

UNITED STATES TARIFF COMMISSION

PLASTIC- OR RUBBER-SOLED FOOTWEAR WITH FABRIC UPPERS:
PRODUCTION AND MAINTENANCE WORKERS AND SALARIED
EMPLOYEES OF THE WOONSOCKET PLANT
OF UNIROYAL, INC.

Report to the President
on Investigation Nos. TEA-W-13 and TEA-W-14
Under Section 301(c)(2) of the Trade Expansion Act of 1962



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UNITED STATES TARIFF COMMISSION

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C O N T E N T S

	<u>Page</u>
Report to the President-----	1
Finding of the Commission-----	2
Considerations supporting the Commission's finding-----	3
Dissenting opinion of Chairman Sutton and Commissioner Newsom-----	12
Information obtained in the investigation:	
Description of articles under investigation-----	A-1
U.S. tariff treatment:	
Rates of duty-----	A-6
Administration of ASP provision-----	A-7
Operations of Uniroyal, Inc.:	
All products-----	A-9
Canvas footwear-----	A-10
The Woonsocket plant:	
Production and sales-----	A-11
* * * * * * *	
U.S. consumption of canvas footwear-----	A-12
U.S. production of canvas footwear:	
Volume-----	A-13
* * * * * * *	
U.S. imports of canvas footwear:	
Volume-----	A-14
Prices-----	A-15
Appendix:	
Table 1. U.S. rates of duty applicable to footwear of the types provided for in specified TSUS items, 1930 and GATT concessions-----	A-19
Table 2. * * * * * * *	
Table 3. Footwear: U.S. imports for consumption, all footwear and specified types, 1964-69-----	A-21

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,
April 20, 1970

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made in response to two workers' petitions under section 301(c)(2) of that Act.

On February 19, 1970, the International United Rubber, Cork, Linoleum and Plastic Workers of America (AFL-CIO-CLC) filed a petition for adjustment assistance on behalf of the production and maintenance workers of Uniroyal Rubber Footwear Plant, Woonsocket, Rhode Island, who are members of Local Union No. 224, URW, AFL-CIO-CLC. On February 25, 1970, a similar petition was filed on behalf of the representatives of "all quality control inspectors, laboratory and technical employees, shipping clerks, store clerks, factory clerks, office and clerical employees, instructors, supervisors, assistant foremen, foremen, general foremen, superintendents, executives and other salaried employees" at the plant.

The Commission instituted a worker investigation (TEA-W-13 and TEA-W-14) on February 26, 1970. Public notice of the receipt of the petitions and the institution of the investigation was given by publication in the Federal Register March 4, 1970 (35 F.R. 4100). No hearing was requested and none was held.

In separate communications received by the Commission during the first week of April 1970, the attorneys for both groups of workers expressed the view that their clients were affected by increased imports not only of the same type of footwear as that produced at the Woonsocket plant but also of other types, particularly leather sandals and footwear with uppers of rubber or plastics.

The information in this report was obtained principally from the petitioners, the officials of Uniroyal, Inc., the State of Rhode Island Department of Employment Security, and from Commission files.

Finding of the Commission

On the basis of its investigation, the Commission finds (Chairman Sutton and Commissioner Newsom dissenting) 1/ that articles like or directly competitive with the plastic- or rubber-soled footwear with fabric uppers produced by Uniroyal, Inc., at its plant in Woonsocket, Rhode Island, are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause unemployment or underemployment of a significant number or proportion of the workers of such plant.

1/ The dissenting opinion of Chairman Sutton and Commissioner Newsom is set forth beginning on p. 12. Commissioner Leonard did not participate because of absence.

Considerations Supporting the Commission's Finding

The Woonsocket plant of Uniroyal, Inc., where the petitioning salaried employees and production workers were employed, produced footwear with fabric uppers and soles of vulcanized rubber, generally referred to as "sneakers." In recent years about three-fourths of the footwear produced at the plant consisted of traditional styles (e. g., tennis oxfords) which are worn for exercise, recreation, and ordinary use; about a fourth consisted of casual specialties (e. g., slip-ons) for street, beach, or leisure wear. The footwear was sold at retail, on the average, for approximately \$4.50 per pair.

In the case of a petition by a group of workers under section 301(c)(2) of the Trade Expansion Act of 1962, the Commission must determine the effect of imports of "an article like or directly competitive with an article produced by such workers' firm, or appropriate subdivision thereof," on the employment of the workers concerned. We believe that imported footwear retailing in the United States at less than \$6 per pair, by and large, is directly competitive with the type of footwear formerly produced at the Woonsocket plant. ^{1/} We must consider, therefore, the effect of imports of such footwear in relation to the closing of that plant.

^{1/} We exclude protective footwear (rubbers, overshoes, etc.) which has not been produced in the Woonsocket plant since 1953.

Some years ago sneakers were the predominant type of footwear available in the United States in the low-priced range. They were worn by young people and low-income recipients for work, play, street wear--indeed for all occasions except 'Sunday-best.' With the advent of new materials (vinyl and others) and technological change, however, a variety of inexpensive footwear began to be imported and, to a lesser degree and after a lag, manufactured in the United States. Today, the low-income purchaser has a wide selection of low-priced footwear readily available--the traditional sneaker, casual styles of sneakers, plastic (chiefly vinyl) shoes in dress and casual styles, sandals of both leather and plastics, etc. Within the sneaker price range all of his special requirements now can be satisfied with variety. Such footwear is frequently displayed in the retail stores side by side, and all is sold widely in many types of retail outlets. Hence, for purposes of this report, most types of footwear in the low-priced range, largely regardless of material and style, are directly competitive with each other and satisfy needs originally satisfied only by sneakers. The Commission has in fact recently recognized such competitive relationships between sneakers and some other types of low-priced footwear. In its investigation of

nonrubber footwear (No. 332-62, Dec. 1969, p. 10), it reported--

"The domestic shoes with which the imported /vinyl-upper footwear/ compete are those, directly like the imported, with vinyl uppers, and shoes (mostly sneakers) with fabric uppers."

U.S. imports of footwear that retail in the United States at less than \$6 per pair have mushroomed in recent years. The increase in imports of such footwear having plastic uppers (chiefly supported vinyl) has been dominant. The Woonsocket plant, which has clearly been in a marginal position among domestic sneaker producers, has been unable to compete. Consequently, as a result in major part of such imports, the plant has closed, and most of the production workers and salaried employees have been discharged.

As the Commission has frequently pointed out in earlier investigations, the statute establishes four requirements to be met for an affirmative determination:

- (1) Imports must be increasing;
- (2) the increase in imports must be a result in major part of concessions granted under trade agreements;
- (3) the workers concerned must be underemployed or unemployed, or threatened with underemployment or unemployment; and
- (4) the increased imports resulting from trade-agreement concessions must be the major factor causing or threatening to cause the unemployment or underemployment.

