

UNITED STATES INTERNATIONAL TRADE COMMISSION

CERTAIN HEADWEAR

**Report to the President
on Investigation No. TA-201-23
Under Section 201 of the Trade Act of 1974**



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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

REPORT TO THE PRESIDENT

United States International Trade Commission,
August 18, 1977

To the President:

In accordance with section 201(d)(1) of the Trade Act of 1974, the United States International Trade Commission herein reports the results of an investigation relating to certain headwear.

The investigation (No. TA-201-23) was undertaken to determine whether headwear, knit or not knit, assembled from two or more cut pieces of fabric, of cotton, flax, or both, or of manmade fibers, provided for in items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the Tariff Schedules of the United States (TSUS), and visors with straps, whether or not such straps are adjustable, designed to be worn on the head, knit or not knit, of cotton or of manmade fibers, provided for in TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

The Commission instituted the investigation, under the authority of section 201(b)(1) of the Trade Act on February 22, 1977, following the receipt, on February 8, 1977, of a petition for import relief under section 201 of the Trade Act of 1974 (19 U.S.C. 2251) filed by the Empire State Cloth Hat and Cap Manufacturers Association and the United Hatters, Cap and Millinery Workers International Union.

The Commission held public hearings on this matter in New York City, on May 17, 1977, and in St. Louis, Missouri, on May 26, 1977.

Notice of the institution of the investigation and of the scheduling of the public hearings was published in the Federal Register of February 28, 1977 (42 F.R. 11288). Notice of the amendment to the scope of the investigation was published in the Federal Register of March 21, 1977 (42 F.R. 15375).

The information for this report was obtained from field work and interviews by members of the Commission's staff, from other Federal agencies, from responses to the Commission's questionnaires, from information presented at the public hearings, from briefs submitted by interested parties, and from the Commission's files.

A transcript of the hearing and copies of briefs submitted by interested parties in connection with the investigation are attached. 1/

1/ Attached to the original report sent to the President, and available for inspection at the U.S. International Trade Commission, except for material submitted in confidence.

DETERMINATION OF THE COMMISSION

On the basis of the investigation, the Commission (Vice Chairman Parker not participating) determines that headwear, knit or not knit, assembled from two or more cut pieces of fabric, of cotton, flax, or both, or of manmade fibers, provided for in items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the Tariff Schedules of the United States (TSUS), and visors with straps, whether or not such straps are adjustable, designed to be worn on the head, knit or not knit, of cotton or of manmade fibers, provided for in TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81, are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Views of Commissioners George M. Moore,
Catherine Bedell, and Italo H. Ablondi

On February 8, 1977, the United States International Trade Commission received a petition filed by the Empire State Cloth Hat and Cap Manufacturers Association and the United Hatters, Cap and Millinery Workers International Union requesting an investigation under section 201(b)(1) of the Trade Act of 1974 with respect to certain headwear. The petition was amended by the petitioners on February 18, 1977. On February 22, 1977, the Commission instituted an investigation pursuant to section 201(b)(1) of the Trade Act to determine whether headwear, knit or not knit, assembled from two or more cut pieces of fabric, of cotton, flax, or both, or of manmade fibers, provided for in items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the Tariff Schedules of the United States (TSUS), and visors with straps, whether or not such straps are adjustable, designed to be worn on the head, knit or not knit, of cotton or of manmade fibers, provided for in TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81, 1/ are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. 2/

1/ The headwear and visors described above will hereinafter be referred to as casual and sport headwear.

2/ Commissioners Moore and Bedell observe that the Commission did not consider the existence of the Arrangement Regarding International Trade in Textiles (MFA) and the bilateral agreements negotiated by the United States pursuant thereto as a legal bar to the conduct by the Commission of an investigation pursuant to section 201 of the Trade Act of 1974 since the MFA does not purport to preempt or preclude other possible remedies respecting textiles which are consistent with the provisions of the General Agreement on Tariffs and Trade. However, Commissioners Moore and Bedell note the applicability of the MFA and the bilateral agreements negotiated by the United States under article 4 of the MFA to the articles which are the subject of the Commission's escape clause investigation.

Before making an affirmative determination under section 201(b)(1) of the Trade Act, the Commission must find that all three of the following criteria are met:

- (1) Imports of an article into the United States are increasing (either actually or relative to domestic production);
- (2) The domestic industry producing an article like or directly competitive with the imported article is being seriously injured or threatened with serious injury; and
- (3) Increased imports are a substantial cause (i.e., an important cause and not less than any other cause) of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Because these criteria are cumulative, a finding that any one of them is not met requires a negative determination. In this case, we determine that the second criterion under section 201(b)(1) as set forth above has not been met, namely, the domestic industry producing articles like or directly competitive with the imported articles is not being seriously injured or threatened with serious injury.

The domestic industry

We have determined that the domestic industry in the present case consists of facilities in the United States devoted to the production of casual and sport headwear.

Serious injury or threat thereof

Examination of the performance of the producers of casual and sport headwear does not establish evidence of serious injury. In addition, the trends noted below demonstrate that despite increasing imports, there is

no threat of serious injury at this time.

Domestic production of casual and sport headwear increased from 2.8 million dozen in 1972 to 5.6 million dozen in 1976. In terms of value of production, the industry realized an average annual increase of 4.8 percent during the period 1972-76. By 1976 the value of production had reached \$90.4 million, compared with \$37.3 million in 1972.

In the aggregate, net sales of domestic producers providing usable profit-and-loss information to the Commission rose every year from 1972 to 1976. On the basis of figures supplied by the same firms, the ratio of net operating profit to net sales is also trending upward. In 1972 the ratio of net operating profit to net sales was 6.2 percent; by 1976, the ratio had climbed to 9.7 percent despite a decrease of less than 1 percent from the previous year when the ratio was 10.4 percent. Thus, the combined profit-and-loss statements of the producers reveal that even in 1976, when imports had achieved a 22-percent penetration of the market, these firms had higher combined net sales and operating profits than they did in 1972, when imports accounted for only 7.6 percent of the U.S. market.

The average number of persons employed in the production of casual and sport headwear has increased annually since 1972. The 1976 employment figure of 4,999 production workers is approximately 47 percent higher than the employment levels reported for 1972. Although there is evidence of a slight decline in the number of persons employed in the first quarter of 1977 as compared with the first quarter of 1976, the overall trend in employment is positive during years of increasing imports.

Price comparisons of casual and sport headwear must be qualified by the fact that there is extensive product differentiation in their lines. With this in mind, it is still apparent that there is no evidence of price depression or suppression. Average wholesale prices rose by 32 percent from 1972 to 1976, which is very healthy when compared with the 15 percent increase of prices in the apparel industry during the same period.

Conclusion

In view of the above, we have determined that the domestic casual and sport headwear industry is not being seriously injured or threatened with serious injury within the meaning of section 201(b)(1) of the Trade Act by increasing imports of the articles under investigation, and, therefore, we have made a negative determination.

Views of Chairman Daniel Minchew

On February 22, 1977, the United States International Trade Commission (Commission) instituted an investigation under section 201 of the Trade Act of 1974 (Trade Act) to determine whether headwear, knit or not knit, assembled from two or more cut pieces of fabric, of cotton, flax, or both, or of manmade fibers, provided for in items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the Tariff Schedules of the United States (TSUS), and visors with straps, whether or not such straps are adjustable, designed to be worn on the head, knit or not knit, of cotton or of manmade fibers, provided for in TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, of the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Section 201(b)(1) of the Trade Act requires that each of the following criteria is met before the Commission may recommend import relief:

- (1) that imports of an article into the United States are increasing (either actually or relative to domestic production);
- (2) that the domestic industry producing an article like or directly competitive with the imported article is being seriously injured or threatened with serious injury; and
- (3) that increased imports are a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

The failure to satisfy any of these criteria, therefore, necessitates a negative determination.

The domestic industry

The "domestic industry," as defined in section 201(b)(1), consists of the domestic producers of "an article like or directly competitive with the imported article." Additionally, in considering what constitutes the domestic industry, section 201(b)(3) provides:

the Commission--

(A) may, in the case of a domestic producer which also imports, treat as part of such domestic industry only its domestic production,

(B) may, in the case of a domestic producer which produces more than one article, treat as part of such domestic industry only that portion or subdivision of the producer which produces the like or directly competitive article, and

(C) may, in the case of one or more domestic producers, who produce a like or directly competitive article in a major geographic area of the United States and whose production facilities in such area for such article constitute a substantial portion of the domestic industry in the United States and primarily serve the market in such area, treat as such domestic industry only that segment of the production located in such area.

It has been argued in this investigation that the Commission should consider the facilities devoted to the production of headwear, as noticed in the investigation, which are located in the New York or St. Louis/Kansas City areas, as geographic domestic industries as defined in section 201(b)(3)(C). In order to qualify as a "geographic" industry within the meaning of section 201(b)(3)(C), four specific conditions must exist:

1. One or more domestic producers must produce an article like or directly competitive with the imported articles under investigation in a major geographic area of the United States.
2. The production facilities of such domestic producers must constitute a substantial portion of the domestic industry.
3. Such domestic producers must primarily serve the market in such geographic area.
4. The subject imports must be concentrated in such geographic area.

The failure to satisfy any of these conditions rules out the consideration of an industry as being "geographic" under the statute.

Information obtained in the current investigation indicates that production facilities concentrated in two geographic areas -- New York and St. Louis/Kansas City -- supply the entire country with headwear. In addition, while imports enter the United States through several major ports, there is no evidence that the imports impact primarily in that area. Taking this information into account, I have concluded that the criteria for a "geographic" domestic industry have not been met.

I have concluded that the domestic industry consists of those facilities in the United States devoted to the production of headwear, as noticed in investigation TA-201-23.

Determination

Based on the information obtained in investigation TA-201-23, I have determined that headwear, knit or not knit, assembled from two or more cut pieces of fabric, of cotton, flax, or both, or of manmade fibers, provided for in items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the Tariff Schedules of the United States, and visors with straps, whether or not such straps are adjustable, designed to be worn on the head, knit or not knit, of cotton or of manmade fibers, provided for in TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81, are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Specifically, I have determined that the second criteria for an affirmative determination, i.e., that of serious injury or the threat thereof, has not been met. As the failure of any single criteria necessitates a negative determination, I will limit my discussion to serious injury or the threat thereof.

Serious injury or the threat thereof

In determining whether the domestic industry is seriously injured, the Commission is directed, under section 201(b)(2) of the Trade Act, to take into account--

all economic factors which it considers relevant, including (but not limited to)--

(A). . . the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry.

In determining whether the domestic industry is being threatened with serious injury, the Commission considers, in addition to the factors of serious injury, the following factors found in section 201(b)(2)(B):

. . . a decline in sales, a higher and growing inventory, and a downward trend in production, profits, wages, or employment (or increasing underemployment) in the domestic industry concerned.

The ensuing discussion will consider both serious injury and the threat of serious injury together when possible.

Total U. S. production of casual and sport headwear has followed a steady trend upward from 2.8 million dozen in 1972, to 5.6 million dozen in 1976. Broken down by type of headwear, the figures show an upward trend in caps, hats and visors, with production in hats and visors decreasing very slightly in 1976. Domestic production of caps

increased from 1.9 million dozen in 1972, to 4.2 million dozen in 1976, for an average annual increase of 22 percent. Domestic production of hats increased from 804 thousand dozen in 1972, to 1,141 thousand dozen, in 1974, before decreasing slightly to 1,060 thousand dozen in 1976. Production of visors increased from about 101 thousand dozen in 1972 to 380 thousand dozen in 1975 before decreasing to about 321 thousand dozen in 1976. The trends show a clear increase in production over the past five years.

U. S. producers' shipments of casual and sport headwear increased from 2.8 million dozen valued at \$37.3 million in 1972, to 5.6 million dozen valued at \$90.4 million in 1976, an average annual increase in quantity shipped of 18.9 percent. During the same period, the average unit value of producers' shipments rose steadily at an average rate of 4.8 percent.

Inventories are not an important consideration in the headwear industry, as production is usually undertaken on a direct order basis, which eliminates the need to carry large inventories of finished goods.

Employment in establishments in which casual and sport headwear are manufactured rose from 5,125 in 1972, to 7,896 in 1976. There appears to have been a slight decline in employment in the first quarter of 1977. The number of production workers producing casual and sport headwear increased from 3,389 in 1972, to 4,999 in 1976, before declining slightly in the first quarter of 1977. However, despite a marginal decline in employment in the first quarter of 1977, the trend of employment has been upward.

There appears to have been little evidence of pricing advantages in imported headwear, or at least of advantages passed along to the consumer, and there appears to have been little evidence of price suppression. From 1972 to 1976 the average wholesale prices for domestic caps, hats, and visors increased by an average annual rate of 6.7 percent, 7 percent, and 8.1 percent, respectively.

Net sales of headwear by U.S. producers increased annually throughout the period 1972-76, increasing from \$50.4 million in 1972, to \$100.1 million in 1976. Net operating profits increased steadily from \$3.1 million in 1972 to \$9.7 million in 1976. The ratio of net operating profit to net sales generally followed the same trend as that of dollar operating profits, rising from 6.2 percent in 1972, to 10.4 percent in 1975, before falling slightly to 9.7 percent in 1976.

The information obtained by the Commission indicates that certain producers of headwear have not done nearly as well as the above figures indicate. ^{1/} However, as I have been unable to find that there is a "geographic" domestic industry, I am compelled to look at the industry as a whole. The factors discussed above lead me to the conclusion that the "serious injury or threat thereof" criterion is not met.

Conclusion

As stated earlier, I have determined that the requirements of section 201(b)(1) of the Trade Act have not been met, and I must therefore determine in the negative.

^{1/} While the Commission has determined that the domestic industry is not eligible for import relief under section 201, a number of the individual firms and employees may qualify for relief under other sections of the Trade Act.

INFORMATION OBTAINED IN THE INVESTIGATION

Summary

Following the receipt of a petition for import relief under section 201 of the Trade Act of 1974 from the Empire State Cloth Hat and Cap Manufacturers Association and the United Hatters, Cap and Millinery Workers Association, the United States International Trade Commission, on February 22, 1977, instituted an investigation on certain headwear (investigation No. TA-201-23). The imported articles covered in the scope of this investigation consist of certain headwear admitted under items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the Tariff Schedules of the United States (TSUS), and visors, admitted under TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81. 1/

Description and uses

The articles covered by the investigation are limited to headwear, i.e., hats and caps, knit or not knit, assembled from two or more cut pieces of fabric, of cotton, flax, or both, or of manmade fibers, and visors with straps, whether or not the straps are adjustable, designed to be worn on the head, of cotton or of manmade fibers. The headwear is made in a variety of styles. The most important styles of such headwear and visors are worn by men and boys for casual or sport use. For the purposes of the report both the headwear and the visors under investigation are referred to as casual and sport headwear.

