

MAINE STATE LEGISLATURE

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STATE OF MAINE
LEGISLATIVE RESEARCH COMMITTEE

**Reports
to the
ONE HUNDRED AND FOURTH LEGISLATURE
Volume Two**

January, 1969

Legislative Research Committee

Publication 104-20 (Vol. II)

LEGISLATIVE RESEARCH COMMITTEE

Senator Horace A. Hildreth, Jr., Falmouth, Chairman
 Resigned August 14, 1968
 Senator Kenneth P. MacLeod, Brewer, Chairman
 Elected September 19, 1968
 Representative Samuel A. Hinds, Vice Chairman

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 Appointed October 20, 1967
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 Resigned October 18, 1967
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Office of Legislative Finance:

Frederick W. Kneeland, Augusta, Finance Officer
 Resigned July 12, 1968
 William H. Garside, Augusta, Finance Officer
 Appointed July 17, 1968
 Samuel A. Hinds, Assistant Finance Officer
 Appointed November 20, 1968; Effective, January 1, 1969

LETTER OF TRANSMITTAL

January 15, 1969

To the Members of the 104th Legislature:

As Chairman of the Legislative Research Committee of the 103rd Maine Legislature it is with great pride and pleasure that I present a cumulation of findings and recommendations that we as a Committee have developed on our assigned subjects during the past biennium.

This, the second of three volumes, designated as Legislative Research Committee publication 104-20 (Vol. II), combines in a single publication the findings and recommendations developed in nine specific areas of study which are individually reported in committee publications numbered 104-11 through 104-19.

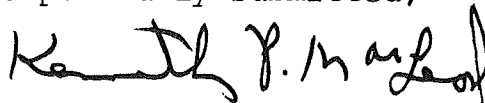
On behalf of the Committee and myself, I would like to take this opportunity to extend our grateful appreciation to Horace A. Hildreth, Jr., formerly our Committee Chairman, to Roger V. Snow, Jr., a former member of the Committee and to Frederick W. Kneeland, the former Legislative Finance Officer, each of whom resigned during the interim after having so faithfully served this Committee.

I also extend, on behalf of the entire Committee, our sincere gratitude and appreciation to the Committee, staff, to the news media and to the many private citizens, organizations and employees of the State, without whose endless cooperation and dedicated

service the Committee could not have reached its conclusions.

The members of the Committee further wish to express their appreciation for being chosen to participate in these assignments and sincerely hope the reports contained herein will prove of benefit to the Members of the Legislature and the people of the State of Maine.

Respectfully submitted,

A handwritten signature in black ink, reading "Kenneth P. MacLeod". The signature is written in a cursive style with a large, stylized initial "K".

KENNETH P. MACLEOD, Chairman
Legislative Research Committee

PROPOSED BILLS TO BE SUBMITTED TO THE 104TH LEGISLATURE

Page

AN ACT to Revise the Liquor Laws----- 32

AN ACT Relating to Setting Salaries of All County
 Officials Except County Commissioners and
 County Attorneys----- 48

AN ACT Relating to Annual Reports of Counties----- 54

AN ACT Relating to Damage to Private Water Supplies
 Resulting from Alteration of Highways----- 71

AN ACT to Provide for a Statistician in the
 Department of Agriculture----- 135

C O N T E N T S

	Page
Legislative Research Committee Membership-----	ii
Letter of Transmittal-----	iii
Proposed Legislation-----	v
Table of Contents-----	vi
 Research Reports:	
Operation of State Liquor Commission-----	1
County Government-----	42
Highway Well Damage-----	56
Land Acquisition-----	74
Marine Growth-----	81
Governmental Operations-----	99
State Printing-----	111
Agricultural Prices-----	126
Foreign Competition-----	136
 Authority-----	 184
Rules-----	191
Directory of Committee Membership, 1941 - 1968-----	194
Index of Committee Reports, 1940 - 1968-----	198

STATE OF MAINE
LEGISLATIVE RESEARCH COMMITTEE

REPORT ON
FOREIGN COMPETITION
to
ONE HUNDRED AND FOURTH LEGISLATURE

JANUARY, 1969
Legislative Research Committee
Publication 104-19

SUBCOMMITTEE ON FOREIGN COMPETITION

CHAIRMAN - Sam A. R. Albair

VICE CHAIRMAN - J. Hollis Wyman

Albert E. Cote

Samuel A. Hinds

Louis Jalbert

Harvey Johnson

Horace A. Hildreth, Jr., Ex Officio

Kenneth P. MacLeod, Ex Officio

ORDERED, the House concurring, that the Legislative Research Committee be instructed to study the impact on Maine industry of foreign competition, including but not limited to textiles, steel fabrication, Irish potatoes, other agricultural products and products of the paper industry, reviewing the effect on Maine industry as a result of recently concluded tariff concessions following the conference at Geneva, and the extent to which Maine industry has been favorably or adversely affected thereby, and determining to what extent Maine industry and agriculture have been protected under the powers vested in the Executive Branch of the United States Government, and that the Legislative Research Committee be instructed to report their findings to the 104th Legislature.

The nation's effort to liberalize world trade by lowering protective tariff and nontariff barriers is of grave concern to several major industries in the State of Maine. Due to the far-reaching complexities of this problem which is national and international in scope, the Legislative Research Committee found it hard, if not impossible, to make an accurate appraisal of the impact of expanded world trade on the State's economy.

The background of this problem, oversimplified, indicates that there are two opposing forces working against each other. On one side there are the "liberal traders," those who desire no restrictions on world trade, other than the barest necessity in the interest of national security. The other side, represented by "protectionists" or those who favor restraints on trade by utilization of some of the following devices to protect domestic markets: tariffs, absolute import quotas, step rate quotas, custom procedures, procurement policies, border taxes, internal taxes, anti-dumping regulations and American selling price, just to name a few. These forces have long been in conflict and more so since the United States initiated talks to lower tariff barriers at Geneva, Switzerland, in 1947. The General Agreement on Tariffs and Trade, signed by 23 participating countries, at that time provided rules, principles and concessions and the basic foundation for a new reciprocal trade policy for the United States Government. In later rounds, the terms of this unilateral agreement were revised and expanded. In 1964, armed with the highest tariff cutting authority ever granted by Congress, the

President of the United States, under the Trade Expansion Act of 1962, was given 5 years or until June 30, 1967 to negotiate with other participating nations of the GATT Agreement which by then included 52 countries, higher or lower tariff cuts by as much as 50% and in some instances to do away with tariffs entirely. The result of this 6th round of negotiating at Geneva, the so-called "Kennedy Round," was a sufficient lowering of tariff barriers which has led to increased competition from abroad by making it easier for foreign competitors to invade domestic markets, thereby causing a new source of competition from increased imports.

In support of a trade expansion program for 1968, President Johnson stated to the Congress of the United States that:

"When trade barriers fall, the American people and the American economy benefit. Open trade lines:

- Reduce prices of goods from abroad.
- Increase opportunities for American businesses and farms to export their products. This means expanded production and more job opportunities.
- Help improve the efficiency and competitive strength of our industries. This means a higher rate of economic growth for our nation and higher incomes for our people."

At other points in the same address, the President said:

"First and foremost, we must ensure that the progress we have made is not lost through new trade restrictions.

One central fact is clear. A vicious cycle of trade restrictions

harms most the nation which trades most. And America is that nation.

At the present time, proposals pending before the Congress would impose quotas or other trade restrictions on the imports of over twenty industries. These measures would cover about \$7 billion of our imports - close to half of all imports subject to duty.

In a world of expanding trade, such restrictions would be self-defeating. Under international rules of trade, a nation restricts imports only at the risk of its own exports.

Restriction begets restriction.

In reality, "protectionist" measures do not protect any of us:

- They do not protect the American working man. If world markets shrink, there will be fewer jobs.

- They do not protect the American businessman. In the long run, smaller markets will mean smaller profits.

- They do not protect the American consumer. He will pay more for the goods he buys.

The fact is that every American-directly or indirectly-has a stake in the growth and vitality of an open economic system. Our policy of liberal trade has served this nation well. It will continue to advance our interests in the future."

"The General Agreement on Tariffs and Trade has become the most important forum for the conduct of international trade relations. The Kennedy Round took place under its auspices."

"Already, through these Agreements, tariff barriers everywhere

are falling, bringing savings to consumers, and opening new overseas markets for competitive producers."

"Some firms, however, have difficulty in meeting foreign competition and need time and help to make the adjustment. Since international trade strengthens the nation as a whole, it is only fair that the government assist those businessmen and workers who face serious problems as a result of increased imports."

Even though Congress provided in the Trade Expansion Act of 1962 terms by which businessmen and workers could obtain relief or adjustment assistance if they were adversely affected by increasing imports, the President reports, "the test of eligibility has proven to be too rigid, too technical and too complicated." As a matter of fact, the program has proved so ineffective that no awards have ever been made.

