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UNITED STATES TARIFF COMMISSION

**MEN'S DRESS SHOES:
STACY-ADAMS CO.
BROCKTON, MASS.**

**Report to the President
Worker Investigation No. TEA-W-97
Under Section 301 (c)(2) of the Trade Expansion Act of 1962**



**TC Publication 417
Washington, D. C.
August 1971**

UNITED STATES TARIFF COMMISSION

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Note.--The whole of the Commission's report to the President may not be made public since it contains certain information the publication of which would result in the disclosure of the operation 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,
August 24, 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)(2) of that act, in response to a workers' petition for a determination of eligibility to apply for adjustment assistance.

The petition for this investigation was filed on June 25, 1971, by Mr. Kenneth W. Johnson, general president of the Brotherhood of Shoe and Allied Craftsmen, on behalf of the former workers of Stacy-Adams Co., 1/ Brockton, Mass. Accordingly, on July 1, 1971, the Commission instituted an investigation (TEA-W-97) and gave public notice thereof in the Federal Register on July 8, 1971 (36 F.R. 12879). No public hearing was requested and none was held.

The purpose of the Commission's investigation was to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with men's dress shoes produced by the aforementioned firm are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of that firm.

The information in this report was obtained principally from officials of Stacy-Adams Co., and from the Commission's files.

1/ In the notice of investigation issued by the Commission, this company was referred to as the Stacy Adams Shoe Co.

Finding of the Commission

On the basis of its investigation, the Commission 1/ finds unanimously that articles like or directly competitive with men's dress shoes produced by the Stacy-Adams Company, Brockton, Mass., are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of such firm.

1/ Chairman Bedell, Vice Chairman Parker, and Commissioner Young did not participate in the decision.

Views of Commissioners Sutton and Leonard

Our determination in the instant case is negative because the increase in imports of any footwear like or directly competitive with that produced by the Stacy-Adams Company, Brockton, Mass., is not the result in major part of concessions granted under trade agreements. Our reasoning in support of this determination is set forth in the separate statements of our views in the Commission's report on nonrubber footwear submitted to the President on January 16, 1971. 1/

1/ Nonrubber Footwear: Report to the President on Investigation No. TEA-1-18 . . . , TC Publication 359, 1971, pp. 25-47.

Concurring Views of Commissioner Moore

In this proceeding my determination is in the negative. I believe that increased imports of men's dress shoes were not the major factor 1/ causing the unemployment of workers of the Stacy-Adams Co., Brockton, Mass.

The production of Stacy-Adams, where the petitioning workers were employed, consisted of men's conservatively styled dress shoes made principally by the welt process. Such shoes were sold in a retail price range from about \$35 to \$50 a pair, the bulk being sold for about \$42 a pair. Men's dress welt shoes are generally considered heavier in weight and appearance, and more rugged and durable, than shoes made by other processes. In recent years, however, the heavy-appearing styles of men's dress shoes have become less popular in the domestic marketplace, generally because of fashion changes in men's apparel that have emphasized lightweight dress footwear, frequent style changes, and casual footwear styles. Consequently, annual U.S. production of welt shoes has been on a downward trend.

As indicated above, the men's dress shoes produced by Stacy-Adams retailed for \$35 to \$50 a pair. Competition at that retail price level is based more on quality, style, and service than on price. Moreover, imports of men's dress shoes probably supply only a fraction of the U.S. market at the higher priced levels.

It should be noted that shortly after the closing of the Stacy-Adams plant, the Stacy-Adams name and other assets, such as remaining

1/ See section 301(c)(3) of the Trade Expansion Act of 1962.

inventory of raw materials and finished products, were sold to the Weyenberg Shoe Manufacturing Co. of Milwaukee, Wis. Weyenberg, which is now producing the Stacy-Adams line of shoes, recently announced that it planned to "style up" and "broaden" the Stacy-Adams line in order to meet the demands of the current domestic market. These styling changes are expected to improve the competitive position of the Stacy-Adams line in the U.S. market.

In the light of the evidence available to the Commission, I have concluded that, although imports were an important factor which had an adverse impact on the operations of the Stacy-Adams plant, they were not the major factor that caused the closing of the plant.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

In recent years the output of Stacy-Adams Co. has consisted principally of men's dress shoes of welt construction. Such shoes were made with uppers of leather and retailed at about \$35 to \$50 a pair.

The term "dress shoes" refers to the types of footwear intended principally for business and social activities; generally it does not refer to footwear suitable for hazardous or strenuous occupations, active sports, beachwear, or other leisure activities for which casual attire is worn. More specifically, the term "dress shoes" does not refer to athletic or work shoes.

