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UNITED STATES TARIFF COMMISSION

FOOTWEAR FOR WOMEN AND PROTECTIVE FOOTWEAR FOR MEN, WOMEN, BOYS  
AND INFANTS, AND PARTS OF SUCH FOOTWEAR:  
BGS SHOE CORP., MANCHESTER, N. H.

Report to the President  
on Worker Investigation No. TEA-W-193  
Under Section 301(c)(2) of the Trade Expansion Act of 1962



TC Publication 592  
Washington, D. C.  
July 1973

UNITED STATES TARIFF COMMISSION

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1/ The financial data are not included in this report. Such data will be included in the report submitted to the Department of Commerce in connection with the BGS Shoe firm investigation No. TEA-F-53.

Note.--The whole of the Commission's report to the President may not be made public since it contains information that would result in the disclosure of the operations 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.



## REPORT TO THE PRESIDENT

U.S. Tariff Commission,  
July 16, 1973.

To the President:

In accordance with sections 301(f)(1) and 301(f)(3) of the Trade Expansion Act of 1962 (TEA) (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(2) of the act in response to a petition filed on behalf of a group of workers.

On March 23, 1973, a petition was filed on behalf of the workers and former workers of BGS Shoe Corp., Manchester, N.H., for a determination of eligibility to apply for adjustment assistance under the said act. On March 28, 1973, the Commission instituted an investigation (TEA-W-193) to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with women's footwear (of the types provided for in items 700.43, 700.45, 700.53, and 700.55 of the Tariff Schedules of the United States) 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 such firm or an appropriate subdivision thereof. Notice of the investigation was published in the Federal Register (38 F.R. 8544) on April 3, 1973.

On May 17, 1973, the Commission amended the scope of this investigation, pursuant to its authority under section 403(a) of the said act, to include articles like or directly competitive with (1) footwear other than women's footwear (of the types provided for in

item 700.53 of the Tariff Schedules of the United States (TSUS)) produced by said firm and (2) heels and other components of footwear of the types produced by the firm. Commissioners Will E. Leonard, Jr. and J. Banks Young, for reasons set forth herein, dissented from the Commission's action on May 17, 1973, which extended the scope and had the effect of extending the deadline of the investigation. They disagreed with the extension of the deadline fixed in section 301(f)(3) of the TEA for reporting the Commission's determination to the President. Accordingly, they did not participate in the decision of the Commission made on July 5, 1973, since they had already filed a statement of their negative determination with the Office of the Secretary of the Tariff Commission on May 22, 1973, which is included as a part of this report.

Public notice of amendment of the scope of the investigation was published in the Federal Register (38 F.R. 13788) on May 25, 1973.

No public hearing was requested, and none was held.

The information in this report was obtained principally by means of "field investigations" including interviews with the petitioners, with officials and customers of BGS Shoe Corp., and from the Commission's files.

Findings of the Commission 1/

On the basis of its investigation the Commission finds that articles like or directly competitive with protective footwear and fashion boots 2/ of the types provided for in items 700.43, 700.45, 700.53, and 700.55 of the TSUS), and components thereof, of the types produced by BGS Shoe Corp., 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 such company or an appropriate subdivision thereof.

The Commission, being equally divided, 3/ makes no finding with respect to whether articles like or directly competitive with women's dress and casual shoes (of the types provided for in items 700.43, 700.45, and 700.55 of the TSUS), and components thereof, of the types produced by BGS Footwear Corp., 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, unemployment or underemployment of a significant number or proportion of the workers of such company or an appropriate subdivision thereof.

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1/ Commissioners Leonard and Young did not participate in the decision for reasons set forth in their statement.

2/ The negative determination of Vice Chairman Parker and Commissioner Ablondi on dress and casual shoes includes fashion boots.

3/ Chairman Bedell and Commissioner Moore found in the affirmative; Vice Chairman Parker and Commissioner Ablondi found in the negative.

## Considerations Supporting the Commission's Findings

### Views of Chairman Bedell and Commissioner Moore

This investigation originated by reason of a petition filed on behalf of workers and former workers of BGS Shoe Corp., Manchester, N.H. for a determination of their eligibility to apply for adjustment assistance under section 301(a)(2) of the Trade Expansion Act of 1962 (TEA). BGS Shoe has in recent years operated four establishments producing footwear or footwear component parts. The only plant presently in operation produces slush-molded protective-type boots--for men, women, boys, children, and infants--selling at retail from about \$5 to \$14 a pair. The firm also produced two types of women's footwear: (1) Women's dress and casual shoes, most of which had uppers of vinyl and were constructed by the cement process, retailing in the price range of \$8 to \$11 a pair; and (2) women's fashion boots with uppers of polyurethane and of leather, retailing, respectively, in the range of \$10 to \$15 and \$18 to \$22 a pair. The firm also produced component parts for both conventional and slush-molded footwear, all of which were used by BGS in the manufacture of its footwear.

The Trade Expansion Act of 1962 establishes four criteria to be met in order for an affirmative determination to be made in a worker case.

The criteria are as follows:

- (1) An article like or directly competitive with an article produced by the workers concerned must be imported in increased quantities;
- (2) The increased imports must be a result in major part of concessions granted under trade agreements;

- (3) A significant number or proportion of the workers concerned must be unemployed or underemployed, or threatened with unemployment or underemployment; and
- (4) The increased imports resulting in major part from trade-agreement concessions must be the major factor in causing, or threatening to cause, the unemployment or underemployment.

With respect to workers engaged in the production of women's dress and casual footwear and components thereof at BGS Shoe Corp., our judgment is that each of the four criteria outlined above has been met; hence we have made an affirmative determination. With respect to BGS' workers engaged in the production of slush-molded protective boots, women's fashion boots, and components thereof, we find that at least one of the above four criteria has not been met; and accordingly, we have made a negative determination. Our determinations are based on the following considerations.

Women's dress and casual shoes

Increased imports are a result in major part of trade-agreement concessions.---Women's dress and casual shoes produced by BGS Shoe Corp. are similar in type, construction, and price to those involved in recent Trade Expansion Act investigations conducted by the Commission. We concluded in those investigations that, within the meaning of the statute, like or directly competitive footwear was being imported in increased quantities and that increased imports were in major part the result of trade-agreement concessions. Our considerations in support of those determinations, which are equally applicable in the instant case, are set forth in the statements of our views in those investigations. <sup>1/</sup>

1/ Women's Dress and Casual Shoes: Duchess Footwear Corp., Salem, Mass., Report to the President on Firm Investigation No. TEA-F-39 and Worker Investigation No. TEA-W-139 . . . , TC Publication 491, June 1972.

The workers are unemployed or underemployed.--Women's dress and casual shoes were produced by BGS in its Bee Bee Shoe Co. Division plant at Manchester, N.H. Supporting activities were performed by workers at two other establishments--stitching operations on such footwear took place in the Bee Bee Division plant at Pittsfield, N.H., and some component parts were produced at the Trend' Tec Division plant, also located in Manchester. When the Bee Bee plant at Manchester ceased operations on March 8, 1973, 532 workers were laid off; 70 workers were laid off on October 5, 1972, when stitching operations ceased at the Bee Bee Pittsfield plant; and 26 workers were laid off in late February 1973 when the Trend'Tec Division ceased production. Clearly, workers of BGS who produced women's dress and casual shoes are unemployed.

Increased imports are the major factor causing unemployment or underemployment of the workers of the firm.--During the last decade foreign-made women's dress and casual shoes have entered the U.S. market in rapidly increasing quantities. Such imports increased from 67 million pairs in 1965 to 198 million pairs in 1972--or by almost 300 percent. Foreign-made women's dress and casual shoes supplied less than 20 percent of the U.S. market in 1965; however, by 1972 they supplied almost 50 percent of domestic consumption.

Information developed in this case indicates that prior to the heavy influx of imports, sales of women's dress and casual shoes by BGS Shoe Corp. were maintained at a profitable level and the firm employed more than 600 workers in the production of such footwear and in supporting

operations. Subsequently, BGS experienced a decline in sales of such footwear as imports captured an increasing share of the U.S. market. In terms of numbers of pairs sold, BGS' sales of women's dress and casual shoes in fiscal year 1971/72 were 45 percent below the level of sales of such footwear in fiscal 1967/68. Buyers for a substantial portion of the firm's present and former customers stated that they had turned, wholly or in part, to purchases of imported footwear.

The company responded to greater competition from imports of women's dress and casual shoes by expanding its output of women's stretch boots as they became increasingly fashionable. Sales by BGS of stretch boots increased from \* \* \* pairs in fiscal 1969/70 to \* \* \* pairs in fiscal 1971/72. In 1972, however, the market for stretch boots declined sharply owing to the whims of fashion, and BGS' sales of such boots declined markedly. Despite the adoption of new styles in response to most recent fashion changes, the firm was unable to regain its former share of the women's dress and casual shoe market which had previously been lost to imports. Unable to sell dress and casual shoes in competition with imports, the decision was made to cease producing such shoes and to concentrate on the production of slush-molded protective boots for which there has been little import competition. Production of protective footwear had begun in 1966 when the company sought alternatives to increased imports of inexpensive women's casual shoes which it then produced. In light of the above facts, we conclude that increased imports are the major factor

causing the unemployment or underemployment of the workers of BGS Shoe Corp. who were engaged in the production, including supporting operations, of women's dress and casual shoes. Accordingly, we have made an affirmative determination with respect to those workers.