The inability to gain necessary relief or assistance under this Act is perhaps in part responsible for the concern shown here in Maine.

Speaking on his Trade Expansion Act of 1968, President Johnson indicated his course for corrective action:

"As part of a comprehensive trade expansion policy, I propose that we make our adjustment assistance program fair and workable.

I recommend that Congress broaden the eligibility for this assistance. The test should be simple and clear: relief should be available whenever increased imports are a substantial cause of injury.

I intend to pattern the administration of this program on the Automotive Products Trade Act of 1965. Determinations of eligibility will be made jointly by the Secretaries of Labor, Commerce and Treasury.

The adjustment assistance provisions of Automotive Product Trade Act of 1965 have been successful. They have well served American automobile firms and their workers as we have moved to create an integrated U. S.-Canadian auto market.

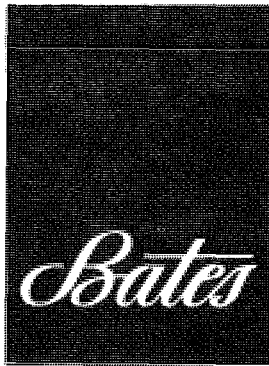
These provisions will expire on June 30.

I recommend that the Congress extend the adjustment assistance provisions of the Automotive Products Trade Act through June 30, 1971."

In order to develop a long-range policy to guide American trade expansion through the 1970's, President Johnson also directed his Special Representative for Trade Negotiations, Mr. William M. Rath, to make an intensive study of our future trade requirements and needs. In addition to Members of Congress, leaders of labor, business and agriculture were asked to work with the Executive Branch in a united effort.

In view of the foregoing congressional action and the forthcoming change in administration, the Legislative Research Committee takes no further action at this time. However, the Committee submits the following letters and testimony as the only true indication of the impact of foreign competition on Maine industry:

BATES MANUFACTURING COMPANY
INCORPORATED



EXECUTIVE OFFICE

LEWISTON, MAINE · P. O. BOX 259
207-784-7311

December 5 , 1968

Legislative Research Committee
State House
Augusta , Maine

Gentlemen:

It is my understanding that , among other serious matters , you are studying the impact of imports on the Maine economy. I am writing this letter to call to your attention the serious problems which confront the Maine textile and apparel industry as a result of imports from low-wage foreign countries . This impact has been severe and is getting worse .

As you know , the textile apparel industry in Maine accounts for 13% of all industrial jobs . It employs 16 ,000 workers in over 100 establishments . These textile apparel plants are located in 60 different Maine communities . Their annual payrolls exceed \$60 million and shipments exceed \$220 million per year . It is obvious that the welfare and growth potential of this industry should be a matter of major concern to Maine , as it is to neighboring states in New England where 190 ,000 textile apparel workers are employed . These workers produce a great variety of fabrics for apparel , household , and industrial uses .

You may be interested in the enclosed address of Mr. George Dorr of New Hampshire , "A New Look At New England Textiles ," recently delivered to the New England Council .

In Maine , we use all of the principal fibers: cotton , wool , and man-mades . The critical nature of imports of textiles has been recognized by the Federal Government for some time . Our Government , in 1961 , undertook a Program to limit imports and initiated an International Agreement covering all cotton products which was intended to restrain these imports but has permitted them to more than double since that time .

Maine has 23 wool textile plants. In spite of Government efforts to reach an international agreement limiting these imports, nothing has been accomplished and imports now equal 30% of the total United States production of wool textiles.

There has been especially heavy pressure on many of the heavier and less expensive wool fabrics which are made extensively in northern Maine. In fact, Maine is undoubtedly the major U. S. producer of these outerwear fabrics. This year, the Congress passed and the President signed a bill which, it is hoped, will help this situation somewhat.

All the man-made fiber fabrics and blend fabrics as well as other types of wool fabrics are exposed to an ever-increasing surge of imported goods. Official estimates for 1968 now place imports of textiles at \$1,400,000,000. Our imports this year will exceed our exports by \$828 million, an increase of \$300 million over 1967.

1968 marks the most drastic rise in imports and discouraging deterioration of our trade position in history. This development comes at a time when the import situation is already critical. The following table, based on U. S. Department of Commerce data and estimates, shows the magnitude of the problem last year and the more serious situation now.

	<u>1 9 6 7</u>			<u>1968 Estimated</u>		
	Imports	Exports	Balance	Imports	Exports	Balance
			(millions of dollars)			
Cotton	416.7	230.1	- 186.6	477.0	235.0	- 242.0
Wool (except carpet)	306.6	15.0	- 291.6	387.0	14.0	- 373.0
Carpet	20.7	1.8	- 18.9	29.0	2.0	- 27.0
Man-made	<u>311.8</u>	<u>291.3</u>	<u>- 20.5</u>	<u>481.0</u>	<u>295.0</u>	<u>- 186.0</u>
TOTAL	1055.8	538.2	- 517.6	1374.0	546.0	- 828.0

No segment of the textile industry is spared. As you know, Bates is famous for its bedspreads, but this market is now being invaded by imported bedspreads from parts of Europe and from the Far East as well.

Legislative Research Committee - 3 -

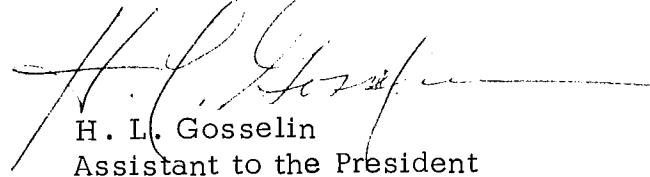
December 5, 1968

I need hardly mention that the source of practically all these imports are low-wage countries, whose standards for workers would not have been tolerated in Maine even a century ago. Wages are so low that in spite of all our advances in technology and productivity we cannot overcome the difference. The continued pressure of a large and increasing volume of textiles depresses the wages of workers as well as the earnings of companies in this country.

President-elect Nixon has said that he will take "... prompt action to effectively administer the existing Long Term International Cotton Textile Arrangement" and that he will also "... take the steps necessary to extend the concept of international trade agreements to all other textile articles involving wool, man-made fibers, and blends."

We look forward to the implementation of this policy. The full support of your Committee for this policy will be in the best interest of the State of Maine.

Very truly yours,



H. L. Gosselin
Assistant to the President

HLG:hl

encl. 1

cc. Gov. Kenneth M. Curtis
Arnold L. Ginsburg

Address of George A. Dorr, Jr.
 President, Dorr Woolen Company
 Guild, New Hampshire
 before the

44th Annual New England Conference of the New England Council
 Sheraton-Boston Hotel, Boston, Mass.
 November 21, 1968

A NEW LOOK AT NEW ENGLAND TEXTILES

The other day on the plane between New York and Boston I fell into conversation about the textile industry with a stranger in the next seat. He was from out West and was startled to learn that not only was I in the woolen business but that there was a woolen business left in New England. He had also assumed that all the cotton mills were in the South and that for some reason or other, the only woolen shirts made in the United States were made by a mill, whose name slips me, situated somewhere out West in Oregon or Washington. He did admit that he understood a textile industry did exist in the United States, but that it was antiquated and constantly in danger of being inundated by imports. He equated nineteenth century protectionism with the textile industry. I am sure you have probably heard the same ideas expressed, and perhaps some of you agree with him.

Now the textile industry has been around a long time. As a matter of fact it was the textile industry that started the Industrial Revolution back in England. We used child labor. We imported labor, and we experienced labor strife. There were some who left New England and migrated South to found new mills there, but there were also some who stayed. During the late eighteen hundreds and early part of this century we filled the Boston banks with money, in trust, so prudently managed that none went back for re-investment in New England textiles. Yes we built an image for ourselves and we have paid the penalty many times over. I suggest that we are too important to New England to allow the image our Western friend has of us to go unchallenged.

The total textile-apparel group in New England employs about 197,000 employees, or about 11.4% of all New England manufacturing employment. Their payrolls are over \$750,000,000 a year. Their sales amount to about three billion dollars and they add in value by manufacture over one and a half billion dollars per year. Beyond these general statistics, of the combined textile-apparel industry, I would not be qualified to discuss in detail the apparel branch, so let me just say that the apparel branch of this tremendous complex is important because they are our customers, your neighbors, and last, but not least, New England taxpayers.

-2-

Now what about the New England textile industry as a part of this complex? We prepare fiber, manufacture yarns, weave, knit, braid, felt, bond, coat, dye, finish, both narrow and broad woven fabrics, carpets, lace, and a host of other textile products. We employ 95,000 people in 1,200 establishments located in 200 communities throughout our six states. We comprise 6.1% of New England manufacturing employment. In many cases we are the sole, or principal source of employment in the community where we are located. We are not characteristically large units, for many of those have been liquidated. Our average size unit probably employs 100 to 400 employees. We would consider a large textile unit in New England today one employing 1,000 to 3,000 persons. I would point out, however, there are many smaller units that employ only a handful or so. We are tough and somewhat rough characters who have survived a long period of economic pressures. Because we have survived does not mean that there are not going to be further casualties along the way. We are a highly competitive industry.

