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UNITED STATES TARIFF COMMISSION

MEN'S DRESS SHOES:  
WORKERS OF THE BROCKTON, MASS., PLANT  
OF KNAPP KING-SIZE CORP. AND THE WHITMAN, MASS.,  
PLANT OF COMMONWEALTH SHOE & LEATHER CO., INC.

Report to the President  
Workers' Investigations Nos. TEA-W-93 and TEA-W-95  
Under Section 301(c)(2) of the Trade Expansion Act of 1962



TC Publication 403  
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July, 1971

UNITED STATES TARIFF COMMISSION

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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 operations of individual firms. 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,  
July 6, 1971.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act (TEA) of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of investigations made under section 301(c)(2) of that act in response to petitions filed on behalf of two groups of workers.

On May 7, 1971, Mr. George O. Fecteau, general president of the United Shoe Workers of America, AFL-CIO, CLC, filed petitions for determination of eligibility to apply for adjustment assistance on behalf of workers formerly employed by the Brockton, Mass., plant of Knapp King-Size Corp., and the Whitman, Mass.; plant of Commonwealth Shoe & Leather Co., Inc. 1/

On May 13, 1971, the Commission instituted investigations (TEA-W-93 and TEA-W-95) under section 301(c)(2) of the Trade Expansion Act of 1962 to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with men's dress shoes produced in the aforementioned plants are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of these plants.

Public notice of the receipt of the petitions and of the institution of the investigations was given by publication in the Federal Register of May 19, 1971 (36 F.R. 9095). No hearing was requested and none was held.

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1/ Effective April 14, 1971, the name of this company was changed to Kayser-Roth Shoes, Inc.

The information in this report was obtained principally from the officials of the two firms 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 men's dress shoes produced by the Brockton, Mass., plant of Knapp King-Size Corp., and the Whitman, Mass., plant of Commonwealth Shoe & Leather Co., Inc., 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 underemployment of a significant number or proportion of the workers in the aforementioned plants of such firms.

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1/ Commissioner Young did not participate in the decision.

## Views of Commissioners Sutton and Leonard

Our determination in the instant cases is negative because the increase in imports of any footwear like or directly competitive with the men's dress shoes produced by the Brockton, Mass. plant of Knapp King-Size Corp., and the Whitman, Mass. plant of Commonwealth Shoe & Leather Co., Inc., 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/

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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 these two investigations is in the negative. I believe that increasing imports of men's dress shoes were not the major factor causing the unemployment of former workers at the Brockton, Mass., plant of Knapp King-Size Corp. and the Whitman, Mass., plant of Commonwealth Shoe & Leather Co., Inc. The production at both plants, where the petitioning workers were employed, consisted of men's dress shoes made by the welt process. Such shoes are generally heavier in weight and appearance, and more rugged and durable, than shoes made by other processes. In recent years, however, the heavy, rugged style of men's dress footwear has become less popular, largely because of fashion changes in men's apparel that have emphasized lightweight dress footwear, frequent style changes, and casual footwear styles. Consequently, total U.S. production of welt shoes has been declining. As a result, men's dress welt shoes accounted for about 50 percent of the total U.S. output of men's dress shoes in 1970 as compared with 66 percent in 1966.

The former workers at the Brockton, Mass., plant of Knapp King-Size Corp., which is now closed, produced men's dress welt shoes that retailed from about \$18 to \$32 a pair. At the present time, Knapp operates three other footwear manufacturing plants, one of which produces men's dress welt shoes. According to company officials, output at the latter plant will be increased to compensate for some of the production loss at the Brockton plant. A sizeable share of



the output of the Brockton plant had been sold to a large retail chain; the balance was marketed through 40 retail stores owned and operated by Knapp, and by 14,000 full- and part-time door-to-door salesmen. Sales by the Brockton plant to the retail chain increased during 1967-69, but declined materially in 1970. From available information, it appears that the retail chain's sales of the types of shoes produced by Knapp declined as a result of a shift in consumer preference from the heavier appearing welt shoes to a lighter weight type of shoe, which was being obtained by the retail chain from another domestic producer. Based on the above considerations, I have concluded that, although imports were one of the factors causing the unemployment of the workers at the Brockton plant of Knapp King-Size Corp., they were not "the major factor" causing unemployment as required by the statute before an affirmative determination can be made. 1/