There are approximately 75 U.S. establishments known to be producing casual and sport headwear. These facilities are located throughout the country with major concentrations in the New York City area and the St. Louis-Kansas City, Mo., areas. The New York City segment of the industry is characterized by many small, family-owned, union shops with an average labor force of about 15 employees. The establishments located near St. Louis and Kansas City are large in size, rarely unionized, and, while far fewer in number than those in New York, represent about 35 percent of domestic output.

Imports

Imports of casual and sport headwear rose from 338,000 dozen valued at \$1.3 million in 1972 to 1.6 million dozen valued at \$8.7 million in 1976. Imports of caps rose from 69,000 dozen in 1972 to 801,000 dozen in 1976. Hat imports declined from 266,000 dozen in 1972 to 218,000 dozen in 1973 then rose to 687,000 dozen in 1976. Visor imports rose from 3,000 dozen in 1972 to 124,000 dozen in 1976.

1/ Imports of the articles under investigation admitted under Tariff Schedules of the United States Annotated items 702.0600 and 702.1210, and TSUS items 382.04 and 382.06 have been found to be negligible or nil.

The Republic of Korea provided 50 percent of imported caps, 28 percent of imported hats, and 55 percent of imported visors in 1976. Hong Kong and the Republic of China were also major sources of imports.

Import ratios are shown below:

Casual and sport headwear: Ratios of imports to U.S. production and to U.S. consumption, by types, 1972-76

(In percent)							
Year	Ratio of imports to production			Ratio of sales of imports to consumption			
	Caps	Hats	Visors	Caps	Hats	Visors	
	:	:	:	:	:	:	:
1972-----	3.7	33.1	3.0	3.2	16.8	2.9	
1973-----	5.2	22.7	4.3	4.8	18.4	3.7	
1974-----	10.1	33.8	11.4	8.9	25.7	10.3	
1975-----	13.2	48.5	18.2	11.1	32.5	14.6	
1976-----	18.9	64.8	38.6	16.2	38.5	27.2	
	:	:	:	:	:	:	:

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

Production, shipments, exports, and inventories

U.S. production and shipments of casual and sport headwear increased from 2.8 million dozen in 1972 to 5.6 million dozen in 1976. The value of shipments rose from \$37.3 million to \$90.4 million over the same time period. Production and shipments of caps increased steadily through the 1972-76 period. Hat production and shipments declined in 1975 and 1976; visor production and shipments also declined in 1976.

Exports of caps and hats increased from 12,000 dozen valued at \$172,000 in 1972 to 29,000 dozen valued at \$473,000 in 1976. Inventories were negligible throughout the period.

U.S. employment

The average number of production and related workers producing casual and sport headwear increased from 3,389 in 1972 to 4,999 in 1976. A comparison of January-March 1976 statistics with those for January-March 1977 shows a decline of 206 workers. Man-hours worked increased from 6.1 million in 1972 to 7.9 million in 1976. The average hourly wage for production workers increased from \$2.32 in 1972 to \$2.81 in 1974, the last year for which such data were available.

Profit and loss

Net operating profits for firms producing casual and sport headwear increased steadily from \$3.1 million in 1972 to \$9.7 million in 1976. The ratio of net operating profit to net sales generally followed the same trend, rising from 6.2 percent in 1972 to 10.4 percent in 1975 then falling to 9.7 percent in 1976.

Views of Interested Parties

The petitioners in this investigation and other domestic manufacturers who supported the petition claim that imports are taking an increasing share of the domestic market each year, resulting in a loss of sales and jobs. The major problem is the loss of staple items (those which could be produced from year to year with few changes), which forces them to create new styles and wait for buyer reaction before these items can be produced in volume. In general, those in support of the petition called for some combination of duties and quotas to control imports of casual and sport headwear.

Domestic manufacturers who also import headwear were generally in opposition to the petition, claiming imports had not hurt the industry but rather stimulated an industry that was in decline. By importing certain items, manufacturers are able to devote their productive efforts to developing new specialty items. Low-cost imports have also benefited the industry in that they attract new buyers to the market, thus stimulating a renewed interest in all types of headwear.

Legal counsel for both importers and foreign manufacturers stated that petitioners are not entitled to relief under section 201 of the Trade Act of 1974 for two reasons. First, the Multifiber Agreement (MFA) and the bilateral agreements negotiated thereunder provide a full and complete arrangement governing international trade in textile headwear articles. Any unilateral action taken under section 201 which would have the effect of further limiting trade in any covered textile article would be contrary to the provisions of the MFA. Second, the petitioners have failed to fulfill the statutory requirements of increased imports, of injury to the domestic industry producing like or directly competitive articles, and of showing a relationship between such increased imports and the alleged serious injury or threat thereof.

Introduction

Following the receipt on February 8, 1977, of a petition for import relief, under section 201 of the Trade Act of 1974, from the Empire State Cloth Hat and Cap Manufacturers Association and the United Hatters, Cap and Millinery Workers International Union, and the receipt on February 18, 1977, of an amendment to that petition, the United States International Trade Commission, on February 22, 1977, instituted an investigation covering certain headwear (investigation No. TA-201-23). As amended on March 10, 1977, this investigation has been conducted to determine whether headwear, knit or not knit, assembled from two or more cut pieces of fabric, of cotton, flax, or both, or of manmade fibers, provided for in items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the Tariff Schedules of the United States (TSUS), and visors with straps, whether or not such straps are adjustable, designed to be worn on the head, knit or not knit, of cotton or of manmade fibers, provided for in TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. The notice of the institution of this investigation and of the scheduling of hearings was published in the Federal Register of February 28, 1977 [42 F.R. 11288]. The notice of the amendment to the scope of the investigation was published in the Federal Register of March 21, 1977 [42 F.R. 15375]. 1/ Public hearings in connection with this investigation were held in New York City on May 17, 1977, and in St. Louis, Mo., on May 26, 1977.

The information used in this report was obtained at the public hearings, from written briefs submitted by interested parties, through field visits and interviews with producers and importers, from other Federal agencies, from data submitted in response to questionnaires by domestic producers and importers, and from the Commission's files.

Description and Uses

The imported articles covered by this investigation consist of certain headwear (caps and hats) admitted under TSUS items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15. They also include visors, admitted under items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81. 2/

The caps, hats, and visors within the scope of the investigation are designed primarily for men and boys (although many styles can be worn by

1/ Copies of the Commission's notices of investigation and hearing are presented in app. A.

2/ Imports of articles covered in the scope of the investigation admitted under Tariff Schedules United States Annotated items 702.0600, 702.1210, and TSUS items 382.04, and 382.06 were negligible or nil.

either sex) for casual or sport use, and are predominately spring-summer items. The market for this headwear is chiefly seasonal in nature; the spring-summer line consists primarily of baseball caps, tennis hats, rain hats, and so forth, and the fall-winter line consists of many of the same styles but in heavier weights and in different materials (i.e., wool) than those under investigation. Excluded from the scope of this investigation are felt (essentially one piece of fabric), straw, braided, and knitted headwear, not assembled from a cut-and-sew operation. For the purposes of this report the caps, hats, and visors under investigation will hereafter be referred to collectively as casual and sport headwear.

The production of headwear is labor intensive and generally involves four distinct steps. First, fabric is cut in a variety of shapes, depending on the style of headwear being made. Second, the product is formed by sewing operations. Blocking, which shapes the assembled headwear by a steaming process, constitutes the third step, which is followed by packing for shipment.

Caps

The caps covered by this investigation are assembled by a cut-and-sew operation. Pieces of fabric are first cut to size then sewn together to form the desired style. Caps differ from hats in that they have no brim but do have a peak which projects from the front of the article. Both the domestic and imported articles under investigation are made from fabric of cotton, flax, manmade fibers, or combinations of such fibers. The fabric used is traditionally not a knitted fabric; increasingly, however, sport caps are being assembled from double-knit polyester material. In addition to sport caps, other types of domestically produced and imported caps are denim caps, emblem caps, engineer caps, golf caps, hunting caps, industrial caps, and utility caps.

The most important items of the general headwear types under investigation currently being sold in the domestic market are emblem caps which are known as premiums. These items are sport-caps with an emblem affixed to the front panel. They have brought a marketing change to the industry in that many non-apparel-related companies are now distributing headwear as promotional material. In addition to the traditional apparel-related purchasers of headwear, major purchasers now include banks, airlines, trucking concerns, and the like.

Hats

The hats covered in the scope of this investigation are made from the same fabrics used in cap assembly and are assembled by a cut-and-sew operation. Referred to in the industry as cloth hats, these articles all have a crown and brim and are sold in a variety of styles. Examples of imported and domestically produced cloth hats are beach hats, denim hats,

dress hats (fedoras, walking hats, etc.), fishing hats, floppy hats, "Gatsby" hats, gob (sailor) hats, golf hats, "Ivy"-style hats, roll-up (bucket) hats, sun-and-fun hats, and tennis hats.

Visors

Visors are assembled from cotton or manmade-fiber materials, both knit and not knit, and are essentially unisex items, except for certain colors and designs. The visors are affixed to the head by straps which usually are adjustable. These items are exclusively spring-summer items typically worn in casual or sport pursuits.

U.S. Producers

There are approximately 75 firms ^{1/} known to be current manufacturers of casual and sport headwear. These producers are located throughout the country with major concentrations in the New York City area and the St. Louis and Kansas City, Mo., areas.

The New York City segment of the industry is characterized by small, family-owned, union shops each having an average labor force of about 15 employees. Most of these firms operate in "loft" plants located in downtown Manhattan and utilize a very transient labor force. The majority of this labor force consists of women, many of whom are recent immigrants to the United States. They have few job skills and, in some cases, severe language restrictions. Many of these firms specialize in one or two custom styles of headwear and depend on this custom output for all of their sales. They often produce on order for larger domestic manufacturers. Although more than 50 percent of the firms producing casual and sport headwear in 1976 were located in New York City, they accounted for less than 10 percent of domestic production in that year.

The development of a headwear industry in the Midwest does not represent a shift from the east coast but rather represents a coequal growth in these two divergent areas. The establishments located near St. Louis and Kansas City, Mo., while far fewer in number than those in New York, represent about 35 percent of domestic output of casual and sport headwear. Most of these firms, although originally located in St. Louis and Kansas City, have moved their manufacturing facilities into outlying rural areas. These moves were made for a number of reasons, among them location near a stable work force and the avoidance of unionization. Unlike their New York competitors, these midwestern firms rarely are unionized and draw from a very stable rural population. Although the midwestern employees also are primarily women, they are often working

^{1/} A list of former manufacturers provided by the Empire State Cloth Hat and Cap Manufacturers Association can be found in app. B.

to augment the incomes of their farmer husbands. These workers have none of the language problems found in New York and usually have a high school education. These firms produce a wide variety of headwear styles and often augment their lines with imported styles.

In addition to these two major concentrations of firms, there are also manufacturing facilities located in the Richmond, Va. and Chicago, Ill., areas, and in Kentucky, Texas, and California.

The output of U.S. producers is highly concentrated in a small number of firms. The 10 largest firms accounted for 70 percent of total domestic production of casual and sport headwear, 80 percent of cap production, 45 percent of hat production, and 60 percent of visor production in 1976.

U.S. Importers

Three major categories of firms import casual and sport headwear: (1) general importers that handle a diverse group of products in addition to headwear, (2) those firms that deal strictly in headwear-related products, and (3) those large retail chains that have their own importing departments. In addition to these major categories, certain U.S. companies obtain raw materials, cut the raw materials to patterns, and have the patterns assembled in a foreign country (usually Mexico or Haiti). ^{1/} A number of large U.S. manufacturers also engage in direct importing to supplement their domestic production of headwear.

Channels of Distribution

The distribution of casual and sport headwear from domestic or foreign source to final consumer is controlled primarily by firms called jobbers. The headwear jobber, unlike jobbers in other branches of the apparel and the textile industries, does not contract out its production but rather acts as a wholesaler or distributor between producer and consumer. Over 90 percent of domestic production is sold to these jobbers which in turn sell to the retail outlets. Importers also sell through jobbers, although many jobbers now import for their own account. This trend toward direct importing by jobbers was cited as

^{1/} TSUS item 807.00 provides that imported articles assembled in foreign countries from components that have been manufactured in the United States are subject to duty upon the full value of the imported product less the value of the U.S.-fabricated components contained therein. Imports of casual and sport headwear under TSUS item 807.00 were negligible.

an example of injury during the public hearing in New York. ^{1/} The 10 largest importers of casual and sport headwear in 1976 consisted of five domestic producers, two large jobbers, two general importers, and one large chain store.

In light of seasonal style changes, very few manufacturers produce for stock. The typical season begins in June and July with the producer showing his spring line intended for delivery the following spring. Jobbers place their orders, and production begins in November. The producer shows the fall line, scheduled for production in April, in December. The spring line is delivered through March and April, the fall line through August and September.

An increasing percentage of domestic production is entering the market as promotional headwear called premiums. Such headwear generally is not sold; rather it is given to the consumer to promote a particular firm's name or product. Premiums usually involve direct distribution of headwear from producer to promoter. A growing number of domestic companies now deal exclusively in this type of production.

U.S. Tariff Treatment

Imported headwear of the type under investigation is admitted under items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the TSUS. Rates of duty vary from 18 percent ad valorem for hats and caps of manmade fabrics, wholly or in part of braid, to 26 percent ad valorem equivalent for headwear of manmade fibers, not knit. Visors are admitted under TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81. Rates of duty for visors vary from 16.5 percent ad valorem for those of cotton, not knit or ornamented, to 42.5 percent ad valorem for those of manmade fibers, knit or not knit, and ornamented. The column 1 (or most-favored-nation) rates of duty in effect on December 31, 1967, and column 1 and column 2 rates as of January 1, 1977, are set forth in table 1 in appendix C.

Eligibility for duty-free treatment under the Generalized Systems of Preferences

Of the imports included in the scope of this investigation, only imports under TSUS item 702.14, headwear of flax or flax and cotton, are eligible for duty-free treatment under the Generalized System of Preferences, provided for in title V of the Trade Act of 1974, which permits

^{1/} See the transcript of the New York public hearing, p. 25 (Mr. Nisenbaum).

duty-free entry for eligible articles from beneficiary developing countries. Data collected from importers of casual and sport headwear under TSUS item 702.14 are shown in tables 2 through 5 and are detailed in the table on page A-11.

Quota restrictions

Imports under TSUS items 382.00, 382.04, 382.06, 382.33, 382.78, 382.81, 702.06, 702.12, 1/ 703.05, 703.10, and 703.15 are subject to quota restrictions under the provisions of the Arrangement Regarding International Trade in Textiles, usually referred to as the Multifiber Agreement (MFA). The terms of the MFA are implemented through bilateral agreements with each individual trading partner. The United States has entered into bilateral agreements with each of the principal sources of imports except the People's Republic of China. 2/

Imports of casual and sport headwear are found under four MFA category numbers. The categories are based on fiber content and whether the article is knit or not knit. Category 62 provides for cotton wearing apparel, knit, not elsewhere specified (n.e.s.); category 63, cotton wearing apparel, not knit, n.e.s; category 224, other manmade-fiber wearing apparel, knit, whether or not ornamented; category 240, other manmade-fiber wearing apparel, not knit, whether or not ornamented. These categories contain both headwear and numerous other apparel products.

