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UNITED STATES TARIFF COMMISSION

MEN'S FOOTWEAR:
WISCONSIN SHOE CO.
MILWAUKEE, WIS.

Report to the President
Firm Investigation No. TEA-F-33
Under Section 301(c)(1) of the Trade Expansion Act of 1962



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UNITED STATES TARIFF COMMISSION

Catherine Bedell, *Chairman*

Joseph O. Parker, *Vice Chairman*

Glenn W. Sutton

Will E. Leonard, Jr.

George M. Moore

J. Banks Young

Kenneth R. Mason, *Secretary*

Address all communications to
United States Tariff Commission
Washington, D. C. 20436

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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 the publication of which would result in the disclosure of the operation of an individual firm. 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,
October 22, 1971.

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 under section 301(c)(1) of that act, in response to a petition filed by a firm.

On August 27, 1971, Mr. Douglas L. Reeder, Jr., president, filed a petition on behalf of Wisconsin Shoe Co., Milwaukee, Wis., for a determination of the firm's eligibility to apply for adjustment assistance. Accordingly, on September 7, 1971, the Commission instituted an investigation (TEA-F-33) to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the men's footwear produced by the aforementioned firm are being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to such firm.

Public notice of the receipt of the petition and of the institution of the investigation was given by publication in the Federal Register on September 14, 1971 (36F.R. 18443). No public hearing was requested and none was held.

The information in this report was obtained principally from officials of the Wisconsin Shoe Co. and from the Commission's files.

Finding of the Commission

Based on its investigation, the Commission 1/ unanimously finds that articles like or directly competitive with men's footwear of the types produced by the Wisconsin Shoe Co., Milwaukee, Wis., 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, serious injury to such firm.

1/ Chairman Bedell and Vice Chairman Parker did not participate in the decision. Commissioner Sutton was absent.

Views of Commissioners Moore and Young

Our determination in this investigation is in the negative because in our view the Wisconsin Shoe Co. is not suffering, or threatened with, serious injury.

The output of the Wisconsin Shoe Co., which is still in operation, consists principally of men's leather footwear of welt construction. During 1970, work shoes (in terms of quantity) accounted for about 70 percent of sales; dress shoes, 15 percent; bowling shoes, 10 percent; and hunting boots, 5 percent.

The company's total sales of shoes, in terms of both quantity and value, were greater in 1970 than in 1967. The company's output of work shoes, by far its leading product line, has trended upward in recent years, while the U.S. production of such shoes has remained fairly constant. Although sales of men's dress shoes by the Wisconsin Shoe Co. declined during the period 1968-70, sales of all other shoes were on an upward trend.

Moreover, there was no appreciable decline in the number of production workers employed at the Wisconsin Shoe plant through June 1971. The average number of production workers increased by 15 percent from 1968 to 1970. In addition, the number of such workers employed was greater in 1970 than in both 1966 and 1967.

After 3 profitable years, the company suffered a small net loss in fiscal year 1970. Stockholders' equity increased, however, from 1966 to 1970.

In light of the evidence available to the Commission, we have concluded that the Wisconsin Shoe Co., which is primarily a work-shoe

producer, has been doing better than the work-shoe industry as a whole and, therefore, is not suffering, or threatened with, serious injury. Accordingly, we have made a negative determination.

Views of Commissioner Leonard

My determination in the instant case is negative because the increase in imports of any footwear like or directly competitive with that produced by the Wisconsin Shoe Co., Milwaukee, Wis., is not the result in major part of concessions granted under trade agreements. My reasoning in support of this determination is set forth in the Commission's report on nonrubber footwear submitted to the President on January 15, 1971. 1/

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

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

The Wisconsin Shoe Co., which is still in operation, produces men's footwear. In 1970, work shoes, retailing at about \$15 to \$18 a pair, accounted for about 70 percent of sales; dress shoes, retailing at about \$16 to \$20 a pair, 15 percent; bowling shoes, retailing at about \$12 to \$15 a pair, 10 percent; and hunting boots, retailing at about \$22 to \$25 a pair, 5 percent. Virtually all of the shoes were constructed with uppers of leather and by the welt process.

Leather work shoes are sturdy footwear with heavy uppers, durable stitching, and special soles (often made from neoprene rubber to make them oil resistant). Work shoes, which are not only worn by blue-collar workers, but also by hikers, hunters, and others, may be either of the oxford type (less than 6 inches in height), or of the above-the-ankle type (generally 6 inches or 8 inches in height).

Work shoes are generally either of the so-called tyrolean-type or of the basic work type. Tyrolean-type shoes are usually made with uppers of glove leather with no lining and of welt construction; they generally have a cushion innersole, and, perhaps most important in terms of appearance, a moccasin toe. Tyrolean-type shoes, which were first designed about 15 years ago, provide a dressier appearance and are more comfortable than the harsher looking work shoes of the previous decade. In recent years, tyrolean-type work shoes, which are available in a wide assortment of colors and variations, have accounted for the bulk of U.S. consumption of work shoes. The basic work shoes may

have many of the features of the tyrolean-type shoes, but they have plain toes and may also have uppers of other than glove leather. Most of the work shoes produced by Wisconsin Shoe were of the basic work type.

