BACKGROUND MATERIAL

FOR JOINT SELECT COMMITTEE

TO STUDY THE SHOE INDUSTRY

Items 1 - 11 were assembled by the

Center for Research and Advanced Study
at the
University of Southern Maine.

The remaining items were assembled by the

Office of Legislative Assistants
of the
Maine State Legislature.

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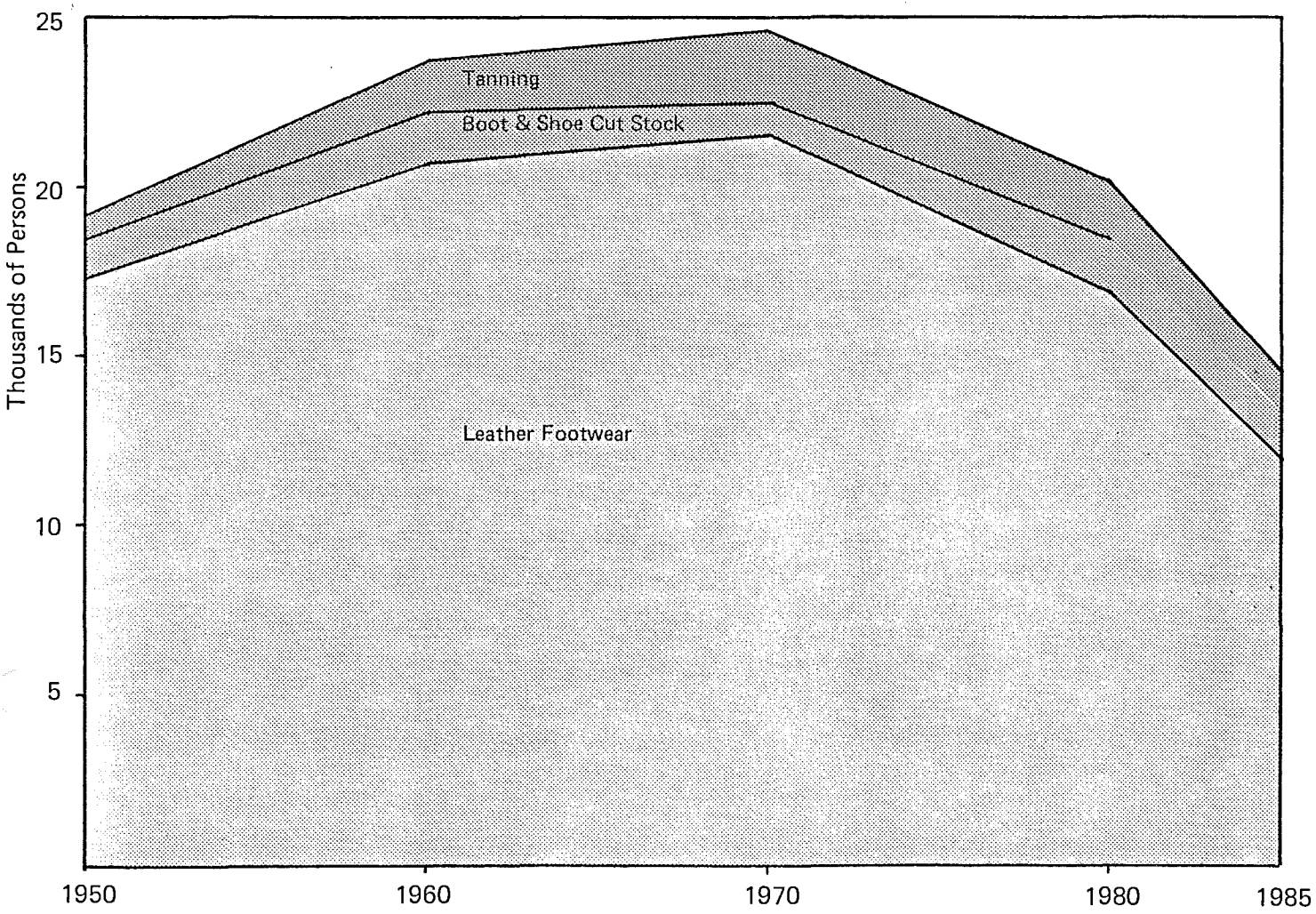
March, 1986

2872-1

Table of Contents

EMPLOYMENT IN MAINE'S LEATHER GOODS MANUFACTURING



Source: Maine Department of Labor

Leather Goods Manufacturing

- There were 84 plants in 1982, of which 12 employed less that 20 persons, 23 employed 20-99 persons, and 49-employed 100 or more persons.

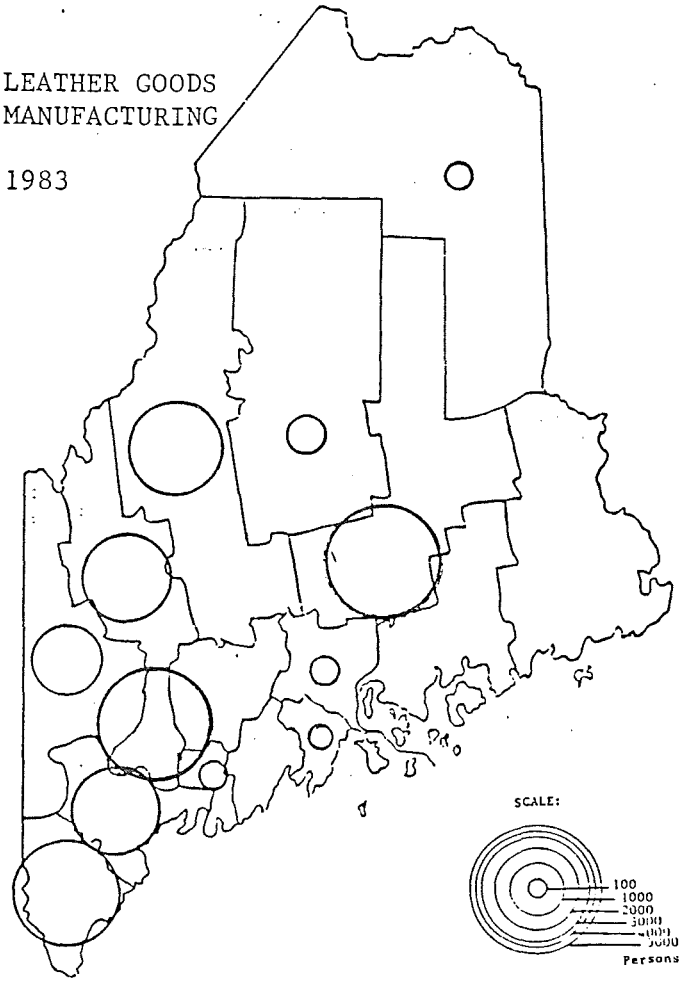
- The leading firms include Barker's Contract Stitching; Dexter Shoe Co.; L.L. Bean, Inc.; Nike, Inc.; and Sebago, Inc.

- Employment is concentrated in Penobscot, Androscoggin and York Counties. Somerset, Cumberland, Franklin and Oxford also have sizable employment.

- Employment stabilized at about 20,000 since 1980, but is now dropping.

  1950 - 19,100 persons
  1960 - 23,700
  1970 - 24,600
  1980 - 20,400
  1983 - 20,800
  1984 - 17,000
  1985 -
  (Mar.) 14,700

- The value of Maine's leather goods production in 1983 totalled $1014 million, of which $767 million was in footwear, $200 million in leather tanning and finishing, $43 million in boot and shoe cut stock and findings, and $4 million in handbags and other personal leather goods.



- Maine produced 11 percent of all leather goods in the United States during 1982. National production is forecasted to decline 2% annually until 1988.

- Maine shipped $27 million in leather goods to foreign countries in 1982. U.S. imports rose to 43% of national consumption of shoes in 1983.

- Maine's annual wages from leather goods production in 1983 averaged $12,265, which was 72% of wages for all manufacturing firms in the state. Maine's wages from leather goods were 108% of the comparable U. S. average.