The bilaterals negotiated under the MFA use a variety of restraint techniques, including aggregate, group, and specific limitations and consultation levels. Aggregate limits apply to total imports of cotton, wool, and manmade fiber articles covered by the bilateral agreement. Group levels refer to combinations of cotton, wool, and manmade fiber items such as apparel of cotton, apparel of manmade fibers, or yarns or fabrics of cotton or manmade fibers. Specific limitations are agreed upon quantities of imports which are not to be exceeded during the term of the agreement, while consultation levels are minimum quantities of imports which cannot be exceeded without consultation with the countries involved.

Although there are no specific restraint levels or consultation levels for headwear alone in any of these bilateral agreements, the export quotas set on MFA categories containing headwear by some supplying countries can directly affect headwear imports.

1/ Only articles admitted under TSUSA item 702.1220 are subject to restrictions.

2/ Representatives of importers and foreign manufacturers have claimed that the provisions of the MFA require that the Commission decline to consider a petition for import relief under sec. 201 of the Trade Act with regard to articles subject to the MFA.

Casual and sport headwear: Imports admitted under
TSUS item 702.14, by sources, 1972-76

Source	1972		1973		1974		1975		1976	
	Quan-	Value	Quan-	Value	Quan-	Value	Quan-	Value	Quan-	Value
	tity		tity		tity		tity		tity	
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<u>dozen</u>	<u>dollars</u>	<u>dozen</u>	<u>dollars</u>	<u>dozen</u>	<u>dollars</u>	<u>dozen</u>	<u>dollars</u>	<u>dozen</u>	<u>dollars</u>
Hong Kong-----	4	23	18	85	4	18	11	54	13	73
People's Republic of										
China-----	0	-	0	-	0	-	0	-	5	25
Republic of Korea----	2	8	0	-	0	-	0	-	4	27
Japan-----	9	45	3	15	0	-	0	-	0	-
Other-----	0	-	0	-	0	-	0	-	0	-
Total-----	16	76	21	100	4	18	11	54	22	125

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

Note.--Figures may not add to totals shown because of rounding.

The Republic of China.—The agreement with the Republic of China is effective for the term of January 1, 1975, through December 31, 1977, and provides for annual aggregate limits, group limits, specific limitations and consultation levels that provide for the ordered increase of textile exports to the United States during the 3-year life of the agreement. Data on restraint levels and actual imports are shown in the following tabulation. As noted previously, the data shown are not for headwear alone, but are for all textile products covered by the four commodity categories in which headwear are included.

MFA bilateral agreement with the Republic of China: Restraint levels, actual imports and percentage of level filled, calendar years 1975-76, and restraint level for 1977 1/

Category No.	1975			1976			1977
	Restraint level <u>2/</u>	Actual imports <u>2/</u>	Percent- age filled	Restraint level <u>2/</u>	Actual imports <u>2/</u>	Percent- age filled	Restraint level
	<u>1,000</u>	<u>1,000</u>		<u>1,000</u>	<u>1,000</u>		<u>1,000</u>
	<u>pounds</u>	<u>pounds</u>	<u>Percent</u>	<u>pounds</u>	<u>pounds</u>	<u>Percent</u>	<u>pounds</u>
62-----	152	64	42	152	104	68	217
63-----	652	471	72	652	491	75	652
224-----	11,875	8,911	75	10,769	9,870	92	9,697
240-----	2,724	1,209	44	2,308	1,478	64	3,077

1/ Import data for 1977 are not available.

2/ Includes all products within each category.

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

Hong Kong.—The bilateral agreement with Hong Kong is effective for the term October 1, 1974, through September 30, 1977, and provides for annual aggregate limits, group limits, specific limitations, and procedures for setting consultation levels. The agreement calls for consultation by category whenever imports in a category not given specific limits threaten to disrupt the domestic market. Data on restraint levels and actual imports are shown in the following tabulation.

MFA bilateral agreement with Hong Kong: Group restraint level, actual imports and percentage of level filled, agreement years 1974-76, and group restraint level for agreement year 1977

Agreement year	: Group II-Apparel of cotton and manmade fibers 1/			
	: Restraint	: Actual	: Percentage	
	: level	: imports	: filled	
	: 1,000 square	: 1,000 square		
	: yards	: yards	: Percent	
Oct. 1, 1974-Sept. 30, 1975-----	: 134,080	: 14,997	:	11
Oct. 1, 1975-Sept. 30, 1976-----	: 142,460	: 27,656	:	19
Oct. 1, 1976-Sept. 30, 1977-----	: 152,995	: 2/	:	-
	: :	:	:	

1/ Includes categories 62, 63, 224, and 240.

2/ Not available.

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

The Republic of Korea.—The Republic of Korea entered into a bilateral agreement with the United States, effective for the term October 1, 1974, through September 30, 1977, which established aggregate limits, group levels, specific limitations, and consultation levels for Korean exports of textile products to the United States. Data on restraint levels and actual imports in those four commodity categories containing headwear are shown in the following tabulation.

MFA bilateral agreement with the Republic of Korea: Restraint levels, actual imports, and percentage of level filled, agreement years 1974-76, and restraint level for 1977 1/

Category No.	Oct. 1, 1974, to Sept. 30, 1975			Oct. 1, 1975, to Sept. 30, 1976			Oct. 1, 1976, to Sept. 30, 1977		
	Restraint level <u>2/</u>	Actual imports <u>2/</u>	Percent- age filled	Restraint level <u>2/</u>	Actual imports <u>2/</u>	Percent- age filled	Restraint level		
	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>Percent</u>	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>Percent</u>	<u>1,000</u> <u>pounds</u>		
62-----	152	118	78	217	217	100	196		
63-----	783	783	100	935	935	100	691		
224-----	3,868	2,170	56	3,868	3,807	98	4,359		
240-----	1,923	1,060	55	2,564	1,881	73	1,047		

1/ Import data for 1977 are not available.

2/ Includes all products within each category.

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

Japan.—The United States negotiated a bilateral agreement with Japan for the term October 1, 1974, through December 31, 1977. It provided for aggregate limits, group limits, specific limitations, and procedures for consultation between the two Governments. An exchange of notes on February 15, 1977, modifying this agreement, provided, in general, that certain MFA categories (including categories 62, 63, 224, and 240) would not be subject to the aggregate and group limits established by ANNEX A (1) of the bilateral agreement and would not be subject to the specific limits established by ANNEX A (2) thereof. Procedures for consultation whenever imports are increasing so as to cause a real risk of market disruption in the United States were included in the modification.

The Question of Increased Imports

U.S. imports

Imports of headwear of the types under investigation, i.e., those assembled from two or more cut pieces of fabric, are not separately classified in statistics provided by the U.S. Department of Commerce.

Data compiled from questionnaire responses provided the detail necessary for this investigation and are hereafter used exclusively. 1/

Casual and sport headwear.—Data collected from importers are detailed with respect to country of origin, TSUS item, value, and average unit value in tables 2 through 5; they are summarized in the following table and figures 1 and 2. Imports of all casual and sport headwear increased from 338,000 dozen in 1972 to 1.6 million dozen in 1976 at an average annual rate of 48 percent. Imported headwear included baseball caps, beach hats, denim caps and hats, dress hats (fedoras, walking hats, etc.), 2/ emblem caps (premiums), engineer caps, fishing hats, floppy hats, "Gatsby" hats, gob (sailor) hats, golf caps and hats, hunting caps, "Ivy"-style hats, industrial caps, roll-up (bucket) hats, sun-and-fun hats, tennis hats, utility caps, and visors (sun shades).

Casual and sport headwear: U.S. imports for consumption, by types, 1972-76

(In thousands of dozens)					
Year	:	:	:	:Total casual	
	:	Caps	Hats	Visors	: and sport
	:	:	:	:	: headwear
1972-----	:	69	266	3	: 338
1973-----	:	113	218	9	: 340
1974-----	:	342	386	41	: 769
1975-----	:	535	522	69	: 1,126
1976-----	:	801	687	124	: 1,612
	:	:	:	:	

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

Note.—Figures may not add to totals shown because of rounding.

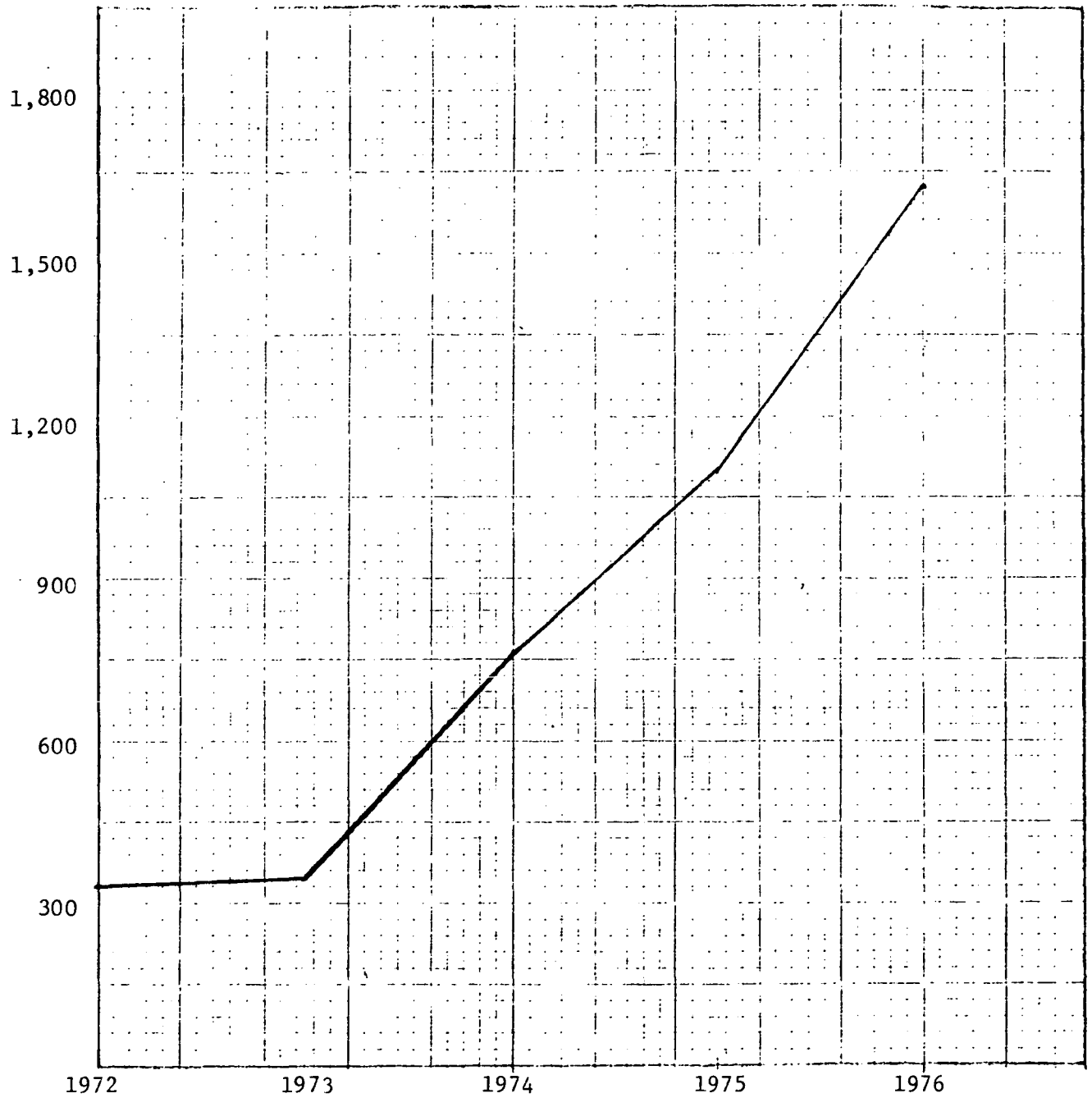
Caps.—Imports of caps, admitted under Tariff Schedules of the United States Annotated (TSUSA) items 702.1220, 702.1400, 703.0500, 703.1000, and 703.1500 increased from 69,000 dozen in 1972 to 801,000 dozen in 1976 at an average annual rate of 85 percent. Cap imports of double-knit fabric, virtually nonexistent prior to 1975, increased from

1/ Because of the lack of available records, import data from respondents for 1972 and 1973 may be understated. One importer that had not supplied data in connection with 1972 and 1973 imports prior to the oral briefing and public release of data on total imports provided such data following the briefing. Those data, which would not significantly alter the trends shown, have not been included in the totals for those years, since the totals would then be confidential.

2/ Rarely imported because of packing and shipping problems.

Figure 1.-- Casual and sport headwear: U.S. imports for consumption, 1972-76.

1,000 dozen



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

11,000 dozen in that year to 70,000 dozen in 1976. The Republic of Korea was the principal source of imported caps in 1976, providing over 50 percent of U.S. imports. Hong Kong and the People's Republic of China accounted for 23 percent and 14 percent of U.S. imports, respectively. Imports from the People's Republic of China increased from 2,000 dozen in 1973 to 114,000 dozen in 1976.

In 1976, caps from Korea were predominately of cotton and had an average unit value of \$5.62 per dozen. Caps imported from Hong Kong were either of cotton or of cotton and flax, with an average unit value of \$4.07 per dozen. Those from the People's Republic of China were exclusively of cotton, with an average unit value of \$3.21 per dozen.

