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UNITED STATES TARIFF COMMISSION

FOOTWEAR FOR WOMEN AND CHILDREN:  
CONSOLIDATED NATIONAL SHOE CORP.  
NORWOOD, MASS.

Report to the President  
on Firm Investigation No. TEA-F-49  
and Worker Investigation No. TEA-W-183  
Under Sections 301(c)(1) and 301(c)(2) of the  
Trade Expansion Act of 1962



TC Publication 559  
Washington, D. C.  
March 1973

UNITED STATES TARIFF COMMISSION

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1/ Commissioner Ablondi concurs in the result.

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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 27, 1973

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (TEA) (76 Stat. 885), the U.S. Tariff Commission herein reports the results of investigations made under sections 301(c)(1) and 301(c)(2) of that act, relating to women's and children's footwear.

On January 26, 1973, the Commission received a petition filed on behalf of the Consolidated National Shoe Corporation (CNS) of Norwood, Mass., and on February 12, 1973, a petition filed on behalf of the workers of that firm, for determinations of eligibility to apply for adjustment assistance under the said act. Accordingly, on February 1, 1973, the Commission instituted investigation TEA-F-49 and on February 14, 1973, investigation TEA-W-183 to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the women's and children'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 and/or the unemployment or under-employment of a significant number or proportion of the workers of the firm, or an appropriate subdivision thereof.

Public notices of the investigations were published in the Federal Register (38 F.R. 3554) on February 7, 1973, and (38 F.R. 4694) on February 20, 1973. A public hearing in investigation TEA-F-49 was held on February 27, 1973, when all interested parties were afforded opportunity to be present, to produce evidence, and to be heard.

In addition to information that was presented at the public hearing, information was also obtained from field investigations, officials and customers of the Consolidated National Shoe Corporation, union officials representing petitioning workers, and from the Commission's files.

#### Finding of the Commission

On the basis of its investigations, the Commission, being equally divided, 1/ makes no finding under section 301(c)(1) or section 301(c)(2) of the Trade Expansion Act of 1962 with respect to whether articles like or directly competitive with the footwear for women and children (of the types provided for in items 700.20, 700.43, 700.45, and 700.55 of the Tariff Schedules of the United States) produced by the Consolidated National Shoe Corp., Norwood, Mass., 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, or threaten to cause, serious injury to such firm or unemployment or underemployment of a significant number or proportion of the workers of such firm, or an appropriate subdivision thereof.

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1/ Chairman Bedell, Vice Chairman Parker, and Commissioner Moore found in the affirmative; Commissioners Leonard, Young, and Ablondi found in the negative.

Views of Chairman Bedell, Vice Chairman Parker,  
and Commissioner Moore in Support of Affirmative Determinations

These investigations relate to petitions filed on behalf of the Consolidated National Shoe Corp. (CNS), Norwood, Massachusetts, and the workers of that firm, under section 301(a)(2) of the Trade Expansion Act of 1962 (TEA) for determinations as to their eligibility to apply for adjustment assistance. CNS, which is still in operation, produces principally women's dress and casual footwear of cement construction that retails from about \$8 to \$18.00 a pair. Virtually all of the footwear produced by this firm has uppers of vinyl.

As we have stated in previous cases, the Commission, in order to make affirmative determinations under sections 301(c)(1) and (c)(2) of the TEA must find that the following four criteria are met:

- (1) Articles like or directly competitive with the footwear produced by the firm are being imported in increased quantities;
- (2) The increased imports are a result in major part of concessions granted under trade agreements;
- (3) The firm is being seriously injured, or threatened with serious injury; and a significant number or proportion of its workers are unemployed or underemployed, or threatened therewith; and
- (4) The increased imports resulting from trade-agreement concessions are the major factor in causing or threatening to cause the serious injury to the firm and the unemployment or underemployment of the workers.

We find that each of these requirements has been met in the instant cases; and, therefore, we have made affirmative determinations.

Increased imports are a result in major part of trade-agreement concessions

The footwear produced by CNS is similiar in type, construction, and price to that involved in other recent investigations conducted by the Commission under the provisions of the TEA. We concluded in those investigations, that, within the meaning of the statute, like or directly competitive footwear was being imported in increased quantities and that the increased imports were in major part the result of trade-agreement concessions. Our considerations in support of those determinations, which are equally applicable in the instant cases, are set forth in the statements of our views in those investigations. 1/

The firm is being seriously injured or threatened with serious injury and the workers are unemployed or underemployed or threatened therewith

The financial condition of CNS has deteriorated as a result of concession-generated imports. CNS presently operates four plants; however, four plants have been closed since 1969. Net sales of the firm declined steadily from \$32.4 million in 1968 to \$19.6 million in 1972--or by 40 percent. In addition, the company sustained net losses in four out of the last five fiscal years. As a result of these losses, retained earnings decreased from \$5.9 million in 1968

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1/ Women's Dress and Casual Shoes: Duchess Footwear Corp., Salem, Mass., Report to the President on Firm Investigation No. TEA-F-39 and Worker Investigation No. TEA-W-139 . . . , TC Publication 491, June 1972 and Women's Casual Shoes: Wilson Shoe Corp., Shamokin, Pa., Report to the President on Worker Investigation No. TEA-W-141 . . . TC Publication 493, June 1972.



to \$1.8 million in 1972. Thus, in our view, CNS is being seriously injured or threatened with serious injury.