Industry Maturity Profile:

SHOE INDUSTRY

The producers of footwear including leather and non-leather footwear.

Factors	Description
Growth Rate	Domestic production of footwear fell from 488.3 million pairs in 1974 to 296.7 million pairs in 1984. Domestic production has declined by another 10% between 1978 and 1982. Sales growth has been generally flat with some fluctuation attributable to disposable income.
Growth Potential	Market size and potential are well known. Imports account for 80% of unit volume sold so that domestic producers can best hope to grow by taking market share from the imports which continue to grow.
Product Line	The number of styles and sizes are being reduced to improve productivity and therefore reduce cost
Competitor Number	There are approximately 300 footwear manufacturers in the U.S., with Maine accounting for about 35 firms and 59 production units. Larger competitors are absorbing the smaller firms and failures are occurring.
Share Distribution	Market shares are relatively small. None of the eight largest firms are dominant. The industry is fractionated and, in general, produces a commodity.
Share Stability	Within the context of industry consolidation, market shares are quite stable. At least one major firm has made the decision to phase out of the industry.
Customer Stability	Buying patterns differ between mens and womens footwear. Women are typically sold on the designer, not manufacturer. Most consumers are uninformed buyers with very little brand loyalty. The tradeoff between price and quality is rarely understood. Distribution strategies vary, but buying patterns are well defined. Consumers do not perceive a need for information.
Ease of Entry	Barriers to entry are high due to capital costs and the difficulty of producing a differentiated product. Profit margins are not high enough to attract new entrants.

Industry Maturity Profile: SHOE INDUSTRY (con't)

Technology	Well understood technology is being introduced slowly to improve production and design efficienc (e.g., CAD/CAM). The majors are most receptive to innovation as compared to the small family controlled firms. Basic research is not being done.	
Importance to Maine	The industry is extremely important, accounting for about 12,100 jobs as of March, 1985. It produces about 10% of all U.S. made shoes. However, in 1968, the industry accounted for over 25,000 jobs and has gone through a major shakeout. Isolated failures are still taking place. Maine's percentage share of U.S. production has been dropping.	
Maine Competitive Position	Strengths:	.Experienced workers and historical position as a leader.
		.A low cost of labor.
		.A lack of unions allows work rule flexibility.
		.Most managers have a sense of urgency that changes must be made.
	Weaknesses:	.Predominant production of private label footwear for a price has made the industry vulnerable to price competition from imports.
		.Family held businesses that have not attracted professional manager or invested in available technolog
		.Designers are lacking and must be imported.
		.A poor image with the financial community due to low profits and a lack of supplier confidence so that suppliers will not provide product development support.
		.Energy costs are relatively high and raw materials must be imported
		.Companies are unwilling to coopera and fund a service bureau for the industry (partly due to Justice Department concerns and partly due to a tradition of individualism).

Summary:

The footwear industry exhibits the classic characteristics of a very mature industry. Reduced cost and production efficiency are the name of the game. The opportunity for improvement through technological change seems substantial. The Footwear Industries Association has identified more than 50 manufacturing operations that can be improved, especially in the labor-intensive fitting operations. Laser-cutting of uppers, CAD/CAM applications in styling and design, automated lasting systems, computer-assisted engineering systems for material and labor allowance standards, computerized roughing and robotics are some high-potential opportunities. And improvements in these technologies are substantial (e.g., cost on a "Gerber Camsco" CAD/CAM system recently dropped from $200,000 to $65,000).

TECHNOLOGY STRATEGY FOR MAINE:
THE FOOTWEAR INDUSTRY

Prepared by:
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1. The footwear manufacturing industry is composed of groups of heterogeneous producers. There are vast differences, in terms of both production methods and demand characteristics, across firms producing high and low quality footwear, men's and women's footwear, and leather and synthetic footwear. Important segments of the industry are critically affected by style factors which tend to be quite volatile. In many ways, the footwear industry continues to be heavily influenced by its roots as a craft-based production process.

Competitive pressures have caused a specific distribution of production facilities among countries. Low quality shoes produced from synthetic materials tend to be produced in areas of the world where large supplies of low cost and low skill labor tend to be available. High quality and high fashion shoes tend to be produced in areas where styling and designs originate, e.g., Italy. The resulting pattern of specialization across countries is heavily influenced by a variety of economic factors, but labor costs are the dominant influence. This pattern is likely to continue.

The U.S. footwear industry is also composed of a set of highly diverse firms. Treatment of domestic producers as a homogeneous group is incorrect. Production techniques and marketing and distribution channels vary significantly across the various types of footwear.

Imports of certain types of footwear - low price and synthetic material footwear - have flooded domestic markets in the last ten years. The major domestic producers are also the major importers of

footwear. U.S. producers cannot remain competitive with domestic production of low price footwear. Accordingly, they have shifted such production out of domestic plants and turned to foreign sources. As a result, domestic production is contracting. The result will be fewer firms but with the surviving firms being stronger. In addition, the domestic footwear industry is slowly evolving away from its roots as a craft-based activity to the realization that application of modern techniques in production, management and marketing are essential. This evolution is a slow and often painful process because the industry has been very insular and tradition-bound in both its activities and thinking.

The footwear industry in Maine is substantially more homogeneous than is the industry in the U.S. Maine footwear firms have, for a long time, been major producers of the market segment described as country and casual footwear. When styling trends in the U.S. changed and brought this type of fashion into much greater importance, Maine producers were perfectly positioned and able to capture much of the market growth. The correct positioning of Maine firms coupled with a favorable image of Maine craftsmanship provided the basis for growth and expansion of Maine producers. Should consumer tastes change unfavorably, it is not certain that Maine producers could transfer these advantages to other types of footwear.

Our observations of producers across the country indicate that the industry is heavily driven by marketing and styling factors. And, that the retail market remains a basically poorly-understood phenomenon. Advanced computer-based and laser technology is available for various steps of the footwear production process. However,

technological change, per se, is in no sense a panacea for the industry's problems. We observed many companies, nationwide and in Maine, using old and technologically-outmoded equipment but enjoying high levels of earnings. We also observed a number of companies in the other situation--using the most advanced technology but having a dismal record of earnings. In cases where advanced technology and substantial earnings occurred simultaneously, we observed these companies to be relatively sophisticated in other areas as well, e.g. management and marketing. Technological innovation in these cases was accompanied by a host of complementary changes. The rate of technological innovation has been adversely impacted by a common management trend to view the acquisition of equipment as similar to acquiring labor. This arose because of heavy reliance on leasing rather than purchasing in acquiring equipment. In this context, managerial decision making came to reflect short term decision horizons rather than the longer term perspective associated with the view that acquiring equipment is capital-building activity.

2. The major kinds of technological changes involve the use of numerical control techniques and laser technology in the sewing and cutting areas. As would be expected, these areas utilize very high skill labor and have correspondingly high wage levels. The new technology will mainly have the effect of reducing the skill level of employees. Levels of total employment will be less affected.

The process of automating footwear production is significantly more complex than in the case of a product such as steel. Footwear tends to be a product with a multitude of styles and shapes and, in

the case of leather, produced with an input having major variances in quality.

The pace of technological change is likely to quicken in the future. Companies who will take advantage of the inherent opportunities will be those characterized by:

- a longer term horizon in their decisionmaking;
- increased sophistication in their management and marketing operations;
- a realization that, to be successful, technological innovation requires complementary changes;
- a systems view of footwear production

3. a) The domestic footwear industry is likely to continue to contract. The major source of increased demand for footwear will come from third world countries. The increased demand will be for low quality and low price footwear. These products are not heavily produced in either the U.S. or Maine.

