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UNITED STATES INTERNATIONAL TRADE COMMISSION

**FOOTWEAR FOR WOMEN:
FORMER WORKERS OF ANDREW MANUFACTURING CORP.
NEW YORK, N. Y.**

**Report to the President
on Investigation No. TEA-W-257
Under Section 301(c)(2) of the Trade Expansion Act of 1962**

UNITED STATES INTERNATIONAL TRADE COMMISSION

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REPORT TO THE PRESIDENT

U.S. International Trade Commission,
February 7, 1975.

To the President:

In accordance with section 301 of the Trade Expansion Act of 1962 (TEA) (19 U.S.C. 1901), the U.S. International Trade Commission herein reports the results of investigation No. TEA-W-257 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 (TSUS)) produced by Andrew Manufacturing Corp., 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 December 23, 1974, 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 Andrew Manufacturing Corp., New York, N.Y. The petition was received on December 9, 1974.

Notice of the investigation was published in the Federal Register (39 F.R. 45089) on December 30, 1974. No public hearing was requested, and none was held.

The information in this report was obtained from officials of Andrew Manufacturing Corp., customers of the firm, a representative of

the United Shoe Workers of America, official Government statistics, and the Commission's files.

Finding of the Commission

On the basis of its investigation, the Commission unanimously finds that 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) produced by Andrew Manufacturing Corp., New York, N.Y., are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increase quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of the firm or an appropriate subdivision thereof.

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

This investigation was instituted pursuant to a petition filed on behalf of the former workers of Andrew Manufacturing Corp., New York, N.Y., for a determination of their eligibility under section 301(c) (2) of the Trade Expansion Act of 1962 (TEA) to apply for adjustment assistance.

Andrew Manufacturing Corp. was founded in July 1973. The firm produced women's leather dress shoes from November 1973 until it ceased operation in September 1974. All footwear produced by Andrew was constructed by the cement process and retailed in the range of \$35 to \$40 a pair.

The Commission, in order to make an affirmative determination under section 301(c)(2) of the TEA, must find that all of the following four criteria are met:

(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) A significant number or proportion of the firm's workers are unemployed or underemployed or threatened with unemployment or underemployment; 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 this investigation we find that the fourth condition set forth above has not been met; therefore, we have made a negative determination.

The evidence obtained in the course of this investigation reveals that the decision by the management of Andrew Manufacturing Corp. to cease production of footwear was not attributable, in major part, to competition from concession-generated imports. On the contrary, the decision was based on a number of factors unrelated to imports, which caused the firm to sustain substantial losses during the 11-month period in which it produced footwear. Throughout this period, Andrew was unable to hire an adequate number of experienced workers. In fact the firm never attained an operating level that would enable it to meet its targeted production goals and thereby achieve certain economies of scale. Andrew's inability to operate profitably was also due in part to a spiralling increase in costs of materials and services during 1973-74.

In August 1974 the management of Andrew determined that the current economic recession would result in reduced sales to its principal customer, a firm which was owned by some of the same principals that owned Andrew Manufacturing Corp. This customer accounted * * * of Andrew's total sales. Confronted with this potential loss of sales, Andrew terminated production and laid-off its workers because it was evident that the firm would continue to incur large losses if it continued to produce footwear.

On the basis of the foregoing considerations, we conclude that concession-generated imports were not the major factor causing the unemployment of the petitioning workers, and therefore we have made a negative determination.

View 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 Andrew Manufacturing Corp., New York, N.Y., 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, 1971, pp. 31-47.

View of Commissioner Minchew

In response to the petition filed on behalf of the former workers of Andrew Manufacturing Corp. (a former manufacturer of women's footwear), New York, N.Y., for a determination of their eligibility to apply for adjustment assistance under section 301(c)(2) of the Trade Expansion Act of 1962 (TEA), I have concluded that the statutory requirements set forth in section 301(c) of that act are not met and, accordingly, I have made a negative determination.