We believe that each of these requirements has been met with respect to the petitions by the production and maintenance workers and the salaried employees at the Woonsocket plant.

Increasing imports

The official U.S. import statistics do not separately classify imports of footwear that would retail in the United States for less than \$6 per pair. It is clear, nevertheless, that imports of such footwear have risen greatly in recent years. U.S. imports of sneakers, leather sandals, footwear with supported vinyl uppers, zoris, and miscellaneous footwear with fabric uppers and plastic or rubber soles--virtually all of which would be marketed at retail in the United States at less than \$6 per pair--account for more than nine-tenths of the imported footwear sold in that price range. Thus, the aggregate imports of these types of footwear are substantially inclusive of the types we consider like or directly competitive with those produced at the Woonsocket plant. Entries of such footwear are estimated to have been about 195 million pairs in 1969, compared with about 112 million pairs in 1964. As recently as the mid-1950's, moreover, total U.S. imports of footwear averaged only 11 million pairs annually; imports of footwear that would retail today at less than \$6 per pair were, of course, only a part of that total. Thus,

over either time span, the last 5 years or the last 15 years, imports of footwear like or directly competitive with that produced at the Woonsocket plant have increased greatly.

In major part

The second requirement is that the increased imports must result in major part from concessions granted under trade agreements. As we have stated in previous decisions, ^{1/} in order to determine whether this requirement has been met, we must ask whether imports of the product concerned would be at substantially their present level had it not been for the aggregate of trade-agreement concessions granted thereon since 1934. If they would not, then the increased imports have been a result in major part of concessions.

The bulk (about 60 percent) of the increase in imports of the footwear like or directly competitive with that produced at the Woonsocket plant has consisted of footwear with supported vinyl uppers. The current rate of duty on these articles is 8.5 percent ad valorem--the third stage of a concession granted by the United States at the Kennedy-round negotiations under the General Agreement on Tariffs and Trade. The rates of duty that were applicable

^{1/} Buttweld Pipe, Inv. No. TEA-W-8 (1969) at 8-11, and Transmission Towers and Parts, Inv. No. TEA-W-9 and TEA-W-10 (1969) at 10-11.

to such footwear under the provisions of the Tariff Act of 1930 before any trade-agreement concessions were granted generally were 20 percent or 25 percent ad valorem. Further, a 1955 trade-agreement concession applicable to the types of footwear produced at the Woonsocket plant (sneakers) resulted in a reduction of the rate of duty from 35 percent to 20 percent ad valorem, based on American selling price (ASP) valuation. In the highly competitive market for low-priced footwear at the wholesale level, these reductions can mean the difference between sales and no sales and would represent a significant deterrent to imports of such footwear.

We note, further, that, when the Tariff Schedules of the United States were adopted in 1963, a rate of 12-1/2 percent ad valorem was established as the trade-agreement rate applicable, among others, to footwear with supported vinyl uppers; this rate, as noted above, has been reduced pursuant to Kennedy-round concessions. Imports of vinyl footwear were 2-1/2 times larger in 1969 than in 1964. In view of the foregoing, and taking into account the trade-agreement concessions on other pertinent types of footwear, we conclude that the increase in imports of footwear like or directly competitive with that produced at Woonsocket has been in major part a result of trade-agreement concessions.

Underemployment or unemployment

The third requirement is that the petitioners must be unemployed or underemployed or both. The Woonsocket plant has just closed. Nearly all of the 800 wage employees and 80 salaried employees have been discharged. It is clear that most of the petitioners are currently unemployed.

Major factor

The final requirement is that the increased imports must be the major factor causing the unemployment or underemployment of the employees concerned. As we have previously held, this requirement is satisfied if the unemployment or underemployment would not have occurred if the imports had not increased.

The shutdown of a manufacturing plant usually is the result of a variety of interrelated factors. So it is in this case. Among the domestic plants producing canvas footwear, the Woonsocket plant has been a marginal enterprise. The plant is located in an old, several-story building which has been ill-adapted to modern production methods. Originally constructed in 1889, the plant was closed during the depression years, but reopened to produce war materiel during World War II. Production of both sneakers and waterproof protective footwear (rubbers and galoshes) was

begun after World War II, when the demand for sneakers expanded reflecting their popularity for a variety of new uses. Output of the protective footwear was discontinued there in 1953.

Operations at the plant have been subject to several adverse factors for a number of years. Consumption of sneakers in the United States has recently been stable or declining. The domestic demand for such footwear, moreover, has been shifting more and more toward inexpensive sneakers (retailing for less than \$2 per pair), which could not be produced in the Woonsocket plant without major investment; this shift was initially activated and sustained largely by an increased supply of such low-priced canvas footwear from abroad, but recently, as a result of technological changes, large volumes of such footwear have been produced by domestic manufacturers. The demand for footwear of the type produced at Woonsocket has also suffered from the increasing availability to the low-income buyer of inexpensive footwear of other types, mostly from imports. Together, the large annual imports of sneakers and the rapidly increasing imports of other types of footwear retailing at less than \$6 per pair seriously affected the operations of the Woonsocket plant. We conclude that, had imported footwear in the low-priced category not been

available in such increased quantities, the company would not now have had to close the Woonsocket plant.

In our view, the circumstances affecting the workers at the Woonsocket plant are the type envisaged by the adjustment assistance provisions of the Trade Expansion Act. We find that the petitioners have met the requirements of that act, and believe that they are entitled to adjustment assistance as provided by that act.

Dissenting Opinion of Chairman Sutton and Commissioner Newsom

Our determination is in the negative because the criteria established by section 301(c)(2) of the Trade Expansion Act of 1962 have not been met. Before an affirmative determination could be made in this investigation, it would have to be established that each of the following conditions had been satisfied:

(1) Imports of footwear like or directly competitive with the canvas footwear produced at Uniroyal's Woonsocket plant are increasing;

(2) the increased imports are in major part the result of concessions granted under trade agreements;

(3) a significant number or portion of the workers at the Woonsocket plant are unemployed or underemployed, or are threatened with unemployment or underemployment; and

(4) the increased imports (resulting in major part from trade-agreement concessions) have been the major factor causing or threatening to cause the unemployment or underemployment.

If any one of these conditions is not met, an affirmative determination is not possible.

In the case at hand, only condition (3) has been met. Uniroyal's Woonsocket plant has been closed; most of the production workers and salaried employees engaged there have been laid off. Without question, a significant number or portion of the employees at the Woonsocket plant are unemployed. We have concluded, however, that the other three conditions have not been satisfied.

