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UNITED STATES TARIFF COMMISSION

**FOOTWEAR FOR WOMEN:
FORMER WORKERS OF THE GARDENA, CALIF., PLANT OF
SUN-CAL FOOTWEAR, INC.,
A SUBSIDIARY OF LEHIGH MOCCASIN CORP.,
A SUBSIDIARY OF LEHIGH VALLEY INDUSTRIES, INC.**

**Report to the President
on Investigation No. TEA-W-231
Under Section 301(c)(2) of the Trade Expansion Act of 1962**



**TC Publication 669
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May 1974**

UNITED STATES TARIFF COMMISSION

COMMISSIONERS

Catherine Bedell, Chairman
Joseph O. Parker, Vice Chairman
Will E. Leonard, Jr.
George M. Moore
J. Banks Young
Italo H. Ablondi

Kenneth R. Mason, Secretary to the Commission

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

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Note.--The whole of the Commission's report to the President may not be made public since it contain 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,
May 3, 1974.

To the President:

In accordance with section 301(f)(1) and (f)(3) of the Trade Expansion Act of 1962 (TEA) (19 U.S.C. 1901), the U.S. Tariff Commission herein reports the results of an investigation (TEA-W-231) 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 items 700.45 and 700.55 1/ of the Tariff Schedules of the United States (TSUS)) produced by Sun-Cal Footwear, Inc., Gardena, Calif., a wholly owned subsidiary of Lehigh Moccasin Corp., a wholly owned subsidiary of Lehigh Valley Industries, Inc., New York, N.Y., are being imported into the United States in such increased quantities as to cause, or threaten to cause, 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 March 11, 1974, on the basis of a petition for adjustment assistance filed under section 301(a)(2) of the act on behalf of the former workers of the firm. 2/

1/ Although the Commission's public notice in this investigation indicated that footwear of the types that enter under TSUS item 700.55 were produced by Sun-Cal Footwear, Inc., it was learned that such footwear has never been produced at the firm's Gardena, Calif., plant.

2/ The Gardena plant, where the petitioning workers were employed, was sold on Feb. 23, 1973, by Lehigh Valley Industries, Inc., to Desco Shoe Corp., New York, N.Y., and is now operating as the Gardena Shoe Co.

Notice of the investigation was published in the Federal Register (39 F.R. 10037) on March 15, 1974. No public hearing was requested, and none was held.

The information in this report was obtained principally from Lehigh Valley Industries, Inc., the United Shoe Workers of America, customers of Sun-Cal Footwear, Inc., official Government statistics, and the Commission's files.

This is the third worker investigation conducted by the Commission, pursuant to the provisions of the TEA, with respect to footwear manufacturing subsidiaries of Lehigh Valley Industries, Inc. The other investigations involved Dori Shoe Co., Inc., Lynn, Mass. (TEA-W-43), and Evangeline Shoe Corp., Manchester, N.H. (TEA-W-54). In the Dori Shoe Co., Inc., investigation, the Commission made a negative determination, and in the Evangeline Shoe Corp. investigation, the Commission was evenly divided in its finding.

Finding of the Commission

On the basis of its investigation, the Commission finds unani-
mously that articles like or directly competitive with the footwear for women (of the types provided for in item 700.45 of the Tariff Schedules of the United States) produced by Sun-Cal Footwear, Inc., are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, 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 Commissioners Moore and Ablondi

Our determination in this investigation is in the negative because the criteria established by section 301(c)(2) of the Trade Expansion Act of 1962 (TEA) have not been met. Before an affirmative determination can be made, the Commission must find that each of the following conditions has been satisfied:

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

In the instant case, we find that condition (4) has not been satisfied; namely, increased imports resulting from trade-agreement concessions of articles like or directly competitive with footwear produced by Sun-Cal Footwear, Inc., Gardena, Calif., have not been the major factor in causing, or threatening to cause, the unemployment or underemployment of the workers of Sun-Cal Footwear, Inc. Our determination is based on the following considerations.