The TEA sections 301(c)(2) and (3) state that--

(2) In the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3, the Tariff Commission shall promptly make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm or subdivision.

(3) For purposes of paragraph . . . (2), increased imports shall be considered to cause, or threaten to cause, serious injury to a firm or unemployment or underemployment, as the case may be, when the Tariff Commission finds that such increased imports have been the major factor in causing, or threatening to cause, such injury or unemployment or underemployment.

I have concluded that factors other than increased imports of competitive footwear have been the major factor in causing the unemployment or underemployment of the petitioning workers.

INFORMATION OBTAINED IN THE INVESTIGATION .

Description of Articles Under Investigation

The output of Andrew Manufacturing Corp., New York, N.Y., which started production in November 1973 and ceased production in September 1974, consisted of women's leather dress shoes. The shoes were made under an agreement with Andrew Geller, Inc., New York, N.Y. The agreement permitted direct sales by Andrew Manufacturing Corp. to distributors; approval for such sales was required for each order from Andrew Geller, Inc. All footwear was constructed by the cement process, and retailed from \$35 to \$40 a pair; the bulk retailed at about \$38 a pair.

In general, the principal features of women's and misses' shoes ^{1/} that determine the occasion or activity for which a particular pair is suitable--and thus the trade designations such as "casual" or "dress"-- are the cut of the uppers, the material used for the uppers, the style and height of the heels, the kind of ornamentation, and the material and construction of the soles. In commercial usage, however, these descriptive terms for footwear may have various meanings. Some of them are specifically defined for tariff purposes in the headnotes (including the statistical headnotes) to part 1, subpart A, of schedule 7 of the Tariff Schedules of the United States Annotated .

^{1/} In this report, as in the TSUS, the terms "women's" and "misses'" are used to differentiate size categories of footwear, not age of wearer, as follows: "Women's" refers to U.S. women's sizes 4 and larger, and "misses'" refers to U.S. misses' sizes 12-1/2 and larger but not as large as U.S. women's size 4.

Footwear for women has become an important accessory to fashion in recent years, resulting in rapid changes in shoe styles. As modifications have occurred in dress lengths and as trousers and other casual attire have become increasingly acceptable for almost every occasion, footwear styles have changed accordingly, and the distinction between dress and casual shoes has diminished.

In the 1970's, footwear designs took a new direction. The footwear bottom (sole and heel) treatment became the main interest in the shoe design, and styles with soles of an inch or more became popular. A variety of materials--crepe (rubber), "marshmallow" (pliable synthetic), leather combinations, and various plastics--were used to make soles, concealed platforms, and wedges. Some bottom assemblies were colored, painted, or sculptured. During 1970-72 such platform styles dominated most women's footwear. Although platforms became less extreme in 1973, their importance in shoe design continued into 1974. Today footwear more traditional in style is also being offered. While most fashion emphasis in recent years has focused on high heels, there has been a strong rebirth of interest in flats for dress occasions and low-heeled classic moccasins for casual wear. Other casual footwear for women includes sandals, certain clogs, espadrilles, indoor-outdoor slippers, oxfords, desert boots, and sneakers.

As indicated previously, all the footwear produced by Andrew Manufacturing Corp. consisted of dress shoes with uppers of leather, made by the cement process. In this method of construction,

which accounts for about 80 percent of the total U.S. output of all women's footwear, the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing.

It is estimated that about 50 percent of the women's and misses' nonrubber shoes produced in the United States in 1973 had leather uppers, compared with nearly 70 percent in 1970. The American Footwear Industries Association (AFIA) indicates that, owing to the recent shortage of hides and the consequent increases in prices of leather, prices of women's and misses' leather footwear have risen steadily. The president of the AFIA has further indicated that, as the prices of leather footwear increased, shoes made from manmade materials--polyurethane, polymerics, and nylon velvets--gained a larger percentage of the U.S. market. Footwear of manmade materials lends itself not only to the multihued new platform styles favored by young people, but also to the more conservative styles. The following AFIA data illustrate the changes in the shares of the total U.S. nonrubber footwear market supplied by leather and by manmade materials.