With respect to unemployment or underemployment in fiscal year 1968, CNS employed an average of \* \* \* production workers but in fiscal 1972, the average employment dropped to \* \* \* production workers-- representing a net loss of \* \* \* jobs. Thus, the petitioning workers are clearly unemployed or underemployed, within the meaning of the statute.

Imports are the major factor causing or threatening to cause serious injury to the firm and the unemployment or underemployment of the workers

During the past decade U.S. imports of women's dress and casual shoes have deeply penetrated the United States market. Such imports increased from 67 million pairs in 1967 to nearly 200 million pairs in 1972; they supplied a fifth of the market in 1965 and about a half in 1972.

Information developed in the instant cases indicates that prior to the influx of increased imports, sales of CNS were maintained at a profitable level. Subsequently, CNS experienced a decline in production and sales of its shoes as imports captured a substantial share of the company's market. In an attempt to compete against sharp price competition from imports, the company consolidated production facilities, sold the corporate offices and warehouse, pared overhead, and reduced employment. In addition, the company shifted from leather to vinyl uppers and introduced new styles. However, these attempts proved unsuccessful as the company failed to operate profitably

during the last four fiscal years and its financial condition deteriorated. Moreover, as the company's production declined, unemployment increased.

#### Conclusion

In light of the above facts, we have made affirmative **determinations**. We conclude that increased imports resulting in major part from trade-agreement concessions are the major factor causing or threatening to cause serious injury to the CNS Corp. and causing or threatening to cause unemployment or underemployment of the firm's workers.

Views of Commissioners Leonard and Young in Support  
of Negative Determinations 1/

Our determinations in the instant cases are negative because the increase in imports of women's and misses' footwear like or directly competitive with that produced by the Consolidated National Shoe Corporation, Norwood, Massachusetts, is not the result in major part of concessions granted under trade agreements. Our reasoning in support of these determinations is set forth in the statement of our views in earlier Commission investigations under the Trade Expansion Act. 2/

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1/ Commissioner Ablondi concurs in the result.

2/ Commissioner Leonard's views are given in Nonrubber Footwear: Report to the President on Investigation No. TEA-1-18 . . ., TC Publication 359, January 1971, pp. 31-47, and Commissioner Young's views are given in Women's Dress and Casual Shoes: Duchess Footwear Corp., . . ., Report to the President on Firm Investigation No. TEA-F-39 and Worker Investigation No. TEA-W-139 . . ., TC Publication 491, June 1972, pp. 11-25.



## INFORMATION OBTAINED IN THE INVESTIGATION

### Description of Articles Under Investigation

The Consolidated National Shoe Corporation (CNS) of Norwood, Mass., which is still in operation, produces women's and children's shoes. Women's shoes which are medium priced dress and casual shoes retail in the range of \$8 to \$18 a pair, accounted for more than 90 percent of CNS output in 1972. The shoes, most of which have uppers of vinyl, are constructed by the cement process. The product line includes a wide variety of up-to-date styles with various types and heights of heels.

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

In terms of U.S. retail sales, so-called dress shoes (a term not defined in the TSUSA) are more important than any other type of footwear for women and misses. The term "dress shoes" originally limited

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1/ For further discussion of these descriptive terms plus additional information in regard to nonrubber footwear (e.g., factors affecting U.S. consumption and marketing channels), see U.S. Tariff Commission, Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18. . . , TC Publication 359, 1971.

only to shoes worn on formal occasions is now used to describe footwear of the types generally worn for street wear and for business and social activities. Women's shoes intended for formal wear, which are also regarded here as dress shoes, are now frequently referred to as evening shoes, slippers, or sandals. Generally the term "dress shoes" does not refer to footwear especially made for athletic, occupational, and leisure activities. Women's lower heeled footwear for casual wear, not considered dress shoes, includes certain sandals, wedge-heeled shoes, loafers, desert boots, and sneakers.

Depending upon fashion changes, dress shoes may be open- or closed-heel shoes with straps, laces, or tongues over the instep and many include high-heeled sandals with open toes, open heels, and uppers of narrow strips of leather or other material. For many years the principal type of dress shoe worn by women in the United States was the classic pump--a closed-toe, closed-back, slip-on shoe without fasteners, with lightweight soles, and with heels of 2 inches or higher. The pump declined in popularity in the late 1960's with the advent of new fashions in wearing apparel. The chunky style (monster) shoe appeared on the fashion scene in 1967 and was very popular in 1968. Clogs were popular fashion items in 1969, 1970, and 1972, and platform soles were popular items in 1971 and 1972.

The range of styles and quality of footwear increased greatly during the 1960's as a result of new materials, technological developments in production, and new fashions in wearing apparel. Simultaneously, consumer interest in this wide variety of footwear (as well as in clothing) also increased, reflecting the changing age structure of

the population, increasing per capita income, and a growth of time for leisure activities. Following these developments, the distinction between dress and casual shoes and attire diminished.

The materials used for the uppers of dress shoes are usually finer (i.e., less sturdy), and the soles lighter in weight, than those of footwear intended for athletic and certain occupational and leisure uses. Uppers may be of calf, kid, or reptile leather; of silk, rayon, linen, satin, brocade, velvet, or metallic fabrics such as peau de soie; or of supported vinyls or other plastics. Soles are of leather or plastics.

