

DOCUMENT RESUME

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00594 - [A0891619]

Assistance to Nonrubber Shoe Firms. CED-77-51; B-179342. March 4, 1977. Released March 7, 1977. 49 pp.

Report to Rep. James A. Burke; by Robert F. Keller, Acting Comptroller General.

Issue Area: Education, Training, and Employment Programs: Programs for Specific Target Groups (1108); Domestic Housing and Community Development (2100).  
Contact: Community and Economic Development Div.  
Budget Function: Community and Regional Development: Area and Regional Development (452).  
Organization Concerned: Economic Development Administration; Department of Commerce.  
Congressional Relevance: Rep. James A. Burke.  
Authority: Trade Act of 1974 (P.L. 93-618). National Environmental Policy Act of 1969 (42 U.S.C. 4321). Trade Expansion Act of 1962.

The Trade Adjustment Assistance Program was set up to provide loans and technical assistance to help firms, hurt by increased imports of their products, to retool to make new or different products and to keep from going out of business. Assistance provided to the nonrubber footwear industry under this program was investigated. Findings/Conclusions: A few administrative problems may have kept some nonrubber shoe firms from getting loans as quickly as possible. Although the Department of Commerce first thought that more than 200 nonrubber shoe firms might apply for assistance, only 25 firms petitioned and 16 were certified. About \$3.3 million in loans was authorized to four of these firms, and technical assistance costing about \$230,000 was provided to one firm and the footwear industries association. The most prevalent reason given by nonpetitioning firms for not applying was that they did not need assistance. The certification and application requirements of the Trade Adjustment Assistance Program, with few exceptions, were reasonable and consonant with the Trade Act of 1974 and other legislation. Recommendations: Administrative delays in processing both petitions and/or applications should be corrected. The Economic Development Administration should provide minimal assistance to some firms in preparing their applications for assistance. (Author/SC)

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**RELEASED**  
3/7/77



**REPORT OF THE  
COMPTROLLER GENERAL  
OF THE UNITED STATES**

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**Assistance To Nonrubber  
Shoe Firms**

Department of Commerce

The certification and application requirements of the Trade Adjustment Assistance Program, with few exceptions, were reasonable and in consonance with the Trade Act of 1974 and other legislation.

However, two problems could be corrected: administrative delays in processing both petitions and/or applications and minimal assistance from the Economic Development Administration to some firms in preparing their applications for assistance.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-179342

The Honorable James A. Burke  
House of Representatives

Dear Mr. Burke:

Pursuant to your request of April 8, 1976, we have reviewed why the Economic Development Administration has failed to provide the nonrubber footwear industry timely trade adjustment financial assistance under the provisions of the Trade Act of 1974.

As agreed, we orally briefed your office on October 8, 1976, relating the findings of our review to date and provided a written statement of facts on November 23, 1976.

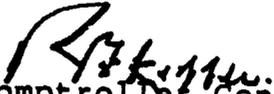
As you requested, the Economic Development Administration was given opportunity to present oral comments on the conclusions and recommendations which deal with ways the program's administration can be improved.

The Economic Development Administration expressed general agreement with the facts contained in this report. It also expressed agreement with our recommendations. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We will be in touch with your office in the near future to arrange for release of the report to set in motion the requirements of section 236.

B-179342

Copies of this report are being sent to Senators John A. Durkin and Thomas F. McIntyre and Representative Norm D'Amours.

Sincerely yours,

  
ACTING Comptroller General  
of the United States

D I G E S T

The Trade Adjustment Assistance Program, administered by the Economic Development Administration at the Department of Commerce, was set up to provide loans and technical assistance to help firms, hurt by increased imports of their products, to retool to make new or different products and keep from going out of business.

A few administrative problems, such as processing delays and the little help given firms in filling out applications for assistance, may have kept some nonrubber shoe firms from getting loans as quickly as possible.

The Department of Commerce first thought that more than 200 nonrubber shoe firms might petition for, and that by December 1976 possibly 150 would be eligible for, adjustment assistance under the Trade Act of 1974. Only 25 firms petitioned, and 16 were certified.

The Economic Development Administration authorized about \$3.3 million in loans to four of these firms and provided technical assistance costing about \$230,000 to one firm and the footwear industries association.

Why didn't more firms seek assistance? The single prevalent response from 102 firms surveyed was that they did not need assistance. Other reasons were

- the Trade Adjustment Assistance program would not solve their problems,
- they did not believe they were eligible,
- they did not know enough about the program, and
- excessive time, money, and paperwork were involved. (See p. 9.)

## ADMINISTRATION OF THE PROGRAM

The Trade Adjustment Assistance Program has two processing stages--certification and application. With few minor exceptions, Department of Commerce requirements under these stages were reasonable and in consonance with the Trade Act of 1974 or other applicable legislation. Correcting the problems will not greatly affect processing time, although it may help to somewhat reduce the work required to prepare petitions for certification and applications for assistance. (See p. 3.)

Administrative delays occurred in 12 of 18 nonrubber shoe firms either during the certification or application processes or both. Except for the long time taken to screen some applications and, in one case approve an application, the delays were not extensive and were correctable. (See p. 12.)

Some firms need help in preparing their applications for assistance, including economic adjustment proposals. Although entitled to such assistance under the act, few nonrubber shoe firms received any. (See p. 20.)

The Economic Development Administration, which was given the opportunity to informally comment on the conclusions and recommendations, generally agreed with this report and described actions taken to correct some of the problems noted. (See pp. 5, 19, and 27.)

## RECOMMENDATIONS

The Secretary of Commerce should direct the Assistant Secretary for Economic Development to

- require applicants to submit for the preceding 2 or 3 years only that financial, production, sales, inventory, and workload information absolutely necessary for deciding eligibility for certification;
- reevaluate whether the Economic Development Administration should assess the effects on the environment under the Trade Adjustment

Assistance Program, since the anticipated large volume of trade adjustment assistance never materialized;

- provide nonrubber shoe firms assistance in preparing their application packages, including development of economic adjustment plans;
- inform such firms of restrictions governing approval of assistance projects when work on the projects has already been done; and
- make every effort to advise such firms of alternative Federal programs which could help them adjust to foreign competition.

To prevent administrative delays, the Secretary of Commerce should direct the Assistant Secretary for Economic Development to review the Trade Adjustment Assistance instructions and administrative procedures to determine whether

- regional personnel know about trade adjustment assistance, including the 5-working-day screening requirement, and take measures to adjust their work priorities accordingly;
- regional offices have procedures, such as time stamping applications when opening the daily mail, to comply with the screening time requirement;
- regional offices have uniform procedures for processing trade adjustment assistance applications--including the screening of applications before acceptance; and
- regional officials are following the Economic Development Administration headquarters criteria for approving loans.

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ABBREVIATIONS

DAS/P	Deputy Assistant Secretary for Economic Development Planning
DIBA	Domestic and International Business Administration
EDA	Economic Development Administration
GAO	General Accounting Office
OBD	Office of Business Development
TACD	Trade Act Certification Division

## CHAPTER 1

### INTRODUCTION

Congress has the constitutional authority to levy duties and in other ways regulate foreign trade. Since 1934, it has periodically delegated the President specific and limited authority to conduct negotiations with other countries for reciprocal tariff and trade concessions.