#### Slush-molded protective footwear

With respect to footwear like or directly competitive with the slush-molded protective boots made by BGS, we find that the first criterion has not been met--namely, that such articles must be imported in increased quantities. Entries of protective footwear into the United States amounted to 13 million pairs in both 1971 and 1972, compared with 15 million pairs in 1970, the same annual rate at which such imports entered in 1960-62. Moreover, both officials of BGS and buyers for its principal customers aver that imports are not like or directly competitive with the type of protective footwear produced by BGS.

#### Women's fashion boots

Our determination with respect to footwear like or directly competitive with women's fashion boots produced by BGS is also negative because the fourth criterion--that increased imports must be the major factor causing or threatening to cause the workers' unemployment or underemployment--has not been met. As we have previously stated, BGS produced women's stretch boots and leather boots, both of which became increasingly fashionable beginning in the later 1960's and remained popular throughout 1970 and 1971. The sales volume of such boots by BGS in fiscal year 1971/72 was more than two and a half times the volume



for such boots in fiscal 1967/68. In fiscal 1972/73, however, with a new change in women's apparel, fashion boots rapidly lost their popularity and BGS' sales of such boots declined by more than 19 percent below fiscal 1971/72 sales, reflecting decreasing demand. Moreover, most customers either cancelled or reduced their orders for fashion boots. BGS failed to place new popular fashion items on the market until late 1972 and then in such small quantities as to be ineffectual in proportion to the magnitude of its problems and loss of sales. The importance of the decreased popularity of fashion boots--and not increased imports--as the principal cause of declining sales of such boots is borne out by the fact that customers accounting for more than three-fifths of BGS' sales of fashion boots in 1972 either increased their purchases over the level for the preceding year or indicated that imports were not a factor in any reduction in their purchases. Imports no doubt had some influence on the decline in sales of fashion boots by BGS, but they were not the major factor as required for an affirmative determination under the Trade Expansion Act. Accordingly, our determination is in the negative with respect to workers producing women's fashion boots, and those engaged in supporting operations, at BGS Shoe Corp.

We note, as indicated in their statement which appears later in this report, that two of our colleagues take issue with the action taken by the Commission on May 17, 1973, when it amended the scope of this investigation, pursuant to its authority under section 403(a) of the TEA of 1962, to include in addition to articles listed in the earlier notice of investigation, "articles like or directly competitive with (1) footwear

other than footwear for women (of the types provided for in item 700.53 of the Tariff Schedules of the United States) produced by said firm, and (2) heels and other components of footwear of the types produced by the firm." We would like to point out that the action was taken by majority vote of the Commission to extend the scope of the investigation in order that the investigation would include all of the products made by BGS and to obtain certain additional information necessary for a full and complete investigation. This action was taken on advice of the General Counsel of the Tariff Commission. Accordingly, the date of July 16, 1973, is the proper deadline for submission of the Commission's report to the President in the instant investigation. 1/

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1/ Vice Chairman Parker and Commissioner Ablondi concur in the views expressed in this paragraph.

Views of Vice Chairman Parker and Commissioner Ablondi

The BGS Shoe Corp., Manchester, N.H., operated four establishments in recent years, three producing footwear and one producing footwear components. The only plant still in operation produces slush-molded protective boots--for men, women, boys, children, and infants. Similar protective footwear was also produced at the Pittsfield, N.H. Division. The Bee Bee Shoe Co. Division, of Manchester, N.H., produced conventional women's dress and casual shoes, including women's fashion boots (a type of dress footwear). The Pittsfield plant, mentioned above, also performed stitching operations on the boots made at the Bee Bee Division. The Trend'Tec Division, of Manchester, N.H., produced component parts which were used by BGS in the manufacture of both dress and casual and protective footwear.

Our determination in this proceeding is in the negative because, in our judgment, the statutory criteria have not been met.

With respect to protective slush-molded boots and components, we concur with our colleagues, Chairman Bedell and Commissioner Moore, that **articles like or directly competitive with protective footwear being produced by BGS are not being imported in increased quantities and, therefore, under the first statutory criterion a negative determination is required.** Furthermore, production of these articles by BGS has been profitable, production is expanding, and there is no significant unemployment or underemployment of employees engaged in the production of such footwear.

With respect to the workers engaged in the production of women's dress and casual footwear and components of such footwear, we have made a negative determination because, in our judgment, increased imports resulting from trade-agreement concessions of articles like or directly competitive with the women's dress shoes produced by the BGS Shoe Corp., have not been the major factor causing, or threatening to cause the unemployment or underemployment of the workers.

Although imports of dress and casual footwear have undoubtedly been a competitive factor, it is clear that other factors played a more important role in the financial difficulties of the company, in the cessation of production of women's dress and casual footwear, and in the resulting unemployment of the BGS workers producing such footwear and the components of such footwear. These factors include the sudden decline in popularity of, and loss of markets for, women's fashion boots and the failure of the firm to keep pace with changing consumer demand and to shift to other footwear styles for which demand was increasing.

The investigative report discloses that the firm had operated successfully until mid-1972, when the market for fashion boots, particularly "stretch" boots, declined sharply because of the loss of consumer popularity. The Bee Bee Division of BGS for several years had been shifting increasingly to the production of "stretch" fashion boots. By 1971/72 about \*\*\* of its dress footwear sales consisted of fashion boots. Sales of fashion boots, mostly "stretch," increased from \* \* \* pairs, valued at \* \* \* in fiscal 1967/68 to \* \* \* pairs, valued at \* \* \* in 1971/72. From 1968/69 to

fiscal 1971/72, the last full year for which complete audited financial data are available, net sales of the firm increased \* \* \*

to \* \* \*. Net sales in fiscal 1971/72 were the highest recorded by BGS as a whole and also for the Bee Bee Shoe Division. Had increased imports been the major factor affecting the firm's operations, such an increase in sales would not have occurred.

However, with the sudden loss in popularity and decline in demand for fashion boots in 1972, BGS suffered unusually high returns of such boots and was forced to make large write downs in values of raw material, of work in process, and in inventories of finished boots. The failure of the company to keep pace with shifting consumer demand and the losses attendant with the decline in the market for its fashion boots were the primary factors causing the company's financial difficulties and in the decision of the firm to seek a Chapter XI bankruptcy reorganization and to cease production of dress and casual shoes.

The workers of BGS were also engaged in the production of traditional styles of women's dress shoes and components. Despite the downward trend in consumption of traditional dress shoe designs, BGS failed, except for fashion boots, to produce and place new popular fashions of shoes on the market until late in 1972 and then only in such small quantities as to be ineffectual in proportion to the magnitude of its problems and loss of sales.

A survey of the firm's customers further demonstrates that imports were not the major factor causing the cessation of production of women's dress and casual shoes or the unemployment of the workers engaged in such production.

As indicated above, sales of women's dress and casual shoes were increasing each year until mid-1972, when the market for fashion boots suddenly declined. Of the relatively small percentage of customers of the firm that shifted to imports, only a few indicated that they did so because of price alone. More often, the shift was due to style, quality, service, or a combination of those factors. The preponderance of the customers who reduced their purchases shifted to other domestic sources or reduced their purchases for reasons unrelated to imports.

Based on the foregoing considerations, we have made a negative determination.

## Statement of Non-Participating Commissioners

The following statement was filed by Commissioners Will E. Leonard, Jr., and J. Banks Young on May 22, 1973, with the Office of the Secretary, United States Tariff Commission:

U.S. Tariff Commission,  
May 22, 1973.

To The President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), Commissioners Will E. Leonard, Jr., and J. Banks Young herein report their determinations in an investigation made under section 301(c)(2) of the act in response to a petition filed on behalf of a group of workers.

On the basis of a petition filed under section 301(a)(2) of the Trade Expansion Act of 1962, on behalf of the workers and former workers of BGS Shoe Corp., Manchester, N.H., the United States Tariff Commission, on March 28, 1973, instituted an investigation (TEA-W-193) under section 301(c)(2) of the act to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with footwear for women (of the types provided for in items 700.43, 700.45, 700.53, and 700.55 of the Tariff Schedules of the United States) 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 such firm or an appropriate subdivision thereof.

Public notice of the investigation was published in the Federal Register (38 F.R. 8544 on April 3, 1973). No public hearing was requested, and none was held.

On May 17, 1973, 5 days before the deadline for submission of this report to you, the Commission considered information obtained by its staff concerning investigation No. TEA-W-193. At that time, three of the six Commissioners stated that they were prepared to vote on the merits of a determination in the instant case and indicated that their determinations would be in the negative. 1/ Three other Commissioners determined that they needed additional information in order to vote. Instead of instructing the staff to attempt to obtain the additional information desired by three Commissioners, as is the custom, the Commission, by a 4-2 vote (Commissioners Leonard and Young dissenting), ordered the notice of the investigation to be amended, beginning another 60-day reporting period and expanding the scope of the investigation to include all slush-molded footwear of the type covered by TSUS item 700.53 (whereas, the original notice of the investigation was limited to women's slush-molded footwear of the type covered by TSUS item 700.53). In fact, official statistics do not differentiate between imports of such protective types of footwear for women and those for other persons. The investigation conducted by the Commission's staff had included the footwear provided for by the amended notice.

