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UNITED STATES TARIFF COMMISSION

WOMEN'S LEATHER SHOES:
WORKERS OF LOWN-SALVAGE SHOE CORP.,
AUBURN, MAINE

Report to the President
Worker Investigation No. TEA-W-91
Under Section 301(c)(2) of the Trade Expansion Act of 1962



TC Publication 399
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June 1971

UNITED STATES TARIFF COMMISSION

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C O N T E N T S

	<u>Page</u>
Report to the President-----	1
Finding of the Commission-----	2
Views of Commissioners Sutton and Leonard-----	3
Concurring views of Commissioner Moore-----	4
Information obtained in the investigation:	
Description of articles under investigation-----	A-1
U.S. tariff treatment-----	A-5
U.S. consumption, production, and imports-----	A-6
Prices in the U.S. market-----	A-9
Data relating to the Lown-Salvage Shoe Corp.:	

* * * * *

Statistical appendix-----	A-16
---------------------------	------

Appendix Tables

1. U.S. rates of duty applicable to women's and misses' footwear of types provided for in specified TSUS items, July 1, 1934, and GATT concessions to Jan. 1, 1972-----	A-17
2. Nonrubber footwear for women and misses: U.S. rates of duty and imports for consumption, by specified TSUS items, 1965-70-----	A-18

Note.--The whole of the Commission's report to the President may not be made public since it contains certain information the publication of which would result in the disclosure of the operation of an individual firm. 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 22, 1971.

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 section 301(c)(2) of that act, in response to a workers' petition for a determination of eligibility to apply for adjustment assistance.

The petition for this investigation was filed on April 23, 1971, by Mr. Joseph P. R. Roy, secretary-treasurer of the Lewiston & Auburn Shoeworkers Protective Association on behalf of the former workers of Lown-Salvage Shoe Corp., Auburn, Maine. The Commission instituted the investigation (TEA-W-91) on May 4, 1971, and gave public notice thereof in the Federal Register on May 7, 1971 (36 F.R. 8538). No public hearing was requested and none was held.

The purpose of the Commission's investigation was to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with women's dress shoes produced by the aforementioned firm are being imported into the United States in such increased quantities as to cause, or to threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of that firm.

The information in this report was obtained principally from officials of Lown-Salvage Shoe Corp. and from the Commission's files.

Finding of the Commission

On the basis of its investigation, the Commission 1/ finds unanimously that articles like or directly competitive with women's dress shoes produced by Lown-Salvage Shoe Corp., Auburn, Maine, are not, 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, unemployment or under-employment of a significant number or proportion of the workers of such firm.

1/ Commissioners Clubb and Young did not participate in the decision.

Views of Commissioners Sutton and Leonard

Our determination in the instant case is negative because the increase in imports of any footwear like or directly competitive with the women's dress shoes produced by Lown-Salvage Shoe Corp. of Auburn, Maine, is not in major part the result of concessions granted under trade agreements. Our reasoning in support of this determination is set forth in the separate statements of our views in the Commission's report on nonrubber footwear submitted to the President on January 15, 1971. 1/

1/ Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . . , TC Publication 359, 1971, pp. 25-47.

Concurring Views of Commissioner Moore

My determination in this proceeding is in the negative, because I believe increasing imports of women's dress shoes were not the major factor causing the unemployment of former workers at the Lown-Salvage Shoe Corporation, Auburn, Maine. Lown-Salvage Corporation, where the petitioning workers were employed, produced women's leather dress shoes which sold in 1969, the last year of full operations, at retail prices from about \$26 to \$28 per pair. Circumstances affecting Lown-Salvage workers are similar to those in earlier worker cases relating to former employees of the Kalmon Shoe Mfg. Co., and Wolsam, Limited. ^{1/} Competition in the retail price range served by Lown-Salvage is based less on price differences than on differences in style, quality, and service. Moreover, the market in this range of higher priced fashion women's footwear is highly volatile and subject to rapid style changes. Since, according to Tariff Commission statistics, imports supply only 10 percent of the domestic market in these price ranges, import competition is less intense than in the lower retail price levels. Based upon the above considerations, I conclude that imports were not the major factor causing the unemployment of the workers at the Lown-Salvage Shoe Corporation.

