

UNITED STATES TARIFF COMMISSION

WOMEN'S AND MISSES' DRESS SHOES
WITH LEATHER, VINYL, OR FABRIC UPPERS:
BENSON SHOE CO., LYNN, MASS., AND WORKERS OF
BENSON SHOE CO., DARTMOUTH SHOE CO.,
BROCKTON, MASS., AND THE HARTMAN SHOE
MANUFACTURING CO. AND LEMAR SHOES, INC.,
BOTH OF HAVERHILL, MASS.

Report to the President
Firm Investigation No. TEA-F-10 and Worker Investigation
Nos. TEA-W-15, TEA-W-16, TEA-W-17, and TEA-W-18
Under Sections 301(c)(1) and 301(c)(2) of the Trade Expansion Act of 1962



TC Publication 323
Washington, D. C.
June 1970

UNITED STATES TARIFF COMMISSION

Glenn W. Sutton, *Chairman*

Penelope H. Thunberg

Bruce E. Clubb

Will E. Leonard, Jr.

Herschel D. Newsom

George M. Moore

Kenneth R. Mason, *Secretary*

**Address all communications to
United States Tariff Commission
Washington, D. C. 20436**

C O N T E N T S

	<u>Page</u>
Report to the President-----	1
Findings of the Commission-----	2
Views of Chairman Sutton and Commissioners Leonard and Newsom-----	3
Views of Commissioners Thunberg, Clubb, and Moore-----	11
Information obtained in the investigation:	
Description of articles under investigation-----	A-1
U.S. tariff treatment-----	A-6
U.S. consumption-----	A-8
U.S. production:	
Volume-----	A-9
Prices-----	A-11
U.S. imports:	
Volume-----	A-12
Prices-----	A-12
Data relating to the individual plants:	

* * * * * * *

Appendix:

Table 1. U.S. rates of duty applicable to footwear of the types provided for in specified TSUS items, 1930 and GATT concessions--	A-39
Table 2. Women's and misses' dress shoes: U.S. tariff rates and estimated imports, by types, 1965-69-----	A-40

* * * * * * *

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

REPORT TO THE PRESIDENT

U.S. Tariff Commission,
June 1, 1970

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation, made under sections 301(c)(1) and 301(c)(2) of that Act (the TEA), relating to women's and misses' dress shoes with leather, vinyl, or fabric uppers.

On March 20, 1970, Phillip Kaplan, the president of the Benson Shoe Co., Lynn, Mass., filed a petition for determination of the eligibility of that firm to apply for adjustment assistance. On March 30, 1970, George O. Fecteau, General President of the United Shoe Workers of America, AFL-CIO, CLC, filed a petition for determination of eligibility to apply for adjustment assistance on behalf of workers formerly employed by the Benson Shoe Co. On the following day (March 31), Mr. Fecteau filed similar petitions on behalf of former workers of three other firms--Dartmouth Shoe Co., Brockton, Mass., and the Hartman Shoe Manufacturing Co. ^{1/} and Lemar Shoes, Inc., both of Haverhill, Mass.

On April 3, 1970, the Commission combined, pursuant to section 403(a) of the TEA, its proceedings with respect to the five petitions described above, and instituted a consolidated investigation to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the women's and misses' dress shoes produced by the aforementioned firms are being imported into the United States in such increased quantities as to cause,

^{1/} The petition and Tariff Commission public notice of the investigation referred to this firm as Hartman Shoe Co.

or threaten to cause, serious injury to the Benson Shoe Co. (TEA-F-10) and unemployment or underemployment of a significant number or proportion of the workers of each of the said firms (TEA-W-15, TEA-W-16, TEA-W-17, and TEA-W-18). The public notice of the receipt of the petitions and of the institution of the investigation was given by publication in the Federal Register of April 8, 1970 (35 F.R. 5754). No hearing was requested and none was held.

The information in this report was obtained principally from the petitioners, the officials of each of the firms, the Commonwealth of Massachusetts Division of Employment Security, and from Commission files.

Findings Of The Commission

On the basis of its investigation, the Commission, being equally divided, 1/ makes no affirmative finding under section 301(c)(1) or 301(c)(2) of the Trade Expansion Act of 1962 with respect to whether articles like or directly competitive with women's and misses' dress shoes with leather, vinyl or fabric uppers produced by the Benson Shoe Co., Lynn, Mass., Dartmouth Shoe Co., Brockton, Mass., Hartman Shoe Manufacturing Co., Haverhill, Mass., and Lemar Shoes, Inc., Haverhill, Mass., are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the Benson Shoe Co., or the unemployment or underemployment of a significant number or proportion of the workers of that company, the Dartmouth Shoe Co., the Hartman Shoe Manufacturing Co., or Lemar Shoes, Inc.