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1/ It is relevant to note that a determination by 3 of the 6 Commissioners constituted the findings of the Commission in several prior investigations made under section 301(c)(2). See Men's Dress Shoes: Stacy-Adams Co. . . . , Report to the President on Investigation No. TEA-W-97 . . . , TC Publication 417, August 1971; Carbon Steel Wire Rod and Wire, . . . : Portsmouth, Ohio Plant of Detroit Steel Corporation, Report to the President on Investigation No. TEA-W-100 . . . , TC Publication 418, August 1971; Women's Vinyl Sandals and Slippers: Grenet Footwear, Inc. . . . , Report to the President on Investigation No. TEA-W-121 . . . , TC Publication 448, December 1971; and Men's, Youths', and Boys' Leather Footwear: Brown Shoe Co. . . . , Report to the President on Investigation No. TEA-W-125 . . . , TC Publication 455, January 1972.



Other types of information requested of the staff by the Commissioners not prepared to vote included the development of a larger base for the sample of the BGS Shoe Corp.'s customers, a more detailed breakdown of the annual sales of BGS Corp. by product type, and financial data for the BGS Corp. It is our judgment that the Commission had before it sufficient information with which to make a determination in this investigation. It is worth noting that financial data have not been requested in previous "worker investigations," that annual sales breakdowns by product were available for one of the five years desired and that such breakdowns are not available as a matter of course in "worker investigations." Moreover, the sample of customers of the BGS Corp. contacted by the staff prior to May 17 was actually more sufficient than that available in several of the cases decided by the Commission since June of 1971 when customer comments were first solicited. In fact, only 55 percent of the "worker" cases, involving footwear, decided since June of 1971 have included the comments of customers.

The Commission's attention was drawn to the problems encountered by the staff developing data in this investigation on April 13, 1973. On May 11, another report was submitted to the Commission indicating the information the staff was successful in collecting as well as focusing upon deficiencies in available data. At either of these points in time, the Commission might have dismissed the investigation, without prejudice, on the ground that sufficient information would not likely be available on a timely basis. However, the Commission was apparently satisfied that sufficient information would be available for a timely determination

and report. In fact, on May 17, the senior staff informed the Commission that in its judgment "the Commission would find sufficient data . . . to make a determination."

It is our view that the statutory time period of "not later than 60 days after the date on which the petition is filed" imposed by section 301(f)(3) of the Trade Expansion Act (19 U.S.C. 1901(f)(3)) is frustrated where the Commission, with sufficient data available for a determination, extends the statutory reporting period by expanding the scope of an investigation when such expansion is unnecessary for the purposes of the investigation.

## Findings of Commissioners Leonard and Young

On the basis of the Commission's investigation, Commissioners Leonard and Young find that articles like or directly competitive with footwear for women (of the types provided for in items 700.43, 700.45, 700.53, and 700.55 of the Tariff Schedules of the United States), produced by the BGS Corp., Manchester, N.H., are not, as a result in major part of the 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 plant.

**Views of Commissioners Leonard and Young**

Our determination in this investigation is in the negative because the criteria established by section 301(c)(2) of the Trade Expansion Act of 1962 (TEA) have not been met. Before an affirmative determination can be made, the Commission must find that each of the following conditions has been satisfied:

- (1) Articles like or directly competitive with those produced by the workers' firm are being imported in increased quantities;
- (2) The increased imports are in major part the result of concessions granted under trade agreements;
- (3) A significant number or proportion of the firm's workers are unemployed or underemployed, or threatened therewith and;
- (4) The increased imports resulting from trade-agreement concessions are the major factor in causing or threatening to cause the unemployment or underemployment of the workers.

In the instant case, we find that condition (1) has not been satisfied with respect to protective footwear, i.e., that the articles like or directly competitive with the slush-molded protective footwear produced by the Prevue Products Co. Division, Manchester and Pittsfield, N.H., plants of the BGS Shoe Corp. are being imported in increased quantities. Our determination is based on the following considerations.

Imports of protective footwear have remained fairly constant during the past ten years. Imports, which amounted to about 15 million pairs

in 1962, averaged slightly under 13 million pairs during 1963-72.

We also find that condition (2) has not been met with respect to the other products of BGS, women's fashion boots and women's dress and casual shoes, namely, that the increase in imports of footwear like or directly competitive with that produced by the Bee Bee Shoe Co. Division, Manchester and Pittsfield, N.H., plants of BGS is the result in major part of concessions granted under trade agreements. Our reasoning in support of this determination is set forth in statements of our views in earlier Commission investigations under the Trade Expansion Act. 1/

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1/ Commissioner Leonard's views are given in Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . . , TC Publication 359, January 1971, pp. 31-47, and Commissioner Young's views are given in Women's Dress and Casual Shoes: Duchess Footwear Corp., . . . , Report to the President on Firm Investigation No. TEA-F-39 and Worker Investigation No. TEA-W-139 . . . , TC Publication 491, June 1972, pp. 11-25.



## INFORMATION OBTAINED IN THE INVESTIGATION

## Description of Articles Under Investigation

The BGS Shoe Corp., of Manchester, N.H., has in recent years operated four establishments producing footwear or footwear components. The only plant now in operation, which is in Manchester, has produced slush-molded protective boots--for men, women, boys, children, and infants--that currently retail in the range of \$5 to \$14 a pair. Similar boots had also been produced at a plant in Pittsfield, N.H. Another establishment in Manchester, prior to the cessation of operations, produced two types of women's footwear: (1) Women's dress and casual shoes, most of which had uppers of vinyl and were constructed by the cement process, retailing in the price range of \$8 to \$11 a pair, and (2) women's fashion boots with uppers of polyurethane and of leather, retailing, respectively, in the range of \$10 to \$15 and \$18 to \$22 a pair. A third plant in Manchester produced component parts for both conventional and slush-molded footwear. Such parts included mostly nylon chain zippers, some urethane unit soles (resembling cork), styrene clogs and heels, and a very few styrene platforms and polyvinyl chloride unit soles. All such components except the zippers were produced by the injection-molded process. None of the components were marketed, since they were all used by BGS in the manufacture of footwear.

Women's dress and casual footwear

The principal features of women's shoes that determine the occasion or activity 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 subpart 1A of schedule 7 of the Tariff Schedules of the United States Annotated (TSUSA). <sup>1/</sup>

In terms of U.S. retail sales, so-called dress shoes (a term not defined in the TSUSA) are more important than any other type of 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. Depending upon fashion designs, dress shoes may be open- or closed-heel 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 materials. Women's shoes intended for formal wear and regarded as dress shoes are sometimes referred to as evening shoes, slippers, or sandals. The term "dress shoes" does not include footwear especially made for athletic, occupational, and leisure activities.

The materials used for the uppers of dress shoes are usually finer (i.e., less sturdy) than those of other types of footwear.

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<sup>1/</sup> 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, Non-rubber Footwear: Report to the President on Investigation No. TEA-I-18 . . . , TC Publication 359, 1971.



Uppers may be of calf, kid, or reptile leathers; of silk, rayon, linen, satin, brocade, velvet, or metallic fabrics; or of supported vinyls or other plastics.

Women's footwear for casual wear, not considered dress shoes, includes certain sandals, wedge-heeled shoes, flats, clogs, loafers, desert boots, moccasins, and sneakers. Casual shoes usually have a lower heel than dress shoes and are constructed to withstand harder wear.

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, and this trend has continued into the 1970's.

Simultaneously, consumer interest in a wider variety of footwear 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. Women's footwear styles began to fluctuate greatly as a result of frequent changes in women's fashions.

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. With the advent of new fashions in wearing apparel, the pump declined in popularity in the late 1960's. In 1967 the chunky style ("monster") shoe appeared on the fashion scene and continued to be very popular until 1968; the chunky style marked the

beginning of a style revolution in women's footwear. In 1969 clogs (open-back scuffs, usually with a platform sole) became a popular fashion item, and they remain in vogue in 1973.

In the late 1960's, boots became fashionable, along with the mini-skirt and other new dress fashions, and continued to be popular throughout 1970 and 1971. For many fashion-conscious women, boots replaced shoes as the type of footwear they wore, on many occasions, and thus somewhat diminished the demand for women's shoes. However, with the switch by women to other types of wearing apparel, such as pants suits, which did not complement boot designs, the market for boots diminished in 1972.

The 1970's also began a period in which footwear designs took a new direction owing to the changes in the length of women's dresses and the increasing popularity of pants suits and flared trousers for women. Double soles and wafers to 1-inch or higher platforms 1/ and heels became the main interest in shoe designs. New soling includes plantation crepe, leather combinations, inside or concealed platforms, and wedges. Bottom assemblies may be colored, painted, or sculptured. Materials used in uppers range from leather of all types to the newest manmade materials.

For several decades the principal method of attaching the outsoles to women's shoes has been the cement process (the method used by BGS Shoe on footwear produced at the Bee Bee Shoe Co. Division), whereby the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing. It is estimated that 80 percent of the total U.S. output of women's shoes in recent years (and probably an even higher percentage of the

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1/ A platform is a thick heel-sole combination used in some styles of women's shoes.

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.

The great bulk of women's imported dress and casual shoes are entered under TSUS items 700.20, 700.43, 700.45, 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 items 700.43 and 700.45, which provide for leather footwear having a foreign (export) value of not over \$2.50 a pair, and over \$2.50 a pair, respectively, 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 have 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 have also included sturdy types with vulcanized or injection-molded soles lightweight slippers suitable principally for housewear, and more expensive high-fashion types. Women's imported leather

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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.

footwear made by the turn process and dutiable under TSUS item 700.20 does not differ significantly in appearance from the leather dress shoes entered under items 700.43 and 700.45; the imports of turned footwear under item 700.20 have been small.

