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UNITED STATES TARIFF COMMISSION

FOOTWEAR FOR WOMEN:
M. LAUER, INC.
LONG ISLAND CITY, N. Y.

Report to the President
on Worker Investigation No. TEA-W-211
Under Section 301(c)(2) of the Trade Expansion Act of 1962



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November 1973

UNITED STATES TARIFF COMMISSION

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REPORT TO THE PRESIDENT

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

To the President:

In accordance with sections 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 872; 19 U.S.C. 1801), the U.S. Tariff Commission herein reports the results of investigation No. TEA-W-211 made 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 item 700.45 of the Tariff Schedules of the United States) 1/ produced by M. Lauer, Inc., Long Island City, New York, 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.

The investigation was instituted on September 18, on the basis of a petition for adjustment assistance filed under section 301(a)(2) of the Act on behalf of the former workers of the firm. The original petition was received August 28, 1973, but because it was insufficient, the Commission, on August 31, 1973, instituted a preliminary investigation. Upon receipt of the additional information, the Commission instituted the investigation.

Public notice of the investigation was published in the Federal Register (38 F.R. 26778) on September 25, 1973. No public hearing was requested and none was held.

1/ The notice of investigation also cited items 700.20, 700.55, and 700.68 of the Tariff Schedules of the United States. These items have been deleted in this report owing to their not including footwear of types produced by M. Lauer, Inc.

In the course of its investigation, the Commission obtained information from a former official of M. Lauer, Inc.; officials of the United Shoe Workers of America, AFL-CIO; the former customer of M. Lauer, Inc.; fieldwork by the Commission's staff; official Government statistics; and its own files.

Finding of the Commission

On the basis of its investigation, the Commission 1/ finds unanimously that articles like or directly competitive with the footwear for women (of the types provided for in item 700.45 of the Tariff Schedules of the United States) produced by M. Lauer, Inc., are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

1/ Commissioners Moore and Young did not participate in the decision. The reasons that Commissioner Young did not participate are set forth in his statement.

Views of Chairman Bedell, Vice Chairman Parker, and
Commissioner Ablondi

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 a result in major part of concessions granted under trade agreements;
- (3) 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 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 (4) has not been satisfied; namely, increased imports resulting from trade-agreement concessions of articles like or directly competitive with the women's dress shoes produced by M. Lauer, Inc., have not been the major factor causing, or threatening to cause, the unemployment or underemployment of its workers. Under the circumstances, it is not necessary to reach a conclusion respecting the first three conditions. Our determination is based on the following considerations.

M. Lauer, Inc., ceased production in June 1973. Prior to the cessation of production, it had been engaged in the manufacture primarily of women's high-grade, fine leather dress shoes, most of which retailed for more than \$40 per pair. M. Lauer's entire production was sold to a single customer--Saks Fifth Avenue of New York City.

All the available evidence shows that the decision by M. Lauer to cease production of footwear was a management decision and was not in major part, the result of competition from concession generated imported footwear. Although imports of women's nonrubber footwear in total have increased sharply, only a very small percentage of such imports retailed for over \$40 a pair--the range in which M. Lauer's shoes were sold. The record in this case shows that Saks Fifth Avenue had purchased the entire output of M. Lauer for a number of years, but they reduced their purchases because the styles of footwear made by Lauer would no longer sell well at prices at which they were offered. Saks reported that it made no shift to imports to replace the footwear produced by M. Lauer, but had sought out other domestic producers and purchased such footwear from them. Faced with declining sales to its only customer, M. Lauer decided to cease production in June 1973.

Based on the foregoing considerations, we conclude that imports were not the major factor causing the unemployment of the workers at M. Lauer. Accordingly, we have made a negative determination.

Views of Commissioner Leonard

My determination in the instant case is negative because one of the statutory criteria has not been met, i.e., that the increase in imports of footwear like or directly competitive with that produced by M. Lauer, Long Island City, New York, is the result in major part of concessions granted under trade agreements. My reasoning in support of this determination is set forth in a statement of my views in an earlier Commission investigation under the Trade Expansion Act. 1/

1/ Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18. . . , TC Publication 359, January 1971, pp. 31-47.