Since the beginning of the century we have seen the large staple cloth manufacturers gradually give way to an industry of small and medium size plants. Here in New England, for example, we are noted for making products difficult to make, engineered to special end uses, requiring unusual skills and processes, and produced in short runs. While a major segment of the industry furnishes the apparel and home furnishing market, we produce all sorts of interesting items, such as, gaskets, polishing felts, conveyor belts, shoe linings, nips for marking pens. The list is endless.

New England produces over one half of the woolen fabrics made in the United States. In the woolen and worsted branch, New England has 121 plants employing 18,000 people, or about 40% of the woolen and worsted employees in the United States.

Each woolen mill in New England is a specialty mill. We use a system of yarn manufacture that is one of the most flexible in the world. We can manufacture cloth from sheerest weight to the heaviest weight meltons. We can make the cheapest reused wool cloth, or the most expensive high fashion apparel fabric. We use all the fibers available, from the rare fur fibers to the latest synthetics. As a matter of fact, it may surprise you to learn that more than one woolen mill, this past season, has been in full production manufacturing thousands of yards of one hundred percent synthetic fabric. Not too long ago our own plant processed a highly specialized fabric for the aero-space effort. It contained no wool and was a top secret project. It was top secret until one of the men who was working with NASA happened to visit our plant on an entirely different mission. He saw the fabric and immediately announced, for the benefit of all bystanders, "Why that's the fabric we use on project so-and-so".

-3-

Who would have thought, five years ago, that woolen mills would have been bonding or laminating its fabrics to acetate tricot? This new technology was developed to cut costs in garment manufacturing. By bonding a lining fabric to the outside fabric it saved a cutting and sewing operation. A host of technical problems had to be overcome, such as, resistance to dry cleaning, washing, and shrinkage. The problems have been largely solved and now the process is standard for many mills.

The cotton industry in the United States started here in New England. Low wages and the proximity to its raw materials led many mills to go South after World War I. But it is interesting to note that some of the more highly specialized mills, and the finer fabric mills remained in New England. Dyeing, finishing and printing of cotton and man-made fiber fabrics is a thriving activity in New England. This is done in over 80 plants employing 11,000 people. One of the world's largest commission dyeing and finishing plants located in Rhode Island specializes in the processing of durable press fabrics. This is one of the most important industry developments in many years. The production of conventional apparel linings for better men's and women's suits and coats is a Massachusetts specialty. Bedspreads, sheets, pillowcases, and upholstery fabrics are made in several of our states.

In New England there are 127 units employing about 8,300 who manufacture narrow woven and braided fabrics. Their products include heavy industrial webbing, trimmings, shoe laces, wickings, and Venetian blind and zipper tape. The elastic cables which arrest jet planes on our carriers are made in New England. You have only to stretch your imagination a little to visualize some of the other end products included in this category such as men's hose, men's shorts and such other interesting items as panty hose and girdles that do so much for so many.

In Maine we find the largest single producer in the United States of jacquard woven products. In New Hampshire we find a new textile substitute being produced for the zipper. Vermont produces a variety of women's wear woolens. Massachusetts, with 36,000 employees in the textile industry, is the most diversified in its products working with fibers, yarns, and fabrics of all varieties. Connecticut runs the gamut from fine threads to delicate velvet. Rhode Island's textile industry accounts for 17.6% of the manufacturing employment in that state, and, produces among other products, the major part of the lace produced in the United States.

Sometime ago Archibald MacLeish visited our town in New Hampshire to receive the annual award given by our local library, and in true Yankee fashion helped raise money for the institution by his lecture that evening. He characterized New Hampshire men as being "cantankerously independent". He probably had met some

-4-

textile people in his time. Many of our friends in the textile industry are just that. They spin, weave, knit, and finish and are pretty careful who they let see their mills. In the past few years they have put in a lot of new equipment and instituted new processes. They have fixed up their plants. They don't want to say too much about it for various reasons - they probably don't like to show their competition. But those who are in business today have survived because they have re-invested, been inventive, and have met the challenge. And this represents the majority of the successful textile people today.

Now what about the rumble about imports? Here is where we really ought to be cantankerous, and we probably are. But we aren't as bad as some of our free-traders would make us out to be. And we really try to understand them and what their objectives are. I suppose, in a real sense, there is no such thing as a bad free-trader. As a matter of fact, some of them are pretty good fellows. We are aware of the GATT. We are aware of tariffs and quotas. We are aware of the need for trade between countries. We've operated since 1961 under an International Cotton Agreement which allows our competitors in the free world access to our markets in the cotton area in categories and in amounts based on a historical pattern. We have provided a growth pattern for them, and they are taking advantage of it. Our cotton industry is not fully satisfied with the results nor are our competitors abroad, but the Agreement is working and the Agreement is operating under the GATT philosophy. Those of us in wool and man-made fiber fabric and apparel have asked for the same type of consideration in our areas. We think we are over-due for consideration. We believe that operating under Government set minimum wage standards, health standards, and labeling laws, we should be given some interim protection until our friends in the textile industry abroad bring the working conditions of their employees up to approximate ours. They too should be obliged to deliver a piece of goods, to the consumer, which meets the standards we are obliged to meet. They should properly label their product in accordance with our laws. In arguing these points I guess I, on occasion, can get pretty cantankerous. When I mention to you that the latest statistics in the woolen area indicate that imports amount to 24% of our domestic consumption or 30% of our domestic production, you can gather what I mean. We are experiencing market disruption in a very real sense!

This then is a pretty brief description of the textile industry in New England. We are 95,000 employees, in 1200 plants, in 200 communities, who are dedicated to providing the consumer, and industry, a highly specialized number of products on a competitive basis in modern plants. We join with you in the New England Council in our aim to provide a stable economy, pay good wages, earn a reasonable profit, and make New England a better place to live.

EASTLAND WOOLEN MILL, INC.*Manufacturers of Fine Woolens***CORINNA, MAINE 04928**

TELEPHONE 278-3101

Dec. 4, 1968.

Legislative Research Committee
Room 601
State Office Building
Augusta, Maine 04330

Attn: Mr. H. G. Hawes

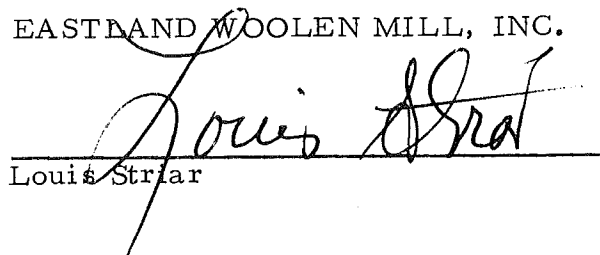
Gentlemen:

Regarding your telephone conversation of last Friday and your letter of Nov. 27th, you will kindly find enclosed a rough draft of what I hope you are looking for.

If there are any questions please call me.

Very truly yours,

EASTLAND WOOLEN MILL, INC.



Louis Striar

LS/h

EASTLAND WOOLEN MILL, INC.

Manufacturers of Fine Woolens

CORINNA, MAINE 04928

TELEPHONE 278-3101

There will be thirty-thirty five million yards of what is called , in the trade "Loophole Fabrics", shipped into the United States this year from Italy alone.

This tremendous yardage effects us not only today but will have a critical impact during the coming year and even longer. Directly and indirectly there will be an overall effect on every woolen mill in this country thereby naturally on the mills in Maine.

The above figure compares to 13,000,000 yards shipped from Italy in 1959, and in that year our mills were forced to curtail 50% of production for a period of time.

These fabric imports averaged only 2,000,000 yards per year for the years 1950-58.

In 1960, Italian imports however, rose at a startling rate to such an extent that it caused severe dislocation in the United States. The government adjusted the tariff rates upward at that time in order to save what was left of the woolen industry.

Since 1961, slowly and steadily there began seeping into the United States from Italy a series of evasions, or avoidances of paying the proper duty, by means of loophole methods. This has cost the United States millions of dollars in revenue that rightfully belong to her. For your information these cloths were brought in at extremely low priced duties under the guise of being chief value something other than wool, content.

The Senate, House and President Johnson finally signed a bill this Fall which we hoped would stop this massive flow of loophole imports.