Hats.—Imports of hats admitted under TSUSA items 702.1220, 702.1400, 703.0500, 703.1000, and 703.1500 declined from 1972 to 1973 but then increased from 218,000 dozen in 1973 to 687,000 dozen in 1976, for an average annual increase of 47 percent. Imported hats (over 90 percent of which were cotton) came chiefly from Hong Kong in 1976 (44.8 percent), with lesser amounts from the Republic of Korea (27.5 percent) and the People's Republic of China (19.9 percent). Average unit values in 1976 were as follows:

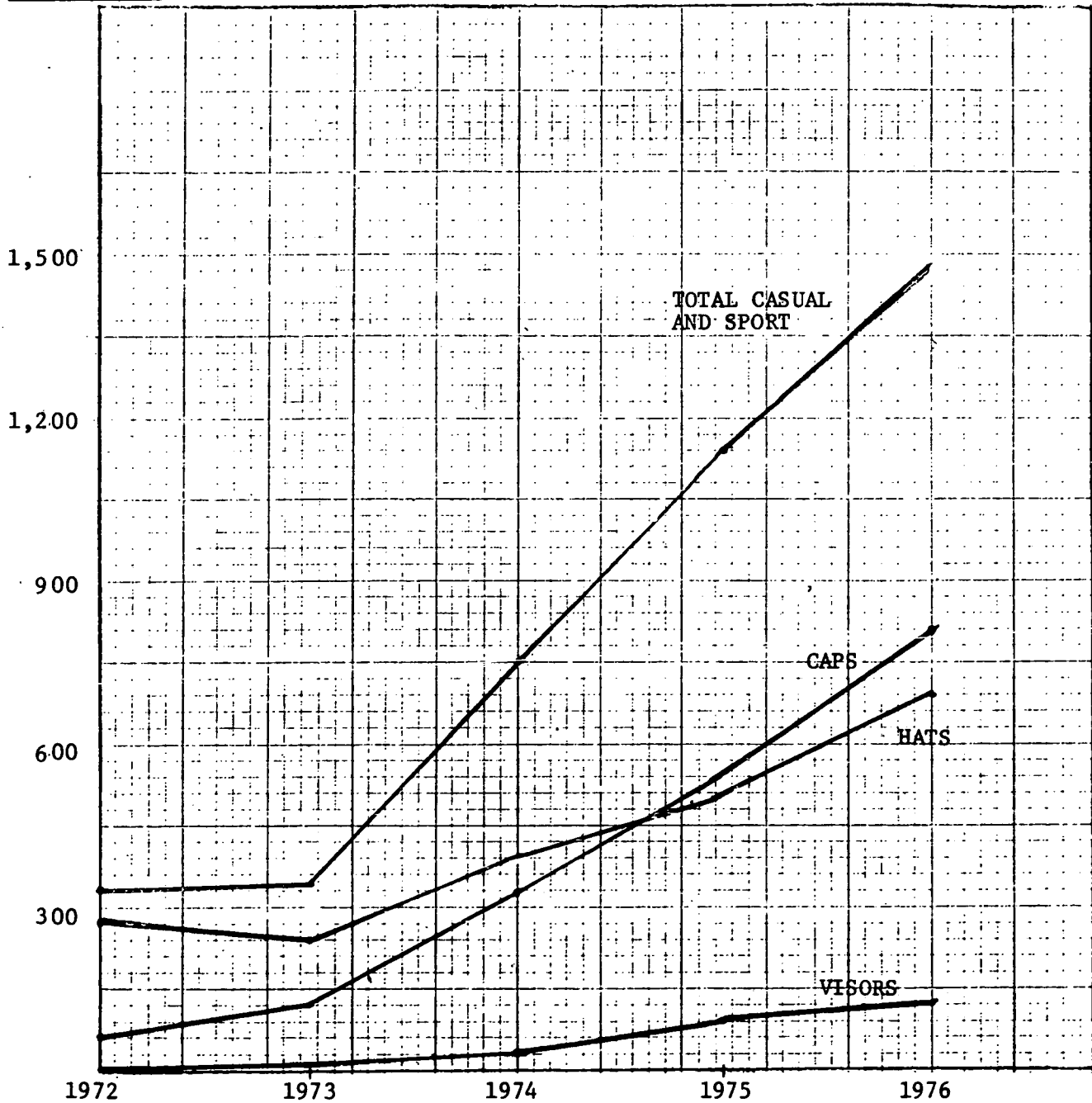
<u>Source</u>	<u>Per dozen</u>
Hong Kong-----	\$5.50
Republic of Korea-----	6.13
People's Republic of China-----	3.47

Visors.—Imports of visors admitted under TSUS items 382.00, 382.33, 382.78, and 382.81 increased from 3,000 dozen in 1972 to 124,000 dozen in 1976 at an average annual rate of 250 percent. The Republic of Korea and Hong Kong accounted for the bulk of visor imports in 1976, 54.8 percent and 36.3 percent, respectively. Imported visors were divided almost evenly between those made from cotton and those made from manmade fibers. Average unit values in 1976 were as follows:

<u>Source</u>	<u>Per dozen</u>
Republic of Korea-----	\$5.31
Hong Kong-----	6.44

Figure 2.--Casual and sport headwear: U.S. imports for consumption, by types, 1972-76.

1,000 dozen



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

Ratio of U.S. imports to domestic production

The ratio of U.S. imports of casual and sport headwear to U.S. production increased from 11.8 percent in 1972 to 28.7 percent in 1976 as shown in the table on page A-20. The ratio for caps increased from 3.7 percent to 18.9 percent. The ratio for visors followed a similar trend, increasing from 3.0 percent in 1972 to 38.6 percent in 1976. The ratio for hats decreased from 33.1 percent in 1972 to 22.7 percent in 1973 then increased to 64.8 percent in 1976.

Ratio of U.S. imports to domestic consumption

The ratio of sales of imported casual and sport headwear to domestic consumption increased from 7.6 percent in 1972 to 22.2 percent in 1976. In the same period the ratio for caps increased from 3.2 percent to 16.2 percent while the ratio for hats increased steadily from 16.8 percent in 1972 to 38.5 percent in 1976. The ratio of sales of imported visors to domestic consumption increased from 2.9 percent in 1972 to 27.2 percent in 1976.

Casual and sport headwear: U.S. production, domestic shipments, exports, imports for consumption, sales of imports, and apparent consumption, by types, 1972-76

Type and year	Production	Domestic shipments	Exports ^{1/}	Imports	Sales of imports	Appar- ent consump- tion ^{2/}	Ratio of imports to pro- duction	Ratio of sales of imports to consumption
	<u>1,000</u> <u>dozen</u>	<u>1,000</u> <u>dozen</u>	<u>1,000</u> <u>dozen</u>	<u>1,000</u> <u>dozen</u>	<u>1,000</u> <u>dozen</u>	<u>1,000</u> <u>dozen</u>	Percent	Percent
Caps:								
1972-----	1,885	1,885	6	69	63	1,942	3.7	3.2
1973-----	2,179	2,178	7	113	110	2,281	5.2	4.8
1974-----	3,398	3,385	9	342	328	3,704	10.1	8.9
1975-----	4,055	3,986	11	535	494	4,469	13.2	11.1
1976-----	4,244	4,222	13	801	816	5,025	18.9	16.2
Hats:								
1972-----	804	804	6	266	161	959	33.1	16.8
1973-----	962	962	8	218	215	1,169	22.7	18.4
1974-----	1,141	1,129	12	386	386	1,503	33.8	25.7
1975-----	1,076	1,076	12	522	512	1,576	48.5	32.5
1976-----	1,060	1,062	16	687	656	1,702	64.8	38.5
Visors:								
1972-----	101	101	<u>3/</u>	3	3	104	3.0	2.9
1973-----	211	211	<u>3/</u>	9	8	219	4.3	3.7
1974-----	360	359	<u>3/</u>	41	41	400	11.4	10.3
1975-----	380	380	<u>3/</u>	69	65	445	18.2	14.6
1976-----	321	319	<u>3/</u>	124	119	438	38.6	27.2
Total casual and sport:								
1972-----	2,790	2,790	12	338	227	3,005	11.8	7.6
1973-----	3,352	3,351	15	340	333	3,669	10.1	9.1
1974-----	4,899	4,873	21	769	755	5,607	15.7	13.5
1975-----	5,511	5,442	23	1,126	1,071	6,490	20.5	16.5
1976-----	5,624	5,603	29	1,612	1,591	7,165	28.7	22.2

^{1/} Estimated.

^{2/} Apparent consumption equals domestic shipments minus exports plus sales of imports.

^{3/} Negligible or nil.

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

Note.--Figures may not add to totals shown because of rounding.

The Question of Serious Injury or Threat
Thereof to the Domestic Industry

U.S. Production

Production of casual and sport headwear is not separately reported in statistics available from the U.S. Department of Commerce. Data compiled from questionnaire responses provided the detail necessary for this investigation and are hereafter used exclusively. 1/

Casual and sport headwear.—Data collected from domestic producers are detailed in table 6 and summarized graphically in figure 3. The reported statistics cover only headwear made from cotton or manmade-fiber fabrics or a combination thereof. U.S. production of casual and sport headwear increased from 2.8 million dozen in 1972 to 5.6 million dozen in 1976.

Caps.—Domestic production of caps increased from 1.9 million dozen in 1972 to 4.2 million dozen in 1976 at an average annual rate of 22 percent. Production of caps of knit material (usually double-knit polyester), which was virtually nonexistent prior to 1973, increased from 16,000 dozen in that year to 620,000 dozen in 1976. Types of caps produced included baseball caps consisting of a combination of fabric and nylon mesh, denim caps, emblem caps (premiums), engineer caps, golf caps, hunting caps, industrial caps, utility caps, and shop caps. The average unit value for domestically produced caps in 1976 was \$16.42 per dozen.

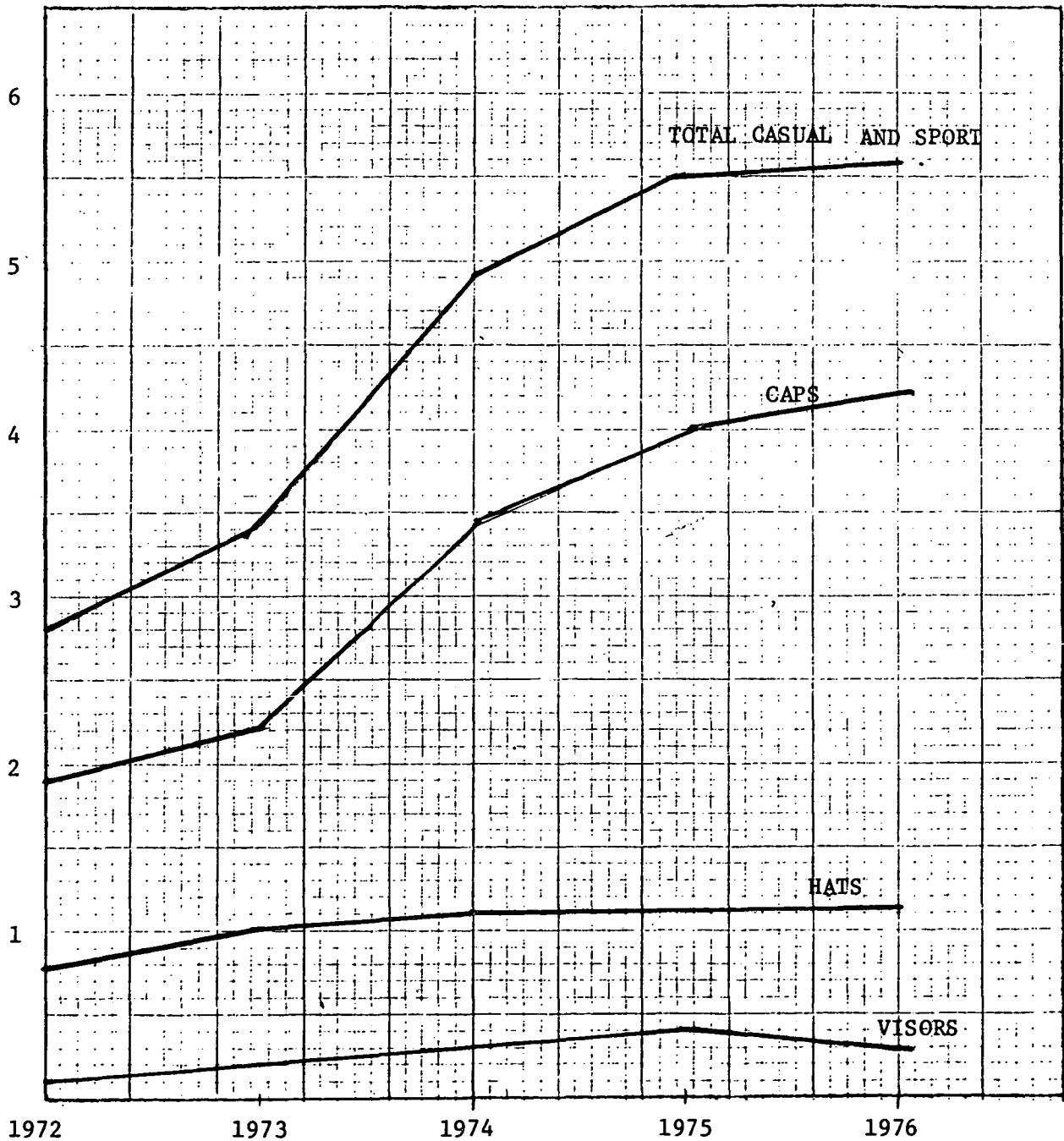
Hats.—Domestic production of hats increased from 804,000 dozen in 1972 to 1.14 million dozen in 1974, then decreased slightly to 1.06 million dozen in 1976. Hat production includes beach hats, denim hats, fishing hats, golf hats, "Gatsby" hats, gob (sailor) hats, "Ivy"-style hats, roll-up (bucket) hats, sun-and-fun hats, and tennis hats. Dress hats (fedoras, walking hats, etc.) are included in the statistics but are of cotton or manmade-fiber materials rather than the traditional felts. Braided, felt, knitted, and straw hats are not included in the scope of the investigation and therefore are not reported, although most of the larger manufacturers make these types of headwear in addition to their casual and sport headwear lines. The average unit value of domestically produced hats in 1976 was about \$16.37 per dozen.

Visors.—Production of visors increased from about 101,000 dozen in 1972 to 380,000 dozen in 1975 and then decreased to about 321,000 dozen in 1976. The average unit value for domestically produced visors in 1976 was about \$10.38 per dozen.

1/ Because of a lack of available records, respondents' production statistics for 1972 and 1973 may be understated.

Figure 3.-- Casual and sport headwear: U.S. production, by types, 1972-76

Million dozen



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

U.S. producers' shipments

Casual and sport headwear.—U.S. producers' shipments of casual and sport headwear, shown in the table on A-24, increased from 2.8 million dozen valued at \$37.3 million in 1972 to 5.6 million dozen valued at \$90.4 million in 1976 at an average annual rate of 18.9 percent (table 7). The average unit value of producers' shipments rose steadily throughout the 1972-76 period at an average rate of 4.8 percent.

Caps.—Shipments of caps rose from 1.9 million dozen valued at \$24.5 million in 1972 to 4.2 million dozen valued at \$69.7 million in 1976. The quantity of shipments rose at an average annual rate of 22 percent during the 1972-76 period while the average unit value rose at the rate of 6.1 percent.

Shipments of combination knit/mesh sport caps increased from 16,000 dozen in 1973 to 602,000 dozen in 1976 at an average annual rate of 470 percent. Substantial quantities of these caps are used in the expanding premium advertising business. Knit/mesh caps are generally more expensive than other types of caps, having an average unit value of \$20.96 per dozen in 1976, as shown in the following table.