Operations of the Gardena, Calif., plant of Sun-Cal Footwear, Inc., a wholly owned subsidiary of Lehigh Valley Industries, Inc., were discontinued in January 1973, prior to the sale of the physical assets of the firm to Desco Shoe Corp. Sun-Cal manufactured women's leather footwear by the cement process in dress, casual-dress, and service shoe styles, for sale at retail at about \$18 to \$20 per pair.

The evidence gathered during the investigation discloses that the discontinuation of operations and sale of the Gardena facility was due to a management decision by the parent corporation, Lehigh Valley Industries, Inc., and was not the result in major part of competition from concession-generated imported footwear. This management decision was part of an overall corporate restructuring program which contemplated the discontinuation of several subsidiaries in the Footwear Group of Lehigh Valley Industries. In the 1972 annual report, the President of Lehigh Valley Industries stated, "This decision was based on analysis that exposed the folly of dissipating the earnings of the well-managed and on-going operations within our Company by continuing to support those operations that consistently had been a drain on profits." He further stated, ". . . some of our shoe companies had lost their opportunity for profits and could no longer stand on their own."

The operations of the Gardena plant were unprofitable for several reasons. Owing to higher costs for materials and labor, production cost were rising, while at the same time sales were declining. The marked decline in sales was attributed to the inability of the firm to keep up with styling demands in its principal markets and maintain prices within the range in which Sun-Cal shoes were usually sold.

* * * * *

Conclusion

On the basis of the foregoing we conclude that articles like or directly competitive with those produced by the workers of Sun-Cal Footwear, Inc., are not, as a result in major parts of tariff concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of the petitioning workers, and therefore we have made a negative determination.

Views of Commissioners Leonard and Young

Our determination in the instant case is negative because one of the statutory criteria has not been met, i.e., that the increase in imports of footwear like or directly competitive with that produced by Sun-Cal Footwear, Inc., Gardena, Calif., is the result in major part of concessions granted under trade agreements. Our reasoning in support of this determination is set forth in statements of our views in earlier Commission investigations under the Trade Expansion Act. 1/

1/ Commissioner Leonard's views are given in Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . . , TC Publication 359, 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, 1972, pp. 11-25.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

During 1969-72, the output of Sun-Cal Footwear, Inc., Gardena, Calif., consisted of women's leather footwear, made by the cement process. Such footwear retailed from about \$18 to \$20 a pair. According to an official of Lehigh Valley, during 1969-72, women's dress and casual-dress shoes ^{1/} accounted for the major part of the output. Women's service shoes (designed principally to be worn for any form of work requiring sturdy footwear) accounted for the remainder.

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 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

^{1/} Mr. Tardiff, controller of Lehigh Valley, defined "dress shoes" as shoes styled for formal or semi-formal dress (including footwear for office work, dining, etc.) and "casual-dress shoes" as shoes appropriate for informal wear (for use with pants, slacks, etc.).

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.

Women's "service" shoes are designed primarily for comfort and not style although most firms that produce them try to incorporate both in the construction of the shoe. A "service" shoe generally has extra padding on the insole and is made of more pliable leather than dress shoes. "Service" shoes are worn by women generally in occupations that

require considerable standing or walking. The "service" shoes manufactured by Sun-Cal Footwear were utilized principally in occupations such as nursing and restaurant waiting.

The range of styles and the 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; 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 lifestyles.

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, formfitting calf-length boots became fashionable along with the miniskirt and other new dress styles, 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 boots with more functional designs replaced the formfitting or stretch calf-length boots.

Changing fashions in women's apparel have 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 footwear more feminine in style is 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, all of the footwear produced by Sun-Cal Footwear consisted of dress, casual-dress, and service shoes constructed with uppers of leather. Such shoes were made by the cement process. In this process, which accounts for about 80 percent of the total U.S. output of all women's footwear, the outsole is affixed to the upper by an adhesive without sewing.