Percentages of total U.S. output of nonrubber footwear accounted for by uppers of leather and by uppers of manmade materials, specified years 1950 to 1975

Year	Leather	Manmade materials
1950-----	85	15
1960-----	76	24
1972-----	60	40
1973-----	54	46
1975 <u>1/</u> -----	50	50

1/ Estimated.

Source: Compiled from data supplied by the American Footwear Industries Association.

Industry sources report that, owing to recent and possibly worsening shortages of materials derived from petrochemicals, a reversal in the trend indicated above is possible.

U.S. Tariff Treatment

Applicable TSUS items

Imports of footwear of the type produced by Andrew Manufacturing Corp. are dutiable under TSUS item 700.45. Footwear with uppers of vinyl and similar in appearance, construction, and price to the footwear constructed by Andrew is entered under item 700.55.

Imports entered under item 700.45, which provides for certain footwear of leather 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 dress and casual shoes that are sold in the retail-price range of about \$8 to \$20 a pair.

U.S. imports dutiable under item 700.55, which consist primarily of footwear with supported-vinyl uppers, 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; in the period 1971-73, less than 10 percent did so.

Rates of duty

Under 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. The duty on such footwear, if valued over \$2.50 a pair (item 700.45), was reduced in five annual stages from 20 percent ad valorem in 1967 to 10 percent in 1972, pursuant to concessions granted during the sixth (Kennedy) round of negotiations under the General Agreement on Tariffs and Trade (GATT).

Supported vinyl was not used for uppers until the late 1940's or early 1950's. Prior to the effective date of the TSUS, imports of women's supported-vinyl-upper footwear, which were dutiable under various provisions of the Tariff Act, were classified principally--

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

In the TSUS a rate of 12.5 percent ad valorem was established for item 700.55 as the trade-agreement rate to replace the wide range of rates previously applicable to the various types of footwear provided for in

1/ The principal kinds of footwear with supported-vinyl uppers now being imported (i.e., those with soles of vinyl or other plastics) would have been dutiable by virtue of the similitude provision under par. 1530(e) at a rate of 20 percent ad valorem.

this item. 1/ This rate was reduced in five stages to 6 percent ad valorem as the result of concessions granted in the Kennedy Round of trade negotiations.

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 700.45 and 700.55. Tables 2 and 3 show U.S. imports of women's shoes admitted under the TSUS items mentioned above and the applicable rates of duty.

The most recent of the duty reductions discussed above has been in effect since January 1, 1972, 22 months before Andrew Manufacturing commenced producing footwear in November 1973.

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

U.S. Consumption, Production, and Imports

During the period 1965-74, apparent annual U.S. consumption of women's and misses' nonrubber 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 an estimated 355 million pairs in 1974. Annual U.S. production of such footwear declined from 319 million pairs in 1965 to an estimated 170 million pairs in 1974. Annual U.S. imports almost tripled during this period, and their share of the market increased without interruption from 17 percent in 1965 to 53 percent in 1973, then declined to an estimated 52 percent in 1974, as shown in the table on the following page (see also the figure on p. A-10, which shows the trends of U.S. production, imports, and consumption). Italy and Spain have been the principal suppliers of women's dress and casual leather footwear; the Republic of China (Taiwan) and Japan, the principal suppliers of such footwear made with vinyl uppers.

Nonrubber footwear for women and misses: U.S. production, imports for consumption, and apparent consumption, 1965-74

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
1973-----	190	212	402	53
1974 <u>4/</u> -----	170	185	355	52

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.