Growth in the Maine industry will depend heavily upon the continued importance of the country/casual fashion mode. Technological change in the Maine industry is likely to quicken with the following effects: 1) an increased demand for low skill labor; 2) a reduction in the demand for high skill labor; and 3) a minimal effect on the level of total employment.

b) States such as Pennsylvania have been working with the Commerce Department to establish a university-based R & D center to stimulate production and utilization of new technology. The Commerce

Department has, during the past 5 years, been promoting such a program. Implementation has been adversely affected by intense regionalism among domestic producers.

c and d) R & D and technological change are necessary and critical to the long term health of the industry. However, to be successful, they must be complemented by other activities that will release the industry from its insularity and tradition-based thinking.

There is an opportunity for a university-industry coordinated response to the industry's problems and opportunities. Such a response, to reach maximum effectiveness, requires a certain orientation. Critical elements would involve:

- the realization that R & D and technology, per se, are not single solutions to complex problems;
- incorporation of the view that marketing and management considerations are major determinants of the industry's future;
- the realization that innovation in the footwear industry involves change in the face of long and dearly-loved traditions.

As an initial step, I would suggest the formation of an interdisciplinary group of people who can arrive at a common understanding of R & D and technological change in the footwear industry. This understanding will be applicable to many other industries as well. Secondly, this group should interact with equipment suppliers (e.g., John Hardy at USM Corp.) and footwear

producers to solidify their understanding of the industry. Thirdly, I would caution against creating a major, formalized structure at this time. Starting with a small and informal effort during the summer period for a six month period to simply create a unity and common understanding among campus people will be critical to effectiveness in the future.

MANUFACTURE OF LEATHER GOODS IN MAINE COUNTIES: VALUE OF PRODUCT 1982 AND CHANGE IN EMPLOYMENT 1980-85 BY COUNTY

County	1982 Value of Product ($ million)	1980 Employment	1985 Employment	Percent Change
Total:	961	24,312	19,114	-21
Androscoggin	130	5,232	2,000	-62
Aroostook	d	2,200	600	-73
Cumberland	95	2,709	4,869	+80
Franklin	d	1,430	1,430	n/c
Kennebec	d	600	400	-33
Oxford	72	300	250	-17
Penobscot	149	4,077	5,428	+29
Sagadahoc	d	400	425	+ 6
Somerset	107	4,122	357	-91
Waldo	d	775	450	-42
York	96	3,125	2,720	-13
d- Withheld to avoid disclosure	312			

Source: Maine Department of Labor, Census of Maine Manufactures and Maine Employment and Earnings Statistical Handbook

ITEM 6
Revised 3/10/86

Employment in Largest Currently Operating Maine Shoe Manufacturers 1980-1985

	1980	1985	Change	Location
Dexter	2,000	2,000		Dexter
Penobscot	1,450	700	- 750	Old Town
G. H. Bass* (Chesebrough-Ponds)	800	1,050	• 250	Wilton
Wolverine*	2,250	1,000	-1,250	Bangor
Sebago	850	850	-	Westbrook
Knapp*	700	700	-	Lewiston
Blue Ribbon Sports	600	600	-	Saco
Etonic* (Colgate-Palmolive)	N/A	600	-	Auburn
Duchess Footwear	600	600	-	Berwick
Maine Woods (Bennett Industries)	450	450	-	Livermore Falls
Joseph Herman	500	425	- 75	Scarborough
Hallowell* (Desco Corp.)	400	400	-	Augusta
Billen	400	400	-	Lewiston
Ansewn*	0	340	• 340	Bangor

* Out-of-state ownership

Note: This data is based on the best information available. It may not be 100% accurate.

2872-4

ITEM 7
Revised 3/10/86

EMPLOYMENT IN SHOE MANUFACTURERS

Closed between 1980 & 1984

	1980 Employment
Norrock* (Shoe Corp. of America) – Skowhegan, Norridgewock	3,600
Converse* – Presque Isle	700
Bangor Shoe	600
Dori Shoe* – Lewiston	600
Songo – Portland	500
Melville* – Norway, Brunswick	475
Livermore	450
Farmington Shoe	400
Kayser-Roth* – Lewiston	400
Stride-Rite* – Auburn	400
Loree Footwear* – Freeport	250
Norway – Norway*	250
Bendey Shoe – Bangor	220
Limerick	200
Waldo Shoe* – Belfast	170
Lighthouse – Skowhegan	125
Newport Shoe	120

* Out-of-State ownership

Note: This data is based on the best information available. It may not be 100% accurate.

Item 7-A
Revised 3/10/86

MAINE FACTORY CLOSINGS

Auburn	Wolverine World Wide*	1984
	Stride Rite Footwear*	1985
	Dori Shoe	1985
	Quoddy Moc	1985
Bangor	Bauer	1977
	Viner Bros.	1980
	Bendey	1984
	G.H. Bass*	1985
Belfast	Waldo Shoe	1984
	Truitt Bros.	1985
Biddeford	Bruce	1977
Bowdoinham	Sir Gal Footwear	1984
Brunswick	Melville Footwear*	1984
	Brunswick Shoe	1985
Farmington	Bennett Importing	1983
Freeport	Loree Footwear	1981
Gardiner	Truitt Bros.	1977, 1979
	Bostonian*	1981
Harrison	Sioux Moc	1977
Lewiston	Belle Moc	1977
	C.A. Eaton	1977
	Bostonian Shoe	1978
	Casuals of Maine	1979
	Timberland *	1982
	Vimar Footwear	1983
	Laurence Shoe	1984
	Arno Moccasin	1985
	Espy Shoe	1985
Livermore	Livermore Footwear	1981
Norway	Melville Footwear*	1984
Norridgewock	Norridgewock Shoe Co.	1981
N. Berwick	Converse Rubber*	1979
N. Jay	SCOA #3*	1977
	G.H. Bass*	1983
Pittsfield	Northeast Shoe	1983
	Stride Rite Footwear*	1984
Portland	Songo Shoe	1979
	Brookfield Athletic Co.	1982

Rumford	G.H. Bass*	1984
Saco	Nike, Inc.*	1985
Sanford	Laconia Shoe*	1977, 1981
	Corey Shoe	1985
	Nike, Inc.*	1985
Skowhegan	D. Mac	1977
	SCOA #11	1977
	Norrwock Shoe	1981
	Moose Rich Moc.	1984

* Out of state ownership. Parent company still in business. However, Melville and SCOA no longer manufacturer. They are solely retailers.

MAINE FACTORY CLOSINGS BY YEAR

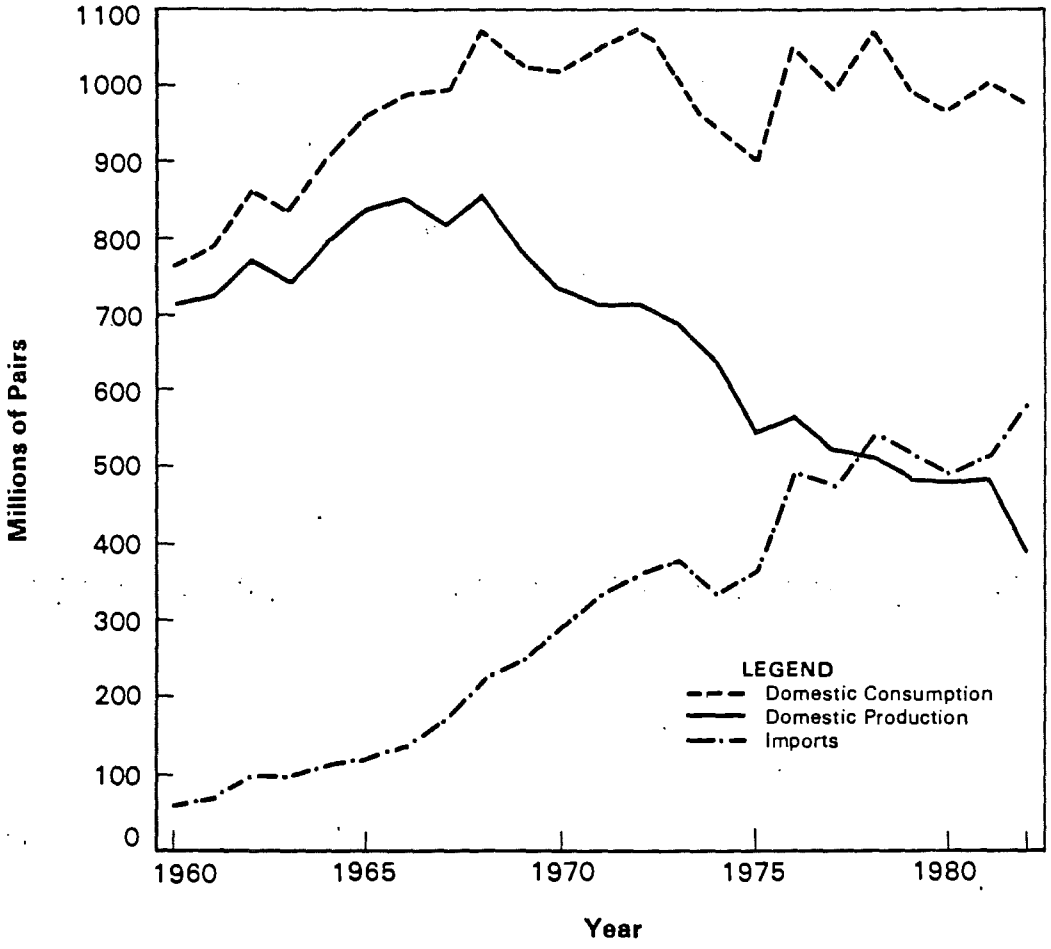
Year	#
1977	10
1978	1
1979	4
1980	1
1981	6
1982	2
1983	4
1984	9
1985	8

