

UNITED STATES TARIFF COMMISSION

FOOTWEAR FOR WOMEN:  
WORKERS OF THE FRED BRAUN WORKSHOPS, INC.  
NEW YORK, N. Y.

Report to the President  
on Investigation No. TEA-W-223  
Under Section 301(c)(2) of the Trade Expansion Act of 1962



TC Publication 654  
Washington, D. C.  
March 1974

# **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 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 8, 1974

To the President:

In accordance with sections 301(f)(1) and (f)(3) of the Trade Expansion Act of 1962 (76 Stat. 872; 19 U.S.C. 1801), the U.S. Tariff Commission herein reports the results of investigation No. TEA-W-223 made under section 301(c)(2) of the act to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with footwear for women (of the types provided for in item 700.45 of the Tariff Schedules of the United States (TSUS)) produced by Fred Braun Workshops, Inc., New York, New York, 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 such firm or an appropriate subdivision thereof.

The investigation was instituted on January 10, 1974, on the basis of a petition for adjustment assistance filed under section 301(a)(2) of the act on behalf of the workers and former workers of Fred Braun Workshops, Inc. The petition was received on January 7, 1974.

Public notice of the investigation was published in the Federal Register (39 F.R. 2048) on January 16, 1974. No public hearing was requested, and none was held.

The information in this report was obtained from an officer of Fred Braun Workshops, Inc., former customers of the firm, official Government statistics, and the Commission's files.

#### Finding of the Commission

On the basis of its investigation, the Commission finds (Commissioners Leonard and Young dissenting) that articles like or directly competitive with footwear for women (of the types provided for in item 700.45 of the Tariff Schedules of the United States) produced by Fred Braun Workshops, Inc., New York, New York, are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause unemployment or underemployment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

Views of Chairman Bedell, Vice Chairman Parker, and  
Commissioner Moore

This investigation relates to a petition filed on behalf of the former workers of Fred Braun Workshops, Inc., New York, New York, under section 301(a)(2) of the Trade Expansion Act of 1962 (TEA) for a determination of their eligibility to apply for adjustment assistance. Fred Braun Workshops, which ceased production in December 1973, manufactured women's dress and casual shoes of cement construction that retailed from \$25 to \$29 a pair. In recent years, casual shoes with uppers of leather accounted for the major part of the output of the firm. All other uppers were made of vinyl.

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

- (1) Articles like or directly competitive with those produced by the workers are being imported in increasing quantities;
- (2) The increased imports are a result in major part of concessions granted under trade agreements;
- (3) The workers concerned must be unemployed or underemployed, or threatened with unemployment or underemployment; and
- (4) The increased imports resulting in major part from trade agreement concessions are the major factor causing or threatening to cause the unemployment or underemployment.

We find that each of these requirements has been met in the instant case; therefore, we have made an affirmative determination.

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

U.S. imports of women's dress and casual footwear, including the type produced by Fred Braun Workshops, Inc., have increased sharply in recent years. Foreign producers shipped nearly 212 million pairs of such nonrubber footwear into the United States in 1973 compared with 139 million pairs in 1969. Imports of women's dress and casual footwear supplied about a half of apparent U.S. consumption of such footwear in 1973 but only about a third in 1969. The growth in imports was even more pronounced for women's dress shoes. U.S. imports of women's dress shoes totaled an estimated 53 million pairs in 1973 contrasted with an estimated 28 million pairs in 1969. The share of apparent annual U.S. consumption of women's dress shoes supplied by imports was an estimated 29 percent in 1973 compared with 14 percent in 1969. This substantial growth of imports which started in 1968 coincides with the first trade-agreement concession of the Kennedy Round. Duties on women's dress shoes of the type produced by Fred Braun Workshops were reduced by 50 percent as a result of the Kennedy Round concessions.

We have determined that the increased imports cited above have resulted in major part from trade-agreement concessions within the meaning of the statute.

The workers are unemployed

Fred Braun Workshops ceased production in December 1973 and the workers employed at that time were laid off.