^{1/} Women's, Children's, and Infants' Footwear: Workers of . . . Kalmon Shoe Mfg. Co., St. Louis, Mo. . . . , TC Publication 369, March 1971, at 7-9; and Women's and Misses' Footwear: Workers of . . . Wolsam, Limited, New York, N.Y. . . . , TC Publication 361, February 1971, at 8-10.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

In recent years the output of the Lown-Salvage Shoe Corp. has consisted of women's dress shoes, 1/ with uppers of leather, made by the cement process. The company's production of such shoes was sold at retail prices ranging from \$22 to \$24 per pair.

The principal features of women's shoes that determine the activities for which a particular pair is suitable--and thus the trade designations such as "dress," "casual," and "slippers"--are 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. In general or commercial usage, however, these descriptive terms for footwear may have various meanings. Some of them are specifically defined for tariff purposes in the headnotes (including the statistical headnotes) to part 1A of schedule 7 of the Tariff Schedules of the United States (TSUS). 2/

In terms of U.S. retail sales, so-called dress shoes (a term not defined in the TSUS) are more important than any other type of

1/ In this report, as in the Tariff Schedules of the United States, the terms "women" and "misses" are used to differentiate size categories of footwear, not age of wearer, as follows: "women" refers to American women's sizes 4 and larger, and "misses" refers to American misses' sizes 12-1/2 and larger but not as large as American women's size 4.

2/ Some of the definitions for tariff purposes of descriptive terms (e.g., "slippers" and "casuals"), however, apply to only a small portion of the footwear for which such terms are currently used in retail outlets; see U.S. Tariff Commission, Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . ., TC Publication 359, 1971, pp. A-2 to A-5.

footwear for women and misses. The term "dress shoes," originally limited to shoes worn on formal occasions, is now used to describe footwear of the types generally worn for street wear and for business and social activities. Women's shoes intended for formal wear, which are also 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 especially made for athletic, occupational, and leisure activities.

For many years the principal type of dress shoe worn by women in the United States was the classic pump--a closed-toe, closed-back, slip-on shoe without fasteners, with lightweight soles, and with heels of 2 inches or higher. Depending upon fashion changes, dress shoes may be open- or closed-heeled shoes with straps, laces, or tongues over the instep and include high-heeled sandals with open toes, open heels, and uppers of narrow strips of leather or other material.

Women's lower heeled footwear for casual wear, not considered dress shoes, include low-heeled sandals and wedge-heeled shoes, loafers, desert boots, moccasins, and sneakers.

The range of styles and qualities of footwear increased greatly during the 1960's as a result of new materials, technological developments in production, and new fashions in wearing apparel. Simultaneously, consumer interest in this wide variety of footwear, as well as clothing, also increased, reflecting the changing age

structure of the population, increasing per capita income, and a growth in time for leisure activities. Following these developments, the distinction between dress and casual shoes and attire diminished.

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 athletic and certain occupational and leisure use. Uppers may be of calf, kid, or reptile leathers or of silk, rayon, linen, or metallic fabrics--such as peau de soie, satin, brocade, or velvet--or supported vinyls or other plastics. Soles are of leather or plastics.

For several decades the principal method of attaching the outsole to women's shoes has been the cement process, whereby the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing. An estimated 80 percent of total U.S. output of women's shoes in recent years (and probably an even higher percentage of the output of domestic dress shoes) has been made by the cement process. The cement process permits narrow edges on the outside 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 currently used in very minor degree in the United States to produce dress shoes, 1/ the footwear is initially lasted inside out and then turned right side out for the finishing operations.

1/ The turn process has been used in the United States in recent years principally to produce footwear of the types reported in official U.S. production statistics as slippers for housewear (SIC product code 3142). Slippers are also produced by the cement process.

The great bulk of the imported women's dress shoes are entered under TSUS items 700.43 and 700.45; virtually all of the remainder, under items 700.20 and 700.55. As explained briefly in the following paragraphs, the footwear classifiable under these four TSUS items varies with respect to materials, method of construction, price line, and/or style.