Statement of Commissioner Young

I am not participating in the finding and determination of the Commission in this investigation because the report of its determination is being made later than 60 days after the petition was filed which in my judgment is a violation of the provisions of Sec. 301(f)(3) of the Trade Expansion Act of 1962 (TEA). Sufficient information was not available to me to make a determination within the 60-day statutory period. My position in this matter is consistent with the views I have expressed in recent Commission cases on the mandatory nature of the 60-day period provided in the TEA for conducting worker and firm investigations. 1/

The petition on behalf of the former workers of M. Lauer, Inc. was filed by the United Shoe Workers of America and received in the Tariff Commission on August 28, 1973. Under the guise of conducting a preliminary investigation, as authorized by sec. 403(a) of the TEA, 2/ the mandatory 60-day time limit for conducting worker investigations was evaded in this case.

1/ See Footwear for Women, Misses, and Children: Young Ones, Inc. . . . Report to the President on Inv. TEA-W-204 . . . TC Pub. 694, pp. 7-10; Electronic Receiving Tube Mounts: . . . Erskine Industries, Inc., Report to the President on Inv. No. TEA-W-203 . . . , TC Publication 600, August 1973; Footwear for Men and Women: Hubbard Shoe Co., Inc. . . . Report to the President on Worker Investigation No. TEA-W-202 . . . , TC Publication 598, August 1973; Footwear for Women and Protective Footwear for Men, Women, Boys, and Infants, and Parts of Such Footwear: BGS Shoe Corp. . . . Report to the President on Worker Investigation No. TEA-W-193 . . . , TC Publication 592, July 1973; Women's Dress Shoes: Erving Shoe Co., Inc. . . . Report to the President on Worker Investigation No. TEA-W-200 . . . , TC Publication 590, July 1973.

2/ 19 U.S.C. 1804(a) provides: "In order to expedite the performance of its functions under this Act, the Tariff Commission may conduct preliminary investigations, determine the scope and manner of its proceedings, and consolidate proceedings before it."

A chronology of pertinent developments in connection with the petition and the investigation is as follows:

| <u>Date</u> | <u>Action</u> |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| August 28 | Petition filed describing article produced by workers' firm as "Women's high grade cement process shoes retailing at \$40 to \$50 per pair. Women's sandals and novelty cement process shoes retailing at \$30 and up per pair." |
| August 29 and 30 | Unsuccessful efforts by Commission staff to telephone official of firm. |
| August 31 | Commission instituted "Preliminary Investigation" pursuant to Section 403(a) because it determined that petition was insufficient. (Commissioner Young did not participate.) Principal action was to obtain a more detailed description of the articles produced by the workers' firm. |
| September 6 | Staff telephoned a firm official who described articles produced by the firm as women's footwear of leather, suede, satin, and other fabrics. |
| September 12 | Letter sent to Union representative enclosing suggested amendment to petition describing articles produced as footwear of "leather, suede, and satin and other fabrics." |
| September 14 | Union representative signed suggested amendment to petition. Staff visited firm official seeking information usually obtained during statutory "60-day" investigation, and was informed that articles produced by workers' firm were footwear made exclusively of leather. |
| September 17 | Amendment to petition received from Union representative containing "sufficiently detailed product description." General |

| <u>Date</u> | <u>Action</u> |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| September 17 (continued) | <p>Counsel's office recommended: (a) acceptance of petition with amendment suggested by the staff describing the article produced by workers' firm as footwear made by cement process with uppers of <u>leather, suede, satin and other fabrics</u>; (b) institution of statutory 60-day investigation to begin this date; and (c) issuance of Notice of Investigation describing articles produced by workers' firm as women's footwear of the types covered by:</p> <ul style="list-style-type: none"> (i) item 700.20 of the Tariff Schedules of the United States--footwear of <u>leather uppers produced by the turn or turned process</u>, (ii) item 700.45--footwear of leather uppers (principally cement process) with dutiable value over \$2.50 per pair, (iii) item 700.55--footwear having <u>uppers of supported vinyl</u>, (iv) item 700.68--footwear with uppers of fibers having dutiable value over \$2.50 per pair. |
| September 18 | <p>Commission approved (3 to 1 vote, Commissioner Young disapproving and Commissioners Moore and Leonard not participating) institution of "60-day" investigation and issued notice precisely as recommended by General Counsel on September 17. Preliminary investigation concluded.</p> |
| October 27 | <p>Statutory deadline - Expiration of 60 days from day petition filed.</p> |
| November 16 | <p>Report submitted to President - 20 days after 60-day deadline.</p> |