The output of the Whitman, Mass., plant of Commonwealth Shoe & Leather Co., Inc., 2/ which is now closed, consisted of men's dress welt shoes that retailed from about \$35 to \$40 a pair. At the present time, Commonwealth, which merged with Kayser-Roth Corp. in 1968, operates three other footwear manufacturing plants that produce men's dress shoes. The men's shoes produced by Commonwealth are sold principally under the "Bostonian" label in a retail range of about \$25 to \$40 a pair. The Whitman plant, in addition to being old

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1/ Section 301(c)(3).

2/ Effective April 14, 1971, the name of this company was changed to Kayser-Roth Shoes, Inc.

(it was constructed about 1900), was equipped to produce only the more expensive shoes of the Bostonian line. Competition in the retail price market served by the Whitman plant is based more on style, quality, and service than on price considerations. The share of the market supplied by imports at the high-priced levels, moreover, is probably less than 10 percent of total footwear imports. Sales of men's footwear produced at the Whitman plant declined moderately in recent years; sales volume in 1970 was about \* \* \* percent smaller than in 1967, which was the recent year of peak sales. This decline in sales appears proportionate to the estimated decline in U.S. consumption of men's dress welt shoes. Company officials expect the output of such shoes to be expanded at other plants of Commonwealth partially to offset the loss of production at the Whitman plant.

Based on all the evidence presented to the Commission, I believe that the closing of the Whitman plant was the result of a management decision which was based primarily on reasons other than import competition. Therefore, I have concluded that imports were not the major factor causing the unemployment of the workers at the Whitman plant of Commonwealth Shoe & Leather Co., Inc.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Description of Articles Under Investigation

The output of the two establishments where petitioning workers were employed consisted of men's dress shoes of welt construction that retailed from about \$18 to \$40 a pair. The Knapp King-Size Corp. produced men's dress shoes principally with uppers of "Corfam," 1/ while the bulk of the output of the Commonwealth Shoe & Leather Co., Inc., consisted of such shoes with uppers of leather.

The term "dress shoes" refers to the types of footwear intended principally for business and social activities; however, it generally does not refer to footwear suitable for hazardous or strenuous occupations, active sports, beachwear, or other leisure activities for which casual attire is worn. More specifically, the term "dress shoes" does not refer to athletic or work shoes.

In 1969 about half of the U.S. production of men's dress shoes was made by the welt process, about a fourth by the cement process, and most of the remainder by the injection-molded process; with respect to imported men's dress shoes, it is estimated that about 15 percent were made by the welt process, about 50 percent by the cement process, and the remainder by the injection-molded and miscellaneous processes.

In the welt process a narrow strip of supple leather or manmade material, called the welt, is sewed to the shoe upper and to a lip on the surface of the insole; the outsole is then sewed and/or cemented to the welt. Welt shoes are heavier in weight and appearance--and are generally regarded as more rugged and durable--than those made by

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1/ A poromeric (or leatherlike) material made by E.I du Pont de Nemours & Co. (Du Pont recently announced that it would discontinue the manufacture of Corfam.)

other processes. In the cement process of construction, the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing. 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 used for men's footwear. In the injection-molded process of construction, the sole and heel of polyvinyl chloride or an elastomer resin compound are simultaneously molded and attached to the shoe upper, thus reducing production time and labor costs by eliminating a number of the steps required to attach the sole to the upper. The injection-molded process has been used increasingly in recent years to produce a dress shoe of trim appearance.

The data on U.S. production in this report include a small amount (probably less than 5 percent in recent years) of shoes with uppers of manmade leatherlike materials (poromerics); imports of men's shoes made of such materials are believed to be negligible.

