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UNITED STATES TARIFF COMMISSION

MEN'S LEATHER FOOTWEAR; CERTAIN WORKERS OF THE
PACKARD DIVISION OF KNAPP BROTHERS SHOE MANUFACTURING
CORPORATION, BROCKTON, MASSACHUSETTS

Report to the President on Investigation No. TEA-W-7
Under Section 301(c)(2) of the Trade Expansion Act of 1962



TC Publication 232
Washington, D. C.
March 1968

UNITED STATES TARIFF COMMISSION

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C O N T E N T S

	<u>Page</u>
Introduction-----	1
Finding of the Commission-----	2
Considerations supporting the Commission's finding-----	2
Information obtained in the investigation:	
Description and uses-----	4
U.S. customs treatment-----	5
U.S. consumption-----	7
U.S. production-----	8
U.S. imports-----	8
* * * * * * *	
Statistical appendix-----	12

TABLES

1. Footwear of leather for men (other than athletic or work footwear): U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, by type of construction, 1962-66 and January-September of 1966 and 1967-----	13
2. Footwear of leather for men (other than athletic or work footwear): U.S. imports for consumption, by specified kinds, 1965-66 and January-September 1967-----	14
3. Welt footwear of leather for men (other than athletic or work footwear): U.S. imports for consumption, by principal sources, 1965-66 and January-September 1967-----	15
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Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that would result in the disclosure of the operations of an individual concern. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission,
March 4, 1968.

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)(2) of that act, in response to a workers' petition for a determination of eligibility to apply for adjustment assistance.

Introduction

The petition for this investigation was filed by George O. Fecteau, General President of the United Shoe Workers of America, AFL-CIO, CLC, on behalf of a group of workers of the Packard Division of the Knapp Brothers Shoe Manufacturing Corporation, Brockton, Massachusetts. The Commission instituted the investigation on January 3, 1968, and gave public notice thereof in the Federal Register of January 10, 1968 (33 F.R. 387).

The purpose of the Commission's investigation was to determine whether, as a result in major part of concessions granted under trade agreements, footwear like or directly competitive with welt footwear produced by the Packard Division is 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 that Division.^{1/} The Commission obtained data from its files and through field visits, interviews, and correspondence

^{1/} The Packard Division discontinued virtually all operations in October 1967.

by the Commission's staff with officials of Knapp Brothers Shoe Manufacturing Corporation, Local 294 of the United Shoe Workers of America, and the Commonwealth of Massachusetts Division of Employment Security. No public hearing was requested in connection with the investigation, and none was held.

Finding of the Commission

On the basis of its investigation, the Commission unanimously finds that footwear like or directly competitive with welt footwear produced by the Packard Division of the Knapp Brothers Shoe Manufacturing Corporation, Brockton, Massachusetts, is not, as a result in major part of concessions granted thereon under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of that Division.

Considerations Supporting the Commission's Finding

For about two decades the Knapp Brothers Shoe Manufacturing Corp. has produced men's welt footwear at two plants in Brockton, Mass.--the Packard Division and the Manufacturing Division. At present, the company also manufactures various types of footwear in 3 other plants in New England.

In mid 1967, its officials decided to discontinue the production of shoes at the Packard Division and consolidate the operations of the two Brockton plants under the management of the Manufacturing Division.

Negotiations between Knapp and the United Shoe Workers of America were begun in August 1967 to provide for the transfer of production operations and certain workers from the Packard to the Manufacturing Division. Production of footwear at the Packard plant virtually ceased on October 2, 1967. A significant number of the Packard workers were discharged as a result of the consolidation; many of the other workers, including those remaining at the plant in October, were absorbed by the Manufacturing Division. It is the unemployment resulting from these changes which was the basis for the union's petition.

For many years Knapp Brothers' annual output of men's welt footwear in the Brockton area has fluctuated within a rather narrow range. The decision to discontinue production of footwear at the Packard plant appears to have been based primarily on considerations unrelated to competition from imports. The plant was 60 to 70 years old, and consolidation of the operations of the two plants provided an opportunity to cut costs of production.

Accordingly, the Commission finds that imports were not the major cause of the unemployment or underemployment resulting from the consolidation of the Brockton operations. 1/

In view of this determination there is no need for the Commission to report concerning the other criteria imposed by the Act.

1/ Commissioner Clubb observes that in his judgment the proper test of whether imports have been the major cause of unemployment is whether, but for the imports, the unemployment would have occurred (Barbers' Chairs--TC Publication 228--and Eyeglass Frames--TC Publication 219). But even applying that test in this case, an affirmative determination cannot be made.