The "Like or Directly Competitive" Imports

In recent years, the Woonsocket plant produced little else but footwear with fabric uppers and soles of vulcanized rubber, using the conventional or "handmade" process. A heavy-duty waterproof fabric was also manufactured at the plant, but it contributed only about a twentieth of the value of the plant's output. For purposes of our consideration here, therefore, handmade canvas footwear may be regarded as the product produced at the establishment concerned. Having established the nature of the plant's product, it becomes necessary to identify which imports are "like or directly competitive" therewith.

Origin and Meaning of the Term "Like or Directly Competitive"

The term "like or directly competitive" in section 301(c)(2) of the TEA also appears in section 301(c)(1) relating to firm investigations and in section 301(b)(1) relating to industry investigations. Prior to the enactment of section 301 in 1962, the term appeared in section 7 of the Trade Agreements Extension Act of 1951--the original statutory provisions (preceding the enactment of section 301(b) of the TEA) for investigations looking toward the invocation of the escape clause of trade agreements such as Article XIX of the GATT. In this connection, it will be noted that Article XIX uses the term to describe products in the same context as did section 7 of the 1951 Act and as does section 301 of the TEA.

In the absence of legislative history to the contrary, the U.S. Congress, having adopted and used the term without change in consecutive enactments, may reasonably be presumed to intend that such term is to have the same meaning in section 301 as it has in the escape clause provisions from which it was derived. ^{1/} Careful scrutiny of the provisions of the GATT, Articles III, XI, and XIX in particular, clearly demonstrates that the Contracting Parties did not intend the words "like" and "directly competitive" to be synonymous or explanatory of each other, but rather had in mind some meaningful distinction between "like" products and products which, although not "like", were nevertheless "directly competitive".

What difference in meaning can we then ascribe to the terms "like" and "directly competitive"? It seems clear that the Contracting Parties considered that the word "like", if used alone, would too severely restrict the remedy which the escape clause was intended to afford. Certainly the addition of the words "or directly competitive" was designed to broaden the scope of the operation of the escape clause beyond that which the Contracting Parties considered the word "like" alone would permit. What was it, then, about the word "like" which gave rise to this concern? Since the Contracting Parties were undoubtedly aiming at expressing a concept of substantial commercial

^{1/} No opinion is being expressed herein with respect to section 405(4) of the TEA which defines the term "directly competitive" as applied in certain situations not here involved.

equivalence, their concern with "like" must have been the word's connotation of substantial identicalness in inherent or intrinsic characteristics (i.e., materials from which made, appearance, quality, texture, etc.).

If we reason so, then it appears that in adding the words "or directly competitive", the Contracting Parties meant to make the escape clause available not only in the case where the inherent or intrinsic characteristics of the domestic product are substantially identical with those of the imported product, but also in the case where the domestic product and the imported product are not substantially identical in their inherent or intrinsic characteristics--so long as they are substantially equivalent for commercial purposes.

Application of the Term to Imports of Footwear

At the outset, we must acknowledge the difficulties encountered in applying the subtleties of the aforementioned distinction to a consumer product line--such as footwear with its attendant marked variations in the kinds of materials used, in the methods of construction, in over-all styling and appearance, and in the range of uses for which suitable. We find, however, that, in a very practical sense, the distinction is a valid one and does assist us in settling the matter before us.

The type of footwear produced at Woonsocket, if imported, would have been classified in item 700.60 of the TSUS and valued on the

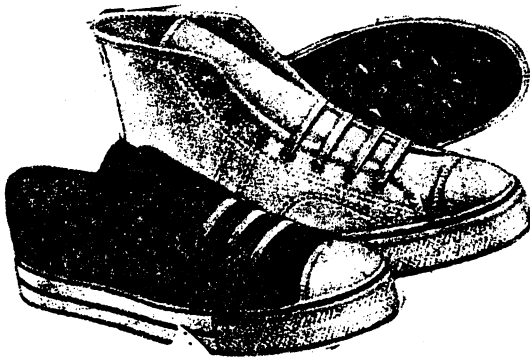
ASP basis of valuation. It will be noted that virtually all the imports which Customs is valuing on the ASP basis under item 700.60 are--like that produced at Woonsocket--also made by the conventional or "handmade" process. It is our view that such imported footwear is the only imported footwear which, within the meaning of the statute, is either "like" or "directly competitive" with the Woonsocket footwear; and that, therefore, the imports of such footwear only must be examined to determine whether they are being imported in increased quantities. Petitioners allege, and the majority Commissioners have found, however, that various other footwear imports are "directly competitive" with Woonsocket's product. We, therefore, feel obliged to elaborate more fully the basis for our view.

The majority Commissioners have identified the "directly competitive" imports as comprising virtually all imported footwear of types currently selling at retail in the United States at less than \$6 per pair. 1/ These imports which comprised about 75 percent of the total imports of footwear, by quantity, in both 1964 and 1969, are admitted primarily under items 700.35, 700.43, 700.45, 700.55, and 700.60. To assist in arriving at some objective judgment as to the degree of competition between canvas footwear and the other types of footwear involved, we are briefly describing and illustrating them in the following paragraphs.

1/ Except for so-called protective rubber or plastics footwear (items 700.51-.53 of the TSUS).

Canvas footwear (item 700.60).--As previously indicated, the fabric-upper rubber-soled footwear dutiable under this item on the basis of ASP valuation (elsewhere in this report also referred to as canvas footwear) is in all essential respects identical to that produced at Woonsocket. These imports are not only "like" Woonsocket's product, but they are, by far, the most competitive therewith of all imports. These shoes are ruggedly built with complete uppers, washable, and specially designed and extensively used for a variety of athletic and physical activities. They are also sometimes used for ordinary street and leisure wear, but this use does not constitute the primary one.