Many people mistakenly believe that the average rate of pay in Italy is approximately \$1.00 per hour. Let us consider for example that a skilled worker in a woolen mill received \$1.00 per hour, which by the way is much higher than he does receive, a woman gets one half of that and the apprentices, who are children 14-1/2 - 17 years of age get anywhere from 10-15¢, pocket money, per hour. This latter is the largest group of employees in Italy and they try very hard to keep their jobs with eye to the future when they will be 17 years old. Therefore, one can readily see that a room comprised of 50 people has a maximum of five so-called \$1.00 per hour workers, 20 at 50¢, and the balance a maximum of 15¢. These figures will average 38¢, per hour. Frankly this is much higher than it actually is, but even assuming that the average is 38¢, per hour when this is compared to over \$2.00 an hour in the United States this is truly something to worry about.

EASTLAND WOOLEN MILL, INC.

Manufacturers of Fine Woolens

CORINNA, MAINE 04928

TELEPHONE 278-3101

The Italian mill workers are highly skilled and the industry is an old one which has been functioning of hundreds of years. Apprentices in Italy have been brought up from the time they could walk with a clear cut understanding of the various jobs in the woolen industry, far beyond our comprehension.

The Italians have cornered the World markets on our type of cloth and today we find that England, France, Switzerland, Holland and other European countries cannot compete against Italy. In fact on heavy woolen cloth selling under \$2.00 per yard, wholesale, even the Japanese cannot compete against the Italian mills. Statistics show that the Italian output per man-hour in manufacturing rose about 55%, between 1960-1967, whereas in the United States the output per man-hour for the same period rose only about 4.6%.

The only way the woolen mills in America and naturally that means those here in Maine too, can possibly exist is by a high protective tariff. Otherwise the mills will be obliged to liquidate, one after the other.

Imports of wool products in question to the United States amounts to approximately 40% of our domestic production and it is a fact that Italy is one of the biggest economic winners in the entire world, since 1957, and there is no reason why the woolen mills in Maine or from anywhere else in the United States should be a sacrificial lamb to build up a strong and healthy woolen industry in Italy and thereby force ours to become weaker and sicker.

During my lifetime I have seen the following woolen operations, located in Maine, close down at their respective locations, namely:

Location	No. of Plants	Location	No. of Plants
Old town	2	Newport	1
Corinna	1	Sangerville	1
Wilton	1	Harmny	1
Warren	1	Dexter	2
Pittsfield	3	Fairfield	1
Waterville	1	No. Vasselboro	1
No. Berwick	1	So. Berwick	1
Sanford	2	Camden	2
Madison	1	Skowhegan	1
Dover-Foxcroft	1	Auburn	1
Bridgton	1	Lisbon Ctr.	1

Many people have wondered how the woolen textile industry has lasted at all, especially the handful left here in Maine. It has not been easy and it is becoming more and more difficult.

This is a most critical situation and getting worse.

STATEMENT REGARDING EFFECTS OF FOREIGN COMPETITION ON MAINE COMMERCIAL
FISHING INDUSTRY FOR CONSIDERATION BY MAINE LEGISLATIVE RESEARCH COMMITTEE

Submitted by

Ronald W. Green, Commissioner

Maine Department of Sea and Shore Fisheries

State House

Augusta, Maine 04330

SUMMARY OF STATEMENT

- I Introduction
- II Current Conditions in the Fisheries
 - A. Decline in domestic landings
 - B. Static price to fishermen
 - C. Increased operating costs
 - D. Over-age vessels
 - E. Loss of canneries
 - F. Increased labor and materials costs
 - G. Increasing flood of imported fisheries products
- III Causes of the Crisis
 - A. Unsubsidized domestic products cannot compete with highly subsidized imports
 - B. Summary of Canadian fisheries subsidy programs
 - C. Effect of subsidized imports on the domestic market
 - D. Effect on the domestic perch industry
- IV Conclusion
 - Appendix A Summary of new subsidy paid Canadian fishermen
 - Appendix B Statistics on Ocean Perch Market

RONALD W. GREEN, COMMISSIONER



STATE OF MAINE

DEPARTMENT OF SEA AND SHORE FISHERIES

STATE HOUSE

AUGUSTA, MAINE 04330

December 11, 1968

The Honorable Kenneth P. MacLeod, Chairman
Legislative Research Committee
State House
Augusta, Maine 04330

Dear Sir:

Presented herewith is a summary of conditions currently existing in Maine's commercial fishing industry, showing the impact of imports on the industry and pointing out specifically the unfair competition created by imports from nations providing extensive subsidies to their fisheries. We intend to show that a special situation has been created in the case of subsidized fisheries products, and that special protective measures are absolutely essential if our domestic industry is to survive.

Current Conditions in the Fisheries

Since early colonial days, commercial fishing has been one of the nation's basic and most important industries. It is Maine's oldest industry and has been the economic backbone of every coastal community in the state.

Some 20,000 people depend upon it directly for their livelihood, and the market value of the seafoods which it produces and processes has for many years been in excess of \$75,000,000 annually. Altogether, about 40 species of fish and shellfish are harvested commercially by Maine fishermen. Among the most

important are ocean perch, herring, whiting, cod, haddock, cusk, hake, pollock, flounder and alewives. Major shellfish items include lobsters, soft-shell clams, scallops, mussels and crabs. According to statistics compiled by the United States Department of Interior, the total landings in Maine during 1967 were 196,058,944 pounds of raw product worth almost \$23,000,000 to the fishermen.

In recent years conditions in the domestic fisheries have been growing steadily worse, both for the producer and the processor. As far as the fishermen are concerned, landings of most species have declined, as imports have taken an ever greater share of the market. Prices paid to the fishermen have fluctuated slightly from year to year, but over a twenty-year period the net increase per pound has been only from one to three cents, depending on the species. This small increase in income has been more than offset by increases in the cost of living, in the costs of vessels, repairs, gear, fuel and insurance. In fact, it has been more than offset by the decrease in total production alone.

The present situation of Maine fishermen is clearly indicated by the figures in the table below. (Note: all totals are for round, not dressed, fish.)

	<u>1947</u> <u>Landings</u>	<u>1957</u> <u>Landings</u>	<u>1967</u> <u>Landings</u>
Cod	4,205,000 lbs. Av. price 5.5¢	3,352,000 lbs. Av. price 3.6¢	2,988,000 lbs. Av. price 6.3¢
Cusk	567,000 lbs. Av. price 4.8¢	584,000 lbs. Av. price 4.6¢	11,000 lbs. Av. price 6.7¢
Haddock	3,389,000 lbs. Av. price 6.8¢	4,667,000 lbs. Av. price 9.4¢	2,062,000 lbs. Av. price 10.4¢
Hake	3,494,000 lbs. Av. price 4.6¢	2,870,000 lbs. Av. price 3.6¢	1,054,000 lbs. Av. price 5.8¢
Pollock	4,310,000 lbs. Av. price 3.2¢	3,719,000 lbs. Av. price 2.6¢	1,095,000 lbs. Av. price 5¢

-3-

To add to their problems, Maine fishermen working in the groundfish industry are forced to go to sea in vessels which have an average age of close to 24 years. Even worse, the largest trawlers in the groundfish fleet now have an average age of 32 years. Since the average useful age of a large trawler is considered, optimistically, to be no more than 25 years - with smaller draggers lucky to survive 12 to 15 years of hard use - it is clear that the entire fleet is living on borrowed time. It is no wonder that the average age of Maine fishermen increases each year and that few young men are attracted to fishing as a trade or a way of life.

Maine's processors, too, are faced with equally difficult problems. The state's important sardine industry has for years been fighting a losing battle with imported sardines. One symptom of this decline may be seen from the fact that five years ago there were 30 sardine canneries in Maine. Now there are only 22. This industry, however, is vitally important to the economy of the state. During peak production periods, it still employs some 4,000 cannery workers - for the most part in areas which have been declared economically depressed where jobs of any kind continue to be notably scarce.

The Maine sardine industry has not remained passive during these years of decline. It has not been content to sit in a corner crying for government handouts while foreign competition slowly strangled it to death. Instead, through the Maine Sardine Council, the industry created a self-imposed tax, and with these funds it has carried out an aggressive program of advertising, sales promotion, quality control, product improvement, and technological research. Altogether, the Council has spent some \$7.5 million for this purpose. Yet, in spite of this huge investment, the industry has found itself less and less able to compete with highly subsidized imports,

Groundfish processors in the state are no better off. Like the sardine canners, they are caught in a grinding economic strangulation caused by rising labor and production costs and increasingly strict governmental quality standards on the one hand, and on the other by a rampaging flood of seafood imports which is fast approaching one billion pounds a year, throughout the country. Again, there have been plant closures and jobs lost, and each year the plant owners find it more and more difficult just to stay in business, let alone to carry out essential modernization programs. It should be noted that the loss of such plants in Maine creates an even more severe economic burden on the state than it does in other, more heavily industrialized areas. Out-of-work fish plant employees are all too likely to remain unemployed here, whereas in the neighboring state of Massachusetts, where fish processors have also been hard hit, this labor force is much more easily absorbed by a far greater number and variety of industries.