1/ Chairman Sutton and Commissioners Leonard and Newsom voted in the negative, and Commissioners Thunberg, Clubb, and Moore voted in the affirmative.

Views of Chairman Sutton and Commissioners
Leonard and Newsom

Our determination with respect to each of the petitions before the Commission in this investigation is in the negative because the criteria established by section 301(c)(2) of the Trade Expansion Act of 1962 have not been met. Before an affirmative determination could be made, it would have to be established that each of the following conditions had been satisfied:

- (1) Footwear like or directly competitive with the women's and misses' footwear produced at the domestic plants concerned is being imported in increased quantities;
- (2) the increased imports are in major part the result of concessions granted under trade agreements;
- (3) the petitioning firm is being seriously injured or threatened therewith, or a significant number or portion of the petitioning groups of workers are unemployed or underemployed or are threatened therewith; and
- (4) the increased imports (resulting in major part from trade-agreement concessions) have been the major factor causing or threatening to cause the serious injury or unemployment or underemployment, respectively.

In the investigation at hand, conditions (1) and (3) have been met. During the 5 years 1965-69, annual U.S. imports of women's and misses' dress shoes increased six-fold in volume; they supplied 14 percent of U.S. consumption of such footwear in 1969, compared with only 2 percent in 1965. Three of the four shoe manufacturing firms that are the subject of this investigation have closed their doors; the workers formerly employed on whose behalf petitions were filed

have been laid off. The fourth firm, which is the subject of petitions on behalf of both the firm and its production workers, has remained in business. The firm, however, is seriously injured and its workers are unemployed or underemployed; * * *

The facts relating to condition (2) listed above, however, compel us to determine that the increased imports are not in major part the result of trade-agreement concessions. It follows, then, that condition (4) cannot be met because increased imports resulting in major part from trade-agreement concessions have not occurred.

The like or directly competitive imports

In its investigation of petitions for adjustment assistance filed by firms or groups of workers under the Trade Expansion Act, the Commission must first identify the articles produced at the plants concerned and then determine the imported articles that are like or directly competitive therewith.

In recent years, the four footwear plants with which this investigation is concerned produced "dress" shoes for women and misses by the cement process. All used leather or fabrics (such as peau de soie and velvet) for the uppers; one also used supported vinyl for uppers. Three used leather, and one used plastics (elastomer resin blends), for the soles. In terms of 1969 retail prices, the shoes produced by the 4 firms ranged mostly from \$8 to \$22 per pair; some with uppers of

reptile leather were higher priced. All four plants have specialized in the manufacture of women's pumps and closely similar styles of shoes; they adopted some new styles in recent years (e.g., rounded or squared toes and chunky heels), but they continued for the most part to produce conservative and traditional styles. Generally, the footwear produced at all 4 plants could be categorized as women's dress shoes, intended to be worn principally for business and social activities.

Having identified the footwear produced at the plants concerned, we have concluded that women's and misses' dress shoes entering under 4 TSUS items--700.20, 700.43, 700.45, and 700.68--are like or directly competitive with the footwear manufactured by the four plants under investigation. The imported women's and misses' shoes so identified have consisted predominantly of dress shoes made by the cement process. The bulk of the entries of such dress shoes are believed to have been sold at retail at \$8 to \$14 per pair; the remainder probably were sold at retail largely at \$14 to \$20 per pair. Thus, the imported shoes are marketed almost wholly in the same price range as the domestic footwear of concern in this investigation.

Factors affecting imports

As indicated earlier, U.S. imports of women's and misses' dress shoes have increased sharply in recent years, and have supplied a materially larger share of domestic consumption of such footwear. Although recent annual consumption of women's and misses' dress shoes in the United States has fluctuated materially, the consumption in 1969 appears not to have been substantially different than in 1965;

domestic production of such shoes has declined irregularly, while imports have increased steadily. The increased imports resulted from a variety of causes--among which the trade-agreement concessions were minor factors.

The great bulk of the women's and misses' dress shoes imported into the United States enter under TSUS items 700.43 and 700.45, which are applicable to such footwear made by the cement process. Trade-agreement concessions applicable to those tariff items were granted by the United States on such footwear for the first time at the Kennedy Round of GATT negotiations. Pursuant to such concessions, the rate of duty on footwear classified thereunder valued at not over \$2.50 per pair was reduced successively from 20 percent to 19 percent on January 1, 1968, and to 18 percent ad valorem on January 1, 1969; the rate on such footwear valued at over \$2.50 per pair was reduced from 20 percent to 18 percent on January 1, 1968, and to 16 percent ad valorem on January 1, 1969. The imports of women's and misses' dress footwear entering under those TSUS items, however, had already increased materially--from an estimated 3 million pairs in 1965 to 10 million pairs in 1967--before the first reduction in duty was placed in effect. Moreover, most of the remaining recent increase in entries occurred in 1968; only the small initial one- and two-percentage reductions, which were not of a magnitude that would sharply stimulate imports, were in effect in that year. The trade-agreement concessions, consequently, could not have been a major factor causing the increased imports.

