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UNITED STATES TARIFF COMMISSION

WOMEN'S LEATHER SANDALS:
WORKERS OF BERNARDO SANDALS, INC., NEW YORK, N.Y.

Report to the President
Worker Investigation No. TEA-W-94
Under Section 301(c)(2) of the Trade Expansion Act of 1962



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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-3 |
| U.S. consumption, production, and imports----- | A-4 |
| Data relating to Bernardo Sandals, Inc.: | |

* * * * * * *

| | |
|---------------------------|------|
| Statistical appendix----- | A-10 |
|---------------------------|------|

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-11 |
| 2. Nonrubber footwear for women and misses: U.S. rates of duty and imports for consumption, by specified TSUS items, 1965-70----- | A-12 |

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,
July 6, 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 May 7, 1971, by Mr. George O. Fecteau, general president, United Shoe Workers of America, AFL-CIO, CLC, on behalf of the former workers of Bernardo Sandals, Inc., New York, N.Y. The Commission instituted the investigation (TEA-W-94) on May 13, 1971, and gave public notice thereof in the Federal Register on May 19, 1971 (36 F.R. 9095). 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 leather sandals produced by the aforementioned firm 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 that firm.

The information in this report was obtained principally from officials of Bernardo Sandals, Inc., 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 leather sandals produced by Bernardo Sandals, Inc., New York, N.Y., 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/ Commissioner 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 leather sandals produced by Bernardo Sandals, Inc., New York, N.Y., 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

In this proceeding my determination is in the negative. I believe that increased imports of women's leather sandals were not the major factor causing the unemployment of former workers at Bernardo Sandals, Inc., New York, N.Y. The production of Bernardo Sandals, Inc., where the petitioning workers were employed, consisted of women's quality leather sandals which sold in a retail price range from \$10 to \$20 a pair. U.S. imports of sandals, which have been on an upward trend since the early 1960's, have supplied a major part of the expanding U.S. consumption of such footwear for many years. However, during the period 1966-70, when estimated U.S. imports of leather sandals doubled, the total output of leather sandals by Bernardo increased by * * * percent in quantity, and nearly * * * percent in value. During the same period, the average annual number of production workers rose by * * * percent. Moreover, available data indicate that the profit experience of the firm, for the most part, was * * *. Information supplied the Commission shows that Bernardo has been, and is now, an importer of women's leather sandals which retail in approximately the same price range as those formerly produced by the firm.

In light of the evidence presented to the Commission, it is my view that the closing of the Bernardo plant was based principally on a management decision unrelated to the competitive effects of imported footwear.

Based on the above considerations, I conclude that imports were not the major factor causing the unemployment of the workers at Bernardo Sandals, Inc.



INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

The output of Bernardo Sandals, Inc., in recent years has consisted of women's quality leather sandals made by a stitching process. The company's production of such sandals was sold in a retail price range of \$10 to \$20 a pair.

The term "sandals" refers to footwear with uppers consisting wholly or predominantly of straps or thongs, regardless of the height of the heel or other constructional features. Such footwear, which is worn generally for casual or leisure wear, has also become popular in recent years in the dress-shoe category. Sandals are sold in a wide retail price range, depending on the material, style, and/or ornamentation. Some sandals with uppers of vinyl are sold at discount stores and similar outlets for as low as \$1 a pair, while high-fashion sandals with uppers of leather are sold at department stores and specialty shops for \$30 or more a pair. It is believed that most sandals are sold at retail for about \$2 to \$9 a pair.

Sandals have been a popular fashion item since the early 1960's and particularly in the last 5 years. Other footwear worn for casual or leisure wear includes loafers, desert boots, moccasins, wedge-heeled shoes, and sneakers. The range of styles and quality 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 in clothing) also increased, reflecting the changing

age structure of the population, increasing per capita income, and a growth in time for leisure activities.

The sandals produced by Bernardo, most of which had low heels, were made by a process in which the leather straps of the upper were stitched to the insole, and the leather outsole was then stitched to the insole. Sandals are also made by attaching the straps to the bottom side of the insole by cement, staples, or stitching and then cementing or stitching the outsole to the insole.