The Trade Act of 1974 (Public Law 93-618) gives the President 5-year authority to engage in multilateral trade negotiations to promote the development of an open, nondiscriminatory and fair world economic system to stimulate the economic growth of the United States. In addition, the act provides procedures to safeguard American industry and labor against unfair or injurious import competition and to assist industries, firms, workers, and communities to adjust to changes in international trade flows.

Title II, chapter 3, of the Trade Act of 1974, includes provisions for trade adjustment assistance for firms. The objective of the adjustment assistance program is to help firms injured by increased imports to adjust to changes in international trade flows. Types of assistance include technical assistance to develop an adjustment proposal and direct and/or guaranteed loans to purchase fixed assets or for use as working capital to implement the proposal. The program is administered by the Department of Commerce's Economic Development Administration (EDA).

The trade adjustment assistance program for firms under the Trade Act of 1974 differed in several important ways from provisions of a comparable program authorized in the Trade Expansion Act of 1962. Most importantly the eligibility criteria for program assistance are significantly relaxed. The Trade Act of 1974 eliminated the requirement that there be any causal link between tariff concessions and increased imports and that increased imports would not have to be the major factor causing or threatening serious injury to the firm. The Secretary of Commerce (Secretary) determines eligibility (certification) under the new program, and individual firms can directly petition EDA instead of the International Trade Commission, formally the Tariff Commission. EDA Headquarters is responsible for certification, whereas the six regional offices are responsible for processing applications for loans and technical assistance.

In meetings held with your office, we agreed to

- identify EDA requirements for firms from the time of application to actual disbursement of the funds,
- evaluate the need for these requirements,
- evaluate the assistance EDA gives the firms in meeting these requirements,
- identify delays from the time the firms are certified to actual approval for adjustment assistance, and
- identify reasons for these delays.

The Office of Management and Budget allotted \$20 million for the firm's adjustment assistance program both in fiscal years 1976-77. As of December 1, 1976, EDA had authorized loans amounting to about \$13.5 million to 15 firms--including \$3.3 million to 4 firms--and technical assistance of \$250,000--including \$5,000 to 1 footwear firm and \$225,000 to the American Footwear Industries Association.

#### SCOPE OF REVIEW

Our review included 18 nonrubber shoe firms which had petitioned EDA for assistance. As of June 30, 1976, 13 firms had been certified by EDA. We reviewed the records of firms at EDA's Washington Headquarters and visited or talked to officials of 11 firms. We interviewed agency officials at EDA's Washington headquarters and the Atlantic Regional Office in Philadelphia. In addition, we telephone surveyed 102 firms in the major footwear producing States to determine why they have not requested assistance.

## CHAPTER 2

### CERTIFICATION AND APPLICATION

#### REQUIREMENTS APPEAR REASONABLE

The Trade Adjustment Assistance Program administered by EDA involves two processing stages--certification and application. During certification EDA makes a determination as to a firm's eligibility to apply for program assistance. Once this decision is reached, the certified firm then may apply for program assistance by submitting required documentation--including a detailed explanation of the firm's economic recovery plans. Under provisions of the 1974 Trade Act, the Secretary must make a determination within 60 days of accepting a firm's petition and approve or disapprove the application for assistance within another 60-day period. A detailed explanation of both the certification and application processes--including flowcharts--are shown in appendixes I and II.

Certification and application requirements, with minor exceptions, appear reasonable and in consonance with criteria cited in the 1974 Trade Act and other applicable legislation. The exceptions noted are discussed below.

#### CERTIFICATION PROCESS

During certification, a firm submits five copies of the petition and supporting documentation to EDA. Information requested on the petition form includes:

- A description of the article(s)--including the Standard Industrial Classification numbers--produced by the firm which have been affected by import competition.
- A description--including the Statistical Classification numbers listed in the Tariff Schedules of the United States Annotated--of imported articles like or directly competitive with the article(s) mentioned above.
- Supporting data on the firm's sales, production, inventory, production workers and staff-hours worked, as well as imports of like or directly competitive articles, for the past 5 years.

--Copies of the complete auditor's certified financial reports for the last 5 accounting years, or copies of the firm's own financial statements, together with the firm's Federal income tax returns for the last 5 accounting years.

Based on our review of selected investigator reports and discussions with EDA officials, we believe some of the requirements are unnecessary. Specifically we found that

--most nonrubber footwear firms do not know the appropriate standard industrial classification or statistical classification numbers to insert in their petitions,

--EDA generally only needs financial, production, inventory, workload and import information for the preceding 2 or 3 years of a firm's operations, and

--EDA generally only needs two or three copies of the petition and supporting documentation to complete the certification process.

#### APPLICATION PROCESS

In compiling the necessary documentation which comprises the application package, firms are required to provide information not only for compliance with the 1974 Trade Act but also with other legislation as well. For example, applicants must provide environmental information--current status and expected impact of the proposed project--on the following issue areas.

- Air quality
- Water quality
- Land use
- Solid waste management
- Transportation
- Natural environment
- Human population
- Historic and archeological properties
- Construction
- Other factors (as problems/questions arise relative to seismic conditions, fire prone areas, flood prone areas, etc.)
- Energy impacts
- Outside reaction to project
- Cumulative impact
- Adverse impacts

Although officials of several nonrubber footwear firms told us they felt the above requirements are unnecessary or troublesome, EDA directives reveal that this information is required to meet objectives of the National Environmental Policy Act (42 U.S.C. 4321) of 1969 and is used to determine whether the firm should submit an environmental impact statement. We noted, however, that applicants for assistance under EDA's Business Development Loan Program, although required to include similar environmental information in their applications, are not required to assess "expected" project impact. EDA does the assessment. When we asked an EDA official the reason for the variance in the environmental information requirements imposed on Trade Adjustment Assistance and Business Development Loan Program applicants, we were told that EDA, when initially assuming responsibility for the Trade Adjustment Assistance Program, anticipated a great deal of activity. The then current staffing levels would have precluded EDA from assessing the expected environmental impact of Trade Adjustment Assistance Program projects as was being done for applicants for regular business development loans.

#### AGENCY COMMENTS

We allowed EDA program officials an opportunity to present oral comments on the findings contained in this chapter. During our review when these matters were addressed, EDA notified several interested firms about certain changes in its procedures. These firms were told that EDA would:

- Provide the appropriate statistical classification numbers needed on Form ED-435. EDA officials said the firms should have known the identification of the standard industrial classifications numbers since the firms provide this information to the Bureau of the Census.
- Need only three copies of the petition and supporting documentation to complete the certification process.

EDA plans to take action regarding its need for financial, production, inventory, workload, and import information for the preceding 2 or 3 years of a firm's operations in the near future.