It is estimated that about 60 percent of all women's nonrubber shoes produced in the United States in 1973 had leather uppers, compared with nearly 70 percent in 1970. The American Footwear Industries 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 risen steadily. The president of the AFIA has further indicated that, as the price of leather footwear increased, shoes made from manmade materials--polyurethane, polymerics and nylon velvets--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 changes in the shares of the nonrubber footwear market supplied by leather and by manmade materials.

Percentages of total U.S. output of nonrubber footwear accounted for by leather and by manmade materials, specified years 1950-1975

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

1/ Estimated projection.

Source: American Footwear Industries Association.

Industry sources, however, report that owing to recent and possibly worsening shortages of petrochemically derived materials, a reversal is possible in the relationship between the proportion of leather and of manmade materials used in the production of footwear.

U.S. Tariff Treatment

Applicable TSUS items

The women's footwear produced by Sun-Cal, if imported into the United States, would be dutiable under TSUS item 700.45. Imports entered under this item number, which provides for leather footwear having a foreign (export) value of over \$2.50 a pair, consist predominantly of women's footwear in a wide range of styles, types, and prices. In terms of quantity, a substantial part of the imports in recent years has 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).

Other footwear that may be similar to the footwear produced by Sun-Cal is entered under TSUS items 700.43 and 700.55. That entered under item 700.43 consists of leather footwear having a foreign (export) value of under \$2.50 a pair. Such footwear would generally retail at under \$10 per pair in the United States whereas all of the Sun-Cal output in recent years has retailed for more than \$10 a pair.

The imports entered under item 700.55, footwear with supported-vinyl uppers, have 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 mid-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 if valued over \$2.50 a pair is provided for in the TSUS, which became effective on August 31, 1963, under item 700.45. The rate of duty applicable to this item was reduced in five annual stages to 10 percent ad valorem effective January 1, 1972, pursuant to concessions granted during the Kennedy Round of negotiations.

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.

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.

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. 1/ 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 700.45 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.

1/ 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 have been 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 moved irregularly, 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
	Million pairs	Million pairs	Million pairs	Percent
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.

Data are not available with respect to U.S. production, imports, or apparent consumption of women's service shoes. It is known, however, that U.S. imports of these shoes are small.

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 between 180 million and 187 million pairs annually during 1965-67 and between 205 million and 224 million pairs annually during 1968-73. It is estimated that the import share of domestic consumption increased steadily from 35 percent in 1965 to 72 percent in 1973.

Women's casual footwear: Estimated 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-----	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

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

2/ 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.

3/ 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 Sun-Cal Footwear retailed from about \$18 to \$20 a pair. As shown in the tabulation below, about 13 percent of domestic production of women's shoes in 1972 was sold at the wholesale level of \$9 to \$10 a pair, or the equivalent of \$18 to \$20 at retail.

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

Manufacturer's selling price ^{1/}	1972	1968
	Percent	Percent
\$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	} 29.3
\$9.01 to \$10.00-----	13.3	
\$10.01 to \$12.00-----	11.0	
\$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

^{1/} 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.

In 1972, about 57 million pairs of imported women's footwear of leather, with an average dutiable value of about \$5.12 a pair, were entered under TSUSA item 700.4540 (table 2); and nearly 90 million

pairs of imported women's footwear of vinyl, with an average dutiable value of \$1.22 a pair, were entered under item 700.5545 (table 3).

Data with respect to the estimated retail price of certain footwear imported into the United States 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 700.5543 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 average hourly earnings and the estimated compensation per hour received by shoe workers in eight countries in 1970, 1971, and 1972. While of some use in comparing the labor costs of the shoe industries in the various countries listed, the table has several shortcomings that make such comparisons inexact. First, in only the United States, Italy, and Hong Kong is the industry definition limited exclusively to footwear. In the other countries the industry classifications are more encompassing. Second, as footnote 1 to the table indicates, published hourly earnings in the various countries differ in composition. Third, total compensation for workers includes varying factors in the eight countries.