For several decades the principal method of attaching the outsole to women's shoes has been the cement process (the method used by CNS), whereby 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 except the turn (or turned) process. It is estimated that 80 percent of total U.S. output of women's shoes in recent years (and probably an even higher percentage of the domestic output of dress shoes) has been made by the cement process. In the turn process, which is currently used in very minor degree in the United States to produce dress shoes, 1/ the footwear is initially lasted inside out and then turned right side out for the finishing operations. The great bulk of the imported women's dress and casual shoes is entered under

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1/ The turn process has been used in the United States in recent years principally to produce footwear of the types reported in official U.S. production statistics as slippers for housewear (SIC product code 3142). Slippers are also produced by the cement process.

TSUS items 700.20, 700.43, 700.45, and 700.55. As explained briefly in the following paragraphs, the footwear entering under these four TSUS items varies with respect to material method of construction, and price line.

Imports entered under TSUS item 700.43, which provides for leather footwear having a foreign (export) value of not over \$2.50 a pair, as well as those entered under TSUS item 700.45, which provides for leather footwear valued over \$2.50 a pair, consist predominantly of women's footwear in a wide range of styles, types, and prices. In terms of quantity, about half of the combined imports under these two items in recent years has consisted of women's sandals having a retail selling price of about \$3 to \$9 a pair. The remainder probably have consisted predominantly of women's cement-process dress shoes of moderate prices (i.e., in the retail-price range of \$8 to \$20 a pair) but have also included sturdy types with vulcanized or injection-molded soles, light-weight slippers suitable principally for housewear, and expensive high-fashion types. Imported women's leather footwear made by the turn process and dutiable under TSUS item 700.20 does not differ significantly in appearance from the leather dress shoes entered under items 700.43 and 700.45.

Women's footwear with supported vinyl uppers that has entered under TSUS item 700.55 in recent years has consisted predominantly of two groups: (1) Street shoes of sturdy construction, produced in a single width for each particular length and for sale mostly at \$3 to \$6 a pair at self-service counters in variety stores, discount stores, and department-store basements and (2) folding slippers and sandals,



usually selling at retail for less than \$2 a pair. It is believed that before 1970 only a negligible portion of the annual imports of women's dress shoes and boots admitted under item 700.55 retailed at \$10 a pair or more. It is estimated that, in 1971-72, annual imports of such footwear retailing at \$10 a pair or more (mostly just over that price) accounted for less than 10 percent of the total.

#### U.S. Tariff Treatment

In the Tariff Act of 1930, women's leather footwear of cement construction was originally dutiable under paragraph 1530(e) at 20 percent ad valorem. Such footwear is provided for in the TSUS, which became effective on August 31, 1963, in items 700.43 and 700.45. The rate of duty was reduced for the first time effective January 1, 1968, pursuant to concessions granted during the Kennedy Round of negotiations. The current rate for item 700.43 is 15 percent, and that for item 700.45 is 10 percent.

Prior to the Kennedy Round, the rate of duty on turn or turned shoes (now TSUS item 700.20) was first reduced, pursuant to section 336 of the Tariff Act of 1930, from 20 percent ad valorem to 10 percent, effective January 1, 1932. The 10-percent rate, which was bound against increase in a concession granted to Switzerland, effective February 15, 1936, was reduced to 5 percent in a concession, effective May 30, 1950, granted under the General Agreements on Tariffs and Trade (GATT). The current rate for item 700.20 is 2.5 percent ad valorem.

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

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

In the TSUS a rate of 12.5 percent ad valorem was established for item 700.55 as the trade-agreement rate to replace the wide range of rates previously applicable to the various types of footwear provided for in this item. 2/ The current rate on footwear with supported vinyl uppers is 6 percent ad valorem.

Table 1 in the appendix shows the reductions in rates of duty resulting from trade-agreement concessions granted under the GATT for footwear of the types now dutiable under items 700.20, 700.43, 700.45, and 700.55. Tables 2 through 4 show U.S. imports of women's shoes admitted under the TSUS items mentioned above and the applicable rates of duty.

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

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

Table 1 in the appendix shows the reductions in rates of duty resulting from trade-agreement concessions granted under the GATT for footwear of the types now dutiable under items 700.20, 700.43, 700.45, and 700.55. Tables 2 through 4 show U.S. imports of women's shoes admitted under the TSUS items mentioned above and the applicable rates of duty

#### U.S. Consumption, Production, and Imports

During the period 1965-72, apparent annual U.S. consumption of all women's shoes (including dress and casual) rose from an estimated 386 million pairs to 421 million pairs, while annual U.S. production of such footwear declined from 319 million pairs to 223 million pairs. Annual imports almost tripled during this period, and their share of the market increased from 17 percent to 47 percent as shown in the following tabulation.

Nonrubber footwear for women: U.S. production, imports for consumption, and apparent consumption, 1965-72

Period	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to apparent consumption
	Million pairs	Million pairs	Million pairs	Percent
1965-----	319	67	386	17
1966-----	323	70	393	18
1967-----	290	96	386	25
1968-----	322	133	455	29
1969-----	271	139	410	34
1970-----	260	165	425	39
1971-----	237	180	417	43
1972-----	223	198	421	47

1/ Production represents the output of women's and misses' footwear as reported by the U.S. Bureau of the Census, plus shipments to the U.S. mainland from Puerto Rico.