Imported footwear that closely resembles (in appearance, method of construction, and price lines) the women's dress shoes produced at the Lown-Salvage plant is classified for duty purposes under TSUS item 700.45 and, to a lesser extent, under item 700.43. Imports entered under TSUS item 700.45, which provides for leather footwear having a foreign (export) value of over \$2.50 a pair, as well as those entered under TSUS item 700.43, which provides for leather footwear valued not over \$2.50 a pair, consist predominantly of women's footwear in a wide range of styles, types, and prices. In terms of quantity, about half of the combined imports under these two items in recent years has consisted of women's sandals having a selling price at retail in the range of \$1.99 to \$6.99 a pair; the remainder probably consisted predominantly of women's cement-process dress shoes of moderate prices (i.e., in the retail price range of \$8 to \$20 a pair) but included sturdy types with vulcanized or injection-molded soles, lightweight slippers suitable principally for housewear, and expensive high-fashion types (including boots) for leisure wear as well as formal and other dress wear. Imported women's leather footwear made by the turn or turned process and dutiable under TSUS item 700.20 does not

differ significantly in appearance or price from the leather dress shoes formerly made by the cement process in the plant here under review.

Women's footwear with supported vinyl uppers that has entered under TSUS item 700.55 in recent years has consisted predominantly of two groups of footwear: (1) Street shoes of sturdy construction, produced in a single width for each particular length, for sale mostly at \$3 to \$6 a pair at self-service counters in variety stores, discount stores, and department store basements and (2) folding slippers and sandals, usually selling at retail for less than \$2 a pair. It is believed that before 1970 only a negligible portion of the annual imports of women's dress shoes and boots admitted under item 700.55 retailed at more than \$10 a pair. It is estimated that in 1970, however, imports of such footwear retailing at more than \$10 a pair totaled about 1 million pairs.

U.S. Tariff Treatment

In the Tariff Act of 1930, women's leather footwear of the type produced at Lown-Salvage was originally dutiable under paragraph 1530(e) at 20 percent ad valorem. Such footwear is provided for in the TSUS, which became effective on August 31, 1963, in items 700.43 and 700.45. The rate of duty was reduced for the first time, effective January 1, 1968, pursuant to concessions granted during the Kennedy Round of trade negotiations.

Supported vinyl was not used for uppers until the late 1940's or early 1950's. During the period before the TSUS became effective, footwear with supported vinyl uppers, which is now dutiable under TSUS item 700.55, was generally dutiable, by virtue of the similitude provisions of paragraph 1559, at a rate provided for "similar" leather footwear in paragraph 1530(e), principally 20 percent. In the TSUS a rate of 12.5 percent ad valorem was established for item 700.55 as the trade-agreement rate to replace the wide range of rates previously applicable to the various types of footwear provided for in this item.

Table 1 in the appendix shows for footwear of the types now dutiable under items 700.20, 700.43, 700.45, and 700.55 the reductions in rates of duty resulting from trade-agreement concessions granted under the General Agreement on Tariffs and Trade (GATT).

Table 2 in the appendix shows, for 1965-70, U.S. imports of women's shoes admitted under the TSUS items mentioned above and the applicable rates of duty.

U.S. Consumption, Production, and Imports

During the period 1965-70, total apparent annual U.S. consumption of all women's shoes (including dress and casual) rose from about 383 million pairs to 416 million pairs. As imports more than doubled during this period, their share of the market increased from 17 percent to 40 percent, as shown in the following table.

Nonrubber footwear for women: U.S. production, imports for consumption, and apparent consumption, 1965-70

Year	Pro- duction <u>1/</u>	Im- ports <u>2/</u>	Apparent consump- tion <u>3/</u>	Ratio of imports to apparent consumption
	<u>Million pairs</u>	<u>Million pairs</u>	<u>Million pairs</u>	<u>Percent</u>
1965-----	316	67	383	17
1966-----	320	70	390	18
1967-----	286	96	382	25
1968-----	317	133	450	30
1969-----	267	139	406	34
1970-----	251	165	416	40

1/ Production represents the output for women and misses, industry No. 3141, as reported by the U.S. Bureau of the Census. In 1970, women's shoes accounted for 90 percent of the total output.

2/ Partly estimated from the official statistics for footwear of the kinds described in part 1A of schedule 7 of the TSUS except imports described in items 700.32, 700.51, 700.52, 700.53, and 700.60 and except zoris (very inexpensive thonged sandals of rubber or plastics), dutiable under item 700.55. Includes imports of misses' footwear, which have been negligible compared with those of women's.

