

Tariff Readjustment - 1929: Hearings Before the Committee on Ways and Means, House of Representatives, Seventieth Congress, Second Session.
 United States. Congress. House. Committee on Ways and Means.
 U.S. Government Printing Office, 1929 (PP. 7956-59).

BRIEF OF ALFRED DUNHILL CO. OF LONDON (INC.), NEW YORK CITY
 To the COMMITTEE ON WAYS AND MEANS,
 House of Representatives, Washington, D. C..

Paragraph 1454 reads as follows:

"Pipes and smokers' articles: Common tobacco pipes and pipe bowls made wholly of clay, valued at not more than 40 cents per gross, 15 cents per gross; valued at more than 40 cents per gross, 45 per centum ad valorem; pipe bowls commercially known as stummels; pipes, cigar and cigarette holders, not specially provided for, and mouthpieces for pipes, cigar and cigarette holders, all the foregoing of whatever material composed, and in whatever condition of manufacture, whether wholly or partly finished, or whether bored or unbored; pouches for chewing or smoking tobacco, cases suitable for pipes, cigar and cigarette holders, finished or partly finished; cigarette books, cigarette-book covers, cigarette paper in all forms, except cork paper; and all smokers' articles whatsoever, and parts thereof, finished or unfinished, not specially provided for of whatever material composed, except china, porcelain, parian, bisque, earthen or stone ware, 60 per centum ad valorem; meerchaum, crude or unmanufactured, 20 per centum ad valorem."

We are importers of a certain class of pipes, known as the Dunhill pipe, that does not enter into competition with any pipes manufactured in the United States. These pipes, together with all pipes, except those of clay, are now dutiable at 60 per cent ad valorem, and we recommend that a dividing line in value be placed in the paragraph, providing a lower rate of duty on briar pipes valued at more than \$3 each, and retaining the present 60 per cent rate, or a lower rate if Congress so decides, on all pipes valued at \$3 or less each. This value division will separate competitive and noncompetitive pipes and afford ample protection to the American manufacturers on both classes.

The Tariff Commission has made an extensive survey of the pipe industry in this country and abroad, and we believe that it has reported that the percentage of pipes retailing for more than \$1 each, compared with the total consumption in the United States, is under 6 per cent.

We present samples of our pipes that would fall within the higher-value bracket, and set forth the English wholesale prices, our purchasing cost price, and our landed prices, together with our wholesale selling prices in the United States, 18 follows:

TARIFF READJUSTMENT—1929

7957

	English wholesale market value	Our English cost	Duty on English market wholesale value	Freight, etc.	Landed cost	Wholesale prices in United States
Standard.....	\$3.62	\$2.68	\$2.17	\$0.15	\$5.00	\$6.00-\$7.50
Shell.....	3.51	2.86	2.11	.15	5.12	6.00- 7.50

NOTE.—The above wholesale prices of \$6 to \$7.50 are dependent upon the quantities purchased.

The above net English market values in sterling are 16s. 6d. for the Standard and 16s. for the Shell, less 7 ¹/₂ per cent discount and 2 ¹/₂ per cent for cash. We pay duty on these prices but purchase for less because of the size of our orders, which are larger than the wholesale quantities in the English market. Our purchasing prices are 11s. net (\$2.68) for the Standard, and 11s. 9d. net (\$2.86) for the Shell. These pipes retail for \$10 each in the United States.

The Dunhill pipes are made from the very best quality of carefully selected briar and are of the highest type of workmanship and finish. The most popular American pipes are, of course, retailed at 25 cents to \$1.50. The comparatively small number of better-grade pipes range from \$1.50 to \$4. We understand there is one \$6 pipe, manufactured in America, sold in very limited quantities, by Kaufmann Bros. & Bondy in their "Kaywoodie" line. This pipe is sold to the retailer at 40 per cent off (\$3.60), and to the jobber at 50 per cent off (\$3). William Demuth & Co. the largest American manufacturers, within the last four years made and widely advertised a pipe known as the Aristocrat that retailed at \$7.50 each. This pipe is no longer on the market and we are reliably informed that it was taken from the market because there was no sale in this country for a domestic pipe at this price.

Our pipes are also noncompetitive in relation to other imported pipes as well as those made in the United States and the dividing line in wholesale value of \$3 which we suggest, will not be conflicting from a price standpoint with either the domestic or the imported pipe.

We are aware that the question of displacement by imported articles not comparable in quality or price to American articles of the same general class, is a matter to be considered. The Dunhill pipe is, of course, no exception, but when an article is of a class considerably superior to cheaper grades and its sales but a Blight proportion of the sales of the cheaper articles in the lower class, the matter of displacement becomes relatively unimportant. Pipe smokers do not ordinarily confine themselves to one brand, and those who use the Dunhill pipe very probably have in their pipe collection several other brands of a cheaper quality. The importations of the Dunhill pipe are but a very slight percentage of the American production and if they were excluded entirely from the American market, the gain to the pipe industry in dollars and cents would be insignificant.

The sale of the Dunhill pipe in the United States is a stimulus to the sales of the higher-priced domestic articles rather than a matter of displacement. It is generally conceded by American pipe manufacturers that the Dunhill pipe in the United States has been a great help in the sale of better grade domestic pipes, encouraging their sale rather than having the opposite effect. A pipe retailing at \$5 or \$6 does not seem excessive to the smoker who is familiar with the fact that other pipes are sold at prices considerably higher. The \$5 or \$6 pipe appears to be a happy medium, perhaps more within the smoker's means, or at least considered so, when he knows that the article he is purchasing is not the highest priced. Remove the Dunhill pipe from the market and the \$5 or \$6 pipe will be the most expensive, with the tendency on the part of the smoker not to seek the extreme price. This purchasing psychology is true in all lines. Twelve dollars for a pair of shoes does not seem excessive when the fact is known that there are \$15 to \$20 shoes on the market. Before the Dunhill pipe came to the American market \$1 was considered a high retail price for an American pipe.