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

3/ Computed from U.S. production plus imports without an allowance for exports, which in 1972 amounted to about 1 million pairs.

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

U.S. imports of women's footwear entered under TSUS items 700.20, 700.43, 700.45, and 700.55 in the aggregate accounted for 90 percent of the imports of nonrubber footwear in 1972. A negligible part of imports was entered under item 700.20, about 15 percent under item 700.43, 30 percent under item 700.45, and about 45 percent of the imports was entered under item 700.55. As shown in table 5, about 22 million pairs of imported footwear of leather, with an average dutiable value of about \$1.70 a pair, were entered under TSUSA items 700.4310 and 700.4340 in 1972; about 51 million pairs of imported footwear of leather, with an average dutiable value of \$5.12 a pair, were entered under item 700.4540; and nearly 90 million pairs of imported footwear of vinyl, with an average dutiable value of \$1.22 a pair, were entered under item 700.5545. Although precise data are not available, it is believed that the major part of the imported footwear of leather, with an average dutiable value of \$1.70 a pair, and the imported footwear of vinyl consists of casual shoes; with respect to the imported footwear of leather having an average dutiable value of \$5.12 a pair, it is believed that a sizeable share of these imports consist of dress shoes. Italy and Spain have been the principal suppliers of women's leather footwear; the Republic of China (Taiwan) and Japan, the principal suppliers of women's vinyl footwear.

Data on U.S. consumption of women's dress shoes are not reported in official statistics. It is estimated, however, that during 1965-72 apparent annual U.S. consumption (production plus imports) of such footwear followed an irregular trend, rising from about 204 million pairs in 1965 to about 231 million in 1968 but declining to 200 million in 1972.

Estimated domestic production of women's dress shoes during this period reached a peak of about 210 million pairs in 1968 and then declined to 150 million pairs in 1972. Imports rose from an estimated 4 million pairs in 1965 to 50 million pairs in 1972. The share of apparent annual U.S. consumption of women's dress shoes supplied by imports increased from 2 percent in 1965 to 25 percent in 1972, as shown in the following table.

Dress shoes for women: U.S. production, imports for consumption, and consumption, 1965-72

Period	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to consumption
	<u>Million pairs</u>	<u>Million pairs</u>	<u>Million pairs</u>	<u>Percent</u>
1965-----	200	4	204	2
1966-----	206	7	213	3
1967-----	188	11	199	6
1968-----	210	21	231	9
1969-----	177	28	205	14
1970-----	165	36	201	18
1971-----	156	43	199	22
1972-----	150	50	200	25

1/ Dress shoes are believed to account for about 2/3 of the total annual output of nonrubber footwear for women and misses.

2/ Data represent estimated imports of dress shoes entered under TSUS items 700.20, 700.43, 700.55.

3/ Data represent estimated production plus estimate imports without an allowance for exports, which in 1972 amounted to less than 1 million pairs.

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

## U.S. and Foreign Wage Rates

The table on the following page shows the published average hourly earnings and the estimated compensation per hour received by shoe workers in six countries in 1964 and 1970-71. It should be noted, however, that there are several difficulties involved in comparing these data accurately. First, the definition for "shoe industry" varies among nations; in only two countries--Italy and the United States--are shoes specifically broken out from more encompassing industry classifications. This definitional problem makes it difficult to isolate the "shoe industry" in each country. Second, as footnote 1 to the table indicates, published hourly earnings in the various nations differ in composition. Third, total compensation for workers includes varying factors in the six countries.



Hourly earnings of production workers and estimated total compensation per hour worked by them in specified industries related to footwear in 6 countries, 1964, 1970 and 1971

(In U.S. dollars)

Country	Industry	Published average			Estimated compensation		
		hourly earnings 1/			per hour worked 2/		
		1964	1970	1971	1964	1970	1971
Brazil-----	Clothing and shoes-----	3/ \$0.23	4/ \$0.28	5/	5/	5/	5/
Italy-----	Shoes 6/-----	.42	.65	\$0.90	\$0.71	\$1.19	\$1.67
Japan-----	Leather products 7/-----	.37	.78	1.04	.41	.88	1.18
Spain-----	Shoes, leather, and clothing--	.23	.38	.46	5/	8/ .57	8/ .68
Taiwan-----	Leather and leather						
	products 7/-----	.12	.18	5/	9/ .14	9/ .21	5/
United States---	Footwear, excluding rubber----	1.77	2.43	2.53	2.10	2.96	3.09

1/ Published earnings do not represent the same items of labor compensation in each country because of differences in the treatment of various supplementary benefits. Earnings generally refer to gross cash payments to wage workers before deductions for taxes and social security, and include overtime pay, shift differentials, regular bonuses and premiums, and cost-of-living adjustments. Holiday, vacation, and sick leave pay, bonuses not paid regularly each pay period, and other supplementary benefits are included by some countries and excluded by others. The earnings data are per paid hour for some countries and per hour worked for other countries.

2/ Compensation refers to all payments made by employers directly to their workers before deductions of any kind, plus employer contributions to legally required insurance programs and private welfare plans for the benefit of employees. The figures on additional compensation per hour worked as a percent of published earnings are the best estimates currently available to the Bureau of Labor Statistics. The estimates are based primarily on labor cost or labor compensation surveys adjusted to the listed years on the basis of other available data.

3/ Average for 1966.

