. Particle board and other types of manmade wooden boards are noted for their strength and general tendency not to warp or crack in humid climates or areas where there is an excess of moisture.

Veneers are also used extensively in furniture production. Veneering consists of gluing a thin layer of fine wood, usually between 1/32 and 1/64 of an inch thick, to an inferior wood or composition board to produce the smooth attractive surface associated with fine wood. Additionally, veneers can be made of other materials, such as plastic or paper, which can be designed or finished to look like wood. Through the use of veneers, the cost of raw materials is reduced. Also, fragile fine woods can be utilized as a veneer over compressed or laminated wood, thereby imparting increased strength or durability to the article. Veneering can also produce a more attractive final product, since it allows for the utilization of grain patterns which would otherwise be unsuitable, such as in burls and knots.

Production process

The production process for wood household furniture varies with the type of material used, the type of product manufactured, including the eventual price range, and the size and diversification of the production facilities. In all cases, however, the process is labor intensive to varying degrees. Most large furniture manufacturers operate integrated plants with large, wood-finishing operations which process wood either in log form, or rough lumber, or panel form. After the wood has been treated and dried to insure the proper moisture content, it is further processed by being cut to the required thickness and length, and milled, routed, lathed, and/or glued, as necessary. There is an increasing amount of automated equipment being used in this process, such as numerically controlled routers, particularly by the larger manufacturers. The various components are then assembled, to a large degree by hand, in production runs or "cuttings," which consist of many units of the same article produced at the same time. The final and most delicate process is the sanding, staining and veneering, which is done in the "finishing room" and generally requires a number of steps before the final finish is acceptable to the consumer. After the addition of any hardware, ornamentation, or cushions, the finished product is inspected and packaged for shipment.

Upholstered Household Furniture

Upholstered household furniture includes all sofas, love seats, couches, sleep sofas, motion chairs (i.e., recliners), other upholstered chairs, sectionals, and all other upholstered furniture.

Raw material

Upholstered furniture refers to articles made of some upholstery material, including polyester, wool, cotton, and other natural and manmade fibers. Polyester and polyurethane foam and other types of stuffing such as batting are generally used as padding, while canvas, plastic, wicker, rattan, and carved wood are used as integral parts in many articles.

Production process

The production process for upholstered furniture begins with the selection and cutting of the upholstery fabric, usually following the choice of a particular fabric by the customer to match the desired piece of furniture. After the material is cut to pattern, the pieces are sewn into cushions, backs, and front pieces, then filled with the padding material and added to the frame. The padding and upholstered material are usually applied by sewing or stapling to a wooden or, to a lesser extent, metal frame. These frames may be purchased already assembled, or they may be produced at the upholstery plant. The manufacture of upholstered household furniture products is highly labor intensive and requires far less capital-intensive machinery than does the manufacture of case goods. The packaging and shipment of upholstered furniture is generally more expensive than for wooden furniture since this type of furniture is usually not shipped partially assembled or unassembled (also known as knocked-down (KD)).

TARIFF TREATMENT

U.S. Customs Treatment

Imported wood and upholstered household furniture and parts are classified under items 727.25(pt.), 727.27(pt.), 727.29(pt.), 727.35(pt.), 727.40(pt.), 727.45(pt.), and 727.70(pt.) 1/ of the Tariff Schedules of the United States Annotated (1984) (TSUS) (app. E). Prior to January 1, 1984, imports of all furniture of wood, except chairs and parts, entered under TSUSA item 727.3540, a basket or residual provision. Imports of upholstered furniture and parts of cotton entered under TSUSA 727.5560, also a large basket provision. In response to a 484(e) 2/ petition submitted last year by the American Furniture Manufacturers Association, additional statistical breakouts were provided on January 1, 1984, for a number of wood furniture items such as desks and desk extensions, item 727.3525; dining tables, item 727.3530; other tables, item 727.3535; beds and headboards, item 727.3545; other bedroom furniture, item 727.3550; wall systems, book case, etc., item 727.3555; shelving, item 727.3560; and other wood furniture, item 727.3590. 3/ Imports of upholstered furniture of cotton and parts are now classified under the provisions of item 727.7080, a provision for miscellaneous articles of furniture.

1/ Prior to Apr. 1, 1984, imports of upholstered furniture and parts of cotton were classified under the provisions of TSUS item 727.55(pt.). As a result of several changes in the Tariff Schedules, the numbering system was changed and imports of these items are now classified under item 727.70(pt.). Imports data for the period covered by this study (1979-83), however, are shown under item 727.55(pt.).

2/ The 484(e) Committee is a permanent committee comprised of representatives from the U.S. International Trade Commission, the U.S. Customs Service, and the U.S. Department of Commerce. The Committee meets regularly to consider requests to provide additional statistical breakouts for the Tariff Schedules of the United States.

3/ These additional statistical breakouts provide greater detail concerning the type of wood furniture imported into the United States.

Wood household furniture and parts

Wood household furniture covered by this investigation includes folding chairs, other than directors' chairs, classified under item 727.25(pt.); other chairs of teak, item 727.27(pt.); other non-folding chairs, item 727.29(pt.); dining tables, other dining furniture, occasional tables, bedroom furniture, wall systems, and other wooden household furniture, item 727.35(pt.). Parts of wood furniture, except bedsprings, are provided for under item 727.40(pt.). All wooden sewing machine cabinets, wood radio and TV cabinets, director's chairs, and mirrors are excluded.

Upholstered household furniture and parts

Upholstered household furniture included in this investigation is covered under furniture of textile material, except cotton, under item 727.45(pt.); and other furniture, which includes furniture of cotton material and parts, provided for under item 727.70(pt.).

Table 1 shows the Pre-MTN column 1 rate of duty, the staged rates, and the column 2 rates of duty applicable to U.S. imports of wood and upholstered household furniture and parts. The rates of duty in column 1 are most-favored-nation (MFN) rates, and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the Tariff Schedules of the United States Annotated (TSUSA). ^{1/} However, such rates do not apply to products of developing countries which are granted preferential tariff treatment under the Generalized System of Preferences (GSP), or the Caribbean Basin Initiative (CBI).

The GSP, discussed in detail later in this report, is a program of nonreciprocal tariff preferences granted by the United States to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The GSP, implemented by Executive Order No. 11888 of November 24, 1975, applies to merchandise imported on or after January 1, 1976, and is scheduled to remain in effect until January 3, 1985. ^{2/} It provides for duty-free treatment of eligible articles imported directly from designated beneficiary developing countries.

The CBI is a program of nonreciprocal tariff preferences granted by the United States to developing countries in the Caribbean Basin area to aid their economic development by encouraging greater diversification and expansion of their production and exports. The CBI, implemented by Presidential Proclamation 5133 of November 30, 1983, applies to merchandise entered, or

^{1/} The only Communist countries currently eligible for MFN treatment are the People's Republic of China, Hungary, Romania, and Yugoslavia.

^{2/} Legislation is pending in the Senate (S. 1718) to extend the GSP program. No legislation has been introduced in the House to extend the program, but it is anticipated that a bill will be introduced in the near future.

Table 1.—Wood and upholstered household furniture and parts thereof: U.S. rates of duty, present, and negotiated, by TSUS items

(Percent ad valorem)											
TSUS item No. 1/	Description	Pre-MTN col. 1 rate of duty	Staged col. 1 rate of duty effective with respect to articles entered on or after Jan. 1— 2/								Col. 2 rate of duty 3/
			1980	1981	1982	1983	1984	1985	1986	1987	
727.25(pt.)A	Folding chairs, other than director's chairs.	8.5%	8.1%	7.7%	7.3%	6.9%	6.5%	6.1%	5.7%	5.3%	40%.
727.27(pt.)A	Chairs of teak—	8.5%	7.9%	7.2%	6.6%	6%	5.3%	4.7%	4%	3.4%	40%.
727.29(pt.)A*	Chairs other than of teak—	8.5%	8.1%	7.7%	7.3%	6.9%	6.5%	6.1%	5.7%	5.3%	40%.
727.35(pt.)A*	Wood furniture, other than chairs, including dining tables, other dining furni- ture, occasional tables, bedroom furniture, wall systems, and other household furniture.	5%	4.7%	4.4%	4.1%	3.8%	3.4%	3.1%	2.8%	2.5%	40%.
727.40(pt.)A	Parts of furniture, except bedsprings.	8.5%	8.5%	8.5%	8%	7.4%	6.9%	6.4%	5.8%	5.3%	40%.
727.45(pt.)A	Furniture of textile material, except cotton.	17.5%	16.2%	14.9%	13.6%	12.3%	10.9%	9.6%	8.3%	7%	80%.
727.70(pt.)A*	Furniture of cotton material—	10%	9.3%	8.5%	7.8%	7%	6.3%	5.5%	4.7%	4%	45%.

1/ The designation "A" means that all beneficiary developing countries are eligible for the Generalized System of Preferences (GSP). "A*" indicates that certain of these beneficiary developing countries, specified in general headnote 3(c) of the Tariff Schedules of the United States Annotated, are not eligible for the GSP.

2/ Rate negotiated in the Tokyo round of the Multilateral Trade Negotiations in Geneva, to be achieved through 8 annual reductions, with the final reduction to be effective Jan. 1, 1987.

3/ Rate provided in the Tariff Act of 1930.

withdrawn from warehouse for consumption, on or after January 1, 1984, and is scheduled to remain in effect until September 30, 1995. It provides for duty-free entry of eligible articles imported directly from designated developing countries in the Caribbean Basin area. All of the articles subject to this investigation could be eligible for such duty-free entry.

The rates of duty in column 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA.

Customs Treatment of Major U.S. Competitors

Although the United States and Canada have established their own classification systems, most countries of the world, including Denmark, Taiwan, and Yugoslavia (major sources of U.S. imports of household furniture), use the Customs Cooperation Council Nomenclature (CCCN) as the basis for their tariff classifications. ^{1/} In the CCCN, chairs, couches, sofas, and other seats (except those for medical use) are classified under heading 94.01, and other wood household furniture and parts thereof under 94.03; Canada classifies these products under heading 51901-1. Table 2 shows the tariff items, present rates of duty, and the rates of duty negotiated under the MTN for the major sources of U.S. imports of household furniture.

^{1/} Canada, Denmark and Yugoslavia are members of the General Agreement on Tariffs and Trade (GATT). Although Taiwan is not a party to the GATT, it administers its tariff system according to the rules of the GATT.

Table 2.--Household furniture: Present and negotiated rates of duty in selected countries

Source	Description and tariff item	Present rate of duty 1/	Negotiated rate of duty 2/
Canada-----	House, office, cabinet, or store furniture of wood, iron or other material, and parts thereof, not to include forgings, castings, and stampings of metals in the rough:		
	Other (51901-1)-----	16.9% ad val.	15% ad val.
European Community--	Chairs, couches, sofas, and other seats (9401):		
	Other (household types)-----	6.7% ad val.	5.6% ad val.
	Other (94.03) (wood household furniture).	6.7% ad val.	5.6% ad val.
Taiwan-----	Chairs and other seats (other than medical, surgical, or veterinary furniture), whether or not convertible into beds, and parts thereof (94.01).	100% ad val.	<u>3/</u>
	Other furniture and parts thereof (94.03) (chiefly of wood).	100% ad val.	<u>3/</u>
Yugoslavia-----	Chairs and other seats of wood (94.01)---	20% ad val.	<u>3/</u>
	Other furniture and parts thereof (94.03) (chiefly of wood).	20% ad val.	<u>3/</u>

1/ Current duty rates applicable to imports from the United States.

2/ Final rates negotiated under the Multilateral Trade Negotiations (MTN) in Geneva.

3/ Did not sign the MTN agreements.

TRADE REGULATIONS

The United States

In practice, U.S. imports of household furniture are not affected by any specific trade regulations. However, U.S. Government purchases of imported household furniture, which have traditionally been small, may have been somewhat limited by the Buy American Act. ^{1/}

Major U.S. Trading Partners

Canada

Furniture imports into Canada from the United States are accorded most-favored-nation (MFN) rates. Preferential rates, however, are reserved for certain Commonwealth countries and developing countries. Except for import duties, entries from the United States of wood and upholstered household furniture are free from import restrictions. Imports of furniture into Canada are assessed a tariff based on a customs valuation procedure using a "fair market value" in assessing duties rather than the transaction value. This has been used to eliminate any price advantage of U.S.-produced furniture.

Denmark

The EC, of which Denmark is a member, conducts duty-free trade among themselves and has a common tariff on imports from non-EC countries. The United States is accorded MFN treatment. Denmark has no customs surcharges, but all imports are subject to a 22 percent value-added tax (VAT), which is also levied on domestic products. It should also be noted that Denmark, and most other countries including all EC countries, use the metric system, but no mandatory metric standards are applied in Denmark.

Taiwan

In addition to paying customs duty on the dutiable value of imports, which is defined as the c.i.f. value, a 10 percent ad valorem customs uplift tax is imposed. Also, importers must pay 4 percent in harbor dues, based on the dutiable value of the imports. The harbor dues are waived for shipments by air freight or parcel post.

^{1/} Under the Buy American Act, 41 U.S.C. 10a-10d (1978), U.S. Government agencies may purchase products of foreign origin for delivery in the United States only if the cost of the domestic product exceeds the cost of the foreign product, including duty, by 6 percent or more. This differential rises to 12 percent if the low domestic bidder is situated in a labor-surplus area, and to 50 percent if the purchase is made by the Department of Defense. The preferences may be waived in the public interest, however.

All transactions involving foreign currencies require a license or prior permission.

Yugoslavia

In addition to customs duties, imports into Yugoslavia are subject to (1) a 1 percent ad valorem customs evidence tax to offset customs costs, (2) a 6 percent equalization tax to compensate for certain internal taxes paid by domestic manufacturers, and (3) a 7 percent surcharge on imports.

Imports are subject to an agreement between importers, manufacturers, and consumers which is signed at the beginning of each year in the Yugoslav Changer of Economy, a government agency. No items in any industrial group can be imported without such an agreement, which provides for such things as allotments of merchandise, distribution of merchandise, etc. Finally, if U.S. furniture is to be imported, the importer is required to export Yugoslavian goods of equal value prior to the arrival of the imported goods. This provision may be waived when the Yugoslav government determines the import of the item to be particularly important.

Other

Respondents to the Commission's questionnaires also listed a number of international trade restrictions that have inhibited their exports. The country mentioned most frequently was Canada, the United States' largest export market. Canadian tariffs were mentioned most often. Middle Eastern countries, particularly Saudi Arabia and Kuwait, received the second largest number of questionnaire responses for such things as labeling and container requirements, difficulties with consular formalities, consular fees, discriminatory sourcing, and restrictive business practices. Random responses were received with respect to Australia, Japan, Korea, Mexico and England. No country was mentioned more than three times for any particular trade barrier, and most were listed only randomly for one or two categories.

THE U.S. INDUSTRY AND MAJOR FOREIGN COMPETITORS

United States

The U.S. furniture industry can be divided into several general areas: household furniture of metal and other materials; business and institutional furniture; special purpose furniture, such as medical, dental, and automotive furniture; and that which is the subject of this investigation--wood and upholstered household furniture.

The U.S. wood and upholstered household furniture industry consists of upwards of 2,500 firms located over much of the continental United States. Many companies, particularly the larger ones, manufacture both wood and upholstered household furniture.

Wood household furniture

There were approximately 2,100 manufacturers of wood household furniture (SIC 2511) in the United States in 1983, with 828 companies, or 39 percent, having 20 or more employees, and 12 having 1,000 or more employees. Although virtually every geographic area of the United States has some producers of wood household furniture, the bulk of the companies are located in the Southeast, especially North Carolina, Virginia, Tennessee, and Florida. There are also heavy concentrations of furniture manufacturers in California and New York State. Approximately 60 percent of the firms in the industry are small, family-owned concerns (less than 20 employees), having generally been owned by the same family for several generations. There are a small number of large companies (estimated at less than 20) that are considered by industry sources to dominate the industry; however, no company supplies more than 4 percent of the wood household furniture market. The trend in recent years has been towards more public ownership, and a number of corporations now own several different furniture companies that manufacture a variety of products.

Upholstered household furniture

Approximately 1,200 establishments manufactured upholstered household furniture in 1983, including many firms that produce both wood and upholstered furniture. Slightly over one half of the producers have 20 or more employees, with only 2 firms having 1,000 or more employees. Although upholstered household furniture manufacturers are scattered throughout the United States, the industry is concentrated in the Southeastern States, particularly North Carolina and Tennessee. However, over 260 upholstered furniture manufacturers are located in California because of the size of the West Coast market and because most upholstered furniture produced in that state is sold there due to its more restrictive flammability laws. A general rule of thumb in the industry is that each plant can service an area only within a radius of approximately 500 miles, since upholstered products are frequently bulkier and more expensive to ship than other wooden furniture or case goods which can often be shipped KD. The upholstered furniture industry is not dominated by a small core group of large firms; however, the three largest manufacturers that produce both wood and upholstered furniture are probably the best known upholstery producers nationally.

The upholstered furniture industry is somewhat different from that which produces wooden household furniture in that an upholstered furniture plant is easier to open and operate since much less capital intensive equipment is required to make upholstered furniture. Generally, upholstered furniture plants are smaller since a large area for the preparation and treatment of wood is usually not required nor is there a need for a large finishing room to apply lacquers and veneers to the wood surfaces. Much of upholstered furniture production is an assembly process since frames and/or the foam or padding are purchased precut or preassembled. Also, inventories for upholstered furniture producers are minimal since the upholstery business is based, to a large degree, on special orders. As a result, upholstered furniture manufacturers, especially the smaller ones, enter and exit manufacturing much more frequently than do wooden furniture or case goods producers.

Factors of production

Raw materials.--The raw materials used in the manufacture of wood and upholstered household furniture are almost exclusively of U.S. origin. Most of the hardwoods used in furniture production come from the Appalachian region of the United States and, to a lesser extent, the Pacific Northwest. The most popular wood currently used in furniture production is oak. Some woods, such as pecan, black walnut, and hickory, are not as prevalent as in past years. Although some domestic producers use mahogany, teak, and rosewood imported from South and Central America and Asia, these woods are not significant in the U.S. industry.

In the United States, basically, logs from National Forests and certain lands that belong to the Department of the Interior west of the 100th meridian can not be exported. Essentially, this requirement allows most U.S. hardwood logs to be exported, but logs from western softwood forests must be processed in domestic mills before the wood products can be exported.

Virtually all of the particle board, wafer board, and composition board used in furniture production is manufactured in the United States, particularly in the Northeast and South. All veneers including "fancy face" ^{1/} veneers are made from U.S. hardwoods.

Most textile materials used in the manufacture of furniture, including those of cotton, are domestically made, although some special fabrics or prints may be imported. Since much of the textile industry is centered in the Southeastern United States, particularly North Carolina, it is easy for the furniture industry to obtain needed textile materials. Virtually all of the foam and padding material, as well as the frames used in upholstered furniture production, are manufactured in the United States.

Capital.--Since many of the companies in the furniture industry are privately held, they must raise capital from loans through a financial institution based on the credit record of the company or family owning it or become a publically held corporation. In recent years, several of the large furniture manufacturers have gone public in order to raise capital, and there is a growing trend in this direction. Also, several large corporations have purchased a number of furniture companies that produce lines that complement each other or that sell in different price points. This allows for both streamlining the administrative functions and for centralized purchasing, thus reducing costs and adding to profitability.