A key construction feature of all shoes is the method by which the sole is attached to the upper. Various methods are employed in making work shoes. The higher quality shoes are generally of welt construction; most work shoes produced in the United States are of such construction. Other methods include vulcanizing or injection-molding the soles to uppers, cementing soles to uppers, and various other processes.

As stated above, dress shoes accounted for about 15 percent of the sales of Wisconsin Shoe in 1970. The term "dress shoes" refers to the types of footwear intended principally for business and social activities. In 1969 about 50 percent of U.S. production of men's dress shoes was made by the welt process; about 25 percent, by the cement process; and most of the remainder, by the injection-molded process. With respect to imported men's dress shoes, it is estimated that about 20 percent were made by the welt process; about 75 percent, by the cement process; and the remainder, by the injection-molded and miscellaneous processes.

Bowling shoes, which accounted for about 10 percent of the sales made by Wisconsin Shoe in 1970, are classified as athletic shoes when imported into the United States. Hunting boots are similar to work shoes in that they are substantially made footwear with heavy uppers, durable stitching, and special soles.

In the welt process (virtually all of the shoes produced at Wisconsin Shoe were constructed by this process), a narrow strip of supple leather or manmade material, called the welt, is sewed to the shoe upper and to a lip on the surface of the insole; the outsole is then sewed and/or cemented to the welt. Welt shoes are generally considered heavier in weight and appearance than those made by other processes. In the cement process, the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing. This process permits narrow edges on the outsole to give a trim appearance and produces a lighter and more flexible shoe than other processes used for men's footwear. In the vulcanizing process, the assembled rubber outsole and heel are molded in place and vulcanized to an assembled leather upper. In the injection-molded process, the sole and heel of polyvinyl chloride or an elastomer resin compound are simultaneously molded and attached to the shoe upper, thus reducing production time and labor costs by eliminating a number of the steps required to attach the sole to the upper.

U.S. Tariff Treatment

Since August 31, 1963, the effective date of the Tariff Schedules of the United States (TSUS), imported leather footwear of the type (welt construction) produced at Wisconsin Shoe is classified for duty purposes under TSUS items 700.25, 700.26, 700.27, and 700.29, depending on the value per pair. Imported men's leather shoes of cement construction and of miscellaneous construction (particularly the injection-molded and stitchdown processes), which do not differ significantly from welt shoes in styling and appearance, are admitted under item 700.35.

Footwear in chief value of leather (except that with uppers in chief value of fibers) was originally dutiable in the Tariff Act of 1930 at 20 percent ad valorem under paragraph 1530(e). From 1930 until January 1, 1948, the effective date of the earliest concessions granted by the United States under the General Agreement on Tariffs and Trade (GATT), the tariff rates on the footwear here discussed were effected by the following two pre-GATT concessions: (1) Effective January 1, 1939, the rate on welt footwear with a dutiable value of over \$2.50 a pair (now TSUS items 700.26, 700.27, and 700.29) was reduced to 50 cents a pair, but not less than 10 percent ad valorem; and (2) effective January 30, 1943, the rate on footwear made by the cement and miscellaneous processes (now TSUS item 700.35) was reduced to 10 percent ad valorem.

Table 1 in the appendix shows the 1930 rates of duty and the concession rates granted under the GATT (including all stages of the Kennedy Round reductions) for items 700.25, 700.26, 700.27, 700.29, and 700.35, the five TSUS items under which most men's leather shoes have been admitted in recent years.

U.S. Consumption, Production, and Imports

Men's work shoes

As noted earlier in this report, work shoes accounted for about 70 percent of the sales of Wisconsin Shoe in 1970. Apparent annual U.S. consumption, production, and imports of work shoes have remained fairly constant in recent years, as shown in the following table.

Men's work shoes: U.S. production, imports for consumption; and apparent consumption, 1965-70

Year	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to apparent consumption
	Million pairs	Million pairs	Million pairs	Percent
1965-----	32	1	33	3
1966-----	38	1	39	3
1967-----	39	1	40	3
1968-----	36	2	38	5
1969-----	36	2	38	5
1970-----	36	2	38	5

1/ Covers footwear of oxford height and also footwear that extends above the ankle.

2/ The term work footwear, as described in statistical headnote 1(b) of pt. 1A, schedule 7 of the Tariff Schedules of the United States Annotated, covers footwear having outsoles 1/4 inch or over in thickness (measured at the ball of the foot) and having uppers of grain leather extending above the ankle. Data are not available on work footwear of oxford height. Therefore the ratio of imports to apparent consumption as shown above is probably understated.

3/ Production plus imports. Data are not available on exports.

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

In 1970 about half of the imports were of welt construction with an average dutiable value of about \$4.80 a pair; the remainder were of cement construction with an average dutiable value of about \$3.60 a pair. As stated previously, most domestically-produced work shoes are of welt construction.