The following illustrations represent typical examples of canvas footwear, both imported and domestic:

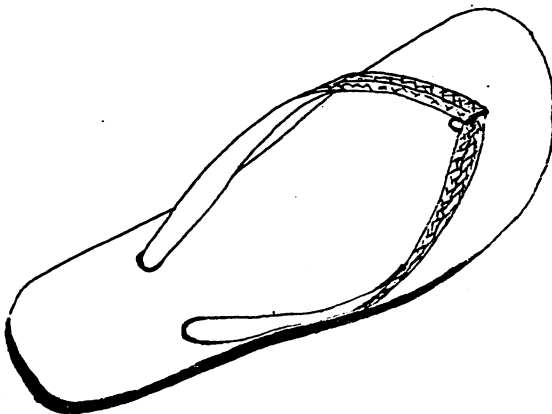


For men, youths and boys

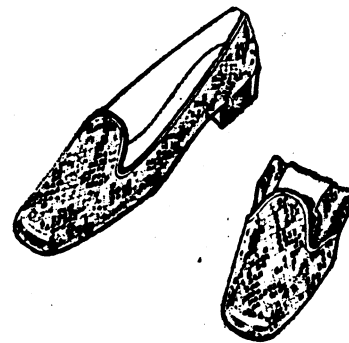


For women, misses and children

Other types of imported footwear.--The substantial imports admitted under item 700.60 and not subject to ASP valuation also have uppers of fabrics and soles of rubber or plastics but the great bulk are folding slippers, scuffs, or sandal types which are not the complete foot coverings of sturdy, durable construction as are the canvas footwear shown above. In fact, these same types of relatively flimsy construction account for a large portion of the imports admitted under items 700.35, 700.43, 700.45, and 700.55 and selling at retail at less than \$6.00 a pair. The footwear in this price range admitted under 700.35, 700.43, and 700.45 consists almost entirely of leather sandals; that admitted under 700.55 has uppers of which over 90% of the exterior surface areas are rubber or plastics and include substantial quantities of zoris, packables, sandals, and scuffs. The illustrations below represent typical examples of these light-weight, usually open, types of footwear admitted, depending primarily on material from which constructed, under one of the items 700.35, 700.43, 700.45, 700.55, or 700.60.

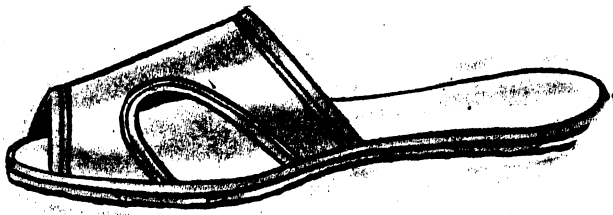


Zoris

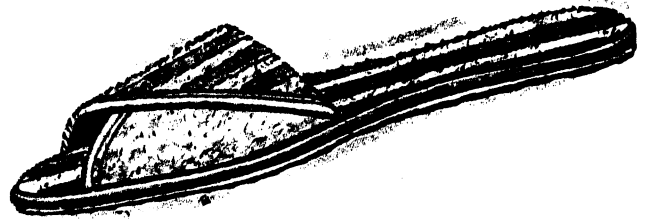


Packables

SCUFFS

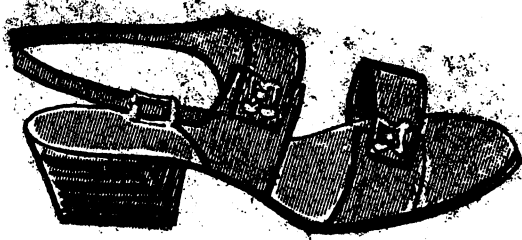


(Supported vinyl)

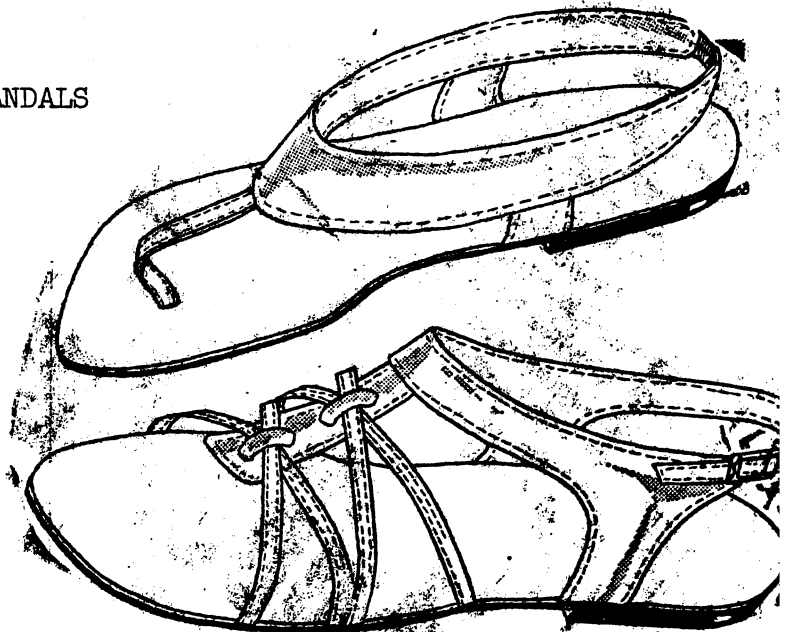


(Terry cloth)

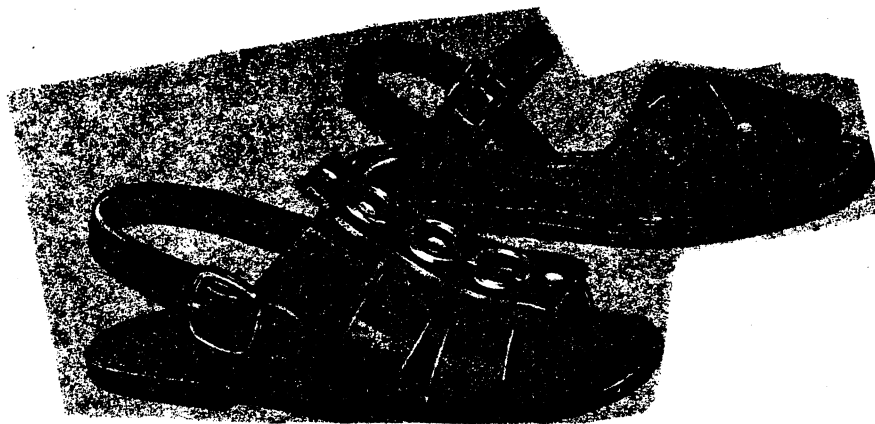
SANDALS



For women and misses



For women, misses, and children



For men, youths, and boys

Also included in the imports admitted under item 700.55 and selling at retail at less than \$6 a pair are substantial quantities of footwear with uppers of supported vinyl, in popular styles that resemble shoes of leather; many are step-in styles, one width to a length for sale in self-service outlets. We estimate that possibly half of the imports admitted under item 700.55 are of this type of supported vinyl footwear. Although such footwear is worn for some of the same activities as canvas footwear of the Woonsocket types, we know that the vinyl shoes, which are illustrated below, are not suitable for the active sports and physical activities for which the Woonsocket footwear is especially designed.



\$3.97 Moc Toe Style, vinyl uppers, for
men, youths and boys



LADIES'
VINYL FLATS

Footwear with
a more expen-
sive look.
Ass't styles &
colors.

1.97



LADIES' SOFT
MOCCASINS

Casual slip-
ons of soft
leather-like
vinyl... Beaded Vamp...
Ass't. High Shades.