Data obtained from respondents to Commission questionnaires indicate profits rose erratically from 1979 to 1983 from \$207.8 million to \$225.7 million on sales of \$2.3 billion and \$2.6 billion, respectively, as shown on the following page:

^{1/} Fancy face veneers is the phrase used in the industry to denote wood inlay usually of more expensive woods, generally in some geometric pattern. This technique is primarily used on tabletops.

Table 3.--Total net sales and income before taxes for selected U.S. producers of wood and upholstered household furniture, 1979-83 ^{1/}

	1979	1980	1981	1982	1983
Total net sales					
1,000 dollars--	2,259,338	2,353,670	2,439,042	2,363,877	2,652,682
Net income or loss					
before taxes					
1,000 dollars--	207,793	191,419	195,335	164,959	225,675
Ratio of profits					
to net sales					
percent--	9	8	8	7	9

^{1/} Respondents to the Commission's questionnaire represent about 40 percent of the industry in terms of producers' shipments.

Source: Compiled from data submitted in response to questionnaires of the International Trade Commission.

Earnings declined sharply at the end of 1981 and during 1982 as domestic economic conditions worsened. The industry showed signs of recovery during 1983 when most companies experienced increased sales and profit levels. Less than 5 percent of questionnaire respondents reported losses for any given year, with the greatest concentration of losses occurring during 1981 and 1982.

Capital expenditures.--Capital expenditures for wooden household furniture manufacturers increased during the period 1979-83, particularly in the areas of machinery, equipment, and fixtures, as shown on the following page.

Table 4.--Capital expenditures of wood household furniture manufacturers, 1979-83 ^{1/}

(In thousands of dollars)					
Item	1979	1980	1981	1982	1983
Land or land improvements-----	1,159	1,034	1,047	860	1,129
Buildings on leasehold improve- ments-----	16,286	17,199	17,922	13,829	22,447
Machinery, equipment, and fix- tures-----	38,541	36,674	47,670	39,715	53,014
Expenditures necessary to meet Federally mandated regulations, i.e., pollution control, etc----	1,021	611	<u>2/</u>	<u>2/</u>	1,773

^{1/} Respondents to the Commission's questionnaire represent about 40 percent of the industry in terms of producers' shipments.

^{2/} Data have been withheld from publication to prevent the release of information about individual companies.

Source: Compiled from data submitted in response to questionnaires of the International Trade Commission.

The amount spent on acquiring additional land or making improvements on currently owned land remained relatively constant during the period 1979-83, averaging \$1.05 million annually. Capital investments in new buildings increased irregularly during the same period, rising from \$16.3 million to \$22.4 million. The bulk of expenditures during the period under consideration was for machinery and equipment. These expenditures increased from \$38.5 million in 1979 to over \$53.0 million in 1983, indicating that U.S. producers spent significant amounts to modernize their woodworking equipment. Very few of the questionnaire respondents specifically listed any expenditures necessary to meet federally mandated regulations, although this amount did increase from \$1.0 million in 1979 to \$1.8 million in 1983. A number of respondents, including several major producers, stated that they had included these expenses in the category for machinery, equipment, and fixtures.

Expenditures for upholstered household furniture manufacturers paralleled those of the wood household furniture manufacturers, as shown on the following page.

Table 5.--Capital expenditures of upholstered household furniture manufacturers, 1979-83 ^{1/}

(In thousands of dollars)

Item	1979	1980	1981	1982	1983
Land or land improvements-----	172	793	1,500	44	199
Buildings on leasehold improvements-----	2,120	6,339	6,746	4,212	7,076
Machinery, equipment, and fixtures-----	12,629	11,259	8,562	7,173	13,633
Expenditures necessary to meet Federally mandated regulations, i.e., pollution control, etc----	-	-	-	-	-

^{1/} Respondents to Commission's questionnaires represent about 25 percent of the industry in terms of producers' shipments.

Source: Compiled from data submitted in response to questionnaires of the International Trade Commission.

Capital expenditures on land fluctuated greatly during the period, averaging \$541,600 annually, with the peak investment occurring in 1981 at \$1.5 million. Spending on buildings increased irregularly in the period 1979-83, rising from \$2.1 million to \$7.1 million, and averaging \$4.5 million. By far the largest amount of capital expenditures was in the area of new machinery and equipment, which increased erratically from \$12.6 million in 1979 to \$13.6 million in 1983 as manufacturers continued to upgrade their factories. Only minimal amounts were reported under expenditures necessary to meet federally mandated standards. Several producers also included this figure with that reported under machinery, equipment, and fixtures. Despite these increases for capital expenditures in the industry as a whole, these expenses rose only 5.5 percent annually in the 1972-81 period per production worker, compared to 14.6 percent for all durable goods manufacturers. ^{1/}

Table 6 below lists the amounts spent by questionnaire respondents for both wood and upholstered furniture manufacturers in the area of research and development expenses.

^{1/} U.S. Department of Commerce, U.S. Industrial Outlook, 1984, Washington, D.C., p. 43-5, 43-6.

Table 6.--Research and development expenses for selected wood and upholstered furniture manufacturers, 1979-83

(In thousands of dollars)		
Year	Wood	Upholstered
1979-----	6,249	5,246
1980-----	6,856	5,631
1981-----	7,312	6,093
1982-----	8,232	6,672
1983-----	8,263	6,789

Source: Compiled from data submitted in response to questionnaires of the International Trade Commission.

The overwhelming majority of the amounts spent by both wood and upholstered furniture manufacturers was for the development and marketing of new products, particularly those shown at the semi-annual furniture markets.

Employment, hours worked, and wages.--In 1983, approximately 120,000 persons were employed by all firms that produce wood household furniture with an estimated annual payroll of \$1.6 billion. Ninety-five percent of these employees worked for companies that employ 20 or more workers. Roughly 81,000 workers were employed by upholstered household furniture manufacturers with an annual payroll of approximately \$950 million in 1983. Similarly, approximately 95 percent worked for companies that employ 20 or more workers. Although there are some unionized plants scattered throughout the United States, most workers, especially those in the Southeastern and Southwestern States, do not belong to labor unions. ^{1/}

Table 7 shows the average number of all employees in firms producing wood and upholstered furniture and those involved directly in the production process of such furniture. The total number of all employees in firms producing wood household furniture declined in the period 1979-83 from 59,500 to 53,700, as did the number of production workers, from 53,200 to 47,700. Production and related workers represented about 89 percent of the total workforce in the wood household furniture industry. The total number of all employees in firms producing upholstered household furniture decreased less than in the wood household industry, falling from 19,700 to 19,100 for the period under consideration. The number of production workers also declined slightly from 16,400 in 1979 to 15,900 in 1983. For the upholstered household furniture industry, production and related workers represented an average of 83 percent of total employees.

^{1/} Most unionized workers are represented by the United Furniture Workers of America, an affiliate of the AFL-CIO; some are represented by the United Brotherhood of Carpenters and Joiners.

Table 7.--Average number of all employees and average number of production and related workers in the wood and upholstered household furniture industries of reporting establishments, 1979-83 ^{1/}

Item	1979	1980	1981	1982	1983
Average number of all employees in the reporting establishment(s) producing--					
Wood:					
Total employees-----	59,486	58,696	58,585	53,195	53,713
Production-related employees--	53,193	52,205	51,987	47,094	47,708
Upholstered:					
Total employees-----	19,684	19,202	18,964	17,623	19,123
Production-related employees--	16,417	15,873	15,655	14,432	15,903

^{1/} Production and related workers include working foremen and all nonsupervisory workers engaged in fabricating, processing, assembling, inspection, receiving, storage, handling, packing, warehousing, shipping, maintenance, repair, janitorial and watchman services, product development, auxiliary production for plant's own use (e.g., power plant) and recordkeeping and other services closely associated with the above production operations. Also included are any full-time contract employees. Production and related workers do not include supervisory employees (above the working foreman level) or their clerical staff, salesman, and general office workers. Respondents to the Commission's questionnaire accounted for approximately 40 percent of the industry in terms of value of producers' shipments.

Source: Compiled from data submitted in response to questionnaires of the International Trade Commission.

In the household furniture industry, there are a variety of unskilled and semiskilled positions, such as lacquer spray operators, case fillers, router operators, button makers, and skirt sewers; relatively few of the workers (less than 10 percent) are classified as highly skilled. In 1983, the average hourly wage for all workers in the industry was approximately \$5.70, not including benefits, up from approximately \$4.25 in 1979. Benefits, including vacation, sick leave, awards, incentives, etc., add an estimated \$1.00 to \$1.50 to the hourly wage of most workers. Upholstered furniture workers tend to earn approximately \$1.00 per hour more than those producing wooden furniture or case goods. Wages and benefits in unionized plants tend to be slightly higher than in the non-union plants. Although occasionally, a company may operate multiple shifts to fill a backlog of orders or to replace a depleted inventory, the furniture industry usually operates on a 1 shift per day, 40-hour work week. During the 1981-82 recession, in order to avoid layoffs, many companies went to shortened work weeks or shortened shifts.

Level of technology.--Although a variety of advanced woodworking machines and computerized technology are available, most U.S. wood and upholstered furniture manufacturers do not use them or are unable to use them to a large degree. Most large, wood furniture or casegoods manufacturers do have several

pieces of modern equipment such as double-edged tenons and special routers, etc., but the production process is still extremely labor intensive and generally the machinery currently in use has been in place for many years. Most advanced wood working equipment comes from Europe, particularly Germany and Italy, and, to a lesser extent, from Japan. These machines generally are expensive, often costing in the hundreds of thousands of dollars and require a major capital investment and production commitment. Additionally, many of the advanced machines cannot be utilized to their full capacity because they are placed in an assembly line that cannot match their production ability. As a result, many U.S. producers, particularly the smaller to mid-sized firms, have been reluctant to purchase much advanced machinery and prefer instead to rely on the more traditional labor intensive methods. Additionally, the ability to automate substantially in the furniture industry is questionable. First, much of the manufacturing process is concerned with wood, a product which is far from uniform and generally requires much special handling. Second, the type of machinery and equipment varies depending on the price range of the furniture that is being manufactured, the style category, and the types of wood, wood products, and veneers being utilized in the product mix. Finally, much of the furniture industry is a style oriented business with constantly evolving and changing products; production runs must be changed often to accommodate these styles.

Some large manufacturers are using computer assisted technology to a small extent for inventory control of parts and to track different production runs, but very few are making extensive use of computers in the assembly or finishing operations. There is also limited use of robotics in the production lines of several large manufacturers. One major manufacturer opened a largely automated plant in Virginia to manufacture casegoods but, according to industry sources, the plant has never been profitable because of the huge costs associated with the initial startup. Most upholstered furniture production is manufactured by labor intensive methods, with the bulk of the capital equipment consisting of small machines, such as sewing machines and overhead staplers.

Transportation.--U.S. manufacturers of wood household furniture or casegoods primarily ship their furniture to retailers by common carrier, either motor or rail or a combination of the two. Upholstered household furniture producers primarily use privately owned trucks to deliver their furniture. Large manufacturers who produce both wood and upholstered household furniture generally adhere to this pattern also; casegoods go by common carrier, upholstered furniture by private fleets. Industry sources estimate that for furniture shipped by common carrier, 75 percent is by motor carrier, the remainder is by boxcar or piggyback shipment. Almost universally, transportation costs are paid by the retailer.

The deregulation of the transportation business, both motor and rail, which began in 1980, has had a profound effect on the furniture industry. Freight rates have been significantly reduced. Many truckers are now willing to backhaul furniture after delivering other goods to furniture producing areas; conversely, furniture producers' own trucks can also backhaul other goods to cut overall transportation costs.

As a rule, U.S. producers rarely maintain regional assembly plants or warehousing operations. The bulk of U.S. companies have found it more efficient to prepare articles of furniture for shipment at the production site and warehouse them nearby. Those companies that are large manufacturers of upholstered furniture have generally opened upholstery plants on the West Coast to service that market if sales so warrant because transportation of upholstered furniture is more expensive than that for casegoods.

The actual cost of the transportation of furniture is dependent on a wide variety of factors, the most important of which are the weight of the furniture and the length of the shipment. The key to lower costs for shipping furniture is the volume and frequency of shipments. The more articles shipped, particularly if a full truck load, the lower the cost. If furniture shipments are to a "corridor area," meaning along major routes to major cities, rather than to more remote areas, costs are lower.

Additionally, intrastate freight rates may be higher than interstate rates. One major U.S. manufacturer has indicated that for freight shipments of under 5,000 pounds, the rate from Los Angeles to San Francisco is slightly higher than that from the East Coast to San Francisco. Also, some major furniture manufacturers offer freight consolidation services that lower the freight rates to areas farther from the factory. Overall, the cost of domestic transportation of furniture articles ranges from 2 percent to more than 20 percent of the total cost of the item, depending on the above factors.

The furniture industry is concerned about the costs of domestic transportation and is constantly searching for ways to reduce them. Motor carrier rates are scheduled to be deregulated beginning in July 1984, which could lead to somewhat lower rates, but certainly a more confusing array from which to choose. The furniture trade association is also exploring the possibility of consolidated shipments by various manufacturers in an effort to increase volume and lower costs.

Government policies affecting industry.--The household furniture industry is faced with a variety of governmental regulations which have had an impact on the operations of the industry. The primary federal agencies monitoring the household furniture industry are the Department of Labor--Occupational Safety and Health Administration (OSHA); the Environmental Protection Agency (EPA); and to a lesser extent, the Consumer Products Safety Commission (CPSC). Most industry complaints are heard against OSHA regulations, which have jurisdiction over such things as exposure levels to wood dust and noise, machine guarding, and standards requiring special equipment for spray painting or lacquering areas because of both flammability and health hazards. The EPA has required a number of special treatment processes or even special plants to dispose of waste and scrap, particularly the runoff of excess water and paint used in the spray painting operations. The CPSC has been primarily concerned with developing flammability standards for upholstered fabrics and has encouraged the industry to do much of this on a voluntary basis. Industry representatives indicated that many of the regulations were designed or became more strictly enforced during the 1960's and 1970's and often initially cost individual manufacturers substantial sums of money to come into compliance.

In addition to these federal regulatory bodies and their requirements, many states have their own counterpart agencies and laws. These agencies also carefully monitor the furniture industry and charge fees for inspection as well as fines if specific requirements have not been met. The state most traditionally noted for its regulations is California, which is the only state with specific flammability standards. California has more stringent flammability requirements on upholstered furniture, whether manufactured domestically or imported, must meet these requirements, including special labeling requirements. Also, because of the severe pollution problem in the Los Angeles area, the local equivalent of the EPA will not allow furniture manufacturers in the area to expand production operations because of the added pollution resulting from the paint-spraying and lacquering operations. As a result, several local manufacturers have turned to importing as a means of expanding their product lines and increasing sales.

Major Foreign Competitors

Taiwan

Industry profile.--The United States was Taiwan's largest export market for wood household furniture in 1983, with very little upholstered furniture coming from that country. There are at least 50 to 60 manufacturers of wood furniture and parts in Taiwan, with the top five companies accounting for 80 to 90 percent of furniture production as well as for most exports to the United States. Total furniture production in Taiwan is estimated to have amounted to \$53 million in 1982, the latest year for which figures are available. 1/ The plants are scattered throughout Taiwan and several of the large companies operate multiple plants as do the large companies in the United States. Because of the more moderate climate, many firms do not have traditional four-wall-type factories, but only shed-like structures to protect the workers and equipment from the rain. The humid weather there is also an important factor since humidity ranges are different from those in the United States. Thus, different drying techniques are required for wood furniture to be exported. The quality also varies greatly from manufacturer to manufacturer and even from plant to plant for the same manufacturer; but the largest producers generally have a quality level acceptable to consumers in the United States.

Raw materials.--While Taiwan has virtually none of the raw materials necessary for furniture production, it has become a major center for world furniture production. Most of the wood furniture imported from Taiwan incorporates particle or compressed board as a base material; the bulk of these materials are imported from the United States. Some hardwoods such as ramin and rubber wood are used; most of this wood is imported also, principally from Malaysia. The largest furniture manufacturer in Taiwan owns lumber plantations and the sawmills necessary to process raw logs in Malaysia, making it a vertically integrated producer. To appeal to the American

1/ Based on official statistics of Taiwan taken from the Report on Industrial and Commercial Surveys, 1982, Department of Statistics, Ministry of Economic Affairs.

consumer, popular U.S. hardwoods are used as veneers, with practically all these woods imported from the United States. Finally, the Taiwan furniture manufacturers, particularly the larger exporters, use finishing materials including stains and lacquers imported from the United States. In fact, many U.S. technicians, as well as U.S.-trained local workers, are running the finishing operations and training native employees to perform these tasks, which are among the most crucial stages in furniture production. One industry source estimated that approximately 60 percent of the cost of furniture produced by these companies comes from materials and services supplied by the United States.

Capital.--Furniture manufacturers in Taiwan are for the most part small and owned by local entrepreneurs who raise capital through traditional bank loans and/or allegedly from government subsidized low cost loans, available to companies that are export oriented. However, the largest manufacturers, who are also the largest exporters, are owned by international conglomerates who are also involved in shipbuilding, hotel and construction management, and other wood and foresting operations. Several of these companies are incorporated in either Hong Kong or the British Virgin Islands, where corporate tax structures reportedly are more favorable. The large corporations are frequently divided into a number of separate entities, generally for tax purposes. The U.S. operation of the largest exporter recently went public and began selling shares on the New York stock exchange.

Labor.--Historically, furniture manufacturing has been characterized as labor intensive. For this reason, Taiwan was selected by several large international corporations in the late 1960's and 1970's as the logical place to locate for furniture production. While labor rates in Taiwan average \$1.40 to \$1.70 per hour (about one-fifth that of American wages for furniture production), wages are escalating rapidly as manufacturers of various products (including furniture) expand operations and compete for workers in a dwindling labor base. ^{1/} Industry sources estimate that the current wage advantage may last only for another 10 years or so before the furniture industry is forced to move to lesser developed developing countries, such as Malaysia or the Peoples Republic of China.

Approximately 31,000 employees were involved in the manufacture of non-metallic furniture in Taiwan in 1983; only a few companies employed over 200 workers. Most of the production workers were employed by producers that would be considered small by U.S. standards. A number of workers produce parts or even finished pieces in their homes in what can best be described as a cottage industry. There are no known unionized workers.

Technology level.--Since the majority of the large furniture plants in Taiwan were built in the last decade or so, they contain some of the more advanced and sophisticated woodworking machinery available. Some of the largest producers have been both able and willing to make the necessary capital investments to acquire the expensive technology available in woodworking equipment. However, computers or computer assisted technology or robotics have not been used to a significant degree in assembly operations.

^{1/} Furniture Today, July 17-August 8, 1983, p. 24.

Other.--Representatives of the U.S. industry allege that the government of Taiwan aids industries that are significant employers and seeks out foreign investment with preferential treatment. According to industry sources who have visited Taiwan, there are virtually no government health or safety regulations in Taiwan, so the industry operates in a basically regulation-free environment. In its investigation, the Commission was unsuccessful in its attempts to obtain specific information from Taiwan's Coordination Council for North American Affairs and other U.S. Government agencies regarding governmental policies and regulations that influenced the furniture industry in that country.