Causes of the Crisis

There is a single basic reason for the crisis which now faces Maine's (and much of the nation's) commercial fishing industry: there is no possible way for the unsubsidized domestic product to compete with a highly subsidized imported product.

To what degree are these nations which are shipping more and more fisheries products into the United States subsidizing their industry?

One detailed answer should be sufficient. Take the case of Canada, which represents the most serious threat to our domestic industry. Canada's Atlantic Coast fisheries are receiving subsidies from the federal government and from the various provincial governments. There are subsidies and other special benefits

for vessel construction, for plants and equipment, and even, in the case of some species, for the fish itself.

Specifically, federal subsidies are provided for fishing vessel construction; some provinces also provide a direct "bounty" for vessel construction, or interest-free loans with no date for repayment; federally guaranteed loans for vessels are also provided; federal insurance for fishing vessels is available; and provincial insurance plans are in some cases even more liberal. Processing plants can get both federal and provincial guaranteed loans. There are also provincially operated collection points and freezers. Finally, during 1967, the Province of Quebec introduced a compensation payment (or subsidy) to fishermen and boat operators for cod, ocean perch and sole which is processed in Canadian fish plants. (See Appendix A)

The above information is spelled out in detail in a publication of the Organization for Economic Co-operation and Development titled: Financial Support to the Fishing Industry. This publication sums up the Canadian program as follows: "On the Atlantic Coast, a large number of support schemes on a federal as well as on a local scale, are in operation and the net federal and provincial government expenditure is relatively high." It concludes by noting: "Apart from canned salmon...almost all exports of fish products are sent to America: the main example is the export of fresh and frozen fish which are totally taken by the United States."

With subsidies and assistance programs of this magnitude, it is not surprising to find a major New England seafood dealer complaining in a national publication that Canadian fish fillets are being imported into the United States for only 43¢ per pound, while it costs him 72¢ per pound to produce the same product. Likewise, it is not surprising to find canned sardines, F.O.B. Canada, quoted at \$7.90 a case, while it costs Maine sardine canners \$9.90 to pack the same product.

In addition to all this, of course, Canadian fish producers and processors have other advantages as well. In some instances, less strict government regulations permit Canadian processors to pack fish which could not be packed by our domestic industry. As in the case of Canadian sardines, these inferior quality items are then marketed in underdeveloped countries. Furthermore, Canadian firms presently enjoy a $7\frac{1}{2}$ cent advantage in the rate of exchange on United States funds over Canadian. Finally, there is evidence that a number of Canadian fisheries products have recently been sold on the United States market for prices which are lower than those charged in the Canadian market, even though this appears to be a clear violation of the so-called Anti-Dumping Law. The strategy behind this appears to be to force domestic fisheries firms out of business, leaving a clear field for Canadian companies who could then charge whatever the traffic would bear for their products.

An extremely clear picture of the effect of Canadian imports on one segment of our domestic industry may be seen in the case of the ocean perch industry. Statistics show (see Appendix B) a steady decline over the past five years in domestic ocean perch landings, while Canadian ocean perch landings show an almost exactly corresponding increase. At the same time, prices for ocean perch fillets during this same five-year period on the domestic market have also shown a steady drop - a $4\frac{1}{2}$ ¢ decrease for one-pound boxes, and a whopping 9¢ decrease for five-pound boxes. Even a quick glance at the figures in Appendix B shows that the Canadian ocean perch industry is "calling the tune" in the United States market, and it is clear that, without immediate Federal assistance, our ocean perch industry will soon cease to exist.

Conclusion

From the above, it seems obvious that this is no ordinary case of competition between domestic and foreign industries where both start out on a relatively

-7-

equal basis. Nor do we have here a situation where the foreign industry begins with an advantage obtained by lower labor and production costs. Instead, we submit, this is a special case. Although the foreign industry does indeed have an initial advantage as a result of lower labor and production costs, it also has a far greater advantage resulting from a complete program of direct and indirect governmental subsidies. No amount of skill and efficiency on the part of the domestic industry, no amount of technological development, product improvement, or promotion and marketing programs can be expected to cope with this situation. We are not simply facing a problem of "adjustment." There is no way whatsoever that the domestic fishing industry can adjust to this type of unfair competition, except by going out of business.

Failure of the domestic fishing industry would have extremely grave consequences, not only for the fish-producing states directly concerned, but on the entire country. Already the imbalance between fisheries imports and exports is adding substantially to the critical problem of the dollar drain and the balance of payments deficit which is one of the major concerns of our Federal Government at this time. With the complete elimination of our domestic fisheries, the dollar drain in this area would be multiplied many times. Furthermore, consumers in the United States would no longer have the protection afforded by normal competition; exporting nations would be free to set their own prices on all fisheries products sold in this country.

Respectfully submitted,

RONALD W. GREEN, Commissioner
MAINE DEPARTMENT OF SEA AND
SHORE FISHERIES

Appendix A

SUMMARY OF A RULING BY THE GOVERNMENT OF THE PROVINCE OF QUEBEC
REGARDING COMPENSATION PAYMENT TO THE FISHERMEN FOR 1967

This Ruling concerns a compensation payment on the price of fish to fishermen and boat proprietors in the Province of Quebec.

Said compensation applies to cod, perch, and sole processed in the frozen fish plants only. There is no compensation for perch measuring 9" and less, which is not to be bought for commercial production.

Maximum compensation prices are: .01 1/4 lb. for cod
.03/4 lb. for perch
.01/2 lb. for sole

Providing the producer pays a minimum of: .02 3/4 lb. for cod
.02 lb. for perch
.02 3/4 lb. for sole

when compensation payment is at maximum level.

According to a chart based upon the eventual recovery of the markets, compensation payments will decrease until none at all are effected, while the producer will, in order to let the fishermen benefit from the compensation subsidy, increase his price in proportion to the decrease in subsidy.

The subsidy will be paid through the producer, who must show separately on each boat settlement the payment effected by himself on the one hand and the government compensation on the other hand.

The producer shall transmit his account, with proof of payment, once at the end of the month.

A thirty-day notice will be given to the producer regarding change in the compensation rate.

This ruling is limited to the 1967-68 fishing season.

The following chart refers to variations in compensation prices in relation with market prices. The price is established in American funds, including Custom duties, for products delivered on the East Coast of the United States (Boston area) and is based upon:

- for cod - Blocks
- for perch - 5's fillets, not going over 8 fillets per lb.
- for sole - Blocks

AMERICAN MARKET PRICE U. S. EAST COAST			COMPENSATION PRICE		
COD	PERCH	SOLE	COD	PERCH	SOLE
.230	.230	.250	.0125	.0075	.0050
.235	.235	.255	.0100	.0060	.0040
.240	.240	.260	.0075	.0045	.0030
.245	.245	.265	.0050	.0030	.0020
.250	.250	.270	.0025	.0015	.0010
.255	.255	.275	.0000	.0000	.0000

Appendix BPRICE DECLINE OF MARKET ON OCEAN PERCHI CANADIAN LANDINGS - OCEAN PERCH (in 000 pounds)

<u>PROVINCE</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Nova Scotia	15,174	20,937	12,613	20,112	29,278	15,387
New Brunswick	1,876	4,244	4,692	12,782	27,396	28,972
Newfoundland	55,817	48,221	41,674	61,383	76,847	62,847
Quebec	7,935	9,677	20,207	27,808	42,035	64,299
P. I.						6,001
	<u>60,802</u>	<u>83,079</u>	<u>79,186</u>	<u>122,085</u>	<u>175,556</u>	<u>177,506</u>

Note: This does not include landings by French islands - St. Pierre & Miquelon

II U. S. LANDINGS - OCEAN PERCH:

101 Sections	123,983	108,292	89,268	83,607	81,553	71,310
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III PRICES F. O. B. BOSTON FOR OCEAN PERCH FILLETS (Ave. Prices):

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
#	.30	.305	.305	.30	.29	.265	.255
#	.28	.285	.2725	.27	.265	.24	.19

IV PRICES PAID U. S. FISHERMEN FOR OCEAN PERCH

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
August						
Price	.0425	.0475	.0450	.0450	.0475	.0450

V LABOR RATES FOR FISH PLANT WORKERS:

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
	\$1.47	\$1.52	\$1.57	\$1.60	\$1.65	\$1.75

VI Present Canadian selling prices reported to be \$.28 one pound package, f.o.b. Toronto Limited Market. Little or no demand for five pound package in Canada.

Maine Sardine Packers Association, Inc.
15 Grove Street, Augusta, Maine

November 26, 1968

Chairman and Members
Legislative Research Committee
State House
Augusta, Maine 04330

Gentlemen:

We have been advised that the Legislative Research Committee is concerned with the effect of foreign imports on Maine industry and believe this to be a very important and worthwhile subject for your group to consider.