4/ Average for 1969; monthly earnings of 211.60 cruzeiros converted to an hourly basis by assuming 195 hours of work per month.

5/ Not available.

6/ Approximately 15 percent of the workers in the Italian shoe industry are home workers who are paid at a lower wage rate than the factory workers in the industry.

7/ The shoes shipped from Japan and Taiwan to the United States are principally of plastics. Separate data are not available on the plastics footwear industries of these two countries. Approximately half of the workers in the Japanese plastic shoe industry are home workers who are paid at a lower rate than the factory workers in that industry. Apparently none of the workers in the Taiwan plastic shoe industry are home workers.

8/ The compensation factor included in this figure is employer social security payments, which range from 40 to 50 percent of payroll.

9/ The published earnings data are computed per hour worked and include overtime pay, regular premiums, and bonuses; family allowances; the market value of payments in kind; and wages paid to persons absent from work. Compensation figure also includes annual bonuses.

Source: Based on data provided by U.S. Bureau of Labor Statistics, from the following: Brazil--Yearbook of Labour Statistics 1971, International Labour Office, Geneva; Italy--Social Statistics (various issues), Statistical Office of the European Communities, Luxembourg and Brussels; Japan--Year Book of Labor Statistics (various issues), Ministry of Labor, Tokyo; Spain--Monthly Bulletin of Statistics (various issues), National Institute of Statistics, Madrid; and Taiwan--Report of Taiwan Labor Statistics 1971, Department of Reconstruction, Provincial Government of Taiwan.

Note.--The exchange rate used to convert other currencies into U.S. dollars for 1971 is the rate that became effective in December 1971. Part of the large increase in wages for Italy and Japan in 1971 is attributable to use of the 1971 rate, which more accurately reflects trading conditions in 1971.

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Data Relating to the Consolidated National Shoe Corp.

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APPENDIX A  
STATISTICAL TABLES



Table 1.--U.S. rates of duty applicable to women's and misses' footwear of the types provided for in specified TSUS items, July 1, 1934, and GATT concessions to Jan. 1, 1972

TSUS item No.	Abbreviated description	Rate of duty		
		July 1, 1934 <sup>1/</sup>	GATT concession <sup>2/</sup>	
		Rate	Rate	Effective date
		Percent ad val.	Percent ad val.	
700.20	Leather footwear: Turn or turned-----	10 <sup>3/</sup>	5	May 30, 1950-Dec. 31, 1967.
			4	Jan. 1, 1968-Dec. 31, 1969.
			3	Jan. 1, 1970-Dec. 31, 1971.
			2.5	Jan. 1, 1972.
700.43	"Other" (including cement process): Valued not over \$2.50 per pair----	20	19	Jan. 1-Dec. 31, 1968.
			18	Jan. 1-Dec. 31, 1969.
			17	Jan. 1-Dec. 31, 1970.
			16	Jan. 1-Dec. 31, 1971.
			15	Jan. 1, 1972.
700.45	Valued over \$2.50 per pair-----	20	18	Jan. 1-Dec. 31, 1968.
			16	Jan. 1-Dec. 31, 1969.
			14	Jan. 1-Dec. 31, 1970.
			12	Jan. 1-Dec. 31, 1971.
			10	Jan. 1, 1972.
700.55	Footwear having uppers of supported vinyl.	Princi- pally	<sup>5/</sup> 12.5	Aug. 31, 1963-Dec. 31, 1967.
		20 <sup>4/</sup>	11	Jan. 1-Dec. 31, 1968.
			10	Jan. 1-Dec. 31, 1969.
			8.5	Jan. 1-Dec. 31, 1970.
			7	Jan. 1-Dec. 31, 1971.
			6	Jan. 1, 1972.

<sup>1/</sup> Except as noted, the rate on July 1, 1934, was the same as the original rate in the Tariff Act of 1930, effective June 18, 1930.

<sup>2/</sup> For concessions granted in the Kennedy Round, effective Jan. 1, 1968, the table shows staged rates scheduled to become effective up to and including Jan. 1, 1972.

<sup>3/</sup> Effective Jan. 1, 1932, the statutory rate of 20 percent ad valorem was reduced to 10 percent ad valorem, pursuant to sec. 336 of the Tariff Act of 1930.

<sup>4/</sup> Supported vinyl was not used for shoe uppers until the late 1940's or early 1950's. When footwear with supported vinyl uppers was imported during the 1950's and early 1960's, it was generally dutiable, by virtue of the similitude provisions of par. 1559, at the rate provided for "similar" leather footwear in par. 1530(e). The column 2 rate for item 700.55 is 35 percent.

<sup>5/</sup> The trade-agreement rate established in the TSUS, effective Aug. 31, 1963, under authority of the Tariff Classification Act of 1962 (Public Law 87-456) to replace the wide range of rates previously applicable to the various types of footwear provided for in this TSUS item.

Note.--Pursuant to Presidential Proclamation No. 4074, effective from Aug. 16 to Dec. 19, 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.