Information Obtained in the Investigation

Description and uses

The Packard Division of Knapp Brothers Shoe Manufacturing Corp. produced men's leather shoes of welt construction, other than athletic and work shoes. ^{1/} In the welt 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 or cemented to the welt. Welt shoes are very rugged and durable and higher quality men's shoes are generally of such construction. Men's leather shoes of non-welt construction made by the cement process and miscellaneous processes of attaching the outsole to the upper, such as stitchdown, do not differ significantly from welt shoes in styling and appearance. The distinguishing characteristic of the cement construction is that the outsole is attached to the shoe upper by an adhesive without sewing. Men's shoes made by this process have a trim appearance but generally are not quite as durable as shoes of welt construction. For convenience the term "men's shoes" is used hereafter in this report to refer to leather shoes of the types described above.

In recent years about 50 percent of U.S. production of men's shoes have been made by the welt process, about 25 percent by the cement process, and about 25 percent by miscellaneous processes. With respect

^{1/} For statistical purposes, athletic footwear is defined in the Tariff Schedules of the United States Annotated as "footwear of special construction for baseball, football, soccer, track, skating, skiing, and other athletic games, or sports"; and work footwear is defined as "footwear having outsoles 1/4 inch or over in thickness. . . and having uppers of grain leather extending above the ankle". The Packard Division produced footwear commonly referred to in the trade as "dress shoes" and also certain so-called work oxfords of welt construction, which are not work footwear, as so defined, and the data in this report on production and imports include them.

to imported shoes, about 20 percent have been made by the welt process, about 55 percent by the cement process, and about 25 percent by miscellaneous processes.

Men's shoes are sold through various retail outlets at prices generally ranging from \$10 to \$40 per pair. The price depends chiefly on the style, type of construction, and materials used.

The annual data on U.S. production in this report include a small amount (probably less than 3 percent in recent years) of shoes with uppers of newly developed manmade leather-like materials. Such shoes have not been imported up to this time.

U.S. customs treatment

Before August 31, 1963, the effective date of the Tariff Schedules of the United States (TSUS), leather footwear was dutiable under paragraph 1530(e) of the Tariff Act of 1930. The rate of duty originally applicable to such articles under that Act was 20 percent ad valorem. For men's leather footwear of welt construction (in items 700.25, 700.26, 700.27, and 700.29 of the 1968 TSUS) and of certain other constructions that do not differ significantly from welt footwear in styling and appearance (in item 700.35), the applicable rates of duty

since 1938, as a result of concessions granted on several occasions under the trade agreements program, have been as follows:

	<u>Rate of duty</u>	<u>Effective dates</u>
Welt footwear valued per pair--		
Not over \$2.50-----	20% ad val. }	Jan. 1, 1939, - Dec. 31, 1947.
Over \$2.50 but not over \$5----	50¢ per pair }	
Over \$5-----	10% ad val. }	
Not over \$2-----	20% ad val. }	Jan. 1, 1948, - June 29, 1956.
Over \$2 but not over \$8-----	40¢ per pair }	
Over \$8-----	5% ad val. }	
Not over \$2-----	19% ad val. }	June 30, 1956, - June 29, 1957.
Over \$2 but not over \$7.60----	38¢ per pair }	
Over \$7.60-----	5% ad val. }	
Not over \$2-----	18% ad val. }	June 30, 1957, - June 29, 1958.
Over \$2 but not over \$7.20----	36¢ per pair }	
Over \$7.20-----	5% ad val. }	
Not over \$2-----	17% ad val.	June 30, 1958, to date.
Over \$2 but not over \$6.80----	34¢ per pair.	June 30, 1958, - Dec. 31, 1967.
Over \$6.80-----	5% ad val.	June 30, 1958, to date.
Over \$2 but not over \$5-----	30¢ per pair <u>1/</u>	Jan. 1-Dec. 31, 1968.
Over \$5 but not over \$5.66-2/3	6% ad val. <u>2/</u> }	Jan. 1, 1968, - Dec. 31, 1969.
Over \$5.66-2/3 but not over \$6.00.	34¢ per pair <u>2/</u> }	
"Other" footwear (the type provided for in TSUS item 700.35)	{ 10% ad val.	Jan. 30, 1943, - Dec. 31, 1950; and
	{	June 6, 1951, - Dec. 31, 1967. <u>3/</u>
	{ (9.5% ad val. <u>4/</u>	Jan. 1-Dec. 31, 1968.