Increased imports are the major factor causing unemployment

The information developed in this case indicates that from the establishment of this firm in 1952 and prior to the influx of imports, Fred Braun Workshops, Inc., was able to sell the shoes it manufactured at a profit. The firm employed as many as 110 workers at one time. Beginning in 1969, Fred Braun experienced a decline in the profitability of its shoes of domestic manufacture. In an effort to overcome the adverse profit situation it faced and to overcome import competition, management attempted two remedies. In 1971, the company began to import women's shoes for resale both through Fred Braun retail stores and to independent customers otherwise buying similar shoes from its domestic output. In 1972, it switched the production process of uppers from stitchdown to cement bonding.

Confronted with increasingly heavy competition from concession-generated imported footwear and its inability to produce women's dress and casual shoes profitably even after the change in the manufacturing process, Fred Braun steadily increased imports, which were profitable. The value of the firm's imports of women's footwear, similar to the type produced at its New York plant, rose from \* \* \* that year to \* \* \* in 1973.

Conclusion

In light of the above facts, we conclude that increased imports resulting in major part from trade-agreement concessions are the major factor causing unemployment of the workers of Fred Braun Workshops, Inc., and therefore we have made an affirmative decision.

Views of Commissioner Ablondi

I concur in the affirmative determination of my colleagues that increased imports resulting in major part from trade-agreement concessions are the major factor causing unemployment of the workers of Fred Braun Workshops, Inc. (hereinafter referred to as Braun).

The major objective of the Trade Expansion Act of 1962 (TEA) is to promote freer trade, such expansion being considered, inter alia, in the best interests of the American labor force. 1/ Because the displacement of some American workers was considered to be an inevitable result of trade expansion, the act provided for adjustment assistance to displaced workers so that they could "adjust to the new international competition" and be "able to enjoy its benefits themselves." 2/ Every case should be examined in the light of this intent revealed in the fundamental statute.

International trade in shoes has grown significantly since the passage of the TEA and with subsequent trade concessions. This investigation provides a classic example of displacement of workers, the Braun employees, as a result of concession-generated increased imports. To carry out trade-agreement concessions, the rates of duty on imported footwear most directly competitive with that produced by Braun (footwear imported under TSUS item numbers 700.20, 700.43, 700.45 and 700.55) were materially reduced in recent years. Generally

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1/ Report of the Committee on Ways and Means, House of Representatives, to accompany H.R. 11970, Trade Expansion Act of 1962, at 9.

2/ Ibid., at 10.

coinciding with the reductions in duty, imported shoes have become financially more attractive to the U.S. market; thus, trade has markedly increased.

Although there were many factors in the decision by Braun to change from producer to importer, there is in this case such a direct causal relation between the rising imports and the declining production of Braun that one must conclude that the other factors are secondary to the increasing imports. There appears to have been a conscious choice on the part of Braun to establish a direct substitution of imports for production; that is, for each rise in the firm's purchase of imported shoes, there was a corresponding decrease in domestic production. This case is unlike others involving shoes where styling, antiquated production facilities, increased production costs, lack of competitive advantage, disruption resulting from natural causes, or managerial problems were the major factors causing unemployment within the meaning of the statute.

In 1971 Braun began importing women's footwear, starting a trend which in 1973 resulted in the termination of domestic production and the change to nearly 100 percent importation. Thus, concession-generated imports made it financially advantageous for Braun to change roles from producer to importer and, therefore, to close its domestic production facilities.

In my opinion, the unemployed workers have met the requirements of section 301(c)(2) of the TEA.

Dissenting Views of Commissioners Leonard  
and Young

Our determination in the instant case is negative because the increase in imports of any footwear like or directly competitive with that produced by Fred Braun Workshops, Inc., New York, New York, 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 statement of our views in earlier Commission investigations under the Trade Expansion Act. 1/

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1/ Commissioner Leonard's views are given in Nonrubber Footwear: Report to the President on Investigation No. TEA-I-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 output of Fred Braun Workshops, Inc., New York, just prior to the cessation of operations in December 1973, consisted of women's dress and casual shoes--made by the cement process 1/--that retailed at about \$25 to \$29 a pair; the bulk retailed at about \$28 a pair. In recent years, women's casual shoes with uppers of leather accounted for the major part of the output of the firm, with the remainder being made of vinyl.