In the past the primary purpose of a formal "Preliminary Investigation" officially instituted pursuant to Section 403(a) of the TEA was

generally to obtain an accurate definitive description of the product produced by the workers' firm and include that description in the notice of investigation. In this investigation, that did not happen. Although the notice described four types of footwear as having been produced, the firm actually produced only one of the four types, a fact which had been ascertained by Commission personnel four days before the issuance of the notice. The inclusion in the notice of investigation of one of the three types of footwear not produced by the firm (TSUS item No. 700.68) may be attributable to the erroneous information gained from the telephone conversation between the official of the firm and Commission personnel on September 6, even though the error was discovered four days before the notice was approved. But none of the above explains why the notice contained the other two types of shoes (TSUS item nos. 700.20 and 700.55).

The facts that the product description information obtained during the preliminary investigation was not used in the notice of the investigation and that the field trip (an integral part of the 60-day investigation) was made by Commission personnel during the preliminary investigation and before the 60-day statutory period began led to the following observations. It is not necessary that the notice contain a narrow, precisely defined description of the product produced in order to inform the public or to serve as a basis for an investigation. In footwear investigations the term "women's footwear" is an adequate description. In this and a number of other investigations in which the notice of

investigation did not precisely define the product produced, the investigation was not impaired or adversely affected. The real purpose and effect of the preliminary investigation was to prolong the period for conducting the investigation beyond the 60-day statutory period. The "60-day" investigation was actually initiated and an integral part thereof completed during the preliminary investigation and before the Commission set in motion the 60-day time limit specified in Section 301(f)(3).

Of all the investigations in which varied and devious techniques have been employed to frustrate and evade the 60-day deadline in violation of the explicit provisions of Section 301(f)(3), this investigation represents one of the most flagrant examples.

In this case the product description contained in the original petition filed on August 28 was fully adequate for the purpose of conducting the investigation and issuing the notice thereof. The only inadequacy in that description was the omission of the kind of material used in making the footwear. The description in the petition was more nearly like the product actually produced by the workers' firm than the description of the products claimed to have been produced by the firm in the notice.

Quite apart from the lack of necessity of obtaining a precise product description when the original notice is issued, the failure to complete the investigation and report to the President within the maximum 60-day time limit specified means that the Tariff Commission did not comply with Section 301(f)(3) of the TEA.

Accordingly, I declined to participate in the determination of the Commission which took place after the statutory 60-day deadline provided in Section 301(f)(3) had expired.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

The output of M. Lauer, Inc., Long Island City, N.Y., before the cessation of operations in June 1973 consisted of women's high-grade footwear--made by the cement process--that sold principally in the retail-price range of \$35 to \$45 a pair. All of the footwear produced by Lauer had leather uppers.

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). 1/

As a share 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 also used to describe footwear

1/ For further discussion of these descriptive terms plus additional information in regard to nonrubber footwear (e.g., factors affecting U.S. consumption and marketing channels), see U.S. Tariff Commission, Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . ., TC Publication 359, 1971.

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. 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.

The range of styles and quality of footwear increased greatly during the 1960's as a result of new materials, technology 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, women's footwear styles began to fluctuate greatly as a result of frequent changes in women's fashions, in which the distinction between dress and casual shoes and attire diminished.

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 marking the beginning of a style revolution in women's footwear. In 1969 clogs (an open-back scuff usually with a platform sole) became a popular fashion item and clog designs remained in vogue in 1973.