3/ Apparent consumption represents U.S. production plus imports without an allowance for exports, which in 1970 amounted to about 1 million pairs.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

U.S. imports of women's footwear entered under TSUS items 700.20, 700.43, 700.45, and 700.55, shown in table 2 in the appendix, in the aggregate accounted for 92 percent of the 1970 imports in the table above. Italy and Spain have been the principal suppliers of women's leather shoes (items 700.20, 700.43, and 700.45). Japan and the Republic of China (Taiwan) have been the principal suppliers of women's vinyl shoes (item 700.55).

Data on U.S. consumption of women's dress shoes (production plus imports) are not reported in official statistics. It is estimated, however, that during 1965-70 total apparent annual domestic consumption of such shoes followed an irregular trend, rising from about 204 million pairs in 1965 to about 231 million in 1968 but declining to 197 million in 1970. Domestic production of women's dress shoes during this period reached a peak of about 210 million pairs in 1968, and then declined to 165 million pairs in 1970. As imports rose from an estimated 4 million pairs in 1965 to 32 million pairs in 1970, the share of apparent annual U.S. consumption of women's dress shoes supplied by imports increased from 2 to 16 percent, as shown in the table below.

Dress shoes for women: U.S. production, imports for consumption, and apparent consumption, 1965-70

Year	Production <u>1/</u> Million pairs	Imports <u>2/</u> Million pairs	Apparent consump- tion <u>3/</u> Million pairs	Ratio of imports to apparent consumption Percent
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
1970-----	165	32	197	16

1/ Dress shoes are believed to account for about two-thirds of the total annual output of nonrubber footwear for women.

2/ Data represent estimated imports of leather dress shoes entered under TSUS items 700.20, 700.43, and 700.45.

3/ Data represent estimated production plus estimated imports without an allowance for exports, which in 1970 amounted to less than 1 million pairs.

Source: Estimates of the U.S. Tariff Commission based on official statistics of the U.S. Department of Commerce.

The variation in annual consumption of women's dress shoes in recent years is explained by several factors but is attributable largely to changes in the mode of dressing discussed in the section of this report on description of articles under investigation. Thus, the use of loafers, sandals, clogs, desert boots, and other boots in lieu of dress shoes has increased.

Prices in the U.S. Market

Nonrubber footwear is often produced and marketed with a specific retail price in mind. A given shoe will be wholesaled at a price that will give the retailer a certain percentage markup if retailed at a projected price--for example, \$8 a pair. Conforming to this general practice, Lown-Salvage produced women's dress shoes in 1970 to retail principally in the price range of \$22 to \$24 a pair.

In the course of its recent investigation on nonrubber footwear, 1/ the Commission obtained by questionnaire data on prices from domestic producers. The percentage distribution of domestic producers' sales of nonrubber footwear for women and misses, by types and price ranges, is given for 1969 in the following table.

1/ Nonrubber footwear: Report to the President on Investigation
No. TFA-I-18 . . . , TC Publication 359, 1971.

Nonrubber footwear: Percentage distribution of U.S. producers' sales of footwear for women and misses, by types and price ranges, 1969

Manufacturers' selling price per pair, f.o.b. plant or warehouse	Women's			Misses'	Women's and misses'
	Wedge heel, any height, or open toe, not over 1-inch heel	Other			
Less than \$1.81-----	1	2	5	2	
\$1.81 to \$2.40-----	2	5	3	4	
\$2.41 to \$3.00-----	4	3	5	4	
\$3.01 to \$4.20-----	41	24	48	33	
\$4.21 to \$6.00-----	29	13	16	17	
\$6.01 to \$7.80-----	9	15	23	15	
\$7.81 to \$10.20-----	5	28	-	17	
\$10.21 and over-----	9	10	-	8	
Total-----	100	100	100	100	

Source: Compiled from data supplied by producers in connection with Tariff Commission investigation No. TEA-I-18.

As indicated in the table on manufacturers' selling prices, in 1969 more than 50 percent of U.S. manufacturers' sales of women's footwear (except with wedge heel or open toe and heel of not over 1 inch) were priced over \$6.00 a pair, and 10 percent had a wholesale price of \$10.21 a pair and over (approximately \$22 retail)--the price range of the dress shoes produced by Lown-Salvage. In 1967 only 4 percent of manufacturers' sales were in this higher price range.

Of the estimated imports of 32 million pairs of women's dress shoes in 1970, about 2 million pairs, entered under TSUS item 700.20, had an average dutiable value of about \$7 a pair; 5 million pairs, entered under item 700.43, had an average dutiable value of about \$2 a pair; and an estimated 25 million pairs, under item 700.45, averaged about \$5 a pair.