#### U.S. Tariff Treatment

Since August 31, 1963, the effective date of the Tariff Schedules of the United States (TSUS), imported footwear of the type (welt construction) formerly produced in the two plants under review is classified for duty purposes under TSUS items 700.26, 700.27, and 700.29, 1/ depending on the value per pair. Imported men's leather shoes of cement construction and of miscellaneous constructions (particularly the injection-molded and the stitchdown processes), which do not differ significantly from welt shoes in styling and appearance, are admitted under item 700.35.

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1/ Welt footwear is also classified under item 700.25 (valued not over \$2 a pair), but imports so classified have been negligible in recent years.

Footwear in chief value of leather (except with uppers in chief value of fibers) was originally dutiable in the Tariff Act of 1930 at 20 percent ad valorem under paragraph 1530(e). From 1930 until January 1, 1948, the effective date of the earliest concessions granted by the United States under the General Agreements on Tariffs and Trade (GATT), the tariff rates on the footwear here discussed were effected by the following two pre-GATT concessions: (1) effective January 1, 1939, the rate on welt footwear with a dutiable value of over \$2.50 a pair (now TSUS items 700.26, 700.27, and 700.29) was reduced to 50 cents a pair, but not less than 10 percent ad valorem; and (2) effective January 30, 1943, the rate on footwear made by cement and miscellaneous processes (now TSUS item 700.35) was reduced to 10 percent ad valorem.

Table 1 in the appendix shows the 1930 rates of duty and the concession rates granted under the GATT (including all stages of the Kennedy Round reductions) for items 700.25, 700.26, 700.27, 700.29, and 700.35, the five TSUS items under which men's leather dress shoes have been admitted in recent years. Table 2 in the appendix shows, for 1965-70, the estimated imports of such shoes admitted under each of the five TSUS items and the applicable rates of duty.

#### U.S. Consumption

During the period 1965-70, total apparent annual U.S. consumption of all men's dress and casual shoes rose from 94 million pairs to 109 million pairs. As imports more than tripled during 1965-70,

they increased their share of the market from 9 to 24 percent, as shown in the following table.

Men's shoes (other than work and athletic): U.S. production, imports for consumption, and apparent consumption, 1965-70

Year	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to apparent consumption
	Million pairs	Million pairs	Million pairs	Percent
1965-----	86	8	94	9
1966-----	89	10	99	10
1967-----	85	13	98	13
1968-----	89	18	107	17
1969-----	82	23	105	22
1970-----	83	26	109	24

1/ Production represents the output for industry No. 3141, as reported by the U.S. Bureau of the Census.

2/ The import data shown include footwear of leather entered under TSUS items 700.25, 700.26, 700.27, 700.29, and 700.35.

3/ Apparent consumption represents U.S. production plus imports without an allowance for exports, which in 1970 amounted to about 430,000 pairs.

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

Data on U.S. consumption of men's dress shoes are not separately reported in official statistics. However, estimates of U.S. consumption (production plus imports) of such shoes are shown in the following table, which also shows the estimated share of imports.

Men's dress shoes: U.S. production, imports for consumption,  
and apparent consumption, 1965-70

Year	Production <u>1/</u>	Imports	Apparent consumption <u>2/</u>	Ratio of imports to apparent consumption
	<u>Million pairs</u>	<u>Million pairs</u>	<u>Million pairs</u>	<u>Percent</u>
1965-----	62	6	68	9
1966-----	64	8	72	11
1967-----	58	10	68	15
1968-----	65	13	78	17
1969-----	60	18	78	23
1970-----	66	19	85	22

1/ Includes footwear other than athletic or work reported in industry No. 3141 as men's shoes except handsewns and footwear with uppers of soft tannage (desert boots and sandals).

2/ Data represent estimated production plus estimated imports without an allowance for exports, which in 1970 amounted to less than 500,000 pairs.