Women's imported footwear with supported vinyl uppers, dutiable under TSUS item 700.55, has in recent years 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 the years 1971-72, imports of such footwear retailing at more than \$10 a pair (mostly just over that price) accounted for less than 10 percent of the total imports.

#### Protective footwear

The automation of the slush-molding process has been the major development in the production of protective footwear during the past decade. In this process, which probably accounted for more than half of the domestic output of protective footwear in recent years, polyvinyl chloride (PVC) in liquid form is poured into a heated mold; the mold is then inverted so that the excess liquid is drained from the mold. The PVC which adheres to the inside of the mold is kept

heated until it solidifies, after which the article is stripped from the mold and completed. Imports of PVC footwear in recent years have been relatively small.

The term "protective footwear" is generally used in this report to refer to the types of footwear entered under TSUS items 700.51, 700.52, and 700.53. Such footwear consists of hunting boots, galoshes, rainwear, and other footwear (including arctics and gaiters) designed to be worn over, or in lieu of, other footwear as a protection against water, oil, grease, chemicals, cold, or inclement weather. For such types of footwear to be admitted under these three TSUS items, over 90 percent of the exterior surface area must be of rubber or plastics.<sup>1/</sup> However, if imported footwear of this description has uppers of non-molded construction formed by sewing the parts thereof together and having exposed on the outer surface a substantial portion of functional stitching--a type of construction used for some styles of boots--it is admitted elsewhere, probably under item 700.55. Also, if boots of molded vinyl construction with fabric or fur cuffs are imported, they are admitted under item 700.60.

In the trade, footwear of the types provided for in the three TSUS items 700.51, 700.52, and 700.53 is usually called "waterproof footwear." The term "waterproof footwear," however, is generally used to refer not only to the footwear of rubber or plastics covered by the three TSUS items, but also to footwear which is of similar styles and uses but is of different construction or material. For example,

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<sup>1/</sup> For purposes of the tariff schedules, the term "rubber or plastics" means rubber, plastics, or a combination of both (headnote 1 to pt. 12 of schedule 7).

in the official production statistics published by the U.S. Department of Commerce, the data on waterproof footwear (reported in SIC No. 3021) include arctics and gaiters with fabric uppers and probably also fashion boots of types not covered by the term "protective" as used to describe the articles in the TSUS items 700.51 to 700.53.

The imported footwear admitted under TSUS item 700.51 consists of protective footwear of polyvinyl chloride, most of which footwear has a dutiable value of about \$1 per pair; in recent years, imports have been small. The imported footwear admitted under TSUS item 700.52 consists of slipover rubbers having a dutiable value of less than \$1 a pair; in recent years, such imports have accounted for less than 10 percent of the total imports of protective footwear. The great bulk of the imports are admitted under TSUS item 700.53. Since the boots made by BGS are lined either with polyester pile or with nylon fleece laminated to polyurethane foam, footwear similar to that which they produce would be imported under this TSUS item. Boots supported or lined with polyvinyl chloride enter under TSUS item 700.51; BGS did not make such boots. Imports under TSUS item 700.53 consist principally of boots for hunting, fishing, and work and of arctics. In 1972 the average dutiable value of the boots admitted under this TSUS item was \$1.49 a pair and of the other footwear (principally arctics), \$1.66 a pair.

#### Footwear component parts

A major part of BGS' component production consisted of nylon chain zippers, and the remainder, of urethane or styrene unit soles,

platforms, clogs, and heels. Zippers can be used on shoes and boots as well as in a great variety of other products. Those produced by BGS were used in the production of slush-molded boots. After the zipper chain and tape are sewn together, the chain component is cut to the required size, and the sharp zipper teeth are dulled. The slider, including the pull, is placed on the teeth, and stops are added.

Zippers of the type produced by BGS enter under TSUS item 745.72, which includes zippers of all materials and for all uses and not just nylon chain zippers for use in footwear. In 1972 the average dutiable value of imports of such zippers was \$0.09 each.

Heels for women's shoes are made from a variety of materials in numerous styles, depending on current fashion in footwear. The most widely used materials presently employed are plastics and wood (including plywood). Other materials traditionally used for heels have included leather and cork (mostly used in platform footwear). Heels for women's shoes are made either from a solid piece of material such as molded plastic (usually by injection-molding--the process used by BGS) or turned wood, or forms may be built up from layers of materials as is done with plywood and leather heels. In some instances, both heel and sole are made in a single piece--known in the trade as a unisole or unit sole.

Styles in heels for women's shoes have followed fashion cycles. Some of the traditional styles have been the French heel, a high heel

with a gracefully curved outline, and the Cuban heel, which is a rather straight heel ranging in height from medium to high. <sup>1/</sup> Wedge heels of wood or cork are made in the form of a wedge which tapers to a point under the arch of the foot. In recent years mod-fashion trends have resulted in the popularity of thick heels such as the chunky types associated with the "monster" style in footwear or with clogs and platforms.

Injection molding is a type of molded-on cemented construction as opposed to the basic cemented construction used on most men's and women's footwear described in the section on women's footwear. Precision molds of heels and soles or heel and sole units for each size of footwear desired are filled with a plastic or styrene compound and simultaneously attached to the upper. The use of a multiple-station machine allows for rapid cooling of the molded material so that the shoe can be handled quickly with minimum distortion. This process is distinguished from vulcanized molded-on construction of the sole and heel material in that the latter uses rubber. Injection molding is most frequently used in making low-heeled casual shoes.

Imports of heels entered under many so-called basket provisions, which cover many various commodities not separately annotated.

Heels have been imported primarily under TSUS items 207.00 (wood)

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<sup>1/</sup> The height of a heel is measured in eighths of an inch; thus an 8/8 heel is one which is 1 inch high, measured vertically from sole to top. As a rule a layer of leather, rubber, or synthetic material, known as a top lift, is attached to most types of heels at the point where contact is made with the ground.



and 772.30 (rubber and plastics); most of the remainder have entered under TSUS items 220.50 (cork), 791.25 (leather), and 256.90 (paperboard).

#### U.S. Tariff Treatment

##### Women's dress and casual footwear

In the Tariff Act of 1930, women's leather footwear of the type produced at BGS Shoe 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, under 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 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 provided for under TSUS item 700.20) was first reduced on January 1, 1932, from 20 percent ad valorem to 10 percent, pursuant to section 336 of the Tariff Act of 1930. The 10-percent rate, which was bound against increase in a concession granted to Switzerland, effective February 15, 1936, was reduced to 5 percent pursuant to a concession, effective May 30, 1950, granted under the General Agreement on Tariffs and Trade (GATT). The current rate for item 700.20 is 2.5 percent.

Supported vinyl was not used for uppers until the late 1940's or early 1950's. Prior to the effective date of the TSUS, imports of

women's supported-vinyl-upper footwear, which were dutiable under various provisions of the Tariff Act, were classified principally--

- (1) By similitude, at the rate of 20 percent ad valorem applicable to leather footwear provided for in paragraph 1530(e). 1/
- (2) Under paragraph 1537(b) as articles in chief value of rubber, at the trade-agreement rate of 12.5 percent ad valorem where the soles were of india rubber and constituted the chief value of the footwear in question.
- (3) Under paragraph 1539(b) at the reduced rate of 21 cents per pound plus 17 percent ad valorem where the footwear was in chief value of a product having a synthetic resin as the chief binding agent.

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. 2/ The current rate on footwear with supported-vinyl uppers is 6 percent ad valorem.

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 types now dutiable under items 700.20, 700.43, 700.45, and 700.55. Tables 2 through 4 show U.S. imports of women's shoes admitted under the TSUS items mentioned above and the applicable rates of duty.

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1/ The principal kinds of footwear with supported vinyl uppers now being imported (i.e., those with soles of vinyl or other plastics) would have been dutiable by virtue of the similitude provision at a rate of 20 percent ad valorem.

2/ The column 2 rate of duty for item 700.55 is 35 percent.

Protective footwear

Imported protective rubber footwear, consisting of boots, arctics, gaiters, and slipover rubbers, was directly classifiable for tariff purposes in paragraph 1537(b) of the original schedules of the Tariff Act of 1930 only if it was "wholly or in chief value of india rubber." Similar imported articles of synthetic rubber or of plastics were not of commercial significance until the 1950's. The President, acting on the basis of an investigation made by the Tariff Commission under section 336 of the 1930 Tariff Act, increased the duty on such footwear "in chief value of india rubber" by changing the basis for assessing the original statutory rate (25 percent ad valorem) from foreign (or export) value to the "American selling price" (as defined in sec. #402(g) of the 1930 act) of like or similar articles produced in the United States (T.D. 46158, effective March 3, 1933).

From 1933 until about 1959 virtually all U.S. imports of protective footwear were made of india (natural) rubber and were subject to the American selling price (ASP) basis of valuation. Pursuant to a trade-agreement concession granted by the United States under the General Agreement on Tariffs and Trade (GATT), the rate of duty applicable to such protective footwear (i.e., if wholly or in chief value of india

rubber) valued at more than \$6 per dozen pairs was reduced on April 21, 1948. This concession provided a specific duty of \$1.50 per dozen pairs for footwear valued at more than \$6 but less than \$12 per dozen pairs and an ad valorem rate of 12.5 percent of the ASP on more expensive footwear. During the effective period of the concession--April 21, 1948, to September 9, 1955--most of the imports were dutiable at 12.5 percent of the ASP. Pursuant to another GATT concession, effective September 10, 1955, the rate on all protective footwear of natural rubber, regardless of unit value, became 12.5 percent of the ASP.