Canada

Industry profile.--The Canadian furniture industry is structured similarly to that of the United States, with a business and institutional segment and a residential or household segment, both of which are important exporters to the United States. Approximately 917 companies manufactured residential or household furniture in Canada in 1982, up from 844 in 1979. About 20-30 companies account for the bulk of Canadian shipments of household furniture to the United States. The following tabulation shows estimated shipments of Canadian household furniture during 1979-82 (in millions of dollars):

<u>Year</u>	<u>Wood furniture</u>	<u>Upholstered furniture</u>	<u>Total</u>
1979-----	459.7	329.3	788.7
1980-----	490.7	343.6	834.3
1981-----	589.7	394.4	984.1
1982-----	719.4	479.6	1,199.0

Total shipments of household furniture in Canada increased from \$788.7 million in 1979 to \$1.2 billion in 1982, or by 52 percent. Shipments of wooden household furniture accounted for approximately 60 percent of total Canadian household furniture, and upholstered furniture accounts for the remaining 40 percent. Most of the Canadian furniture manufacturers are relatively small, having fewer than 100 employees; only about 70 plants have over 100 employees and 1 has over 500 employees. Reportedly, Canadian furniture has historically been more expensive to manufacture than comparable U.S. furniture because of the smaller size of most operations in Canada and the lack of economies of scale. Approximately 85 percent of Canadian furniture is manufactured in the eastern provinces of Ontario and Quebec, with the remaining 15 percent produced in the west. Wood furniture comes principally from Quebec, with upholstered furniture primarily from Ontario. Consequently, the bulk of exports from Canada are from the eastern provinces. Many Canadian producers are closer to the major U.S. population centers in the northern quadrant than are most of the principal domestic manufacturers. In 1982, the latest year for which data are available, Canada imported a total of \$344 million of household furniture, while exports totaled \$290 million. 1/

1/ Source: Information supplied by the Quebec Furniture Manufacturers Association.

Raw materials.--Canadian furniture manufacturers obtain most of their raw materials locally although some woods are imported. For most types of wood used in furniture production such as yellow birch, maple, oak and pine, Canada has a plentiful supply. Canada does not allow exports of logs from government property which includes virtually all forested land in Canada. However, fliches, cants (items such as railroad ties, etc.), and lumber may be exported.

Capital.--Canadian household furniture manufacturers are generally small, privately held companies which raise capital through traditional means, such as bank loans or sales. Reportedly, Canadian capital investment in furniture plants and equipment has been static over the past several years.

Labor.--Canadian labor costs for the manufacture of furniture approximate those in the United States. The total number of production and related workers for the household furniture industry was estimated at 19,500 in 1982, down from 24,000 in 1979. Employment is believed to have risen slightly in 1983. Estimated wages were \$270 million in 1982, down slightly from the \$274 million in 1979. Since most of the companies in the Canadian industry are small, employing less than 50 persons, the level of benefits such as paid vacation, holidays, sick leave, and health benefits is somewhat lower than that offered by most U.S. manufacturers. The industry is not highly unionized.

Technology level.--The level of technology for Canadian household furniture manufacturers is believed to approximate that for U.S. producers. However, due to the smaller size of the Canadian manufacturers, investment capital for the expensive woodworking machinery is generally less available than for the larger U.S. companies.

Other.--The Canadian furniture industry is faced with governmental regulations similar to those in the United States, particularly where the health and safety of employees and pollution standards are concerned.

Denmark

Industry profile.--The Danish wood and upholstered furniture industry accounts for about 2 percent of total Danish manufacturing sales. The number of firms producing wood and upholstered furniture declined from an estimated 415 in 1979 to 370 in 1982. Approximately 85 percent of these firms employed less than 50 persons each. No company employed more than 500 persons. The companies are, to a large degree, owned by the family that has operated them for several generations and are usually one plant operations. In this respect, they are similar to many small U.S. manufacturers, particularly those in the south. The principal furniture producing area is the peninsula of Jutland, where about two-thirds of the companies are located. The Danish furniture industry produced an estimated \$511.0 million in 1983 of wood and upholstered household furniture, down from \$551.4 million in 1979. The bulk of this furniture was wooden wall system units, wood dining tables, wood sofa tables, and wood chests and bureaus. The production of household furniture in Denmark is primarily concentrated on high quality, medium-priced and high-priced items. The highly skilled labor force combined with the well-known Scandinavian designs have given Danish furniture an excellent worldwide reputation. The Danish furniture industry is export oriented with well established distribution channels in all major export markets.

Approximately 80 percent to 90 percent of total Danish household furniture is exported, primarily to the United States, West Germany, Norway and Sweden. The United States, which is Denmark's major market, receives an estimated 25 percent of total Danish furniture exports.

Raw materials.--Much of the wood used in Danish furniture production, such as beech or oak, is native to Denmark or other Scandinavian countries. However, all of the teak is imported, either from Southeast Asia in log form if the company is large enough to have its own sawmill operations, or precut into veneers (usually 1/32-inch thick) from West Germany. Any upholstered material used (while generally insignificant), is from local sources.

Capital.--Danish furniture manufacturers are small, mostly privately held concerns that must rely on the credit record of the company or the owners' personal credit record for capital. Like furniture manufacturers in most of the other countries under consideration, Danish furniture producers are not believed to have made many major capital expenditures in recent years.

Labor.--There were approximately 11,100 workers in the household furniture industry in Denmark in 1982, down from 12,300 in 1979. Total wages in 1982 were approximately \$147 million (1982 dollars). Average hourly wages in 1983 for furniture workers were \$9.23 for skilled workers and \$7.49 for unskilled workers in the Copenhagen area. Outside Copenhagen, the hourly wages were \$7.92 and \$7.32, respectively. Fringe benefits in Denmark are divided among so-called mandatory benefits (covering vacation pay, holiday pay, unemployment, early retirement contributions, insurance, and sick pay, etc.) and voluntary fringe payments (preferential purchases of goods, recreational facilities, subsidized cafeterias, etc.). In 1983, the mandatory fringe benefits amounted to 24 percent of total net pay, and voluntary fringe benefits are estimated at between 3 and 4 percent of net pay.

Technology level.--Industry sources indicate that the household furniture industry in Denmark is among the most advanced in the world. Danish manufacturers have had access to the finest woodworking equipment available for a number of years. After the United States, the principal trading partner of Denmark for household or residential furniture is West Germany, the country that produces the most modern and up-to-date woodworking equipment. Danish furniture producers have long been skilled at producing high quality wood furniture with an acceptable finish that can be knocked down and shipped economically around the globe.

Other.--The Danish furniture industry is also faced with the same regulatory requirements that exist in most western, industrial countries. Generally, these requirements deal with health and safety regulations or with various pollution controls and frequently are costly to comply with.

Yugoslavia

Industry profile.--Approximately 130 firms produced wood and upholstered household furniture in 1983. Of this number, an estimated 30 produce furniture for export, with approximately a third of the plants built exclusively to produce Early American chairs and rockers for the U.S. market. There are a few large, specialized manufacturers which operate modern,

multiple plants and employ several thousand workers. However, the majority of manufacturers are small firms which employ between 250 and 500 workers each. The furniture industry is concentrated in the Republics of Bosnia-Herzegovina and Slovenia. Total household furniture production in Yugoslavia is believed to have declined in the period 1979-82, from an estimated \$500 million to \$450 million. Although data for 1983 are not available, production is reported to have increased 2 percent over 1982 levels, while prices rose an estimated 18 percent over the 1982 average. In 1981, prices of household furniture reportedly increased 50 percent over 1980 levels.

Yugoslav furniture is generally produced in the lower to medium price ranges with a heavy concentration in the Early American style. Industry sources indicate that the quality of the furniture varies greatly from plant to plant and area to area, with plants in southern Yugoslavia generally producing furniture of poorer quality.

Raw materials.--Wood for the wood household furniture industry, including that for furniture which is to be exported, originates primarily in Yugoslavia. Approximately 90 percent of it is beech, with other hardwoods occasionally being used. Very little upholstered household furniture is exported to the United States. In export shipments, most upholstered furniture is included with wood furniture, such as parts of seats, etc.

Capital.--The government basically owns the furniture industry and supplies necessary capital for plant expenditures and expansion. The economy of Yugoslavia has some elements of capitalism and several U.S. distributors of Yugoslav furniture are wholly owned by the Yugoslav government. The Yugoslav government has also gone into partnership with at least one U.S.-owned company for joint ownership of U.S. assembly operations.

Labor.--The number of Yugoslav furniture workers increased in the period 1979-83, from 123,700 to 137,200, with their overall percentage of the total workforce remaining constant at 2.25 percent. Wages vary from location to location, with the highest wages paid in the developed western part of the country and the lowest found in the less developed south. The average monthly wage for the furniture industry declined in terms of U.S. dollars from \$203 in 1979 to \$113 in 1983. An additional 74 percent should be added to the average pay to include employers contribution for health and retirement insurance, as well as prepaid taxes. Fringe benefits include payment of transportation costs; provision of 55 percent of the average monthly wage for vacation; subsidized cafeterias in the factories; extra bonuses based on the profits of the firm; and apartments at very low rental rates. The average monthly wage thus increased to \$390 in 1983 with these benefits included.

Technology level.--Reportedly, the technology level of the Yugoslav household furniture industry is lower than that in the United States. According to industry sources, the quality is inconsistent and varies greatly.

THE U.S. MARKET

Domestic Market Profile

The demand for household furniture is influenced by a number of factors, including: (1) the level of disposable income, coupled with a declining birthrate and more families with two incomes; (2) population growth, particularly the increase in the number of young adults who are establishing new households; (3) the construction industry's emphasis on building smaller homes, which translates not only into a larger market for smaller-sized furniture, but also different designs of furniture items; (4) changing consumer tastes; (5) the level of interest rates; and (6) consumer confidence in the general economy.

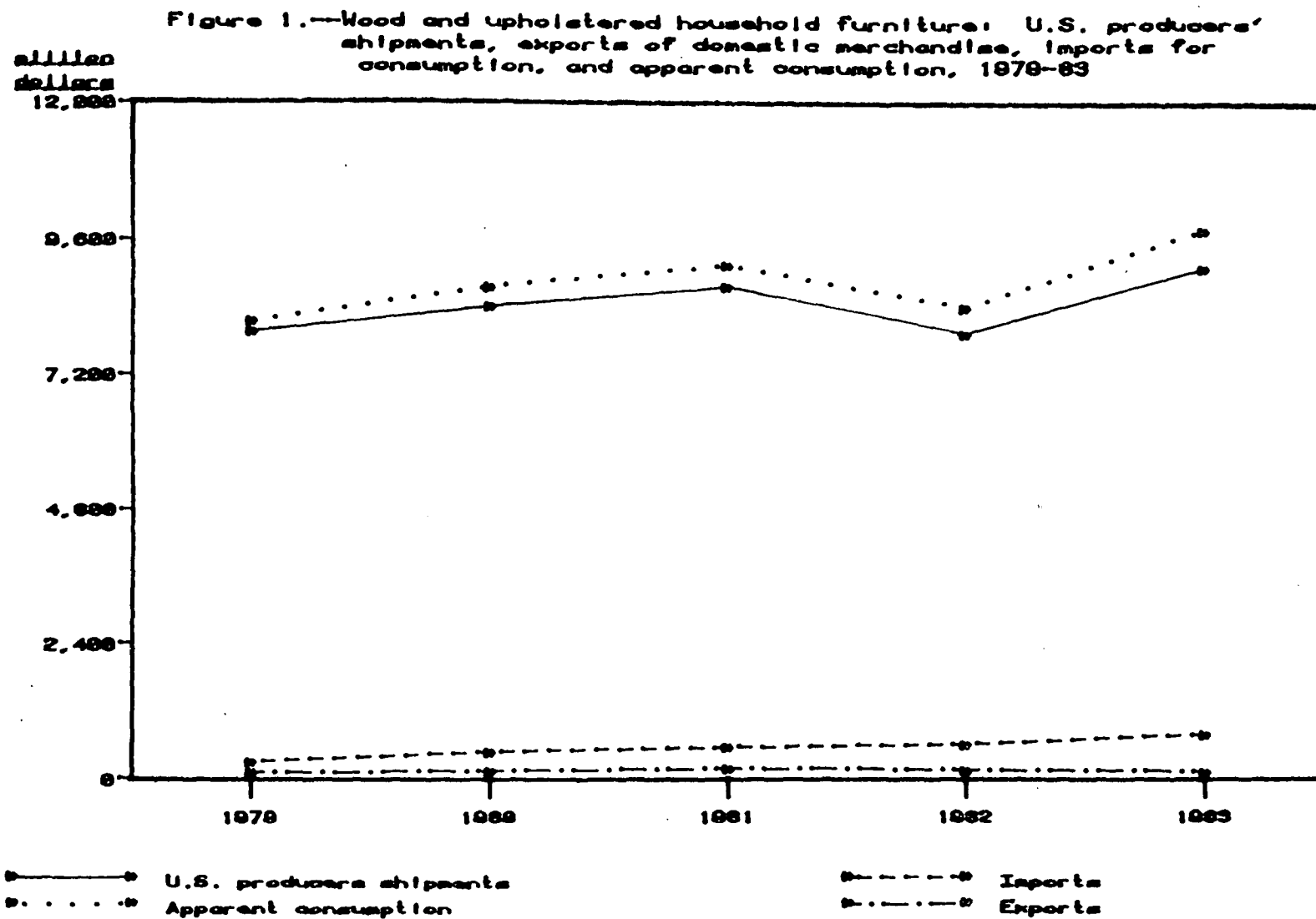
U.S. Consumption

Generally reflecting its sensitivity to the availability of disposable income and to consumer confidence in the general economy, U.S. consumption of wood and upholstered household furniture fluctuated with the changing economic climate during 1979-83. Specifically, consumption rose moderately in 1979-81 (the rise generally reflecting inflationary pressures since the volume of consumption probably dropped), then fell in 1982 owing to the recession, and rose in 1983 as the economy rebounded. In this connection, the value of consumption increased from \$8.2 billion in 1979 to \$9.2 billion in 1981 (12 percent), declined by 8 percent in 1982 to \$8.4 billion, and then rose by 17 percent in 1983 to \$9.8 billion (table 8, fig. 1). During the period, the ratio of imports to consumption rose annually from 3.8 percent in 1979 to 8.1 percent in 1983.

Table 8.--Wood and upholstered household furniture: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-83

Year	U.S. producers' : shipments	Exports	Imports	Apparent : consumption	Ratio of imports : to consumption
	-----Million dollars-----				Percent
1979-----	7,980	116	312	8,176	3.8
1980-----	8,435	140	479	8,774	5.5
1981-----	8,783	177	553	9,159	6.0
1982-----	7,940	148	604	8,396	7.2
1983-----	9,112	125	795	9,782	8.1

Source: U.S. producers' shipments for 1979, 1981, 1982, and 1983, from U.S. Industrial Outlook 1984; shipments for 1980 estimated by the staff of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the U.S. Department of Commerce.



Source: U.S. producers' shipments for 1979, 1981, 1982, and 1983, from U.S. Industrial Outlook 1984; shipments for 1980, estimated by the staff of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the Department of Commerce.

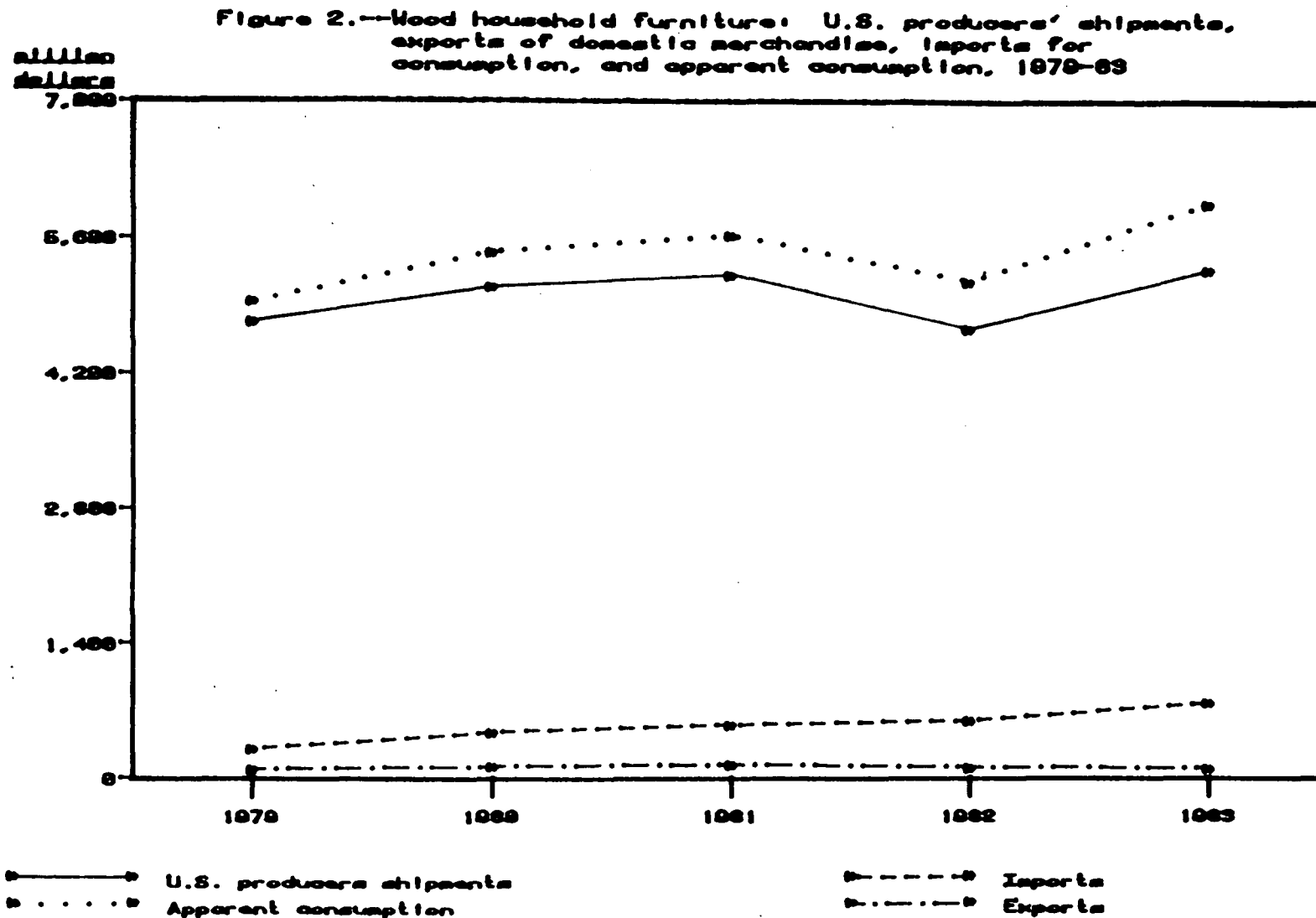
Wood household furniture

U.S. consumption of wood household furniture increased from \$4.9 billion in 1979 to \$5.6 billion in 1981 (14 percent), declined by 9 percent in 1982 to \$5.1 billion, and then rose to \$6.0 billion, or by about 16 percent in 1983 (table 9, fig. 2). During the period, the ratio of imports to consumption increased annually from 6.2 percent in 1979 to 13.1 percent in 1983.