Source: Footwear Industries of America

Eight Representitive Shoe Manufacturers

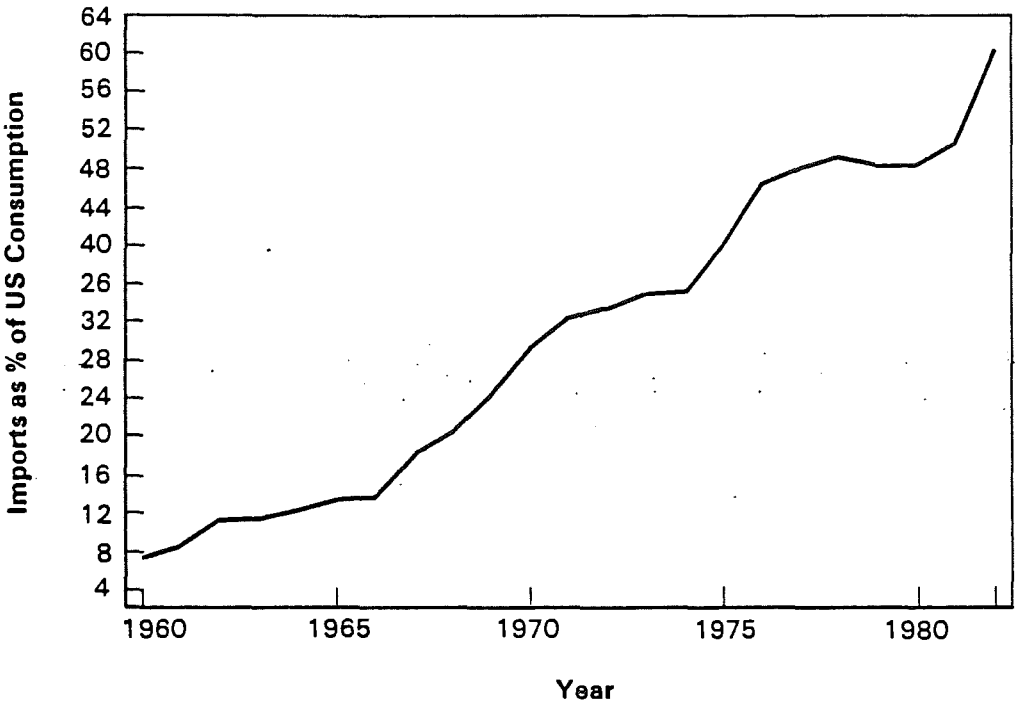
	Ownership	Type	Label	Distribution	Employment	
					1980	1985
Sebago - Westbrook	Maine	MW casual M - better grade	Branded	Dept./Spec. Stores	850	850
Falcon - Lewiston	Maine	YB casual medium grade	Private Label	Chain Stores	500	200
Knapp - Lewiston	Out-of-state	MW casual work; medium grade	Branded	Door-to-door Own stores	700	700
G. H. Bass - Wilton	Out-of-state conglomerate	MW casual/dress better grade imports	Branded	Dept./Spec. Stores		
Truitt Bros. - Belfast	Maine	Hi-fashion men medium-lesser grade	Private Label	mixed	800	200
Answen - Bangor	Out-of-state	MW casual/dress better grade	Private Label	Dept./Spec. Stores	0	340
Penobscot - Old Town	Maine	W casual/dress better grade imports	Branded	Dept./Spec. Stores	1,450	1,350
Jos. Herman - Scarborough	Out-of-state	boots, hunting/ work; better grade	Branded	Sporting goods Stores	500	425

EXHIBIT 1
Domestic Consumption, Production and Imports of Shoes



Source: Footwear Industries of America, Footwear Manual, 1984

EXHIBIT 2
Import Penetration of Shoes



Source: Footwear Industries of America, Footwear Manual, 1984

EXHIBIT 3
Major Sources of Non-Rubber Footwear Exports to the United States

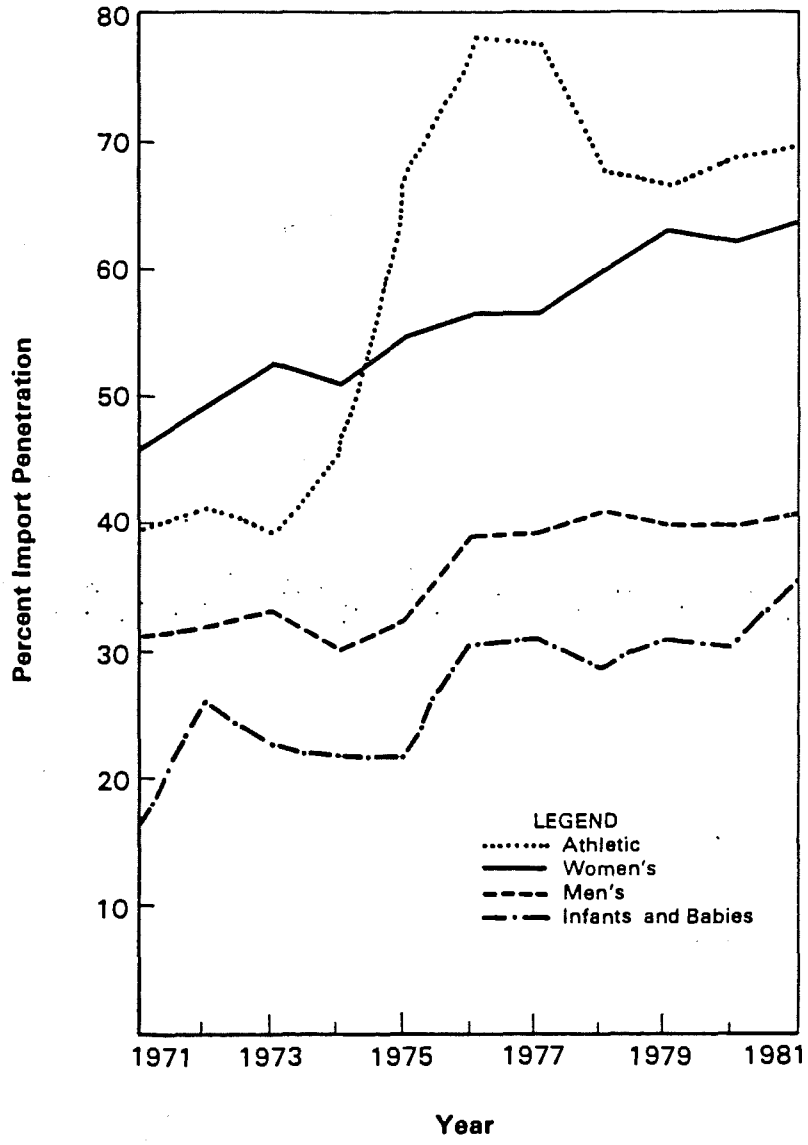
COUNTRY	PERCENT OF UNITED STATES IMPORTS 1982
Taiwan	38%
Korea	19%
Italy	12%
Brazil	9%
Hong Kong	5%
	83%