1.69

4.99

REGULARLY 5.99-6.99

Fabulous footage! Smooth and shiny vinyls! Crinkle
patent vinyls! Ornaments, vamps, square and round toes!
Heels from low and medium to high. Black, bone, brown,
blue, red; sizes include 5-10.



\$5.99

Conclusion.--We believe the foregoing clearly reveals the superficiality of the majority's conclusion that all these types of footwear are directly competitive with the canvas footwear produced at Woonsocket. Indeed, we consider that this position strains one's sense of logic, and perverts the law itself.

To be regarded as directly competitive, types of footwear which differ substantially from one another in material, construction, and styling ought to be, substantially equivalent for commercial purposes. In a practical or realistic sense, this means--with respect to types of footwear such as those under consideration which the consumer purchases primarily on the basis of price and his intended use--that such types of footwear, to be regarded as directly competitive, ought to be interchangeable throughout the range of their uses. Such is not the case with the types of footwear under consideration. Although all such types are worn for some of the same purposes, the canvas footwear is worn extensively for a variety of athletic and physical activities for which the leather sandals, vinyl shoes, zories, etc., are not particularly suitable, and, therefore, are seldom worn.

In view of the major differences in use, the latter types of footwear cannot be regarded as directly competitive with canvas footwear. 1/

Lack of Increasing Imports

Looking, then, at imports of canvas footwear only, we have concluded that entries of such footwear are not increasing. The only U.S. trade-agreement concession on canvas footwear was made in 1955. Annual U.S. imports of the product increased in the late 1950's; they peaked in 1962, and then declined substantially. U.S. imports of such footwear in 1969 were about a sixth smaller than entries in the 2 preceding years and only a little more than half those in 1962. Imports supplied about 15 percent of U.S. consumption of canvas footwear in each of the years 1967-69, but they had supplied about 25 percent in 1962. Because of the decline in imports over much of the past decade, we have found that canvas footwear is not being imported in increased quantities.

1/ Of special interest--because of the principal reliance by the majority on imports under item 700.55 to sustain their affirmative determination--is the statement in the Explanatory Notes for Schedule 7, Part 1, of the Tariff Classification Study (1960) wherein the Commission stated (at p. 24) as follows:

Item 700.55 is a "key" provision in that it bears the burden of describing certain types of footwear imported in significant quantities which fall within the broad scope of the superior heading but which are not directly competitive with the products of the domestic rubber footwear industry and should not be within the protective aegis of the American selling price valuation principle applicable to footwear in item 700.60.

This statement reflected also the views of domestic producers and other interested parties.

Factors Affecting Imports

During the past two decades, U.S. imports of canvas footwear have been influenced by a variety of commercial practices and governmental rulings. As noted above, the single U.S. trade-agreement concession on this product was placed in effect some 15 years ago; the U.S. rate of duty was reduced in 1955 from 35 percent to 20 percent ad valorem, subject to the American selling price provisions (ASP). Both before and after the concession, various innovations were made in the construction of imported canvas footwear to avoid assessment of the duty on the ASP valuation. In the 1950's, pieces of high-value leather were used in the soles and uppers to "avoid" the substantially higher duties imposed under the ASP provision. Subsequently, various plastics were used in the soles or uppers, iron powder in the midsole, and leather in the outersole to avoid the ASP valuation. Many of these practices are now terminated because of the effect of legislation or customs rulings, but they had a great influence on the volume of imports of canvas footwear in most of the years since the trade-agreement concession was granted.

In more recent years, a change in an administrative practice by the Bureau of Customs has had a marked effect on the burden of the U.S. duty on canvas footwear. Under guidelines adopted in February 1966, the appraisement of canvas footwear is made at the value of the

like or similar domestic article closest in price to that of the imported article, whereas previously it had been made at the value of the highest priced like or similar domestic article. ^{1/} Based on trade data of 1965, the duties assessed on the basis of the old guidelines would have averaged about 95 percent of the export values, while those assessed on the basis of the new guidelines, 60 percent. Hence, as a result of administrative governmental action (and not a trade-agreement concession), the burden of the U.S. duty on canvas footwear was substantially reduced. The effect of the modification, of course, came during a period when imports of canvas footwear were not increasing--largely because of the competition afforded by machine-made domestic canvas footwear (see following section). However, even if we had been able to find in this case that imports of canvas footwear were increasing, we would necessarily have concluded, in the light of the effects of the avoidance practices and administrative rulings, that the increase was not in major part the result of the trade-agreement concession.

Reasons for the Closing of the Woonsocket Plant

Uniroyal, Inc., is in the process of shifting its production of canvas footwear from old plants located in northern States--Rhode

^{1/} Appraisement of canvas footwear had been withheld since February 1963 while the Bureau of Customs considered the possible change.

Island, Connecticut, and Indiana--to new plants in Georgia. One plant was opened in Georgia in 1964 and a second, in 1968. Another plant had been opened earlier in Puerto Rico. In 1969 nearly two-fifths of Uniroyal's output of canvas footwear was in Georgia and Puerto Rico, where virtually none had been in 1962. The company appears to have made its decision to undertake this major relocation of its production facilities in response to several factors--one of which, but not the major factor, was the competition from imported footwear.

During the 1960's, in response to a strong demand in the United States for low-priced canvas footwear, the U.S. industry widely instituted new production methods. In the traditional method, the shoe components of canvas footwear were assembled largely by hand, and the assembled shoe then vulcanized. In the newer methods (injection- and compression-molding), the upper is still assembled largely by hand, but the sole is formed and attached by machine--thus obviating the need for much of the hand assembly, as well as the vulcanizing process. Footwear made by the newer methods accounted for about half of the U.S. output in 1969, whereas it had been only a small share of the total in 1960. Injection-molded shoes are generally retailed for less than \$2 per pair, and compression-molded shoes, at about \$3 per pair; canvas shoes made by the traditional methods, generally regarded as being of higher quality, are largely retailed at \$3 to \$7 per pair, or higher.

Uniroyal, like other domestic manufacturers, has been endeavoring to shift part of its output from the traditional to the machine-made type of canvas footwear in order to supply the changing market demands. Canvas footwear was produced at the Woonsocket plant by the traditional method of manufacture. That plant was in an aged, multi-story building, and the company experienced only partial success in updating its facilities. Wage scales in the area, moreover, were considerably higher than those paid by some of Uniroyal's domestic competitors located in other areas of the country. The move to Georgia, consequently, is providing Uniroyal with new plants, the opportunity to institute the new production methods, and a lower wage structure. In the complex of factors influencing its decision, the effect of competition from imported shoes would not appear to rank as the major factor.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

The great bulk of the output of Uniroyal's Woonsocket plant in recent years has consisted of footwear with fabric uppers and soles of vulcanized rubber, generally referred to as "sneakers"; a small part (about 6 percent of the sales value) has consisted of heavy-duty water-proof fabric (called "fiberthin" coated fabric by Uniroyal). About three-fourths of the footwear produced at the plant has consisted of traditional styles of "sneakers" such as basketball shoes and tennis oxfords worn for exercise, recreation, and ordinary street wear; a fourth has been casual-style specialties for street, beach, or leisure wear. The footwear produced at the Woonsocket plant currently sells at retail from \$3 to \$6 a pair.