The increased U.S. imports of women's and misses' dress shoes in recent years appear to have resulted almost wholly from changes in market demand and commercial factors encouraging imports. With the wide acceptance of shorter skirts, including the miniskirt, in the late 1960's, the low-heel, heavy-appearing styles imported from Europe became highly popular. Although domestic producers responded to the change in styles, the fashion leadership and flexible output of the European suppliers stimulated imports. Largely these market causes rather than the slight reductions in duty described above, were responsible for the increased imports of the footwear in question.

Conclusion

After considering all of the factors, we have concluded that trade-agreement concessions were not the major factor causing increased imports of the women's and misses' dress shoes here under investigation. We are, therefore, compelled to make a negative determination.

"Tie vote" rule

The other group of Commissioners has raised a question regarding the "tie vote" provision--section 330(d), Tariff Act of 1930, as amended (19 U.S.C. 1330(d)). In order to provide as much assistance as possible, we explain below our view that this section does not apply in this case.

Under section 302(c) of the TEA, the receipt of a report from the Tariff Commission containing an "affirmative finding under section 301(c)" is a prerequisite to the President's certifying a firm or a group of workers to be eligible to apply for adjustment assistance. ^{1/} By historic rule, action by the Commission has been dependent upon the presence of a quorum (a majority of the Commissioners in office) and agreement by a majority of the Commissioners present and voting. The only exceptions to this rule were legislated on two occasions:

- (1) Public Law 83-215, approved August 7, 1953, added a new sub-section (d) to section 330 of the Tariff Act of 1930, ^{2/} and

^{1/} Section 302(c) of the TEA provides that--

(c) After receiving a report from the Tariff Commission containing an affirmative finding under section 301(c) with respect to any firm or group of workers, the President may certify that such firm or group of workers is eligible to apply for adjustment assistance.

^{2/} Section 330(d) of the Tariff Act provides as follows:

(d) Effect of Divided Vote in Certain Cases.--

(1) Whenever, in any case calling for findings of the Commission in connection with any authority conferred upon the President by law to make changes in import restrictions, a majority of the commissioners voting are unable to agree upon findings or recommendations, the findings (and recommendations, if any) unanimously agreed upon by one-half of the number of commissioners voting may be considered by the President as the findings and recommendations of the Commission: Provided, That if the commissioners voting are divided into two equal groups each of which is unanimously agreed upon findings (and recommendations, if any), the findings (and recommendations, if any) of either group may be considered by the President as the findings (and recommendations, if any) of the Commission. In any case of a divided vote referred to in this paragraph the Commission shall transmit to the President the findings (and recommendations, if any) of each group within the Commission with respect to the matter in question.

(2) Whenever, in any case in which the Commission is authorized to make an investigation upon its own motion, upon complaint, or upon application of any interested party, one-half of the number of commissioners voting agree that the investigation should be made, such investigation shall thereupon be carried out in accordance with the statutory authority covering the matter in question. Whenever the Commission is authorized to hold hearings in the course of any investigation and one-half of the number of commissioners voting agree that hearings should be held, such hearings shall thereupon be held in accordance with the statutory authority covering the matter in question.

(2) Public Law 85-630, approved August 14, 1958, added a new provision to section 201(a) of the Antidumping Act, 1921. ^{1/}

It will be observed that, under section 330(d)(2) of the Tariff Act, half of the number of Commissioners voting are empowered to institute an investigation authorized by law or to order hearings to be held in connection with an investigation, and that, under section 201(a) of the Antidumping Act, an affirmative determination is deemed to have been made by the Commission when the Commissioners voting are evenly divided. Clearly neither of these provisions applies in the present situation.

Section 330(d)(1), however, provides no such automaticity in a tie-vote situation; in such a situation, the President is empowered to consider the findings of either group as the findings of the Commission, but only

* * * in any case calling for findings of the Commission in connection with any authority conferred by law to make changes in import restrictions. * * *

Inasmuch as section 301(c) of the TEA does not confer upon the President any authority to make changes in import restrictions, it cannot be seriously contended that section 330(d)(1) of the Tariff Act empowers

^{1/} P.L. 85-630 added the following sentence to section 201(a) of the Antidumping Act:

* * * For the purposes of this subsection, the said Commission shall be deemed to have made an affirmative determination if the Commissioners of the said Commission voting are evenly divided as to whether its determination should be in the affirmative or in the negative. * * *

the President to consider the findings of either group as the findings of the Commission.