The principal features of women's shoes that determine the occasion or activity 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 subpart 1A of schedule 7 of the Tariff Schedules of the United States Annotated (TSUSA). 2/

As a share 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. The term "dress shoes," originally limited only to shoes worn on formal occasions, is now used to describe footwear of

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1/ As explained in the section of this report dealing with the operations of Fred Braun, Inc., production was shifted from the stitch-down process to the cement process of construction in 1972.

2/ 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.

the types generally worn for street wear and for business and social activities. Depending upon fashion designs, dress shoes may be open- or closed-heel shoes with straps, laces, or tongues over the instep and may include high-heeled sandals with open toes, open heels, and uppers of narrow strips of leather or other materials. Women's shoes intended for formal wear, which are also regarded as dress shoes, are sometimes referred to as evening shoes, slippers, or sandals. The term "dress shoes" does not include footwear especially made for athletic, occupational, and leisure activities.

The materials used for the uppers of dress shoes are usually finer (i.e., less sturdy) than those of other types of footwear. Uppers may be of calf, kid, or reptile leathers; of silk, rayon, linen, satin, brocade, velvet, or metallic fabrics; or of supported vinyls or other plastics.

Women's footwear for casual wear, not considered dress shoes, includes certain sandals, wedge-heeled shoes, flats, clogs, loafers, desert boots, moccasins, and sneakers. Casual shoes usually have a lower heel than dress shoes and are generally constructed to withstand harder wear.

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; and this trend has continued into the 1970's. Simultaneously, consumers demanded footwear designed for specific purposes. Women today wear dress and casual shoes suitable to their life styles.

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. With the advent of new fashions in wearing apparel, the pump declined in popularity in the late 1960's. In 1967 the chunky style (monster) shoe appeared marking the beginning of a style revolution in women's footwear. With footwear becoming an important accessory to fashion, footwear styles changed rapidly. A great variety of designs were introduced creating an even wider choice for the footwear consumer.

In the late 1960's, form-fitting calf-length boots became fashionable, along with the miniskirt and other new dress fashions, and continued to be popular throughout 1970 and 1971. The popularity of boots during this period undoubtedly had an adverse effect on the demand for other types of women's footwear. However, with the switch by women to other types of wearing apparel such as pants suits, which did not complement boot designs, the market for such boots diminished markedly in 1972. In 1973, ankle-high boots for casual wear and higher length boots with more functional designs replaced the form-fitting or stretch calf-length fashion boots.

Changing fashions in women's apparel continued to affect footwear since the early 1970's. As changes occurred in dress lengths and as trousers became increasingly acceptable as appropriate women's wear for almost every occasion, footwear styles with 1-inch soles, and even higher platforms, became popular. A variety of materials--plantation crepe, "marshmallow" (pliable synthetic), leather combinations and various plastics--were used to make soles, concealed platforms and wedges. Some bottom

assemblies were even colored, painted or sculptured. During 1970-72 such platform styles dominated most women's footwear. In 1973, however, as women's fashions returned to the more classic or traditional styling; the classic-pump design for footwear again became popular, a trend which has continued into 1974. Platforms are becoming less extreme, and more feminine styles are now being offered. Examples of the new look include lighter sandalized (open) footwear with emphasis on bows, straps, slimmer high heels, and narrower toe shapes in both dress and casual footwear. There has also been a return to the low-heeled flat for casual wear.

As indicated previously, most of the footwear produced by Fred Braun Workshops consisted of casual and dress shoes constructed with uppers of leather--all made by the cement process. In this method of construction, which accounts for about 80 percent of the total U.S. output of all women's footwear, the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing.