When protective footwear made of plastics and that made of synthetic rubber began to be imported in about 1959, the Treasury Department ruled that such footwear, by virtue of the similitude provision in paragraph 1559(a), was classifiable as protective footwear of natural rubber under paragraph 1537(b) and therefore dutiable at 12.5 percent ad valorem but was not subject to the ASP basis of valuation. 1/

The new tariff schedules that became effective on August 31, 1963 (the TSUS), reflected the tariff treatment resulting from the Treasury Department rulings. In the Second Supplemental Report to the Tariff Classification Study, issued June 29, 1962, the Tariff Commission commented on the two methods of valuation applicable to protective footwear as follows:

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1/ The ruling with respect to plastic footwear was issued June 29, 1959 (T.D. 54885(9)); the ruling on synthetic rubber footwear was issued on Feb. 12, 1962 (T.D. 55563(12)); and both rulings were affirmed on July 17, 1962 (T.D. 55663(5)).

The distinctions made under existing law with respect to the valuation of this footwear are technical in nature and result in an anomaly. Footwear of natural rubber or synthetic rubber, or combinations thereof, are not commercially distinguishable and should receive like treatment for value purposes. In view of the significant trade involved, and the fact that the Commission's present study is primarily a classification revision and consolidation, any correction of this valuation anomaly is a matter for legislative consideration.

Effective December 7, 1965, the Tariff Schedules Technical Amendments Act of 1965 (Public Law 89-241) eliminated the valuation anomaly described above by providing uniform tariff treatment for protective footwear, regardless of whether composed of natural or synthetic rubber or of plastics. Pursuant to that act, the ASP basis of valuation was no longer applicable to protective footwear; also TSUS item 700.50, under which all types of protective footwear had been admitted, was deleted and replaced by three new items--700.51, 700.52, and 700.53. For protective footwear having soles and uppers of which over 90 percent of the exterior surface area is polyvinyl chloride, 1/ the same rates of duty were provided in item 700.51 as in former item 700.50 (viz, 12.5 percent ad valorem in column 1, and 25 percent in column 2). For other types of protective footwear of rubber or plastics, higher rates of duty were provided in items 700.52 and 700.53 than in former item 700.50. On footwear of synthetic rubber and plastics, which has

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1/ Such footwear, which may be supported or lined with PVC, but not otherwise supported or lined, is distinguishable from other types of protective footwear and generally does not compete with the more substantial, supported types of protective footwear (see U.S. Senate (89th Cong., 1st sess.), Rept. 530, p. 20).

comprised most of the imports in recent years, the new rates were 100 percent and 200 percent higher, respectively, than the previous rates. Under item 700.52, which provides for ankle-height, slip-on protective footwear, the column 1 rate is 25 percent ad valorem, and the column 2 rate, 50 percent ad valorem; under item 700.53, which provides for other protective footwear of rubber or plastics, the column 1 rate is 37.5 percent ad valorem, and the column 2 rate, 75 percent ad valorem. In negotiations between the United States and its trading partners under the GATT conducted in connection with the adoption by the United States of its new tariff schedules, these column 1 rates for TSUS items 700.51, 700.52, and 700.53, which are the current rates, were designated concession rates; the column 2 rates, pursuant to section 203 of the Tariff Classification Act of 1962 (TCA) represent the July 1, 1934, rates, i.e., the pre-trade-agreement rates. 1/

#### U.S. Consumption, Production, and Imports

##### Women's dress and casual footwear

During the period 1965-72, apparent annual U.S. consumption of all women's footwear (including dress and casual shoes and fashion boots) rose from an estimated 386 million pairs in 1965 to a peak of 455 million pairs in 1968, and then declined to 421 million pairs in 1972. Annual U.S. production of such footwear declined from 319 million pairs in 1965 to 223 million pairs in 1972. Annual imports almost tripled during this period, and their share of the market

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1/ Under authority of the TCA (Public Law 87-456) a column 1 rate which is lower than the column 2 rate is a trade-agreement rate.

increased without interruption from 17 percent to 47 percent, as shown in the following tabulation:

Nonrubber footwear (dress and casual) for women: U.S. production, imports for consumption, and apparent consumption, 1965-72

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-----	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
1971-----	237	180	417	43
1972-----	223	198	421	47

1/ Production represents the output of women's and misses' footwear 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/ Computed from U.S. production plus imports without an allowance for exports, which in 1972 amounted to about 1 million pairs.

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

Data on U.S. consumption, production, and imports of fashion boots are not separately reported in official statistics but are believed to have increased in the late 1960's and until late 1972, when they probably declined.

U.S. imports of women's footwear entered under TSUS items 700.20, 700.43, 700.45, and 700.55 in the aggregate accounted for 90 percent of the imports of nonrubber footwear in 1972. A negligible part of imports were entered under item 700.20, about 15 percent under item 700.43, 30 percent under item 700.45, and 45 percent under item 700.55. As shown in table 5, in 1972 about 22 million pairs of imported footwear of leather, with an average dutiable value of about \$1.70 a pair, were entered under TSUSA items 700.4310 and 700.4340; about 51 million pairs of imported footwear of leather, with an average dutiable value of \$5.12 a pair, were entered under item 700.4540, and nearly 90 million pairs of imported footwear of vinyl, with an average dutiable value of \$1.22 a pair, were entered under item 700.5545. Although precise data are not available, it is believed that the major part of the lower valued imported footwear of leather and of vinyl consists of casual shoes; with respect to the higher valued imported footwear of leather, it is believed that a sizable share of these imports consisted of dress shoes. Italy and Spain have been the principal suppliers of women's leather footwear, and the Republic of China (Taiwan) and Japan, the principal suppliers of women's vinyl footwear.



Data on U.S. consumption of women's dress shoes are not reported in official statistics. It is estimated, however, that during 1965-72 apparent annual U.S. consumption (production plus imports) of such footwear followed an irregular trend, rising from about 204 million pairs in 1965 to about 231 million in 1968, then declining to 200 million in 1972. 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 150 million pairs in 1972. Estimated imports rose from 4 million pairs in 1965 to 50 million pairs in 1972. The share of apparent annual U.S. consumption of women's dress shoes supplied by imports increased from 2 percent in 1965 to 25 percent in 1972, as shown in the following table:

Dress footwear for women: U.S. production, imports for consumption,  
and apparent consumption, 1965-72

Year	Production <u>1/</u>	Imports <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-----	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	36	201	18
1971-----	156	43	199	22
1972-----	150	50	200	25

1/ Dress shoes are believed to account for about 2/3 of the total annual output of nonrubber footwear for women and misses.

2/ Data represent estimated imports of dress shoes entered under TSUS items 700.20, 700.43, 700.45, and 700.55.

3/ Data represent estimated production plus estimated imports without an allowance for exports, which in 1972 amounted to less than 1 million pairs.

Source: Estimated by the U.S. Tariff Commission from official statistics of the U.S. Department of Commerce.

Data on U.S. consumption, production, and imports of women's casual shoes also are not reported separately in official statistics. Estimates of these data are shown in the following table:

Women's casual footwear: Estimated production, imports for consumption, and apparent consumption, 1965-72

Year	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to consumption
	Million pairs	Million pairs	Million pairs	Percent
1965-----	119	63	182	35
1966-----	117	63	180	35
1967-----	102	85	187	45
1968-----	112	112	224	50
1969-----	94	111	205	54
1970-----	95	129	224	58
1971-----	81	137	218	63
1972-----	73	148	221	67

1/ Casual shoes are believed to account for about 1/3 of the total annual output of nonrubber footwear for women and misses.

2/ Casual shoes are believed to have accounted for about 3/4 of the total annual imports of nonrubber footwear for women and misses in recent years.

3/ Data represent estimated production plus estimated imports without an allowance for exports, which in 1972 amounted to less than 1 million pairs.

Source: Estimated by the U.S. Tariff Commission from official statistics of the U.S. Department of Commerce.

The table indicates that during the last 7-year period apparent consumption fluctuated from 180 million pairs in 1966 to 224 million pairs in 1968 and 1970. The import share of domestic consumption almost doubled over the period, expanding from 35 percent in 1965 to 67 percent in 1972.

Protective footwear

Official data are not available on U.S. consumption of protective footwear of rubber or plastics. Moreover, the available data relating to domestic producers' shipments and to U.S. imports are not strictly comparable. Even if comparable data on domestic shipments and imports were available, apparent consumption computed from aggregates relating to such a wide range of products as firemen's boots, hip boots, and chest waders for hunting and fishing, various types of footwear for special industrial uses, rainwear, snow boots, and fashion boots have limited significance, particularly when there has been a marked change in the product mix during the period under review. How much of the domestic producers' shipments has consisted of waterproof footwear of types not included in the imports admitted under TSUS items 700.51 to 700.53 is not known.

Data that are available indicate that annual apparent consumption of protective footwear has declined from 51 million pairs to 40 million in 1968-72, as shown in the following tabulation:

Protective footwear: U.S. shipments, imports for consumption, and apparent consumption, 1968-72

Year	Ship- ments <sup>1/</sup>	Imports	Apparent consump- tion <sup>2/</sup>	Ratio of imports to consumption
	Million pairs	Million pairs	Million pairs	Percent
1968-----	38	13	51	25
1969-----	36	12	48	25
1970-----	31	15	46	33
1971-----	29	13	42	31
1972-----	27	13	40	33

<sup>1/</sup> Estimates, based on data reported by the Rubber Manufacturing Association and data reported to the U.S. Bureau of Census (SIC code No. 3079).