It follows that, in the present case--by the historic rule governing the Commission's actions--the tie (3-3) vote of the six Commissioners present and voting does not constitute an affirmative finding of the Commission under section 301(c)(2), and is, in effect, the equivalent of a negative finding.

Views of Commissioners Thunberg, Clubb, and Moore

Relevant data indicate that workers in the four firms with which this investigation is concerned are unemployed or underemployed by reason of imports within the meaning of the Trade Expansion Act of 1962. Relevant data further indicate that the Benson Shoe Co. has been seriously injured by imports within the meaning of the law. These statements are true if one defines the "like or directly competitive" imported articles narrowly as implied in the factual part of this report. If, moreover, one defines "like or directly competitive" articles more broadly, as we believe appropriate with respect to as differentiated a product as women's shoes (see footnote on pp. A-5 and A-7), the evidence in support of these statements is significantly enhanced.

Between 1965 and 1969 imports of competing shoes (narrowly defined) septupled; the relative importance of imports in domestic consumption also increased sevenfold. The rate of increase, moreover, quickened in 1968, the year when Kennedy Round rate reductions began to be implemented.

The shoe industry is characterized by intense competition at all levels of production and distribution; in consequence, profit rates are typically low and business mortality rates high. Enormous variety in quality and style is available at all price levels with

production, imports, and sales being concentrated at the lower end of the price range where competition is most intense. The four concerns under consideration have all produced for this part of the market.

A great increase in the range of types, styles, and qualities available to consumers of shoes has been made possible in recent years by technological developments in production and marketing. Partly as a result of the great variety of footwear available, the traditional distinction between dress shoes and casual or play shoes has become less appropriate to actual consumer practice. A glance at the pedal extremities which traverse a city street today confirms such a change in the mode of dressing in the United States.

For present purposes the increased product differentiation means that the range of articles directly competing with the output of any single producer has been expanded. We believe that the imports shown in the table on page A-8 of this report understate the problems of the four firms here considered. The import figures in that table are estimates representing only the imports of women's and misses' dress shoes of the specific types produced by those four firms. If imports of other competing types of women's and misses' shoes are added to the imports on page A-8--as we believe they

should be--the figures representing the relevant imports are increased many fold. Imports of women's and misses' footwear with supported vinyl uppers entering under tariff item 700.55, for example, totaled 30 million pairs in 1965 and rose to 71 million pairs in 1969. If a third to a half of these imports are deducted--the portion which is believed to consist of folding slippers and sandals generally selling at retail for less than \$1 a pair--and if the remainder is added to the figures shown on page A-8, the relevant imports are approximately 22 million pairs in 1965 and 70 million pairs in 1969. Thus, the relevant imports more than tripled from 1965 to 1969.

Given the extended range of competing articles in today's markets, the role of expanding imports can be of crucial importance to the economic health of firms at the margin of the industry. In the shoe industry, as is true in other consumer goods industries, marginal producers are frequently those producing for the lowest price ranges. In these price ranges, where a few cents per pair marks the difference between profit and loss, an additional tariff concession of apparently modest amount can be sufficient to cause the demise of the marginal operations. Thus we conclude that increasing imports of footwear like or directly competitive with the products produced in these plants would not be at their present level were it not for

the trade agreement concessions, ^{1/} and that these increasing imports are causing unemployment or underemployment to the workers in the firms covered by this report.

We further conclude that these increasing imports have caused serious injury to the Benson Shoe Co. Total net sales of Benson Shoe declined from

* * * * *

We conclude, therefore, that the requirements of the Act have been satisfied and that the petitioners should be ruled eligible for adjustment assistance.

^{1/} The current rate of duty on imports entered under item 700.55--not shown in table 1 of this report--is 8.5 percent ad valorem, which is the third stage of the five-stage concession granted in the Kennedy Round tariff negotiations. Pursuant to section 203 of the Tariff Classification Act of 1962, the July 1, 1934, rate (i. e., the pre-trade-agreement rate) on such imports is the column 2 rate, namely, 35 percent ad valorem.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

The output in recent years of the four plants with which this investigation is concerned has consisted entirely of footwear for women and misses 1/ made by the cement process in styles known in the trade as dress shoes. The term "dress shoes," originally used to designate shoes designed to wear with formal attire, has been used for many years to refer to the types of footwear intended principally for business and social activities; women's shoes intended for formal wear, which are regarded here as "dress shoes", are now frequently referred to as evening shoes, slippers, or sandals. Generally the term "dress shoes" does not refer to footwear suitable for active sports, beach wear, other leisure activities for which casual attire is worn, or occupations requiring substantial amounts of walking or standing.