Hourly earnings of production workers and estimated total compensation per hour worked in specified industries related to footwear in 8 countries, 1970, 1971, and 1972

(In U.S. dollars)

Country	Industry	Published average hourly earnings 1/			Estimated compensation per hour worked 2/		
		1970	1971	1972	1970	1971	1972
Brazil	Clothing and footwear	3/ \$0.28	4/	4/	4/	4/	4/
Hong Kong	Rubber footwear	.30	\$0.55	\$0.41	\$0.32	\$0.37	\$0.44
Italy	Footwear 6/	.60	.80	.93	1.09	1.42	1.62
Japan	Rubber products, including plastic footwear 7/	.88	1.08	1.49	1.00	1.23	1.69
Korea	Rubber and plastic products 7/ 8/	.18	.18	.18	.22	.22	.22
Spain	Clothing and footwear 8/	.38	.43	.53	.55	.62	.76
Taiwan	Rubber and plastic products 7/	4/	4/	.19	4/	4/	10/
United States	Footwear, excluding rubber	2.43	2.53	2.63	2.95	3.09	3.24
	Rubber footwear	2.70	2.78	2.88	3.48	3.61	3.77

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 percentage of published earnings are the best estimates currently available to the Bureau of Labor Statistics. The estimates are based primarily on labor costs or labor compensation surveys adjusted to the listed years on the basis of other available data.

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

4/ Not available.

5/ Daily earnings converted to an hourly basis by assuming 9 hours of work per day. The compensation figures include pay for time not worked, bonuses, and the value of pay in kind, but not overtime pay or employer contributions to social insurance funds.

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 Hong Kong, Japan, Korea and Taiwan to the United States are principally of plastics. Separate data are not available on the plastics footwear industry, except for Hong Kong. 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.

8/ Including salaried employees.

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

10/ July - December 1972. 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 figures also include annual bonuses and employer contributions to national insurance.

Source: Based on data provided by U.S. Bureau of Labor Statistics, from the following: Brazil--Yearbook of Labour Statistics 1973, International Labour Office, Geneva; Hong Kong--Annual Departmental Report, 1970-73, Commissioner of Labour, Hong Kong; Italy--Rassegna di Statistiche del Lavoro, various issues, Confederazione General dell'Industria Italiana, Rome; Japan--Year Book of Labour Statistics, various issues, Ministry of Labour, Tokyo; Korea--Monthly Statistics of Korea, various issues, Economic Planning Board, Seoul; Spain--Year Book of Labour Statistics 1973, International Labour Office, Geneva; and Taiwan--Monthly Bulletin of Labor Statistics, November 1973, Directorate-General of Budget, Accounting, and Statistics, Taipei. Conversion from the currencies of the foreign countries in the table to U.S. dollars was made on the basis of average daily exchange rates for the year as reported by the Federal Reserve Bulletin.

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Data Relating to Lehigh Valley Industries, Inc.

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Data Relating to Gardena, Calif. Plant

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Company statement on the sale of the plant.--The following excerpt from the 1972 Annual Report of Lehigh Valley Industries, Inc., proffers the firm's reasons for selling the Gardena plant: 1/

As part of a restructuring program approved by the company's Board of Directors on December 19, 1972, the company decided to discontinue the operations of certain subsidiaries in its Motivational Marketing and Footwear Groups. Subsequent to December 31, 1972, a definitive contract was signed for the sale of certain assets of one subsidiary [Sun-Cal Footwear, Inc.] in the Footwear Group and negotiations with prospective purchasers for the sale of other subsidiaries are currently being held.

1/ Words in brackets added.

Discontinuance of operations of these subsidiaries has been extended beyond 1972 in order to minimize losses attributable to the cessation of operations. All discontinued operations are expected to be either sold or otherwise disposed of during 1973.

The results of operations of the subsidiaries that have been, or will be, discontinued are shown separately in the consolidated statement of operations. Accordingly, the consolidated statement of operations as previously presented for 1971 has been restated to reflect the results of operations discontinued in 1972.