In the late 1960's, formfitting calf-length boots became fashionable, along with the miniskirt and other new dress fashions, and continued to be popular throughout 1970 and 1971. The popularity of boots during this period undoubtedly had an adverse effect on the demand for other types of women's footwear. 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 such boots diminished markedly in 1972. In 1973, ankle-high boots for casual wear replaced the formfitting or stretch calf-length fashion boots.

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 acceptance of women's trousers as appropriate wear for almost every occasion. Soles with platforms 1-inch or higher became the main interest in shoe designs. Currently, soling includes plantation crepe, leather combinations, inside or concealed platforms, and wedges. Footwear bottom assemblies may be colored, painted, or sculptured. During 1970-72, high platforms and other extreme designs for bottom assemblies dominated most of women's footwear. However, in 1973, because of the return to the classic styling and refinement found in today's wearing apparel, women have again turned toward the classic pump design. Platforms are becoming less extreme, and more feminine styles are being offered. Examples of the new look include the lighter, more open footwear and the emphasis on bows, straps, slimmer high heels, and narrower toe shapes in both dress and casual footwear. There has also been a return to the low-heeled flat for casual wear.

As indicated previously, all of the footwear produced by M. Lauer, Inc., was constructed by the cement process and had uppers of leather. In this method of construction, which accounts for about 80 percent of the total U.S. output of women's footwear, the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing. The trend in

the use of leather for uppers by domestic producers has been downward in recent years. It is estimated that about 60 percent of the women's shoes produced in 1973 will have leather uppers compared with nearly 70 percent in 1970. The shift has resulted principally from a shortage of hides and consequent increases in prices of leather. Manmade materials cost substantially less than leather and lend themselves to more automated manufacturing methods and a more imaginative use of color.

U.S. Tariff Treatment

Applicable TSUS items

Imported footwear similar to that produced by M. Lauer, Inc., enters principally under TSUS items 700.20 and 700.45. Imports entered under item 700.45, which provides for leather footwear having a foreign (export) value of over \$2.50 a pair, consist predominantly of women's footwear in a wide range of styles, types, and prices. In terms of quantity, a substantial part of the imports entered under this item in recent years have consisted of women's moderate-priced cement-process dress and casual shoes (i.e., in the retail-price range of \$8 to \$20 a pair). Women's imported leather 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 item 700.45; the imports of turned footwear under item 700.20 have been small.

Women's imported footwear with supported-vinyl uppers is dutiable under TSUS item 700.55. Such imports have in recent years consisted predominantly of two groups: (1) Street shoes of sturdy construction, produced in a single width for each particular length, for sale at self-service counters in variety stores, discount stores, and department-store basements and (2) folding slippers, sandals, and other inexpensive footwear. 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 period 1971 through mid-1973, annual 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.

Women's leather-soled footwear having uppers of peau de soie, velvet, and other kinds of fabrics used to make dress shoes, and having a foreign (export) value of over \$2.50 a pair, are provided for in item 700.68. U.S. imports of such footwear have been negligible, not exceeding 61,000 pairs annually during the period 1968-72.

Rates of duty

In the Tariff Act of 1930, women's leather footwear of cement-process construction 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 sixth in a series of multilateral tariff and trade negotiating rounds held under the sponsorship of GATT since 1947). The current rate for item 700.45 is 10 percent.

Prior to the Kennedy Round, the rate of duty on leather turn or turned shoes (now provided 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.

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 provisions under par. 1530(e) at a rate of 20 percent ad valorem.

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

In the Tariff Act of 1930, women's leather soled footwear with uppers of fibers was originally dutiable under paragraph 1530(e) at 35 percent ad valorem (now provided for under item 700.68, if the foreign (export) value is over \$2.50 a pair). In a GATT concession in 1948, the rate was reduced to 20 percent ad valorem; the rate was again reduced in the Kennedy Round of trade negotiations. The current rate of duty for item 700.68 is 10 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, 700.45, 700.55, and 700.68. Tables 2 through 4 show U.S. imports of women's shoes admitted under the TSUS items mentioned above (except item 700.68) and the applicable rates of duty.