The cut of the uppers, the style and height of the heels, the material used for the uppers, the kind of ornamentation, and the material and construction of the sole are the principal features of women's shoes that are intended to determine the activities for which a particular pair is worn. For many years the principal type of dress shoes worn by women in the United States was the pump--a closed-toe, closed-back, slip-on shoe held to the foot without fasteners (such as laces, buckles, buttons, or snaps), with light-weight soles, and with heels of 2 inches or higher.

1/ The terms "women" and "misses" are used here, as in the Tariff Schedules of the United States Annotated (TSUSA), to differentiate size categories of footwear, not age of wearer, as follows: "women" refers to footwear in American women's sizes 4 and larger and "misses" to American misses' sizes 12 $\frac{1}{2}$ and larger but not as large as American women's size 4. In the remainder of this report, the term "women's" will be used in general to refer to footwear intended for both women and misses.

Pumps have been made in a wide variety of styles distinguished by different pattern treatments (i.e., cut) of the uppers, the material (or combination of materials) used for the uppers, and the amount and kind of ornamentation. Some pump-like shoes have been made with open toes and some with open backs. Other styles of dress shoes popular from time to time have included both pump-like types with various kinds of straps across the instep and high-heeled sandals (i.e., footwear with uppers consisting wholly or predominantly of straps or thongs). With the wide acceptance of the miniskirt in the late 1960's, footwear with heels of 2 inches or higher lost favor, as did the plain pump with its dainty, light-weight appearance. The low-heel, heavy-appearing styles imported from Europe became increasingly popular for dress shoes, including those for evening wear.

The four plants with which this investigation is concerned specialized in the styles of dress shoes described above, principally high-heeled, closed-toe, closed-heel pumps. In recent years, they modified their lasts to provide new styles suitable for the miniskirts; for example, toes were rounded or squared and heels were lowered and made broader (chunky). For the most part, however, they continued to produce dress shoes in styles that could be described as conservative if compared with the so-called "monster" styles originating in Europe. Three of the four plants closed during 1969 and the sales of the fourth plant (Benson Shoe Co.) were much smaller in 1969 than in 1965 (see sections of this report on the individual plants).

It appears that the European look was not universally accepted in the United States. A significant portion of the consumers in many parts of the country have continued to desire more conservative styles that were similar to those they were accustomed to wearing. Currently, as the midiskirt appears to be gaining acceptance, the plain pump is again being featured in the trade journals and the advertisements of the retail outlets.

The materials used for the uppers of dress shoes are usually finer (i.e., less sturdy), and the soles lighter in weight, than those of footwear intended for active sports or occupations requiring substantial amounts of walking or standing. Uppers may be calf, kid, or reptile leathers, fabrics of silk, rayon, linen, or metallics--such as peau de soie, satin, brocade, or velvet; or supported vinyls or other plastics. The material used for the uppers generally determines whether a dress shoe is intended for evening wear. A significant number of evening shoes have uppers of white peau de soie which is subsequently dyed a color specified by the retail customer; others have uppers of brocade, velvet, gold or silver metallic fabric, or gold or silver leather.

For several decades the principal method of attaching the outsole to women's shoes (especially dress types) has been the cement process. An estimated 80 percent of total U.S. output of women's shoes in recent years (and probably an even higher percentage of domestic dress shoes) have been made by the cement process. In this process the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing.

In this report, as in the TSUSA, the term "cement" is not used to refer to footwear having vulcanized or injection-molded soles. The cement process permits narrow edges on the outsole to give a trim appearance and produces a lighter and more flexible shoe than other processes except the turn (or turned) process. In the turn process, which is used in minor degree in the United States, the footwear is initially lasted inside out and then turned right side out for the finishing operations.

The four plants here under review made shoes only by the cement process. All used leather or fabrics (such as peau de soie and velvet) for the uppers; one (* * *) also used supported vinyl for uppers. Three used leather for the soles and one (* * *) used plastics (elastomer resin blends). In terms of retail prices in 1969, the shoes produced by the four firms ranged mostly from about \$8 to \$22 a pair; some made of reptile leather were higher priced. The higher priced shoes were produced by . * * * *

Imported footwear of the types produced by the four domestic plants here under review is classified for duty purposes in TSUS items 700.43, 700.45, 700.55, 700.60, or 700.68, depending on the materials used in the production as explained briefly in the following paragraphs.

Imported footwear with uppers of leather and soles of leather or plastics attached by the cement process are generally in chief value of leather and therefore admitted under TSUS items 700.43 and 700.45. ^{1/} About half the combined imports under these two items in 1968 and 1969 consisted of women's and misses' sandals having a selling price at retail mostly in the range of \$1.99 to \$6.99 a pair; the remainder consisted predominantly of footwear for women ranging from sturdy types with vulcanized soles to high-fashion types for leisure wear as well as formal and other dress wear.