It is estimated that about 60 percent of the women's shoes produced in 1973 had leather uppers, compared with nearly 70 percent in 1970. The American Footwear Industry Association (AFIA) indicates that owing to the recent shortage of hides and the consequent increases in prices of leather, prices of women's leather footwear have continued to rise. The president of the AFIA has further indicated that, as the price of leather footwear increased, shoes made from sophisticated manmade materials--polyurethane, polomerics and nylon velvets--have gained a larger percentage of the U.S. market. Footwear of manmade materials lends itself



not only to the multihued new platform styles favored by young people, but also to the more conservative styles. The following AFIA data illustrate the inroads made by all footwear of manmade materials on the markets and footwear of leather:

Share of total U.S. output of nonrubber  
footwear accounted for by--

	<u>Leather</u> <u>Percent</u>	<u>Manmade materials</u> <u>Percent</u>
1950-----	85	15
1960-----	76	24
1972-----	60	40
1973-----	54	46
1975 <u>1</u> /-----	50	50

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1/ Estimated projection.

More recent industry sources, however, report that due to shortages and possible worsening shortages of petrochemically-derived materials, a reverse turn may be taken in the leather versus manmade material outlook.

## U.S. Tariff Treatment

Applicable TSUS items

The great bulk of women's imported dress and casual shoes are entered under TSUS items 700.20, 700.43, 700.45, and 700.55. As explained briefly in the following paragraphs, the footwear classifiable under these four TSUS items varies with respect to materials, method of construction, price line, and/or style.

Imports entered under TSUS items 700.43 and 700.45, which provide for leather footwear having a foreign (export) value of not over \$2.50 a pair, and over \$2.50 a pair, respectively, consist predominantly of women's footwear in a wide range of styles, types, and prices. In terms of quantity, a substantial part of the combined imports under these two items in recent years have consisted of women's sandals both for casual and for dress wear. The remainder has probably consisted predominantly of women's moderate-priced cement-process dress and casual shoes (i.e., in the retail-price range of \$8 to \$20 a pair). Women's imported 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; however, the imports of turned footwear under item 700.20 have been small.

Women's imported footwear with supported-vinyl uppers, dutiable under TSUS item 700.55, has in recent years consisted predominantly of two groups: (1) Street shoes of sturdy construction, produced in a single width for each particular length for sale at self-service counters

in variety stores, discount stores, and department-store basements and (2) folding slippers, sandals, and other inexpensive footwear. 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 more than \$10 a pair; in the period 1971 through 1973, the annual imports of such footwear retailing at more than \$10 a pair (mostly just over that price) probably accounted for less than 10 percent of the total imports.

#### Rates of duty

In the Tariff Act of 1930, women's leather footwear of cement-process 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, under 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 leather turn or turned footwear (now provided under TSUS item 700.20) was first reduced on January 1, 1932, from 20 percent ad valorem to 10 percent, pursuant to section 336 of the Tariff Act of 1930. The 10 percent rate, which was bound against increase in a concession granted to Switzerland, effective February 15, 1936, was reduced to 5 percent pursuant to a concession, effective May 30, 1950, granted under the General Agreement on Tariffs and Trade (GATT). The current rate for item 700.20 is 2.5 percent.

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 cents 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 and 3 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 under par. 1530(e) at a rate of 20 percent ad valorem.

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

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

During the period 1965-73, apparent annual U.S. consumption of all women's nonrubber footwear rose from an estimated 386 million pairs in 1965 to a peak of 455 million pairs in 1968, and then declined to 402 million pairs in 1973. Annual U.S. production of such footwear declined from 319 million pairs in 1965 to 190 million pairs in 1973. Annual imports tripled during this period, and their share of the market increased without interruption from 17 percent to 53 percent, as shown on page A-10. Italy and Spain have been the principal suppliers of women's dress and casual leather footwear, the Republic of China (Taiwan) and Japan, the principal suppliers of such footwear made with vinyl uppers.

Data on U.S. consumption of women's dress shoes are not separately reported in official statistics. It is estimated, however, that during 1965-73 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 180 million in 1973.

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 127 million pairs in 1973. Estimated imports rose from 4 million pairs in 1965 to 53 million pairs in 1973. The share of apparent annual U.S. consumption of women's dress shoes supplied by imports increased from 2 percent in 1965 to 29 percent in 1973, as shown on page A-11.