Accordingly we would like to briefly document the situation of the Maine sardine industry which for the past ten years has witnessed a steady deterioration of its position in the U.S. consumer market that has resulted from an increase in imports of 28,156,000 pounds in 1957 to 41,547,000 pounds in 1963 and 52,438,000 pounds in 1967. During this period Maine's share of the total U.S. sardine market has decreased from 55.1% in 1957, to 42% in 1963 and 35% in 1967. Furthermore the number of operating canneries has shrunk from 36 to 22.

This has all happened while our industry, alert to changing times, has been spending from \$300,000 to \$500,000 a year on its 25¢ a case state tax development program for quality control, new and better products, mechanization, advertising, sales promotion and other supporting activities.

The dominating factor in this situation is a matter of price competition. Since its inception nearly 100 years ago our industry has specialized in the medium and lower priced sardines which have and still do comprise the bulk of the domestic market. Our costs of doing business have steadily advanced in line with the U.S. economy so that now we find that foreign processors of essentially the same product can under-price us from 15 to 25% in all areas of the country.

In view of the relatively greater importance of the fishing industry to the overall economy of the exporting nations such as Canada, United Kingdom, Morocco, Portugal, Venezuela, Denmark, Norway and Southwest Africa those governments have support, devaluation and subsidy programs which along with their less developed and inflationary economics are constantly widening the costs and price gap. It is because of this gap that we are losing our markets to them in this country and are unable to compete with them in the worldwide market.

The Maine Sardine Packers' Association and the Maine Sardine Council share the alarm of our canners, their employees, fishermen and the hundreds of others who derive much of their livelihood from the catching and canning of sardines. As a result we are launching a major effort to get some relief in Washington to prevent this flood of imports from further increasing and totally destroying the sardine industry of our state.

Chairman and Members
Legislative Research Committee

-2-

November 26, 1968

We hope that the Legislative Research Committee will equally share our concern and forcibly bring this matter to the attention of the full Legislature for the assistance that great body can give us in this battle for survival.

Sincerely,

Vernon P. McFadden
Vernon P. McFadden
President

VM/b



R.P. HAZZARD CO.

craftsmen of fine Shoes and Boots since 1900

FACTORY AND MAIN OFFICE - AUGUSTA, MAINE - 04330 - PHONE: AREA 207 623-8424

December 2, 1968

Mr. H. J. Hawes
Room 601
State Office Building
Augusta, Maine

Dear Mr. Hawes:

I am sorry that I was not in my office when you called last week. I received the message that you are interested in some information concerning the effect of imports on the shoe industry in general and how it effects the State of Maine.

I am enclosing a bulletin dated November 1, 1968 from our Trade Association which explains pretty much what is happening and the impact on shoe manufacturers.

As you can see from the column I have marked "A" a complete total of 132,906,000 pairs have been imported the first nine months of this year. This has occurred primarily since 1960. Prior to that, imported shoes were virtually non-existent as it related to the total shoes produced in the United States.

What is important to this figure is the fact that these are shoes made, and sold here, with wages paid and not spent in this country; with the loss of revenue to this country on raw materials, as well as the taxes, light and power required to make shoes.

I am writing our association today for more extensive figures and when received they will be directed to you.

Yours very truly,

R. P. HAZZARD CO.

Frank L. Marran
Frank L. Marran,
President

FLM/r
Encl.

IMPORTS

Foreign Trade Committee for the

NATIONAL FOOTWEAR MANUFACTURERS ASSOCIATION, INC.

342 MADISON AVENUE

NEW YORK, NEW YORK 10017

(212) 687 0330

NEW ENGLAND FOOTWEAR ASSOCIATION, INC. 4575 Prudential Tower, Boston, Mass. 02199 (617) 266 1445

An independent association affiliated with the National Footwear Manufacturers Association, Inc.

November 1, 1968

SEPTEMBER FOOTWEAR IMPORTS 28% AHEAD OF LAST YEAR

Imports of leather and vinyl footwear amounted to 132,906,600 pairs in the first nine months of 1968, for an increase of 37.3% over the same period in 1967. This equaled 26.9% of an estimated production of 494,254,000 pairs for this period.

Total footwear imports, including canvas-rubber, amounted to 171,583,500 pairs for the same period, an increase of 30.9% over a year ago. This equaled 28.1% of domestic production estimated at 610,919,000 pairs for the nine-month period.

Total September 1968 imports ran 28% ahead of September a year ago. Non-rubber imports were 30% ahead, rubber-canvas increased by 23%.

Imports by the most important countries of origin are as follows:

<u>Shoes & Slippers</u> <u>(Leather types) from:</u>	<u>9 months</u> <u>1968</u> <u>(000 prs.)</u>	<u>% Change</u> <u>1968/1967</u>
Japan	50,691.3	+ 17.6%
Italy	44,507.4	+ 43.1
Spain	10,127.1	+118.5
France	2,301.8	+ 17.4
Taiwan	10,877.6	+129.5
All other	<u>14,401.4</u>	<u>+ 27.4</u>
Grand Total	132,906.6	+ 37.3%



MEN'S
DRESS



WOMEN'S
DRESS



WOMEN'S
CASUAL



MISSIES'
& CHILDREN'S



HANDSEWN
MOCCASINS



RUBBER - CANVAS
OXFORDS



SLIPPERS

TOTAL IMPORTS OF OVER-THE-FOOT FOOTWEAR

(000 pairs; 000 dollars)

<u>TYPE OF FOOTWEAR</u>	<u>Sept. 1968 Pairs</u>	<u>% Change Sept./Sept. 1968/1967</u>	<u>9 Months, 1968</u>			<u>% Change 1968/1967</u>	
			<u>Pairs</u>	<u>\$ Value</u>	<u>Av. \$ Value Per Pair</u>	<u>Pairs</u>	<u>\$ Value</u>
<u>LEATHER & VINYL - TOTAL</u>	<u>10,262.2</u>	<u>+ 32.1</u>	<u>129,226.0</u>	<u>239,580.7</u>	<u>\$1.85</u>	<u>+38.5%</u>	<u>+54.5%</u>
Lea., excl. slippers	4,262.1	+ 41.1	64,583.4	194,853.1	3.02	+40.1	+53.3
Men's youth's, boys'	1,467.6	+ 41.7	17,330.1	67,306.4	3.88	+41.8	+43.1
Women's, misses', child. & Inf.	2,498.0	+ 41.3	45,093.0	117,838.6	2.61	+42.4	+65.0
Moccasins	31.5	- 64.1	494.1	535.1	1.08	-59.0	-60.7
Other Leather (incl. work & athletic)	265.0	+105.1	1,666.2	9,173.0	5.51	+64.3	+25.4
<u>Slippers</u>	<u>34.4</u>	<u>- 5.0</u>	<u>251.9</u>	<u>566.2</u>	<u>2.25</u>	<u>-21.2</u>	<u>-10.3</u>
<u>Vinyl supported uppers</u>	<u>5,965.7</u>	<u>+ 26.6</u>	<u>64,390.7</u>	<u>44,161.4</u>	<u>.69</u>	<u>+37.4</u>	<u>+62.0</u>
<u>OTHER NON-RUBBER TYPES-TOTAL</u>	<u>391.8</u>	<u>- 4.3</u>	<u>3,680.5</u>	<u>2,878.4</u>	<u>.78</u>	<u>+ 3.5</u>	<u>+16.6</u>
Wood	11.2	+261.3	189.4	410.6	2.17	+22.5	+97.7
Fabric Uppers	330.6	- 14.6	3,142.8	2,111.7	.67	+ 8.7	- 2.8
Other n.e.s.	50.0	+160.4	348.3	356.1	1.02	-31.6	+72.8
<u>NON-RUBBER FOOTWEAR - TOTAL</u>	<u>10,653.9</u>	<u>+ 30.3</u>	<u>132,906.6</u>	<u>242,459.1</u>	<u>1.82</u>	<u>+37.3</u>	<u>+54.0</u>
Rubber soled fabric uppers	4,111.9	+ 23.2	38,676.9	23,563.6	.61	+13.1	+24.2
<u>GRAND TOTAL - ALL TYPES</u>	<u>14,765.8</u>	<u>+ 28.2</u>	<u>171,583.5</u>	<u>266,022.6</u>	<u>\$1.55</u>	<u>+30.9%</u>	<u>+50.8%</u>

NOTE: Details may not add up due to rounding. Figures do not include imports of waterproof rubber footwear, zories and slipper socks. Rubber soled fabric upper footwear includes non-American Selling price types.

Source: National Footwear Manufacturers Association estimates from Census raw data. For further detailed information, address your inquiries to the Association, Room 302, 342 Madison Avenue, New York, New York 10017.