<sup>2/</sup> Shipments plus imports. Exports are believed to be negligible.

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

During 1950-54, when most imported protective footwear was dutiable at 12.5 percent of the American selling price (the concession rate on footwear with an ASP value of \$12 or more per dozen pairs), estimated annual imports of protective footwear were rising; they amounted to nearly 500,000 pairs in 1954. From about 1958 to 1965, imports consisted largely of footwear of synthetic rubber or plastics that was subject to a rate of 12.5 percent of the "normal" (rather than ASP) valuation (see discussion in tariff section). Entries reached an estimated 3 million pairs in 1958, rose to 15 million pairs in 1961, and averaged about 13 million pairs during 1963-65. In 1966, the first year that most imports were subject to a rate of 37.5 percent ad valorem (rather than 12.5 percent), entries declined to 9 million pairs. During 1968-72, annual imports ranged from 12 million to 15 million pairs, as shown in the following tabulation (in millions of pairs):

<u>Year</u>	<u>Quantity</u>	<u>Year</u>	<u>Quantity</u>
1960-----	14	1967-----	11
1961-----	15	1968-----	13
1962-----	15	1969-----	12
1963-----	13	1970-----	15
1964-----	12	1971-----	13
1965-----	13	1972-----	13
1966-----	9		

The volume of U.S. imports of all footwear and of protective footwear is shown, by tariff rates, in table 6 for the years 1964-72.

In recent years, about 85 percent of the annual imports of protective footwear have been admitted under TSUS item 700.53. <sup>1/</sup> Such imports have consisted principally of boots vulcanized in pieces for hunting, fishing, and other such activities requiring heavy-duty footwear and have included substantial quantities of galoshes. Comparatively small amounts of women's more fashionable slush-molded boots have been imported from Canada, Italy, and Great Britain. Imports of all boots admitted under item 700.53 remained fairly steady from 1968 to 1972, ranging from 10 million to 11 million pairs. The Republic of Korea, the Republic of China (Taiwan), and Japan have been the principal suppliers of protective footwear. In 1972 Korea supplied about 53 percent (in terms of quantity) of the total imports of protective footwear; Taiwan, 28 percent; and Japan, 5 percent.

The share of estimated U.S. consumption of protective footwear supplied by imports was 25 percent in 1968 and 37 percent in 1972. Of this amount, a relatively small proportion was slush-molded such as that made at BGS Shoe Corp.

#### Footwear component parts

Official data are not available on U.S. consumption or domestic production of zippers. However, the Slide Fastener Association estimated sales of nonfashion, mainly nonmetallic zippers of nylon construction, used in many products ranging from men's trousers to

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<sup>1/</sup> TSUS item 700.53 includes protective footwear not supported or lined with polyvinyl chloride, the uppers of which extend above the ankle.

sleeping bags, at 182 million units in 1972. Of that total, approximately 39 million units, valued at \$3.9 million, were used in women's fashion boots during 1972.

Separate import data are not available on imports of zippers used in fashion boots.

Reliable data on U.S. consumption, production, and imports of heels, soles, and unisoles of the types produced by BGS are not available.

## U.S. and Foreign Wage Rates

The table on the following page shows the published average hourly earnings and the estimated compensation per hour received by shoe workers in six countries in 1964, 1970, and 1971. It should be noted, however, that there are several difficulties involved in comparing these data. First, the definition for "shoe industry" varies among nations; in only two countries--Italy and the United States--are shoes specifically broken out from more encompassing industry classifications. This definitional problem makes it difficult to isolate the "shoe industry" in each country. Second, as footnote 1 to the table indicates, published hourly earnings in the various nations differ in composition. Third, total compensation for workers includes varying factors in the six countries.



Hourly earnings of production workers and estimated total compensation per hour worked by them in specified industries related to footwear in 6 countries, 1964, 1970, and 1971

Country	Industry	Published average hourly earnings <sup>1/</sup>			Estimated compensation per hour worked <sup>2/</sup>		
		1964	1970	1971	1964	1970	1971
Brazil-----	Clothing and shoes-----	<u>3/</u> \$0.23	<u>4/</u> \$0.28	<u>5/</u>	<u>5/</u>	<u>5/</u>	<u>5/</u>
Italy-----	Shoes <u>6/</u> -----	.42	.65	\$0.90	\$0.71	\$1.19	\$1.67
Japan-----	Leather products <u>7/</u> -----	.37	.78	.92	.41	.88	1.03
Spain-----	Shoes, leather, and clothing.	.23	.38	.46	<u>5/</u>	<u>8/</u> .57	<u>8/</u> .68
Taiwan-----	Leather and leather products. <u>7/</u>	.12	.18	<u>5/</u>	<u>9/</u> .14	<u>9/</u> .21	<u>5/</u>
United States---	Footwear, excluding rubber---	1.77	2.43	2.53	2.10	2.96	3.09

<sup>1/</sup> Published earnings do not represent the same items of labor compensation in each country because of differences in the treatment of various supplementary benefits. Earnings generally refer to gross cash payments to wage workers before deductions for taxes and social security, and include overtime pay, shift differentials, regular bonuses and premiums, and cost-of-living adjustments. Holiday, vacation, and sick-leave pay, bonuses not paid regularly each pay period, and other supplementary benefits are included by some countries and excluded by others. The earnings data are per paid hour for some countries and per hour worked for other countries.

<sup>2/</sup> Compensation refers to all payments made by employers directly to their workers before deductions of any kind, plus employer contributions to legally required insurance programs and private welfare plans for the benefit of employees. The figures on additional compensation per hour worked as a percent of published earnings are the best estimates currently available to the U.S. Bureau of Labor Statistics. The estimates are based primarily on labor cost or labor compensation surveys adjusted to the listed years on the basis of other available data.

<sup>3/</sup> Average for 1966.

<sup>4/</sup> Average for 1969; monthly earnings of 211.60 cruzeiros converted to an hourly basis by assuming 195 hours of work per month.

<sup>5/</sup> Not available.

<sup>6/</sup> Approximately 15 percent of the workers in the Italian shoe industry are home workers, who are paid at a lower wage rate than the factory workers in the industry.

<sup>7/</sup> The shoes shipped from Japan and Taiwan to the United States are principally of plastics. Separate data are not available on the plastics footwear industries of these two countries. Approximately half of the workers in the Japanese plastics shoe industry are home workers, who are paid at a lower rate than the factory workers in that industry. Apparently none of the workers in the Taiwan plastics shoe industry are home workers.

<sup>8/</sup> The compensation factor included in this figure is employer social security payments, which range from 49 to 50 percent of payroll.

<sup>9/</sup> The published earnings data are computed per hour worked and include overtime pay, regular premiums, bonuses, family allowances, the market value of payments in kind, and wages paid to persons absent from work. The compensation figure also includes annual bonuses.

Source: Based on data provided by the U.S. Bureau of Labor Statistics, from the following: Brazil--Yearbook of Labor Statistics 1971, International Labour Office, Geneva; Italy--Social Statistics (various issues), Statistical Office of the European Communities, Luxembourg and Brussels; Japan--Year Book of Labor Statistics (various issues), Ministry of Labor, Tokyo; Spain--Monthly Bulletin of Statistics (various issues), National Institute of Statistics, Madrid; and Taiwan--Report of Taiwan Labor Statistics 1971, Department of Construction, Provincial Government of Taiwan.

Note.--The exchange rates used to convert other currencies into U.S. dollars for 1971 are the average rates of exchange during 1971. Part of the increases in wages for Italy and Japan in 1971 are attributable to the change in the rates in 1971.

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APPENDIX A  
STATISTICAL TABLES



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

TSUS item No.	Description	Rate of duty		
		July 1, 1934 <sup>1/</sup>	GATT concession <sup>2/</sup>	
			Rate	Effective date
			Percent ad val. ;	
			dollars per dozen	
		Percent ad val. <sup>3/</sup>	pair <sup>3/</sup>	
700.20	Leather footwear: Turn or turned-----	10 <sup>4/</sup>	5% 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): Valued not over \$2.50 per pair-----	20	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	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.
700.51	Hunting boots, galoshes, rainwear, and other footwear designed to be worn as a protection against water, oil, grease, or chemicals or cold or inclement weather, all the foregoing having soles and uppers of which over 90 percent of the exterior surface area is rubber or plastics (except footwear with uppers of nonmolded construction formed by sewing the parts thereof together and having exposed on the outer surface a substantial portion of functional stitching): Having soles and uppers of which over 90 percent of the exterior surface area is polyvinyl chloride (PVC) whether or not supported or lined with PVC but not otherwise supported or lined.	25	12.5% <sup>5/</sup>	<sup>5/</sup>
700.52	Footwear (except PVC footwear in item 700.51), the uppers of which do not extend above the ankle, designed for use without closures: Natural rubber-----	50 <sup>6/</sup>	\$1.50 per doz. pr. <sup>7/</sup> : 12.5% <sup>8/</sup> 25%	Apr. 21, 1948-Sept. 9, 1955. Sept. 10, 1955-Dec. 6, 1965. Dec. 7, 1965, to date.
700.53	Synthetic rubber or plastics. Other: Natural rubber-----	50 75 <sup>6/</sup>	25% <sup>5/</sup> \$1.50 per doz. pr. <sup>7/</sup> : 12.5% <sup>8/</sup> 37.5%	<sup>5/</sup> Apr. 21, 1948-Sept. 9, 1955. Sept. 10, 1955-Dec. 6, 1965. Dec. 7, 1965, to date.
700.55	Synthetic rubber or plastics. Footwear having uppers of supported vinyl-----	75 Principally 20 <sup>9/</sup>	37.5% 12.5% <sup>10/</sup> 11% 10% 8.5% 7% 6%	<sup>5/</sup> Aug. 31, 1963-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.