1/ The first stage of a Kennedy Round concession that is to become effective in five annual stages, the last (17¢ per pair) on Jan. 1, 1972.

2/ The first stage of a Kennedy Round concession that is to become effective in three stages, the last (5% ad val.) on Jan. 1, 1971.

3/ During the period Jan. 1-June 5, 1951, the statutory rate of 20 percent ad valorem was applicable.

4/ The first stage of a Kennedy Round concession that is to become effective in three stages, the last (8.5% ad val.) on Jan. 1, 1971.

For welt footwear of specified dutiable values, 1/ the amounts of duty under the original rate in the Tariff Act of 1930 and under the rates resulting from concessions in effect during 1939-67 were as follows:

Dutiable value per pair	Amount of duty per pair						
	6-18-30	1-1-39	1-1-48	6-30-56	6-30-57	6-30-58	
	to	to	to	to	to	to	
	12-31-38	12-31-47	6-29-56	6-29-57	6-29-58	12-31-67	
\$1.00-----	\$0.20	\$0.20	\$0.20	\$0.19	\$0.18	\$0.17	
2.00-----	.40	.40	.40	.38	.36	.34	
3.00-----	.60	.50	.40	.38	.36	.34	
4.00-----	.80	.50	.40	.38	.36	.34	
5.00-----	1.00	.50	.40	.38	.36	.34	
6.00-----	1.20	.60	.40	.38	.36	.34	
7.00-----	1.40	.70	.40	.38	.36	.35	
8.00-----	1.60	.80	.40	.40	.40	.40	
9.00-----	1.80	.90	.45	.45	.45	.45	
10.00-----	2.00	1.00	.50	.50	.50	.50	
15.00-----	3.00	1.50	.75	.75	.75	.75	
20.00-----	4.00	2.00	1.00	1.00	1.00	1.00	

U.S. consumption

U.S. consumption of men's welt shoes amounted to 48 million pairs in 1962, 54 million pairs in 1964, and 51 million pairs in each of the years 1965 and 1966 (table 1). U.S. consumption of men's shoes increased irregularly from 100 million pairs in 1962 to 108 million pairs in 1966. There was little change in per capita consumption during the period. In 1962-66, domestic production supplied about 97 percent of the consumption of men's welt footwear and over 90 percent of the footwear included in this report.

1/ Generally the wholesale values in the exporting country.

U.S. production

U.S. production of men's welt shoes declined from an estimated 68 million pairs in 1954 to 47 million pairs in 1962. This decline was attributable in part to increasing consumer preference for light footwear, such as cement process shoes, rather than the heavier welt shoes. In recent years, new production techniques and materials for welt shoe-making have permitted the production of lighter more fashionable welt shoes and output of such shoes has increased. Production of welt shoes reached 53 million pairs in 1964 and amounted to about 50 million pairs in both 1965 and 1966 (table 1).

U.S. production of men's shoes increased from an estimated 82 million pairs in 1954 to 95 million pairs in 1962. During the period 1962-66, production increased irregularly from 95 million pairs in 1962 to 100 million pairs in 1966. Available data indicate that production in 1967 was probably at the 1966 level.

U.S. imports

U.S. imports of men's shoes increased from about 0.5 million pairs in 1954 to 10.6 million pairs in 1967. The share of consumption supplied by imports increased from about 6 percent in 1962 to 8 percent in 1966, and to 10 percent in January-September 1967 (the latest period for which the data in table 1 are available). U.S. imports of

men's leather footwear in recent years are shown in the following tabulation (in thousands of pairs): 1/

<u>Year</u>	<u>Welt</u>	<u>Cement</u>	<u>Other</u>	<u>Total</u>
1962-----	1,660	2,800	1,240	5,700
1963-----	1,362	2,800	1,238	5,400
1964-----	1,176	2,800	1,224	5,200
1965-----	1,277	3,587	1,573	6,437
1966-----	1,539	4,480	2,122	8,141
1967-----	1,887	5,590	3,103	10,580

U.S. imports of men's welt shoes increased from about 0.4 million pairs in 1954 to an estimated 1.7 million pairs in 1959 and then declined to 1.2 million pairs in 1964. Imports remained at about the 1959 level during 1960-62. The decline in imports from 1959 to 1964 was accompanied by a decrease in domestic production, reflecting in part the substitution of cement shoes for welt shoes during that period. Imports of men's welt shoes supplied about 3 percent of apparent consumption of such articles in 1962-66 and 4 percent in January-September 1967.