G·H·BASS & CO.
WILTON, MAINE
 SHOEMAKERS SINCE 1876

Outdoor Footwear



Weejuns

November 26, 1968

Legislative Research Committee
 Att: Mr. H. G. Hawes
 Room 601 State Office Building
 Augusta, Maine 04330

Dear Mr. Hawes:

I am attaching herewith two pieces of literature I received from Iver Olson of our National Footwear Manufacturers Association and you will note that we will have a new set of facts developed for the Maine portion of the national picture using 1967 figures very shortly. As soon as these are received here I will send them on to you.

I would also like to bring to your attention a number of Maine people represented on the National Board. You will also see many people represented on the National Board from other states in companies which have plants here in Maine, such companies as Knapp Shoe Co. which has a plant in Lewiston, Commonwealth which has plants in Gardiner, Freeport and Lewiston and many, many others. The interest of Maine workers is being well represented on the National Board when considering national policy and as it relates to the Maine factory and its workers.

As soon as I receive the additional information I certainly will forward that on to you.

Very truly yours,

G. H. BASS & CO.

Robert N. Bass

RNB/br
 Enc.

IMPORTS

Foreign Trade Committee for the Footwear Manufacturing Industry

IMPACT OF IMPORTS ON THE MAINE FOOTWEAR INDUSTRY 1966 FACT SHEET

1. PRODUCTION - Maine is the fourth most important shoe producing state in the nation.
 - 1966 - Shoe Production - pairs: 57,654,000
 - Shoe Shipments - pairs: 57,029,000
 - Value of shoe shipments (F. O. B. plant) \$ 265,384,000
 - 1966 - Ratio of Maine production to U. S. total 8.9%
2. EMPLOYMENT - Shoe industry is the leading manufacturing employer in Maine.
 - 1965 - Total employment in shoe factories 23,253
3. WAGES - Total Wages Paid To All Employees In Shoe Factories In 1965: \$ 87,016,000
4. IMPORTS - Total Imports Of Leather Type Footwear equaled 97,127,847 pairs valued at \$153,578,693 in 1966.
5. TOTAL 1966 U.S. SHOE IMPORTS EQUALED 15% of U. S. SHOE PRODUCTION -- IT WAS 3.5% in 1959.

U.S. Foreign Trade in Leather Type- Non-Rubber Shoes

In Pairs Year	Imports	Exports	United States Shoe Production Pairs	Maine Shoe Production Pairs
1955	7,809,654	4,639,532	585,369,000	48,026,000
1956	9,998,939	4,531,686	591,757,000	49,343,000
1957	10,988,477	4,397,638	597,648,000	49,055,000
1958	23,596,541	4,224,648	587,115,000	50,107,000
1959	22,276,841	3,504,712	637,364,000	54,467,000
1960	26,616,508	3,244,316	600,041,000	52,904,000
1961	36,658,387	3,034,545	592,907,000	52,707,000
1962	63,018,669	2,867,379	633,238,000	52,892,000
1963	62,820,395	2,842,757	604,328,000	52,950,000
1964	75,372,001	2,835,562	612,789,000	56,108,000
1965	87,631,994	2,491,038	630,012,000	58,656,000
1966	97,127,847	2,736,543	646,327,000	57,654,000

Per Cent Change	Imports	Exports	United States Shoe Production	Maine Shoe Production
1966-1965	+ 10.8%	+ 9.9%	+ 2.6%	- 1.7%
1966-1955	+1143.7	-41.0	+10.4	+20.0

April, 1967



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December 4, 1968

Mr. Robert Bass
G. H. Bass & Company
Wilton, Maine 04294

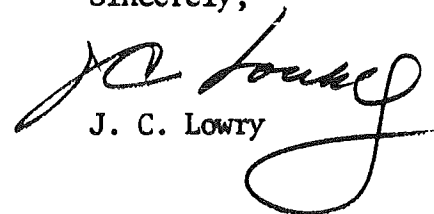
Dear Mr. Bass:

In accordance with Mr. Olson's instructions, here are figures which will update the 1966 Fact Sheet he sent you.

1967 Main Shoe Production, pairs	57,499,000
1967 Maine Shoe Shipments, pairs	57,914,000
Value of Shipments	\$ 291,229,000.
Maine as a % of U.S. Production	9.6%
1967 Imports, pairs	129,137,000.
Imports as % of Production	21.5%

If I can be of further assistance, please let me know.

Sincerely,


J. C. Lowry

JCL:ew

BESSE BROS., INC.

SHEEPSKIN TANNERS

Clinton, Maine 04927

December 2, 1968

Legislative Research Committee
Augusta
Maine

Attention: Mr. Hawes

Gentlemen:

In response to your request for information concerning imports and our business we will try to give you the general information without details which would be too lengthy and largely meaningless.

Besse Bros., Inc. is a small tanner engaged in the processing of sheepskins used largely for lining shoes, especially cowboy boots. Fifty people are employed producing about 200 dozens per day. The skins tanned are a by-product of the meat producing industry. Those used here are native skins, that is, from Swift & Co. and other meat packers.

About half of the sheepskins processed in this country are imported from New Zealand and other sources. The New Zealand skins are used mostly for making suede leather such as is used in suede jackets.

The price of native skins is influenced by the world market which means New Zealand skins. For some months the market has been so high that the movement of our product is restricted by price.

For several years our largest single customer has been a large producer of cowboy boots. This one company has been buying about half of our production. Presently this company is buying leather imported from France at about 25% less than we can produce it for. At the moment there seems to be no prospect of changes which would enable us to compete.

While it is true that our business is not very important in the national economy or even in that of the state it is important to fifty families who live in and about Clinton.

For the past few years the primary concern of the Washington leaders has been for the economies of foreign nations which have been shipping textiles, steel, wooden ware, shoes, leather and other products in here and underselling local producers. It would seem that the first interest of local legislators should be the welfare of their constituents.

2

The interests of this company and its employees are the same as those of other companies in the shoe and leather industries which constitute the largest employers of people in the State of Maine.

Very truly yours,

BESSE BROS., INC.

By Frank A. Besse

FAB/w

STATEMENT PRESENTED DURING PUBLIC HEARING HELD BY THE LEGISLATIVE RESEARCH COMMITTEE AT THE NORTHEASTLAND HOTEL, MARCH 28, 1968, PRESQUE ISLE, MAINE.

PARIS J. SNOW * LEGISLATOR AND SALES REPRESENTATIVE FOR BANCROFT & MARTIN, INC.

Paris J. Snow: Chairman Albair, Members of this Committee, I am bringing to your attention a subject which is probably not too well known by the Legislature of this State and that is the foreign imports of steel into the State of Maine. When I think of foreign imports it reminds me of a club that I belong to, known as the Rotary International, where they have a test that is oftentimes applied to different matters and I wonder how well this test would apply to this foreign import situation. There are four parts to this test: One, 'Is it the truth?'; two, 'Is it fair to all concerned?'; three, 'Will it build good will and better friendships?'; four, 'Will it be beneficial to all concerned?'.
"

"Is it fair to all concerned," should be analyzed. I work for a steel industry here in the State of Maine and we accept and expect competition on an equal basis but I don't feel that this is the situation with the competition from our friends and neighbors in Canada. Presently they can pick any structural project they desire in this State and no Domestic Fabricator can bid as low. This is caused by various factors: low labor rates, no unemployment insurance, minor costs for fringe benefits, and subsidization of industry by the Government. Their cost of structural steel from their mills is 20% below ours. Then of course, our import tax aids them in the fact that if they buy steel

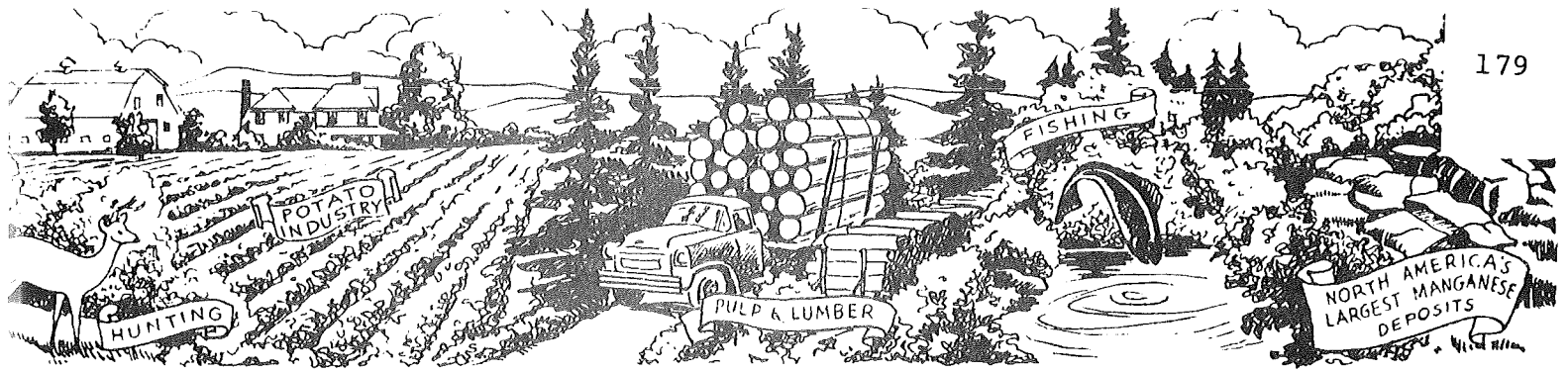
from our mills they can have it shipped to them under bond, fabricate it and pay seven percent tax on improvements only or if it comes from their mills seven percent on its whole value. The ten percent difference in the value of the dollar more than takes care of the duty they pay. If we export into Canada we pay 19% plus 11% sales tax on the value of the steel. We also have to pay in Canadian dollars so that this all totals approximately 33% tax on our steel exports.

