

May 31, 2002

Congressman Philip M. Crane (R-IL), Chairman  
Subcommittee on Trade of the Committee on Ways and Means  
U.S. House of Representatives  
1104 Longworth Building  
Washington, D.C. 20510

Re: H.R. 4583; Bill to Partially Reduce The  
Duty Rate On Certain Straw Hats

Dear Sir:

We are writing to register our strong support for passage of H.R. 4583, which would amend Subheading 6504.00.60 of the Harmonized Tariff Schedule of the United States in the “General” duty column by striking “95.6 cents/doz.” and inserting “50 cents/doz.” This is not eliminating the entire duty rate for this tariff provision—only partially reducing it. In our opinion, there are several reasons why the bill should be passed:

1. Many of the straw hats in issue are being increasingly purchased by people who work outdoors with substantial exposure to the sun, such as farm laborers and gardeners, as an aid in preventing skin cancer, the fastest growing type of cancer in the U.S. The high specific rate for these straw hats hurts the American public, because Dorfman has to pass the specific rate (95.6 ¢/dozen) to the American consumer. Thus, a reduction of the duty rate will make these hats more affordable.
2. Second, based upon available trade statistics, the loss of revenue from lowering the specific rate to 50 cents/doz. would be approximately \$500,000. Therefore, the loss of revenue collection to the U.S. Government from passing this bill would be small.

3. There is no comparable straw hat industry in the United States. Therefore, there is no U.S. industry of these types of straw hats to protect. In addition, the types of hats that are imported under this tariff subheading are not subject to any quotas and are not competitive with any straw hats that are made in the United States. Thus, this bill would not be a controversial one.
4. In our opinion, the provisions of this bill would be easy to administer by the Customs Service.
5. We further believe that the lowering of the specific rate to 50 cents/dozen would make the overall duty rate of HTS 6504.00.60 more consistent with the duty rates of the other headgear provisions in the Harmonized Tariff Schedules.
6. Finally, we believe that H.R. 4583 should be made retroactive to entries made on or after January 1, 2002.

In summary, we believe that there are strong merits for passage of H.R. 4583.

Additional information, as well as a more detailed explanation of the reasons for reducing the specific rate in HTS 6504.00.60, is as follows:

#### **Description of Dorfman Pacific**

Dorfman Pacific, headquartered in Stockton, California, is the largest full-line, in-stock headwear company in the world. Our company began in 1921 as Dorfman Hat and Cap Company, in a 5,000 square foot facility in Oakland, California, and is now celebrating its 80<sup>th</sup> year in business at our 15,000 square foot distribution center in Stockton, California. The company

imports a variety of hats and many of them include straw hats that are classified under HTS 6504.00.60.

### **Future Duty Reductions As The Result of GATT Negotiations**

Although there are staged reductions under the Uruguay Round with respect to HTS 6504.00.60 covering the period of 1995 through 2004, the effect of these reductions is very small. A summary of the duty reductions for the period of 2002-2004 is as follows:

2002: 95.6¢ per dozen plus 4.7% *ad valorem*  
2003: 94.8¢ per dozen plus 4.6% *ad valorem*  
2004: 94¢ per dozen plus 4.6% *ad valorem*

There are no more staged reductions after 2004. As can be seen, these staged reductions are very small, and do nothing to reduce the very high specific rate for this tariff subheading. Therefore, we urge passage of H.R. 4583.

### **Summary Of Reasons as to Why The Specific Rate For HTS 6504.00.60 Should be Reduced**

1. **Reducing The Duty Rate on Straw Hats Will Make Them More Affordable to Those Who Are Using Them As An Aid In Preventing Skin Cancer**

Skin cancer is one of the fastest growing types of cancer in the United States. The reason for this is simply due to increased exposure to the sun. Dermatologists have recommended the use of sun block, as well as protective

headgear. The American Academy of Dermatologists (AAD) has established minimum requirements for headgear as a use in protecting against sun exposure (brim size, closed weave construction, etc.). In fact, the AAD has established facilities that can test a hat to determine if the AAD standard has been met. If these standards are established, then AAD will allow its symbols and tags to be used on the qualifying hats. Many of the Dorfman's straw hats which are classified under 6504.00.60, as well as straw hats of other importers, meet the AAD standards and thus are sold to consumers with the AAD symbols and tags.

As an example, a representative AAD tag on some of Dorfman's straw hats states "The American Academy of Dermatology recommends wearing wide brimmed hats as part of a total sun protection regimen to prevent skin cancer and premature aging." In view of the fact that many of the straw hats in issue help prevent skin cancer, sales of these hats have substantially increased. Finally, because Dorfman and other importers of straw hats have to pay the high duty rate under HTS 6504.00.60 for these imported hats, they must pass this cost on to American consumers, thereby increasing the cost of this cancer-preventing aid. The passage of H.R. 4583 would make these types of straw hats more affordable to those using the straw hats as a measure in preventing skin cancer.

**2. The Loss Of Revenue To The Government Would Be Comparatively Small**

We believe that a review of the applicable import statistics demonstrates that the loss of revenue to the Government from the passage of H.R. 4583 would be comparatively very small and would be approximately \$507,700, based upon 2001 import trade data. Information available from the U.S. International Trade Commission website<sup>1</sup> provides the following data for HTS 6504.00.60 for 2001:

**1. 65040060: First Unit of Quantity by HTS Number and First Unit of Quantity For ALL Countries**

**2. U.S. Imports For Consumption**

**3. Annual Data**

HTS Number	Quantity Description	2001
		<i>In 1,000 Units of Quantity</i>
65040060	dozens	1,109

With regard to this data, this website indicates:

Sources: Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce, the U.S. Treasury, and the U.S. International Trade Commission.