Nonrubber footwear for women: U.S. production, imports for consumption, and apparent consumption, 1965-73

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-----	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
1973-----	190	212	402	53

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 TSUSA 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 those of women's.

3/ Computed from U.S. production plus imports without an allowance for exports, which in 1973 amounted to about 1 million pairs.

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

Dress shoes for women: U.S. production, imports for consumption,  
and apparent consumption, 1965-73

Year	Production <u>1/</u>	Imports <u>2/</u>	Apparent consump- tion <u>3/</u>	Ratio of imports to apparent 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
1973-----	127	53	180	29

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

2/ In recent years, dress shoes are estimated to have accounted for about 1/4 of the total annual imports of women's and misses' footwear.

3/ Data represent estimated production plus estimated imports without an allowance for exports, which in 1973 accounted for less than 1 million pairs.

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

Estimates of U.S. consumption, production, and imports of women's casual footwear are shown in the following table. The table indicates that during the last 9-year period while domestic production was on a downward trend and imports more than doubled, apparent consumption fluctuated from 180 million pairs in 1966 to 224 million pairs in both 1968 and 1970, then declined to 222 million in 1973. It is estimated that the import share of domestic consumption increased from 35 percent in 1965 to 72 percent in 1973.

Women's casual footwear: Estimated production<sup>1/</sup>, imports for consumption, and apparent consumption, 1965-73

Year	Production <sup>1/</sup>	Imports <sup>2/</sup>	Apparent consumption <sup>3/</sup>	Ratio of imports to apparent consumption
	Million pairs	Million pairs	Million pairs	Percent
1965-----	119	63	182	35
1966-----	117	63	180	35
1967-----	102	85	187	45
1968-----	112	112	224	50
1969-----	94	111	205	54
1970-----	95	129	224	58
1971-----	81	137	218	63
1972-----	73	148	221	67
1973-----	63	159	222	72

<sup>1/</sup> Casual shoes are believed to account for about 1/3 of the total annual output of nonrubber footwear for women and misses.

<sup>2/</sup> Casual shoes are estimated to have accounted for about 3/4 of the total annual imports of women's and misses' footwear in recent years.

<sup>3/</sup> Data represent estimated production plus estimated imports without an allowance for exports, which in 1973 amounted to less than 1 million pairs.

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



## Prices

As indicated earlier in this report, the women's shoes produced by Fred Braun Workshops retailed from about \$25 to \$29 a pair (most retailed at about \$28 a pair). As shown in the tabulation below, about 28 per cent of domestic production of women's nonrubber footwear in 1972 was sold at the wholesale level of \$9 to \$16 a pair, or the equivalent of \$18 to \$32 at retail.

Women's nonrubber footwear: Percentage distribution of domestic production, by manufacturer's selling price, 1972 and 1968

Manufacturer's selling price <sup>1/</sup>	1972	1968
	<u>Percent</u>	<u>Percent</u>
\$1.00 or less-----	-	19.2
\$1.01 to \$2.00-----	0.9	
\$2.01 to \$3.00-----	5.6	
\$3.01 to \$4.00-----	19.9	
\$4.01 to \$5.00-----	16.1	
\$5.01 to \$6.00-----	11.0	48.7
\$6.01 to \$7.00-----	4.5	
\$7.01 to \$8.00-----	7.4	
\$8.01 to \$9.00-----	6.6	
\$9.01 to \$10.00-----	13.3	
\$10.01 to \$12.00-----	11.0	29.3
\$12.01 to \$14.00-----	2.0	
\$14.01 to \$16.00-----	1.2	
\$16.01 to \$18.00-----	.3	2.8
\$18.01 to \$20.00-----	.1	
\$20.01 or more-----	.1	
Total-----	100.0	100.0

<sup>1/</sup> The retail selling price is generally twice the value of the manufacturer's selling price.

Source: Footwear Production by Manufacturer's Selling Price, 1972, U.S. Bureau of the Census.