In recent years U.S. imports of men's welt shoes valued not over \$2 per pair have been negligible (less than 1 percent of the total imports of welt shoes in 1966-67); imports valued over \$2 but not over \$6.80 per pair comprised about 60 percent of the total; and imports valued over \$6.80 per pair accounted for the remainder (table 2).

1/ Data for 1962-64 are estimated. Imports of "other" footwear include footwear made principally by the stitchdown process and other processes of stitching the outsole to the upper (other than the welt and McKay processes).

In terms of quantity, the United Kingdom supplied about 60 percent of the total imports in 1966 and Spain supplied about 25 percent (table 3). Data with respect to these imports are shown below:

	<u>Quantity</u> <u>(1,000 pairs)</u>	<u>Dutiable</u> <u>value</u> <u>(\$1,000)</u>	<u>Average</u> <u>dutiable value</u> <u>per pair</u>
Total imports, all sources-----	<u>1,539</u>	<u>11,294</u>	<u>\$7.34</u>
From United Kingdom, valued per pair:			
Not over \$6.80-----	560	3,134	5.60
Over \$6.80-----	313	3,025	9.66
From Spain, valued per pair:			
Not over \$6.80-----	265	1,232	4.65
Over \$6.80-----	87	869	9.99

The effect of the currency devaluations in 1967 by the United Kingdom and Spain on the prices of shoes from those countries has not been determined. It is believed by the trade that price reductions, if any, as a result of devaluation will be of minor significance.

With respect to imports of men's shoes of other than welt construction, Italy was by far the principal supplier in 1966, accounting for 49 percent of the total quantity. France supplied about 20

percent, Spain 13 percent; and the United Kingdom only 3 percent.

Data relating to these imports are shown below:

	<u>Quantity</u> <u>(1,000 pairs)</u>	<u>Dutiable</u> <u>value</u> <u>(\$1,000)</u>	<u>Average</u> <u>dutiable value</u> <u>per pair</u>
Total imports, all sources-----	<u>6,602</u>	<u>24,112</u>	<u>\$3.65</u>
From Italy:			
Of cement construction--	2,511	10,346	4.12
Of "other" construction--	724	3,760	5.19
From France:			
Of cement construction--	862	1,751	2.03
Of "other" construction--	467	918	1.97
From Spain:			
Of cement construction--	588	2,100	3.57
Of "other" construction--	269	935	3.48
From United Kingdom:			
Of cement construction--	127	702	5.53
Of "other" construction--	70	400	5.71

The bulk of the imports shown above consisted of shoes made by the cement process. Such shoes from Italy and Spain are principally "fashion" shoes (i.e., they often have such features as pointed or square toes). The shoes from France are principally inexpensive "fashion" shoes with rubber soles.

Men's shoes are imported into the United States not only by concerns whose principal business is importing and selling imported shoes, but also by domestic manufacturers, department stores, and other retail stores. Imported men's shoes are distributed throughout the United States.

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STATISTICAL APPENDIX

Table 1.--Footwear of leather for men (other than athletic or work footwear):
U.S. production, imports for consumption, exports of domestic merchandise,
and apparent consumption, by type of construction, 1962-66 and January-
September of 1966 and 1967

(In thousands of pairs)					
Year and type of construction	Produc- tion ^{1/}	Imports ^{2/}	Exports	Apparent consumption	Ratio (percent) of imports to consumption
1962					
Welt-----	47,000	1,660	175	48,485	3
Cement-----	24,000	2,800	121	26,679	10
Other-----	24,251	1,240	164	25,327	5
Total-----	95,251	5,700	460	100,491	6
1963					
Welt-----	46,116	1,362	260	47,218	3
Cement-----	28,104	2,800	121	30,783	9
Other-----	19,388	1,238	162	20,464	6
Total-----	93,608	5,400	543	98,465	5
1964					
Welt-----	53,425	1,176	275	54,326	2
Cement-----	22,173	2,800	167	24,806	11
Other-----	24,277	1,224	148	25,353	5
Total-----	99,875	5,200	590	104,485	5
1965					
Welt-----	49,853	1,277	268	50,862	3
Cement-----	24,593	3,587	133	28,047	13
Other-----	23,553	1,573	134	24,992	6
Total-----	97,999	6,437	535	103,901	6
1966					
Welt-----	50,000	1,539	255	51,284	3
Cement-----	25,000	4,480	127	29,353	15
Other-----	25,057	2,122	128	27,051	8
Total-----	100,057	8,141	510	107,688	8
January-September:					
1966					
Welt-----	38,000	1,128	180	38,948	3
Cement-----	19,000	3,517	100	22,417	16
Other-----	18,734	1,678	92	20,320	8
Total-----	75,734	6,323	372	81,685	8
1967					
Welt-----	36,000	1,423	180	37,243	4
Cement-----	19,000	4,319	100	23,219	19
Other-----	18,180	2,451	98	20,533	11
Total-----	73,180	8,193	378	80,995	10