Examples of construction projects in the recent past that have been awarded to Canadian firms are: a school in Madawaska with about \$66,000 in structural steel; one in Bar Harbor with structural steel value of \$150,000; school in Farmington with \$30,000 of structural steel; bridge in New Hampshire with \$70,000 of steel; bridge in Vermont with \$700,000 of structural steel; school in Vermont with \$130,000. There have also been some paper mills such as Georgia Pacific in Washington County who went to Canada for their steel needs used in a major rebuild and last week the Great Northern Paper Company awarded a contract to a Canadian firm for approximately 1,700 tons of structural steel involving expenditure of over half a million dollars.

"Will it build good will and better friendship" and " will it be beneficial to all concerned." The jobs previously noted involved approximately 3,200 tons of fabricated steel. Imagine the number of hours of labor involved in cutting, drilling and welding these materials. Think also of the number of tax dollars we've paid through our municipality and our government to build these schools and bridges. Should these tax dollars leave the

United States, to say nothing about the State of Maine? This money didn't buy a loaf of bread or a pound of butter in this State nor did it buy better friendship. Our neighbors are wonderful people and stand second to none in character, friendliness and intelligence. We get along well with them and we surely would gain no disrespect by protecting our own in a fair and proper manner.

It is the position of this study group to come up with some answers to foreign imports. Problems noted here are similar to those faced by Mr. Good, the gentleman from Mars Hill, and others of you here. It requires much consideration and understanding by all involved. Its effect on our income, taxes and employment can be far reaching. There is no equality in the present set up and if there is no way to achieve it on the national level we should at least protect ourselves on publicly financed or supported projects within the State and enact laws requiring domestic manufacture and fabrication of the steel used in such projects.



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GEORGE SAWYER, *Vice President*

DANA M. SWETT, *Clerk*

TESTIMONY GIVEN AT LEGISLATIVE RESEARCH COMMITTEE
AT NORTHEASTLAND HOTEL, MARCH 28, 1968

My name is Dana Swett, Clerk of the Ashland Industrial Development Corporation, speaking on behalf of the over-all economy situation in our State of Maine.

I would like to prefix my remarks by saying I am not opposed to large landowners but am attempting to increase the over-all tax base in our State.

Realizing that in the last twelve years our State requirements have risen from \$75,000,000 to \$235,000,000 and by the advent of the Super University Bowl we may find that the 104th Legislature will be looking for an additional \$50,000,000 plus other monies in the 104th Legislature.

It takes approximately six times as many people plus facilities to process 1,000,000 feet of raw timber as it takes to cut and transport it to Canada. In Canada they do the processing of our raw material and put it back on our country's market.

It would seem to me that we can't accomplish our purpose by increasing tariffs but we might accomplish it in the following manner.

Going back to a survey that was conducted in the late 1950's, we were convinced that our growth of raw timber was greater than the annual cut, however, looking at the projected figures by 1985, our cut, if we continue to

Gateway to Hunting and Fishing

-2-

allow this volume of raw timber to flow into Canada, will be greater than the growth.

Therefore, I propose for this Committee to look into the prospects of creating an incentive program that would be beneficial to the landowners, the people in our State and to increase the over-all-tax base.

First, create a sliding mill rate on wild land as follows: If a wild landowner in the State of Maine makes a practice of not allowing the timber to be exported to some other destination, such as State or foreign country, but is processed in Maine, they shall receive a special mill rate on their lands. To reverse this, if a company or individual allows the timber to be exported, they will have to support our State Government at a great rate of taxes on their land.

Should this be possible, look at the growth that would take place in our State. First, increased employment; second, a tremendous expansion in wood processing plants, plus all of the other services that go with increased population.

Gentlemen, I hope you will give considerable thought to this problem and in your wisdom will recommend to the 104th Legislature such a plan, thus not over taxing the wild landowners, not over burdening the people who continue to do business and live in our State, but create a broader tax basis to take care of increased government costs.

Thank you.

Dana M. Swett

MAINE POTATO COUNCIL

PRESQUE ISLE, MAINE

December 3, 1968

The Honorable Kenneth P. MacLeod
Chairman, Legislative Research Committee
The State Senate
Augusta, Maine 04330

Dear Senator MacLeod:

We understand from Deputy Commissioner of Agriculture Paul Eastman that your committee is interested in a reaction and policy position of the Maine Potato Council with reference to competition of Canadian potatoes with potatoes grown in the State of Maine.

We appreciate very much the committee's interest and consideration of this problem. However, this is a very complex problem that has been studied over a period of years by not only the Maine potato industry but the national potato industry.

At the present time the United States is able to export potatoes into Canada at a rate of duty of $37\frac{1}{2}\text{¢}$ per hundredweight year around and in any quantity. On the other hand, Canada is allowed a small quota, I believe one and one half million hundredweight of seed and one million hundredweight of tablestock to be exported into the United States at a duty of $37\frac{1}{2}\text{¢}$ a hundred. Any potatoes beyond this quota require full duty of 75¢ per hundredweight.

Some Canadians were quite bitter at the Kennedy round of negotiations in connection with the Gatt agreement. They felt that their position should be improved compared to the United States. With the recognition that our Federal Government is the agency that would have to be considered in making any changes on import and export regulations, we have to evaluate the attitude of our own Federal Government.

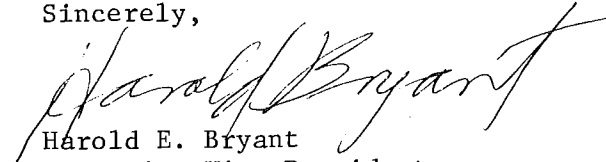
Experience indicates that they feel that potato growers in the United States are getting the better end of the bargain now. Thus we would hesitate to have any of our representatives from the State of Maine bring up for serious consideration this subject. We are very fearful that if it is brought up United States growers would be the losers.

Therefore, we would recommend that the potato industry and our own State Legislature avoid bringing up this subject with the hopes that we can maintain our present position. We certainly want to avoid bringing the matter up if it might result, as we expect it could, in our position being jeopardized.

Page Two
The Honorable Kenneth P. MacLeod
December 3, 1968

We appreciate very much your interest, but would recommend that we mark time, being ready at all times to take action if necessary to try to avoid any change that would weaken our present position.

Sincerely,



Harold E. Bryant
Executive Vice President

HEB:P

cc: Commissioner Maynard C. Dolloff
President John Mooers, Maine Potato Council
Chairman Seth Bradstreet, Maine Potato Commission

STATE OF MAINE

Inter-Departmental Memorandum Date May 2, 1967

To Representative Emilien Levesque, Dept. House of Representatives
 Minority Floor Leader

From Paul J. Eastman, Deputy Commissioner Dept. Agriculture

Subject _____

In response to your inquiry regarding potato movement between the United States and Canada, I have gathered the following information which I hope will be helpful:

During the 10-year period, 1956-57 through 1965-66, the United States imported 14,924,000 cwt. from Canada and in turn sold to Canada, 19,852,000 cwt. As you can see, the net difference in favor of the United States is nearly 5,000,000 cwt.

The record for the past five years is as follows:

	<u>IMPORTS FROM CANADA</u>	<u>EXPORTS TO CANADA</u>
1961-62	885,200	1,558,600
1962-63	893,600	1,854,500
1963-64	1,583,500	1,240,700
1964-65	3,440,100	1,496,600
1965-66	<u>1,119,300</u>	<u>2,945,700</u>
TOTALS	7,921,700	9,096,100

While the figures for this season are not entirely complete, it does not appear that the imports from Canada will nearly reach the figure for the 1964-65 season.

The duty on all United States potatoes sold in Canada is 37 1/2 cents per cwt. On Canadian potatoes sold in the United States, the duty is the same until a certain quota is reached. After this quota is reached, the duty doubles to 75 cents per cwt. This quota was exceeded early in March of this year and the duty is now 75 cents on all stock coming across.

I hope the above will be helpful to you and don't hesitate to ask if there is further information you would like.

Paul J. Eastman
 Deputy Commissioner