EXHIBIT 4
Estimated Total Hourly Compensation in Footwear and Leather Industries of Major World Exporters

COUNTRY	COMPENSATION
Taiwan	$1.38 - $1.46
Korea	$ .88
Italy	$5.78
Brazil	$1.08
Hong Kong	$1.33
United States	$6.22

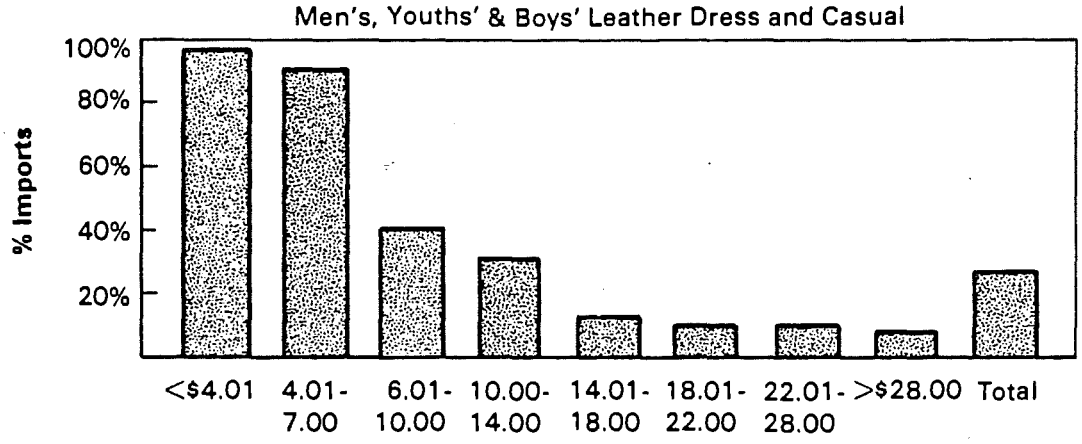
Source: Footwear Industries of America, Footwear Manual, 1984

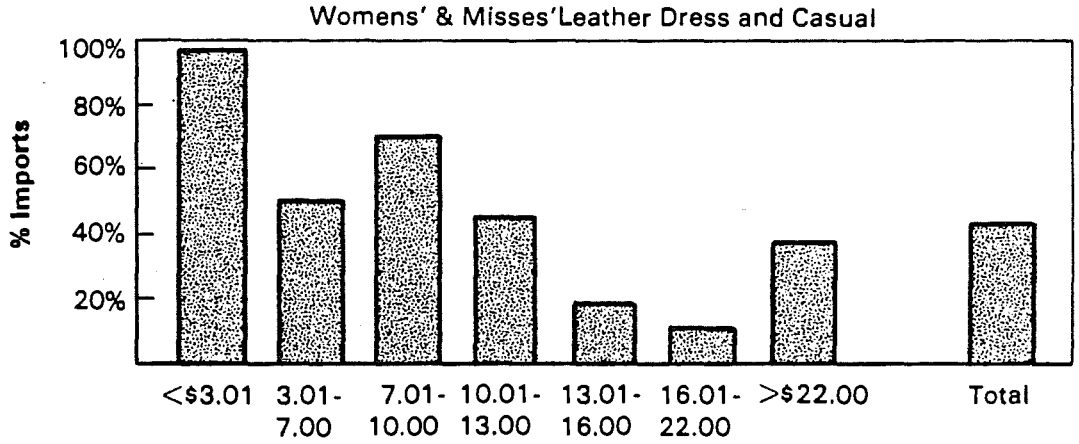
EXHIBIT 5
Import Share by Shoe Segment



Source: Footwear Industries of America, Footwear Manual, 1983

EXHIBIT 6
Import Penetration in Shoes by Wholesale Price Range





Source: Footwear Industries of America, Footwear Manual, 1983

ITEM 12G

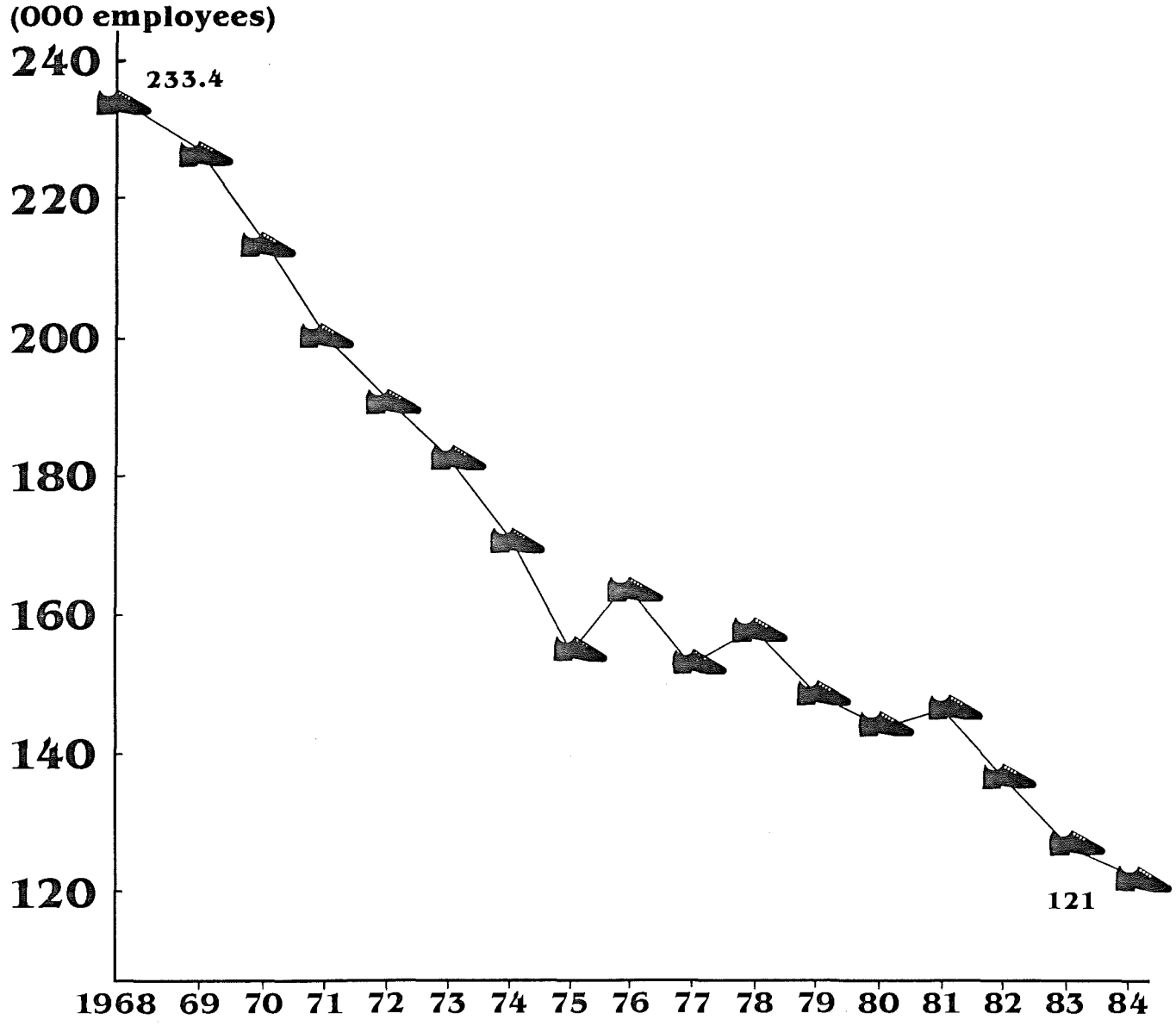
EXHIBIT 8
Average Import Price as a Percent of United States Domestic Manufacturer's Price