^{1/} Data on production of men's shoes are not reported by type of upper; however, it is believed that about 95 percent or more of such shoes have uppers of leather.

^{2/} The import data do not include huaraches (sandals), moccasins of the American Indian handicraft type, turned footwear (moccasin-type slippers), footwear with molded soles laced to uppers, footwear with vulcanized soles (after-ski boots), and McKay footwear.

Source: Data on production with respect to type of construction for 1962 and 1966-67 are estimated. Import data for 1962-64 are estimated. All other production and import data compiled from official statistics of the U.S. Department of Commerce. Export data compiled from official statistics of the U.S. Department of Commerce and partly estimated.

Table 2.--Footwear of leather for men (other than athletic or work footwear): U.S. imports for consumption, by specified kinds, 1965-66 and January-September 1967

TSUSA	Description	1965	1966	Jan.-Sept. 1967
		Quantity (1,000 pairs)		
	Welt footwear:			
700.2500	Valued not over \$2 per pair:	35	11	10
700.2625	Valued over \$2 but not			
	over \$6.80 per pair-----	790	913	809
700.2735	Valued over \$6.80 per pair-	452	615	604
	Total-----	1,277	1,539	1,423
	Other footwear:			
700.3530	Soled moccasins-----	26	162	196
700.3550	Cement footwear-----	3,587	4,480	4,319
700.3575	"Other" footwear <u>1/</u> -----	1,547	1,960	2,255
	Total-----	5,160	6,602	6,770
	Total, all footwear-----	6,437	8,141	8,193
		Value (1,000 dollars)		
	Welt footwear:			
700.2500	Valued not over \$2 per pair:	26	8	6
700.2625	Valued over \$2 but not over:			
	\$6.80 per pair-----	4,014	4,844	4,089
700.2735	Valued over \$6.80 per pair-	4,937	6,443	6,262
	Total-----	8,977	11,295	10,357
	Other footwear:			
700.3530	Soled moccasins-----	116	601	643
700.3550	Cement footwear-----	13,172	16,450	15,241
700.3575	"Other" footwear <u>1/</u> -----	5,629	7,060	8,224
	Total-----	18,917	24,111	24,108
	Total, all footwear-----	27,894	35,406	34,465

1/ "Other" footwear is a basket provision which provides for footwear made principally by the stitchdown process and other processes of stitching the outsole to the upper (other than the McKay and welt processes).

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

Table 3.--Welt footwear of leather for men (other than athletic or work footwear): U.S. imports for consumption, by principal sources, 1965-66 and January-September, 1967

Country	1965	1966	Jan.-Sept. 1967
Quantity (1,000 pairs)			
United Kingdom-----	785 :	873 :	605
Spain-----	197 :	352 :	483
Switzerland-----	118 :	111 :	68
Italy-----	52 :	64 :	46
Ireland-----	46 :	49 :	22
West Germany-----	8 :	11 :	64
Netherlands-----	28 :	9 :	10
Mexico-----	6 :	8 :	14
France-----	2 :	3 :	7
Canada-----	13 :	3 :	8
All other-----	22 :	56 :	96
Total-----	1,277 :	1,539 :	1,423
Value (1,000 dollars)			
United Kingdom-----	5,223 :	6,159 :	4,653
Spain-----	1,199 :	2,101 :	2,921
Switzerland-----	1,516 :	1,442 :	948
Italy-----	493 :	672 :	524
Ireland-----	217 :	270 :	128
West Germany-----	63 :	86 :	167
Netherlands-----	17 :	21 :	60
Mexico-----	61 :	64 :	130
France-----	24 :	37 :	70
Canada-----	64 :	33 :	68
All other-----	100 :	409 :	688
Total-----	8,977 :	11,294 :	10,357

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

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