Table 9.--Wood household furniture: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-83

Year	U.S. producers' shipment	Export	Import	Apparent consumption	Ratio of imports to consumption
	Million dollars				Percent
1979-----	4,738	98	306	4,946	6.2
1980-----	5,100	119	473	5,454	8.7
1981-----	5,220	136	547	5,631	9.7
1982-----	4,662	110	596	5,148	11.6
1983-----	5,268	95	782	5,955	13.1

Source: U.S. producers' shipments for 1979, 1981, 1982, and 1983 from U.S. Industrial Outlook 1984; shipments for 1980 estimated by the staff of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the U.S. Department of Commerce.



Source: U.S. producers' shipments for 1979, 1981, 1982, and 1983, from U.S. Industrial Outlook 1984; shipments for 1980, estimated by the staff of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the Department of Commerce.

Upholstered household furniture

U.S. consumption of upholstered household furniture increased annually from \$3.2 billion in 1979 to \$3.5 billion in 1981, or by 9 percent, before falling by 8 percent in 1982 to \$3.2 billion. Consumption then rose by 18 percent to \$3.8 billion in 1983 (table 10, fig. 3). The ratio of imports to consumption was less than 0.5 percent in each year during 1979-83.

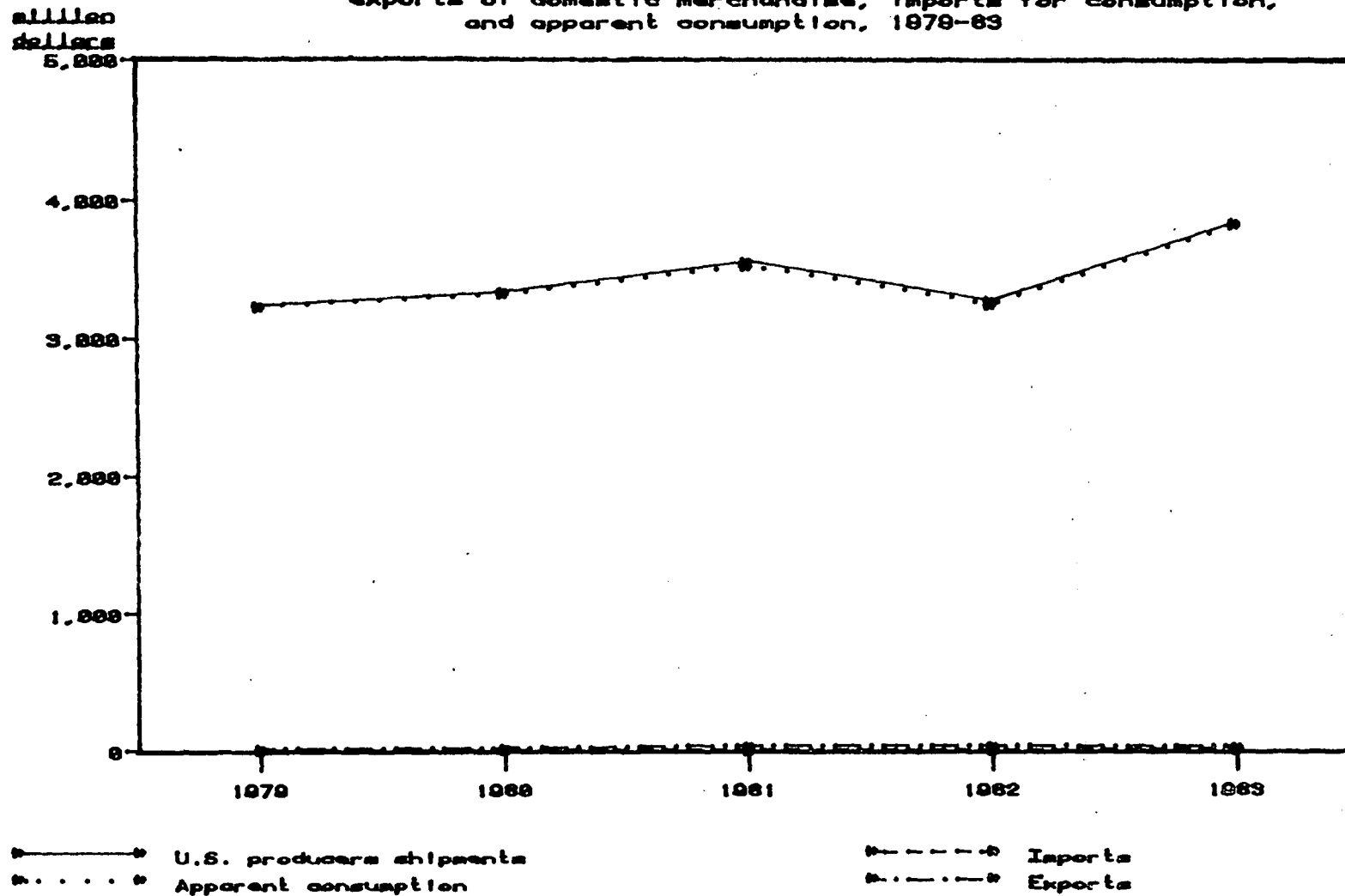
Table 10.--Upholstered household furniture: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-83

Year	U.S. producers' shipments	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	Million dollars				Percent
1979-----	3,242	18	6	3,230	1/
1980-----	3,335	21	6	3,320	1/
1981-----	3,563	41	6	3,528	1/
1982-----	3,278	38	9	3,249	1/
1983-----	3,844	31	13	3,826	1/

1/ Less than 0.5 percent.

Source: U.S. producers' shipments for 1979, 1981, 1982, and 1983 from U.S. Industrial Outlook 1984; shipments for 1980, estimated by the staff of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the U.S. Department of Commerce.

Figure 3.--Upholstered household furniture: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-83



Source: U.S. producers' shipments for 1979, 1981, 1982, and 1983, from U.S. Industrial Outlook 1984; shipments for 1980, estimated by the staff of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the Department of Commerce.

Production, Capacity, and Capacity Utilization

Wood household furniture

U.S. production of wood household furniture in the period 1979 to 1983 actually declined in terms of units as reported by companies responding to the Commission's questionnaire. Production by the respondents fell from 20.5 million units to 18.7 million units, or by 9 percent for the period (table 11).

Table 11.--U.S. production of wood household furniture by selected U.S. producers, by types, 1979-83 ^{1/}

(In thousands of units)						
Type	1979	1980	1981	1982	1983	
Dining tables-----	774	693	731	554	682	
Dining chairs-----	4,540	4,050	3,950	3,223	3,788	
Other dining furniture---	1,206	1,095	1,013	876	937	
Other chairs-----	422	436	533	434	428	
Occasional tables-----	3,129	2,890	2,850	2,519	2,718	
Bedroom furniture-----	8,421	7,938	8,549	7,274	8,316	
Wall systems-----	774	734	922	769	896	
All other-----	1,211	1,078	1,030	823	926	
Total-----	20,477	18,914	19,578	16,472	18,691	

^{1/} Respondents to the Commission's questionnaire represented about 40 percent of the total industry in terms of the value of producers' shipments.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Production of bedroom furniture, the most important in terms of units produced during the period, ranged between 7.3 million units and 8.5 million units. Dining tables and dining chairs as a group experienced the largest declines in production during the period. The capacity utilization rates for the same companies are listed below in table 12.

Table 12.--Wood household furniture: Capacity utilization rates by selected producers, by types, as of Dec. 1 of 1979-83

Type	(In percent)					
	As of Dec. 1--					
	1979	1980	1981	1982	1983	
Dining tables-----	81	75	74	69	77	
Dining chairs-----	82	77	74	67	76	
Other dining furniture---	85	78	75	68	74	
Other chairs-----	86	84	83	75	81	
Occasional tables-----	81	77	77	70	75	
Bedroom furniture-----	83	79	76	70	77	
Wall systems-----	86	83	82	70	76	
All other-----	84	72	73	60	71	

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Capacity utilization rates for all categories of wood household furniture in 1983 were below those reported for 1979; however, they improved somewhat from the lows reported in 1981 and 1982. The lower rates in 1981 and 1982 were due to reduced work weeks experienced by furniture plants.

Upholstered household furniture

Production data for upholstered household furniture manufacturers who responded to Commission questionnaires showed a small increase from 1979 to 1983, rising from 4.4 million units to 4.8 million units. Practically all categories of upholstered furniture showed production decreases through 1982; most rebounded in production runs in 1983. However, production of sectionals showed a continued increase in units produced during 1979-83, as shown in table 13.

Table 13.--U.S. production of upholstered household furniture by selected U.S. producers, by types, 1979-83 ^{1/}

(In thousands of units)						
Type	1979	1980	1981	1982	1983	
Sofas, love seats,						
couches-----	906	813	794	748		907
Sleep sofas-----	231	200	196	193		241
Action chairs-----	2,480	2,338	2,149	2,109		2,530
Stationary chairs-----	546	529	808	743		891
Sectionals-----	157	152	155	161		192
All other-----	41	44	42	39		38
Total-----	4,361	4,076	4,144	3,993		4,799

^{1/} Respondents to the Commission's questionnaire accounted for approximately 25 percent of the industry in terms of value of producers' shipments.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

As in the wood household furniture industry, capacity utilization rates for the upholstered household furniture industry were lower in 1983 for all categories reporting than in 1979 for questionnaire respondents, as shown in table 14.

Table 14.--Upholstered household furniture: Capacity utilization rates by selected producers, by types, as of Dec. 1 of 1979-83

(In percent)						
Item	As of Dec. 1--					
	1979	1980	1981	1982	1983	
Sofas, love seats,						
couches-----	82	78	71	67		75
Sleep sofas-----	80	73	73	71		73
Action chairs-----	84	81	80	75		80
Stationary chairs-----	83	76	74	73		77
Sectionals-----	84	76	77	72		78
All other-----	80	72	74	67		72

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Action chairs appeared to have the highest utilization rates for the period 1979-83, with the category for miscellaneous upholstered products having the lowest.

U.S. Producers' Shipments

As domestic consumption of wood and upholstered furniture reacted to the changes in the general economy during 1979-83, so too did U.S. producers' shipments, which supplied the great bulk of the domestic market during the period.

The value of U.S. producers' shipments of wood and upholstered household furniture increased from \$8.0 billion in 1979 to \$8.8 billion in 1981, declined to \$7.9 billion in 1982, and then rose to \$9.1 billion in 1983 (table 15).

Table 15.--Wood and upholstered household furniture: U.S. producers' shipments, by types, 1979-83

Item	Wood	Upholstered	Total
Million dollars			
1979-----	4,738	3,242	7,980
1980-----	5,100	3,335	8,435
1981-----	5,220	3,563	8,783
1982-----	4,662	3,278	7,940
1983-----	5,268	3,844	9,112
Percentage increase:			
1983 over 1979-----	11.2	18.6	14.2

Source: U.S. Industrial Outlook, 1984.

Wood household furniture

U.S. producers' shipments of wood household furniture grew from \$4.7 billion in 1979 to \$5.2 billion in 1981, fell to \$4.7 billion in 1982, and then increased to \$5.3 billion in 1983 (table 15). Throughout the 5-year period, wood household furniture dominated total shipments, accounting for approximately 60 percent of producers' shipments.

Upholstered household furniture

U.S. producers' shipments of upholstered household furniture increased from \$3.2 billion in 1979 to \$3.6 billion in 1981 before decreasing to \$3.3 billion in 1982. In 1983, reflecting an improved economy, such shipments rose to \$3.8 billion (table 15).

U.S. producers shipments by respondents to the Commission's questionnaire

Wood household furniture.--While the quantity of U.S. producers' shipments of wood household furniture declined for the period 1979-83, from 20.0 million units to 17.5 million units, the value of such shipments increased from \$1.9 billion to \$2.1 billion, as shown in table 16.

Table 16.--Wood household furniture: Certain U.S. producers' shipments, by types, 1979-83 1/

Item	1979	1980	1981	1982	1983
Quantity (1,000 units)					
Dining tables-----	842	790	777	625	699
Dining chairs-----	4,562	4,044	3,949	3,213	3,693
Other dining furniture---	1,229	1,105	1,058	820	980
Other chairs-----	395	403	459	419	429
Occasional tables-----	3,164	2,927	2,933	2,554	2,756
Bedroom furniture-----	7,805	7,243	7,576	6,536	7,360
Wall systems-----	766	726	905	763	899
All other-----	1,214	1,105	1,023	865	911
Total-----	19,977	18,343	18,680	15,795	17,527
Value (million dollars)					
Dining tables-----	159	185	178	142	167
Dining chairs-----	261	252	256	215	249
Other dining furniture---	213	227	227	175	201
Other chairs-----	15	12	13	12	12
Occasional tables-----	250	243	264	239	265
Bedroom furniture-----	786	775	845	788	914
Wall systems-----	71	73	101	100	119
All other-----	147	143	144	124	149
Total-----	1,902	1,910	2,028	1,795	2,076

1/ Respondents to the Commission's questionnaires accounted for approximately 40 percent of the industry in terms of value of producers' shipments.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Shipments of dining room tables and chairs had among the sharpest declines during the period in terms of quantity, while shipments of wall systems experienced the greatest growth rate, in terms of quantity and value, for the period.

Upholstered household furniture.--Both the quantity and value of U.S. producers' shipments of upholstered furniture increased in the period 1979-83, although on an irregular basis. Overall shipments in terms of quantity increased from 4.3 million units to nearly 5.0 million units in the period, while the value increased from \$751 million to nearly \$1 billion (table 17).

Table 17.--Upholstered household furniture: Certain U.S. producers shipments, by types, 1979-83 ^{1/}

Item	1979	1980	1981	1982	1983
Quantity (1,000 units)					
Sofas, love seats, couches-----	902	806	793	747	932
Sleep sofas-----	234	203	197	194	243
Action chairs-----	2,472	2,310	2,166	2,111	2,517
Stationary chairs-----	538	542	804	737	1,041
Sectionals-----	155	151	154	202	191
All other-----	37	43	42	39	40
Total-----	4,338	4,055	4,156	4,030	4,964
Value (million dollars)					
Sofas, love seats, couches-----	217	220	233	222	271
Sleep sofas-----	57	56	58	57	73
Action chairs-----	340	355	363	375	458
Stationary chairs-----	84	86	112	109	128
Sectionals-----	27	28	32	35	40
All other-----	26	24	25	20	19
Total-----	751	769	823	818	989

^{1/} Respondents to Commission questionnaires accounted for approximately 25 percent of the industry in terms of value of producers' shipments.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Shipments of action chairs (or recliners) accounted for the largest percentage of shipments in terms of quantity (51 percent in 1983) and in value (46 percent in 1983) for each of the years under consideration. Shipments of stationary chairs nearly doubled in terms of quantity for the period; nearly all categories of upholstered furniture showed increases in terms of both quantity and value from 1979 to 1983.

Factors affecting producers' shipments

A number of factors contributed to the weak performance of the domestic wood and upholstered household furniture industry during 1979-82. Primary reasons were the general economic downturn, causing a deterioration in disposable income, tightening of credit, high interest rates, and the lowering of inventories by retailers. Imports of certain household furniture--largely chairs, dining room furniture, occasional furniture, and wall systems--also grew during the period. The improved performance of this industry in 1983 was mostly due to the upturn in the U.S. economy, the availability of credit at

lower interest rates, growing consumer confidence in the viability of the U.S. economy, and a moderate increase in the level of retailer inventories.

Inventories

Producers' inventories of wood household furniture for questionnaire respondents increased by 12 percent for the period under consideration, rising to 2.7 million units in 1983, up from 2.5 million units at the beginning of 1979. For the upholstered household furniture industry, inventories declined slightly from 261,000 units in 1979, to 252,000 in 1983, as shown in table 18.

Table 18.--Household furniture: Inventories by selected wood and upholstered producers, by types, as of Dec. 31 of 1978-83

(In thousands of units)							
Item	As of Dec. 31--						
	1978	1979	1980	1981	1982	1983	
Wood:							
Dining tables-----	125	123	123	150	141	131	
Dining chairs-----	543	549	560	619	623	596	
Other dining furniture-----	159	153	182	185	183	170	
Other chairs-----	17	22	19	35	31	35	
Occasional tables-----	327	319	333	356	349	367	
Bedroom furniture-----	1,119	1,124	1,116	1,328	1,199	1,205	
Wall systems-----	48	59	67	93	95	100	
All other-----	151	208	158	176	129	135	
Total-----	2,489	2,557	2,558	2,942	2,750	2,739	
Upholstered:							
Sofas, love seats,							
couches-----	40	39	41	39	32	44	
Sleep sofas-----	9	7	8	7	7	9	
Action chairs-----	73	65	66	109	89	75	
Stationary chairs-----	125	154	82	131	133	110	
Sectionals-----	2	3	3	4	4	4	
All other-----	12	15	10	18	5	10	
Total-----	261	283	210	308	270	252	

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The ratio of inventories for wood household furniture to U.S. producers, shipments for questionnaire respondents ranged from 13 percent at the beginning of 1979 to 16 percent in 1983, slightly lower than the furniture industry average of 18 to 20 percent. Upholstered furniture inventories were also low, ranging from 6 percent to 5 percent during the same time period, with an overall industry average of between 11 and 12 percent. General economic conditions during the period 1979-83 encouraged manufacturers to keep inventories lower than in the past.

U.S. Exports

U.S. exports of wood and upholstered household furniture averaged about 1.6 percent of total value of U.S. producers' shipments during 1979-83. Even with the reportedly growing interest by U.S. producers in developing foreign markets for their products, the value of U.S. exports declined during 1981-83. After increasing by 52 percent from \$116 million in 1979 to \$177 million in 1981, exports declined by 29 percent to \$125 million in 1983 (table 19).

Table 19.--Wood and upholstered household furniture, and parts: U.S. exports of domestic merchandise, by principal markets, 1979-83

(In thousands of dollars)						
Market	1979	1980	1981	1982	1983	
Canada-----	51,805	52,299	59,689	32,559	41,933	
Saudi Arabia-----	22,739	28,682	35,576	43,350	32,281	
Bahamas-----	5,197	6,234	6,869	7,777	7,883	
United Kingdom-----	3,904	10,884	14,665	8,459	5,946	
Kuwait-----	1,340	1,248	2,619	3,221	3,438	
Australia-----	2,503	2,698	5,050	4,524	3,023	
Bermuda-----	1,117	2,399	2,053	3,609	2,722	
Netherlands Antilles-----	2,001	2,049	2,245	3,251	2,368	
All other-----	25,431	33,523	47,820	41,630	25,604	
Total-----	116,037	140,017	176,586	148,380	125,196	

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

Owing principally to its proximity and market similarities, Canada consistently was the largest export market, accounting for about 34 percent of the value of total U.S. exports during the five-year period. ^{1/} The second largest market, Saudi Arabia, took about 23 percent of total exports during the period. Other leading markets were the Bahamas and the United Kingdom, which accounted for 6 and 5 percent, respectively, of total exports.