Casual and sport headwear: U.S producers' shipments
of caps, by types of fabric, 1972-76

Year	Caps, knit			Caps, not knit		
	Quantity	Value	Unit	Quantity	Value	Unit
	: 1,000 : dozen	: 1,000 : dollars	: value	: 1,000 : dozen	: 1,000 : dollars	: value
1972-----	0	-	-	1,885	24,536	\$13.02
1973-----	16	339	\$21.19	2,162	30,413	14.07
1974-----	219	4,030	18.40	3,166	45,098	14.24
1975-----	508	8,355	16.45	3,478	51,475	14.80
1976-----	602	12,616	20.96	3,620	57,091	15.77

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

Hats.—U.S. producers' shipments of hats increased from 804,000 dozen valued at \$11.8 million dollars in 1972 to 1.13 million dozen valued at \$16.7 million in 1974. Shipments then began to decline

Casual and sport headwear: U.S. producers' shipments,
by types, 1972-76

Year	Caps	Hats	Visors	Total casual and sport headwear
Quantity (1,000 dozen)				
1972-----	1,885	804	101	2,790
1973-----	2,178	962	211	3,351
1974-----	3,385	1,129	359	4,873
1975-----	3,986	1,076	380	5,442
1976-----	4,222	1,062	319	5,603
Value (1,000 dollars)				
1972-----	24,536	11,805	978	37,319
1973-----	30,752	13,885	1,801	46,438
1974-----	49,128	16,722	3,264	69,114
1975-----	59,830	17,038	3,301	80,169
1976-----	69,707	17,353	3,333	90,393
Unit value (per dozen)				
1972-----	\$13.02	\$14.68	\$9.68	\$13.38
1973-----	14.12	14.43	8.54	13.86
1974-----	14.51	14.81	9.09	14.18
1975-----	15.01	15.83	8.69	14.73
1976-----	16.51	16.34	10.45	16.13

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

gradually to 1.06 million dozen, valued at \$17.4 million in 1976. Witnesses at the St. Louis public hearing attributed this decline to a drop in demand for a certain style of roll-up hat. 1/

Visors.—Producers' shipments of visors rose from 101,000 dozen valued at \$978,000 in 1972 to 380,000 dozen, valued at \$3.3 million in 1975. Visor shipments in 1976 paralleled the decline in visor production, dropping to 319,000 dozen valued at \$3.3 million.

U.S. inventories

The domestic production of casual and sport headwear is usually undertaken on a direct-order basis, which eliminates the need to carry large inventories of finished goods. However, almost all producers have a small stock of their goods on hand owing to the nature of the production process--(1) the jobber places an order with the producer for a certain quantity of hats or caps, (2) the producer cuts the fabric and assembles the headwear to fill the order, and (3) if fabric is left over after the order is filled, it is assembled in anticipation of future orders. An accounting of this overrun inventory is given in the following table.

Casual and sport headwear: Domestic producers' inventories,
as of Dec. 31 of 1972-76

(In thousands of dozens)				
Dec. 31--	: Caps	: Hats	: Visors	: Total casual and : sport headwear
1972-----	: 0	: 0	: 0	: 0
1973-----	: 1	: 0	: 0	: 1
1974-----	: 13	: 12	: 1	: 26
1975-----	: 69	: 0	: 0	: 69
1976-----	: 22	: 0	: 2	: 24
	: :	: :	: :	: :

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

1/ See the transcript of the St. Louis public hearing, pp. 69 and 70.

U.S. exports

Exports of casual and sport headwear are not separately classified in official statistics and were initially reported to be negligible. ^{1/} A preliminary report by the Bureau of the Census provided the estimated data which follows. The report may be found in appendix D.

Casual and sport headwear: U.S. exports, by types, 1972-76

(In thousands of dozens)				
Year	: Caps	: Hats	: Visors	: Total casual and sport headwear
1972-----	: 6	: 6	: <u>1/</u>	: 12
1973-----	: 7	: 8	: <u>1/</u>	: 15
1974-----	: 9	: 12	: <u>1/</u>	: 21
1975-----	: 11	: 12	: <u>1/</u>	: 23
1976-----	: 13	: 16	: <u>1/</u>	: 29
	: :	: :	: :	: :

^{1/} Visor exports were negligible.

Source: Estimated from data provided by the Bureau of the Census.

On the basis on these estimates, exports increased at an average annual rate of 25 percent during the period 1972-76. Although exports grew steadily during this period they accounted for less than 1 percent of domestic production in 1976. Hats accounted for 55 percent of total casual and sport headwear exports in 1976 having increased from 6,000 dozen valued at \$95,000 in 1972 to 16,000 dozen valued at \$262,000 in 1976 (see table 8). Exports of caps increased from 6,000 dozen valued at \$77,000 in 1972 to 13,000 dozen valued at \$212,000 in 1976.

U.S. Employment

Total employment in establishments in which casual and sport headwear is manufactured rose from 5,125 in 1972 to 7,896 in 1976. Total employment in January-March 1976 compared with January-March 1977 fell from 7,811 to 7,437, or by 374 workers (table 9).

The number of production workers producing casual and sport headwear increased from 3,389 in 1972 to 4,999 in 1976. Figures for January-March 1977 show a decline of 206 workers as compared with January-March 1976. The number of man-hours worked by production workers in the manufacture of casual and sport headwear increased from 6.1 million hours in 1972 to 8.8 million hours in 1975 then decreased to 7.9 million hours in 1976.

^{1/} See the transcript of the St. Louis public hearing, p. 134.

Average number of production workers employed in establishments producing casual and sport headwear and man-hours worked by them, 1972-76, January-March 1976, and January-March 1977

Period	Production workers	Man-hours worked
1972-----	3,389	6,094,305
1973-----	3,694	6,702,234
1974-----	4,771	8,325,549
1975-----	4,943	8,774,458
1976-----	4,999	7,897,544
January-March--		
1976-----	4,915	<u>1/</u>
1977-----	4,709	<u>1/</u>

1/ Not available.

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

The industry has realized substantial productivity gains, as can be seen in the data below on the reduced time needed to produce 1 dozen units of casual and sport headwear.

Productivity gains have stemmed in part from acquisitions of labor-saving machinery. However, the trend in production away from hats could also have affected the efficiency of the work force positively because less time is required to produce a cap or visor. The number of hours needed to produce 1 dozen units of casual and sport headwear are as follows:

1972-----	2.18	1975-----	1.59
1973-----	1.99	1976-----	1.40
1974-----	1.70		

On the basis of figures from the Bureau of the Census, the average hourly wage for production workers in the hat and cap industry increased from \$2.32 per hour in 1972 to \$2.81 per hour in 1974. Estimated hourly compensation for production workers in the apparel industries of selected countries is shown in the following table.

Estimated hourly compensation for apparel production workers,
by selected countries and specified periods

(In U.S. dollars)		
Country	Period	Estimated compensation per hour worked
United States-----	June 1975	\$3.88
Hong Kong-----	March 1976	.71-\$.74
Korea-----	September 1976	.39- .42
Taiwan-----	August 1976	.49- .51
Japan-----	June 1975	1.59

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Prices

About 90 percent of the casual and sport headwear under consideration is sold by the producer or importer to jobbers who, in turn, sell to retail outlets. Some producers and importers have the capability to sell either all or a portion of their headwear directly to retailers, taking varying proportions of the middleman markup in their wholesale prices.

Wholesale and retail prices of particular types or kinds of casual and sport headwear do not readily lend themselves to comparisons as the articles differ among domestic producers and importers. For example, a bucket hat (also called a roll-up hat) may be made of several different kinds of cloth or combinations of cloth, in any of several colors, of various print or floral patterns, with differing trim, and may be sold blocked or unblocked. Each of these factors affects the cost of the hat and thereby affects its price. Such product differentiation is common in all sectors of the headwear industry since producers and importers compete on a nonprice as well as a price basis.

Table 10 presents a summary of wholesale selling prices for imported and U.S.-produced casual and sport headwear, by types. These data should be interpreted with the foregoing qualification in mind.

Caps.—The average wholesale price for reported best-selling U.S.-produced caps increased steadily from \$10.50 per dozen in 1972 to \$13.60 per dozen in 1976. From 1972 to 1976, prices of domestically produced caps increased at an average annual rate of 6.7 percent while prices of imported caps increased at a rate of 6.8 percent annually from \$7.60 per dozen in 1972 to \$9.90 per dozen in 1976.

Hats.—The average wholesale price for reported best-selling U.S.-produced hats rose from \$13.40 per dozen in 1972 to \$17.55 per dozen in 1976. The average wholesale price of imported hats declined from \$10.85 per dozen in 1972 to \$8.40 per dozen in 1973 then increased to \$12.45 per dozen in 1976. From 1972 to 1976, prices of domestically produced hats increased at an average annual rate of 7 percent. The average price of imported hats increased at twice that rate from 1973 to 1976.

Visors.—The average wholesale price for reported best-selling U.S.-produced visors increased from \$7.15 per dozen in 1972 to \$9.75 per dozen in 1976. Although the average wholesale price of imported visors declined from \$7.05 in 1972 to \$4.80 in 1973, the price in 1976 was only \$0.05 less than that for domestic visors. From 1972 to 1976 the average wholesale price for domestic visors rose at an annual rate of 8.1 percent while the average wholesale price for imported visors rose at a rate of 8.3 percent.

A random on-site survey of retail outlets, which included department stores, discount chains, sporting goods stores, and supermarkets, as well as a consideration of submissions by the petitioners, indicates that the retail price of casual and sport headwear in many cases will be the same or higher for imported headwear when compared with domestic products. Sample retail price ranges for domestic and imported casual and sport headwear, March-May 1977, were as follows:

<u>Style</u>	<u>Domestic unit prices</u>	<u>Imported unit prices</u>
Tennis hat-----	\$2.49-\$5.50	\$2.49-\$4.00
Golf cap-----	1.59- 2.99	1.99- 2.97
Emblem cap-----	2.44- 2.79	1.69- 2.99
Roll-up hat-----	1.97- 3.23	1.89- 3.23
Visors-----	1.57- 1.99	1.29- 1.99

Testimony at the New York public hearing 1/ would tend to support the finding of the random sample that the lower prices of imported merchandise at the wholesale level are not being passed along to the consumer at the retail level. Markups by jobbers and retailers tend to equalize import and domestic prices at the retail level.

Profit-and-loss experience of domestic producers

Profit-and-loss data for U.S. producers of casual and sport headwear are detailed in tables 11 and 12. Very few U.S. producers were able to provide data with respect to their casual and sport headwear operations,

1/ See the transcript of the New York public hearing; pp. 23, 26, and 31.

but an indication of the relative importance of these operations can be seen by computing sales of casual and sport headwear as a percentage of U.S. producers' total sales of headwear as shown in the following tabulation (in percent):

1972-----	47	1975-----	51
1973-----	48	1976-----	51
1974-----	51		

In the aggregate, net sales of headwear by U.S. producers increased annually throughout the period 1972-76. Net sales increased from \$50.4 million in 1972 to \$100.1 million in 1976. Net operating profit increased steadily from \$3.1 million in 1972 to \$9.7 million in 1976. The ratio of net operating profit to net sales generally followed the same trend, rising from 6.2 percent in 1972 to 10.4 percent in 1975 then falling to 9.7 percent in 1976. Owing to the number of respondents, 1/ the operations of individual firms have not been separately tabulated in detail, but the following table shows the number of firms reporting profits or losses for the 1972-76 period, as well as certain financial aggregates.

Number of firms which produce casual and sport headwear reporting a net profit or a net loss, their total sales and their total profits or losses, 1972-76

Year	: Number : of firms : reporting : a : net : profit 1/	: Total net : sales of : firms : reporting : a net : profit	: Total : net : profits	: Number : of firms : reporting : a net loss	: Total net : sales of : firms : reporting : a net : loss	: Total : net : losses
		: <u>1,000</u> : <u>dollars</u>	: <u>1,000</u> : <u>dollars</u>		: <u>1,000</u> : <u>dollars</u>	: <u>1,000</u> : <u>dollars</u>
1972-----	22	48,420	3,165	3	1,959	57
1973-----	24	56,725	4,080	4	2,150	85
1974-----	28	80,053	7,248	3	3,558	122
1975-----	29	92,592	9,616	***	***	***
1976-----	25	99,577	9,706	***	***	***

1/ Differences between firms reporting profits or losses and total reporting firms are due to firms which had no sales in the given year or broke even in their operations.

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

1/ Over 50 firms responded to the Commission's questionnaires. Of these, 32 firms provided usable profit-and-loss data.

As shown in the preceding table net profits of profitable firms increased from \$3.2 million in 1972 to \$9.7 million in 1976 at an average annual rate of 32 percent. In 1976, over 80 percent of responding firms reported profits. These firms accounted for 99.4 percent of total sales for firms reporting profit-and-loss data in 1976.

The Question of Imports as a Substantial Cause of Serious Injury

Factors influencing demand

The popular trend toward hatlessness, and consumer indifference toward the use of men's headwear in general, which began after World War II, resulted from and was reinforced by many developments. Some are: (1) increased use of automobiles, which reduced the need for the protection provided by headwear; (2) automobile styling changes which provided less headroom in the passenger compartment, thus making wearing of hats cumbersome; and (3) changes in men's hair styles toward longer hair that is not suited to the use of hats. Nevertheless, consumption of casual and sport headwear, while affected by these factors, has benefited from the increase in leisure time available to the consumer and the resulting rise of sporting activities such as tennis and golf, for which headwear is popular.

A significant factor in the current headwear market is the use of headwear and apparel items in the promotion of a wide variety of commercial products and services. 1/ Increased demand for premium headwear in the form of emblem caps has helped offset the decline in the production of hats by increasing the production of knit/mesh caps. 2/ Because of special styling features and the rapid delivery time desired in the promotional market, imported items have been unable to compete effectively with the domestic premium caps.

1/ See the transcript of the St. Louis public hearing, pp. 116-118.

2/ See the transcript of the New York public hearing, pp. 22, 31, 33, and 34.

U.S. consumption and market penetration

Casual and sport headwear.—U.S. consumption rose from 3.0 million dozen valued at \$39.3 million in 1972 to 7.2 million dozen valued at \$106.4 million in 1976. The ratio of import sales to consumption rose from 7.6 percent in 1972 to 22.2 percent in 1976 (table 7 and figure 4).