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

U.S. Consumption, Production, and Imports

During the period 1965-72, apparent annual U.S. consumption of all women's footwear (including dress and casual) 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 increased without interruption from 17 percent to 47 percent. Imports accounted for 55 percent of the market in January-June 1973, as shown in the following table.

Nonrubber footwear for women: U.S. production, imports for consumption, and apparent consumption, 1965-72, January-June 1972, and January-June 1973

| Period | 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 |
| January-June-- | | | | |
| 1972----- | 117 | 111 | 228 | 49 |
| 1973----- | 104 | 127 | 231 | 55 |

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 TSUSA except imports of zoris (very inexpensive thonged sandals of rubber or plastics) and footwear described in items 700.32, 700.51, 700.52, 700.53, and 700.60 (e.g., slippers, certain protective footwear, and certain other footwear of rubber or plastics). 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.

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 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. Italy and Spain have been the principal suppliers of women's leather footwear; the Republic of China (Taiwan) and Japan, the principal suppliers of women's vinyl footwear.

Data on U.S. consumption of women's dress and casual shoes are not separately reported in official statistics. It is estimated, however, that during 1965-72 apparent annual U.S. consumption (production plus imports) of dress footwear for women 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 31 percent in January-June 1973, as shown in the following table.

Dress shoes for women: U.S. production, imports for consumption, and apparent consumption, 1965-72, January-June 1972, and January-June 1973 _

| Period | 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----- | 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 |
| January-June-- | | | | |
| 1972----- | 80 | 29 | 109 | 27 |
| 1973----- | 70 | 31 | 101 | 31 |

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

2/ Dress shoes are estimated to have accounted in recent years for about 1/4 of the total annual imports of women's and misses' footwear.

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

Source: Estimated by the U.S. Tariff Commission, based on official statistics of the U.S. Department of Commerce.

Distribution of Women's Footwear by Price Range

As indicated earlier in this report, the women's shoes produced by M. Lauer retailed principally in the range of \$40 to \$45 a pair. As shown in the table below, a negligible amount of domestic production of women's shoes in 1972 was sold at the wholesale level of \$20 or more a pair (\$40 or more at the retail level).

Women's nonrubber footwear: Distribution of domestic production, by manufacturer's selling price, 1972 and 1968

| Manufacturer's selling price ^{1/} | 1972 | 1968 |
|--------------------------------------------|----------------|----------------|
| | <u>Percent</u> | <u>Percent</u> |
| \$1.00 or less----- | - | |
| \$1.01 to \$2.00----- | 0.9 | |
| \$2.01 to \$3.00----- | 5.6 | } 19.2 |
| \$3.01 to \$4.00----- | 19.9 | |
| \$4.01 to \$5.00----- | 16.1 | |
| \$5.01 to \$6.00----- | 11.0 | |
| \$6.01 to \$7.00----- | 4.5 | } 48.7 |
| \$7.01 to \$8.00----- | 7.4 | |
| \$8.01 to \$9.00----- | 6.6 | |
| \$9.01 to \$10.00----- | 13.3 | |
| \$10.01 to \$12.00----- | 11.0 | } 29.3 |
| \$12.01 to \$14.00----- | 2.0 | |
| \$14.01 to \$16.00----- | 1.2 | |
| \$16.01 to \$18.00----- | 3 | |
| \$18.01 to \$20.00----- | 1 | } 2.8 |
| \$20.01 or more----- | 1 | |
| Total----- | 100.0 | 100.0 |

^{1/} The retail selling price is generally twice the value of the manufacturer's selling price.

Source: Footwear Production by Manufacturer's Selling Price, 1972, U.S. Bureau of the Census.

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 (table 5); 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.

Data with respect to the estimated retail price of the imported footwear mentioned above are shown in the table below.