Table 2.--Leather footwear for women and misses made by the turn or turned process (item 700.20): U.S. rates of duty and imports for consumption, 1939, 1946, 1955-72

Period	Rate of duty		Quantity
	Percent ad valorem		<u>1,000</u> <u>pairs</u>
1939-----	<u>1/</u>	10	5
1946-----		10	4
1955-----	<u>2/</u>	5	10
1956-----		5	97
1957-----		5	209
1958-----		5	434
1959-----		5	402
1960-----		5	664
1961-----		5	882
1962-----		5	1,067
1963-----		5	916
1964-----		5	864
1965-----		5	1,053
1966-----		5	1,106
1967-----		5	1,361
1968-----		4	1,905
1969-----		4	2,459
1970-----		3	2,398
1971-----		3	1,604
1972-----		2.5	1,589

1/ Effective Jan. 1, 1932, the statutory rate of 20 percent ad valorem was reduced to 10 percent pursuant to sec. 336 of the Tariff Act of 1930.

2/ GATT concession, effective May 30, 1950.

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

Table 3.--Leather footwear for women and misses made principally by the cement process (items 700.43 and 700.45): U.S. rates of duty and imports for consumption, 1939, 1946, 1955-72 <sup>1/</sup>

Period	Rate of duty		Quantity	
	700.43	700.45	700.43	700.45
	<u>Percent</u> <u>ad valorem</u>	<u>Percent</u> <u>ad valorem</u>	<u>Million</u> <u>pairs</u>	<u>Million</u> <u>pairs</u>
1939-----	20		2	
1946-----	20		1	
1955-----	20		1	
1956-----	20		1	
1957-----	20		2	
1958-----	20		9	
1959-----	20		5	
1960-----	20		7	
1961-----	20		9	
1962-----	20		12	
1963-----	20		17	
1964-----	20		19	
1965-----	20		21	
1966-----	20		28	
1967-----	20		38	
1968-----	19 :	18 :	34 :	20
1969-----	18 :	16 :	29 :	27
1970-----	17 :	14 :	37 :	35
1971-----	16 :	12 :	33 :	44
1972 <sup>2/</sup> -----	15 :	10 :	25 :	61

<sup>1/</sup> Statutory rate under par. 1530(e) for 1939 and 1946 through Aug. 30, 1963, and under TSUS item 700.40 for Aug. 31, 1963, through 1967. Effective Jan. 1, 1968, new items 700.41 (sandals of buffalo leather), 700.43, and 700.45 replaced item 700.40.

<sup>2/</sup> U.S. imports of sandals under item 700.41 amounted to 2 million pairs in 1972.

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



Table 4.--Footwear having supported vinyl uppers for women and misses (item 700.55): U.S. rates of duty and imports for consumption, 1934, 1964-72

Period	Rate of duty	Quantity	Value	Unit value
	Percent ad valorem	1,000 pairs	1,000 dollars	Per pair
1934-----	1/	2/	2/	2/
1964-----	<u>3/</u> 12.5	27,574	12,429	\$0.45
1965-----	12.5	29,579	13,564	.46
1966-----	12.5	33,239	17,024	.51
1967-----	12.5	49,767	27,704	.56
1968-----	11	68,579	46,603	.68
1969-----	10	70,777	55,820	.79
1970-----	8.5	77,288	73,757	.95
1971-----	7	86,942	104,196	1.20
1972-----	6	89,776	104,907	1.22

1/ During the period before the TSUS became effective, footwear with supported vinyl uppers (with soles other than india rubber) was generally dutiable by virtue of the similitude provisions of par. 1559 of the Tariff Act of 1930, at a rate provided for similar leather footwear in par. 1530(e), principally 20 percent ad valorem. The column 2 rate for item 700.55 is 35 percent.

2/ Not available.

3/ Rate established in the TSUS, effective Aug. 31, 1963.

Source: Compiled from official statistics of the U.S. Department of Commerce (Data for 1964-65 are partially estimated).

Note.--Data are not available on U.S. imports of footwear with supported vinyl uppers for the years prior to 1964. Such imports were probably negligible in the mid-1950's.

Table 5.--Nonrubber Footwear for Women: U.S. imports, by selected TSUSA items, 1968-72

TSUSA item No.	Description	1968	1969	1970	1971	1972
		Quantity (1,000 dollars)				
	Footwear of leather:					
	Valued not over \$2.50 per pair:					
	Casual footwear:					
700.4310	For women-----	19,024	12,015	11,905	8,298	4,189
	Cement footwear:					
700.4340	For women-----	11,891	13,532	21,159	20,008	17,685
	Valued over \$2.50 per pair:					
	Casual footwear:					
700.4510	For women-----	1,428	1,922	2,489	3,554	6,348
	Cement footwear:					
700.4540	For women-----	16,884	22,734	28,471	37,563	51,250
	Supported vinyl uppers:					
700.5545	For women and misses-----	68,579	70,777	77,288	86,942	89,776
	Total-----	117,806	120,980	141,312	156,365	169,248
		Value (1,000 dollars)				
	Footwear of leather:					
	Valued not over \$2.50 per pair:					
	Casual footwear:					
700.4310	For women-----	27,539	17,749	18,238	13,256	7,084
	Cement footwear:					
700.4340	For women-----	19,265	22,144	35,614	34,437	30,153
	Valued over \$2.50 per pair:					
	Casual footwear:					
700.4510	For women-----	5,293	7,899	10,007	13,711	24,701
	Cement footwear:					
700.4540	For women-----	76,236	112,866	146,161	193,846	262,403
	Supported vinyl uppers:					
700.5545	For women and misses-----	46,603	55,820	73,757	104,196	109,907
	Total-----	174,936	216,478	283,778	359,446	434,248
		Unit value				
	Footwear of leather:					
	Valued not over \$2.50 per pair:					
	Casual footwear:					
700.4310	For women-----	\$1.44	\$1.48	\$1.53	\$1.60	\$1.69
	Cement footwear:					
700.4340	For women-----	1.62	1.64	1.68	1.72	1.70
	Valued over \$2.50 per pair:					
	Casual footwear:					
700.4510	For women-----	3.70	4.11	4.02	3.86	3.89
	Cement footwear:					
700.4540	For women-----	4.51	4.96	5.13	5.16	5.12
	Supported vinyl uppers:					
700.5545	For women and misses-----	.67	.79	.95	1.20	1.22
	Average-----	1.48	1.79	2.01	2.30	2.57