Men's dress shoes

Data on U.S. consumption, production, and imports of men's dress shoes are not separately reported in official statistics. However, estimates of U.S. consumption (production plus imports) of such shoes are shown in the following table.

Men's dress shoes: Estimated U.S. production, imports for consumption, and apparent consumption, 1965-70

Year	: Produc- tion <u>1/</u>	: Imports	: Apparent consump- tion <u>2/</u>	: Ratio of imports to apparent consumption
	: <u>Million</u> : <u>pairs</u>	: <u>Million</u> : <u>pairs</u>	: <u>Million</u> : <u>pairs</u>	: <u>Percent</u>
1965-----	62	6	68	9
1966-----	64	8	72	11
1967-----	58	10	68	15
1968-----	65	13	78	17
1969-----	60	18	78	23
1970-----	66	19	85	22

1/ Includes footwear other than athletic or work reported in industry No. 3141 as men's shoes except handsewns and footwear with uppers of soft tannage (desert boots and sandals).

2/ Represents estimated production plus estimated imports without an allowance for exports, which in 1970 amounted to less than 0.5 million pairs.

Source: Estimates of the U.S. Tariff Commission based on official statistics of the U.S. Department of Commerce.

Welt shoes accounted for about half of the total output in 1970; shoes produced by the cement process accounted for about a fourth and injection-molded shoes, a tenth.

As noted in the preceding table, estimated annual imports of men's dress shoes, which increased from 6 million pairs in 1965 to 19 million in 1970, supplied 9 percent of apparent consumption in 1965 and 22 percent in 1970. In 1970, men's dress shoes entered under TSUS item 700.35, made principally by the cement process, accounted for approximately 85 percent of total imports; shoes made by the welt process, entered under TSUS items 700.26, 700.27, and 700.29, accounted for the remainder.

Bowling shoes and hunting boots

About 15 percent of the sales of Wisconsin Shoe in 1970 consisted of bowling shoes and hunting boots. Data on U.S. production and imports of such footwear are not separately reported in official statistics.

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STATISTICAL APPENDIX



Table 1.--U.S. rates of duty applicable to leather footwear of the types provided for in specified TSUS items, 1930 and GATT concessions to Jan. 1, 1972

TSUS item No.	Abbreviated description	1930 rate	GATT concessions	
			Rate	Effective date
		Percent ad val.	Percent ad val. of cents per pair	
700.25	Leather footwear: Welt, valued per pair-- Not over \$2-----	20%	19% 18% 17%	June 30, 1956-June 29, 1957. June 30, 1957-June 29, 1958. June 30, 1958.
700.26 <u>1/</u>	Over \$2 but not over \$5--	20%	40¢ 38¢ 36¢ 34¢ 30¢ 27¢ 23¢ 20¢ 17¢	Jan. 1, 1948-June 29, 1956. June 30, 1956-June 29, 1957. June 30, 1957-June 29, 1958. June 30, 1958-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.
700.27 <u>1/</u>	Over \$5 but not over \$6.80.	20%	40¢ 38¢ 36¢ 34¢ 6% but not more than 34¢. 5.5% but not more than 34¢. 5%	Jan. 1, 1948-June 29, 1956. June 30, 1956-June 29, 1957. June 30, 1957-June 29, 1958. June 30, 1958-Dec. 31, 1967. Jan. 1, 1968-Dec. 31, 1969. Jan. 1-Dec. 31, 1970. Jan. 1, 1971.
700.29 <u>1/</u>	Over \$6.80 (except ski boots).	20%	40¢ but not less than 5%. 38¢ but not less than 5%. 36¢ but not less than 5%. 5%	Jan. 1, 1948-June 29, 1956. June 30, 1956-June 29, 1957. June 30, 1957-June 29, 1958. June 30, 1958-June 29, 1957. June 30, 1957-June 29, 1958. June 30, 1958.
700.35	"Other" footwear (including cement process) for men, youths, and boys.	20%	10% 9.5% 9.0% 8.5%	June 6, 1951-Dec. 31, 1967. Jan. 1-Dec. 31, 1968. Jan. 1, 1969-Dec. 31, 1970. Jan. 1, 1971.

1/ New item effective Jan. 1, 1968.

Note.--Pursuant to Presidential Proclamation No. 4074, effective Aug. 16, 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. On the imports under the TSUS items considered here, the new rates (i.e., the 1971 rates in table 1 plus the additional rate) are as follows: item 700.25, 20 percent (the col. 2 rate); item 700.26, 20 cents a pair plus 10 percent; item 700.27, 15 percent; item 700.29, 15 percent; and item 700.35, 18.5 percent. Goods exported to the United States before Aug. 16, 1971, are exempt from the additional duty, but any such goods entered for warehouse or entered into a foreign trade zone will be subject to the additional duty unless they are withdrawn for consumption on or before Oct. 1, 1971.