#### CONCLUSIONS AND RECOMMENDATIONS

EDA's requirements and procedures for both the certification and application processes, with few exceptions, appear reasonable and in consonance with provisions of the 1974

Trade Act and other applicable legislation. While the problems we noted were minor, correction may help to somewhat reduce the effort of firms in preparing petitions for certification. Accordingly, we recommend that the Secretary of Commerce direct the Assistant Secretary for Economic Development to require applicants to submit for the preceding 2 or 3 years only that financial, production, sales, inventory, workload and import information absolutely necessary for deciding eligibility for certification.

Additionally, we noted that in EDA's regular business loan program, environmental impact information is gathered by EDA rather than the loan applicants. It is the applicant's responsibility to submit this information under the Trade Adjustment Assistance Program and provide their own assessment of the potential environmental impact. Therefore, we recommend also that the Assistant Secretary for Economic Development reevaluate whether EDA should assess the effects on the environment under the Trade Adjustment Assistant Program, since the anticipated large volume of trade adjustment assistance never materialized.

## CHAPTER 3

### PROGRAM PARTICIPATION

#### NOT AS GREAT AS ANTICIPATED

Program participation by the nonrubber footwear industry has been minimal in contrast to that initially anticipated. Our telephone survey conducted to explain this lack of program activity disclosed that the single prevalent response for not petitioning was that the firm was not in need of program assistance. Other reasons cited were: the Trade Adjustment Assistance Program is not the answer, firms do not believe they are eligible, lack of program knowledge, and dissatisfaction with the program. Additionally, 37 of the 74 officials, who believed their firms were injured by imports, were unable to cite decreases in employment, sales and/or production necessary to qualify the firm for program certification.

#### COMMERCE STUDY

Section 264 of the act sets forth specific action to be taken by Commerce when the International Trade Commission investigates an industry to determine eligibility for import relief. One such action is the initiation of a study to determine "the number of firms in the domestic industry producing like or directly competitive articles which have been or are likely to be certified as eligible for adjustment assistance..."

In compliance with the above, Commerce issued a report to the President on March 5, 1976, entitled "Prospects for Adjustment Assistance for Footwear Producing Firms." In the report Commerce concluded that, of the then existing 409 domestic nonrubber footwear firms the International Trade Commission identified, the number that would seek trade adjustment assistance would vary according to the type of remedial measures authorized by the President. Specifically, the report estimated that if the adjustment assistance loan were offered, as did occur, more than 200 firms might petition, of which possibly 150 (75 percent) might be eligible.

#### EXTENT OF PARTICIPATION

At the time we initiated our review, the number of firms having petitioned for program assistance was far less than

EDA anticipated. Recent program statistics, as shown in the table below, indicate that there has not been any drastic change in the number of nonrubber shoe firms petitioning for assistance.

Table I

Nonrubber Footwear Firms

(only) Program Activity

	<u>As of</u> <u>6/30/76</u>	<u>As of</u> <u>9/30/76</u>	<u>As of</u> <u>12/31/76</u>
			(cumulative)
Number of firms which petitioned	<u>19</u>	<u>22</u>	<u>25</u>
(Percentage of the anticipated 200)	(10)	(11)	(12.5)
Status:			
Withdrawn and never resubmitted	3	3	5
In process	3	2	2
Denied	-	-	1
Rejected (for filing)	<u>-</u> <u>6</u>	<u>1</u> <u>6</u>	<u>1</u> <u>9</u>
Number of firms certified	<u>13</u>	<u>16</u>	<u>16</u>
(Percentage of petitioning firms subsequently certified)	(68)	(73)	(64)

RESULTS OF TELEPHONE SURVEY

During July 29 through October 7, 1976, we telephone officials--presidents, vice-presidents, administrative assistants, treasurers, and comptrollers--representing 102 nonrubber footwear firms, to determine their awareness of the Trade Adjustment Assistance Program and why they had not attempted to obtain program benefits. The firms, located in nine states, were selected from listings provided by the American Footwear Industries Association, the International Trade Commission, and EDA. Results of this survey are shown below.

## Extent of injury

To develop information relative to import injury, we asked officials the question "Do you feel that you have been injured by imports?" Seventy-three percent (74 officials) responded affirmatively. Firms who replied "yes" to the above were then asked two additional questions which relate to program eligibility criteria:

- "Have you had a decrease in production and/or sales since January 1975?" and
- "Have you had a recent decrease in employment or plan to decrease employment within the next year?"

Although affirmative responses to both of the questions do not necessarily mean that the firm would be eligible for certification (this determination can only be made by EDA taking into account other factors as well), it does give a more meaningful indication of the extent of injury. Accordingly, we found that of the 74 officials who believe they have been injured by imports

- 37 responded "yes" to the above two questions,
- 10 reported only decreases in production and/or sales,
- 8 incurred only decreases in employment, and
- 19 did not incur decreases in either production/sales or employment.

## Reasons for not petitioning

To determine why firms have not petitioned, we first asked firm officials if they were aware of the program. Thirteen (13 percent) responded negatively. Of the officials who were aware of the program, the following reasons were given for not petitioning.

- Do not know the program specifics (where and how to apply; what it involves) 6
- Not in need of program assistance 38
- Do not believe the firm is eligible 10

--Part of another company, conglomerate (entire "firm" may not be injured)	4
--Feel the Trade Adjustment Assistance Program is not the answer (need quotas, higher tariffs, etc.)	9
--Too much time and/or paperwork involved; do not have time or money to prepare a plan	8
--Do not want a Government loan, object to Government involvement	5
--Trying on own, waiting to see what happens	4
--In process of deciding if it should petition; completing petition	2
--Other	3

To develop a better understanding of this data, we have summarized the above data according to how each firm responded to the import injury questions in appendix V. In viewing the data in this manner, certain inconsistencies become apparent. For example, 18 officials, while reporting import injury, also stated that their firms were not in need of assistance. This inconsistency, in our opinion, may be due to the following reasons: (1) either the injury sustained was not considered serious, (2) the firm took measures to compensate for the injury, or (3) the firm was just beginning to see the effect of injury.

#### Other information obtained

Officials learned about the program from various sources. For example, of the 39 officials aware of the program, the following was cited as the source of program information.

--Trade associations	63
--Another shoe firm	11
--EDA letter	a/ 2
--Various	10
--Do not remember	3

a/In compliance with section 264(c) of the 1974 Trade Act, EDA stated they mailed information about the program to firms in the industry. Although only two officials cited the letter, 92 firms--including 17 which said they were not aware of the program or specifics--were actually on EDA's mailing list.

## CONCLUSIONS

The number of nonrubber footwear firms petitioning for certification is far below that anticipated by Commerce. During our telephone survey, we found that the single prevalent response for this lack of activity was the officials' belief that their firms were not in need of program assistance. Many other officials indicated they had negative views toward trade adjustment assistance; excessive time, money, and paperwork involved; questionable Government involvement; or feelings that the program is not a solution to their problems.

## CHAPTER 4

### ADMINISTRATIVE DELAYS IDENTIFIED

The 1974 Trade Act established time constraints for processing petitions and applications, and Commerce published rules and regulations requiring prompt review of these documents prior to their acceptance for filing. We noted, however, that EDA 1/ did not always comply with the act or regulations in screening and/or processing petitions and trade adjustment assistance applications. Twelve of the 18 nonrubber footwear firms experienced delays either during the certification or application process or both. With the exception of the protracted amount of time taken to screen some applications, and in one case approve an application, the delays were not extensive.