The sneakers produced at the Woonsocket plant have been made by the conventional method of construction (sometimes referred to as the "handmade" process). Virtually all of the imported sneakers are also made by this process. Sneakers are also made in the United States by an injection-molded process and a compression-molded process.

The conventional process of construction is estimated to account currently for half of the total domestic output. In this process the assembly of the components is largely a hand operation. The shoe upper is pulled over a last (the form on which the shoe is made) and then attached to the insole; the rubber outsole is cemented in place, and

then foxing (a narrow strip of rubber) is wrapped around the shoe at the sole so that it overlaps the upper. The assembled shoe is then vulcanized.

The injection-molded process became commercially significant in the early 1960's and now accounts for about a third of the total domestic output. In this process an assembled upper is positioned on a foot-like mold of a multiple-station machine; at the proper time a molten charge of polyvinyl chloride (PVC) is forced into a cavity to simultaneously mold and attach the sole and heel to the upper. The compression-molded process also became commercially significant in the early 1960's and now accounts for about 15 percent of the total output. In this process rubber compound in the form of blanks, plugs, or crumbs are placed in an electrically-heated mold; the shoe upper is attached to a last which fits tightly into the mold block. Under pressure and heat the rubber compound is formed into a sole which adheres to the upper; the curing takes place in the mold, thus eliminating the need for a vulcanizer.

Most of the domestically-produced sneakers made by the injection-molded process are sold at retail for less than \$2 a pair; such shoes made by the compression-molded process are sold for about \$3 a pair. Sneakers made by the conventional method of construction, which are generally considered to be of better quality than so-called "machine made" sneakers, are sold at retail principally from \$3 to \$7 a pair; some are marketed at higher prices. Thus about half of the domestic output of sneakers is currently sold at retail at \$3 a pair or less, and half at more than \$3 a pair.

The petitioners identify the imports competing with the footwear produced at Uniroyal's Woonsocket plant as the rubber- (plastic-) soled, fabric upper footwear classified in TSUS item 700.60 and, in addition, the types of footwear imported under TSUS items 700.35, 700.43, 700.45, and 700.55. The various types of footwear admitted under these TSUS items will be described briefly in the following paragraphs.

The footwear admitted under TSUS item 700.60 is subject to valuation for duty purposes on the basis of the American selling price (ASP) of the "like or similar" domestic footwear. 1/ If there is no "like or similar" domestic footwear, the imports admitted under TSUS item 700.60 are subject to valuation under the regular valuation provisions of the U.S. tariff.

Virtually all the imported footwear which Customs is valuing on the ASP basis under item 700.60 is made by the same method (i.e., the conventional or "handmade" process) as the footwear produced at Uniroyal's Woonsocket plant. Included in the footwear which Customs has been admitting as not "like or similar" to U.S. footwear for valuation purposes are sneakers with iron filings in the sole which also resemble the Woonsocket footwear in general appearance and style and in most features of construction. The sneakers with iron filings in the sole are the subject of a recent Treasury change-of-practice ruling (T.D. 70-44,

1/ See following section on tariff treatment.

published on February 7, 1970 (35 F.R. 2731) and effective 90 days thereafter) which appears to treat such footwear as "like or similar" to domestic footwear and therefore subject to ASP valuation. Also included in the footwear which Customs has been admitting under TSUS item 700.60 as not "like or similar" to U.S. footwear are a large volume of folding slippers, scuffs, boots with turned-down cuff of fiber, and shoes with fabric uppers and soles of vinyl--nearly all for women or misses--including some casual styles similar in style, but not in quality, to the casuals produced in the Woonsocket plant.

The imported footwear admitted under TSUS items 700.35, 700.43, and 700.45 is in chief value of leather. They have uppers of leather and soles of leather, rubber, or plastics. These imports range in style from sandals^{2/} and more sturdy types made in limited sizes for sale at self-service counters to high fashion types made in the same detailed sizes, and sold in the same outlets, as domestic leather shoes. The footwear admitted under TSUS item 700.35 is for men, youths, and boys and that under TSUS items 700.43 and 700.45 1/ is for women, misses, infants, and children. About four-fifths of the imports under TSUS item 700.35 in 1968 and 1969 consisted of shoes with an average landed cost of about \$6 a pair; the remainder was sandals with an average landed value of about \$2 a pair. About half the combined

1/ Item 700.43 provides for footwear having a foreign (export) value not over \$2.50 per pair; item 700.45, for more expensive footwear.

2/ The term "sandals" is used to refer to footwear with uppers consisting wholly or predominantly of straps or thongs, regardless of the height of the heel or other constructional features.

imports under items 700.43 and 700.45 in 1968 and 1969 consisted of women's and misses' sandals having an average landed cost of \$2.20 a pair and a selling price at retail mostly in the range of \$1.99 to \$6.99 a pair.

TSUS item 700.55 provides for various types of footwear of rubber or plastics which are not subject to ASP valuation for duty purposes as are the types provided for in TSUS item 700.60. The footwear admitted under TSUS item 700.55 consists predominantly of shoes with uppers of supported vinyl that are produced one width to a length for sale at self-service counters in variety stores, discount stores, and department store basements, and for sale by small stores in low-income neighborhoods. In 1969 about 20 percent of the imports consisted of zoris (thonged sandals suitable for beach and other casual wear) with an averaged landed cost of about 15 cents a pair; about 25 percent were folding slippers and sandals that generally sell at retail for less than \$1 a pair; nearly all the remainder were street shoes of sturdy construction, mostly in popular casual styles resembling similar shoes of leather. The street shoes generally sell at retail for less than \$5 a pair.