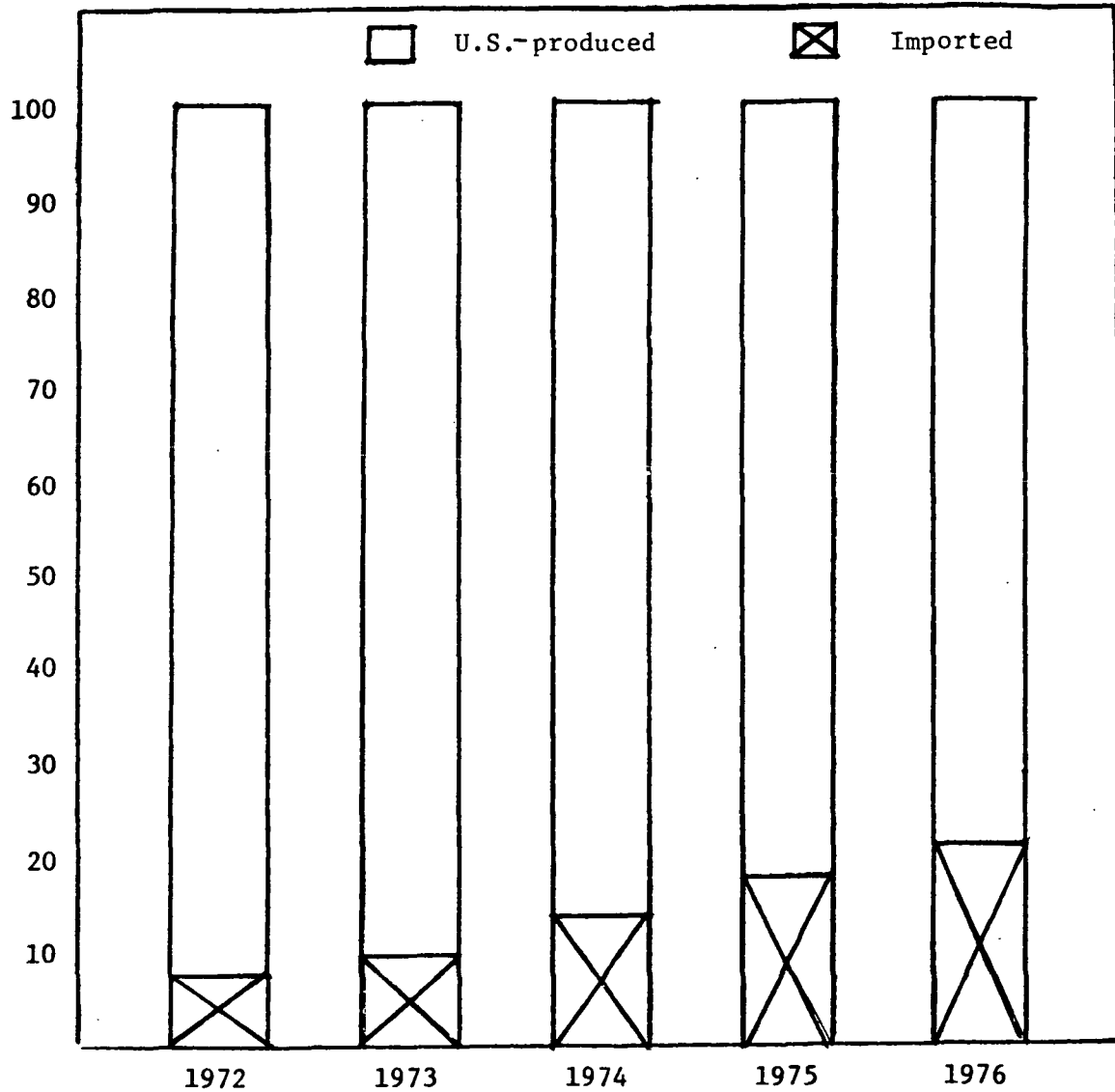
Caps.—U.S. consumption of caps rose from 1.9 million dozen valued at \$25.0 million in 1972 to 5.0 million dozen valued at \$77.7 million in 1976. The ratio of import sales to consumption rose from 3.2 percent in 1972 to 16.2 percent in 1976 (table 7 and figure 5).

Hats.—U.S. consumption of hats increased from 959,000 dozen valued at \$13.3 million in 1972 to 1.7 million dozen valued at \$24.2 million in 1976. The ratio of import sales to consumption increased from 16.8 percent in 1972 to 38.5 percent in 1976 (table 7 and figure 6).

Visors.—U.S. consumption of visors rose from 104,000 dozen valued at \$997,000 in 1972 to 445,000 dozen valued at \$3.8 million in 1975 then fell to 438,000 dozen valued at \$4.6 million in 1976. The ratio of import sales to consumption rose from 2.9 percent in 1972 to 27.2 percent in 1976 (table 7 and figure 7).

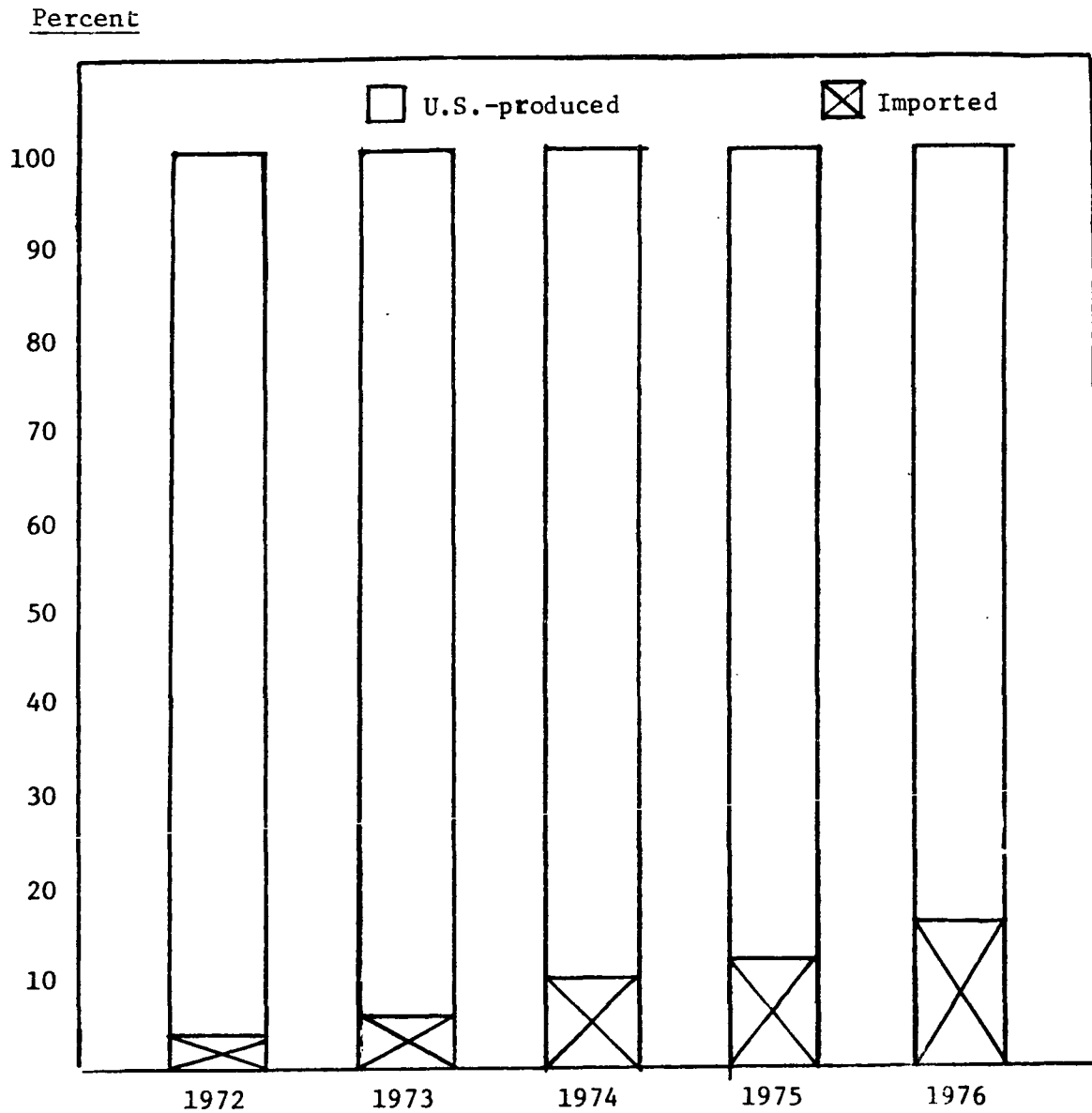
Figure 4.--Casual and sport headwear: Share of total U.S. consumption of caps accounted for by imported caps and U.S.-produced caps, 1972-76.

Percent



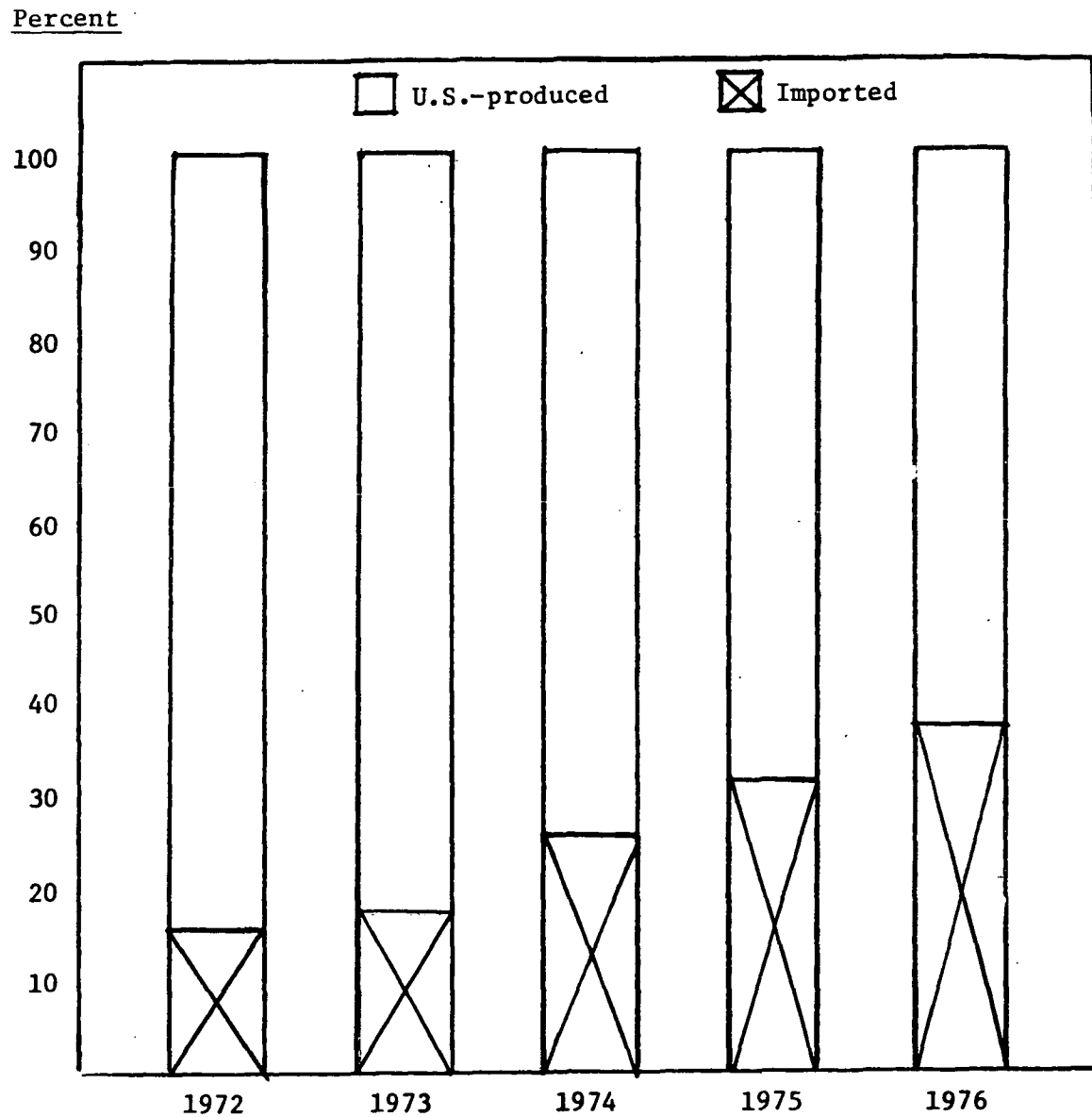
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 5.--Casual and sport headwear: Share of total U.S. consumption of caps accounted for by imported caps and U.S.-produced caps, 1972-76.



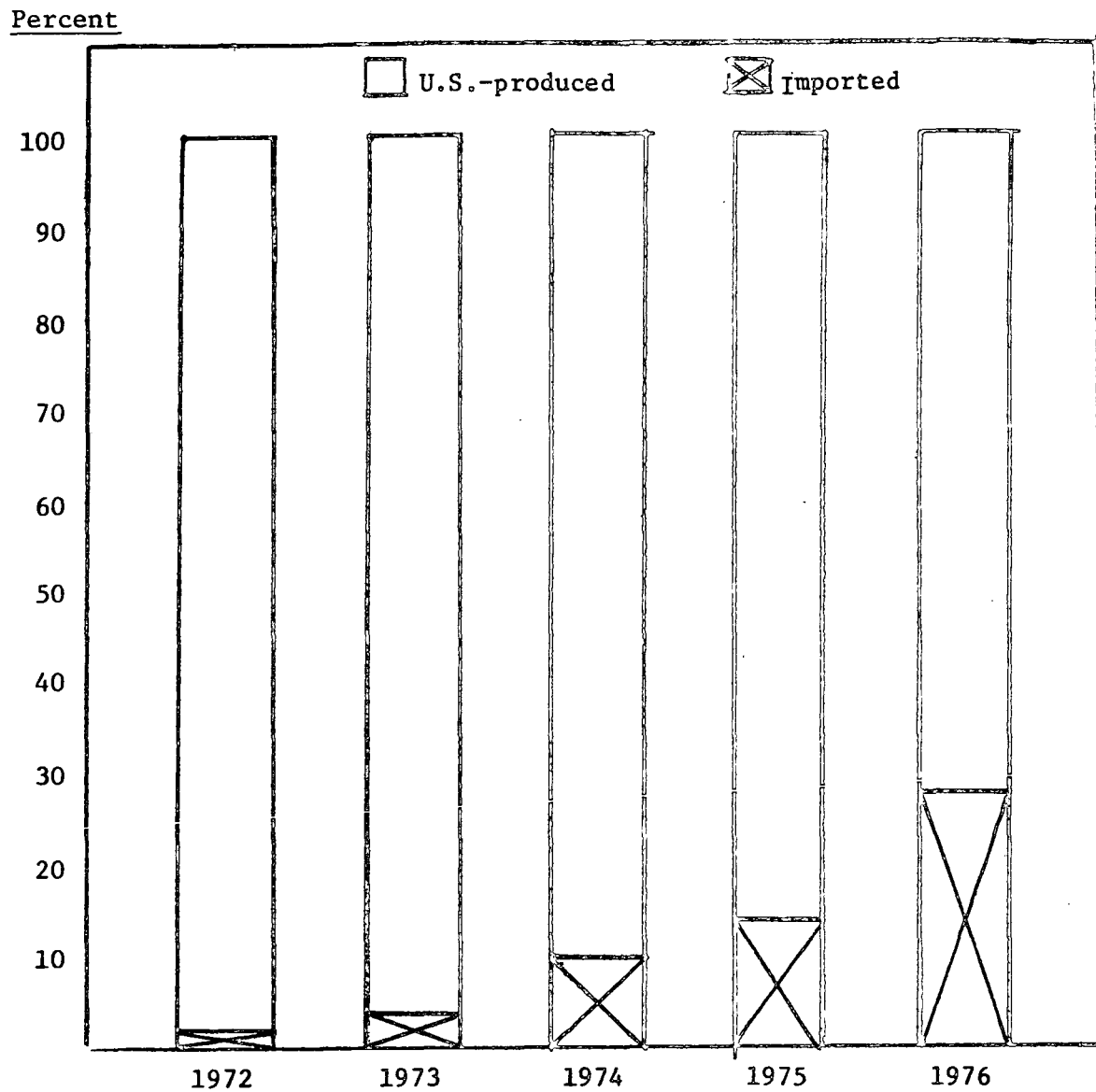
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 6.-- Casual and sport headwear: Share of total U.S. consumption of hats accounted for by imported hats and U.S.-produced hats, 1972-76.