In 1969 about 50 percent of the 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. 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 and/or cemented to the welt. Welt shoes are heavier in weight and appearance--and are generally regarded as more rugged and durable--than those made by other processes. In the cement process of construction, the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing. The cement 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 injection-molded process of construction, 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. The injection-molded process has been used increasingly in recent years to produce a dress shoe of trim appearance.

Nearly all men's dress shoes sold in the United States are made with uppers of leather. In recent years, the United States output of men's dress shoes has included a small volume (probably less than 5 percent) of shoes with uppers of manmade leatherlike materials (poromerics); imports of men's shoes made of such materials are believed to be negligible.

U.S. Tariff Treatment

Since August 31, 1963, the effective date of the Tariff Schedules of the United States (TSUS), imported footwear of the type (welt construction) formerly produced at the plant under review is classified for duty purposes under TSUS items 700.25, 1/ 700.26, 700.27 and 700.29, depending on the value per pair. Imported men's leather shoes of cement construction and of miscellaneous constructions (particularly the injection-molded and the stitchdown processes), which do not differ significantly from welt shoes in styling and appearance, are admitted under item 700.35.

1/ Imports of welt footwear classified under item 700.25 (valued not over \$2 a pair) have been negligible in recent years.

Footwear in chief value of leather (except 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 Agreements 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 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 men's leather dress shoes have been admitted in recent years. Table 2 in the appendix shows, for 1965-70, the estimated imports of such shoes admitted under each of the five TSUS items and the applicable rates of duty.

U.S. Consumption

During the period 1965-70, apparent annual U.S. consumption of all men's dress and casual shoes rose from 94 million pairs to 109 million pairs. As imports more than tripled during that period,

they increased their share of the market from 9 to 24 percent, as shown in the following table.

Men's shoes (other than work and athletic): 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-----	86	8	94	9
1966-----	89	10	99	10
1967-----	85	13	98	13
1968-----	89	18	107	17
1969-----	82	23	105	22
1970-----	83	26	109	24

1/ Represents the output for industry No. 3141, as reported by the U. S. Bureau of the Census.

2/ Includes footwear of leather entered under TSUS items 700.25, 700.26, 700.27, 700.29, and 700.35.

3/ Represents U.S. production plus imports without an allowance for exports, which in 1970 amounted to about 430,000 pairs.

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

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, which also shows the estimated share of imports.

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

Year	Production <u>1/</u>	Imports	Apparent consumption <u>2/</u>	Ratio of imports to apparent consumption
	Million pairs	Million pairs	Million pairs	Percent
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.

In recent years fashion has increasingly become the keynote of the U.S. market for men's footwear; men's dress shoes are now subject to more frequent style changes than formerly. In the mid 1960's, footwear with the lightweight, so-called continental look, which was introduced into the United States by imports from Italy and Spain, became popular for wear with new fashions in men's wearing apparel. Recently, buckled, blunt-toed oxfords and boots have been gaining wide consumer acceptance.

U.S. Production

Volume

During 1965-70, estimated annual production of men's dress shoes ranged between 58 million and 66 million pairs, as shown in the following table.

Men's dress shoes: U.S. production, by types of construction, 1965-70

(In millions of pairs)

Year	Welt	Cement	Injection- molded 1/	Other	Total 2/
1965-----	39	15	1	7	62
1966-----	41	15	2	6	64
1967-----	35	12	5	6	58
1968-----	37	13	6	9	65
1969-----	31	15	5	9	60
1970-----	33	17	6	10	66

1/ May include some shoes made by the vulcanized process.

2/ 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).

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

Welt shoes (the type produced by Stacy-Adams) 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.

Prices

For 1967 and 1969 the percentage distribution of domestic production of men's shoes (other than athletic or work) is shown, by ranges of manufacturers' selling prices, which generally are about half of the retail selling prices, in the following table. As noted in the table, there has been an increase in the percentage of shoes sold at the upper end of the scale. In 1970, the shoes produced by Stacy-Adams sold at wholesale for about *** to *** a pair--probably in the upper part of the highest value bracket shown.

Men's shoes (other than athletic or work): Percentage distribution of U.S. producers' sales, by price ranges, 1967 and 1969

Manufacturers' selling price per pair, f.o.b. plant or warehouse	1967	1969
\$2.41 to \$3.00-----	1	1
\$3.01 to \$4.20-----	8	2
\$4.21 to \$6.00-----	36	18
\$6.01 to \$7.80-----	24	37
\$7.81 to \$10.20-----	13	16
\$10.21 and over-----	18	26
Total-----	100	100

Source: Compiled from data obtained from domestic producers by the U.S. Tariff Commission.