Imported footwear with supported vinyl uppers and soles of plastics are admitted under TSUS item 700.55. Information available to the Commission indicates, however, that virtually no imports admitted under item 700.55 in recent years have consisted of women's and misses' dress shoes of the type produced by * * * . ^{2/} Rather, the footwear admitted under item 700.55 has consisted predominantly of street shoes of sturdy construction, produced in a single width for each particular length, for sale at self-service counters in variety stores, discount stores, and department store basements; also included have been substantial quantities of zoris, folding slippers, and sandals, all selling at retail for less than \$1 a pair.

Imported footwear with uppers of peau de soie, velvet, and any of the other kinds of fabrics used by the four domestic plants under review

^{1/} Item 700.43 provides for footwear having a foreign (export) value not over \$2.50 per pair; item 700.45, for more expensive footwear.

^{2/} Commissioners Thunberg, Clubb, and Moore observe that the definition of "like or directly competitive" is in substance a matter for Commission determination and thus properly part of the Commission's decision, rather than part of the data on the basis of which a decision is made.

are admitted under TSUS item 700.68, which provides for leather-soled footwear with uppers of fibers that have a foreign (export) value of over \$2.50 per pair.^{1/} Imports of such footwear have consisted predominantly of high fashion styles selling at retail for \$30 or more a pair. Imports of plastic-soled footwear with uppers of peau de soie, velvet, et cetera, are known to be virtually nil; if imported, such footwear would be admitted under TSUS item 700.60 (not under item 700.70).

* * *

Inasmuch as women's shoes in chief value of leather and made by the turn or turned process do not differ significantly in appearance from leather dress shoes made by the cement process, the imports for women and misses admitted under TSUS item 700.20 are also of interest in this investigation. Women's dress shoes have accounted for the bulk of the imports admitted under this class in recent years.

U.S. Tariff Treatment

In the Tariff Act of 1930 women's and misses dress shoes of the types produced at the four plants with which this investigation is concerned were originally dutiable under paragraph 1530(e) at 35 percent ad valorem if having fiber uppers and at 20 percent ad valorem if in chief value of leather (except if having fiber uppers). Supported vinyl was not used for shoe uppers until the late 1940's or early 1950's. When footwear with supported vinyl uppers was imported during the 1950's and 1960's, it was generally dutiable, by virtue of the similitude provisions of paragraph 1559, at the rates provided for leather footwear in paragraph 1530(e).

^{1/} Imports of women's dress shoes having uppers of fibers, soles of leather, and a foreign value of not over \$2.50 per pair (provided for in item 700.66) are believed to have been negligible, if any.

As indicated in the preceding section, imported footwear that might be considered "like or directly competitive" with the domestic women's and misses' dress shoes here considered has been admitted in recent years (since Aug. 31, 1963, the effective date of the TSUS) under items 700.20, 700.43, 700.45, and 700.68. Items 700.55 and 700.60 have been omitted from this list of TSUS items because, as indicated in the preceding section, imports of dress shoes with supported vinyl uppers (provided for in item 700.55), and those of dress shoes with fabric uppers and soles of plastics (item 700.60) have been nil or negligible in recent years. ^{1/}

From 1930 until the first stage of the Kennedy Round tariff concessions became effective on January 1, 1968, the only concessions granted by the United States on the footwear here discussed affected the rates applicable to turn or turned shoes of leather and to shoes with fiber (fabric) uppers and leather soles. The rate on the turn or turned shoes (now TSUS item 700.20) was reduced from 20 percent ad valorem to 10 percent, effective February 15, 1936, and then to 5 percent, effective May 30, 1950. The rate on shoes with fabric uppers (now TSUS item 700.68) was reduced from 35 percent ad valorem to 20 percent, effective April 21, 1948.

Table 1 (in the appendix) shows the 1930 and GATT concession rates (including all stages of the Kennedy Round reductions) for items 700.20, 700.43, 700.45, and 700.68, the four TSUS items under which women's and misses' dress shoes have been admitted in recent years.

^{1/} Commissioners Thunberg, Clubb, and Moore observe that the definition of "like or directly competitive" articles in an adjustment assistance investigation is in substance a matter for Commission determination and thus properly part of the Commission's decision, rather than part of the data on the basis of which a decision is made.

Table 2 shows for the years 1965-69 the estimated U.S. imports of such shoes admitted under each of the four TSUS items and the applicable rates of duty.

