

UNITED STATES TARIFF COMMISSION

WOMEN'S AND MISSES' DRESS SHOES:
OWENSVILLE SHOE MANUFACTURING CO.
OWENSVILLE, MO.

Report to the President on
Worker Investigation No. TEA-W-124
Under Section 301 (c)(2) of the Trade Expansion Act of 1962



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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 operation of an individual concern. 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.



U.S. Tariff Commission,
January 21, 1972.

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 November 22, 1971, by Mr. George O. Fecteau, general president, United Shoe Workers of America, AFL-CIO, CLC, on behalf of the former workers of Owensville Shoe Manufacturing Co., Owensville, Mo. The Commission instituted the investigation (TEA-W-124) on December 8, 1971, and gave public notice thereof in the Federal Register on December 14, 1971 (36 F.R. 23743). 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 and misses' leather footwear 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 Owensville Shoe Manufacturing Co. and from the Commission's files.

Finding of the Commission

On the basis of its investigation, the Commission 1/ unanimously finds that articles-like or directly competitive with the women's and misses' leather footwear produced by the Owensville Shoe Manufacturing Co., Owensville, Mo., 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 of that firm.

1/ Chairman Bedell and Vice Chairman Parker 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 that produced by Owensville Shoe Manufacturing Co., Owensville, Mo., is not the result in major part 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.

Views of Commissioners Moore and Young

Our determination in this investigation is in the negative. We believe that increased imports of women's dress shoes were not the major factor 1/ causing the unemployment of workers at the Owensville Shoe Manufacturing Co.

Owensville Shoe produced women's dress shoes which retailed in 1971 for about \$25 a pair. The plant closed in March 1971, following four years of declining sales. The company had been adversely affected by serious internal problems, including a shortage of working capital and rising labor and other costs. In addition, it had difficulty adapting to rapidly changing shoe styles, which resulted in a loss of sales, not only to imports but also to competing domestic producers.

Based on information available to the Commission, we conclude that while imports were an important factor in causing unemployment of workers at Owensville Shoe, such imports were not the major factor, as required by the statute before an affirmative determination can be made.

1/ See section 301(c)(3) of the Trade Expansion Act 1962.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

In recent years the output of Owensville Shoe Manufacturing Co., which ceased production in March 1971, consisted of women's and misses' dress shoes, with **uppers** of **leather**, made by the cement process. 1/ Such shoes retailed for about \$25 a 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/ For further discussion of these descriptive terms plus additional information in regard to nonrubber footwear (e.g., factors affecting U.S. consumption and marketing channels), see U.S. Tariff Commission, Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18. . ., TC Publication 359, 1971.

footwear for women and misses. The term "dress shoes," originally limited only 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 may 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, includes low-heeled sandals, wedge-heeled shoes, loafers, desert boots, moccasins, and sneakers.

The range of styles in 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. 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 uses. Uppers may be of calf, kid, or reptile leathers; of silk, rayon, linen, or metallic fabrics such as peau de soie, satin, brocade, or velvet; or of 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 domestic output of dress shoes) has been made by the cement process. This 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 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 which resemble the footwear produced by Owensville Shoe Manufacturing Co. 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.

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 retail selling price of about \$3 to \$9 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 also included sturdy types with vulcanized or injection-molded soles, lightweight slippers suitable principally for housewear, and expensive high-fashion types. Imported women's leather footwear made by the turn process and dutiable under TSUS item 700.20 does not differ significantly in appearance or price from the leather dress shoes made in the Owensville plant.

Women's footwear with supported vinyl uppers that has entered under TSUS item 700.55 in recent years has consisted predominantly of two groups: (1) street shoes of sturdy construction, produced in a single width for each particular length, and 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 (mostly just over that price) totaled about 1 million pairs.

U.S. Tariff Treatment

In the Tariff Act of 1930, women's leather footwear of the type produced at Owensville Shoe Manufacturing Co. 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. The current rate for item 700.43 is 15 percent, and that for item 700.45 is 10 percent. Prior to the Kennedy Round, the rate of duty on turn or turned shoes (now TSUS item 700.20) was first reduced, pursuant to section 336 of the Tariff Act of 1930, from 20 percent ad valorem to

10 percent, effective January 1, 1932. The 10-percent rate, which was bound against increase in a concession granted to Switzerland effective February 15, 1936, was reduced to 5 percent in a General Agreement on Tariffs and Trade (GATT) concession, effective May 30, 1950.