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

Figure 7.-- Casual and sport headwear: Share of total U.S. consumption of visors accounted for by imported visors and U.S.-produced visors, 1972-76.



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

Possible Substantial Cause of Serious Injury,
Other Than Imports

U.S. importers contend that any alleged injury being suffered by the petitioners in this investigation is due not to imports but to the geographic location of the petitioners. 1/ The members of the Empire State Cloth Hat and Cap Manufacturers Association are all located within New York City, as are the majority of the members of the union. The importers contend that extremely high costs of operating a headwear-producing facility in New York City make the firms in that area less competitive not only with imports, but with the output of other domestic manufacturers as well. Among the high costs cited were -- (1) higher pay rates to match the high cost of living in the New York metropolitan area; (2) high taxes, including property taxes, commercial rent taxes, state franchise taxes, city business income taxes, and one of the highest personal income taxes in the country; and (3) electrical costs which are the highest among the 23 major metropolitan areas in the United States.

The following table and table 12 offer comparisons of output, productivity, and profitability between the five largest New York City firms and the five largest firms located outside the New York area. 2/ Although trends in production and sales are similar for firms both in New York City and outside, the differences in average wholesale values and man-hours worked per unit of output, as well as profitability, would tend to substantiate the importers claims. The average wholesale value of casual and sport headwear produced in New York in 1976 was 6 percent higher than that produced by the firms outside of New York. The manufacture of 1 dozen units of headwear took 2-1/2 times more labor input in New York than outside New York.

Efforts to Compete

In a labor-intensive industry such as the headwear industry, the pressure of imports produced by low-wage labor can force the domestic industry to be innovative and progressive. The domestic producers are the style leaders in the U.S. headwear market and are constantly producing new styles to stay ahead of importers who can quickly copy their styles. The most progressive domestic firms have up-to-date machinery and aggressive marketing techniques. The introduction of time-saving machinery has been undertaken by a number of domestic firms. Various innovations in sewing machines, blocking machinery, cutting techniques, and so forth have been used by producers to cut their manufacturing costs. The development of the premium market may be considered a competitive effort since importers have been unable to compete in this market because of the special requirements of the purchaser and the short delivery times necessary. However, some importers are purchasing emblems domestically and are having them sewn on their imported headwear to fill premium orders. 3/

1/ See the transcript of the St. Louis public hearing, pp. 111-116.

2/ Based on the quantity of production in 1976.

3/ See the transcript of the New York public hearing, p. 7.

Casual and sport headwear: Selected statistics for the 5 largest New York City firms and the 5 largest firms outside New York, 1975 and 1976

Area and year	: Production :	: Volume of sales :	: Average of wholesale value :	: Number of employees :	: Man-hours per unit of output :	: Profit :	: Ratio of profit to net sales :
	: <u>1,000</u> :	: <u>1,000</u> :	: <u>Per dozen</u> :			: <u>1,000</u> :	: <u>Percent</u> :
	: <u>dozen</u> :	: <u>dollars</u> :				: <u>dollars</u> :	
New York:							
1975-----	187	3,118	\$16.67	227	3.04	147	4.7
1976-----	189	3,297	17.45	227	2.99	72	2.2
Other:							
1975-----	2,668	38,917	14.59	2,026	1.13	6,467	16.6
1976-----	2,684	44,054	16.40	2,010	1.19	7,724	17.5

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

APPENDIX A
NOTICES OF INVESTIGATION AND HEARINGS

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[TA-201-23]

CERTAIN HEADWEAR

Notice of Investigation and Hearings

Investigation instituted. Following the receipt on February 8, 1977, of a petition filed by the Empire State Cloth Hat and Cap Manufacturers Association and the United Hatters Cap and Millinery Workers International Union, and following the receipt on February 18, 1977, of an amendment to that petition by the above petitioners, the United States International Trade Commission, on February 22, 1977, instituted an investigation to determine whether certain headwear, not knit, of cotton, flax, or both, or of manmade fibers, provided for in items 702.12, 702.14, 703.05, and 703.15 of the Tariff Schedules of the United States, and visors, with straps whether or not adjustable, designed to be worn on the head, not knit, of cotton or of manmade fibers, provided for in items 382.00, 382.04, 382.33, and 382.81 of the Tariff Schedules of the United States, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Public hearings. Public hearings in connection with this matter will be held beginning Tuesday, May 17, 1977, in New York City, and beginning Thursday, May 26, 1977, in St. Louis, Mo., at times and locations to be announced later. Requests for appearances should be filed with the Secretary of the United States International Trade

Commission, in writing, at his offices in Washington, D.C., not later than noon of the fifth calendar day preceding the hearing at which an appearance is requested.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, United States International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, and at the New York City office of the Commission, located at 6 World Trade Center.

By order of the Commission:

A handwritten signature in dark ink, appearing to read 'Kenneth R. Mason', with a stylized, flowing script.

KENNETH R. MASON
Secretary

Issued: February 23, 1977

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[TA-201-23]

CERTAIN HEADWEAR

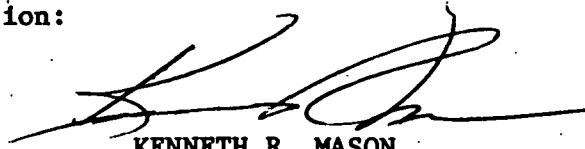
Amendment to Scope of Investigation

Notice is hereby given that the United States International Trade Commission, on March 10, 1977, amended the scope of its investigation No. TA-201-23, Certain Headwear, being conducted under section 201(b) of the Trade Act of 1974, to include, in addition to imported articles not knit, imported articles knit.

The scope of the investigation, as amended, covers headwear, knit or not knit, assembled from two or more cut pieces of fabric, of cotton, flax, or both, or of manmade fibers, provided for in items 702.06, 702.12, 702.14, 703.05, 703.10, and 703.15 of the Tariff Schedules of the United States, and visors with straps, whether or not such straps are adjustable, designed to be worn on the head; knit or not knit, of cotton or of manmade fibers, provided for in items 382.00, 382.04, 382.06, 382.33, 382.78, and 382.81 of the Tariff Schedules of the United States.

Notice of the Commission's institution of the investigation and hearings was published in the *Federal Register* of February 28, 1977 [42 F.R. 11288].

By order of the Commission:


KENNETH R. MASON
Secretary

Issued: March 16, 1977

APPENDIX B

SUBMISSION BY THE EMPIRE STATE CLOTH HAT AND
CAP MANUFACTURERS ASSOCIATION CONCERNING
PLANT CLOSURES

EMPIRE STATE CLOTH HAT AND CAP MANUFACTURERS ASSOCIATION, INC.

122 Fifth Avenue
New York, N. Y. 10011
989 1200

CLOTH HAT & CAP COMPANIES THAT HAVE GONE OUT OF BUSINESS

APPARAL PRODUCTS INC.
AINSLY HAT CO.
NATHAN ALLAN
ARTHUR ZUCKERMAN
ALL SEASON CAP & NOVELTY CO.
ALL TYPE UNIFORM CAP
BARAN ABRAHAM INC.
BETTER MADE HEADWEAR CO.
BRESSNER GRAMERCY CAP CO.
BRITE STAR HEADWEAR
BEN SIROTA & SON
B. CARPEL CAP CO.
D. SICKERMAN
KLEIN, FRANKFELT & ARANOFF
DEMONA HEADWEAR
DEBBIE HAT CO.
CHAI ANN CAP CO.
CLEARSITE HEADWEAR INC.
C& H HAT CO.
CHAMPION HAT & CAP
COMMANDER HEADWEAR
COLONIAL CAP CO.
FLIP IT INC.
F & B HEADWEAR
GEORGE ALEXANDER HEADWEAR
GOODWEAR HATS INC.
G & B CAP CO., INC.
G & W CAP CO.
GOODWEAR CAP CO.
STAWELL NOVELTY
SENTINEL CAP

S & L NOVELTY CO - Chicago

JACK NEEDLEMAN NOVELTY
HERBEIN NOVELTY
JACK ADLER
KUSHNER BROS.
K & B CAP CO.
LEO HEADWEAR
JACK LICHTENSTEIN
LAZERSON BROS. CO.
LEADER HEADWEAR
LITTLE GEM CAP CO.
LITTLE FOLKS HEADWEAR
LONDON CAP CO.
LOUIS GILTMAN CAPS
MAXCO HEADWEAR CORP.
OXFORD HEADWEAR
M & W CAPS
MANDEL CAP CO.
M. SHOLNFELD CO.
MEYEROWITZ & RYMAN
MAJOR CAP CO.
MADEWELL CAP CORP.
MOSES HERZFELD CAPS
O & B CAPS
POST MFG. CO.
PUBLIC CAP
QUALITY HEADWEAR
SUPREME NOVELTY
SMOLOWITZ & BENKEL
STAR CAP CO.
HARRY ROSEF CO.
SAMS CAP CO.
SPORTSWEAR IND.
SOBCROFF - Chicago

APPENDIX C
STATISTICAL TABLES

Table 1.--Certain headwear and visors: U.S. column 1 rates of duty in effect on Dec. 31, 1967, and column 1 and column 2 rates as of Jan. 1, 1977, by TSUS items

TSUS item No.	Rate of duty as of--		
	Dec. 31, 1967	Jan. 1, 1977	
	Column 1	Column 1	Column 2
702.06-----	25% ad val.	21% ad val.	45% ad val.
702.12-----	20% ad val.	20% ad val.	37.5% ad val.
702.14-----	20% ad val.	20% ad val.	37.5% ad val.
703.05	36% ad val.	18% ad val.	90% ad val.
703.10-----	25¢ per lb. +	25¢ per lb. +	45¢ per lb. + 65%
	24% ad val.	20% ad val.	ad val.
		(25.5% AVE)	
703.15-----	25¢ per lb. +	25¢ per lb. +	45¢ per lb. + 65%
	27.5% ad val.	20% ad val.	ad val.
		(26.3% AVE)	
382.00-----	42.5% ad val.	35% ad val.	90% ad val.
382.04-----	42.5% ad val.	42.5% ad val.	90% ad val.
382.06-----	25% ad val.	21% ad val.	45% ad val.
382.33-----	20% ad val.	16.5% ad val.	37.5% ad val.
382.78-----	25¢ per lb. +	25¢ per lb. +	45¢ per lb. + 65%
	32.5% ad val.	32.5% ad val.	ad val.
382.81-----	25¢ per lb. +	25¢ per lb. +	45¢ per lb. + 65%
	27.5% ad val.	27.5% ad val.	ad val.

Source: Tariff Schedules of the United States Annotated (1976).

Table 2.--Casual and sport headwear: U.S. imports
for consumption, by TSUS items, 1972-76

TSUS item No.	1972	1973	1974	1975	1976
	Quantity (1,000 dozen)				
702.12 <u>1/</u> -----	287	294	667	959	1,315
702.14-----	16	21	4	11	22
703.05-----	0	1	0	6	11
703.10-----	0	0	2	11	70
703.15-----	32	14	55	71	70
382.00-----	3	5	27	38	60
382.33-----	0	3	14	31	56
382.78-----	0	0	0	0	5
382.81-----	0	0	0	0	3
Total-----	338	340	769	1,126	1,612
	Value (1,000 dollars)				
702.12 <u>1/</u> -----	1,089	1,597	3,625	5,807	6,810
702.14-----	76	100	18	54	125
703.05-----	-	8	-	31	59
703.10-----	-	-	-	51	401
703.15-----	153	107	313	475	607
382.00-----	12	24	138	214	405
382.33-----	-	12	49	102	265
382.78-----	-	-	-	-	20
382.81-----	-	-	-	-	10
Total-----	1,330	1,848	4,143	6,734	8,702

1/ Does not include 702.1210.

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

Note.--Figures may not add to totals shown because of rounding.

Table 3.--Casual and sport headwear: U.S. imports
for consumption, by types, 1972-76

Type	1972	1973	1974	1975	1976
Quantity (1,000 dozen)					
Caps-----	69	113	342	535	801
Hats-----	266	218	386	522	687
Visors-----	3	9	41	69	124
Total-----	338	340	769	1,126	1,612
Value (1,000 dollars)					
Caps-----	294	496	1,824	3,290	4,425
Hats-----	1,024	1,316	2,132	3,128	3,577
Visors-----	12	36	187	316	700
Total-----	1,330	1,848	4,143	6,734	8,702

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

Note.--Figures may not add to totals shown because of rounding.

Table 4.--Casual and sport headwear: U.S. imports
for consumption, by principal sources, 1972-76

Source	1972	1973	1974	1975	1976
Quantity (1,000 dozen)					
Republic of Korea-----	41	56	339	440	692
Hong Kong-----	80	179	239	384	541
People's Republic of China-----	0	5	83	178	262
Republic of China-----	9	12	26	64	91
Japan-----	139	87	81	59	16
Other-----	68	1	0	0	15
Total-----	338	340	769	1,126	1,612
Value (1,000 dollars)					
Republic of Korea-----	164	299	1,893	2,645	3,965
Hong Kong-----	491	1,025	1,366	2,090	2,749
People's Republic of China-----	-	13	213	936	881
Republic of China-----	40	93	283	616	879
Japan-----	552	422	388	439	107
Other-----	81	4	-	-	110
Total-----	1,330	1,848	4,143	6,734	8,702
Unit value (per dozen)					
Republic of Korea-----	\$4.10	\$5.16	\$5.58	\$6.01	\$5.73
Hong Kong-----	6.14	5.73	5.72	5.44	5.08
People's Republic of China-----	-	2.60	2.57	5.26	3.36
Republic of China-----	4.44	7.75	10.88	9.63	9.66
Japan-----	3.97	4.85	4.79	7.44	6.69
Other-----	1.19	4.00	-	-	7.33
Average-----	3.93	5.44	5.39	5.98	5.40

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

Note.--Figures may not add to totals show because of rounding.