#### TIME REQUIREMENTS

Section 251 of the act--with reference to a petition for certification of eligibility--states that

"A determination shall be made by the Secretary as soon as possible after the date on which the petition is filed under this section, but in any event not later than 60 days after that date."

Similarly, section 252 mandates that the Secretary shall make a determination relative to an application for adjustment assistance as soon as possible after the date on which an application is filed--"but in no event later than 60 days after such date." 2/ In both above passages--although not defined in the act--60 days is construed as meaning calendar days.

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1/EDA assumed responsibility for processing applications and petitions from the Domestic and International Business Administration (DIBA) on June 30, 1975, and November 17, 1975, respectfully.

2/Authority for making the approval determination relative to petitions and applications has been delegated to the Deputy Assistant Secretary for Planning and the Deputy Assistant Secretary for Operations.

The Department of Commerce has published regulations which established additional time constraints. For example, "Rules and Regulations" published in the Federal Register on April 3, 1975, specify that petitions received

"shall be stamped with the date on which received. Within five working days of the receipt of said petition the Director shall either accept or reject said petition for filing".

Relative to the processing of trade adjustment assistance applications, EDA published regulations on September 26, 1975, and December 1, 1976, stating that

"EDA shall have five working days from the date on which it receives the application to determine whether the application has been properly prepared and can be accepted for filing. Immediately after the five working days have elapsed, the Assistant Secretary shall notify the applicant that the application has been received \* \* \*."

The regulations further call for the applicant to be advised either that the application has been accepted for filing or that it may be resubmitted when specified deficiencies have been corrected.

#### DELAYS DURING CERTIFICATION

We reviewed EDA headquarters files for the 18 nonrubber shoe firms selected for review--4 firms had been recertified by DIBA under the transitional provisions of the act--and noted

- two petitions were not screened within 5 working days;
- an eligibility determination was not made within 60 calendar days, in the case of four petitions; and
- DIBA generally took a considerable amount of time to recertify firms previously certified under the Trade Expansion Act of 1962.

Delays in screening  
petitions for filing

We noted in 2 of the 14 cases handled by EDA where the determination as to whether the petition was acceptable for filing took longer than 5 working days--9 and 10 working days, respectively. In one case, the delay resulted from EDA giving the firm time to provide missing sales and production information on a subsidiary rather than rejecting the petition. We were unable to document the reason for the other delay. Both delays were, however, minor and it should be noted that, on an average, EDA screened petitions within 4 working days.

Delays in making  
eligibility determination

Three petitioning firms withdrew before an eligibility determination was made and prior to elapse of 60 calendar days. Of the remaining 11 firms--excluding the 4 which were recertified under the transitional provisions of the 1974 act--4 were not notified as to eligibility within the required 60 calendar days. The extent of delay was in each case minor--1 or 2 days. However, our review disclosed that EDA's processing time has improved.

TABLE II

Certification Processing Time (note a)

Through December 31, 1976

<u>Firm certified by DIBA prior to November 17, 1975</u>	<u>Firms certified by EDA since November 17, 1975</u>
60 days	62 days
60 days	62 days
61 days	33 days
61 days	58 days
	26 days
	59 days
	42 days
	36 days

a/Does not include four firms recertified by DIBA under the transitional provisions of the 1974 act and discussed below.

## Time required for recertification

While Commerce regulations, as published April 3, 1975, called for the "prompt" recertification of firms previously certified under the Trade Expansion Act of 1962, we found that DIBA generally required a considerable amount of time to complete this process--39 days, 12 days, 36 days, and 67 days. Since the files generally did not document the reasons for the length of time required to recertify these firms, we cannot comment on its reasonableness.

## DELAYS DURING APPLICATION

We reviewed Washington EDA files and held discussions with officials to determine if selected nonrubber shoe firm applications had been processed in compliance with requirements. At the time we initiated this aspect of our review, only 6 or 15 certified nonrubber firms had submitted trade adjustment assistance applications. Appendix VI summarizes the status of the 15 certified firms as of December 31, 1976.

Based on a review of EDA records of the above six firms submitting applications, we noted

- 3 instances where the applications were not screened within 5 working days and
- 2 instances where the time required for the approval determination exceeded 60 calendar days.

## Delays in screening applications for acceptance

In three of the six cases where nonrubber footwear firms submitted applications for adjustment assistance, EDA's determination to accept the applications for filing was not made within the stipulated 5 working days. For the remaining three cases, EDA documentation was such that we could not establish the exact time involved in this screening process.

The following details the circumstances surrounding the screening delays in the cases noted.

### Firm A (23 working days' screening time)

In this case the regional legal counsel checklist was signed the same day the application was accepted for filing.

This checklist--see appendix II page 44--itemizes those regional office assessments, such as the Equal Opportunity Report which must be completed prior to project approval but which are not necessary for application acceptance. We believe that in this case the premature completion of the checklist was responsible, in part, for the screening delay.

Firm B (27 working days' screening time)

According to EDA officials, the firm submitted an incomplete application on August 25, 1975. 1/ Rather than reject the application, EDA allowed the firm additional time to provide the required information. According to correspondence from the firm contained in EDA files, certain information which EDA considered "missing" was actually delivered by certified mail in July 1975 and was apparently lost by EDA.

Firm C (13 working days' screening time)

There were few records for this case in Washington office files as the processing was done almost completely by the Western Regional Office in Seattle. The letter of acceptance did make reference to the application being "revised," but it could not be determined if it was done after initial submission or if there was an earlier application submitted.

Of the remaining three cases, EDA files do not document the exact date the application was submitted--only the date it was accepted.

In pursuing the matter of compliance with the 5-working day requirement, we found that two officials--the Office of Business Development Deputy Director and the Chief Business Loan Division, Atlantic Regional Office were not aware of these requirements until we brought them to their attention. Additionally, discussion with the

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1/ It should be noted that, at the time of submission, EDA regulations governing the screening of applications within 5 working days were not yet published. More recent regulations published December 1, 1976, enable the Assistant Secretary to terminate processing in the event that specified deficiencies have not been corrected within a 30-day period or subsequent to acceptance for filing if it is apparent that "the application contains misrepresentations and/or inaccuracies". In either event, the firm must submit a new application.

same regional official at a later date disclosed that his region did not have any means of insuring that an application is actually screened within the required period. Specifically, applications are not time-stamped when received and it is conceivable that, an application could sit on a desk for several days before it is opened. 1/

#### Delays in meeting 60-day processing requirements

Of the four nonrubber footwear firms (Firms A, B, C, D) which had loans approved as of December 31, 1976, two were processed within the required 60-calendar day period-- 39 days (Firm A), 60 days (Firm D). (This period reflects the length of time between the acceptance date of the application for filing and the date the Assistant Secretary approves or rejects the application.) As discussed below in the case of Firm B, it appears EDA took 62 days to arrive at the approval determination. Firm C meanwhile withdrew its initial application after 73 days elapsed but had its subsequent application approved within 22 days of acceptance.