Wood household furniture

Setting the pattern of total U.S. exports of wood and upholstered household furniture during 1979-83, exports of wood household furniture, which accounted for about 80 percent of the total of such shipments in recent years, increased from \$98 million in 1979 to \$136 million in 1981. Such exports then decreased to \$111 million in 1982 and \$95 million in 1983 (table 20). Exports were 3 percent less in 1983 than in 1979. Canada and Saudi Arabia were the

^{1/} Currently, there is a bilateral agreement known as the "U.S.-Canadian Sectoral Free Trade Initiative" under consideration by the U.S. and Canadian governments; furniture is one of the sectors which may be included. The U.S. household furniture industry has indicated that it strongly supports such an initiative; however, negotiations are only in the exploratory stages.

Table 20.--Wood household furniture, and parts: U.S. exports of domestic merchandise, by principal markets, 1979-83

(In thousands of dollars)						
Market	1979	1980	1981	1982	1983	
Canada-----	45,244	46,005	52,387	27,576	34,781	
Saudi Arabia-----	20,643	26,511	27,157	29,174	22,284	
Bahamas-----	4,765	5,664	6,271	7,309	7,411	
United Kingdom-----	2,936	8,082	7,563	5,503	3,912	
Australia-----	2,404	2,524	4,659	4,225	2,876	
Bermuda-----	911	2,303	1,905	3,332	2,177	
Netherlands Antilles-----	1,724	1,776	1,878	2,661	1,898	
Mexico-----	3,242	6,373	8,118	5,965	1,806	
All other-----	16,150	19,859	25,660	24,789	17,600	
Total-----	98,019	119,097	135,598	110,543	94,745	

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

largest markets, accounting for 59 percent of the total. Trailing these two, the Bahamas, the United Kingdom, and Australia combined for a 15 percent share of the total.

Upholstered household furniture

U.S. exports of upholstered household furniture increased from \$18 million in 1979 to \$41 million in 1981. Exports then fell to \$30 million in 1983 (table 21). Such exports were 69 percent greater in 1983 than in 1979. In recent years, Saudi Arabia was the principal market, followed by Canada, the United Kingdom, and Kuwait.

Table 21.--Upholstered household furniture: U.S. exports of domestic merchandise, by principal markets, 1979-83

(In thousands of dollars)						
Market	1979	1980	1981	1982	1983	
Saudi Arabia-----	2,095	2,171	8,419	14,177	9,997	
Canada-----	6,561	6,294	7,302	4,983	7,152	
Kuwait-----	444	947	1,664	1,297	2,255	
United Kingdom-----	968	2,802	7,102	2,956	2,034	
France-----	215	68	1,517	1,595	1,152	
Bermuda-----	205	96	148	278	546	
Mexico-----	1,692	2,603	5,231	2,656	534	
Bahrain-----	102	198	160	759	505	
All other-----	5,732	5,742	9,445	9,147	6,280	
Total-----	18,014	20,921	40,988	37,848	30,455	

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

Because of the recent economic conditions in the U.S. market, U.S. producers of wood and upholstered household furniture reportedly have shown increased interest in enlarging their export markets. To stimulate exports, several firms, mostly small- to medium-sized companies, are attempting to reduce freight costs by combining small shipments into single larger freight containers and by experimenting with shipping furniture on a KD basis. According to officials at the Department of Commerce, there have been some preliminary discussions with several furniture manufacturers and the Greensboro, N.C., International Trade Administration office concerning the possibility of establishing an export trading company 1/ for the furniture industry, although no action has yet been taken.

Exports of wood and upholstered household furniture by selected U.S. producers

Overall exports of wood and upholstered household furniture by respondents to the Commission's questionnaire increased slightly during the period 1979-83 from \$28.0 million to \$28.5 million, as shown in the following tabulation (in thousands of dollars):

<u>Year</u>	<u>Wood</u>	<u>Upholstered</u>	<u>Total</u>
1979-----	26,301	1,694	27,995
1980-----	29,205	3,059	32,264
1981-----	37,399	8,466	45,865
1982-----	21,492	5,315	26,807
1983-----	23,153	5,379	28,532

Canada was the primary market for such exports, followed by Saudi Arabia. Table 22 shows the primary export markets for U.S. producers and the share in terms of value, of exports, by specific types of furniture, to each market. Bedroom furniture and occasional tables were the primary items of wood household furniture exported, and stationary chairs and sofas, love seats and couches were the principal items of upholstered household furniture exported.

1/ The Export Trading Act of 1982 allows U.S. firms to combine their export efforts. The Act removed two major impediments to small- and medium-sized businesses joining in a cooperative arrangement: (1) the uncertain application of U.S. anti-trust laws to cooperative and other types of export activities; and (2) restrictions against bank participation in owning or investing in export trading companies (ETC's). ETC's assume the risks associated with international trade and enjoy the economies of scale which come from their volume of exports.

Table 22.--Share of U.S. exports of wood and upholstered household furniture by selected U.S. producers, by principal types, 1979-83

(In percent)

Market	Type	1979	1980	1981	1982	1983
Canada-----	Wood:					
	Bedroom furniture----	50	49	45	43	45
	Occasional tables----	12	14	16	26	24
	Dining chairs-----	13	12	12	11	9
	Upholstered:					
	Stationary chairs----	21	20	89	80	51
	Action chairs-----	5	2	1/	1/	35
Saudi Arabia---	Wood:					
	Bedroom furniture----	66	32	30	29	30
	Occasional tables----	11	24	19	19	20
	Upholstered:					
	Sofas, love seats, : couches.	54	58	56	44	53
	Stationary chairs----	32	37	32	34	24
Europe 2/-----	Wood:					
	Occasional tables----	31	37	38	36	36
	Bedroom furniture----	9	13	15	23	30
	Upholstered:					
	Sofas, love seats, : couches.	56	63	63	61	61
	Stationary chairs----	36	28	23	27	24
All other 3/----	Wood:					
	Bedroom furniture----	39	35	45	41	42
	Other dining furni- : ture.	14	13	13	14	17
	Upholstered:					
	Stationary chairs----	30	29	63	49	45
	Sofas, love seats, : couches.	67	67	33	41	44

1/ Data have been withheld from publication to prevent the release of information about individual companies.

2/ The principal countries were England, France, and West Germany.

3/ The principal countries were Australia, the Bahamas, and other Caribbean countries.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Questionnaire respondents accounted for approximately 40 percent of the industry in terms of producers' shipments.

U.S. Imports

U.S. imports of wood and upholstered household furniture increased by 154 percent during 1979-83, from a value of \$312 million to \$795 million (table 23). Taiwan, Canada, Denmark, and Yugoslavia were consistently the largest sources during the period.

Table 23.--Wood and upholstered household furniture, and parts: U.S. imports for consumption, by principal sources, 1979-83

(In thousands of dollars)						
Source	1979	1980	1981	1982	1983	
Taiwan-----	61,186	96,628	122,049	138,311	203,880	
Canada-----	40,548	56,013	65,659	76,426	101,889	
Denmark-----	42,333	53,504	54,976	70,852	95,337	
Yugoslavia-----	19,418	67,730	78,776	80,188	84,146	
Italy-----	20,217	29,558	28,424	32,106	45,122	
United Kingdom-----	28,871	32,072	32,244	31,812	38,852	
Singapore-----	5,439	19,185	24,565	27,849	37,878	
West Germany-----	12,275	11,725	14,944	17,850	25,583	
All other-----	81,718	112,855	130,873	128,661	162,109	
Total-----	312,005	479,270	552,510	604,055	794,796	

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

Imports from Taiwan

During 1979-83, U.S. imports of wood household furniture from Taiwan increased from a value of about \$61 million to \$202 million, or by 233 percent (table 24). Taiwan was the largest source of imports for such furniture and increased its share of total U.S. imports from 20 percent in 1979 to 26 percent in 1983.

Table 24.--Wood household furniture and parts: U.S. imports for consumption, by principal sources, 1979-83

(In thousands of dollars)

Source	1979	1980	1981	1982	1983
Taiwan-----	60,757	96,040	121,285	137,107	202,248
Denmark-----	42,097	53,262	54,785	70,587	94,871
Canada-----	37,573	53,505	62,846	71,833	94,717
Yugoslavia-----	19,417	67,729	78,743	80,128	84,097
Italy-----	19,357	28,588	27,647	31,452	43,943
United Kingdom-----	28,810	31,982	32,151	31,778	38,763
Singapore-----	5,438	19,178	24,562	27,847	37,860
West Germany-----	12,198	11,611	14,746	17,560	25,128
All other-----	80,395	111,518	129,737	127,349	160,089
Total-----	306,042	473,413	546,502	595,641	781,716

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

A considerable portion of the imports from Taiwan consisted of KD furniture, the bulk of which was finished parts and partially assembled components. One of the primary suppliers of KD wood household furniture from Taiwan has five regional assembly facilities in the United States located in major metropolitan areas and ships directly to these facilities from its plants in Taiwan and other Far Eastern locations. Several companies are also supplying KD furniture to U.S. wood household furniture manufacturers in increasing quantities.

Wood household furniture from Taiwan ranges from the lower to upper end price ranges, with an increasing percentage concentrated in the medium to upper price ranges. Reportedly, the Taiwan manufacturers had difficulty over the years achieving a quality level competitive with U.S. products and acceptable to the U.S. consumer. However, in the past 3 to 5 years, according to both producers and importers, the larger manufacturers in Taiwan have markedly improved the quality of their furniture particularly their finishes. These manufacturers are competing successfully in the mid-price ranges and are moving into the more expensive price points. In addition to being competitively priced, Taiwan furniture is available in a variety of popular styles, including Colonial, Traditional, 18th Century, and Contemporary.

U.S. imports of upholstered household furniture from Taiwan increased by 284 percent, from \$432,000 in 1979 to \$1.7 million in 1983, accounting for about 13 percent of the total of such imports in recent years (table 25). U.S. imports of upholstered furniture from Taiwan have remained relatively small, as much of the furniture is believed to be cushions and upholstered parts for wood furniture.

Table 25.--Upholstered household furniture: U.S. imports for consumption, by principal sources, 1979-83

(In thousands of dollars)

Source	1979	1980	1981	1982	1983
Canada-----	2,982	2,510	2,836	4,640	7,239
Taiwan-----	432	596	776	1,219	1,658
Italy-----	875	984	783	664	1,187
Denmark-----	251	258	197	273	477
West Germany-----	79	115	203	301	459
Mexico-----	420	239	316	484	394
Republic of Korea-----	20	102	46	67	354
Japan-----	318	116	200	123	328
All other-----	653	1,036	751	792	1,156
Total-----	6,030	5,957	6,108	8,563	13,252

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

Imports from Canada

During 1979-83, the value of U.S. imports of wood household furniture from Canada rose by 152 percent, from \$38 million to \$95 million, and accounted for about 12 percent of total imports during the period (table 24). Imports consisted of unassembled furniture as well as completely finished pieces, encompassing all the different types of furniture covered in this study. In terms of quality and price, the furniture ranges from the lower to upper end, although according to industry sources, the quality of furniture from Canada is generally good and comparable with that of U.S.-produced furniture.

The value of U.S. imports of upholstered household furniture from Canada rose by 143 percent, from about \$3 million in 1979 to \$7 million in 1983, and accounted for about 50 percent of total such imports (table 25). The proximity of Canada to the U.S. market and the special order nature of purchasing upholstered furniture accounts for Canada's position as the predominant source of upholstered household furniture.

Imports from Denmark

U.S. imports of wood household furniture from Denmark consisted mostly of the uniquely styled, contemporary, Scandinavian-type furniture that is produced only in small quantities in the United States.

During 1979-83, imports of wood household furniture from Denmark increased by 125 percent, from about \$42 million to \$95 million, accounting for about 12 percent of the total of such imports during the period (table 24). The bulk of the Danish household furniture consisted of living room, dining room, bedroom, and occasional furniture and wall systems. Chairs of teak and other chairs accounted for about 9 percent of total imports from Denmark.

Most of the Danish wood household furniture imported into the United States consists of the KD type. Several of the principal importers, which are retail chains, assemble the KD furniture in a number of regional assembly plants. However, some KD furniture is constructed so that it can be purchased directly and assembled by the consumer.

Imports of upholstered furniture from Denmark increased by 90 percent, from \$251,000 in 1979 to \$477,000 in 1982 (table 25). Because of high shipping costs, most of the Scandinavian type upholstered furniture sold in the United States is produced here.

Imports from Yugoslavia

U.S. imports of wood household furniture from Yugoslavia increased by 334 percent, from about \$19 million in 1979 to \$84 million in 1983 (table 24). Yugoslavia's share of total such imports grew from about 6 percent in 1979 to 14 percent in 1981 and then declined to 11 percent in 1983.

KD furniture represented the largest share of total imports of wood household furniture from Yugoslavia. The single largest type of furniture imports from Yugoslavia consisted of chairs other than teak (mostly Early American-type chairs and rockers). Parts of wood household furniture accounted for an important share of the total.

The bulk of Yugoslavian KD furniture is assembled in the United States in strategically located regional assembly plants, some of which are jointly owned by Yugoslavian and American business interests.

Imports under the Generalized System of Preference. 1/

U.S. imports of wood and upholstered household furniture entered under the provisions of the GSP accounted for an important, but declining, share of total imports of these products during 1979-83. In this connection, GSP imports accounted for 74 percent of total imports in 1979 but declined to 37 percent by 1983 (table 26).

1/ The GSP is a program of nonreciprocal tariff preferences granted by the United States to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The GSP, implemented by Executive Order No. 11888, of Nov. 24, 1975, applies to merchandise imported on or after Jan. 4, 1976. It provides for duty-free treatment of eligible articles imported directly from designated beneficiary developing countries.

Table 26.--Wood and upholstered household furniture and parts: U.S. imports under the GSP, total U.S. imports, and ratio of U.S. imports under the GSP to total U.S. imports, 1979-83

Year	Imports under the GSP	Total imports	Ratio of imports under the GSP to total imports
	-----Millions of dollars-----		
1979-----	230	312	74
1980-----	220	479	46
1981-----	237	553	43
1982-----	246	604	41
1983-----	293	795	37

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

In 1979-83, Taiwan and Yugoslavia were the principal suppliers of GSP imports, each averaging about 30 percent of total such imports during the period. Virtually all furniture imports included in this study entered under the provisions of TSUS items 727.35 and 727.29. Taiwan, the principal supplier of all imports under item 727.35 (furniture of wood), lost GSP eligibility for this item in 1980 for reasons of competitive need and has not regained GSP eligibility. However, the loss of GSP status has had no noticeable impact on total imports from that country. Yugoslavia has traditionally been the principal source for imported chairs under TSUS item 727.29; it lost GSP eligibility in 1983, also for reasons of competitive need. ^{1/} Although only a fraction of upholstered furniture (that made of cotton), enters under TSUS item 727.70 (a basket provision, including mostly furniture of metal), Taiwan lost GSP eligibility for this item in 1982, again for reasons of competitive need. Other important GSP sources for wood and upholstered furniture during 1979-83 included Singapore, Korea, Romania, and Mexico. Although the two principal sources of GSP imports, Taiwan and Yugoslavia, lost GSP eligibility for most of the items of which they were the most important suppliers during the period, overall imports under the GSP have continued to account for a significant share of total imports of wood and upholstered household furniture.

Imports under item 807.00. ^{2/}

Imports of wood and household furniture entered under TSUS item 807.00 were insignificant during 1979-83, accounting for less than 1 percent of total imports during the period. Because of the high cost of shipping components parts to foreign countries for assembly and subsequent reentry into the United States, the domestic wood and upholstered household furniture industry has not found the use of this provision advantageous.

^{1/} Yugoslavia regained GSP eligibility for TSUS item 727.29 on Apr. 1, 1984. Taiwan lost GSP eligibility for item 727.29 effective Apr. 1, 1984.

^{2/} TSUS item 807.00 provides that duty on articles assembled abroad of U.S.-fabricated components be applied to the full value of the imported articles less the value of the U.S.-made components, or what is essentially the value added abroad.

Wood household furniture and parts

U.S. imports of wood household furniture, which during the period accounted for 99 percent of total imports of the furniture discussed here, increased without interruption from \$306 million in 1979 to \$782 million in 1983, or by 156 percent (table 24). The principal sources of imports were Taiwan, Denmark, Canada, and Yugoslavia. Their aggregate share of the value of total imports grew from 52 to 61 percent during 1979-83.

Historically, the most important single factor in limiting imports of wood household furniture has been the relatively high cost of transportation. Although certain furniture items may not be excessively heavy, these articles, in shipping containers, are generally of substantial bulk--an important factor in freight cost. More recently, foreign manufacturers, particularly those in Taiwan and Denmark, and, to a lesser extent, Yugoslavia, have adopted and perfected their ability to ship furniture parts KD for final assembly by company representatives or retailers in the purchasing country. These manufacturers have successfully used virtually all available space in shipping containers and have significantly reduced transportation costs. As a result, imports from these three countries have been marketed extensively in the United States. Imports of wood household furniture from Canada, which are also frequently shipped KD, are not limited exclusively to these easily assembled items, since long-distance shipment over water and land areas is not a major factor. Consequently, Canadian manufacturers can assemble most items at their factories in Eastern Canada and transport their wood household furniture at a competitive price to many U.S. markets.

Imports of wood household furniture and parts by respondents to the Commission's questionnaire

The following information was obtained from data submitted in response to questionnaires of the U.S. International Trade Commission; the respondents to the questionnaires accounted for about 27 percent of total imports of wood and upholstered household furniture in 1979 and 24 percent in 1983. Included among the respondents were many large producers, as well as a number of small- to medium-sized companies; consequently, these data are believed to be representative of the industry as a whole.

The value of imports of wood household furniture and parts, as reported by questionnaire respondents, increased from \$85 million in 1979 to \$190 million in 1983, or by 123 percent, with, by far, the larger share accounted for by U.S. importers (table 27).

Table 27.--Wood household furniture, and parts: U.S. imports, by selected U.S. importers and by U.S. producers, 1979-83

(In thousands of dollars)			
Year	U.S. importers	U.S. producers	Total
1979-----	80,631	4,321	84,952
1980-----	92,273	6,269	98,542
1981-----	133,260	6,363	139,623
1982-----	130,412	8,064	138,476
1983-----	171,014	19,124	190,138

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Imports by importers.--Imports of wood furniture and parts by U.S. importers increased in terms of value during 1979-83, from \$80.6 million to \$171.0 million, or by 112 percent, roughly paralleling the same upward spiral as total imports of these articles. The largest category in 1983 was dining chairs, representing 30 percent of the total, followed by other chairs, 18 percent. Imports of dining tables, which showed one of the greatest growth rates both in terms of quantity and value, represented approximately 15 percent of imports in 1983 (table 28).