Hereafter in this report, footwear of the type produced in Uniroyal's Woonsocket plant as well as the imported footwear admitted under item 700.60, which resembles the Woonsocket products will, in general, be referred to as canvas footwear.

value of leather. This opportunity for circumvention was also removed by legislation. 1/

Subsequently the use of various plastics in the construction of the sole and/or the uppers generally avoided the ASP provision until Customs issued a ruling to the contrary. In T.D. 55364(2) of April 7, 1961, for example, Customs ruled that footwear having uppers of fibers and soles that resembled, in appearance and general characteristics such as flexibility and resiliency, those of tennis shoes, basketball shoes, "Ked-type" shoes, and sneakers but not in chief value of india rubber were classifiable as footwear with uppers of fibers and soles wholly or in chief value of substitutes for rubber (in par. 1530(e)) and were subject to ASP valuation unless it could be established that the material in the sole was used in its own right and for its own characteristics. Subsequently, T.D. 55583 of March 12, 1962, stated that footwear resembling the canvas shoes here considered and having PVC and styrene soles and other soles with the characteristics of soles commonly found on such canvas shoes would be dutiable on the basis of the ASP whether or not the component material in chief value of the sole was used in its own right and for its own characteristics and not in place of (substitute for) india rubber.

Prior to 1963 the practice of Customs examiners in appraising the dutiable value of canvas footwear which they determined to be like or similar to domestic footwear was to use the unit value of the highest priced like or similar domestic article. In February 1963 the Bureau

1/ P.L. 85-454, 85th Cong., approved July 11, 1958 (72 Stat. 185).

suspended appraisement of such footwear pending a possible change in the method of determining the ASP. Under the new guidelines adopted in February 1966, the appraisement of canvas footwear is made at the value of the like or similar domestic article closest in price to the price of the imported article. In investigation No. 332-47 mentioned above, the Commission estimated that on the footwear dutiable in 1965 on the basis of ASP, the duties assessed on the basis of the old guidelines would have averaged about 95 percent of the export values, whereas the duties assessed on the basis of the new guidelines would have averaged 60 percent of the export values.

This change in the valuation guidelines, which is an administrative interpretive decision and not a tariff concession, is under appeal by the domestic producers in the U.S. Customs Court. If the Court decides that the producers are right and Customs is wrong, the lower level of duty protection afforded by the new guidelines is the result of erroneous administrative interpretation. On the other hand, if the Court upholds Customs' 1966 interpretation, the producers were never entitled to the higher degree of protection formerly afforded.

Operations of Uniroyal, Inc.

All products

Uniroyal, Inc., until 1967 the United States Rubber Company, is the nation's third largest rubber fabricator with revenue amounting to \$1.6 billion in 1969, compared to \$1.4 billion in 1968 and \$1.3

billion in 1967. Revenue in 1967 (the latest year for which data are available) was derived as follows: 42 percent from tires, tubes, and accessories, 37 percent from chemicals and fibers, 12 percent from footwear, sporting goods, and clothing, and 9 percent from industrial rubber products. Uniroyal operates about 80 plants, some 55 of which are located in the United States, manufacturing approximately 33,000 separate items on 1,200 product lines. At yearend 1968, the gross value of Uniroyal property was \$919 million; 72.8 percent was located in the United States, 16.9 percent in Europe, Africa, and the Far East, and 10.3 percent in Canada, Central and South America. In 1968, the total number of employees averaged 67,595.

Canvas footwear

In 1969, Uniroyal manufactured canvas footwear in 6 plants--3 in northern States (Connecticut, Indiana, and Rhode Island), and 3 in the South (2 in Georgia and 1 in Puerto Rico), as shown in table 2. * * * Of the 3 northern plants contributing to production in 1969, the Mishawaka plant ceased production of canvas shoes on July 3, 1969, the Woonsocket plant ceased production on April 3, 1970, and the Naugatuck plant expects to cease production by the end of 1970.

The Woonsocket plant

Production and sales.--The Woonsocket plant began production of waterproof footwear in 1889 as part of the Woonsocket Rubber Co. In 1893, the Woonsocket plant, along with the Woonsocket Rubber Co., was acquired by the United States Rubber Co., which had been organized a year earlier. Between 1930 and 1941, the plant was closed owing to the depression, but reopened in September 1941 to manufacture such items as barrage ballons, life boats, and life saving suits for use in World War II. In August 1945, production of waterproof footwear was resumed, and production of canvas footwear was initiated. In 1953, production of waterproof footwear was again discontinued. During 1969, about 94 percent of the sales value of output consisted of canvas footwear and 6 percent consisted of fiberthin coated fabric (for use as waterproof covering). Production of canvas footwear was discontinued on April 3, 1970.

* * * * *

U.S. Consumption of Canvas Footwear

Apparent U.S. consumption of canvas footwear increased from about 120 million pairs in 1960 to 201 million pairs in 1965. Trade sources reported that a number of factors in addition to the rise in population caused the sales boom of canvas shoes in this period--the "economy" of such shoes, their washable qualities, and the rising need for shoes designed for sports and leisure-time activities. Since 1965, however, there has been a noticeable shift, especially among teenagers and women, from canvas footwear to thong and strap sandals and to various styles of nonrubber footwear for street wear and some leisure activities. Accordingly, apparent consumption of canvas footwear did not keep pace with the rise in population and declined to 171 million pairs in 1969 as shown in the following tabulation (in millions of pairs):

Year	Production <u>1/</u>	Imports <u>2/</u>	Shipments from Puerto Rico	Apparent consumption <u>3/</u>	Ratio (percent) of imports to apparent consumption
1965--	166	23	12	201	11
1966--	160	22	13	195	11
1967--	153	29	15	197	15
1968--	155	30	15	200	15
1969--	<u>4/</u> 132	25	<u>2/</u> 14	171	15

1/ Data reported by the Census Bureau (SIC Code No. 3021); does not include production in Puerto Rico.

2/ Estimated by the Tariff Commission.

3/ Production plus imports plus shipments from Puerto Rico of footwear produced there. U.S. exports of canvas shoes have been negligible; in 1969 they amounted to an estimated 300,000 pairs.

4/ Preliminary estimate.

U.S. Production of Canvas Footwear

Volume

U.S. production of canvas footwear increased steadily from 88 million pairs in 1960 to 166 million pairs in 1965. Production then declined to 153 million pairs in 1967, and further to an estimated 132 million pairs in 1969. The value of production in 1969 was about \$250 million. The decline from 1966 to 1967 resulted from the shutdown of the principal Uniroyal plants because of a labor strike in 1967 and that from 1968 to 1969 was accounted for in part by the closing of two plants. Production was discontinued at Uniroyal's Mishawaka, Ind., plant in July 1969 (Uniroyal's total output declined about *** pairs in 1969). Production was also discontinued in 1969 at Randolph Manufacturing Company's plant in Garden Grove, Cal. The total output in 1969 was smaller than that in any preceding year since 1961.