Data with respect to the estimated retail price of the imported footwear are shown in the tabulation below:

**Women's nonrubber footwear: Percentage distribution of imported footwear, by estimated retail selling price, 1972**

Estimated retail selling price	1972
	<u>Percent</u>
\$3.00 or less-----	33
\$3.01 to \$6.00-----	23
\$6.01 to \$10.00-----	13
\$10.01 to \$16.00-----	18
\$16.01 to \$22.00-----	8
\$22.01 to \$28.00-----	3
\$28.01 or more-----	2
Total-----	100

Source: Estimated by the U.S. Tariff Commission on the basis of imports entered under items 700.4310, 700.4340, 700.4540, and 700.5545 in 1972. Such imports accounted for about 82 percent of the total imports of footwear for women and misses in that year.

### 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, 1970, and 1971. It should be noted, however, that there are several difficulties involved in comparing these data. 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 hourly earnings <sup>1/</sup>			Estimated compensation per hour worked <sup>2/</sup>		
		1964	1970	1971	1964	1970	1971
Brazil-----	Clothing and shoes-----	3/ \$0.23	4/ \$0.28	5/	5/	5/	5/
Italy-----	Shoes <sup>6/</sup> -----	.42	.65	\$0.90	\$0.71	\$1.19	\$1.6
Japan-----	Leather products <sup>7/</sup> -----	.37	.78	.92	.41	.88	1.0
Spain-----	Shoes, leather, and clothing.	.23	.38	.46	5/	8/ .57	8/ .6
Taiwan-----	Leather and leather products. <sup>7/</sup>	.12	.18	5/	9/ .14	9/ .21	5/
United States---	Footwear, excluding rubber---	1.77	2.43	2.53	2.10	2.96	3.0

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 U.S. 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 plastics 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 plastics shoe industry are home workers.

8/ The compensation factor included in this figure is employer social security payments, which range from 49 to 50 percent of payroll.

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

Source: Based on data provided by the U.S. Bureau of Labor Statistics, from the following: Brazil--Yearbook of Labor 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 Construction, Provincial Government of Taiwan.

Note.--The exchange rates used to convert other currencies into U.S. dollars for 1971 are the average rates of exchange during 1971. Part of the increases in wages for Italy and Japan in 1971 are attributable to the change in the rates in 1971.

Data Relating to Fred Braun Workshops, Inc.

Corporate structure, plant, and equipment

Fred Braun Workshops, Inc., New York, N.Y., which started in business in 1952, ceased all manufacturing operations in December 1973. The firm was organized by Fred Braun, who served as president, and his wife, Renata, who was secretary-treasurer. Fred Braun died several years ago; Mrs. Braun became president and also retained the treasurer's position. After she remarried, her new husband, Otobar Mach, became secretary of the firm. \* \* \*

The original plant was located in Greenwich Village. In 1965, because the firm required additional space, it moved to its present location, 18 West 18th Street. At this location, the firm occupies about 15,000 sq. ft. of office and manufacturing space on one floor in a multi-story building constructed in the early 1900's. In addition, it occupies about 5,000 sq. ft. on one floor of another multi-story building at 17 West 17th Street; this space serves as a warehousing facility for the firm, and it is still used to warehouse shoes that the firm imports.

According to Mrs. Mach, all the equipment used in its manufacturing operations could be described as modern; most of it was imported from West Germany. The company owns all of its equipment except a tape machine, which is used for sealing cases of shoes; this machine can be obtained only on lease from the manufacturer.

When the firm ceased operations in December 1973, the book value of the manufacturing equipment was about \* \* \* At the present time, Mrs. Mach is trying to find a buyer for the manufacturing operation. Failing this, the equipment will probably be sold for about \* \* \*

### Product and prices

The output of Fred Braun Workshops consisted of women's dress and casual shoes made by the cement process. The footwear in 1973 retailed at prices ranging from about \$25 to \$29 a pair, with the bulk of the shoes retailing at about \$28 a pair. The product line varied from year to year, depending upon consumer demand. Pump designs with various types and heights of heels accounted for most of the production during the years 1952-69. During 1970-73, casual shoes represented about 90 percent of production and dress shoes made up the remainder.