The American production of briar pipes for the year 1927 was reported to us by the Department of Commerce to be \$3,620,000. We secured this information in the following telegram:

"Value brier pipes made in 1927, so far as separately reported, was \$3,620,000. No data for 1926 and 1928.

"BEALES,
"Statistician, Census Bureau."

Dunhill pipe importations in 1927 amounted to \$158,455.15 and in 1928, \$77,187.37. The imports of all pipes and other smokers articles were valued at \$2,213,127 in 1927 and at \$1,366,981 in 1928.

Comparing the 1927 imports of the Dunhill pipe, amounting to \$158,455, with the American production in this year (\$3,620,000), a little over 4 per cent, it does not represent a serious question of displacement and consequently does not warrant the highest duty rate on pipes. The present duty of 60 per cent merely creates a fictitious price entirely unnecessary without serving as a protective measure. The importations of the Dunhill pipe in 1928 were only \$77,187.

The importations of the Dunhill pipe are trifling from a revenue-producing standpoint, and the 60 per cent rate merely passes the duty on to the retailer. The gross spread between our landed prices and our selling prices is not large and is made up of heavy overhead and but small profits, and our net yearly profits on pipes are not even a hare return on our capital investment. Our profits are from \$0.88 to \$2.50 per pipe gross, from which must be deducted selling expenses and very high general overhead.

A fair reduction in duty for pipes valued over \$3 each will serve two purposes; a reasonable profit to us, and a lower price to the trade. With the cost of doing business as high as it is in the United States to-day, any saving that can be accomplished for the retailer is certainly of the utmost importance.

We consequently ask for a lower rate of duty on brier pipes valued at whole-sale at over \$3 each, but of course leave the rate to be determined within the wisdom and judgment of the committee. If we are permitted to suggest, a reduction of the 60 per cent rate to 30 per cent could easily be effected because it would still leave this higher grade pipe outside of the field of American competition.

At the present landed cost of the Dunhill pipe, the retailer can only make from 25 to 33 ¹/₂ per cent profit, and the jobber from 9 to 25 per cent. Jobbers and retailers enjoy much greater profits on American-made pipes. Dealers in Dunhill pipes do not make a large enough percentage of profit to cover their overhead on the investment necessary to carry their inventory of Dunhill pipes. The American jobber and dealer is therefore obliged by the popular demand created for Dunhill pipes, due to its extraordinary quality, to carry this merchandise frequently at a net loss.

SMOKERS' ARTICLES

Congress clearly intended that legitimate smokers' articles should fall within the provisions of paragraph 1454, unless such articles were of a character akin to articles of jewelry carried on or about the person. Cigar lighters, cigar and cigarette holders and cases, and cigar cutters, when composed of base metal, should be classified under the smokers' articles paragraph and not under the jewelry paragraph where these articles now fall by court interpretation of the jewelry provision. Cigar lighters, cigar and cigarette cases, cigar cutters, and cigar and cigarette holders, of a character far removed from jewelry and personal adornment articles, are returned for duty at 80 per cent ad valorem, in direct contradiction to the specific enumeration of these articles in the paragraph for smokers'

article. Under the decisions of the courts the inclusion in paragraph 1428 of articles valued above 20 cents per dozen, necessitates the classification under that paragraph of many smokers' articles which are in no sense jewelry, for the reason that although such articles are specifically provided for in paragraph 1454 at 60 per cent, they must, nevertheless, be classified at 80 per cent under the jewelry paragraph (1428), by reason of the provision in paragraph 1460 that " if two or more rates of duty shall be applicable to any imported article, it shall pay duty at the highest of such rates."

The articles named should be restricted in the jewelry paragraph to such articles that are composed of precious metals or set with precious or imitation precious stones. Otherwise these articles have no place in the jewelry list and should fall under the paragraph which was framed to include all smokers' articles of whatever nature.

We recommend that paragraph 1428 be amended by striking out the provision "valued above 20 cents a dozen" for articles designed to be worn or carried on or about the person, and further limiting these articles to such as are composed of precious metals or set with precious or imitation precious stones.

A value dividing line of 20 cents per dozen certainly appears ridiculous in a paragraph devoted to jewelry. If there are certain articles of base metal as cheap as 1 cents apiece, they should be classified and provided for separately in the metal schedule. Paragraph 1454, as far as metal smokers' articles are concerned, has in practice been voided by paragraph 1428.

Paragraph 1432 provides for all leather articles when not jewelry at 30 per cent ad valorem. Leather card cases fall under this paragraph, while leather cigar or cigarette cases fall within the 60 per cent duty in paragraph 1454. There is no sound economic reason for this distinction. The cost of production of leather cigar or cigarette cases is certainly no more than the cost of production, relatively speaking, of leather card cases. These articles, that is, card cases, wallets and cigarette cases, are made by the same manufacturers in the same factories, and if a rate of 30 per cent on leather card cases is sufficient, there would appear to be no reason why it would not give proper protection on leather cigarette cases. The mere fact that one article is called a card case and the other a cigarette case does not warrant the assessment of duty on one at 30 per cent and on the other at double that amount, namely, 60 per cent.

Respectfully, ALFRED DUNHILL Of LONDON (INC.),
STEPHEN A. Ogden,
Vice President.