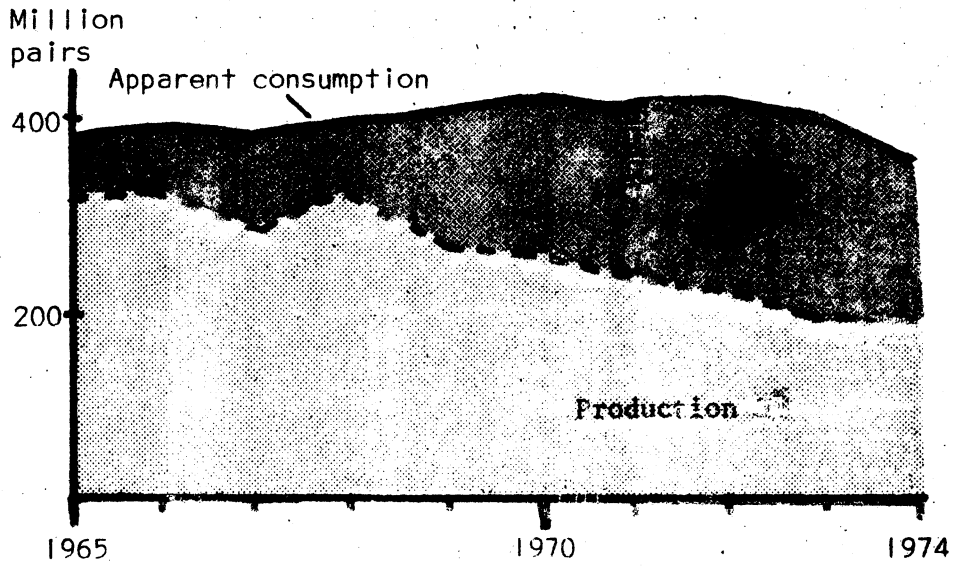
2/ Partly estimated from the official statistics for footwear of the kinds described in pt. 1A of schedule 7 of the TSUSA, except imports described in items 700.32, 700.51, 700.52, 700.53, and 700.60 and except zoris (very inexpensive thonged sandals of rubber or plastics), dutiable under item 700.55. Includes imports of misses' footwear, which have been negligible compared with those of women's.

3/ Computed from U.S. production plus imports without an allowance for exports, which in 1974 amounted to about 1.5 million pairs.

4/ Estimated.

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

Nonrubber footwear for women: U.S. production, imports, and apparent consumption, 1965-74



Source: Table on p. A-9.

U.S. and Foreign Wage Rates

The table on the following page shows the average hourly earnings and the estimated compensation per hour received by shoe workers in eight countries in 1971-73. While of some use in comparing the labor costs of the shoe industries in the various countries listed, the table has several shortcomings that make such comparisons inexact. First, only in the United States, Italy, and Hong Kong is the industry definition limited exclusively to footwear. In the other countries the industry classifications are more encompassing. Second, as footnote 1 to the table indicates, published hourly earnings in the various countries differ in composition. Third, total compensation for workers includes varying factors in the eight countries.

Hourly earnings of production workers and estimated total compensation per hour worked
in specified industries related to 8 countries, 1971-73

(In U.S. dollars)

Country	Industry	Published average hourly earnings 1/		Estimated compensation per hour worked 2/	
		1971	1972	1971	1972
Brazil	Clothing and footwear 3/ 4/--	\$0.32	\$0.34	\$0.41-\$0.45	\$0.45-\$0.48
Hong Kong	Rubber footwear 5/-----	.58	.43	.41- .43	.47- .50
Italy	Footwear 6/-----	.80	.93	1.08	1.70
Japan	Rubber products, including plastic footwear. 7/-----	1.08	1.57	1.49	1.78
Korea	Plastic products 7/-----	.22	.20	.25- .29	.25- .27
Spain	Clothing and footwear 3/-----	.42	.53	.59- .64	.74- .80
Taiwan	Plastic products 7/-----	8/ .9/	.19	8/ .26	.22- .23
United States	Footwear, excluding rubber	2.53	2.63	3.05	3.19

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 percentage of published earnings are the best estimates currently available to the Bureau of Labor Statistics.