The uppers of all shoes produced by this company were made of leather by the stitch-down process up until 1972. In that year, due to the necessity for adapting to new styles reflecting changes in consumer tastes that could not be produced by this process, the company switched to the cement process of manufacturing. The footwear were marketed under only one brand name, "Fred Braun." Part of the output of the company was distributed by six retail shoe stores in the New York City area owned by the firm, and the remainder was sold to a large number of independent retailers.

Sales

\* \* \* \* \*

Imported footwear.--According to a company official, Fred Braun Workshops, Inc., which had imported only a limited quantity of shoes prior to 1971, started to import a considerable volume of women's shoes in that year, owing to increasingly heavy competition from imported footwear and the declining profitability of producing footwear in its plant. In 1971 the firm's imports, practically all from Italy and Spain, were valued at about \* \* \* . The value of its imports increased very slightly in 1972 to \* \* \* and then rose substantial in 1973 to \* \* \* .





Shoes imported by Fred Braun are of the same type and are sold under the same brand name to its own retail outlets and to their independent customers that formerly purchased its domestic output. According to Mrs. Mach, the styling, material, and workmanship of the imported products are superior to the footwear formerly produced by Fred Braun, but the imports sell at the same retail price range of \$25 to \$29 a pair.

Distribution

As previously mentioned, Fred Braun owns six retail stores in Manhattan and Queens, N.Y. which are the firm's largest customers. During the period 1970-73, these six outlets accounted for

\* \* \* of the firm's total sales.

The remainder of the firm's sales were to independent retailers or boutiques, small shops that usually specialize in fashionable, expensive footwear and sales of other articles.

\* \* \* \* \*

A-23 and A-24

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Comments by a company official

A letter to the Tariff Commission containing the comments of the president of Fred Braun Workshops, Inc. concerning the closing of the firm's manufacturing operations is included in appendix B of this report.

Comments by union officials

A letter to the Tariff Commission containing the comments of two officials of Joint Council #13 of the United Shoe Workers of America, AFL-CIO, concerning the cessation of Fred Braun's manufacturing operations, is included in appendix C of this report.

## A-26 and A-27

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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 <u>1/</u>	GATT concession <u>2/</u>		Effective date
			Rate		
		<u>Percent</u>	<u>Percent</u>		
		<u>ad val.</u>	<u>ad val.</u>		
700.20	Leather footwear: Turn or turned-----	10 <u>3/</u>	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 20 <u>4/</u>	5/ 12.5 11 10	Aug. 31, 1963-Dec. 31, 1967.	
			8.5	Jan. 1-Dec. 31, 1968.	
			7	Jan. 1-Dec. 31, 1969.	
			6	Jan. 1-Dec. 31, 1970.	
				Jan. 1, 1971.	
				Jan. 1, 1972.	

1/ 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.

2/ 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.

3/ 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.

4/ 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.

5/ 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 principally by the cement process (items 700.43 and 700.45): U.S. rates of duty and imports for consumption; 1939, 1946, and 1955-73

Year	Rate of duty <u>1/</u>		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 :	
1969-----	18 :	16 :	29 :	
1970-----	17 :	14 :	37 :	
1971-----	16 :	12 :	33 :	
1972-----	15 :	10 :	25 :	
1973 <u>2/</u> -----	15 :	10 :	17 :	

1/ 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. 1968, new items 700.41 (sandals of buffalo leather), 700.43, and 700.45 replaced item 700.40.

2/ U.S. imports of sandals under item 700.41 amounted to about 2 million pairs in this year.

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

Table 3.--Footwear having supported-vinyl uppers for women and misses (item 700.5545): U.S. rates of duty and imports for consumption, 1934, and 1964-73

Year	Rate of duty	Quantity	Value	Unit value
	<u>Percent</u> <u>ad valorem</u>	<u>1,000</u> <u>pairs</u>	<u>1,000</u> <u>dollars</u>	<u>Per</u> <u>pair</u>
1934-----	<u>1/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
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
1973-----	6	96,942	136,036	1.40

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 and 1965 are partly 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.