Table 28.--Wood household furniture: U.S. imports by selected U.S. importers, by types, 1979-83

Type	1979	1980	1981	1982	1983
Value (1,000 dollars)					
Dining tables-----	5,768	7,157	9,069	16,028	23,095
Dining chairs-----	34,578	36,760	50,471	41,320	48,247
Other dining furniture---	9,133	9,144	13,017	12,690	19,387
Other chairs-----	12,095	17,449	26,032	23,540	28,148
Occasional tables-----	906	1,244	4,431	3,582	10,272
Bedroom furniture-----	3,374	4,074	4,951	6,673	8,799
Wall systems-----	3,320	4,267	6,681	9,615	9,848
All other-----	3,658	3,657	5,200	6,838	10,810
Total-----	72,832	83,752	119,852	120,286	158,606
(Percent of total)					
Dining tables-----	7.9	8.5	7.6	13.3	14.6
Dining chairs-----	47.6	43.9	42.1	34.4	30.4
Other dining furniture---	12.5	10.9	10.9	10.5	12.2
Other chairs-----	16.6	20.8	21.7	19.6	17.8
Occasional tables-----	1.2	1.5	3.7	3.0	6.5
Bedroom furniture-----	4.6	4.9	4.1	5.5	5.5
Wall systems-----	4.6	5.1	5.6	8.0	6.2
All other-----	5.0	4.4	4.3	5.7	6.8
Total-----	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The value of parts imported by U.S. importers increased by 59 percent from 1979 to 1983, from \$7.8 million to \$12.4 million, as shown in the tabulation below, which was compiled from questionnaire data (in thousands of dollars):

1979-----	7,787
1980-----	8,521
1981-----	13,408
1982-----	10,126
1983-----	12,408

The value of such imports fluctuated after peaking in 1981. The bulk of these imports were parts for dining room furniture, either chairs or tables.

Principal sources for wood furniture and parts imported by U.S. importers were Taiwan, Yugoslavia, and Singapore, as these countries concentrated on increasing their exports to the United States during 1979-83, particularly in

the dining room area, since these pieces are the easiest and least expensive to ship KD.

Imports by U.S. producers.—U.S. producers increased their efforts at importing directly, as their imports of wood furniture (including parts) increased significantly during 1979–83, from \$4.3 million to over \$19.1 million (table 27). Occasional tables represented the largest category in terms of value in 1983, accounting for 44 percent of total imports, and dining chairs accounted for 29 percent. In terms of quantity, in 1983, dining chairs accounted for the largest share (60 percent), followed by occasional tables (28 percent).

Imports of parts of wood furniture by U.S. producers nearly doubled in 1983 compared with 1979, from \$3.7 million to \$6.7 million. Parts imported for dining tables declined over the period from \$1.9 million to \$1.4 million, while parts for all other furniture increased sharply, from \$1.8 million to \$5.3 million. The principal sources of imported parts by U.S. producers were Taiwan, Singapore, and Italy. These data represent a growing trend in the wood household furniture industry as more U.S. producers move towards importing as a means to reduce labor costs and remain competitive.

Table 29.—Parts for wood household furniture: U.S. imports by selected U.S. producers, by types, 1979–83 ^{1/}

(In thousands of dollars)					
Type	1979	1980	1981	1982	1983
Parts for dining chairs-----	1,898	1,470	1,482	1,735	1,448
Parts for all other furniture-----	1,818	2,220	1,384	2,019	5,258
Total-----	3,716	3,690	2,866	3,804	6,706

^{1/} Data have been withheld from publication to prevent the release of information about individual companies.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Upholstered household furniture and parts

Imports of upholstered furniture rose by 118 percent, from a value of about \$6 million in 1979 to \$13 million in 1983 (table 25); the bulk of this increase occurred from 1982 to 1983, when imports increased by 55 percent. Canada consistently supplied about 50 percent of the total value of imports, with Taiwan and Italy a distant second and third, respectively.

Imports of upholstered household furniture and parts by respondents to the Commission's questionnaire

The value of U.S. imports of upholstered household furniture and parts rose from \$3.5 million in 1979 to \$10.3 million in 1983, with U.S. importers accounting for about 65 percent of these imports, as shown in table 30.

Table 30.--Upholstered household furniture and parts: U.S. imports, by importers and by producers, 1979-83 ^{1/}

(In thousands of dollars)						
Year	:	U.S. importers	:	U.S. producers	:	Total
	:		:		:	
1979-----	:	2,460	:	1,085	:	3,545
1980-----	:	3,172	:	1,226	:	4,398
1981-----	:	4,475	:	2,307	:	6,782
1982-----	:	4,807	:	2,823	:	7,630
1983-----	:	5,861	:	4,409	:	10,269
	:		:		:	

^{1/} U.S. importers did not report any imports of parts for upholstered household furniture.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Questionnaire respondents accounted for approximately 40 percent of the industry in terms of value of U.S. producers' shipments.

Imports by U.S. importers.--During 1979-83, the value of U.S. imports of upholstered household furniture by importers grew from about \$2.5 million to \$5.9 million, or by 138 percent. In terms of value, imports of sofas, love seats, and couches were the largest category in 1983, accounting for almost 39 percent of the total; this group of upholstered household furniture also experienced the greatest growth rate in terms of quantity and value during 1979-83. In terms of value, action chairs were the second largest category of imports for the same period, as shown in table 31.

Table 31.--Upholstered household furniture: U.S. imports by U.S. importers, by types, 1979-83

Type	1979	1980	1981	1982	1983
Value (1,000 dollars)					
Sofas, love seats, couches-----	837	1,078	1,347	1,703	2,270
Action chairs-----	893	978	1,046	1,148	1/
Stationary chairs-----	441	499	609	697	1/
Total upholstered household furniture					
parts 2/-----	2,460	3,172	4,475	4,807	5,861
Percent of total					
Sofas, love seats, couches-----	34.0	34.0	30.1	35.4	38.7
Action chairs-----	36.3	30.8	23.4	23.9	1/
Stationary chairs-----	16.7	15.7	13.6	14.5	1/
Total upholstered household furniture					
parts 2/-----	100.0	100.0	100.0	100.0	100.0

1/ Certain data have been withheld from publication to prevent the release of information about individual companies.

2/ Data for sleep sofas, stationary chairs, sectional furniture, and other upholstered household furniture have been withheld from publication to prevent the release of information about individual companies.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

During 1979-83, Canada was consistently the largest source of imported upholstered household furniture; in 1983, Canada accounted for 48 percent of the total, followed by Italy (11 percent) and Denmark (6 percent).

Imports by U.S. producers.--Imports of upholstered household furniture and parts by U.S. producers more than tripled during 1979-83, from \$1.1 million to \$4.4 million (table 30). In terms of value, imports of parts for sofas, love seats, couches, and sleep sofas accounted for over 50 percent of total U.S. imports of upholstered household furniture by U.S. producers in 1983, and also experienced the greatest growth in recent years. Although imports of upholstered household furniture by U.S. producers during 1979-83 were small in terms of the entire upholstered household furniture market, the tripling of such imports does indicate an increasing tendency among U.S. producers to import certain parts of such furniture.

The principal sources of parts for upholstered household furniture were Taiwan, Spain, and the Philippines. The increase in the importation of upholstered furniture parts by U.S. producers reflects their desire to obtain certain parts at a lower cost than they can produce them; but most industry sources do not expect this development to become a major factor in the upholstered furniture market.

CONDITIONS OF COMPETITION

The United States is the world's largest market for wood and upholstered household furniture products. In addition to a large and fiercely competitive domestic industry, practically every country with any household furniture industry at all does some exporting to the United States. The last 5 years have seen increases in household furniture imports, particularly wood furniture, as imports of certain wood furniture items increased their market share to an estimated 15 to 20 percent. The import penetration for specialized segments of the industry, such as dining room tables and chairs, may be as high as 30 percent, with this percentage going even higher in certain price points.

The competition that exists in the U.S. marketplace between domestically produced wood and upholstered household furniture and that produced in foreign countries 1/ is influenced by a variety of factors. The most important factors are price, quality, marketing capability, to a lesser degree the cost of raw material and technology level, and the extent of Government involvement. Each of these factors is discussed below.

Price

Probably the single most important factor in the marketplace regarding the purchase of furniture is price. Because most furniture items represent a major purchase for the average consumer, the final price usually is the determining element in the selection of a household furniture item.

Imports of foreign-produced furniture, especially that from the Far East, is generally priced lower than comparable domestically made items. These products can be sold at less than the U.S. price, because the cost of manufacturing abroad is much lower, reflecting the significantly lower cost of labor. Listed below are average hourly labor costs for production workers in all manufacturing for Canada, Taiwan, and Denmark. The costs for the United States were included for comparative purposes; the average labor costs listed here are significantly higher than the average for furniture production workers. This is also believed to be the case for the other data given 2/

1/ These countries include Taiwan, Canada, Denmark and Yugoslavia, the principal sources of U.S. imports of wood and upholstered household furniture.

2/ U.S. Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, April 1983. Yugoslavia was not included in this comparison.

Hourly compensation costs for production workers in manufacturing
from selected countries in U.S. dollars 1979-82

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
United States----	9.07	9.91	10.96	11.79
Canada-----	8.16	8.98	9.87	10.77
Taiwan-----	1.01	1.27	1.51	1.57
Denmark-----	10.05	10.52	9.12	8.64

Taiwan is, by far, the principal supplier of wood household furniture from the Far East to the United States; other sources include Korea, Hong Kong, and Singapore. Each has a definite advantage in the cost of labor, an important factor in a labor-intensive industry. Even though most major plants in Taiwan employ approximately the same number or slightly more employees than a comparable U.S. furniture plant, lower labor costs combined with the relative absence of benefits more than offsets any advantage that U.S. producers may have in terms of lower transportation costs. Many U.S. furniture producers as well as importers contend that furniture imported from Taiwan costs an average of 20 to 30 percent less than comparable U.S.-produced furniture. Furniture from the other Far Eastern countries also enjoys a similar price advantage. For this reason, many U.S. retailers are turning increasingly to imported goods, particularly in the low-end or promotional price points.

The price advantage enjoyed by Far Eastern suppliers is not as significant for other major sources of U.S. imports of wood and upholstered household furniture. Although Yugoslavia also benefits from the advantage of lower cost labor--the wages of which are regulated by the government--its advantage in this area is less pronounced than that of the Far Eastern countries. In an effort to attract more hard currency, the Yugoslavian Government strongly encourages the export of furniture. According to industry observers, each Yugoslavian furniture factory is examined individually and must show that it is producing efficiently and realizing some "profit."

Furniture from Canada and Denmark are more comparably priced with similar quality U.S.-produced furniture, since the factors of production are not significantly different in these two countries.

Exchange-rate changes appeared to have beneficially affected product pricing of foreign industries during 1980-83. The currencies of most major suppliers of U.S. imports exhibited declines against the U.S. dollar during that period; these currency declines contributed to the strengthening of the competitive position of foreign produced furniture in the U.S. market. Table 32 lists the average exchange rates for the principal competitors in wood and upholstered household furniture:

Table 32.--Average exchange rates for principal foreign competitors in terms of the foreign currency per U.S. dollar, 1979-83

Year	Taiwan (dollars)	Canada (dollars)	Denmark (dollars)	Yugoslavia (dollars)
1979-----	36.03	1.1681	5.3650	19.163
1980-----	36.01	1.1947	6.0150	29.297
1981-----	37.84	1.1859	7.3250	41.823
1982-----	39.91	1.2294	8.3840	62.487
1983-----	40.26	1.2444	9.8750	125.673

Source: International Monetary Fund, International Financial Statistics, the fourth quarter for each year was used for comparative purposes; for Taiwan, information was obtained from the Embassy of Taiwan.

The currency of Taiwan depreciated by 11.8 percent against the U.S. currency during 1979-83, and that of Canada depreciated by 6.5 percent in the period. Danish exchange rates depreciated by 84.0 percent as compared with U.S. rates during 1979-83, and those for Yugoslavia dropped by 555.8 percent against the U.S. dollar. As the U.S. dollar appreciated in value during 1979-83, less expensive imports were priced even more competitively. Additionally, the exchange-rate difference and lower cost of imported furniture was even more apparent at the retail level.

Product Quality

Furniture quality, which for wood household furniture is principally determined by type and amount of wood used, type of construction such as gluing, screwing, and nailing, amount of carving and/or 'fancy-face' veneering, and final finish, is another important competitive factor in the market place. Industry analysts indicate that U.S. producers have traditionally held an advantage in terms of quality over wood household furniture produced in the Far East and other developing countries, but that this is changing. Furniture from Taiwan and Yugoslavia has improved in quality in the past 2 to 3 years, and both countries are working to continually improve their quality, particularly in terms of finishing operations. Currently, U.S. producers as well as importers acknowledge that the quality of imports varies greatly from plant to plant and even from production run to production run. Most companies that import regularly from the Far East maintain a permanent quality control representative in the source country or they send one over on a regular basis. Because of the distances involved, it is extremely difficult to return defective merchandise. As a result, many U.S. manufacturers that import as well as traditional importers, maintain touchup areas where some of the problems can be resolved. Several industry sources have predicted that rapidly improving quality in the Far East in the next several years will cause the United States to lose its remaining advantage in this area.

As Taiwan and other Far Eastern countries have improved their quality, they have also upgraded the price points at which they target their furniture. Originally, imports from the Far East were sold almost exclusively

in the low end through mass merchandisers and discount stores. Traditional furniture stores and department stores generally did not carry these imported items. Within the last 5 years, primarily because of the strides made in quality improvement and the popular styles being offered, many retailers indicated that imported furniture from the Far East is stocked by virtually every major furniture retailer, regardless of store type. The bulk of this furniture is still in the lower to middle price points. However, several foreign manufacturers, particularly the large ones in Taiwan, reportedly have begun to move into the upper middle price points. Although only representing a small share of total imported furniture in 1983, these companies have reportedly been competing quite well and may eventually increase their shipments of higher quality, more costly furniture.

Many U.S. manufacturers agree that imports from Yugoslavia are generally of a lower quality than comparable U.S.-produced furniture. The Yugoslavs concentrate on Early American dining chairs and rocking chairs and compete principally in the lower price points. Their quality also varies greatly from region to region, and their finishing operations are not as sophisticated as those in Taiwan, although these are also improving. The U.S. manufacturers indicate that the overall quality of Yugoslavian-produced furniture is still somewhat lacking and that the U.S. industry currently enjoys a competitive advantage.

Household furniture from Canada has traditionally been of a quality consistent with that produced in the United States and is imported in a wide range of price points. The only significant amounts of imported upholstered furniture are from Canada, and industry sources state that there is no qualitative advantage for either Canadian or U.S.-produced furniture in any of the price points compared or for either wood or upholstered household furniture.

Danish furniture has long been known to be of high quality, comparable with that produced in the United States or elsewhere in the world. Additionally, the Danes concentrate on lines for which they have acquired a solid reputation, such as contemporary teak and oak, that provide large amounts of storage without requiring much space. For a number of years, this furniture was considered rather unique to the Scandinavian countries and to Western Europe, and most U.S. manufacturers simply did not produce furniture of the same style. Recently, a number of U.S. companies have added teak lines because of the style's continued and increasing popularity. The bulk of this contemporary furniture is at the mid-price points, and no one enjoys a real competitive advantage in terms of quality.

U.S. manufacturers enjoy a competitive advantage in terms of brand name identification. Many U.S. companies have cultivated their image with regards to quality, particularly in the upper price points. Due to heavy advertising and dealer encouragement and explanations, most consumers are familiar with several of these brand names and the quality reputation. Consequently, as consumers decide to acquire furniture items, they are generally conscious of domestic brand names at particular price points. As of yet, most consumers are not aware of the names of any foreign manufacturers and often make their selection of imported furniture almost totally on the basis of price and apparent quality.

Marketing Techniques

The U.S. industry had a competitive advantage over foreign furniture producers in most facets of marketing during 1979-83. Those advantages were most pronounced with respect to channels of distribution, responsiveness to orders, and dealer-supplier relationships.

The principal marketing technique used by U.S. producers is the use of semiannual shows (also known as furniture "markets"). The most important of these are held in April and October in High Point, N.C. Practically all U.S. producers maintain showroom space either in the downtown marketing centers or in the High Point area. Other regional shows are also held in Dallas, Atlanta, Minneapolis, Los Angeles, and San Francisco. Most new product lines are introduced during one of the North Carolina shows; the large manufacturers may introduce 15 to 20 new suites with each suite containing 20 to 30 individual pieces. Most of these pieces are made specifically for the furniture markets; if sales warrant, they will be placed into production runs. For many years, these markets showcased primarily the products of U.S. companies. Recently, most major foreign manufacturers have obtained space, particularly at High Point, and have entered the mainstream of American furniture marketing. Major household furniture producers, domestic as well as foreign, also advertise in trade-related publications to reach retailers. The retailers then use the local media, and various promotional efforts coordinated with manufacturer to reach the consumer.

Recently, a number of persons associated with the furniture industry have questioned the necessity of holding as many furniture markets, particularly the two national shows held in High Point. The ultimate expense of preparation for, and attendance at, these shows has been questioned by many in the industry. Many of the changes American furniture producers make, the constant desire for something "new," are dictated by the retailers and enhanced by the extremely competitive nature of the U.S. industry. The average furniture consumer is unaware of the majority of these stylistic changes. Foreign manufacturers attend these markets but reportedly do not put quite as much effort into them as U.S. producers. According to industry sources, a major company in Taiwan has concentrated on introducing a limited number of styles or suites per market after careful market research. This company concentrates on potential successful sellers, as opposed to many U.S. companies that spend large sums introducing a variety of new products whose ultimate success in the marketplace is questionable. This technique has been important in reducing the marketing and design costs of importers.

Another important factor in the sales and marketing of furniture is the cost of packaging and transporting of frequently bulky and often heavy items. Industry sources have indicated that these expenses can vary extensively as a percentage of the total cost of manufacturing. For many years, the U.S. industry had an advantage in this area, as shipping costs over long distances were prohibitive. Recently, many foreign manufacturers, particularly those in Taiwan and the Far East, have devised methods to significantly lower their transportation costs. Foreign producers often ship their KD furniture in 40-foot containers, using maximum available space. Reportedly, the cost of ocean freight for these containers is about \$2,600 for shipment between Taiwan and Los Angeles. This represents about 9 to 10 percent of the value of the unassembled furniture in the container. These cartons of furniture parts may

then be shipped to regional assembly plants located in major population centers such as Los Angeles, Dallas, Chicago, Atlanta, and the New York metropolitan area. These furniture parts are assembled at the regional locations for final shipment to retailers. After assembly in the United States, the transportation costs for imported furniture are essentially the same as those for U.S. producers. Because of the reduced ocean shipping charges per item due to compacted shipment, foreign manufacturers have now lowered their overall transportation costs to a range that is similar to that for domestic producers.

Most U.S. manufacturers have not found it efficient or cost effective to operate a regional distribution system and prefer to centralize their production and assembly operations. Many U.S. companies maintain their own fleet of trucks to insure quick and safe shipment of upholstered furniture to retailers. Most companies use private transportation lines for the shipment of wood furniture with payment of transportation occasionally used as a selling point. The deregulation of the U.S. trucking industry has aided the furniture industry, especially those with their own fleets, because trucks are permitted to back-haul goods, thus reducing final transportation costs.

The U.S. industry reportedly has an advantage regarding responsiveness to orders. This factor has become increasingly important since the recession in the United States during 1981 and 1982. Historically, furniture retailers carried large inventories so as to be prepared for quick customer shipment. Faced with the high interest rates during 1981 and 1982, many furniture retailers were squeezed financially, and some went out of business; as a result, there has been a major shift in the maintenance of inventories. Retail stores now keep a limited inventory, expecting furniture manufacturers to deliver products expeditiously. Most furniture producers have adjusted to the current system and have attempted to improve their shipping techniques and reduce the turnaround time for orders from retailers.