COUNTRY	1971	1981
Taiwan	15%	41%
Korea	35%	57%
Brazil	55%	65%
Italy	76%	80%
Hong Kong	16%	16%

Source: Footwear Industries of America

EMPLOYMENT IN THE U.S. NONRUBBER FOOTWEAR INDUSTRY

1968 - 1984



Source: Footwear Industries of America
Compiled from Department of Commerce Data

"U.S. Nonrubber Footwear
Industry Five Year Plan of Action"
Footwear Industries of America,
April 1985

Introduction

The U.S. nonrubber footwear industry recognizes that during a five year period of import relief, it must undertake aggressive efforts to achieve the highest possible level of technological development and marketing competence if it is to narrow the competitive gap enough to assure survival in the years to follow. Consequently, it has already embarked on a Five Year Action Plan which will be the key to accelerating the necessary developments. Given a five year period of meaningful import relief which provides a stable market place for domestic products, major capital investments in new technology and advanced marketing techniques and systems would be experienced.

The Action Plan concentrates heavily in two broad areas - technology and marketing. Industry Task Forces have been at work on the development of these plans.

Technology

A three-phase program has been underway for many months with phase one completed and phases two and three underway.

Phase One: Determine State-of-the-Art and Identify Major Industry Priorities for Technology Development.

With the help of financing provided by a Department of Commerce Trade Adjustment Assistance grant and the extensive cooperation of industry executives, this phase has now been completed. A clear identification of the current state-of-the-art on the 54 most important shoemaking functions has been determined together with the degree of penetration of this advanced technology. In addition, a priority has been established for the most needed technological developments in order to give clear targeting to those interested in addressing these priority needs.

In order to manage this process a New Technology Task Force (NTTF) has been established. This Task Force has already embarked on extensive efforts to educate the industry and suppliers of technology to the needs of the industry and to act as a catalyst in generating development activity. These activities will be highlighted under Phase Two and Phase Three discussions.

Phase Two: Develop Broad Utilization of Existing Advanced Technology.

The FIA New Technology Task Force has created a "Technology Evaluation" concept which, when fully implemented, will offer companies the opportunity to evaluate their currently used technology against state-of-the-art technology in order to pinpoint investment opportunity areas. With work which is now underway in the creation of appropriate investment criteria concepts, such opportunities will be evaluated in order to determine the most cost effective alternatives. From this a comprehensive capital investment scheme for the company being evaluated consistent with its financial resources will be developed.

Existing technology, if fully utilized, offers significant opportunity for reducing break-even selling prices of the U.S. products, thus improving domestic competitiveness. Given a stable investment environment, Phase Two will concentrate on bringing the industry up to the highest possible level of state-of-the-art technology utilization.

Phase Three: Stimulate a Comprehensive Program for Applying Leading Edge Technology to the Target Priorities of the Footwear Industry.

Major opportunities exist today for changing the entire face of shoemaking technology a few years in the future. A comprehensive plan of development has already been engineered by the New Technology Task Force and is presented in matrix form in later attachments. The driving force in this entire concept is the pervasive and revolutionary impact of the computer. Beginning with the application of the computer to the design and pattern grading functions there is an enormous explosion of opportunities which then become possible. The New Technology Task Force sees CAD - Computer Aided Design - as the hub of a wheel (ex. A) from which many spokes offshoot. These are the great opportunities of the future. They are within our grasp and offer major promises of improved productivity, increased material utilization, lower overhead, shortened lead time and superior quality.

Phase Three will be devoted to aggressive efforts to bring about extensive research and development on a new wave of advanced technologies to begin coming on stream in the late 1980's and the early 1990's. A review of the accompanying Phase Three matrix will give some insight as to what developments the NTTF envisions, how the development will be managed, what timetable is possible and what benefits might be expected.

keting

The Marketing Action Plan is designed to improve the basic marketing skills and techniques of the industry in a number of significant areas.

A. Product Design - Design and product development training for stylists and line builders utilizing advanced CAD systems. A targeted, consumer-oriented design program can provide the domestic industry competitive advantages in fashion timing, authenticity and efficiency of labor and material utilization.

B. Consumer Research and Education - An active program of consumer marketing and research training, information gathering, and consulting services will provide the industry with essential skills.

C. Sales Management Training - FIA, which already provides an annual skills development program for industry sales managers, will expand to full training so that it is current and effective for all elements of the industry.

D. Strategic Planning at Corporate and Marketing Levels - Training and consultation services in the values and techniques of corporate/marketing planning will yield more consumer-focused activities.

E. State-of-the-Art Sales and Marketing Techniques - Many innovative new marketing techniques (catalogs, direct response, inside selling, tele-marketing, etc.) will require accompanying new skills to maximize their effective use. FIA will offer a series of targeted seminars and training opportunities to domestic producers.

F. Export Trading Assistance - FIA will organize a centralized program for the industry which may include a non-competitive product consortium (trading company), education, training, and information - principally governmental - on oversees trade shows, all of which can make the domestic industry more competitive internationally.

G. Computer Software Specific to Footwear Industry - Many software programs are available to marketing management (research, product movement, financial databases, media, simulated test marketing, etc.). FIA will oversee development of universal marketing software specifically designed for the footwear industry. This can make such systems more cost-effective and efficient.

ITEM 15

Brief on the Question of Remedy

Footwear Retailers of America

May 28, 1985

INTRODUCTION

This remedy brief, submitted on behalf of the Footwear Retailers of America (FRA), considers the various options open to the Commission in recommending a program of import relief to the President.

The Commission in this investigation has reversed its decision of last year and found serious injury or threat thereof, apparently based upon the performance of the industry in 1984. This decision does not, however, disturb the underlying analysis of the industry and the dynamics of import competition contained in the Commission's last decision. The Commission now faces the question of what kind of remedy can "prevent or remedy" injury. The key question is what remedy, if any, will leave the industry in a position to compete after relief expires. This is an extremely difficult question in this case. As Commissioners Stern, Liebeler and Rohr observed in their statement of views in the Commission's last footwear investigation

> [W]e believe that the temporary relief from imports, which is all that section 201 provides, will not significantly affect the long-term production and investment decisions of the domestic footwear industry.

Nonrubber Footwear, Inv. No. TA-201-50, USITC Pub. 1545 at 23 n. 64 (July 1984).

FIA

NONRUBBER FOOTWEAR INDUSTRY IN

MAINE

1985 FACT SHEET

HIGHLIGHTS

- Maine is the largest footwear producing state in the U.S.

The Nonrubber footwear industry:

- Maine accounted for 12.1 percent of the total footwear produced in the U.S. in 1983.
- ranks first among all manufacturing industries.
- employs 17,000 people in direct manufacturing in 60 plants.
- accounts for 15 percent of all manufacturing employees.
- accounts for over 187 million payroll dollars.
- shares nearly 12 percent of total footwear production in the U.S.
- ranks first among all manufacturing industries in Androscoggin, Franklin, Waldo, Cumberland and Penobscot Counties. Employs over 20% of manufacturing employees in all counties except Cumberland.
- ranks among the top four industries in Sagadahoc, Somerset, Oxford and York Counties
- has 18 shoe establishments accounting for $37 million payroll dollars in Androscoggin County, and 11 establishments accounting for over $62 million payroll dollars in Penobscot County
- is a significant industry in 11 of the total 16 counties in the state.