Women's nonrubber footwear: Percentage distribution of imported footwear, by estimated retail selling price, 1972

| Estimated retail selling price | 1972 |
|--------------------------------|----------------|
| | <u>Percent</u> |
| \$3.00 or less----- | 33 |
| \$3.01 to \$6.00----- | 23 |
| \$6.01 to \$10.00----- | 13 |
| \$10.01 to \$16.00----- | 18 |
| \$16.01 to \$22.00----- | 8 |
| \$22.01 to \$28.00----- | 3 |
| \$28.01 or more----- | 2 |
| Total----- | 100 |

Source: Estimated by the U.S. Tariff Commission on the basis of imports entered under items 700.4310, 700.4340, 700.4540, and 700.5545 in 1972. Such imports accounted for about 82 percent of the total imports of footwear for women and misses in that year.

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

(In U.S. dollars)

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

^{1/} 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.

^{2/} 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.

^{3/} Average for 1966.

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

^{5/} Not available.

^{6/} 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.

^{7/} 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.

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

^{9/} 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 of the types provided for in specified TSUS items, July 1, 1934, and GATT concessions to Jan. 1, 1972

| TSUS item No. | Abbreviated description | Rate of duty | |
|---------------|------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | July 1, 1934 ^{1/} | GATT concession ^{2/} |
| | | Rate | Effective date |
| | | Percent ad val. | Percent ad val. |
| | Leather footwear: | | |
| 700.20 | Turn or turned----- | 10 ^{3/} | 5 : May 30, 1950-Dec. 31, 1967. 4 : Jan. 1, 1968-Dec. 31, 1969. 3 : Jan. 1, 1970-Dec. 31, 1971. 2.5 : Jan. 1, 1972. |
| | "Other" (including cement process): | | |
| 700.45 | Valued over \$2.50 per pair-- | 20 | 18 : Jan. 1-Dec. 31, 1968. 16 : Jan. 1-Dec. 31, 1969. 14 : Jan. 1-Dec. 31, 1970. 12 : Jan. 1-Dec. 31, 1971. 10 : Jan. 1, 1972. |
| 700.55 | Footwear having uppers of supported vinyl. | Princi- pally 20 ^{4/} | 5/ 12.5 : Aug. 31, 1963-Dec. 31, 1967. 11 : Jan. 1-Dec. 31, 1968. 10 : Jan. 1-Dec. 31, 1969. 8.5 : Jan. 1-Dec. 31, 1970. 7 : Jan. 1-Dec. 31, 1971. 6 : Jan. 1, 1972. |
| | Footwear with uppers of fibers and soles of leather: | | |
| 700.68 | Valued over \$2.50 a pair----- | 35 | 20 : Apr. 21, 1948-Dec. 31, 1967. 18 : Jan. 1-Dec. 31, 1968. 16 : Jan. 1-Dec. 31, 1969. 14 : Jan. 1-Dec. 31, 1970. 12 : Jan. 1-Dec. 31, 1971. 10 : Jan. 1, 1972. |

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

2/ For concessions granted in the Kennedy Round, effective Jan. 1, 1968, the table shows staged rates that became effective up to and including Jan. 1, 1972.

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

4/ Supported vinyl was not used for shoe uppers until the late 1940's or early 1950's. When footwear with supported vinyl uppers was imported during the 1950's and early 1960's, it was generally dutiable, by virtue of the similitude provisions of par. 1559, at the rate provided for "similar" leather footwear in par. 1530(e). The column 2 rate for item 700.55 is 35 percent.

5/ The trade-agreement rate established in the TSUS, effective Aug. 31, 1963, under authority of the Tariff Classification Act of 1962 (Public Law 87-456) to replace the wide range of rates previously applicable to the various types of footwear provided for in this TSUS item.

Note.--Pursuant to Presidential Proclamation No. 4074, effective from Aug. 16 to Dec. 19, 1971, the rates of duty on most imported products were increased by the temporary imposition of an additional duty of 10 percent ad valorem or less, as provided for in new subpt. C to pt. 2 of the appendix to the TSUS.