Foreign furniture producers, also affected by this shift in the burden of inventories, are at a clear disadvantage. Lead times from placing orders to shipments received may be several months, since great distances, including ocean shipping, are often involved. Efforts to resolve this problem include maintaining warehouses in the United States, although often it is difficult to predict what style and pieces should be kept in inventory.

A final advantage lies in the historic dealer-supplier relationship between furniture producers and their retail customers. In many cases, these business relationships have endured for several generations, creating strong loyalties. However, because foreign producers are improving quality, holding the line on price, and marketing aggressively, this slight advantage of U.S. manufacturers is gradually disappearing.

Technology Level and Cost of Raw Materials

Production technology in the U.S. industry has remained relatively stagnant over the past 5 years, with improvements being made on a random basis by the industry. There is limited use of robots and some use of computers in both the production line and, more extensively, in service functions such as payroll, inventory, and production planning.

According to industry observers, the furniture industry in Denmark is among the most advanced in the world, with that in Canada at approximately the same level with the industry in the United States regarding the use of modern machinery or equipment. Most large furniture manufacturers in Taiwan and, to a lesser extent, Yugoslavia also use essentially the same equipment as the U.S. industry. The smaller plants in the Far East and Yugoslavia tend to be less advanced technologically, preferring to rely on abundant supplies of low-cost labor to perform most manufacturing operations.

Many industry sources have noted that technology is currently available, especially in the form of computers and advanced woodworking equipment, that would enhance production efficiency; however, this equipment is generally not widely used yet, either in the United States or abroad. Consequently, the U.S. industry is not considered at this time by most industry sources to have any significant advantage vis-a-vis that of most foreign producers in terms of technology level.

The costs of raw materials vary somewhat from country to country with no country having a significant advantage in this area. The U.S., Canadian, and Yugoslavian industries use materials principally from within their respective countries. Denmark imports most wood products, and Taiwan and other Far Eastern countries import the bulk of the raw materials, especially wood veneers and finishing materials. Although the Far Eastern countries must pay a larger percentage of their manufacturing costs for materials, their advantage in the cost of labor more than offsets the other additional costs.

Government Involvement

U.S. household furniture producers report that foreign producers have a competitive advantage in Government policies and regulations which are designed to facilitate exports to the U.S. market. The countries that were cited as benefiting most from these Government policies were Taiwan, Korea, and other Far Eastern countries and Yugoslavia. In addition to the varied favorable policies and financial encouragement alleged by the domestic industry that are given by some national governments, a big advantage is enjoyed by foreign producers that relocated in so called tax havens such as the British Virgin Islands (where tax rates are much lower than in the United States). The U.S. industry has voiced concern about the increasing financial burden of meeting U.S. regulatory requirements, which industry representatives believe put the U.S. industry at a competitive disadvantage.

Available information on tariffs suggests that the rates of duty on imports of household furniture into the United States are generally lower than similar rates of our major trading partners. For example, U.S. rates of duty on wood furniture are 3.8 percent ad valorem; those for Canada are 17.5 percent ad valorem, and those for Taiwan are 100 percent ad valorem.

Further, U.S. rates of duty are applied against the Customs value of imports, which does not include charges for freight, insurance, and other charges incurred in transporting merchandise from the port of exportation to the port of importation. Foreign tariff rates are usually applied against the c.i.f. value of imports which does include such charges. Hence, numerically equivalent foreign and U.S. tariff rates are not actually equal.

Competitive Assessment by U.S. Producers and Importers

The following assessment by U.S. producers and importers of wood and upholstered household furniture shows that the overall competitive advantage in the U.S. market between imported and domestically produced furniture varies from country to country and from product to product, as shown in tables 33 and 34.

Table 33.--Assessment by U.S. producers and importers of the overall competitive position of U.S.-made wood household furniture and parts versus foreign-made products in the U.S. market, by types, 1979-83

Types	: Average rating 1/ of the overall competitive : advantage of U.S.-made wood household furni- : ture and parts versus products made in--			
	: Taiwan	: Denmark	: Canada	: Yugoslavia
Dining tables-----	1.9	2.0	2.9	2.5
Dining chairs-----	1.4	1.9	2.9	1.5
Other dining furniture-----	2.3	2.0	2.8	2.5
Other chairs-----	1.6	1.9	3.0	1.4
Occasional tables-----	1.3	2.1	3.0	2.1
Bedroom furniture-----	2.4	1.9	2.3	2.6
Wall systems-----	2.3	1.9	-	2.1
Other wood household furniture---	2.3	2.0	-	3.0

1/ The questionnaire respondents listed the competitive advantage as being "domestic," "foreign," or "same." A score of 3 was assigned to a domestic advantage, 2 to same, and 1 to a foreign advantage. An average rating close to 3.0 indicates that a consensus of the respondents listed a domestic advantage; the closer that the average rating is to 1.0, the greater the consensus is toward a foreign advantage.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

For wood household furniture, Taiwan had the competitive advantage in terms of dining tables, dining chairs, other chairs and occasional tables; for the other products, the advantage was held by the domestic industry. Denmark and the United States were rated as being approximately equal for virtually all products under consideration. Domestically-made products were considered by virtually all importers and producers to have a competitive advantage vis-a-vis that of products imported from Canada. Dining chairs and other chairs from Yugoslavia were considered to have a competitive advantage over comparable domestic products; occasional tables and wall systems from Yugoslavia were considered to be comparable with the U.S.-made products, but the U.S. industry was considered to have the overall competitive advantage for dining tables, dining furniture other than tables and chairs, bedroom furniture, and miscellaneous wood household furniture, most of which is imported only in small quantities from Yugoslavia.

Table 34.--Assessment by U.S. producers and importers of the overall competitive position of U.S.-made upholstered household furniture and parts versus foreign-made products in the U.S. market during 1979-83, by types

Types	Average rating <u>1/</u> of the overall competitive advantage of U.S.-made upholstered household furniture and parts versus products made in-- <u>2/</u>		
	Canada	Taiwan	Denmark
Sofas, love seats, and couches---	1.8	3.0	2.7
Sleep sofas-----	2.5	3.0	2.6
Action chairs-----	2.3	2.8	2.2
Stationary chairs-----	2.0	2.7	2.7
Sectional furniture-----	2.2	3.0	2.6
Other upholstered household furniture-----	2.8	3.0	3.0

1/ The questionnaire respondents listed the competitive advantage in each factor as being "domestic," "foreign," or "same." A score of 3 was assigned to a domestic advantage, 2 to same, and 1 to a foreign advantage. An average rating close to 3.0 indicates that a consensus of the respondents listed a domestic advantage; the closer that the average rating is to 1.0, the greater the consensus is toward a foreign advantage.

2/ Responses for an assessment of upholstered household furniture from Yugoslavia were statistically insignificant.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Regarding upholstered household furniture, imports of sofas, love seats, couches, and stationary chairs from Canada are considered to have approximately the same level of competitiveness as domestically produced items; U.S.-made sleep sofas, action chairs, sectional furniture, and miscellaneous upholstered household furniture were considered to have a competitive advantage. All U.S.-made upholstered products were considered to have the overall competitive advantage compared with the same items from Taiwan and Denmark.

Additional information regarding the competitive assessment by U.S. producers and importers for specific items such as dining tables, dining chairs, other dining furniture, chairs other than dining chairs, occasional tables, and bedroom furniture can be found in app. F.

U.S. intermediate purchasers (retailers) of household furniture also believed that Taiwan had an overall competitive advantage, and most of the retailers felt that furniture from Taiwan offered a lower delivered purchase price.

Response by the U.S. Industry

The U.S. industry is reacting to this competitive challenge in a variety of ways. Old plants are being reexamined for ways to expand production, some new equipment and production methods are being tested, additional funds are being spent on product development and market research, and furniture executives are looking to mergers and other investments to increase efficiency and eventual competitiveness. Although most marketing efforts of domestic producers are concentrated within the United States, it is reported that the U.S. industry is striving to increase its share of foreign markets. Industry representatives have asserted, that the strength of the dollar relative to other currencies has had an adverse impact on the industry's ability to export, but the industry is continuing its efforts in this area. In order to improve their competitive position, some U.S. producers have begun importing parts or even finished products.

APPENDIX A

**COPY OF LETTER TO CHAIRMAN ALFRED E. ECKES FROM CHAIRMAN SAM GIBBONS,
SUBCOMMITTEE ON TRADE, HOUSE WAYS AND MEANS COMMITTEE, REQUESTING
AN INVESTIGATION**

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

SUBCOMMITTEE ON TRADE

September 26, 1983

ROSTENKOWSKI, ILL.
IS R JONES, OKLA.
JONES, GA.
SAS J. DOWNNEY, NY
J. PEARCE, OHIO
MARCEL, TEX.
L. KEEH HOFFEL, HAWAII
TY RUSSO, ILL.

VANDER JAGT, MICH.
ARCHER, TEX.
FRENZEL, MINN.
AND T. SCHULZ, PA.
P. M. CRANE, ILL.

FRICHO
MR. E. CONABLE, JR., NY

The Honorable Alfred E. Eckes
Chairman
U.S. International Trade Commission
11 E Street, N.W.
Washington, D.C. 20436

Dear Mr. Chairman:

The Subcommittee on Trade of the Committee on Ways and Means requests that the U.S. International Trade Commission conduct an investigation under section 332 of the Tariff Act of 1930 on the conditions of competition in the U.S. market between domestically-produced wood and upholstered household furniture and imports of these products, especially from Taiwan and other Far Eastern countries.

In particular, we are interested in obtaining information on the relative prices, quality, and marketing techniques for the domestic and foreign products and any other factors which influence competitive strength in the U.S. market. A further area of interest is the nature and level of government involvement with the respective industries.

Each of the following should be specifically addressed in the study:

(1) A profile of the U.S. and major foreign industries including both a descriptive view of the industry and an analysis of the various strengths and weaknesses of each industry in terms of such factors as raw material, capital, labor availability and cost, and technology level.

(2) An analysis of the key economic factors in the U.S. market including U.S. consumption, production, trade, and other relevant factors.

(3) A discussion of U.S. and foreign government policies and regulations and their influence on the wood and upholstered household furniture industry.

The Honorable Alfred E. Eckes
September 26, 1983
Page Two

(4) An analysis of the conditions of competition in the U.S. market between domestic and foreign products including factors such as price, quality, marketing techniques, and after sales service.

It would be appreciated if the final report were transmitted to the Subcommittee on Trade not later than eight months after receipt of this request.

Sincerely,

A handwritten signature in dark ink, appearing to read "Sam M. Gibbons", written in a cursive style.

Sam M. Gibbons
Chairman

SMG/Ryc

APPENDIX B

**NOTICE OF INSTITUTION OF INVESTIGATION NO. 332-170 AND PRELIMINARY
NOTICE OF HEARING**

Washington, D.C., and by publishing the notice in the Federal Register on June 2, 1983 (48 FR 24799). The hearing was held in Los Angeles, Calif., on September 12, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its report on these investigations to the Secretary of Commerce on October 20, 1983. A public version of the Commission's report, Portland Hydraulic Cement from Australia and Japan (investigations Nos. 331-TA-108 and 109 (Final), USITC Publication 1440, 1983) contains the views of the Commission and information developed during the investigations.

Issued: October 20, 1983.

By order of the Commission.

Kenneth R. Mason,
Secretary.

(FR Doc. 83-29778 Filed 11-1-83; 8:45 am)

BILLING CODE 7020-02-M

[332-161]

Cancellation of Hearing on Crude Petroleum

AGENCY: International Trade Commission.

ACTION: Cancellation of Hearing.

EFFECTIVE DATE: October 25, 1983.

Background

The Commission, on its own motion, instituted, effective April 20, 1983, investigation No. 332-161, under the provisions of section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)), for the purposes of gathering and presenting information on the future supply and prices of crude petroleum. This information will be used in assessing the possible effects of changing crude petroleum prices on such areas as United States trade, the petroleum industry, the petrochemical industry, and other energy-intensive industries.

Public Hearing

A public hearing was scheduled to be held in Houston, Texas, beginning Nov. 1, 1983, in connection with the investigation. Because of the limited number of witnesses requesting an opportunity to testify, the Commission, on its own motion, cancelled the hearing.

Written Submission

In lieu of or in addition to appearance at the public hearing, interested persons were invited to submit written statements concerning the investigation, no later than Oct. 24, 1983. Because of

the cancellation of the hearing, written submissions concerning the investigation will be received until November 14, 1983.

Notice of the institution of the investigation containing the date of the scheduled hearing was published in the Federal Register of April 27, 1983 (48 FR 19087); the date and site of the hearing was published July 20, 1983 (48 FR 33063).

Issued: October 25, 1983.

By the Order of the Commission.

Kenneth R. Mason,
Secretary.

(FR Doc. 83-29773 Filed 11-1-83; 8:45 am)

BILLING CODE 7020-02-M

[332-170]

A Study on a Competitive Assessment of the U.S. Wood and Upholstered Household Furniture Industry

AGENCY: International Trade Commission.

ACTION: Following receipt, on October 3, 1983, of a letter from the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, the Commission, on its own motion, instituted investigation No. 332-170 under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)), for the purpose of gathering and presenting information on a competitive assessment of the U.S. wood and upholstered household furniture industry.

EFFECTIVE DATE: October 20, 1983.

FOR FURTHER INFORMATION CONTACT: Mr. Rhett Leverett, or Mr. Ruben Moller, General Manufactures Division, U.S. International Trade Commission, Washington, D.C. 20436, telephone 202-724-1725 or 202-724-1732, respectively.

Background

As requested by the Subcommittee, the Commission's study will specifically address:

(1) A profile of the U.S. and major foreign industries including both a descriptive view of the industry and an analysis of the various strengths and weaknesses of each industry in terms of such factors as raw material, capital, labor availability and cost, and technology level.

(2) An analysis of the key economic factors in the U.S. market including U.S. consumption, production, trade, and other relevant factors.

(3) A discussion of U.S. and foreign government policies and regulations and their influence on the wood and

upholstered household furniture industry.

(4) An analysis of the conditions of competition in the U.S. market between domestic and foreign products including factors such as price, quality, marketing techniques, and after sales service.

Public Hearing

A public hearing in connection with the investigation will be held in High Point, North Carolina (exact location to be announced later), beginning at 10:00 a.m. e.s.t., on April 3, 1984, to be continued on April 4, 1984, if required. All persons shall have the right to appear by counsel or in person, to present information, and to be heard. Requests to appear at the public hearing should be filed with the Secretary, United States International Trade Commission, 701 E Street NW., Washington, D.C., not later than noon, March 27, 1984.

Written Submissions

In lieu of or in addition to appearance at the public hearing, interested persons are invited to submit written statements concerning the investigation. Written statements should be received by March 23, 1984. Commercial or financial information which a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of § 201.6 of the Commission's Rules and Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons. All submissions should be addressed to the Secretary at the Commission's Office in Washington, D.C.

Issued: October 25, 1983.

By the Order of the Commission.

Kenneth R. Mason,
Secretary.

(FR Doc. 83-29774 Filed 11-1-83; 8:45 am)

BILLING CODE 7020-02-M

INTERSTATE COMMERCE COMMISSION

[Ex Parte No. 446]

Alaska Railroad Certification

AGENCY: Interstate Commerce Commission.

ACTION: Certificate of Public Convenience and Necessity.

APPENDIX C

WITNESSES AT THE HEARING AND PERSONS SUBMITTING WRITTEN STATEMENTS

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : A Study on a Competitive Assessment
of the U.S. Wood and Upholstered
Household Furniture Industry

Inv. No. : 332-170

Date and time: April 3, 1984 - 9:00 a.m., e.s.t.

Sessions were held in connection with the investigation at the Radisson Hotel in High Point, North Carolina.

Congressional appearance:

Honorable James G. Martin, United States Congressman, State of North Carolina

Honorable Robin Britt, United States Congressman, State of North Carolina

WITNESS AND ORGANIZATION

American Furniture Manufacturers Association, Washington, D.C.

John Boardman, President of the AFMA and President
of Sam Moore Furniture Industries, Inc.

Virginia House Furniture Corporation, Marion, Virginia

George W. Greer, III, President

Bassett Furniture Industries, Inc., Bassett, Virginia

Richard Rosenberg, Vice President, General Manager,
Table Division

The American-International Display and Sales Center, High Point,
North Carolina

Arthur S. Marburg, President

Cochrane Furniture Company, Inc., Lincolnton, North Carolina

Bruce R. Cochrane, Vice President-Sales and Marketing

Thomasville Furniture Industries, Inc., Thomasville, North Carolina

Frederick B. Starr, President

Ladd Furniture, Inc., High Point, North Carolina

Don A. Hunziker, Chairman

Bernhardt Industries, Lenoir, North Carolina

G. Alex Bernhardt, President

Keller Manufacturing Company, Inc., Corydon, Indiana

Robert W. Byrd, C.P.A., Vice President of
Finance/Secretary and Treasurer

Trogdon Furniture Company, Toccoa, Georgia

George C. Trogdon, President

Ashley Furniture Corporation, Arcadia, Wisconsin

Fred Davis, Vice President

Universal Furniture Industries, Inc., Whittier, California

Ron Hahn, President

Written Submissions

1. Jesse Helms, U.S. Senate
James T. Broyhill, U.S. Representative
Jim Martin, U.S. Representative
2. John K. Boardman Jr., President
Sam Moore Furniture Industries Inc., and
President of the American Furniture Manufacturers
Association (AFMA)
On Behalf of the AFMA
3. Richard Rosenberg, Vice President
Bassett Furniture Industries
On Behalf of the AFMA
4. Paul H. Broyhill, Chairman of the Board, Chief
Executive Officer
Broyhill Furniture Industries, Inc.
5. Arthur S. Marburg, President
Aids Suppliers Mart

APPENDIX D
SUPPLEMENTARY NOTICE OF HEARING

Authority: U.S.C. 1337.

SUPPLEMENTARY INFORMATION: The presiding officer issued an initial determination in the above-captioned investigation on December 9, 1983, in which she determined that there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) in the unauthorized importation and sale of certain personal computers and components thereof. As a result of its view of that initial determination, the Commission on March 9, 1984, determined that a violation of section 337 exists in the unauthorized importation and sale of certain personal computers and components thereof which infringe U.S. Letters Patent 138,359, U.S. Letters Patent 4,278,972, Copyright Registration No. TX 873-203, Copyright Registration No. TX 809-449, Copyright Registration No. TX 886-09 owned by complainant Apple Computer, Inc., the tendency of which unfair acts is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

Copies of the Commission's Action and Order, its Opinion, and all other confidential documents filed in connection with this investigation are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20438, telephone 202-523-0161.

FOR FURTHER INFORMATION CONTACT: Wayne Herrington, Esq., Office of the General Counsel, U.S. International Trade Commission, telephone 202-523-80.

Issued: March 9, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

(Doc. 84-7559 Filed 3-20-84; 8:45 am)

BILLING CODE 7020-02-M

32-170]

Competitive Assessment of the U.S. Wood and Upholstered Household Furniture Industry

AGENCY: United States International Trade Commission.

TION: This notice announces the initiation of and change in time for the hearing in connection with the Commission's investigation on the competitive assessment of the U.S. wood and upholstered household furniture industry.