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

In recent years fashion has increasingly become the keynote of the U.S. market for men's footwear; men's dress shoes are now subject to more frequent style changes than formerly. In the mid 1960's, footwear with the lightweight, so-called continental look, which was introduced into the United States by imports from Italy and Spain, became popular for wear with new fashions in men's wearing apparel. Recently, buckled, blunt-toed oxfords and boots have been gaining wide consumer acceptance. The increasing popularity of foreign-made shoes in the U.S. market is reflected in the tripling of imports during the period 1965-70 and the substantial increase in the share of the U.S. market supplied by such imports.

## U.S. Production

Volume

During 1965-70, estimated annual production of men's dress shoes ranged between 58 million and 66 million pairs, as shown in the following table.

Men's dress shoes: U.S. production, by type of construction, 1965-70

(In millions of pairs)

Year	Welt	Cement	Injection- molded 1/	Other	Total 2/
1965-----	39	15	1	7	62
1966-----	41	15	2	6	64
1967-----	35	12	5	6	58
1968-----	37	13	6	9	65
1969-----	31	15	5	9	60
1970-----	33	17	6	10	66

1/ May include some shoes made by the vulcanized process.

2/ Includes footwear other than athletic or work as reported in industry No. 3141 as men's shoes except handsewns and footwear with uppers of soft tannage (desert boots and sandals).

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

Welt shoes (the type produced by the two plants under review) accounted for about half of the total output in 1970; shoes produced by the cement process accounted for about a fourth; and injection-molded shoes, a tenth.

Prices

The following table shows for 1967 and 1969 the percentage distribution of domestic production of men's shoes (other than athletic or work), by ranges of manufacturers' selling prices, which generally are about half of the retail selling prices. As noted in the table, there has been an increase in the percentage of shoes sold at the upper end of the scale.



Men's shoes (other than athletic or work): Percentage distribution of U.S. producers' sales, by price ranges, 1967 and 1969

Manufacturers' selling price per pair, f.o.b. plant or warehouse	1967	1969
\$2.41 to \$3.00-----	1	1
\$3.01 to \$4.20-----	8	2
\$4.21 to \$6.00-----	36	18
\$6.01 to \$7.80-----	24	37
\$7.81 to \$10.20-----	13	16
\$10.21 and over-----	18	26
Total-----	100	100

Source: Compiled from data obtained from domestic producers by the U.S. Tariff Commission.

In 1970 the shoes produced by the two establishments here under review sold at wholesale for \$11 or more a pair.

#### U.S. Imports

##### Volume

As noted in the table on page A-5, estimated annual imports of men's dress shoes, which increased from 6 million pairs in 1965 to 19 million in 1970, supplied 9 percent of apparent consumption in 1965 and 22 percent in 1970. In 1970 shoes entered under TSUS item 700.35, made principally by the cement process, accounted for approximately 85 percent of total imports; shoes made by the welt process (as in the two establishments under review), entered under TSUS items 700.26, 700.27, and 700.29, accounted for the remainder. Table 2 in the appendix shows, for 1965-70, estimated imports of men's leather dress shoes by types and applicable rates of duty.

Italy, Spain, and the United Kingdom have been the principal suppliers of the imported dress shoes considered here. Italy and Spain supplied principally cement-process shoes; the United Kingdom, welt shoes.

Prices

Of the estimated imports of 19 million pairs in 1970, about four-fifths, principally men's dress cement-process shoes, were admitted with an average dutiable value of about \$4.50 a pair. About 2 million pairs of welt shoes were admitted with an average dutiable value of about \$5 a pair, and an additional 1 million pairs of welt shoes were admitted with an average dutiable value of about \$10.50 a pair.

It is believed that the bulk of the men's dress cement-process shoes were sold at a retail price of \$8 to \$20 a pair and the bulk of the men's dress welt shoes, at a retail price of \$15 to \$35 a pair.