Imported sandals that closely resemble (in appearance, method of construction, and price lines) the women's sandals produced at the Bernardo plant are classified for duty purposes under items 700.43 and 700.45 of the Tariff Schedules of the United States (TSUS). Imports entered under TSUS item 700.43, which provides for leather footwear having a foreign (export) value of not over \$2.50 a pair, as well as those entered under TSUS item 700.45, which provides for leather footwear valued 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 have consisted of women's sandals having a selling price at retail principally in the range of about \$3 to \$9 a pair. Sandals with uppers of supported vinyl, classified under item 700.55 are sold at retail mostly for less than \$2 a pair. 1/

1/ Sandals of buffalo leather the uppers of which consist primarily of straps across the instep and big toe are classified under item 700.41. In 1970 imports of such footwear, which are commonly worn by both sexes, amounted to 1 million pairs with an average foreign (export) value of \$1.14 a pair.

U.S. Tariff Treatment

In the Tariff Act of 1930, women's leather sandals of the type produced at the Bernardo plant were 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 the reductions in rates of duty resulting from trade-agreement concessions granted under the General Agreement on Tariffs and Trade (GATT) for footwear of the types now dutiable under items 700.43, 700.45, and 700.55.

Table 2 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 shoes, sandals, and other casual footwear) 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 table below.

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 |
|-----------|---------------------------|------------------------|--|--|
| | Million pairs | Million pairs | Million pairs | Percent |
| 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 pt. 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 700.43, 700.45, and 700.55, shown in table 2 in the appendix, in the aggregate accounted for 90 percent of the 1970 imports in the table on the preceding page. Italy and Spain have been the principal suppliers of women's leather shoes (items 700.43 and 700.45); Japan and the Republic of China (Taiwan), the principal suppliers of women's vinyl shoes (item 700.55).

Data on U.S. production and imports of women's sandals are not separately reported in official statistics. It is known, however, that imports of sandals, which have been on an upward trend since the early 1960's, supply the major part of U.S. consumption. U.S. imports of leather sandals, nearly all from Italy and entered principally under TSUS item 700.43, are estimated to have increased from about 22 million pairs in 1966 to 30 million pairs in 1968 and to 41 million pairs in 1970. Such footwear is sold mainly in the retail range of about \$3 to \$9 a pair. Imports of sandals of vinyl have also been on an upward trend; such imports increased from an estimated 7 million pairs in 1966 to 13 million pairs in 1968 and to 15 million pairs in 1970. Imported vinyl sandals, nearly all from the Orient, are sold at discount stores, department-store basements, and similar retail outlets, usually for less than \$2 a pair.

A-6 through A-9

Data Relating to Bernardo Sandals, Inc.

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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 concessions ^{2/} |
| | | Rate | Effective dates |
| | | Percent ad val. | Percent ad val. |
| | Leather footwear: | | |
| | "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. |
| 700.45 | 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% ^{3/} | 12.5% ^{4/} : Aug. 31, 1963-Dec. 31, 1968. 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 stage rates scheduled to become effective up to and including Jan. 1, 1972.

^{3/} 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).

^{4/} 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 with uppers of supported vinyl (700.55) | | Certain 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----- | 12.5 | 35 | 20 | 21 |
| 1966----- | 12.5 | 33 | 20 | 28 |
| 1967----- | 12.5 | 50 | 20 | 38 |
| 1968----- | 11 | 69 | (^{2/} 19 | (^{2/} 34 |
| | | | (^{3/} 18 | (^{3/} 20 |
| 1969----- | 10 | 71 | (^{2/} 18 | (^{2/} 29 |
| | | | (^{3/} 16 | (^{3/} 27 |
| 1970----- | 8.5 | 77 | (^{2/} 17 | (^{2/} 37 |
| | | | (^{3/} 14 | (^{3/} 35 |

^{1/} Before Jan. 1, 1968, in TSUS item 700.40.

^{2/} TSUS item 700.43,

^{3/} TSUS item 700.45.

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