#### Firm B

The firm's initial application was accepted on October 2, 1975, by the Atlantic Regional Office and final loan approval was made on June 17, 1976--a total of 259 calendar days elapsed time. Although EDA records do not document the withdrawal of the first application, they do show that EDA had problems with the initial adjustment assistance proposal and suggested that the firm first implement, on its own, certain key elements of the proposal relative to market growth and sales trend. The records also show that the firm did submit a new proposal which was accepted on April 16, 1976, and apparently constituted a new application. Based on the April 16, 1976, date, the approval determination was made within 62 calendar days of acceptance.

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1/ In one case an application was logged in as received on the same date it was reviewed for acceptance (August 9, 1976). According to a firm official, however, the application was actually submitted on July 20, 1976.

## Firm C

This firm had its initial application accepted on December 12, 1975, and withdrew it on February 23, 1976, a total of 73 calendar days elapsed time. Although EDA records do not indicate why the firm's application was not processed within the 60-calendar day period, we learned that there had been a problem concerning the firm's past unfair labor practices, and this issue had to be resolved. Also, there had been a problem of one partner refusing to meet EDA requirements for a personal guarantee. The latter problem prompted the firm's withdrawal. According to the files two subsequent applications were filed--the last accepted on June 1, 1976, and approved by the Assistant Secretary on June 23, 1976.

In addition to above, there was one firm (Firm E) which had its application approved subsequent to December 31, 1976. At the time of approval--January 26, 1977--the application had accumulated 191 days of processing time since initial acceptance on July 19, 1976. Review of EDA records indicated that the regional office had forwarded its recommendations to Washington on July 21, 1976 (2 days after the application was accepted). According to a regional Financial Analyst, the delay in processing was the result of the Washington EDA staff disagreeing with the region's findings--specifically over whether the criteria of "reasonable assurance of repayment" was met. The firm had a \$4 million loan outstanding with a finance company and Washington officials agreed to the loan approval after arrangements were made with the finance company to subordinate its claim for repayment to that of EDA.

## CONCLUSIONS AND RECOMMENDATIONS

Although we have identified a number of administrative delays in processing both petitions and applications, for the most part, they were minor. Moreover, in those cases where the delays were lengthy, the restricted scope of our review--limited to firms in the nonrubber footwear industry which had minimal program activity--precludes our reaching a conclusion as to EDA's overall administration of the Trade Adjustment Assistance Program. Nonetheless, the Secretary of Commerce should direct the Assistant Secretary for Economic Development to review the adequacy of trade adjustment assistance instructions and administrative procedures, specifically whether

- regional personnel know about trade adjustment assistance time requirements, including the 5-working-day screening requirement, and take measures to adjust their work priorities accordingly;
  - regional offices have procedures, such as time stamping applications when opening the daily mail, to comply with the screening time requirement;
  - regional offices have uniform procedures for processing trade adjustment assistance applications--including the screening of applications before acceptance; and
  - regional officials, are following EDA headquarters criteria for approving plans.
- EDA program officials concurred with our recommendations.

## CHAPTER 5

### NEED TO PROVIDE ASSISTANCE TO FIRMS

#### IN PREPARING APPLICATIONS

As a result of the "affirmative finding" of import injury by the International Trade Commission, EDA is responsible for providing nonrubber footwear firms assistance in the preparation and processing of their trade adjustment assistance applications. This assistance for development and/or implementation of economic adjustment proposals may be provided by agency staff or outside consultants. EDA also is responsible for advising these firms of other Federal assistance programs which may facilitate their orderly adjustment to import competition.

Despite the above, we found that the assistance provided nonrubber footwear firms for development of their adjustment applications or proposals has been minimal. Further, EDA efforts to inform nonrubber firms of the availability of assistance under other Federal programs has been limited.

#### LEGISLATIVE REQUIREMENTS

Section 252(c) of the 1974 Trade Act states that:

"In order to assist a firm which has been certified as eligible to apply for adjustment assistance under this chapter in preparing a viable adjustment proposal, the Secretary may furnish technical assistance to such firm."

The assistance--consisting possibly of market research or feasibility studies--may be furnished by Federal agencies or through private individuals, firms, and institutions, in which case not more than 75 percent of the cost of such service may be borne by the United States.

Additionally, section 264, requires Commerce in the event of an affirmative International Trade Commission finding of import injury--which is applicable in the case of the non-rubber footwear industry--to make available to the firms in the industry of Federal programs "which may facilitate the orderly adjustment to import competition of such firms" and to "provide assistance in the preparation and processing of petitions and applications of such firms for program benefits."

NEED FOR ASSISTANCE IN  
PREPARING APPLICATIONS

Of the 15 certified firms reviewed, we identified 6 which had acquired their own technical assistance from consulting firms. The services acquired in five cases included assistance in the development of the economic adjustment proposal, assistance in preparing the application, and in one case, hiring a consulting firm to perform market research.

It is difficult to determine the actual cost for these services. In several cases only a portion of the consultant fee has actually been paid--the total amount for technical assistance is anticipated to be paid from the working capital portion of the loan. The matter is further complicated by the fact that some of the figures--either paid or shown in the proposal also include fees for work performed on the petitions. The following table is intended to give only an indication of the expenses incurred.

Table III

Cost of Technical Assistance

Nonrubber Shoe Firms (note a)

<u>Type of services</u>	<u>Amount paid</u>	<u>Amount as shown in proposal</u>
Market research	b/\$15,000	Not available
Preparation of proposal financial data, work on petition	c/5,783	\$65,000
Financial analysis/development of the trade adjustment assistance application	8,060	Not available
Preparation of the proposal	5,000	Not available
Work on petition and application	Not available	25,000
Preparation of application	d/900	Not available

a/Not included are two firms which acquired assistance exclusively for the preparation of petitions. In one case, all the work was performed before the 1974 Trade Act; in the other, there was no additional charge for the service.

b/Also includes some work for preparation of the petition.

c/This amount relates to work done on the petition.

d/The firm used the services of their regular consultant who was going to bill \$2,500. At the time the firm decided not to submit the application, \$900 had already been paid.

We found that in two of the above six cases, attempts to obtain EDA technical assistance had proved fruitless. The details are discussed below.

#### Example A

This firm had already initiated some work through a consultant when the request for technical assistance was made. A letter was subsequently received from the Acting Deputy Assistant Secretary for Operations denying the request. The letter, citing EDA regulations, stated

"technical assistance projects will not be approved to pay for work already done.... You should also be aware that Government contracting regulations require multiple solicitations of contractors, with final choice subject to EDA approval."

The firm subsequently told EDA that their request had been made based on interim regulations which make no mention of an inability to pay for work already done. EDA, however, again denied the request, stating that their regulations and

"the long-standing policy of the Department of Commerce do not permit this Agency to reimburse for the cost of work already performed or services already provided prior to application for assistance."

The firm did not pursue the issue further.