Data Relating to Individual Plants

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STATISTICAL APPENDIX



Table 1.--U.S. rates of duty applicable to leather footwear of the types provided for in specified TSUS items, 1930 and GATT concessions to Jan. 1, 1972

TSUS item No.	Abbreviated description	GATT concessions	
		1930 rate	Rate
		Percent ad val.	Percent ad val. or cents per pair
			Effective dates
700.25	Leather footwear: Welt, valued per pair-- Not over \$2-----	20%	19% : June 30, 1956-June 29, 1957. 19% : June 30, 1957-June 29, 1958. 17% : June 30, 1958, to date.
700.26 <u>1/</u>	Over \$2 but not over \$5---	20%	40¢ : Jan. 1, 1948-June 29, 1956. 38¢ : June 30, 1956-June 29, 1957. 36¢ : June 30, 1957-June 29, 1958. 34¢ : June 30, 1958-Dec. 31, 1967. 30¢ : Jan. 1-Dec. 31, 1968. 27¢ : Jan. 1-Dec. 31, 1969. 23¢ : Jan. 1-Dec. 31, 1970. 20¢ : Jan. 1-Dec. 31, 1971. 17¢ : Jan. 1, 1972.
700.27 <u>1/</u>	Over \$5 but not over \$6.80.	20%	40¢ : Jan. 1, 1948-June 29, 1956. 38¢ : June 30, 1956-June 29, 1957. 36¢ : June 30, 1957-June 29, 1958. 34¢ : June 30, 1958-Dec. 31, 1967. 6% but not more than 34¢. : Jan. 1, 1968-Dec. 31, 1969. 5.5% but not more than 34¢. : Jan. 1-Dec. 31, 1970. 5% : Jan. 1, 1971.
700.29 <u>1/</u>	Over \$6.80 (except ski boots).	20%	40¢ but not less than 5%. : Jan. 1, 1948-June 29, 1956. 38¢ but not less than 5%. : June 30, 1956-June 29, 1957. 36¢ but not less than 5%. : June 30, 1957-June 29, 1958. 5% : Jan. 1, 1968-Dec. 31, 1969. 5% : Jan. 1-Dec. 31, 1970.
700.35	"Other" footwear (including cement process) for men, youths, and boys.	20%	10% : June 30, 1958, to date. 9.5% : June 6, 1951-Dec. 31, 1967. 9.0% : Jan. 1-Dec. 31, 1968. 8.5% : Jan. 1, 1969-Dec. 31, 1970. 8.5% : Jan. 1, 1971.

1/ New item effective Jan. 1, 1968.

Table 2.--Men's dress shoes of leather: U.S. tariff rates and estimated imports, by types, 1965-70

Year	Cement-process (in 700.35) 1/		Not over \$2 (in 700.25)		Welt, valued per pair--		Total	Million pairs	Percent ad val.	Million pairs	Percent ad val.	Million pairs	Quantity	Tariff rate	Quantity	Tariff rate	Quantity	Tariff rate	Quantity
	Tariff rate	Quantity	Tariff rate	Quantity	Tariff rate	Quantity													
1965	6	10	5	2/	34¢	1	6	10	17	5	34¢	1	2/	34¢	5	3/	Over \$6.80	Over \$6.80	Over \$6.80
1966	8	10	6	2/	34¢	1	8	10	17	6	34¢	1	2/	34¢	5	5	(\$6.80(700.26, 700.27):	(item 700.29)	(item 700.29)
1967	10	10	7	2/	34¢	2	10	10	17	7	34¢	2	2/	34¢	5	5			
1968	13	9.5	10	2/	(30¢ 4/)	1	13	9.5	17	10	(30¢ 4/)	1	2/	(6% 4/)	5	5			
1969	18	9	14	2/	(27¢ 4/)	1	18	9	17	14	(27¢ 4/)	1	2/	(6% 4/)	5	5			
1970	19	9	16	2/	(23¢ 4/)	1	19	9	17	16	(23¢ 4/)	1	2/	(5.5% 4/)	5	5			

1/ Estimates consist principally of cement process-shoes, but also include shoes with injection-molded soles and those made by the stitchdown and miscellaneous processes.  
 2/ Imports have been negligible in recent years. In 1970 they amounted to 53,000 pairs.  
 3/ Less than 500,000 pairs.  
 4/ But not more than 34 cents a pair.

Source: Import data represent estimates of the U.S. Tariff Commission based on official statistics of the U.S. Department of Commerce.

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