Domestic production of canvas footwear, by types, for 1967-69 is shown in the following tabulation (in thousands of pairs):

<u>Type</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Bals (high cuts)-----	12,911	14,267	14,907
Oxfords-----	98,685	101,924	79,039
Casuals (men's and boys')-----	7,907	7,380	6,092
Specialties (women's, misses', and children's)-----	<u>33,517</u>	<u>31,283</u>	<u>32,036</u>
Total-----	153,020	154,854	132,074

The foregoing data on U.S. production do not include shipments from Puerto Rico to continental United States. The volume of such shipments during 1965-69 is shown in the section on U.S. consumption.

As noted previously, there has been an upward trend in the production of canvas footwear made by the injection-molded and compression-molded processes. The output of such footwear increased from a small part of the total in early 1960 to an estimated half of the total at the present time. It is expected that the output of such footwear will continue its upward trend.

Prices

* * * * *

U.S. Imports of Canvas Footwear

Volume

Because of the various innovations in construction designed to avoid assessment of the duty on an ASP valuation (see tariff treatment section of this report), the official statistics on imports of canvas footwear, especially during the 1950's and early 1960's, understate the volume of imports of such footwear. During 1950-54, estimated annual imports of canvas footwear averaged about 100,000 pairs. The rate of duty was reduced from 35 percent to 20 percent, effective September 10, 1955. U.S. imports amounted to an estimated 1 million pairs in 1957, and thereafter increased sharply, reaching an estimated 13 million pairs in 1959, 30 million pairs in 1960, and 47 million pairs in 1962. Imports then declined to about 35 million pairs in 1963 and ranged

between an estimated 22 million and 30 million pairs in 1964-69 as shown in the following tabulation (in millions of pairs):

<u>Year</u>	<u>Dutiable on basis of ASP</u>	<u>Other footwear</u>	<u>Total</u>
1962-----	28	19	47
1963-----	25	10	35
1964-----	21	4	25
1965-----	18	5	23
1966-----	17	5	22
1967-----	23	6	29
1968-----	24	6	30
1969-----	19	6	25

The share of U.S. consumption of sneakers supplied by imports was about 25 percent in 1962, 11 percent in 1965 and 1966, and 15 percent in each of the years 1967, 1968, and 1969.

Table 3 shows the foregoing estimates of U.S. imports of sneakers in 1964-69 together with imports of all footwear and of the various types specifically mentioned by the petitioners. Total imports of footwear increased about 85 percent from 1964 to 1969. In 1969 imports of sneakers accounted for 9 percent of the total, imports of footwear with uppers of rubber or plastics for 43 percent. It is estimated that imports of footwear of the types retailing currently for less than \$6 a pair accounted for about 75 percent of the total imports in both 1964 and 1969.

Prices

The great bulk of the canvas footwear imported into the United States in recent years has sold at retail in the lower price ranges. In 1969, about two-fifths of the canvas footwear imported was sold for

less than \$2 a pair; about a third in the \$2 to \$3 price range; the remainder was sold principally in the \$3 to \$4 retail price range. Thus, U.S. imports of canvas footwear are sold principally in the same retail price range as "machine-made" domestically-produced sneakers. As indicated in the preceding section, U.S. production of "machine-made" sneakers has increased greatly in the 1960's.

Japan, Taiwan, and Hong Kong have been the principal suppliers of canvas footwear. In 1969, such imports from Japan (principally footwear for women and misses) had an average export value of about 85 cents per pair and accounted for about half of the total imports; imports from Taiwan (principally footwear for women, misses, men, and boys) had an average export value of about 45 cents per pair and accounted for about a fourth of the total; and imports from Hong Kong (principally footwear for men and boys) had an average export value of about 60 cents per pair and accounted for most of the remainder.

APPENDIX

Table 1.--U.S. rates of duty applicable to footwear of the types provided for in specified TSUS items, 1930 and GATT concessions

TSUS item No.	Abbreviated description	GATT concessions ^{1/}		Effective dates
		1930 rate	Rate	
700.35	"Other" leather footwear: For men, youths, and boys	20% ad val.	10% 9.5% 9% 8.5%	Jan. 1, 1948 - Dec. 31, 1967 Jan. 1 - Dec. 31, 1968 Jan. 1, 1969 - Dec. 31, 1970 Jan. 1, 1971
700.43	For other persons: Valued not over \$2.50 per pair	20% ad val.	19% 18% 17% 16% 15%	Jan. 1 - Dec. 31, 1968 Jan. 1 - Dec. 31, 1969 Jan. 1 - Dec. 31, 1970 Jan. 1 - Dec. 31, 1971 Jan. 1, 1972
700.45	Valued over \$2.50 per pair	20% ad val.	18% 16% 14% 12% 10%	Jan. 1 - Dec. 31, 1968 Jan. 1 - Dec. 31, 1969 Jan. 1 - Dec. 31, 1970 Jan. 1 - Dec. 31, 1971 Jan. 1, 1972
700.55	Footwear having uppers of which over 90% of the exterior surface area is rubber or plastics	Principally 20% or 25% ad val.	12.5% ^{2/} 11% 10% 8.5% 7% 6%	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
700.60	"Other" footwear with uppers of fabrics and soles of rubber or plastics	35% ad val. ^{3/}	20% ^{4/}	Sept. 10, 1955 to date

^{1/} For concessions granted in the Kennedy Round, shows staged rates expected to become effective up to and including Jan. 1, 1972.

^{2/} 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 types of footwear provided for in this TSUS item.

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

^{4/} See footnote 3.

Table 2.--Canvas footwear: Production of Uniroyal, Inc.,
by plants, 1962-69

* * * * *

Table 3.--Footwear: U.S. imports for consumption, all footwear and specified types, 1964-69

(In millions of pairs)

Year	Total, all footwear	Certain footwear of leather					
		For men, youths, and boys (700.35)		For other people (700.43 & 700.45)			
		Total	Sandals (estimated)	Total	Sandals for women and misses (est.)		
1964-----	153	6	1	20	14		
1965-----	176	8	1	22	16		
1966-----	178	10	2	30	21		
1967-----	216	14	3	41	27		
1968-----	273	20	4	58	30		
1969-----	284	25	4	62	30		
Year	Total	Certain footwear with uppers of rubber or plastics, (700.55)		Plastic- or rubber-soled footwear with fabric uppers (700.60)			
		Zoris	With supported vinyl uppers		Sneakers (estimated)	All other	
			Total	For women and misses			
1964-----	72	32	35	28	29	25	4
1965-----	89	34	41	30	33	23	10
1966-----	83	32	43	33	35	22	13
1967-----	94	22	62	50	45	29	16
1968-----	120	30	83	69	49	30	19
1969-----	122	25	89	71	44	25	19

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

Note.--Combined imports reported under the 5 TSUS items shown separately accounted for 89 percent of the total imports of footwear in 1969.