#### Example B

This firm was recertified--effective January 3, 1975--under the transitional provisions of the 1974 Trade Act. On April 17, 1975, according to a firm representative, the firm sent a letter to DIBA requesting technical assistance. About a month later, DIBA's Office of Administrative Support forwarded to the Commerce Office of Administrative Services and Procurement a \$25,000 request for technical assistance. The request was subsequently returned "without action" because April 30, 1975, had been established as the deadline for all such requests from DIBA. (As of June 30, 1975, EDA replaced DIBA as the Commerce agency responsible for providing trade adjustment assistance to firms.)

In July 1975 the firm contacted EDA to determine the procedures for obtaining financial assistance. About

a month later, an application was submitted--and subsequently rejected because it was incomplete. From October 1975 through May 1976, EDA had almost monthly communications with the firm, identifying various missing documents or information necessary for the application to be accepted. (In June 1976, after reviewing EDA's files on this firm, we commented to an EDA official that the firm was in dire need of technical assistance. He agreed, and when asked why the firm had not received help, he noted that when the firm had first contacted EDA, the agency was just beginning to become familiar with program operations.)

On December 23, 1976, the firm submitted a proposal to EDA's Atlantic Regional Office. Although the regional officials considered the application incomplete, they accepted the proposal in terms of having met the 2-year filing requirement. Nonetheless, as of January 1977, the firm had not yet received assistance and in a telephone discussion with the Chief, Loan Processing Division Atlantic Regional Office, we were told that the firm needed help in putting their application package together and he was "thinking" of going to EDA's Office of Technical Assistance and asking for assistance.

#### LIMITED ASSISTANCE PROVIDED

EDA has not been particularly active in providing assistance to nonrubber footwear firms for development of trade adjustment applications or proposals.

#### EDA assistance

With the exception of one firm--which was in close proximity to an EDA Regional Office and took the initiative to constantly seek help during each step of the application process--EDA has done little to assist in the preparation of applications for trade adjustment assistance. EDA has limited its activities to providing procedural guidance.

#### Use of outside consultants

Arrangements for outside consultant assistance, handled by EDA's Office of Technical Assistance, are generally based on referrals by the Office of Business Development (OBD). The Office of Technical Assistance also has responsibility for providing technical assistance under the Public Works and Economic Development Act of 1965, as amended.

As of December 31, 1976, only one nonrubber shoe firm had obtained proposal technical assistance. This particular case

was referred to the Office of Technical Assistance by the Director, OBD, when it became apparent--based on limited collateral and size of the loan (\$1 million)--that an independent feasibility study was necessary. The technical assistance was planned in two phases at an anticipated cost of \$5,000 for each:

--Phase I

This consisted of work--including a market feasibility study, a production feasibility study, and the development of an external financing plan--to be performed within a 4-week period. At the end of the 4 weeks, a Trade Act recovery plan and feasibility analysis was due.

--Phase II

Phase II--dependent on the results of Phase I being favorable--called for a 4-week assignment to assist in the preparation of the assistance plan and perfected application.

The business evaluation project was approved July 7, 1976. The actual contract award was made September 24, 1976, at a cost of \$5,000. Based on the results of the consultant's report--initially issued October 19, 1976, 1/ OBD determined that the firm's proposal did not appear feasible, but an official determination has not been made.

Reasons for limited use  
of outside consultants

A Department of Commerce study--performed April 1976--identified the following reasons of limited use of outside consultant assistance under the program.

--"Contracts are extremely unattractive to firms because they are governed by the stringent conditions attached to the Federal procurement process;" and

--"Firms with sufficient resources to expect to survive long enough to receive a TAAA [Trade Adjustment Assistance Act] loan are usually in a position to procure their own consultants on the assumption that such initiative will hasten the availability of TAAA loan dollars; this

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1/A revision was returned to EDA on November 23, 1976.

consideration is reinforced by the fact that firms receiving Federal technical assistance funding must pay at least 25 percent of the cost themselves."

The attitude of certain EDA officials toward use of technical assistance and--in some cases--toward the Trade Adjustment Assistance Program in general is, in our view, also an important factor in explaining the limited amount of assistance provided nonrubber shoe firms. For example, one EDA official commented that DIBA, when in charge of trade adjustment assistance to firms under the Trade Expansion Act, forced technical assistance on every firm, regardless of need. He stated that EDA, however, took the position that the shoe firms should know what they want to do and how to do it and that technical assistance is "unnecessary." A similar sentiment was voiced by a regional EDA official.

During a discussion with still another EDA official, we were advised that preproposal technical assistance should be used for market studies and strategies to change styles or production lines but not to pay consultants to assist firms in preparing their applications. He also stated that he is not "sold" on the provision of the act which provides for automatic entitlement to assistance, and consequently EDA has adopted a "passive role" in making firms aware of such assistance.

#### NEED TO PROVIDE INFORMATION ON OTHER ASSISTANCE PROGRAMS

Many nonrubber shoe firms, though expressing a need for trade adjustment assistance, have been unable to meet certification criteria and accordingly have been denied help. For example, 10 nonrubber shoe firms contacted did not petition for certification under the program because they did not believe they would be eligible, while three others withdrew petitions when it was apparent they could not meet certification criteria.

It should be noted, however, that it is possible that these firms could obtain assistance under other Federal programs. For example, Commerce, in its study Prospects For Adjustment Assistance For Footwear Producing Firms, identified several other programs of potential benefit to nonrubber footwear firms--including the Business Development Loan Program which is administered by EDA. Other possible avenues of assistance mentioned in the Commerce study included business loan and management assistance programs administered by the Farmers Home Administration and the Small Business Administration.

Despite the existence of the foregoing assistance possibilities and the provisions of section 264(c) of the 1974 Trade Act which requires the Secretary of Commerce to make available, to the extent feasible, full information on such assistance programs, EDA has not adequately advised nonrubber footwear firms of these other potential sources of Federal aid. EDA updated the list of nonrubber shoe firms from a current list completed by the Trade Association and mailed letters and brochures to approximately 600 shoe firms publicizing the Trade Adjustment Assistance Program, however, the letters did not identify other programs of potential benefit to these firms. Further, while the Assistant Chief of EDA's Trade Act Certification Division stated that a summary of Commerce's report identifying the other programs was published in the Federal Register, he agreed that this was not adequate notification.

#### Applicability of other programs

While we did not evaluate all the programs cited to determine their applicability to nonrubber footwear firms, we did note one instance where a nonrubber footwear manufacturer received a working capital loan guarantee of \$500,000 under EDA's Business Development Loan Program. The decision to process the project under this program instead of the trade adjustment assistance program was based on several factors according to a Regional Business Development Chief.

- it was unlikely the principals could obtain from the previous owners the necessary information for certification under trade adjustment assistance,
- the firm did meet the requirements of the Business Development Loan Program, and
- time considerations.

Regarding the latter, EDA's Atlantic Regional Office stated that "even a minimal delay could probably cause the demise of this company." In this regard, it took only 96 days from application acceptance to loan agreement signing, a considerably shorter time frame than could be expected under the Trade Adjustment Assistance Program, considering certification and application requirements.