Table 5.--Casual and sport headwear: U.S. imports for consumption, by types and by principal sources, 1972-76

Type and source	1972	1973	1974	1975	1976
Quantity (1,000 dozen)					
Caps:					
Republic of Korea-----	9	25	198	250	435
Hong Kong-----	28	63	65	151	188
People's Republic of China----	0	2	43	53	114
Republic of China-----	0	1	16	39	48
Japan-----	32	24	20	43	2
Other-----	0	0	0	0	15
Total-----	69	113	342	535	801
Hats:					
Republic of Korea-----	31	30	127	158	189
Hong Kong-----	50	109	150	196	308
People's Republic of China----	0	3	40	125	137
Republic of China-----	9	11	8	25	43
Japan-----	107	63	61	16	11
Other-----	68	0	0	0	0
Total-----	266	218	386	522	687
Visors:					
Republic of Korea-----	1	1	14	32	68
Hong Kong-----	2	7	24	37	45
People's Republic of China----	0	0	0	0	11
Republic of China-----	0	0	2	0	0
Japan-----	0	0	0	0	3
Other-----	0	1	0	0	0
Total-----	3	9	41	69	124
Value (1,000 dollars)					
Caps:					
Republic of Korea-----	27	90	1,040	1,473	2,446
Hong Kong-----	152	284	327	782	766
People's Republic of China----	-	5	66	211	366
Republic of China-----	-	2	213	514	704
Japan-----	112	114	178	306	19
Other-----	-	-	-	-	110
Total-----	294	496	1,824	3,290	4,425

Table 5.--Casual and sport headwear: U.S. imports for consumption, by types and by principal sources, 1972-76--Continued

Type and source	1972	1973	1974	1975	1976
	Value (1,000 dollars)--Continued				
Hats:					
Republic of Korea-----	133	192	775	1,039	1,158
Hong Kong-----	331	716	938	1,127	1,693
People's Republic of China----	-	8	147	725	476
Republic of China-----	40	91	62	102	175
Japan-----	440	308	210	133	68
Other-----	81	-	-	-	-
Total-----	1,024	1,316	2,132	3,128	3,577
Visors:					
Republic of Korea-----	4	7	78	133	361
Hong Kong-----	8	25	101	181	290
People's Republic of China----	-	-	-	-	39
Republic of China-----	-	-	8	-	-
Japan-----	-	-	-	-	20
Other-----	-	4	-	-	-
Total-----	12	36	187	316	700
	Unit value (per dozen)				
Caps:					
Republic of Korea-----	\$3.00	\$3.60	\$5.25	\$5.89	\$5.62
Hong Kong-----	5.43	4.51	5.03	5.18	4.07
People's Republic of China----	-	2.50	1.53	3.98	3.21
Republic of China-----	-	2.00	13.31	13.18	14.66
Japan-----	3.50	4.75	8.90	7.12	9.50
Other-----	-	-	-	-	7.33
Average-----	4.26	4.39	5.33	6.15	5.52
Hats:					
Republic of Korea-----	4.29	6.40	6.10	6.58	6.13
Hong Kong-----	6.62	6.57	6.25	5.75	5.50
People's Republic of China----	-	2.67	3.68	5.80	3.47
Republic of China-----	4.44	8.27	7.75	4.08	4.07
Japan-----	4.11	4.89	3.44	8.31	6.18
Other-----	1.19	-	-	-	-
Average-----	3.85	6.04	5.52	5.99	5.21

Table 5.--Casual and sport headwear: U.S. imports for consumption, by types and by principal sources, 1972-76--Continued

Type and source	1972	1973	1974	1975	1976
	Unit value (per dozen)--Continued				
Visors:					
Republic of Korea-----	\$4.00	\$7.00	\$5.57	\$4.16	\$5.31
Hong Kong-----	4.00	3.57	4.21	4.89	6.44
People's Republic of China----	-	-	-	-	3.55
Republic of China-----	-	-	4.00	-	-
Japan-----	-	-	-	-	6.67
Other-----	-	4.00	-	-	-
Average-----	4.00	4.00	4.56	4.58	5.65

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

Note.--Figures may not add to totals shown because of rounding.

Table 6.--Casual and sport headwear: U.S. production,
by types, 1972-76

Type	1972	1973	1974	1975	1976
Quantity (1,000 dozen)					
Caps-----	1,885	2,179	3,398	4,055	4,244
Hats-----	804	962	1,141	1,076	1,060
Visors-----	101	211	360	380	321
Total-----	2,790	3,352	4,899	5,511	5,624
Value (1,000 dollars) ^{1/}					
Caps-----	24,536	30,752	49,128	59,830	69,707
Hats-----	11,805	13,885	16,722	17,038	17,353
Visors-----	978	1,801	3,264	3,301	3,333
Total-----	37,319	46,438	69,114	80,169	90,393
Unit value (per dozen)					
Caps-----	\$13.02	\$14.11	\$14.46	\$14.75	\$16.42
Hats-----	14.68	14.43	14.66	15.83	16.37
Visors-----	9.68	8.54	9.07	8.69	10.38
Average-----	13.38	13.85	14.11	14.55	16.07

^{1/} Value of U.S. producers' shipments.

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

Note.--Figures may not add to totals shown because of rounding.

Table 7.--Casual and sport headwear: U.S. producers' shipments, exports, sales of imports, and apparent consumption, by types, 1972-76

(Quantity in thousands of dozens; value in thousands of dollars)					
Type and year	U.S. producers' shipments	Exports <u>1/</u>	Sales of imports	Apparent consumption	Ratio (percent) of import sales to consumption
	Quantity				
Caps:					
1972-----	1,885	6	63	1,942	3.2
1973-----	2,178	7	110	2,281	4.8
1974-----	3,385	9	328	3,704	8.9
1975-----	3,986	11	494	4,469	11.1
1976-----	4,222	13	816	5,025	16.2
Hats:					
1972-----	804	6	161	959	16.8
1973-----	962	8	215	1,169	18.4
1974-----	1,129	12	386	1,503	25.7
1975-----	1,076	12	512	1,576	32.5
1976-----	1,062	16	656	1,702	38.5
Visors:					
1972-----	101	<u>2/</u>	3	104	2.9
1973-----	211	<u>2/</u>	8	219	3.7
1974-----	359	<u>2/</u>	41	400	10.3
1975-----	380	<u>2/</u>	65	445	14.6
1976-----	319	<u>2/</u>	119	438	27.2
Total:					
1972-----	2,790	12	227	3,005	7.6
1973-----	3,351	15	333	3,669	9.1
1974-----	4,873	21	755	5,607	13.5
1975-----	5,442	23	1,071	6,490	16.5
1976-----	5,603	29	1,591	7,165	22.2

See footnotes at end of table.

Table 7.--Casual and sport headwear: U.S. producers' shipments, exports, sales of imports, and apparent consumption, by types, 1972-76--Continued

(Quantity in thousands of dozens; value in thousands of dollars)					
Type and year	U.S. producers' shipments	Exports ^{1/}	Sales of imports	Apparent consumption	Ratio (per-cent) of import sales to consumption
	Value				
Caps:					
1972-----	24,536	77	529	24,988	2.1
1973-----	30,752	98	807	31,461	2.6
1974-----	49,128	137	3,166	52,157	6.1
1975-----	59,830	155	5,438	65,113	8.4
1976-----	69,707	212	8,170	77,665	10.5
Hats:					
1972-----	11,805	95	1,564	13,274	11.8
1973-----	13,885	121	1,803	15,567	11.6
1974-----	16,722	170	3,479	20,031	17.4
1975-----	17,038	192	5,147	21,993	23.4
1976-----	17,353	262	7,120	24,211	29.4
Visors:					
1972-----	978	-	19	997	1.9
1973-----	1,801	-	40	1,841	2.2
1974-----	3,264	-	288	3,552	8.1
1975-----	3,301	-	527	3,828	13.8
1976-----	3,333	-	1,219	4,552	26.8
Total:					
1972-----	37,319	172	2,112	39,259	5.4
1973-----	46,438	218	2,650	48,870	5.4
1974-----	69,114	307	6,933	75,740	9.2
1975-----	80,169	347	11,112	90,934	12.2
1976-----	90,393	473	16,509	106,429	15.7

^{1/} Estimated.

^{2/} Negligible or nil.

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

Note.--Figures may not add to totals shown because of rounding.

Table 8.--Casual and sport headwear: U.S. exports
of domestic merchandise, by types, 1972-76

Year	Caps	Hats	Visors	Total
Quantity (1,000 dozen)				
1972-----	6	6	1/	12
1973-----	7	8	1/	15
1974-----	9	12	1/	21
1975-----	11	12	1/	23
1976-----	13	16	1/	29
Value (1,000 dollars)				
1972-----	77	95	-	172
1973-----	98	121	-	218
1974-----	137	170	-	307
1975-----	155	192	-	347
1976-----	212	262	-	473
Unit value (per dozen)				
1972-----	\$13.02	\$14.68	-	\$13.89
1973-----	14.11	14.43	-	14.29
1974-----	14.46	14.66	-	14.57
1975-----	14.75	15.83	-	15.33
1976-----	16.42	16.37	-	16.39

1/ Negligible or nil.

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

Note.--Figures may not add to totals shown because of rounding. Unit values derived from unrounded figures.

Table 9.--Average number of persons employed in U.S. establishments producing casual and sport headwear, total and production and related workers, and man-hours worked by them, 1972-76, January-March 1976, and January-March 1977

Period	Total	Production and related:		Man-hours worked by production and related workers producing casual and sport headwear
		workers producing--		
		All	Casual	
		products	and sport headwear	
1972-----	5,125	4,810	3,389	6,094,305
1973-----	5,594	5,106	3,694	6,702,234
1974-----	7,037	6,636	4,771	8,325,549
1975-----	7,415	6,891	4,943	8,774,458
1976-----	7,896	7,386	4,999	7,897,544
Jan.-Mar.--				
1976-----	7,811	7,310	4,915	<u>1/</u>
1977-----	7,437	6,945	4,709	<u>1/</u>

1/ Not available.

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

Table 10.--Casual and sport headwear: Wholesale price ranges and average wholesale prices for best-selling U.S.-produced headwear and average wholesale prices for imported headwear, by types, 1972-76

(Per dozen)				
Type and year	U.S.-produced headwear		Average	
	Wholesale price range	Average wholesale price	price for imported headwear	
Caps:				
1972-----	\$4.70- \$26.00	\$10.50		\$7.60
1973-----	5.00- 30.00	11.60		7.30
1974-----	6.95- 29.00	12.25		8.90
1975-----	6.95- 30.00	12.80		10.30
1976-----	6.95- 32.00	13.60		9.90
Hats:				
1972-----	10.00- 28.00	13.40		10.85
1973-----	11.00- 28.50	14.35		8.40
1974-----	9.60- 30.00	14.50		8.95
1975-----	9.00- 33.00	16.40		10.35
1976-----	9.60- 35.00	17.55		12.45
Visors:				
1972-----	6.50- 8.00	7.15		7.05
1973-----	7.00- 8.50	7.35		4.80
1974-----	7.00- 10.00	7.45		5.70
1975-----	7.25- 17.50	8.65		7.75
1976-----	7.50- 17.50	9.75		9.70

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

Table 11.--Profit-and-loss experience of U.S. producers of
casual and sport headwear, 1/ 1972-76

Year	Number of firms reporting	Net sales	Cost of goods sold	Gross profit	General, selling, and administrative expenses	Net operating profit	Ratio of net operating profit to net sales
		<u>1,000</u> dollars	<u>1,000</u> dollars	<u>1,000</u> dollars	<u>1,000</u> dollars	<u>1,000</u> dollars	Percent
1972-----	27	50,379	38,410	11,969	8,861	3,108	6.2
1973-----	30	58,875	45,703	13,172	9,177	3,995	6.8
1974-----	31	83,611	63,421	20,190	13,064	7,126	8.5
1975-----	32	92,746	68,615	24,131	14,516	9,615	10.4
1976-----	30	100,143	75,430	24,713	15,022	9,691	9.7

1/ Based on total headwear production.

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

Table 12.—Casual and sport headwear: Selected statistics for the
5 largest New York City producers and the 5 largest non-New York pro-
ducers, by companies, 1975 and 1976

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APPENDIX D

BUREAU OF THE CENSUS EXPORT REPORT



A-62

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of the Census
Washington, D.C. 20233

June 13, 1977

Mr. Kenneth R. Mason
U.S. International
Trade Commission
Washington, D. C. 20046

Dear Mr. Mason:

This is in further reference to your letter of March 25, 1977, requesting an analysis of the commodities exported under Schedule B number 841.5520 to determine the approximate percentage of "casual and sport" cloth headwear being exported from the United States under this Schedule B number.

In order to provide such an analysis, large samples were taken from the Shipper's Export Declarations (the basic source of our statistics) filed under Schedule B number 841.5520 for the months of August, September and October, 1976. The results of our analysis are enclosed.

We regret the delay in our reply. However, if we can be of further assistance to you in any other way, please let us know.

Sincerely,

WILLIAM E. WHITE, Chief
Textiles Branch
Foreign Trade Division
Bureau of the Census

Enclosure

ANALYSIS

Schedule B number 841.5520 - Hats, caps and other headgear (except millinery and of asbestos), new.

Requested commodity - Casual and sport cloth headwear.

	<u>Value</u> (Dollars)	<u>Value</u> (Dollars)	<u>Value</u> (Dollars)
1976 Annual Value		12,452,427	
August, September, and October, 1976 Value		2,745,585	
Value Pulled			<u>2,674,652</u>
Correctly classified:			2,590,439
Casual and sport cloth headwear:		270,798	
Described as:			
Knit caps and hats	138,102		
Berets	8,491		
Canvas caps	371		
Cloth hats and caps	16,381		
Cotton hats and caps	37,122		
Cotton and wool caps	18,871		
Denim caps	2,835		
Turbans	783		
Velvet caps	642		
Athletic caps	2,762		
Baseball caps	23,724		
Boating caps	350		
Camping caps	1,865		
Derby caps	2,533		
Golf caps	12,026		
Ski caps	450		
Tennis hats	2,990		
Visor caps	<u>500</u>		
Other correctly classified:		<u>2,319,641</u>	
Indeterminable:			70,732
Misclassified:			<u>13,481</u>
Total			<u><u>2,674,652</u></u>

APPENDIX E

PROBABLE ECONOMIC EFFECTS OF TARIFF CHANGES
UNDER TITLE I AND TITLE V OF THE TRADE ACT
OF 1974

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Library Cataloging Data

U.S. International Trade Commission.

Certain headwear. Report to the President on investigation no. TA-201-23 under section 201 of the Trade act of 1974. Washington, 1977.

13 p. A-65. 27 cm. (USITC Publication 829)

1. Hats. 2. Hat trade--U.S.
I. Title II. Title: Headwear

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

OFFICIAL BUSINESS

ADDRESS CORRECTION REQUESTED

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE, \$300



ADDRESS CHANGE

- ☐ Remove from List
 - ☐ Change as Shown
- Please detach address label and mail to address shown above.