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UNITED STATES TARIFF COMMISSION

FOOTWEAR FOR WOMEN:
FORANN CORP., BROOKLYN, N. Y.,
A SUBSIDIARY OF HERBERT LEVINE, INC.,
NEW YORK, N. Y.

Report to the President
on Worker Investigation No. TEA-W-212
Under Section 301(c)(2) of the Trade Expansion Act of 1962



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UNITED STATES TARIFF COMMISSION

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Note.--The whole of the Commission's report to the President may not be made public since it contains certain information 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,
November 16, 1973.

To the President:

In accordance with sections 301(f)(1) and (f)(3) 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-212 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 items 700.20, 700.45, and 700.55 of the Tariff Schedules of the United States) produced by Forann Corp., Brooklyn, N.Y., a subsidiary of Herbert Levine, Inc., New York, N.Y., 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 19, 1973, 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 on August 28, 1973, but because it was insufficient, the Commission on August 31, 1973, instituted a preliminary investigation. Following receipt of **additional** information on September 17, 1973, the Commission instituted the investigation.

Public notice of the investigation was published in the Federal Register (38 F.R. 26777) on September 25, 1973. No public hearing was requested and none was held.

The information in this report was obtained principally from the petitioners, officials of Herbert Levine, Inc., former officials of Forann Corp., and the Commission's files.

Finding of the Commission

On the basis of its investigation, the Commission 1/ finds unanimously that articles like or directly competitive with the footwear for women (of the types provided for in items 700.20, 700.45, and 700.55 of the Tariff Schedules of the United States) produced by Forann 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, the unemployment or under-employment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

1/ Commissioner Moore did not participate in the decision.

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 have 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 (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 at Forann Corp., a subsidiary of Herbert Levine, 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.

Forann Corp., ceased production in March 1973. The parent firm, Herbert Levine, Inc., is continuing to produce women's dress shoes similar to those previously produced by Forann Corp., but which sell at somewhat higher prices. Prior to the cessation of production, Forann had been engaged in the manufacture of women's high-fashion dress shoes and boots made almost exclusively of leather, which retailed for \$38 to \$42 and \$50 to \$60, respectively. During the fiscal years 1970-71, boots accounted for ***percent of sales and dress shoes the remainder. In fiscal 1972 boots accounted for only ***percent of sales.

All the available evidence shows that the decision by Forann Corp., to cease production of footwear was a management decision and was not, in major part, the result of competition from concession generated imported footwear. Former officials of Forann stated that * * *

* * * * * and

that when consumer tastes shifted in 1972 away from fashion boots, the item that constituted the bulk of production, Forann was unable to sell its dress shoes in sufficient volume to cover necessary expenses, causing even additional losses. Moreover, former customers of Forann reported that they decreased their purchase of boots in response to a drop in demand for such footwear in 1972 and not because of a switch to imports. While imports of women's nonrubber footwear in total have increased sharply, only a very small percentage of such imports retailed for over \$38 a pair--the range in which Forann's shoes were sold. Based on the foregoing considerations, we conclude that imports were not the major factor causing the unemployment of the workers at Forann Corp. Accordingly, we have made a negative determination.

Views of Commissioners Leonard and Young

Our 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 Forann Corp., Brooklyn, N.Y., a subsidiary of Herbert Levine, Inc., New York, N.Y., 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/

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 output of Forann Corp., of Brooklyn, N.Y., a subsidiary of Herbert Levine, Inc., consisted of women's high-fashion dress shoes and boots. Footwear manufactured by Forann, which ceased production in March 1973, retailed in the range of \$38 to \$42 a pair for dress shoes, and \$50 to \$60 a pair for boots. They nearly all had leather uppers and were constructed by the cement process. Herbert Levine, Inc., New York, N.Y., manufactures high-priced women's dress shoes and boots. They are made almost exclusively with uppers of leather and constructed by the cement process; they retail in the range of \$48 to \$55 a pair for dress shoes and \$55 a pair and up for boots.

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 heights 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/

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.