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

A-41 through A-45

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Appendix B

Parts of Annual Reports  
filed by Consolidated Shoe Corporation  
in 1971 and 1972 with the Security  
and Exchange Commission, Washington, D.C.

## ITEM 1. BUSINESS, 1972

(a) PRINCIPAL PRODUCTS AND SERVICES: Consolidated National Shoe Corporation and its subsidiaries (hereinafter sometimes collectively referred to as "Consolidated", the "Company" or the "Registrant") engage primarily in the manufacture and sale at wholesale of women's shoes and boots. Through its retail outlets, which in fiscal 1972 accounted for about 8% of the Company's dollar sales volume, the Company also sells at retail shoes and boots of its own manufacture, as well as those manufactured by others.

The Company offers under each of its principal women's brand names a complete line of women's shoes, boots and sandals, some of which are obtained from others to complete the line. Branded lines are sold to department stores, women's specialty shops (including leased departments), chain retailers distributing primarily branded merchandise, and independent family shoe stores. The Company's branded business requires it to maintain a significant "in-stock" inventory, some of which is not committed to customer orders, and these in-stock inventories are subject to frequent style changes in women's shoes. In fiscal 1972, the Company's branded lines accounted for about one-half of the Company's dollar volume of business.

The Company also manufactures women's and some children's shoes and boots for large distributors (such as chain stores, mail order houses and wholesalers) who sell them under their own brand name or labels. In these cases, neither Consolidated's name nor its brand names appear on the footwear or the retail package. Uncommitted inventories are not required to the extent required for branded lines, as Consolidated manufactures customers' label shoes and boots primarily against orders in hand or anticipated under contracts which require (i) the maintenance of an inventory and (ii) that such inventory be purchased by the customer. Purchases from other manufacturers are not required to complete lines of unbranded shoes.

The demand for the Company's products can fluctuate widely as a result of frequent changes in women's fashions. For example, the Company believes that changes in the length of women's dresses and the increasing popularity of pant suits contributed to a sharp decline in demand for women's stretch fashion boots. Style changes in women's shoes may require large outlays for patterns, dies and lasts, which may affect profits.

Approximately 41% or about \$450,000, of fiscal 1972's loss was incurred in the first quarter of the fiscal year. The year's loss also reflects certain provisions for loss on doubtful accounts and disputed advertising allowances in the aggregate sum of \$506,000, or about 46% of the loss. See the Consolidated Statements of Operations for the Five Years Ended November 25, 1972 included in Item 2 of this Report.

The Company's losses in 1972 were also due to competition from foreign imports and rising costs in the manufacture and sale of domestic production coupled with the Company's inability, due to the competitive factors described below and to governmental restrictions, to increase prices sufficiently.

The decline in the Company's volume of business in 1972 was due in part to steps taken by new management (i) to eliminate unprofitable business, (ii) to eliminate excess productive capacity by closing certain plants and (iii) to reduce overhead in other plants; (iv) to increase prices, (v) to restrict the Company's cooperative advertising and return policies, and (vi) to reduce significantly the sales force to a more efficient level.

(b) (1) Competitive Conditions: In recent years, the most significant competitive factor in the women's shoe industry has been the increasing volume of foreign imports. At present, foreign imports account for about 43% of the total domestic market for women's shoes in terms of pairage. Foreign competition, along with a continued lack of demand for women's dress shoes and other factors, have led to the closing down of many domestic women's shoe manufacturers. Foreign competition has, over the years, significantly reduced Consolidated's volume in terms of pairage and has, in turn, significantly impaired Consolidated's profitability.

Due to foreign competition and other factors, the domestic production of women's shoes in recent years has become increasingly dominated by major companies. The Company estimates that the largest domestic producer of women's shoes now accounts for about 6% of total domestic production, and the five largest producers account for about 27%.

Apart from foreign competition, the Company competes with many domestic manufacturers, some of which are substantially larger than the Company and have greater resources. Many domestic competitors also operate more retail outlets than does the Company, thereby facilitating and improving the distribution of products of these competitors.

(2) Backlog: The dollar amounts of the Company's backlog as of the end of fiscal 1972 and 1971 are as follows:

11/27/71 .....	\$3,449,000
11/25/72 .....	\$2,938,000

The \$5,391,000 backlog previously reported by the Company as having existed on November 27, 1971 has been adjusted by the Company to reflect cancellations of approximately \$1,942,000 which were discovered since last year's annual report on Form 10-K. Virtually all backlog existing on November 25, 1972 is expected to be filled within fiscal 1973 and the Company does not anticipate the same high level of cancellations as experienced last year.