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 of the Tariff Act of 1930, 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 GATT for footwear of the the types now dutiable under items 700.20, 700.43, 700.45, and 700.55. Table 2 shows estimated U.S. imports of women's shoes admitted under the TSUS items mentioned above and the applicable rates of duty for 1965-70 and January-June 1970 and 1971.

U.S. Consumption, Production, and Imports

During the period 1965-70, total apparent annual U.S. consumption of all women's nonrubber footwear (including dress and casual) rose from about 386 million pairs to 425 million pairs. As imports more than doubled during this period, their share of the market increased from 17 percent to 39 percent, as shown in the following table.

Nonrubber footwear for women: U.S. production, imports for consumption, and apparent consumption, 1965-70, January-June 1970, and January-June 1971

Period	Production <u>1/</u>	Im-ports <u>2/</u>	Apparent consumption <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-----	319	67	386	17
1966-----	323	70	393	18
1967-----	290	96	386	25
1968-----	322	133	455	29
1969-----	271	139	410	34
1970-----	260	165	425	39
January-June--				
1970-----	138	96	234	41
1971-----	127	112	239	47

1/ Production represents the output for women and misses, industry No. 3141, as reported by the U.S. Bureau of the Census, plus shipments to the U.S. mainland from Puerto Rico.

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 700.20, 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 are not reported in official statistics. It is estimated, however, that during 1965-70 total apparent annual U.S. consumption (production plus imports) of such shoes followed an irregular trend, rising from about 204 million pairs in 1965 to about 233 million in 1969, but declining to 197 million in 1970. Estimated 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. Imports rose from an estimated 4 million pairs in 1965 to 32 million pairs in 1970. Of these estimated imports, about 2 million pairs (entered under TSUS item 700.20) had an average dutiable value of about \$7 a pair, about 5 million pairs (entered under item 700.43) had an average dutiable value of about \$2 a pair, and an estimated 25 million pairs (entered under item 700.45) had an average value of about \$5 a pair. The share of apparent annual U.S. consumption of women's dress shoes supplied by imports increased from 2 percent in 1965 to 16 percent in 1970, as shown in the following table.

Dress shoes for women: U.S. production, imports for consumption, and apparent consumption, 1965-70, January-June 1970, and January-June 1971

Period	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
January-June--				
1970-----	90	18	108	17
1971-----	85	20	105	19

1/ Dress shoes are believed to account for about 2/3 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 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. In recent years the use of loafers, sandals, clogs, desert boots, and other boots has increased, both in absolute amounts and relative to dress shoes.

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Data Relating to Owensville Shoe Manufacturing Co.

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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 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.
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	^{5/} 12.5	Aug. 31, 1963-Dec. 31, 1967.
		20 ^{4/}	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). The column 2 rate for item 700.55 is 35 percent.

^{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.--Pursuant to Presidential Proclamation No. 4074, effective from Aug. 16 to Dec. 20, 1971, the rates of duty on most imported products were increased by the temporary imposition of an additional duty of 10 percent ad valorem or less, as provided for in new subpt. C to pt. 2 of the appendix to the TSUS.