U.S. Consumption

During the period 1965-69, apparent U.S. consumption of women's dress shoes reached a peak of 231 million pairs in 1968; consumption then declined to 205 million pairs in 1969, with the decline wholly in that of domestic shoes. Estimates of U.S. consumption of women's shoes are shown for 1965-69 in the following tabulation (in millions of pairs):

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Apparent consumption</u> ^{1/}	<u>Ratio (percent) imports to apparent consumption</u>
1965-----	200	4	204	2
1966-----	206	7	213	3
1967-----	188	11	199	6
1968-----	210	21	231	9
1969-----	177	28	205	14

^{1/} Production plus imports. In recent years, exports of women's shoes have averaged about one million pairs annually.

The irregular annual consumption of women's shoes in recent years is largely attributable to the vicissitudes of fashion. While women's shoes with a rather heavy appearance and lower heels were generally accepted in 1967 and 1968 as the proper accessory for the styles of dress then current (e.g., short skirts and pants suits), some consumers found them unappealing. In the absence of a significant style change in women's fashions forecast for the spring and fall selling seasons of 1969, many manufacturers continued an exceptionally high level of output (particularly of heavy-appearing styles) into the early months of 1969.

Meanwhile inventories increased in retail outlets as the styles that were available were not acceptable to a large segment of consumers. Reports from the trade contend that the rising cost of living was undoubtedly also a factor in the decline of retail sales of women's shoes.

U.S. Production

Volume

During the past decade, annual U.S. production of women's shoes, including dress, service, and play shoes (as reported in official statistics 1/) declined irregularly, as shown in the following tabulation (in millions of pairs):

<u>Year</u>	<u>Production</u>	<u>Year</u>	<u>Production</u>
1960-----	320	1965-----	316
1961-----	313	1966-----	320
1962-----	325	1967-----	286
1963-----	311	1968-----	317
1964-----	308	1969-----	264

Annual domestic output of women's shoes during the first 7 years of the past decade (i.e., during 1960-66) was fairly stable; the greatest year-to-year change in output during that period was 14 million pairs. As noted in the Commission's report of January 1969, 2/ the decline in production in 1967 was attributable in part to the drastic style changes in women's and misses' fashions. Retailers delayed placing orders for the new styles of footwear and producers were also late in "retooling", which caused a backlog of orders. Increasing consumer acceptance of the new styling during 1968 was undoubtedly a major factor in the increased

1/ In SIC No. 3141 (footwear, except house slippers and rubber footwear). These data do not include shipments from Puerto Rico to continental United States, which increased from 2.8 million pairs in 1965 and 1966 to 5.5 million pairs in 1968 and 1969.

2/ Nonrubber Footwear, TC Publication 276, p. 35.

output in that year. In 1969, as discussed in the section on consumption, there were no new styles in wearing apparel to require new shoe styling and a significant segment of consumers found the existing style unappealing.

Data on U.S. production of women's dress shoes are not reported separately in official statistics. Thus, precise figures are not available on the total output of such shoes. Since 1965, however, Census has reported data on production of women's shoes with (1) a wedge heel or open toe and not over a 1-inch heel, which would generally be considered casual shoes or sandals, and (2) "other" shoes, which would consist principally of dress shoes.

U.S. production of women's shoes, by category, are shown for 1965-69 in the following tabulation (in millions of pairs):

Year	Total	Shoes with wedge heel or open toe	Other shoes	
			Total	Dress shoes (estimated)
1965-----	316	40	276	200
1966-----	320	40	280	206
1967-----	286	32	254	188
1968-----	317	36	281	210
1969-----	264	28	236	177

As shown above, estimated production of women's dress shoes declined by 18 million pairs--or 9 percent--from 1966 to 1967; it rose to a peak of 210 million pairs in 1968 and then declined to 177 million pairs in 1969--a drop of 16 percent.

Prices

In 1968, based on a study prepared by the Department of Commerce, about 45 percent of the production of women's shoes, other than those having a wedge heel or open toe, was sold at the manufacturer's level between \$2.41 and \$4.20 a pair. In 1965, about 41 percent of the output was sold in this price range.

The following tabulation shows domestic production in 1968 of women's shoes, other than those having a wedge heel or open toe, by manufacturer's selling price: ^{1/}

Manufacturer's selling price	Number 1,000 pairs	Percent of total
\$1.21-1.80-----	8,806	3.4
\$1.81-2.40-----	5,957	2.3
\$2.41-3.00-----	30,562	11.8
\$3.01-3.60-----	49,987	19.3
\$3.61-4.20-----	34,188	13.2
\$4.21-4.80-----	22,015	8.5
\$4.81-6.00-----	22,792	8.8
\$6.01-7.20-----	21,497	8.3
\$7.21-8.40-----	20,720	8.0
\$8.41-10.20-----	28,490	11.0
\$10.21 and over-----	13,984	5.4
Total-----	258,998	100.0

^{1/} The data reported do not include production of shoes for misses (sizes 12 $\frac{1}{2}$ and larger but not as large as size 4) which amounted to 22 million pairs. Retail prices are generally about double the manufacturer's selling prices.