The Company's backlog of orders generally varies during the year due to seasonal factors, the effect of which may also vary from year to year depending on changes in women's fashions. The Company believes that the lower backlog at the end of fiscal 1972 may also reflect prompter deliveries; efforts to seek more current business; excess boot manufacturing capacity, resulting from a decline in that business and permitting customers to delay in placing orders; and greater caution by customers in making future commitments.

(3) Raw Materials: Costs of raw materials required by the Company, particularly leather, fluctuate greatly. Throughout 1971 and 1972, leather costs increased dramatically, reaching an historic high in 1972.

Raw materials, including leather, are purchased from a number of sources. In some instances, Consolidated may purchase most, and perhaps all of certain raw materials from a single source, but the Company is not dependent upon any one of them because there are available other suppliers or alternative materials in all raw material fields.

(4) Patents, Licenses, Franchises and Concessions: The Company does not have any advantage in terms of patent protection, exclusive manufacturing knowledge or the like, nor to its knowledge do its competitors generally enjoy a significant advantage in these areas.

(5) Research and Development: Omitted as inapplicable.

(6) Employees: At the end of fiscal 1972, the number of persons employed by the Company was 1,089, compared with 1,839 at the end of fiscal 1971. The reduction in the number of employees is due in part to efforts of new management to increase efficiency and productivity and in part to a decline in the Company's volume of business for reasons described above.

(c) (1) Information as to Lines of Business: Omitted as inapplicable.

(2) Information as to Classes of Similar Products or Services: Omitted as inapplicable.

(d) Major Customers: In fiscal 1972, the Company's largest customer accounted for about 18.8% of the Company's total dollar volume of sales (substantially all in boots), and the five largest customers accounted for about 33.5%. As described above, boot business is expected to decline in fiscal 1973 and accordingly the Company anticipates a significant decline in sales to its major customer.

(e) Foreign Operations: Omitted as inapplicable.

## ITEM 1. BUSINESS, 1971

(a) PRINCIPAL PRODUCTS AND SERVICES: Consolidated National Shoe Corporation and its subsidiaries (hereinafter sometimes collectively referred to as "Consolidated" the "Company" or the "Registrant") engages primarily in the manufacture and sale at wholesale of women's shoes and boots. Through its retail outlets, which in fiscal 1971 accounted for less than 8% of the Company's dollar sales volume, the Company also sells at retail shoes and boots of its own manufacture, as well as those manufactured by others.

The Company offers under each of its principal women's brand names a complete line of women's shoes, boots and sandals. Branded lines are sold to department stores, women's specialty shops (including leased departments), chain retailers distributing primarily branded merchandise, and independent family shoe stores. The Company's branded business requires it to maintain a significant "in-stock" inventory which is not committed to customer orders, and these in-stock inventories are subject to frequent style changes in women's shoes. In fiscal 1971, the Company's branded lines accounted for more than one-half of the Company's dollar volume of business.

The Company also manufactures women's shoes for large distributors (such as chain stores, mail order houses and wholesalers) who sell them under their own brand names or labels. In these cases, neither Consolidated's name nor its brand names appear on the shoes or the retail package. Uncommitted inventories of shoes are not required to the extent required for branded lines, as Consolidated manufactures customers' label shoes primarily against orders in hand or anticipated under contracts requiring the maintenance of an inventory. Purchases from other manufacturers are not required to complete lines of unbranded shoes.

The demand for the Company's products can fluctuate widely as a result of frequent changes in women's fashions. Style changes in women's shoes may require large outlays for patterns, dies and lasts, which may affect profits.

The Company's losses from operations in recent years have been due primarily to competition from foreign imports and to a decline in demand for women's dress shoes, which have resulted in a decline in the Company's sales in terms of pairage; rising costs in the manufacture



and sale of domestic production coupled with the Company's inability, due to competitive factors, to increase prices; high overhead expense relative to a rapidly declining pairage volume; and a decline in the general economic condition of the United States.

(b) (1) Competitive Conditions: In recent years, the most significant competitive factor in the women's shoe industry has been the increasing volume of foreign imports. At present, foreign imports account for about 42% of the total domestic market for women's shoes in terms of pairage. This foreign competition, along with a decline in demand for women's dress shoes and other factors, have led to the closing down of many domestic women's shoe manufacturers. This foreign competition has significantly reduced Consolidated's volume in terms of pairage and has, in turn, significantly impaired Consolidated's profitability.

Due to foreign competition and other factors, the domestic production of women's shoes in recent years has become increasingly dominated by major companies. The Company estimates that the largest domestic producer of women's shoes now accounts for about 10% of total domestic production, and the five largest producers account for about 36%.

Apart from foreign competition, the Company competes with many domestic manufacturers, some of which are substantially larger than the Company and have greater resources. Many domestic competitors also operate more retail outlets than does the Company, thereby facilitating and improving the distribution of products of these competitors.

Due to competitive conditions in its industry, Consolidated has, in recent years, been unable to adjust its prices or modify its product lines sufficiently in order to compensate for increased costs of raw materials and labor.

(2) Backlog: The dollar amounts of the Company's backlog as of the end of fiscal 1971 and 1970 are as follows:

11/29/70 .....	\$4,987,000
11/27/71 .....	\$5,391,000

All backlog existing on November 27, 1971 is expected to be filled within fiscal 1972. The Company's backlog of orders varies during the year due to seasonal factors.