Table 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, specified years 1939 to 1972, January-June 1972, and January-June 1973

| Period | Rate of duty | Imports |
|----------------|-----------------------|-------------|
| | 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 |
| January-June-- | | |
| 1972----- | 2.5 | 674 |
| 1973----- | 2.5 | 622 |

1/ Effective January 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, specified years 1939 to 1972, January-June 1972, and January-June 1973

| Period | Rate of duty ^{1/} | | Imports | |
|--------------------------|----------------------------|------------|---------|---------|
| | 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 ^{2/} ----- | 15 | 10 | 25 | 61 |
| January-June-- | | | | |
| 1972----- | 15 | 10 | 19 | 32 |
| 1973----- | 15 | 10 | 13 | 41 |

^{1/} 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.

^{2/} U.S. imports of sandals under item 700.41 amounted to 2 million pairs in this year

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 700.5545): U.S. rates of duty and imports for consumption, 1934, 1964-72, January-June 1972, and January-June 1973

| Period | Rate of duty | Imports | | |
|----------------|-----------------------|-----------------------|-------------------------|--------------------|
| | | 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 |
| January-June-- | | | | |
| 1972----- | 6 | 49,382 | 53,625 | 1.09 |
| 1973----- | 6 | 54,317 | 63,856 | 1.18 |

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 col. 2 rate for item 700.55 is 35 percent.

2/ Not available.

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

Source: Compiled from official statistics of the U.S. Department of Commerce. (Data for 1964 and 1965 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

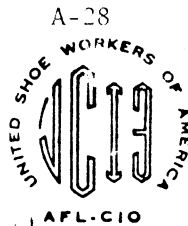
| TSUSA item No. | Description | 1968 | 1969 | 1970 | 1971 | 1972 |
|------------------------|-------------------------|---------|---------|---------|---------|---------|
| Quantity (1,000 pairs) | | | | | | |
| | Footwear of Leather: | | | | | |
| | Valued not over \$2.50 | | | | | |
| | per pair: | | | | | |
| | 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.

APPENDIX B

**LETTER FROM OFFICIALS OF JOINT COUNCIL #13, UNITED SHOE
WORKERS OF AMERICA, AFL-CIO**

Joint Council No. 13



UNITED SHOE WORKERS OF AMERICA

FILENO DE NOVELLIS
Manager-Treasurer

FRANK SAFFIOTTI
Assistant Manager

DANIEL TROIANO
President

JAMES BADAMI
Vice President

225 LAFAYETTE STREET
NEW YORK, N. Y. 100
WOrth 6-5880

October 26, 1973

RECEIVED

NOV 1 1973

OFFICE OF THE SECRETARY
U. S. TARIFF COMMISSION

Honorable Kenneth R. Mason, Secretary
United States Tariff Commission
Washington, D.C. 20436

RE: M. Lauer, Inc.
32-02 Queens Boulevard
Long Island City, N.Y.

Dear Sir;

The closing of M. Lauer, Inc. a factory, which manufactured ladies shoes of high quality, had some interesting background that I am sure the Commission would find very informative. This plant was in operation for some 45 years, the business going from father to son.

There were employed, during the last four or five years, a high of 125 employees - to a high of 60 employees just prior to the closing of the plant. Many of these employees worked for M. Lauer for 20 years or more, so you can imagine the impact, of the loss of jobs to these employees.

The firm manufactured high priced ladies shoes exclusively for Saks Fifth Avenue, and were in the retail price range of \$52.00 to \$58.00 a pair.

In our discussion with Mr. Lauer pertaining to the reason for his closing of the plant, he indicated to us that Saks would not give him anymore orders, because because they were now starting to import his type of shoes from Italy. This forced him to completely terminate all production and close his factory.

M. Lauer produced from a high of 800 pair of shoes per day, and during the last few months had dropped to 350 pair per day.

At no time, were there any disagreements between labor and

Hon. Kenneth R. Mason
page 2

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management that was not immediately resolved to the satisfaction of both parties. We have had collective bargaining agreements with this firm since the early nineteen forties.

We implore you to grant the petition filed by our International Union. Our members need your help desparately.

Very truly yours,

Joint Council #13



Fileno De Novellis, Manager



FRANK SAFFIOTTI, ASSISTANT MANAGER

FDN:FS/en