U.S. Imports

Volume

As noted in the table on page A-5, 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 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 (appendix table 2).

Italy, Spain, and the United Kingdom have been the principal suppliers of the imported dress shoes considered here. Italy and Spain supplied chiefly cement-process shoes; the United Kingdom, welt shoes.

Prices

In 1970, the men's dress cement-process shoes imported into the United States had an average dutiable value of about \$4.50 a pair; the welt shoes dutiable in the middle value bracket, \$5 a pair; and the welt shoes dutiable in the high value bracket, about \$10.50 a pair.

In terms of retail price, it is believed that the bulk of the men's dress cement-process shoes were sold at \$8 to \$20 a pair and the bulk of the men's dress welt shoes, at \$15 to \$35 a pair.

Data Relating to the Stacy-Adams Co.

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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	GATT concessions	
		1930 rate	Effective dates
700.25	Leather footwear: Welt, valued per pair-- Not over \$2-----	Percent ad val. : 20%	Percent ad val. or cents per pair : 19% : June 30, 1956-June 29, 1957. : 18% : June 30, 1957-June 29, 1958. : 17% : June 30, 1958, to date.
700.26 1/	Over \$2 but not over \$5--	20%	: 40¢ : Jan. 1, 1948-June 29, 1956. : 38¢ : June 30, 1956-June 29, 1957. : 36¢ : June 30, 1957-June 29, 1958. : 34¢ : June 30, 1958-Dec. 31, 1967. : 30¢ : Jan. 1-Dec. 31, 1968. : 27¢ : Jan. 1-Dec. 31, 1969. : 23¢ : Jan. 1-Dec. 31, 1970. : 20¢ : Jan. 1-Dec. 31, 1971. : 17¢ : Jan. 1, 1972.
700.27 1/	Over \$5 but not over \$6.80.	20%	: 40¢ : Jan. 1, 1948-June 29, 1956. : 38¢ : June 30, 1956-June 29, 1957. : 36¢ : June 30, 1957-June 29, 1958. : 34¢ : June 30, 1958-Dec. 31, 1967. : 6% but not more : than 34¢. : Jan. 1, 1968-Dec. 31, 1969. : 5.5% but not more : than 34¢. : Jan. 1-Dec. 31, 1970. : 5% : Jan. 1, 1971.
700.29 1/	Over \$6.80 (except ski boots).	20%	: 40¢ but not less : than 5%. : Jan. 1, 1948-June 29, 1956. : 38¢ but not less : than 5%. : June 30, 1956-June 29, 1957. : 36¢ but not less : than 5%. : June 30, 1957-June 29, 1958. : 36¢ but not less : than 5%. : June 30, 1958, to date.
700.35	"Other" footwear (includ- ing cement process) for men, youths, and boys.	20%	: 10% : June 6, 1951-Dec. 31, 1967. : 9.5% : Jan. 1-Dec. 31, 1968. : 9.0% : Jan. 1, 1969-Dec. 31, 1970. : 8.5% : Jan. 1, 1971.

Table 2.--Men's dress shoes of leather: U.S. tariff rates and estimated imports for consumption, by specified TSUS items, 1965-70

Year	Cement-process (in 700.35) 1/		Welt, valued per pair 2/		Quantity	Tariff rate	Quantity	Tariff rate	Quantity	Tariff rate	Quantity	Tariff rate
	Million pairs	Percent ad val.	Million pairs	Percent ad val.								
1965	6	10	5	34¢	1	5	5	3/				
1966	8	10	6	34¢	1	5	5					
1967	10	10	7	34¢	2	5	5					
1968	13	9.5	10	(30¢ (6% 4/	1	5	5					
1969	18	9	14	(27¢ (6% 4/	1	5	5					
1970	19	9	16	(23¢ (5.5% 4/	1	5	5					

1/ Consists principally of cement-process shoes but also includes shoes with injection-molded soles and those made by the stitchdown and miscellaneous processes.
 2/ Imports valued less than \$2 per pair (TSUS item 700.25) have been negligible.
 3/ Less than 500,000 pairs.
 4/ But not more than 34 cents a pair.

Source: Import data are estimates of the U.S. Tariff Commission based on official statistics of the U.S. Department of Commerce.