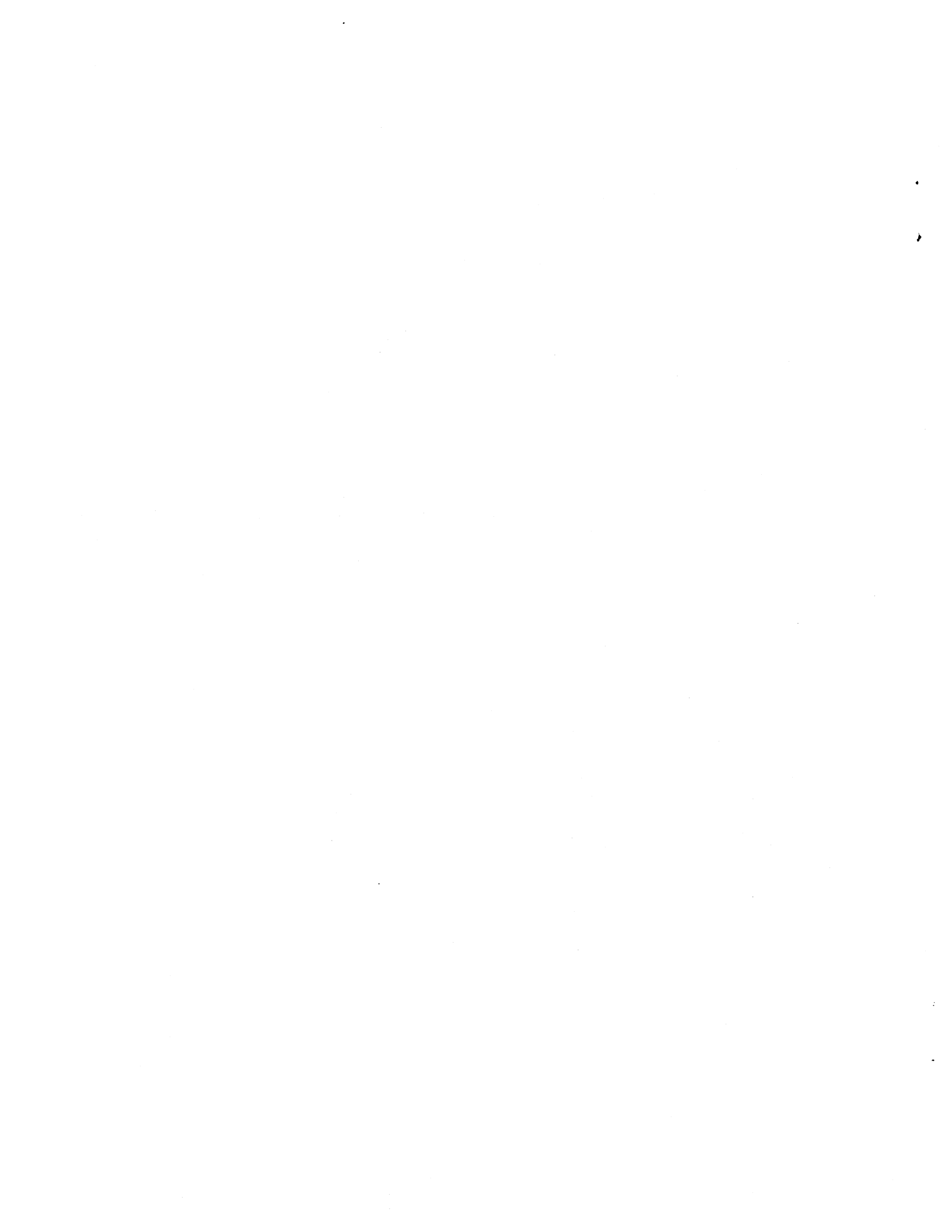


Table 1. Footwear for women and misses: U.S. rates of duty and imports for consumption, by specified TSUS items, 1965-70, January-June 1970, and January-June 1971

Period	Footwear of leather								
	Total ^{1/}	Moccasins (700.15) ^{2/}		Run or turned (700.20)		"Other" leather footwear			
						Tariff rate		Quantity	
		Tariff rate	Quantity	Tariff rate	Quantity	700.43	700.45	700.43	700.45
Million pairs	Percent ad val.	Million pairs	Percent ad val.	Million pairs	Percent ad val.	Percent ad val.	Million pairs	Million pairs	
1965	23	10	0.5	5	1	3/20		3/21	
1966	30	10	1.0	5	1	3/20		3/28	
1967	40	10	1.4	5	1	3/20		3/38	
1968	57	10	.6	4	2	19	18	34	20
1969	59	10	.6	4	2	18	16	29	27
1970	75	10	.5	3	2	17	14	37	35
January-June--									
1970	44	10	.3	3	1	17	14	25	18
1971	50	10	.2	3	1	16	12	26	23
	Footwear with uppers of supported: vinyl (700.55)				Canvas footwear (sneakers) (700.60) ^{4/}			Total, all nonrubber footwear ^{6/}	
	Tariff rate		Quantity		Tariff rate ^{5/}		Quantity		
	Percent ad val.		Million pairs		Percent ad val.		Million pairs		Million pairs
1965	12.5		30		20		8		67
1966	12.5		33		20		8		70
1967	12.5		50		20		11		96
1968	11		69		20		10		133
1969	10		71		20		7		139
1970	8.5		77		20		6		165
January-June--									
1970	8.5		45		20		4		96
1971	7		54		20		5		112

^{1/} Represents about 95 percent of the total footwear of leather imported for women and misses.

^{2/} Estimated by the U.S. Tariff Commission.

^{3/} In TSUS item 700.40 before Jan. 1, 1968.

^{4/} Data shown is for footwear entered under TSUSA item 700.6015.

^{5/} Effective Mar. 3, 1933; the basis for assessing the ad valorem rate of duty was changed from foreign (export) value to the "American selling price" of the "like or similar" domestic product (T.D. 46158).

^{6/} As described in pt. 1A of schedule 7 of the TSUS, excluding footwear in items 700.51, 700.52, 700.53, zoris in item 700.55, and 700.60.

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