3/ All employees.

4/ Wage adjustments in Brazil are governed by an official wage formula. The 1972 and 1973 earnings figures are estimates based on the average wage adjustments granted in the total private sector of the economy.

5/ Daily earnings converted to an hourly basis by assuming 9 hours of work per day.

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, Korea, and Taiwan to the United States are principally of plastics. 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.

8/ Not available.

9/ For July-December 1972.

Source: Based on data provided by the U.S. Bureau of Labor Statistics from the following: Brazil--Industrias de Transformacao, 1971, Department of Industry, Trade and Services Statistics, Brazil; Hong Kong--Annual Departmental Report, 1970-73, Commissioner of Labour, Hong Kong; Italy--Rassegna di Statistiche del Lavoro, various issues, Confederazione General dell'Industria Italiana, Rome; Japan--Year Book of Labour Statistics, various issues, Ministry of Labour, Tokyo; Korea--Monthly Statistics of Korea, various issues, Economic Planning Board, Seoul; Spain--Year Book of Labour Statistics, 1973 International Labour Office, Geneva; and Taiwan--Monthly Bulletin of Labor Statistics, June 1973, Directorate-General of Budget, Accounting, and Statistics, Taipei. Conversion from the currencies of the foreign countries in the table to U.S. dollars was made on the basis of average daily exchange rates.

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Data Relating to Andrew Manufacturing Corp.

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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 <u>1/</u>	GATT concession <u>2/</u> Effective date
		Percent ad val.	Rate Effective date
700.45	Leather footwear: "Other" (including cement process): 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 : 4/ 20 <u>3/</u>	Aug. 31, 1963-Dec. 31, 1967. Jan. 1-Dec. 31, 1968. Jan. 1-Dec. 31, 1969. Jan. 1-Dec. 31, 1970. Jan. 1-Dec. 31, 1971. Jan. 1, 1972.

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/ 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 col. 2 rate for item 700.55 is 35 percent.

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

Table 2.--Women's footwear with leather uppers (TSUS item 700.45):
 U.S. rates of duty and imports for consumption, 1969-73, January-
 June 1973, and January-June 1974

Period	Rate of duty	Imports		
		Quantity	Value	Unit value
		<u>1,000</u> pairs	<u>1,000</u> dollars	Per pair
1969-----	16	26,745	131,329	\$4.91
1970-----	14	34,164	172,266	5.04
1971-----	12	43,725	220,504	5.04
1972-----	10	60,912	303,406	4.98
1973-----	10	68,248	355,406	5.21
January-June--				
1973-----	10	40,707	198,464	4.88
1974-----	10	33,192	173,380	5.22

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

Table 3.--Women's and misses' footwear with supported-vinyl uppers (TSUS item 700.55): U.S. rates of duty and imports for consumption, 1966-73, January-June 1973, and January-June 1974

Period	Rate of duty	Imports		
		Quantity	Value	Unit value
		<u>1,000</u> <u>pairs</u>	<u>1,000</u> <u>dollars</u>	<u>Per pair</u>
1966-----	12.5	33,239	17,024	\$0.51
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	109,915	1.22
1973-----	6	96,942	136,036	1.40
January-June--				
1973-----	6	54,317	63,856	1.18
1974-----	6	48,057	80,237	1.67

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

APPENDIX B

NEWSPAPER ARTICLES RELATING TO ANDREW MANUFACTURING CORP.

FOOTWEAR NEWS, MONDAY, NOVEMBER 4, 1974

***Andrew Geller
closes plant
in New York***

NEW YORK — Andrew Geller this month closed its New York manufacturing facility. Andrew Manufacturing, located at 521 West 57th Street, here.

In a letter to its retailers, the company wrote, in part, that "pressures and conditions in this area have resulted in excessive increased costs, which, if continued, would affect the structure of our wholesale prices to an unwarranted extent."

Monroe Geller, president, could not be reached for comment.