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<sup>1</sup> <http://dataweb.usitc.gov/scripts/REPORT.asp>

Thus, the total imports in 2001 under 6504.00.60 would be 1,109,000 dozen. Our calculations of the loss of revenue from passage of H.R. 4583 are summarized as follows:

2001 Imports for HTS 6504.00.60 In Dozens	Specific Rate	Customs Duties at Specific Rate	Resulting loss in revenue
1,109,000	\$0.956	\$1,060,204.00	
1,109,000	\$0.500	(\$554,500.00)	
			\$505,704.00

Thus, if the bill were passed, the revenue that would be collected at 50 cents/doz. would amount to \$554,500. Subtracting this from the revenue that was collected in 2001 at the 95.6 cents/doz. rate (\$1,060,204), the estimated loss of revenue would amount to \$505,704, which we believe is comparatively small. Further, we believe that the benefits of reducing the duty rate for these types of straw hats, which would make this more affordable to consumers in protecting against skin cancer, outweigh any issue on the small loss of revenue.

**3. H.R. 4583 does not present any controversial issues.**

There are a number of reasons as to why this bill does is not expected to raise any opposition to its passage. First of all, hats classifiable under HTS 6504.00.60 are not subject to any quota restrictions.

In addition, there is no comparable straw hat industry in the United States. Therefore, there is no U.S. industry of these types of straw hats to protect.

The hats that are imported and classified under 6504.00.60 in issue are considered inexpensive straw hats, and are sold at prices that are affordable to working class people who work in the sun. This would include farm workers and landscapers, as well as those engaged in recreational activities. Many of these straw hats are sold in such stores as Longs, J.C. Penney, Sears, etc. Based upon information gathered by Dorfman, many of the people who purchase the straw hats in issue utilize them as a protection against the sun.

Furthermore, based upon Dorfman's extensive experience in the trade, it is the company's conclusion that the types of straw hats imported under 6504.00.60 are not manufactured in the United States.

There does exist some straw hat production in the U.S., but the U.S.-made hats are much more expensive than the Dorfman straw hats and those competitive with the Dorfman straw hats. Examples of U.S.-made straw hats would be western-style hats and Panama hats. However, these western-style and Panama hats are not fully manufactured in the United States. More specifically, the woven material is imported from such countries as Ecuador

and, after importation into the United States, the U.S. manufacturer blocks (shapes) the material, sews in a sweatband and a hatband, and installs trim where required. Thus, where there is manufacture of western-style hats and Panama hats in the U.S., the hats are only partially manufactured within the United States.

Furthermore, the typical price range of imported straw hats classified under 6504.00.60 would be quite different from any straw hats made in the United States. The wholesale price range for the straw hats in issue would be \$2-\$8, and U.S.-made western-style hats and Panama hats would fall within the wholesale price range of \$20-\$40. Thus, the price points for the two types of straw hats are very different. In summary, the imported straw hats in issue that are classified under 6504.00.60 are not competitive with the types of straw hats manufactured in the United States. As such, the duty rate on straw hats imported under 6504.00.60 does not affect the sales or markets of U.S.-made straw hats. Therefore, we do not believe that this bill would not be a controversial one.

**4. The provisions of H.R. 4583 would be easy to administer by the Customs Service.**

The provisions of H.R. 4583 are simple—it simply provides for a partial reduction in the straw hats classified under HTS 6504.00.60. There is nothing



complicated about it--it straight forward. Therefore, it does not impose any extra burdens on the Customs Service.

**5. The Specific Rate For HTS 6504.00.60 Is Out Of Line With Duty Rates For Other Hats of Vegetable Fibers and Other Types Of Headgear**

The duty rate for HTS 6504.00.60.00 is much higher than the other two tariff provisions for hats of vegetable fibers (6504.00.30 at 6.1% *ad valorem*, and 6504.00.90 at 6.9% *ad valorem*). There is no logical reason for the exorbitantly high specific rate in HTS 6504.00.60. In addition, the current duty rate for 6504.00.60 is out of line with the typical duty rates of other types of similar headgear.

There are three tariff subheadings for hats made of vegetable fibers. As can be seen below, the duty rate for subheading 6504.00.60.00 is **much higher** than the duty rates for the other two vegetable fiber hat provisions:

<b>Subheading</b>	<b>Description</b>	<b>Duty Rate</b>
6504.00.30	Hats and other headgear, of vegetable fibers, sewed	6.1%
6504.00.60	Not sewed	95.6¢/doz. + 4.7%
6504.00.90	Hats and other headgear, other, other than vegetable fibers	6.9%

Thus, the duty rates for the other two subheadings in the same category (hats of vegetable fibers) have duty rates of 6.1% and 6.9% *ad valorem*.

Clearly, the specific rate for 6504.00.60 is inconsistent with the other duty rates for hats made of the same material, as well as many other provisions for headgear. We believe that the partial reduction of the specific rate for 6504.00.60 would correct this situation, so that the duty rates of the hats of vegetable fibers are more consistent with each other.

**6. Request For Retroactivity**

Should your office decide to sponsor a bill on behalf of Dorfman, we respectfully request that the bill include a provision that the reduction of the specific rate be made retroactive back to merchandise entered on or after January 1, 2002.

If you require any additional information on this matter, please do not hesitate to contact me.

Respectfully submitted,

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Douglas Highsmith  
President, Dorfman Pacific

cc: Ms. Jessica Carter  
Office of Congressman Richard Pombo

Mr. Richard Harper  
Office of Senator Diane Feinstein