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 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. 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, 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 and marked 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 remain in vogue in 1973.

In the late 1960's form fitting 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 boots diminished markedly in 1972. In 1973, ankle-high boots for casual wear replaced the form fitting 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. Footwear with soles of 1-inch or even higher platforms were featured in new shoe designs. Currently, popular styles may have soles of plantation crepe or leather combinations, and may feature inside or concealed platforms, or wedges. Footwear bottom assemblies may be colored, painted, or sculptured. During 1970-72 high platforms and other extreme bottom designs 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 emphasis on bows, straps, slimmer high heels, and narrower toe shapes in both dress and casual footwear. There is also a return to the low-heeled flat for casual wear.

As indicated previously, virtually all of the footwear produced by Forann Corp. and Herbert Levine, Inc., was constructed with uppers of leather and by the cement process. 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.

It should be noted that the use of leather for upper material by domestic producers has been on a downward trend in recent years owing principally to the shortage of hides and the consequent increases in prices of leather. 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. Thus, women's shoes with uppers of man-made materials have captured a larger share of the U.S. market. Man-made materials not only cost substantially less than leather but also lend themselves to more automated manufacturing methods and allow more imaginative use of color.

U.S. Tariff Treatment

Applicable TSUS items

Imported footwear similar to that produced by Forann Corp., 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 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.

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 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.
- (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.

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.

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.

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, 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.

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 tabulation.

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

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 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. 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 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 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.

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. The table indicates that during the last 7-year period domestic production was on a downward trend while imports more than doubled; apparent consumption fluctuated from 180 million pairs in 1966 to 224 million pairs in both 1968 and 1970. The import share of domestic consumption increased from 35 percent in 1965 to 74 percent in January-June 1973.

Women's casual footwear: Estimated 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 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 |
| January-June-- | | | | |
| 1972----- | 37 | 82 | 119 | 69 |
| 1973----- | 34 | 96 | 130 | 74 |

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

2/ Because of the large volume of low-heeled sandals and other inexpensive footwear entered, casual shoes are estimated to have accounted for about 3/4 of the total annual imports of women's and misses' footwear 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.

Distribution of Domestic Production by Price Range

As indicated earlier in this report, the women's footwear produced by Forann retailed in the range of \$38 to \$60 a pair and the women's footwear produced by Herbert Levine, Inc., retailed from \$48 up, a pair. As shown in the table below, in 1972 a negligible amount of domestic production of women's footwear was sold at the wholesale level of \$18 or more a pair (\$36 and over at the retail level).

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

| Manufacturer's selling price-- <u>1/</u> | 1972 | 1968 |
|--|-----------|---------|
| | Percent | Percent |
| \$1.00 or less----- | - | |
| \$1.01 to \$2.00----- | 0.9 | 19.2 |
| \$2.01 to \$3.00----- | 5.6 | |
| \$3.01 to \$4.00----- | 19.9 | 48.7 |
| \$4.01 to \$5.00----- | 16.1 | |
| \$5.01 to \$6.00----- | 11.0 | |
| \$6.01 to \$7.00----- | 4.5 | |
| \$7.01 to \$8.00----- | 7.4 | 29.3 |
| \$8.01 to \$9.00----- | 6.6 | |
| \$9.01 to \$10.00----- | 13.3 | |
| \$10.01 to \$12.00----- | 11.0 | 2.8 |
| \$12.01 to \$14.00----- | 2.0 | |
| \$14.01 to \$16.00----- | 1.2 | |
| \$16.01 to \$18.00----- | 0.3 | |
| \$18.01 to \$20.00----- | 0.1 | |
| \$20.01 to \$23.00----- | 0.1 | |
| \$23.01 or more----- | <u>2/</u> | |
| Total----- | 100.0 | 100.0 |

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

2/ Combined with lower price line.

Source: Footwear Production by Manufacturer's Selling Price 1972, U.S. Department of Commerce, Bureau of 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 selling price of the above imported footwear are shown in the tabulation below.