Following is a summary of the operating loss of operations sold or discontinued during 1972 and 1971:

	[In thousands of dollars]	
	<u>1972</u>	<u>1971</u>
Sales-----	\$28,273	\$44,421
Cost of sales and operating expenses (a)-----	<u>37,187</u>	<u>48,150</u>
Operating loss of operations sold or discontinued-----	<u>8,917</u>	<u>3,729</u>

(a) Operating expenses include expenses incurred directly by the operation units and certain corporate expenses incurred for their behalf, but do not include any allocation of interest expense or other corporate expenses.

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STATISTICAL APPENDIX

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, 1954, and GATT concessions to Jan. 1, 1972

TSUS item No.	Abbreviated description	Rate of duty	
		July 1, 1954 1/	GATT concession
		Rate	Effective date
700.45	Leather footwear: "Other" (including cement process) 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	Aug. 31, 1963-Dec. 31, 1967.
		20 2/	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.

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/ 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 ad valorem.

3/ 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.

Table 2.--Leather footwear for women, made principally by the cement process valued over \$2.50 per pair (item 700.4540): U.S. rates of duty and imports for consumption, specified years 1939 to 1973 ^{1/}

Year	Rate of duty	Imports		
		Quantity	Value	Unit value
		<u>1,000</u> <u>pairs</u>	<u>1,000</u> <u>dollars</u>	<u>Per</u> <u>pair</u>
1939-----	20	<u>2/</u>	<u>2/</u>	<u>2/</u>
1946-----	20	<u>3/</u> 285	<u>3/</u> 2,665	<u>3/</u> \$9.34
1955-----	20	<u>4/</u> 308	<u>4/</u> 1,526	<u>4/</u> 4.96
1956-----	20	<u>4/</u> 291	<u>4/</u> 1,509	<u>4/</u> 5.19
1957-----	20	<u>4/</u> 404	<u>4/</u> 1,911	<u>4/</u> 4.73
1958-----	20	<u>4/</u> 621	<u>4/</u> 2,565	<u>4/</u> 4.13
1959-----	20	<u>4/</u> 691	<u>4/</u> 2,997	<u>4/</u> 4.34
1960-----	20	<u>4/</u> 1,242	<u>4/</u> 4,637	<u>4/</u> 3.73
1961-----	20	<u>4/</u> 1,780	<u>4/</u> 5,225	<u>4/</u> 2.93
1962-----	20	<u>4/</u> 9,839	<u>4/</u> 19,093	<u>4/</u> 1.94
1963-----	20	<u>5/</u> 10,416	<u>5/</u> 17,199	<u>5/</u> 1.65
1964-----	20	<u>6/</u> 1,784	<u>6/</u> 4,594	<u>6/</u> 2.57
1965-----	20	<u>6/</u> 5,328	<u>6/</u> 17,307	<u>6/</u> 3.25
1966-----	20	<u>6/</u> 8,737	<u>6/</u> 27,258	<u>6/</u> 3.12
1967-----	20	<u>6/</u> 14,199	<u>6/</u> 48,285	<u>6/</u> 3.40
1968-----	18	16,884	76,236	4.52
1969-----	16	22,734	112,856	4.96
1970-----	14	28,471	146,161	5.13
1971-----	12	37,563	193,846	5.16
1972-----	10	51,250	262,412	5.12
1973-----	10	56,991	304,376	5.34

^{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. 1, 1968, new items 700.41 (sandals of buffalo leathers), 700.43, and 700.45 replaced item 700.40.

^{2/} Not available.

^{3/} Data are for all leather footwear for women and misses made by the cement process.

^{4/} Data are for all leather footwear for women made by the cement process.

^{5/} Data are for all leather footwear for women made by the cement process for January-August only; not separated for September-December.

^{6/} Data are for all leather footwear with cement soles for women.

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

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
	Percent ad valorem	1,000 pairs	1,000 dollars	Per pair
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.