APPENDIX B

LETTER FROM PRESIDENT, FRED BRAUN  
WORKSHOPS, INC.



*designs in leather*

**WORKSHOPS / OFFICES:**

FRED BRAUN WORKSHOPS, INC.

18 WEST 18th STREET • NEW YORK, N.Y. 10011 • 924-5286

CABLE ADDRESS: "EFBRAUN"    TELEX NUMBER: 6204606

February 27, 1974

M.S. Tarriff Commission  
8th & E Streets N.W.  
Washington, D.C. 20436

Gentlemen:

This letter is in connection with statistics and datas supplied to the Tarriff Commission for workers petition for a determination under sec. 301.

We started in business as shoe manufacturers in 1952 and ceased our operation in Dec. 1973. Because of very strong competition from imported goods.

During 1972 & 1973 we had full productions going and sold our shoes 25% - 30% higher than comparable imports and still wound up without any profits. In 1973 the higher inflation on raw materials and the unavailability made it even more difficult. Everytime we picked up the phone to reorder materials we were hit with an increase. No supplier would take a contract or bulk order to guarantee a price for a certain length of time. This situation naturally forced our prices up & up.

Our shoes are style leaders in the young female market. Our styles are being copied stitch by stitch and offered to the trade at 20-35% lower than ours domestically produced.

During 1973 we found more price resistance from our customers which brought our decission to close our manufacturing operation and go into the importing of shoes.

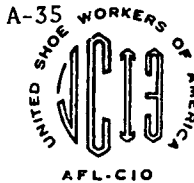
Sincerely yours,

*Fred Braun*  
Fred Braun Workshops, Inc.

APPENDIX C

LETTER FROM OFFICIALS OF JOINT COUNCIL #13,  
UNITED SHOE WORKERS OF AMERICA, AFL-CIO

# Joint Council No. 13



UNITED SHOE WORKERS OF AMERICA

FILENO DE NOVELLIS  
Manager-Treasurer

FRANK SAFFIOTTI  
Assistant Manager

DANIEL TROIANO  
President

JAMES BADAMI  
Vice President

225 LAFAYETTE STREET  
NEW YORK, N.Y. 10011  
WOrth 6-5880

Feb.19,1974

RECEIVED

FEB 21 1974

OFFICE OF THE SECRETARY  
U. S. TARIFF COMMISSION

Honorable Kenneth R. Mason, Secretary  
United States Tariff Commission  
Washington, D.C. 20436

RE: Fred Braun Workshops, Inc.  
18 West 18th Street  
New York, N.Y. 10011

Dear Sir:

We would like to present our views, and also some pertinent information regarding the closing of the above mentioned factory.

This firm manufactured high grade ladies' shoes, in the retail price range of \$25.00 to \$28.00 a pair. They also had six retail stores - mainly in the New York City mid-town area with a growing and expanding business.

They employed approximately 80 to 90 workers, who were producing an average of 800 pair of shoes daily.

The Labor-management relations were always excellent. We had negotiated a series of collective bargaining agreements since 1955 that were always comparable with other shoe manufacturers in this area.

You can imagine our shock and dismay when we received a letter from Mrs. Braun, dated Dec.3,1973 indicating her intention of closing the plant completely on Dec.5,1973. In our discussion with Mrs. Braun, she related to the Union, the reason for terminating the employees and the closing of the factory. It was a very simple reason - by importing her shoes from Spain, she would make an additional \$5.00 a pair profit.

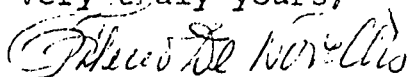
From our point of view, this employer closed the plant because it was more profitable for her to become an importer, resulting

Honorable Kenneth R. Mason,  
Secretary

in the loss of 80 to 90 jobs.

We therefore urge and plead the Commission to grant these employees some adjustment assistance. They are in desperate need of your help. Your Agency is their last hope for some assistance during these difficult times.

Very truly yours,



Fileno De Novellis, Manager



Frank Saffiotti, Asst. Manager

FDN:FS/en