U.S. Imports

Volume

As indicated in earlier sections of this report, precise data are not available on U.S. imports of women's dress shoes of the types produced in the four plants considered in this investigation. However, it is known that such imports, which consist principally of leather shoes made by the cement process, were negligible in 1960 and were not significant until the mid-1960's.

Imports of women's dress shoes probably amounted to less than 300,000 pairs in 1960, 2 million in 1962, about 4 million pairs in 1964, and they then increased to an estimated 28 million pairs in 1969. Estimates of total U.S. imports of women's and misses' dress shoes, by types, are shown in table 2 for the years 1965-69. Those estimates indicate that imports of such shoes nearly doubled from 1967 to 1968 and then increased in 1969 by a third. Italy and Spain have been the principal suppliers of the women's dress shoes considered here.

Prices

Of the estimated imports of 28 million pairs of women's and misses' dress shoes in 1969, 2 million pairs, admitted under item 700.20, had an average dutiable value of \$6.50 per pair; 4 million pairs, admitted under item 700.43, had an average dutiable value of \$2 per pair; and 22 million pairs, under item 700.45, \$4.75 per pair.

It is believed that a major part of the total imports of women's dress shoes were sold in the retail price range of \$8 to \$14 a pair; the remainder were sold principally in the retail price range of \$14 to \$20 per pair.

A-13 through A-36

Data Relating to the Individual Plants

* * * * *



Appendix

Table 1.--U.S. Rates of Duty Applicable for in specified TSUS items, 1930 and GATT concessions

TSUS item No.	Abbreviated description	1930 rate	GATT concessions 1/	
			Rate	Effective dates
700.20	Leather footwear: Turn or turned-----	20% ad val.	Percent ad val. 5% ^{2/} 4% 3% 2.5%	May 30, 1950 - Dec. 31, 1967 Jan. 1, 1968 - Dec. 31, 1969 Jan. 1, 1970 - Dec. 31, 1971 Jan. 1, 1972
700.43	"Other" (including cement process) for persons other than men, youths and boys: Valued not over \$2.50 per pair-----	20% ad val.	19% 18% 17% 16% 15%	Jan. 1 - Dec. 31, 1968 Jan. 1 - Dec. 31, 1969 Jan. 1 - Dec. 31, 1970 Jan. 1 - Dec. 31, 1971 Jan. 1, 1972
700.45	Valued over \$2.50 per pair-----	20% ad val.	18% 16% 14% 12% 10%	Jan. 1 - Dec. 31, 1968 Jan. 1 - Dec. 31, 1969 Jan. 1 - Dec. 31, 1970 Jan. 1 - Dec. 31, 1971 Jan. 1, 1972
700.68	Footwear with uppers of fabrics and soles of leather, valued over \$2.50 per pair-----	35% ad val.	20% 18% 16% 14% 12% 10%	Apr. 21, 1948 - Dec. 31, 1967 Jan. 1 - Dec. 31, 1968 Jan. 1 - Dec. 31, 1969 Jan. 1 - Dec. 31, 1970 Jan. 1 - Dec. 31, 1971 Jan. 1, 1972

1/ For concessions granted in the Kennedy Round, shows staged rates expected to become effective up to and including Jan. 1, 1972.
 2/ From May 30, 1950, through Aug. 30, 1963, the 5-percent rate applied only to turn or turned boots and shoes for women and misses; other turn or turned footwear, imports of which were negligible during that period, was dutiable at higher rates. The trade-agreement rate established in the TSUS effective Aug. 31, 1963, under authority of the Tariff Classification Act of 1962 (Public Law 87-456) for all turn or turned footwear of leather was 5 percent.

Table 2.--Women's and misses' dress shoes: U.S. tariff rates and estimated imports, by types, 1965-69

Year	Leather uppers and soles of leather or plastics		Turn or turned (in 700.20)		Fabric uppers, leather soles (in 700.68)	
	Million pairs	Percent ad val.	Quantity	Tariff rate	Quantity	Tariff rate
Total						
	4	20%	3	5	1	20%
1965	7	20%	6	5	1	20%
1966	11	20%	10	5	1	20%
1967	21	(19%)	3	4	2	18%
1968		(18%)	16			
	28	(18%)	4	4	2	18%
1969		(16%)	22			

L/ Imports have been negligible, possibly less than 100,000 pairs each year.