#### CONCLUSIONS AND RECOMMENDATIONS

Several nonrubber footwear firms have identified a need for assistance in preparing their applications for trade

adjustment assistance, including development of economic adjustment plans. Despite this, and the fact that firms in the nonrubber footwear industry are entitled to such help under the 1974 Trade Act, little assistance in being provided. Further, EDA has only made limited efforts to advise footwear firms of alternative Federal programs which could serve to assist in their adjustment to foreign competition--another provision of the 1974 Act.

Accordingly, we recommend that the Secretary of Commerce direct his Assistant Secretary for Economic Development to:

- provide nonrubber footwear firms assistance in preparing their application packages, including development of economic adjustment plans;
- inform such firms of restrictions governing approval of assistance projects when work on the projects has already been done; and
- make every effort to advise such firms of alternative Federal programs which could help them adjust to foreign competition.

EDA program officials concurred with our recommendations.

CERTIFICATION PROCESS

A firm is required to return three completed petitions--including copies of supporting documentation--to EDA's Trade Act Certification Division (TACD) in Washington. A copy of the petition form is shown on Appendix III.

ACCEPTANCE FOR FILING

Before accepting a petition for filing, TACD reviews the provided information for completeness and adequacy. Items to be addressed on the petition include:

- A brief narrative on the firm's economic history.
- A description of the article(s)--including the Standard Industrial Classification numbers--produced by the firm which have been affected by import competition.
- A description--including the Statistical Classification Numbers listed in the Tariff Schedules of the United States Annotated--of imported articles like or directly competitive with the article(s) mentioned above.
- A description of the extent of the actual separation or threat of separation of workers.
- A description of how increased imports contributed importantly to the decline in sales and/or production and worker separation.
- Information on previous firm petitions under the Trade Expansion Act of 1962.
- Supporting data on the firm's sales, production, inventory, production workers and staff-hours worked, as well as imports of like or directly competitive articles, for the past 5 years.
- Copies of the complete auditor's certified financial reports for the last 5 accounting years, or copies of the firm's own financial statements, together with the firm's Federal income tax returns for the last 5 accounting years.

Prior to rejecting a deficient petition, EDA gives the firm the opportunity of either providing necessary information or withdrawing the petition. Once the petition is determined acceptable for filing, TACD notifies the petitioner and initiates an eligibility investigation. Notice of the petition filing is published in the Federal Register, after which the petitioner or any other interested party has 10 days to request a public hearing.

INVESTIGATION AND DETERMINATION  
OF ELIGIBILITY

A TACD investigator reviews the petition and supporting documentation to determine if the certification criteria have been met. The documentation must establish

- that a significant number or proportion 1/ of the workers in such firm have become totally or partially separated or are threatened to become totally or partially separated;
- that sales or production, or both, of such firm have decreased absolutely; and
- that increases of imports of articles like or directly competitive with articles produced by such firm contributes importantly 2/ to such total or partial separation, or threat thereof, and to such decline in sales or production.

Much of the investigator's time is spent analyzing the documentation to assess its validity and to determine whether it establishes that the legislative criteria have been met. During this process, the investigator also contacts the firm to clarify any questionable information, performs calculations

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1/ "Significant number or proportion of the workers is construed as meaning a total unemployment of 5 percent of the workers or 50 workers, whichever is less, but with as few as 3 workers in cases of a firm employing fewer than 50 workers".

2/ "Contributed importantly" is defined as a cause which is important but not necessarily more important than another cause.

to verify that absolute decreases in sales and/or production have occurred, and contacts past customers of the firm to determine reasons for decreases in their purchases.

After the investigation is complete, the report findings, or other documents are submitted to the TACD Division Chief. A summary of factual data and the Chief's recommendations are processed through appropriate channels up to the Deputy Assistant Secretary for Economic Development Planning (DAS/P) who signs off on the project and sends a letter of approval/denial to the petitioner. Notification of approval action is also sent to the congressional delegation and to the State Governor wherever the firm is located and to the press. The certification determination by the DAS/P must be made within 60 calendar days of petition acceptance. 1/ In cases where the petition is denied by agency regulation, the petitioner is not allowed to reapply for 1 year.

There is one exception to the procedures as outlined above. Firms requesting certification under the Trade Expansion Act of 1962 do not have to submit new petitions. This is in consonance with provisions of the 1974 Trade Act which stipulate that:

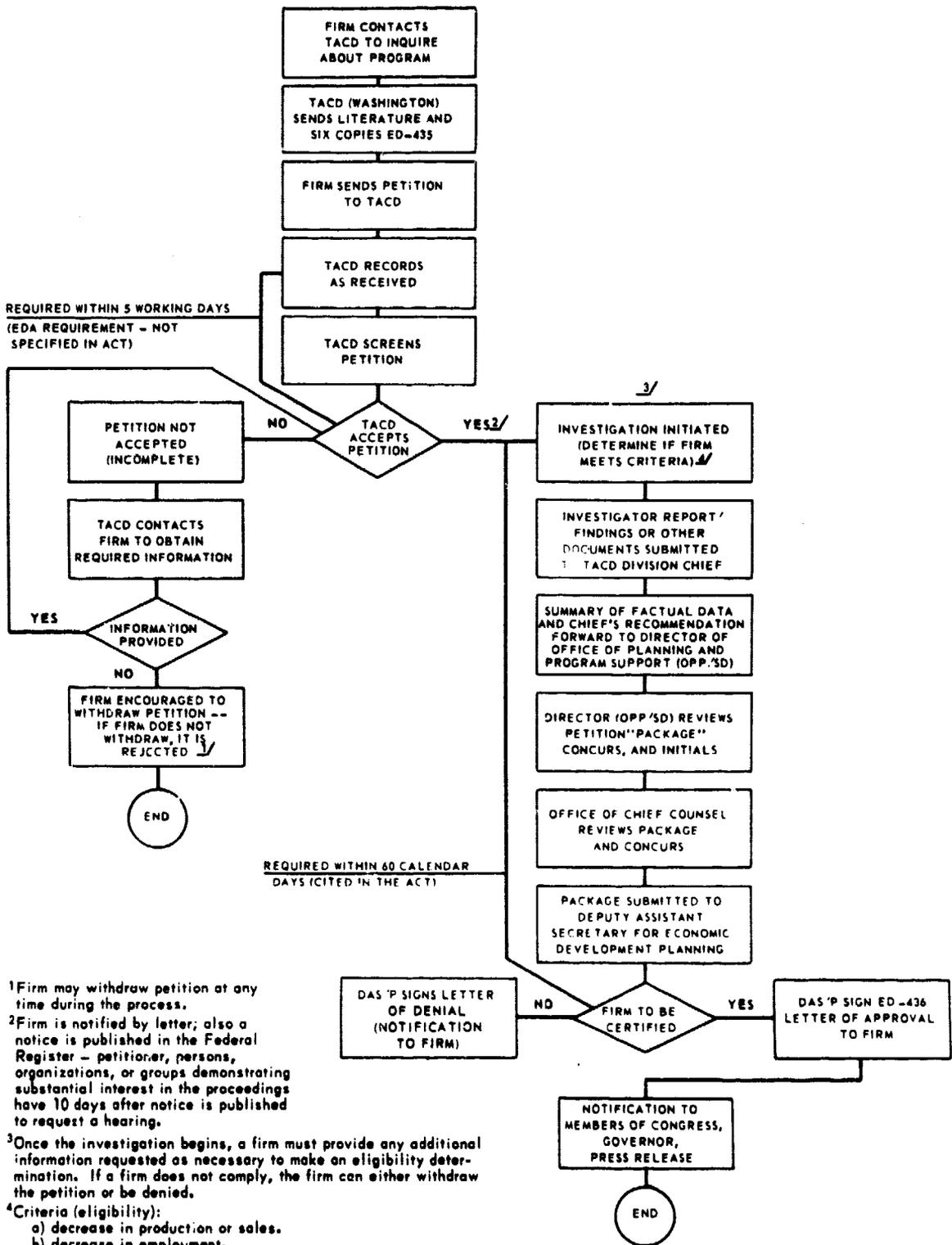
"A certification of eligibility of a firm under action 302(c) of the Trade Expansion Act of 1962 made before the effective date of this chapter shall be treated as a certification of eligibility made under section 251 of this act \* \* \*".