1. PRODUCTION, EMPLOYMENT AND EARNINGS, AND NUMBER OF ESTABLISHMENTS

Year	Production (Million Pairs)	Number of Employees	Hourly** Earnings	Weekly** Hours	Number of Establishments
1968	58.4	26,900	$2.20	37.4	82
1970	51.1	22,100	2.37	36.1	79
1972	33.1	16,700	2.57	37.2	75
1974	n.a.	14,300	2.93	36.4	68
1976	n.a.	16,200	3.30	36.7	69
1978	n.a.	17,500	3.88	36.9	69
1979	48.1	16,800	4.23	35.8	64
1980	46.7	16,900	4.72	37.0	63
1981	41.0	17,700	5.10	36.6	59
1982	40.7	16,600	5.46	37.4	60
1983	41.7	17,000	n.a.	n.a.	n.a.
% Change:					
1982/68	-29.8%	-38.3%	+148.2%	—	-26.9%
1982/81	-.7%	-6.2%	+7.1%	2.2%	1.7%
1983/82	+2.5%	+2.4%	n.a.	n.a.	n.a.

FOOTWEAR INDUSTRIES OF AMERICA

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2. COUNTY DATA, 1982

- Footwear is the major employer by itself or along with other manufacturing industries in the following counties:

County	County Population	Number of Employees	Shoe Employees as a % of all Manufacturing
Androscoggin	100,300	3,690	29%
Cumberland	221,000	2,158	12%
Franklin	28,600	1,750 1/	32%
Penobscot	137,900	4,277	28%
Somerset	45,900	750 1/	17%
Waldo	29,600	375 1/	22%
York	149,400	1,750 1/	13%

- Footwear is among the top four employers in the following counties:

County	County Population	Number of Employees 1/	Shoe Employees as a % of all Manufacturing	Shoe Industry Rank
Sagadahoc	31,400	375	5%	2
Oxford	49,900	750	12%	3

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* On a national level, every 1000 direct manufacturing jobs in the footwear industry generate an estimated 667 additional jobs in supporting industries, though the employment - generating effect varies by region.

** Leather and Leather Products

*** FIA Estimates

n.a. Not Available

1/ Mid-point of the employment range provided by County Business Patterns

SOURCE: BLS, U.S. Department of Labor; County Business Patterns, U.S. Department of Commerce; Current Industrial Reports, Bureau of the Census. FIA records for plant closings and plant openings. Population data from Sales and Marketing Management, 1984.

Continued from first page this section

The shoe industry since 1970 -1984

1970:

• President Nixon asks U.S. Tariff Commission (later renamed International Trade Commission) to investigate whether imports are causing injury to U.S. shoe industry.

• Commission splits 2-2 vote in its report to Nixon, who decides against quotas but in favor of federal money for retraining and unemployment benifits.

1975:

• Shoe industry files petition with ITC seeking protection. ITC unanimously recommends quotas to protect industry, but President Gerald Ford decides against it.

1976:

• Senate instructs ITC to investigate impact of foreign shoe imports, and again the Commision determines imports are causing serious injury to industry. ITC recommends 5-year tariff and quota protection.

1977:

• President Carter rejects quotas and negotiates market agreements with Korea and Taiwan to limit imports for four years.

1980:

• Shoe industry and unions petition ITC for 3-year extension import restraints.

1981:

• ITC recommends to President Reagan that quotas on Taiwanese imports (but not Korea) be continued for 2 years. Reagan rejects recommendation and lifts marketing agreements.

1982:

• Industry files petition asking federal government to stop dumping of shoes by foreign nations. Reagan administration dismisses portion of case, but portion remains pending with no action expected.

Jan. 24, 1984:

• Industry files petition with ITC seeking quotas, limiting imports to 50 percent of U.S. market.

June 6, 1984:

• ITC rules against petition and says the industry is profitable despite imports. ITC further says that employment and production in the shoe industry has stabilized.

Industry facts

Biggest shoe-making state: Maine

Number of Maine workers: 16,000.

Number of shoe plants in Maine: about 60.

Average hourly wage: $5.77 (all leather and leather products).

Size of annual payroll in Maine: $170 million.

Some of Maine's largest manufacturers: G.H. Bass Co., Wilton; Penobscot Shoe, Old Town; Sebago Inc., Westbrook; Eastland Shoe Inc., Freeport.

Number of shoes produced in Maine: 42 million pairs per year. (Down from 58 million pairs in 1958.)

Biggest exporters to U.S.: Taiwan, Korea, Brazil, Italy and Spain.

The pros and cons

For restrictions:

Those in favor of import restrictions and tariffs point to the effect of foreign shoes on the U.S. industry.

Proponents say that more than 27,000 manufacturing and supplier workers have lost their jobs and 65 factories have shut down since 1981, when previous import quotas expired. They put current employment at 133,000 in direct shoe making and 90,000 in companies furnishing supplies. Some say that imports could mean the death of the entire industry.

Supporters of import restrictions also point to low foreign wages and subsidies by foreign governments as unfair competitive advantages. They also complain that many foreign governments restrict the importation of U.S.-made shoes.

Against restrictions

Those against import restrictions and tariffs say that the cost of helping the U.S. shoe industry would be a burden to U.S. consumers who would have to pay higher prices for shoes. They say the burden would fall especially on the poor, who tend to buy cheaper imported shoes.

A study by Wasington University estimates the cost of protecting an average $8,340 footwear job at $77,714 in higher consumer prices.

Another argument against U.S. restrictions, opponents say, is that they would lead to reprisals by other countries.

Some opponents argue that the government should not funnel resources toward noncompetitive industries, but rather toward newer, high-tech fields, where there would be a better payoff.

 PROFILE OF THE NONRUBBER FOOTWEAR INDUSTRY

- Total sales of $4.0 billion at wholesale in 1984.
- 275 firms, 500 plants.
- Most firms privately held.
- Located in 38 states, primarily in rural areas.
- Estimate 25% of shoe plants in towns with less than 5,000 persons; 40% in towns with less than 10,000.
- Major shoe producing areas:

Region	% of Production
New England	23
Mid-Atlantic	21
North Central	24
South and West	31

- Major shoe producing states ranked by pairs produced:

	State	# of Employees	# of Factories
1.	Maine	17,000	60
2.	Missouri	14,900	51
3.	Pennsylvania	10,700	68
4.	Massachusetts	8,400	63
5.	Tennessee	10,000	33
6.	New York	7,800	81
7.	Florida	2,200	25
8.	Ohio	3,750	11
9.	New Hampshire	7,900	28
10.	Arkansas	5,600	21
11.	California	4,600	57
12.	Texas	6,500	35

- Labor Unions: Amalgamated Clothing and Textile Workers Union; United Food and Commercial Workers International Union. Together they represent approximately 50 percent of the workers.
- Total payroll dollars: $1.5 billion in direct manufacturing alone.

History Of Import Relief Actions

1. 1970 §201 case initiated by President Nixon. Divided vote at ITC. No action taken by President.

2. 1975 §201 filing by industry. Unanimous vote at ITC on injury; three commissioners recommend higher tariffs, two recommend tariff-rate quota, one recommends trade adjustment assistance. Relief denied by President Ford.

3. 1976 §201 initiated by Senate Finance Committee. Unanimous vote at ITC on injury; four commissioners recommend tariff-rate quotas, one recommends higher tariffs, one recommends trade adjustment assistance. President Carter negotiates OMAs with Taiwan and Korea for four years (June 1977 - June 1981).

4. 1980 §203 filing by industry to extend import relief program for three years. Commission unanimous on extending quota on Taiwan for two years; three commissioners vote not to extend quotas on Korea and exempt athletic shoes from Taiwan. President Reagan terminates all import relief (June, 1981).

5. January 1984 filing by industry under §201. ITC finds no injury in June 1984. Vote 5-0.

6. 1985 §201 initiated by Senate Finance Committee.