<sup>1/</sup> 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.

<sup>2/</sup> For concessions granted in the Kennedy Round, effective Jan. 1, 1968, the table shows staged rates which



Footnotes to table 1--Continued

became effective up to and including Jan. 1, 1972.

3/ Assessed on the foreign (or export) value unless otherwise noted.

4/ 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.

5/ Not imported until about 1959. A concession on protective footwear of synthetic rubber or plastics was granted by the United States in the GATT negotiations conducted in connection with the adoption of the TSUS (as amended by Public Law 89-241, effective Dec. 7, 1965). All imports of such footwear (regardless of material or style), however, were dutiable at 12.5 percent ad valorem through Dec. 6, 1965.

6/ Effective Mar. 3, 1933, the basis for assessing the duty was changed from foreign (export) value to the American selling price (ASP) of the "like or similar domestic product" (T.D. 46158).

7/ But not less than 12.5 percent nor more than 25 percent based on ASP. This concession left unchanged the duty on rubber footwear valued at \$6 or less per doz. pr.; it reduced the duty on more expensive footwear by providing a specific rate of \$1.50 per doz. pr. of that valued more than \$6 and less than \$12 per doz. pr. and an ad valorem rate of 12.5 percent on that \$12 or more per doz. pr. During the effective period of the concession, most imports were dutiable at the minimum rate of 12.5 percent of the ASP.

8/ Based on ASP; see footnote 6.

9/ 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.

10/ 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.--A surcharge of 10 percent ad valorem or less was applicable to certain imported articles, including footwear, from Aug. 16, 1971 (Presidential Proclamation No. 4074), through Dec. 19, 1971 (Presidential Proclamation No. 4098).

Table 2.--Leather footwear for women and misses made by the turn or turned process (item 700.20): U.S. rates of duty and imports for consumption, 1939, 1946, and 1955-72

Year	Rate of duty	Quantity
	Percent ad valorem	1,000 pairs
1939-----	<u>1</u> / 10	5
1946-----	10	4
1955-----	<u>2</u> / 5	10
1956-----	5	97
1957-----	5	209
1958-----	5	434
1959-----	5	402
1960-----	5	664
1961-----	5	882
1962-----	5	1,067
1963-----	5	916
1964-----	5	864
1965-----	5	1,053
1966-----	5	1,106
1967-----	5	1,361
1968-----	4	1,905
1969-----	4	2,459
1970-----	3	2,398
1971-----	3	1,604
1972-----	2.5	1,589

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

2/ GATT concession, effective May 30, 1950.

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



Table 3.--Leather footwear for women and misses made principally by the cement process (items 700.43 and 700.45): U.S. rates of duty and imports for consumption, 1939, 1946, and 1955-72 <sup>1/</sup>

Year	Rate of duty		Quantity	
	Item	Item	Item	Item
	700.43	700.45	700.43	700.45
	Percent	Percent	Million	Million
	ad valorem	ad valorem	pairs	pairs
1939-----	20		2	
1946-----	20		1	
1955-----	20		1	
1956-----	20		1	
1957-----	20		2	
1958-----	20		9	
1959-----	20		5	
1960-----	20		7	
1961-----	20		9	
1962-----	20		12	
1963-----	20		17	
1964-----	20		19	
1965-----	20		21	
1966-----	20		28	
1967-----	20		38	
1968-----	19	18	34	20
1969-----	18	16	29	27
1970-----	17	14	37	35
1971-----	16	12	33	44
1972 <sup>2/</sup> -----	15	10	25	61

<sup>1/</sup> Statutory rate under par. 1530(e) for 1939 and 1946 through Aug. 30, 1963, and under TSUS item 700.40 for Aug. 31, 1963, through 1967. Effective Jan. 1, 1968, new items 700.41 (sandals of buffalo leather), 700.43, and 700.45 replaced item 700.40.

<sup>2/</sup> U.S. imports of sandals under item 700.41 amounted to 2 million pairs in 1972.

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

Table 4.--Footwear having supported-vinyl uppers for women and misses (item 700.55): U.S. rates of duty and imports for consumption, 1934 and 1964-72

Year	Rate of duty	Quantity	Value	Unit value
	Percent ad valorem	<u>1,000</u> pairs	<u>1,000</u> dollars	<u>Per</u> pair
1934-----	<u>1/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
1964-----	<u>3/</u> 12.5	27,574	12,429	\$0.45
1965-----	12.5	29,579	13,564	.46
1966-----	12.5	33,239	17,024	.51
1967-----	12.5	49,767	27,704	.56
1968-----	11	68,579	46,603	.68
1969-----	10	70,777	55,820	.79
1970-----	8.5	77,288	73,757	.95
1971-----	7	86,942	104,196	1.20
1972-----	6	89,776	104,907	1.22

1/ During the period before the TSUS became effective, footwear with supported vinyl uppers (with soles other than india rubber) was generally dutiable by virtue of the similitude provisions of par. 1559 of the Tariff Act of 1930 at a rate provided for similar leather footwear in par. 1530(e), principally 20 percent ad valorem. The column 2 rate for item 700.55 is 35 percent.

2/ Not available.

3/ Rate established in the TSUS, effective Aug. 31, 1963.

Source: Compiled from official statistics of the U.S. Department of Commerce (data for 1964-65 are partly estimated).

Note.--Data are not available on U.S. imports of footwear with supported vinyl uppers for the years prior to 1964. Such imports were probably negligible in the mid-1950's.

Table 5.--Nonrubber footwear for women: U.S. imports, by selected TSUSA items, 1968-72

TSUSA item No.	Description	1968	1969	1970	1971	1972
Quantity (1,000 pairs)						
	Footwear of leather:					
	Valued not over \$2.50 per pair:					
	Casual footwear:					
700.4310	For women-----	19,024	12,015	11,905	8,298	4,189
	Cement footwear:					
700.4340	For women-----	11,891	13,532	21,159	20,008	17,685
	Valued over \$2.50 per pair:					
	Casual footwear:					
700.4510	For women-----	1,428	1,922	2,489	3,554	6,348
	Cement footwear:					
700.4540	For women-----	16,884	22,734	28,471	37,563	51,250
	Supported vinyl uppers:					
700.5545	For women and misses-----	68,579	70,777	77,288	86,942	89,776
	Total-----	117,806	120,980	141,312	156,365	169,248
Value (1,000 dollars)						
	Footwear of leather:					
	Valued not over \$2.50 per pair:					
	Casual footwear:					
700.4310	For women-----	27,539	17,749	18,238	13,256	7,084
	Cement footwear:					
700.4340	For women-----	19,265	22,144	35,614	34,437	30,153
	Valued over \$2.50 per pair:					
	Casual footwear:					
700.4510	For women-----	5,293	7,899	10,007	13,711	24,701
	Cement footwear:					
700.4540	For women-----	76,236	112,866	146,161	193,846	262,403
	Supported vinyl uppers:					
700.5545	For women and misses-----	46,603	55,820	73,757	104,196	109,907
	Total-----	174,936	216,478	283,778	359,446	434,248
Unit value (per pair)						
	Footwear of leather:					
	Valued not over \$2.50 per pair:					
	Casual footwear:					
700.4310	For women-----	\$1.44	\$1.48	\$1.53	\$1.60	\$1.69
	Cement footwear:					
700.4340	For women-----	1.62	1.64	1.68	1.72	1.70
	Valued over \$2.50 per pair:					
	Casual footwear:					
700.4510	For women-----	3.70	4.11	4.02	3.86	3.89
	Cement footwear:					
700.4540	For women-----	4.51	4.96	5.13	5.16	5.12
	Supported vinyl uppers:					
700.5545	For women and misses-----	.67	.79	.95	1.20	1.22
	Average-----	1.48	1.79	2.01	2.30	2.57

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

Table 6.--Footwear: Total U.S. imports and U.S. tariff rates and imports by specified TSUS items and by specified types, 1964-72

Year	Total, all footwear	Protective footwear of rubber or plastics (items 700.51, 700.52, 700.53)	
		Tariff rate	Quantity
	<u>Million pairs</u>	<u>Percent ad val. 1/</u>	<u>Million pairs</u>
1964-----	153	12.5	<u>2/</u> 12
1965-----	176	12.5	<u>2/</u> 13
1966-----	178	(12.5	1
		(25.0	<u>3/</u>
		(37.5	8
1967-----	216	(12.5	1
		(25.0	1
		(37.5	9
1968-----	273	(12.5	1
		(25.0	1
		(37.5	11
1969-----	284	(12.5	<u>3/</u>
		(25.0	1
		(37.5	11
1970-----	333	(12.5	1
		(25.0	1
		(37.5	13
1971-----	367	(12.5	<u>3/</u>
		(25.0	1
		(37.5	11
1972-----	394	(12.5	1
		(25.0	1
		(37.5	12

1/ Assessed on the foreign (or export) value unless otherwise noted.