A-11 through A-15

It is believed that the bulk of the 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.

Data Relating to the Lown-Salvage Shoe Corp.

* * * * *

STATISTICAL APPENDIX

Table 1.--U.S. rates of duty applicable to women's and misses' footwear of types provided for in specified TSUS items, July 1, 1934, and GATT concessions to Jan. 1, 1972

TSUS item no.	Abbreviated description	Rate of duty	
		July 1, 1934 ^{1/}	GATT concession ^{2/}
		Rate	Effective date
		Percent ad val.	Percent ad val.
	Leather footwear:		
700.20	Turn or turned-----	10% ^{3/}	5% : May 30, 1950-Dec. 31, 1967. 4% : Jan. 1, 1968-Dec. 31, 1969. 3% : Jan. 1, 1970-Dec. 31, 1971. 2.5% : Jan. 1, 1972.
	"Other" (including cement process)		
700.43	Valued not over \$2.50 per pair----	20%	19% : Jan. 1-Dec. 31, 1968. 18% : Jan. 1-Dec. 31, 1969. 17% : Jan. 1-Dec. 31, 1970. 16% : Jan. 1-Dec. 31, 1971. 15% : Jan. 1, 1972.
	Valued over \$2.50 per pair-----	20%	18% : Jan. 1-Dec. 31, 1968. 16% : Jan. 1-Dec. 31, 1969. 14% : Jan. 1-Dec. 31, 1970. 12% : Jan. 1-Dec. 31, 1971. 10% : Jan. 1, 1972.
700.55	Footwear having uppers of supported vinyl.	Princi- pally 20% ^{4/}	12.5% ^{5/} : Aug. 31, 1963-Dec. 31, 1967. 11% : Jan. 1-Dec. 31, 1968. 10% : Jan. 1-Dec. 31, 1969. 8.5% : Jan. 1-Dec. 31, 1970. 7% : Jan. 1-Dec. 31, 1971. 6% : Jan. 1, 1972.

^{1/} Except as noted, the rate on July 1, 1934, was the same as the original rate in the Tariff Act of 1930, effective June 18, 1930.

^{2/} For concessions granted in the Kennedy Round, effective Jan. 1, 1968, the table shows staged rates scheduled to become effective up to and including Jan. 1, 1972.

^{3/} Effective Jan. 1, 1932, the statutory rate of 20 percent ad valorem was reduced to 10 percent ad valorem, pursuant to sec. 336 of the Tariff Act of 1930.

^{4/} 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 early 1960's, it was generally dutiable, by virtue of the similitude provisions of par. 1559, at the rate provided for "similar" leather footwear in par. 1530(e).

^{5/} 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) to replace the wide range of rates previously applicable to the various types of footwear provided for in this TSUS item.

Note.--The GATT concession rates are applicable to the products of all countries except those designated as Communist in General Headnote 3(e) of the TSUS; i.e., they are column 1 rates. Products of Communist countries are dutiable at column 2 rates, which for the TSUS items listed above except item 700.55 are the same as the rates shown for July 1, 1934. For item 700.55, the column 2 rate is 35 percent. That rate replaces the wide range of rates applicable in 1934 to the various types of footwear provided for in item 700.55.

Table 2.--Nonrubber footwear for women and misses: U.S. rates of duty and imports for consumption, by specified TSUS items, 1965-70

Year	Footwear of leather			
	Turn or turned (700.20)		"Other" leather footwear (700.43 and 700.45) 1/	
	Tariff rate	Quantity	Tariff rate	Quantity
	Percent ad val.	Million pairs	Percent ad val.	Million pairs
1965-----	5	1	20	21
1966-----	5	1	20	28
1967-----	5	1	20	38
1968-----	4	2	(19	34
			(18	20
1969-----	4	2	(18	29
			(16	27
1970-----	3	2	(17	37
			(14	35
	Footwear with uppers of supported vinyl (700.55)			
	Tariff rate		Quantity	
	Percent ad val.		Million pairs	
1965-----		12.5		35
1966-----		12.5		33
1967-----		12.5		50
1968-----		11		69
1969-----		10		71
1970-----		8.5		77

1/ Before Jan. 1, 1968, in TSUS item 700.40.

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

