Comments of the Footwear Distributors & Retailers of America (FDRA)
Impact of Federal Regulations on U.S. Manufacturing
DOC-2017-0001

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On behalf of the Footwear Distributors & Retailers of America (FDRA), we appreciate the opportunity to submit comments on the Administration's review of regulations impacting U.S. manufacturing. FDRA is the largest U.S. footwear trade association, supporting the entire footwear industry from small family-owned businesses to global companies selling to consumers around the world. Founded in 1944 by the U.S. footwear industry, FDRA serves the full supply chain from design and development to manufacturing to distribution and retail. Today we represent more than 130 companies and 250 brands, including the majority of U.S. footwear manufacturers.

Manufacturing in the U.S. has seen major changes over the past century, as over time, our nation has invested its resources in producing items of increasingly higher value and in sectors in which we have a strong competitive advantage globally, sectors that range from industrial machinery to chemical production to automobiles. Investing in high-value U.S. manufacturing has supported good-paying U.S. production jobs and facilitated large gains year over year in the productivity of U.S. workers.

While we continue to invest in high-value sectors, the U.S. has transitioned away from large-scale domestic footwear production. Despite being a sector of comparatively lower value, this type of production requires both significant investments in capital and a large workforce dedicated to learning the particular skills of shoemaking. A specialized skill set is necessary for the more than 120 touches it takes to make a basic pair of shoes and over 200 touches for upscale dress shoes. In addition, the absence of a large number of U.S. tanneries significantly limits the amount of leather footwear that can be domestically produced.

Today, U.S. footwear companies utilize global supply chains in order to deliver footwear to all types of consumers at affordable prices and meet the high demand for footwear in the U.S., which reached approximately 2.4 billion pairs in 2016 alone. Although representing only a small share of the overall U.S. market, the domestic footwear production that exists today is done to meet specific market segments, including footwear for the men and women of the U.S. military as well as high-end leather boots.

Footwear companies have also made important investments recently in advanced manufacturing in the U.S. for certain high-end segments of the market. Major brands have generated headlines for building new U.S. manufacturing facilities, including the Reebok Liquid Factory in Lincoln, Rhode Island; Adidas Speedfactory in Atlanta, Georgia; and the Under Armour Lighthouse facility in Port Covington, Maryland. Although limited by product type and current capacity – producing tens of thousands of pairs of shoes compared to the 2.4 billion required for the U.S. market – these facilities represent important progress in this area and a focus of the industry in making products closer to consumers and providing greater customization.

With these oncoming innovations in footwear production, more and more product will be produced closer to home or here in the U.S. for distinct footwear companies. Regional production will also be established in important global markets to deliver much-need U.S. footwear brands to consumers worldwide. We are on the cusp of a footwear production revolution that won't necessarily create thousands of production jobs but will drive more American made product to our consumers at every income level. Any initiatives that provide further incentives to invest in domestic innovation, development, and manufacturing are welcomed and will be utilized to help continue this exciting new trend. The key to any policy is ensuring that barriers to production are lowered both here and abroad. This will encourage the development of further domestic capacity that will take these latest developments beyond niche athletic technologies to fully democratized production for our nation's 320 million footwear consumers.

As the Administration conducts its review of Federal regulations that affect U.S. manufacturing, FDRA would highlight three general areas of interest: Department of Labor (DOL) restrictions that could have unintended consequences on employers, such as the policy change under the Obama Administration for overtime rules that would have placed a disproportionate burden on a number of industries including manufacturing and retail; Environmental Protection Agency (EPA) rules that limit resources needed for leather footwear production and manufacturing component development; and health care regulations that directly impact the ability of employers to hire more workers, particularly those that are small footwear businesses.

Trade liberalization is also very important to this effort. Although it might seem counter intuitive to policymakers in Washington that trade liberalizing initiatives such as the Trans-Pacific Partnership (TPP) will benefit domestic U.S. footwear production, almost all of the companies that produce footwear in the United States also import vast amounts of footwear. With an annual duty burden of $3 billion, these footwear companies spend millions on duties that would otherwise go towards capital investments and supply chain enhancements, including the continued development of footwear production in the United States. Lowering or eliminating duties unilaterally or via a Free Trade Agreement will quickly unleash much needed capital to invest in factories here in America. TPP alone would have freed up $500 million a year and $6 billion in the first decade for these important initiatives. Our hope is that the Administration will explore ways in which to find new avenues of duty reduction for our industry and American footwear consumers via dynamic bilateral or multilateral trade agreements.

FDRA stands ready to work with the Administration on this important issue and appreciates the opportunity to provide input on the current state of U.S. footwear manufacturing.