2/ Includes less than 0.5 million pairs of footwear of natural rubber dutiable on the American-selling-price (ASP) basis.

3/ Less than 500,000 pairs.

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

A-99 through A-104

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APPENDIX B  
NEWSPAPER ARTICLES  
RELATING TO BGS SHOE CORP.

# BGS Blames Imports For Financial Troubles

By JAY HANLON

The BGS Shoe Corp.—one of Manchester's oldest and largest—has filed a petition in U. S. District Court for an arrangement with its creditors under Chapter XI of the federal bankruptcy laws.

The action was formally announced yesterday in a press release mailed out by the company last Friday.

Arnold J. Cohen, president of the 40-year-old shoe company, blamed foreign competition on the company's current financial troubles.

However, he said BGS will continue to operate its various divisions without interruption pending the financial reorganization.

BGS operates four divisions, three of them in Manchester, and employs a total of about 950 persons, according to Herbert L. Schachat, director of personnel.

The Manchester divisions include BeeBee, Prevue Products and Trend-Tec, while the fourth division is located in Pittsfield.

BGS manufactures fashion shoes and boots in the popular price ranges and sells its products to a wide number of nationally known department store chains.

Cohen, in his press release, said "this action was forced on the company by business losses resulting from continued ruinous foreign competition.

bank has indicated its willingness to continue advancing divisions last summer. How monies, and others, including employees, have indicated their confidence in the company's future.

BGS employed a high of about

1,500 persons in the four Rumors of financial trouble circulated through the Manchester area last week and winter brought this number down to the present 950 employees. Leader to the company brought no firm response until the official press release was issued.

Imports," he continued, "have kept the company's conventional shoe business marginal at best for several years and in combination with the sudden decline in the fashion boot business has resulted in the present situation."

Creditors whom the company could not pay in the ordinary course threatened to interrupt the company's business and caused the filing of the petition entered in U.S. District Court in Concord last Friday.

Manchester Atty. Joseph J. Belley was appointed federal referee. He has authorized the company to continue its business and has restrained all creditors from further legal action until final disposition by the referee or the court.

Accordingly, Cohen said, "the company will continue its business; fill its orders and keep its commitments to customers."

Cohen also said the company's



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## WOMEN'S

### BGS files Chapter XI petition

Continued from Page One  
Fashion Boots are continuing in operation with about 1,000 employees.

According to approximate asset-liabilities figures received at the referee's office, BGS has \$2,347,000 in assets and \$5,730,000 in liabilities.

News that the \$22 million manufacturing complex, one of New England's largest, was having financial problems, left many area shoemen thunderstruck. BGS is considered to be in the forefront of technological

skills, particularly in its Prevue Products slush-molded division. In a prepared statement confirming the filing, Arnold Cohen, president, left little doubt that conventional shoemaking, particularly in the fashion boot area, was at the root of the problem.

Cohen said the filing "was forced on the company from business losses resulting from ruinous foreign competition. Imports have kept the company's conventional shoe business marginal at best for several years. This, in combination with

the recent sudden decline in the fashion boot business, has resulted in the present situation."

Analyzing prospects for the future, Cohen said the firm's bank has indicated it will continue advancing money and "others have indicated their confidence in the company's future by their offers of financial support."

Betley told FN that the BGS bank, Chemical Bank of New York, is advancing payroll funds of about \$100,000 a week.

BGS officials are expected to meet with creditors next week.

### BGS files Chapter XI petition

By JACK SHEA

MANCHESTER, N.H. — BGS Shoe Corp. has filed for reorganization under Chapter XI in Federal District Court here.

No plan for reorganization or details of assets were included with the filing, made Jan. 12. Referee Joseph J. Betley, has ruled that BGS officials will remain as debtors-in-possession and a filing on debt schedules and reorganization is expected shortly.

BGS and its divisions, Bee Shoe Co., Prevue Products, Trend Tee and Parigi

See BGS, Page 14

# FOOTWEAR NEWS

Vol. 29, No. 4

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## BCS calls creditor parley

Continued from Page One

man & Sons, Salem, Mass. as chairman. About 60 creditors attended, Cohen said.

No decision was reached by the creditors who "have given us a long list of questions," Cohen told FN, adding that creditors indicated "they wanted to work with us."

He said BGS counsel outlined the background situation which caused the company to seek Chapter XI relief which included "a very bad year at the Bee Bee Shoe Co. division and a mediocre year in the slushmolding Prevue products division which forced us to a decision to shrink Bee Bee operations substantially, caus-

ing a loss in operations."

Cohen said the BGS presentation "emphasized our desire to work with creditors because the Prevue division, at least, is good business which should continue."

Cohen said all divisions continue in operation while a reorganization plan is being drawn for submission to Federal Referee Joseph J. Betley, "probably within a couple of weeks."

Asked about the unexpectedness of the Chapter XI gambit, Cohen listed a succession of events in rapid-fire order, including the demise of vinyl fashion boots, a so-so slush season and a cutback by bankers which forced the decision "between Christmas week and New Year's." The filing was made Jan. 12.

## BCS calls meeting of creditors

By JACK SHEA

MANCHESTER, N.H. — A creditors committee representing an approximate \$2.8 million trade debt was formed this week following a meeting called by BGS Shoe Corp.

BCS last week entered a Chapter XI plea in Federal District Court, as noted.

Arnold Cohen, BGS president, said a committee of 15 members and four ex officio members elected Frank J. Shapiro, Boston attorney, as counsel and Henry P. Clayman, president, Philip Clay-

See BGS, Page 73

## Zvi Cohen keeps BGS in business

MANCHESTER, N.H. — BGS Shoe Corp. has been discharged from bankruptcy court and will continue to operate with Zvi Cohen, former vice-president of sales, as president and chief operating officer.

Cohen told FN that New Hampshire bankruptcy referee Joseph Betley, made the discharge on April 27 after Cohen deposited \$450,000 with the court as a 10 per cent payment to creditors and other expenses. The creditors had already accepted the plan.

As noted, BFS will pay another 5 per cent in 13 months, 5 per cent 12 months later, and 5 per cent every six months thereafter up to 50 per cent of total unsecured debts.

Creditors with claims of \$500 or under accepted a 30 per cent payment and are being paid.

Zvi Cohen, who replaces his brother Arnold as president, has become the only stockholder at BGS after reaching agreement with other members of the family-run corporation.

Arnold Cohen, reached at BGS, said his plans were not firm at the moment, but said the parting was amicable.

Asked about trade reports that BGS was on the selling block, Zvi Cohen confirmed some talks had been held prior to internal re-financing, but added, "The company is not for sale." He said the money for creditor settlement was raised partly "from our normal banking relationship and partly from outside sources." BGS is continuing with the Chemical Bank in New York.

Cohen said BGS will operate with two divisions: Prevue products, which makes slush-molded footwear and distributes it to volume accounts, and Parigi fashion boots, which sells slush-molded brands to independents and department stores. Cohen estimated annual sales at more than \$10 million.

As noted, BGS has discontinued both its conventional shoemaking (Bee-Bee) and shoe components (Trend Tec) divisions.

Cohen said he is investigating the possibility of adjustment assistance aid "but right now we want to make a profit on what we have."

## BGS to drop regular shoe output

MANCHESTER, N.H. — BGS Shoe Corp. is getting out of the conventional shoe business, at least temporarily, to concentrate on slush-molded production.

Arnold Cohen, president, told FN this week, "We have made a definite decision not to continue (conventional) shoe business at present."

Instead, BGS will phase out manufacturing at its Bee Bee division, close its Pittsfield, N.H., slush-molded plant and move that production to the Bee Bee division. "We've decided to go with the surest and most profitable — slush-molded — and

take the risk from the operation," he said.

The move will begin in about three weeks after shoes in process are completed at Bee Bee. With increased slush-molding at Prevue and now at Bee Bee, Cohen estimated annual sales at the \$13 million level.

BGS filed a Chapter XI petition on Jan. 12, sending shock waves through the industry as knowledge spread that the \$22 million a year producer, with 1,500 employes, had encountered financial problems.

Asked about the Trendtec division which makes unit bottoms and heels, Cohen said BGS is

"playing with the idea of selling components to the trade." BGS recently began flow-molding operations and the company is also considering offering upper flow-molding on a contract basis, somewhat similar to contract stitching operations.

Trendtec will be merged with the Prevue division, he said.

Cohen said a net loss in employment would result from the plant consolidation because Pittsfield is smaller than Bee Bee, but expects peak employment will hit 800 this year.

Cohen said leased machines for conventional making would

See BGS, Page 22

### BGS will focus on slush-moldeds

Continued from Page 21  
be discontinued and owned machines sold off. Styrene heel-making will also probably be discontinued since production was tied to Bee Bee needs and is thought to be too small for commercial sales, he said.

On the financial side, BGS has not submitted its reorganization plan under the Chapter XI petition yet, Cohen said. In other actions, BGS has scheduled another meeting with creditors for Friday where a payment plan will be discussed.

He said he was hopeful a repayment plan could be worked

out "in a week or 10 days" after the meeting.

BGS owes about \$2.8 million in trade debt.

—JACK SHEA

A-111

APPENDIX C  
LETTER TO THE U.S. TARIFF COMMISSION  
FROM MONTGOMERY WARD & CO.



A-112a through A-112b

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APPENDIX D  
NOTES TO FINANCIAL STATEMENTS  
OF BGS SHOE CORP.