OVERVIEW OF THE FOOTWEAR AND ALLIED INDUSTRIES IN 22 TOP SHOE PRODUCING STATES

STATE	EMPLOYMENT	RANK	COMMENTS
AR	5,600	10	Ranks sixth in jobs among all manufacturing industries; accounts for over 50 million payroll dollars. Is a significant employer in 16 counties.
CA	7,800	11	Accounts for over 50 million payroll dollars; employs 4,186 people in Los Angeles County, making it one of the largest shoe counties in the U.S.
FL	5,950	7	Employed 5,867 employees in Dade County, the largest shoe employment of any county in the U.S.
GA	3,050	17	Accounts for an estimated 30 million payroll dollars; is a significant industry in 9 counties.
IL	3,675	16	Accounts for nearly 40 million payroll dollars; is a significant employer in 8 counties.
IN	2,300	na	Accounts for an estimated 15 million payroll dollars.
KY	2,600	na	Accounts for nearly 25 million payroll dollars.
ME	17,000	1	Ranks first among all manufacturing industries; accounts for over 187 million payroll dollars; is a significant industry in 11 of the total 16 counties in the state.
MD	2,750	na	Accounts for 30 million payroll dollars; has a significant footwear industry in 4 counties.
MA	15,000	4	Employs 15,000 people and accounts for 204 million payroll dollars.
MI	2-3 thous.	na	Proprietary information - one major company.
MO	16,534	2	Ranks second in jobs among all manufacturing industries; accounts for nearly 140 million payroll dollars; is a significant industry in 33 counties.
NH	10,565	9	Ranks first in jobs among all manufacturing industries; accounts for over 61 million payroll dollars.
NJ	3,000	13	Accounts for an estimated 15 million payroll dollars.
NY	10,246	6	Accounts for nearly 80 million payroll dollars.
NC	5,950	14	Accounts for nearly 45 million payroll dollars; is a significant employer in 13 counties.
OH	3,750	8	Accounts for about 40 million payroll dollars.
PA	10,700	3	Accounts for over 112 million payroll dollars; has a significant shoe industry in 20 of the counties.
TN	11,250	5	Accounts for over 96 million payroll dollars; has a significant shoe industry in 28 counties.
TX	7,500	12	Accounts for over 72 million payroll dollars.
VA	1,750	18	Accounts for nearly 20 million payroll dollars; is a major employer in 7 counties.
WV	2,300	na	Accounts for nearly 20 million payroll dollars; is a major employer in 7 counties.
WI	6,500	15	Accounts for about 100 million payroll dollars; is a significant employer in 14 counties.

FOOTWEAR INDUSTRIES OF AMERICA, INC.

MAJOR POINTS ABOUT U.S. FOOTWEAR INDUSTRY

1. The domestic footwear industry has been seriously injured by imports.

   - Import penetration has risen from 22% in 1968 to 63.3% in 1983 to 71.5% in 1984.
   - Employment in direct manufacturing has plummeted by over 112,700 jobs since 1968. We have lost an additional 30,000 jobs in supplier industries.
   - Production has declined from 642 million pairs in 1968 to 344 million in 1983, with 1984 at 298 million. Imports have risen from 175 million to 726 million pairs in 1984.
   - 486 plants closed (net) between 1968 and 1984. 195 (net) since 1979. Fifteen others have closed or plan to close in 1985.
   - Unemployment in the industry in 1984 was 16.6%, more than double the national average.

2. What has caused imports to rise?

   - Many factors:
     - Although U.S. footwear wages ($6.32 per hour with fringes) are far below the U.S. average ($12.00 per hour) they are much higher than those of our major import competitors - Taiwan ($1.39 per hour), Korea ($.86 per hour), Brazil ($1.07 per hour). U.S. mandated minimum wage is $3.35 per hour.
     - Closed markets and high tariffs overseas divert shoes to the U.S, the only open market in the world. Taiwan - tariff of 50-60%; Korea - tariff of 50%; Brazil - tariff of 50%. Many other examples.
     - Many nations subsidize their shoe industries, directly and indirectly.
     - Most other nations, especially the Far East and South America, do not have child labor laws, EEOC, OSHA, EPA, etc.

3. It is important to the U.S. economy to save this industry.

   - Still have 275 firms operating approximately 500 plants throughout the United States (thirty-eight states).
   - Employs 200,000 people in total industry.
   - Plants primarily in small, rural locations where other jobs are not available.
   - Provide entry level jobs and hire women, undereducated and unskilled people.
   - Payroll of $1.5 billion in direct manufacturing alone.

4. It is important to the nation for strategic reasons to preserve this industry.

   - Current domestic production per capita 1.26 pairs.
   - Depression years' production per capita 2.68 pairs.
   - Pre-World War II production per capita 3.74 pairs (1941).
   - An extended international crisis will find the nation unable to shoe its military or civilian population.

June 18, 1985

5. The industry can be saved, if given time.

- Already the most advanced in the world technologically.
- New technology is available to make us more competitive.
- More technology on the horizon, but needs time for development and dissemination.

6. Why prior import relief did not solve the problem.

- Program controlled only two of 70 shippers.
- Surges from uncontrolled countries let imports go up not down during OMA period.
- Program was only four years, not the five recommended by ITC.
- Program was terminated prematurely in 1981 when just beginning to show results.

7. What do we want from the President?

- Import Market Share quotas for five full years.
- Imports 55.2%, domestic production 44.8%.
- Will provide "period of certainty" which will encourage the necessary capital investments.

8. What will the domestic industry do to help itself during the period of relief?

- Five year industry plan of action is already being implemented.
- Present ex-factory price gap 15-18%.
- Five year plan can narrow the gap to 3-5% with presently available technology (Phase II of five year plan).
- Investment requirements will be only 2.7% of industry sales and 28.1% of pretax cash flow.
- New technology developments on industry priorities (Phase III of five year plan will provide substantial additional savings by the fifth year.

9. Will this period of relief impact the consumer?

- Consumer prices of imports valued at $2.50 pair and up will rise initially. (Imports under $2.50/pair will not rise in price.)
- This added cost will be more than offset by employment and income benefits from increased manufacturing.
- Net impact on U.S. economy will be an average U.S. benefit of $1.4 billion/year during the 5 years of relief.
- At conclusion of five years footwear prices will be lower than before the program started.
- There will be a permanent annual $2.4 billion benefit to the U.S. economy beginning in year 6.

Commissioner Rohr also stated at the time the Commission announced its finding last year:

> Further, while there are signs of deterioration in some parts of the footwear industry, these problems in my view are being caused by a long-term shift in the comparative advantage of footwear production, and cannot be resolved under the temporary relief afforded by Section 201.

Commission Sunshine Meeting at 15 line 23, through 16 line 2 (June 6, 1984).

This is an extraordinarily labor intensive industry which is not able to compete, and cannot become competitive, in large segments of the footwear market where imports predominate. It has been able to compete only in particular market niches where it has been able to differentiate its products on the basis of non-price factors, most predominantly in higher priced branded footwear and "American look" footwear such as handsewn loafers.

The industry has substantially adjusted to import competition and this is an ongoing process. It has abandoned the lines in which it cannot compete with imports; it has embarked on massive and accelerating import programs; it has consolidated plants and eliminated inefficient facilities; it is investing in modernization and new equipment.

The larger firms in the industry have for the most part already adjusted to import competition and are not in need of any protection or assistance.

FRA believes that the imposition of quotas or increased tariffs will only impede the adjustment process and will leave the industry no better able -- and probably less able -- to compete at the expiry of the relief program.

Given the particular circumstances of this industry, FRA believes that a trade adjustment assistance program targeted to individual firms is the only form of import relief that can prevent or remedy the injury which the Commission has found is being suffered by elements of this industry, and, at the same time, meet the fundamental statutory purpose of the "escape clause" mechanism, which is to facilitate an orderly adjustment to import competition.

Such a program of targeted relief, largely to smaller firms, coupled with efforts by the industry's own trade association (FIA) to assist firms in critical non-price aspects of shoe manufacturing, offers the best hope of enhancing the overall competitive position of shoemakers in need of modernization. Unlike quotas or increased tariffs, such a remedy would actually foster adjustment, avoid large windfall gains to larger firms that do not need assistance, and avoid the enormous costs to consumers associated with any quantitative or tariff restraint program.