EFFECTIVE DATE: March 14, 1984.

SUPPLEMENTARY INFORMATION: Notice is hereby given that the public hearing in connection with this investigation (see FR 48, 50631, November 2, 1983) will be held at the Radisson Hotel in High Point, North Carolina, beginning at 9:00 a.m. e.s.t. on April 3, 1984, to be continued on April 4, if required. All persons shall have the right to appear by counsel or in person, to present information and to be heard. Requests to appear at the public hearing should be filed with the Secretary, United States International Trade Commission, 701 E Street NW, Washington, D.C., not later than noon, March 27, 1984.

FOR FURTHER INFORMATION CONTACT: Mr. Rhett Leverett, or Mr. Ruben Moller, General Manufactures Division, U.S. International Trade Commission, Washington, D.C., 20438, telephone 202-724-1725 or 202-724-1732, respectively.

Issued: March 18, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

(FR Doc. 84-7616 Filed 3-20-84; 8:45 am)

BILLING CODE 7020-01-M

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

Theater Advisory Panel Meeting

The meeting of the Theater Advisory Panel (Professional Companies Section) which is scheduled to meet on March 21-25, 1984, from 9:00 a.m.-6:00 p.m. with a scheduled open session on March 25 from 4:00 p.m.-6:00 p.m. is hereby amended to be a fully closed meeting to be held on March 21-25, 1984, from 9:00 a.m.-6:00 p.m. in Room 730 of the Nancy Hanks Center, 1100 Pennsylvania Avenue, NW, Washington, DC 20506.

This meeting is for the purpose of Panel review, discussion, evaluation, and recommendation on applications for financial assistance under the National Foundation on the Arts and the Humanities Act of 1965, as amended, including discussion of information given in confidence to the agency by grant applicants. In accordance with the determination of the Chairman published in the Federal Register of February 13, 1980, these sessions will be closed to the public pursuant to subsections (c) (4), (6) and 9(b) of section 552b of Title 5, United States Code.

Further information with reference to this meeting can be obtained from Mr.

John H. Clark, Advisory Committee Management Officer, National Endowment for the Arts, Washington, DC 20506, or call (202) 682-5433.

Gary O. Larson,

Acting Director, Office of Council and Panel Operations, National Endowment for the Arts.

(FR Doc. 84-7519 Filed 3-20-84; 8:45 am)

BILLING CODE 7537-01-M

Agency Information Collection Activities Under OMB Review

AGENCY: National Endowment for the Humanities.

ACTION: Notice.

SUMMARY: The National Endowment for the Humanities (NEH) has sent to the Office of Management and Budget (OMB) the following proposal for the collection of information under the provisions of the Paperwork Reduction Act (44 U.S.C. Chapter 35).

DATE: Comments on this information collection must be submitted by April 20, 1984.

ADDRESSES: Send comments to Ms. Ingrid Foreman, Management Assistant, National Endowment for the Humanities, Administrative Services Office, Room 202, 1100 Pennsylvania Avenue, NW., Washington, D.C. 20506 (202-786-0233) or Mr. Joseph Lackey, Office of Management and Budget, New Executive Office Building, 726 Jackson Place, NW., Room 3208, Washington, D.C. 20503 (202-395-6880).

FOR FURTHER INFORMATION CONTACT: Ms. Ingrid Foreman, National Endowment for the Humanities, Administrative Services Office, Room 202, 1100 Pennsylvania Avenue, NW., Washington, D.C. 20506 (202-786-0233), from whom copies of the form and supporting documents are available.

SUPPLEMENTARY INFORMATION:

Category: Revision

Title: NEH Financial Status Report

Form Number: n/a

Frequency of Collection: Occasional (at end of grant)

Respondents: All NEH Institutional Grantees, at their option

Use: Provide information on project expenditures

Estimated Number of Respondents: 3,000 maximum

Estimated Hours for Respondents to Provide Information: 1

This entry is not subject to 44 U.S.C. 3504(h).

APPENDIX E

**EXPLANATION OF THE RATES OF DUTY APPLICABLE TO WOOD AND UPHOLSTERED HOUSEHOLD
HOUSEHOLD FURNITURE AND SELECTED PORTIONS OF THE TARIFF SCHEDULES OF THE
UNITED STATES ANNOTATED (1984)**

Explanation of the rates of duty applicable to wood and upholstered household furniture

The rates of duty in column 1 are most-favored-nation (MFN) rates, and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA. ^{1/} However, such rates do not apply to products of developing countries which are granted preferential tariff treatment under the Generalized System of Preferences (GSP) or under the "LDDC" column.

The rates of duty in the "LDDC" column are preferential rates (reflecting the full U.S. MTN concession rate for a particular item without staging of duty reductions) and are applicable to products of the least developed developing countries designated in general headnote 3(d) of the TSUSA which are not granted duty-free treatment under the GSP. If no rate of duty is provided in the "LDDC" column for a particular item, the column 1 rate applies.

The rates of duty in column 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA.

The GSP is a program of nonreciprocal tariff preferences granted by the United States to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The GSP, implemented by Executive Order No. 11888, of November 24, 1975, applies to merchandise imported on or after January 1, 1976, and is scheduled to remain in effect until January 4, 1985. It provides for duty-free treatment of eligible articles imported directly from designated beneficiary developing countries. Eligible articles are identified in the column marked "GSP" with an "A" or "A*." The designation "A" means that all beneficiary developing countries are eligible for the GSP, and "A*" indicates that certain developing countries, specified in general headnote 3(c) of the TSUSA, are not eligible.

^{1/} The only Communist countries currently eligible for MFN treatment are the People's Republic of China, Hungary, Romania, and Yugoslavia.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1984)

Page 7-64 SCHEDULE 7. - SPECIFIED PRODUCTS; MISCELLANEOUS AND NONENUMERATED PRODUCTS
Part 4. - Furniture; Pillows, Cushions, and Mattresses; Nontextile Floor Coverings

7-4-A
727.02 - 727.45

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
A	727.02	00	Furniture designed for hospital, medical, surgical, veterinary, or dental use; dentists', barbers' and similar chairs with mechanical elevating, rotating, or reclining movements; and parts of the foregoing: Dentists', barbers' and similar chairs with mechanical elevating, rotating, or reclining movements, and parts thereof.....	X.....	4.5% ad val.	3.9% ad val.	35% ad val.
A	727.04	00	Other.....	X.....	6.5% ad val.	5.3% ad val.	40% ad val.
A*	727.06	00	Furniture designed for motor-vehicle use, and parts thereof.....	X.....	3.4% ad val.	3.1% ad val.	25% ad val.
	727.07	00	If Canadian article and original motor-vehicle equipment (see headnote 2, part 68, schedule 6).....	X.....	Free		
			Furniture, and parts thereof, not specially provided for:				
			Of unspun fibrous vegetable materials:				
A	727.11	00	Of rattan.....	X.....	12.8% ad val. ②	7.5% ad val.	60% ad val.
A	727.13	00	Of burl.....	X.....	12.8% ad val. ②	7.5% ad val.	60% ad val.
A	727.14	00	Other.....	X.....	12.8% ad val. ②	7.5% ad val.	60% ad val.
A	727.15	00	Of wood:				
			Bent-wood furniture, and parts thereof.....	X.....	8.8% ad val.	6.6% ad val.	42.5% ad val.
			Other:				
			Chairs:				
			Folding:				
A*	727.23	00	Director's chairs.....	No.....	6.5% ad val.	5.3% ad val.	40% ad val.
A	727.25	00	Other.....	No.....	6.5% ad val.	5.3% ad val.	40% ad val.
			Other:				
A	727.27	00	Of teak.....	No.....	5.3% ad val.	3.4% ad val.	40% ad val.
A*	727.29	00	Other.....	No.....	6.5% ad val.	5.3% ad val.	40% ad val.
A*	727.35		Furniture other than chairs.....		3.4% ad val.	2.5% ad val.	40% ad val.
		20	Convertible sofas, sofa beds, and similar dual-purpose furniture.....	No.			
		25	Desks and desk extensions.....	No.			
		30	Dining tables.....	No.			
		35	Other tables.....	No.			
			Other:				
			Bedroom furniture:				
		45	Beds and headboards.....	No.			
		50	Other.....	X ①			
			Other:				
		55	Wall systems, book cases, shelf units, credenzas, buffets, servers, china closets and other cabinets.....	No.			
		60	Shelving.....	No.			
A	727.40	90	Other.....	X			
			Parts of furniture.....		6.9% ad val.	5.3% ad val.	40% ad val.
		20	Bedsprings.....	X			
		40	Other.....	X			
A	727.45		Of textile materials, except cotton.....		10.9% ad val.	7% ad val.	80% ad val.
		20	Bedsprings.....	X			
		40	Other.....	X			

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

(2nd supp.
4/9/84)

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1984)

SCHEDULE 7. - SPECIFIED PRODUCTS; MISCELLANEOUS AND NONENUMERATED PRODUCTS
Part 4. - Furniture; Pillows, Cushions, and Mattresses; Nontextile Floor Coverings

Page 7-65 ①②

7-4-A
727.47 - 727.71

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
			Furniture, and parts thereof, not specially provided for (con.):				
			Of rubber or plastics:				
A	727.47	00	Of reinforced or laminated plastics.....	X.....	9.4% ad val.	6% ad val.	65% ad val.
	727.49	00	Furniture, if certified for use in civil aircraft (see headnote 3, part 6C, schedule 6).....	X.....	Free		65% ad val.
			Other:				
	727.53	00	Waterbed mattresses and liners, and parts of the foregoing.....	X.....	2.4% ad val.		25% ad val.
2A	727.59	00	Other.....	X.....	2.4% ad val.		25% ad val.
	727.60	00	Furniture, if certified for use in civil aircraft (see headnote 3, part 6C, schedule 6).....	X.....	Free		25% ad val.
A	727.63	00	Of copper.....	X.....	4.9% ad val.	4.2% ad val.	45% ad val.
A*	727.70	00	Other.....		6.3% ad val.	4% ad val.	45% ad val.
		20	Convertible sofas, sofa beds, and similar dual-purpose furniture.....	No.			
		40	Bedsprings.....	No.			
		45	Furniture for outdoor use, of metal.....	No.			
		50	Desks and desk extensions, of metal.....	No.			
		55	Other tables, of metal.....	No.			
		65	Chairs, of metal.....	No.			
			Other:				
			Wall systems, book cases, shelf units, and other cabinets, of metal:				
		70	File cabinets.....	No.			
		75	Other.....	X ①			
		80	Other.....	X			
	727.71	00	Furniture, except of leather, if certified for use in civil aircraft (see headnote 3, part 6C, schedule 6).....	X.....	Free		45% ad val.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

(2nd supp.
4/9/84)

APPENDIX F

**ASSESSMENT BY U.S. PRODUCERS AND IMPORTERS OF THE COMPETITIVE POSITION OF
SELECTED U.S.-MADE WOOD HOUSEHOLD FURNITURE VERSUS THAT OF FOREIGN-MADE
PRODUCTS**

Table F-1.--Dining tables: Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made dining tables 1/ versus foreign-made products during 1979-83

Factor of competition	: Frequency of responses by U.S. producers and importers : assessing the competitive advantages of U.S.-made : dining tables versus products made in--											
	Taiwan			Denmark			Canada			Yugoslavia		
	D	F	S	D	F	S	D	F	S	D	F	S
Overall competitive ad-	:	:	:	:	:	:	:	:	:	:	:	:
vantage-----	8	11	1	4	4	5	6	-	1	6	5	2
Lower purchase price	:	:	:	:	:	:	:	:	:	:	:	:
(delivered)-----	2	16	-	3	4	2	4	-	2	5	7	1
Ability to supply pro-	:	:	:	:	:	:	:	:	:	:	:	:
duct at various mar-	:	:	:	:	:	:	:	:	:	:	:	:
kets price levels-----	7	4	1	5	2	2	5	-	1	7	2	2
Exchange-rate advantage--	1	9	1	1	7	2	3	4	1	2	5	4
Quality-----	11	1	7	1	4	3	2	1	4	6	-	6
Terms of sale-----	4	1	9	4	1	4	4	-	3	6	2	3
Overall availability-----	12	2	4	8	-	1	6	-	1	8	1	4
Shorter delivery time-----	15	-	4	9	-	-	5	-	1	10	1	3
Warranties and service----	12	-	6	4	-	5	4	-	3	8	-	5
Historical supplier re-	:	:	:	:	:	:	:	:	:	:	:	:
lationship-----	15	1	3	6	2	1	6	-	1	7	4	3

1/ The questionnaire respondents listed the competitive advantage of each factor as being "domestic (D)", "foreign (F)," or "same (S)."

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table F-2.--Dining chairs: Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made dining chairs 1/ versus foreign-made products during 1979-83

Factor of competition	Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made dining chairs versus products made in--											
	Taiwan			Denmark			Canada			Yugoslavia		
	D	F	S	D	F	S	D	F	S	D	F	S
Overall competitive advantage-----	4	16	-	4	4	1	6	-	1	4	11	-
Lower purchase price (delivered)-----	2	13	1	3	4	2	4	1	2	-	14	-
Ability to supply product at various markets price levels-----	5	7	2	5	2	2	5	1	1	2	6	3
Exchange-rate advantage-----	1	10	1	1	7	2	3	4	1	1	7	3
Quality-----	9	2	8	1	4	4	2	1	4	4	2	6
Terms of sale-----	4	2	9	4	1	4	4	-	3	4	2	5
Overall availability-----	13	1	4	8	-	1	6	-	1	7	2	5
Shorter delivery time-----	15	-	4	9	-	-	5	-	1	9	3	3
Warranties and service---	12	-	6	4	-	5	4	-	3	6	-	8
Historical supplier relationship-----	15	-	3	6	2	1	6	-	1	7	3	3

1/ The questionnaire respondents listed the competitive advantage of each factor as being "domestic (D)", "foreign (F)," or "same (S)."

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table F-3.--Other dining furniture: Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made other dining furniture ^{1/} versus foreign-made products during 1979-83

Factor of competition	Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made other dining furniture versus products made in--											
	Taiwan			Denmark			Canada			Yugoslavia		
	D	F	S	D	F	S	D	F	S	D	F	S
	:	:	:	:	:	:	:	:	:	:	:	:
Overall competitive advantage-----	:	:	:	:	:	:	:	:	:	:	:	:
	9	5	1	5	4	1	5	-	1	10	3	1
Lower purchase price (delivered)-----	:	:	:	:	:	:	:	:	:	:	:	:
	7	8	3	3	5	2	4	1	2	7	4	2
Ability to supply product at various markets price levels-----	:	:	:	:	:	:	:	:	:	:	:	:
	6	2	4	5	3	2	5	1	1	7	3	2
Exchange-rate advantage---	1	9	1	1	8	2	2	4	1	2	6	4
Quality-----	9	-	7	2	4	4	2	1	3	7	1	5
Terms of sale-----	4	1	9	4	2	4	3	-	3	6	2	4
Overall availability-----	10	3	3	9	-	1	5	-	1	9	1	4
Shorter delivery time----	13	1	3	10	-	-	5	-	1	10	1	2
Warranties and service---	10	-	6	5	-	5	3	-	3	9	-	5
Historical supplier relationship-----	:	:	:	:	:	:	:	:	:	:	:	:
	13	1	3	7	2	1	5	-	1	9	4	1

^{1/} The questionnaire respondents listed the competitive advantage of each factor as being "domestic (D)", "foreign (F)," or "same (S)."

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table F-4.--Other chairs: Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made other chairs 1/ versus foreign-made products during 1979-83

Factor of competition	Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made other chairs versus products made in--											
	Taiwan			Denmark			Canada			Yugoslavia		
	D	F	S	D	F	S	D	F	S	D	F	S
Overall competitive advantage-----	5	13	2	3	4	1	5	-	-	2	9	-
Lower purchase price (delivered)-----	4	13	3	2	3	3	3	1	1	1	9	-
Ability to supply product at various markets price levels-----	5	7	3	4	1	3	4	1	-	2	4	2
Exchange-rate advantage--	1	8	3	1	6	2	2	4	1	2	6	2
Quality-----	7	3	9	1	3	4	2	-	3	2	3	4
Terms of sale-----	4	2	10	4	1	3	3	-	2	4	2	8
Overall availability-----	10	5	2	8	-	-	4	-	1	4	2	4
Shorter delivery time----	15	1	3	8	-	-	4	-	1	6	2	3
Warranties and service----	10	-	8	3	-	5	2	-	3	5	-	5
Historical supplier relationship-----	13	-	5	5	2	1	4	-	1	4	4	3

1/ The questionnaire respondents listed the competitive advantage of each factor as being "domestic (D)", "foreign (F)," or "same (S)."

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table F-5.--Occasional tables: Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made occasional tables 1/ versus foreign-made products during 1979-83

Factor of competition	Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made occasional tables versus products made in--											
	Taiwan			Denmark			Canada			Yugoslavia		
	D	F	S	D	F	S	D	F	S	D	F	S
Overall competitive advantage-----	2	18	2	6	5	1	6	1	1	7	5	2
Lower purchase price (delivered)-----	1	21	1	6	4	2	5	3	1	4	8	1
Ability to supply product at various markets price levels-----	7	6	4	5	3	3	5	1	2	6	1	4
Exchange-rate advantage--	1	11	4	2	9	1	3	6	1	2	8	2
Quality-----	13	2	9	1	4	7	4	-	5	5	2	5
Terms of sale-----	8	-	12	6	1	5	4	-	5	6	1	4
Overall availability-----	14	3	5	10	-	1	5	-	2	8	1	3
Shorter delivery time----	18	-	5	10	-	-	6	-	3	9	1	3
Warranties and service----	14	-	7	5	-	5	5	-	4	9	1	3
Historical supplier relationship-----	17	1	4	6	2	1	7	-	2	10	2	2

1/ The questionnaire respondents listed the competitive advantage of each factor as being "domestic (D)", "foreign (F)," or "same (S)."

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table F-6.--Bedroom furniture: Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made bedroom furniture 1/ versus foreign-made products during 1979-83

Factor of competition	Frequency of responses by U.S. producers and importers assessing the competitive advantages of U.S.-made bedroom furniture versus products made in--											
	Taiwan			Denmark			Canada			Yugoslavia		
	D	F	S	D	F	S	D	F	S	D	F	S
Overall competitive advantage-----	11	4	1	4	5	2	4	2	2	9	2	-
Lower purchase price (delivered)-----	7	6	1	3	6	2	3	3	2	5	5	-
Ability to supply product at various markets price levels-----	8	2	1	3	2	5	3	1	3	7	1	1
Exchange-rate advantage--	4	9	1	1	10	1	2	7	-	2	7	1
Quality-----	10	-	5	1	3	7	3	1	4	7	-	3
Terms of sale-----	4	-	10	5	1	5	2	-	6	8	1	2
Overall availability-----	11	1	2	8	-	2	5	-	4	10	1	1
Shorter delivery time-----	14	-	2	8	-	2	4	-	4	11	1	1
Warranties and service---	11	-	4	6	1	3	4	-	4	9	-	2
Historical supplier relationship-----	15	-	1	7	2	2	5	-	3	10	2	-

1/ The questionnaire respondents listed the competitive advantage of each factor as being "domestic (D)", "foreign (F)", or "same (S)."

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