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

| Estimated retail selling price | 1972 |
|--------------------------------|---------|
| | Percent |
| \$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 based on 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 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 | 1.04 | .41 | .88 | 1.18 |
| 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 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 40 to 50 percent of payroll.

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

Source: Based on data provided by U.S. Bureau of Labor Statistics, from the following: Brazil--Yearbook of Labour 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 is attributable to the change in the rates in 1971.

A-17 through A-29

Data relating to Forann Corp.,
a subsidiary of Herbert Levine, Inc.:

* * * * *

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. | |
| 700.20 | Leather footwear: 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. |
| | | | | |
| 700.43 | "Other" (including cement proc- ess): Valued not over \$2.50 per pair. | 20 | 19 | Jan. 1-Dec. 31, 1968. |
| | | | 18 | Jan. 1-Dec. 31, 1969. |
| | | | 17 | Jan. 1-Dec. 31, 1970. |
| | | | 16 | Jan. 1-Dec. 31, 1971. |
| | | | 15 | Jan. 1, 1972. |
| 700.45 | Valued over \$2.50 per pair-- | 20 | 18 | Jan. 1-Dec. 31, 1968. |
| | | | 16 | Jan. 1-Dec. 31, 1969. |
| | | | 14 | Jan. 1-Dec. 31, 1970. |
| | | | 12 | Jan. 1-Dec. 31, 1971. |
| | | | 10 | Jan. 1, 1972. |
| 700.55 | Footwear having uppers of supported vinyl. | Princi- pally 20 ^{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. | |

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, 1939, 1946, and 1955-72, January-June 1972, and January-June 1973

| Period | Rate of duty | Quantity |
|---------------|-------------------------------------|--------------------|
| | <u>Percent</u> <u>ad valorem</u> | <u>1,000 pairs</u> |
| 1939----- | 1/ 10 | 5 |
| 1946----- | 10 | 4 |
| 1955----- | 2/ 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 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, 1955-72, January-June 1972, and January-June 1973

| Period | Rate of duty ^{1/} | | Quantity | |
|--------------------------|-------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| | 700.43 | 700.45 | 700.43 | 700.45 |
| | <u>Percent</u> <u>ad valorem</u> | <u>Percent</u> <u>ad valorem</u> | <u>Million</u> <u>pairs</u> | <u>Million</u> <u>pairs</u> |
| 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 | Quantity | Value | Unit value |
|---------------|--------------------|-------------|---------------|------------|
| | Percent ad valorem | 1,000 pairs | 1,000 dollars | Per 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 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 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 THE UNITED SHOE WORKERS OF AMERICA,
NEW YORK, N.Y.

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. 10012
WOrth 6-5880

TEA-w-212

October 26, 1973

RECEIVED

NOV 1 1973

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

OFFICE OF THE SECRETARY
U. S. TARIFF COMMISSION

RE: Forann Footwear Corp.
1 Main Street
Brooklyn, N.Y. 11201

Dear Mr. Mason,

Forann Footwear Corporation was established in 1965, and started manufacturing a line of ladies shoes and boots in the \$35.00 to \$40.00 price range. This firm was a sister plant of Levine Shoe Company, located in New York City - that manufactures exclusive ladies shoes. Their price range starts at \$50.00 and higher.

In March of 1973, the firm decided to liquidate and close the Forann factory because they could no longer compete with the imports from Italy and Spain.

Forann employed approximately 60 workers. The labor relations at the plant were stable and routine. We had concluded a negotiated collective bargaining agreement in November of 1972 which was comparable with the other plants in our Joint Council.

From our point of view, the reason the plant closed - with the result of 60 jobs being terminated, was because of the employer's inability to compete with the foreign made shoes, produced by employees who receive substantially lower wages.

We sincerely hope you will grant the petition for adjustment assistance.

Hon. Kenneth R. Mason
page 2

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Very truly yours,

Joint Council #13



Fileno De Novellis, Manager



Frank Saffiotti, Assistant Manager

FDN:FS/en