A flow chart of the certification process follows on the next page.

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1/ A firm's application must be made within 2 years of the date of certification.

CERTIFICATION PROCESS



<sup>1</sup>Firm may withdraw petition at any time during the process.

<sup>2</sup>Firm is notified by letter; also a notice is published in the Federal Register - petitioner, persons, organizations, or groups demonstrating substantial interest in the proceedings have 10 days after notice is published to request a hearing.

<sup>3</sup>Once the investigation begins, a firm must provide any additional information requested as necessary to make an eligibility determination. If a firm does not comply, the firm can either withdraw the petition or be denied.

<sup>4</sup>Criteria (eligibility):  
 a) decrease in production or sales.  
 b) decrease in employment.  
 c) increase in imports (absolute or relative to domestic production).  
 d) causation -- "imports contributed importantly."

### APPLICATION PROCESS

Certified firms are referred to EDA's Office of Business Development (OBD) in Washington, where they are invited to send a representative for preapplication counseling. 1/ During this session the firm is provided with a Trade Adjustment Assistance index form (see app. IV) which identifies the documentary material required by EDA to evaluate the application. 2/

### SCREENING THE APPLICATION

Once the firm has compiled the necessary documentation, the application "package" is submitted to the appropriate regional office for processing. Before the application can be processed, however, it must first be screened to determine that all the required documentation as identified on the index form is included and is complete. EDA regulations as published in the Federal Register (September 26, 1975) call for the applicant to be notified within 5 working days of receipt that the application was received and that either (1) it has been accepted or (2) it may be resubmitted when specified deficiencies are corrected.

### ACCEPTANCE FOR FILING AND PROCESSING

Once the application is accepted for filing, the project is assigned a case number, logged on control sheets, and the Washington Trade Assistance Coordinator notified that the application is in process.

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- 1/ In the past, OBD/Washington was responsible for the processing of Trade Act cases--including all preapplication counseling. Although EDA Directive No. 13.01-17, effective April 13, 1976, now gives the region authority to handle the loan processing and servicing functions, EDA officials still encourage firms to meet in Washington for preapplication counseling.
- 2/ Applicants are also required to provide information--current status and expected impact of the proposed project--on 14 environmental issue areas. This requirement, while not shown on the index, is contained in the environmental package provided to the applicant.

Review by regional loan  
development officials

The entire application package, and especially the economic adjustment proposal is reviewed and evaluated by regional loan development officials to insure compliance with 1974 Trade Act legislative criteria. Specifically, as mandated by section 252 of the act, approval of an application is dependent, in part, that the firm's proposal contains the following elements

- be reasonably calculated materially to contribute to the economic adjustment of the firm;
- give adequate consideration to the interests of the workers of such firm; and
- demonstrates that the firm will make all reasonable efforts to use its own resources for economic development.

Additionally, the application documentation must establish that the funds requested are not available from the firm's own resources, that there is "reasonable assurance of repayment" of the loans, and that agency policy requirements have been met.

Pursuant to the above, the firm's documentation is analyzed with respect to the following factors:

--Management

The firm's management team is evaluated as to their efficiency and capabilities relative to the size of the firm and the industry.

--Marketing

Information such as the firm's current share of the market, project share, current product lines and plans to penetrate new product lines is evaluated.

--Raw materials

The availability of raw materials, energy source and unit price of each is considered.

--Sales, profits, and debt service

EDA examines data on past sales as well as evaluates the soundness of projection figures. Pro-forma financial statements and projections are used to determine whether the firm will have the ability to repay the loan from profits. Officials also assess whether the firm can pay short-term and/or long-term debt.

--Collateral

EDA looks to secure as much of the loan as possible in the event the company goes bankrupt. In this regard, EDA tries to get first lien on all fixed assets, accounts receivables, and inventories.

Approval of assistance is also dependent on the applicant's compliance with EDA requirements mandated by legislation other than Trade Act. Such legislation includes:

--Title VI of the Civil Rights Act of 1964, as amended

Applicants are required to summarize their present work force according to job category, sex, and minority classifications. They are also required to sign a statement stating they agree to comply with Civil Rights Act regulations.

--Clean Air Act, as amended and Federal Water Pollution Control Act, as amended

An applicant signs a form attesting that the facility is not on EPA's list of violating facilities.

--National Environmental Policy Act of 1969, as amended

In keeping with the objectives of the above, an applicant must provide information--current status and expected impact by the project--on 14 issue areas.

--Public Works and Economic Development Act of 1965,  
as amended

In compliance with established EDA policy and the above legislation, name checks are normally done on the firm's owners and/or officers, and in some cases, are also required on certain stockholders. The name check investigations are processed by EDA's Investigations and Inspections (I&I) staff who, in turn, checks the names through the Federal Bureau of Investigation.

Legal counsel review  
and action memorandum

Before regional office recommendations are formalized, the application "package" is submitted to regional legal counsel for review through the use of "legal checklists." The checklists are used as a control for insuring that EDA requirements as mandated by the 1974 Trade Act and other legislation have been met. Upon completion of the legal checklist, an "Action Memorandum" is formulated and forwarded to OBD in Washington. This document summarizes the proposed project, noting all the pertinent specifics, including the regional office recommendations.

Approval determination

OBD reviews the Action Memorandum, including approval or rejection recommendations, 1/ and forwards it to the Deputy Assistant Secretary for Operations (DAS/O). The DAS/O signs off on the memorandum and either notifies the firm of rejection or--in case of favorable recommendation--forwards the memorandum to the Assistant Secretary for Economic Development for his approval and signature. According to the act, this determination by the Assistant Secretary--as delegated from the Secretary of Commerce--must be made within 60 calendar days of application acceptance.

Subsequent to application approval, the firm is made an assistance offer to which it must respond within 10 days.

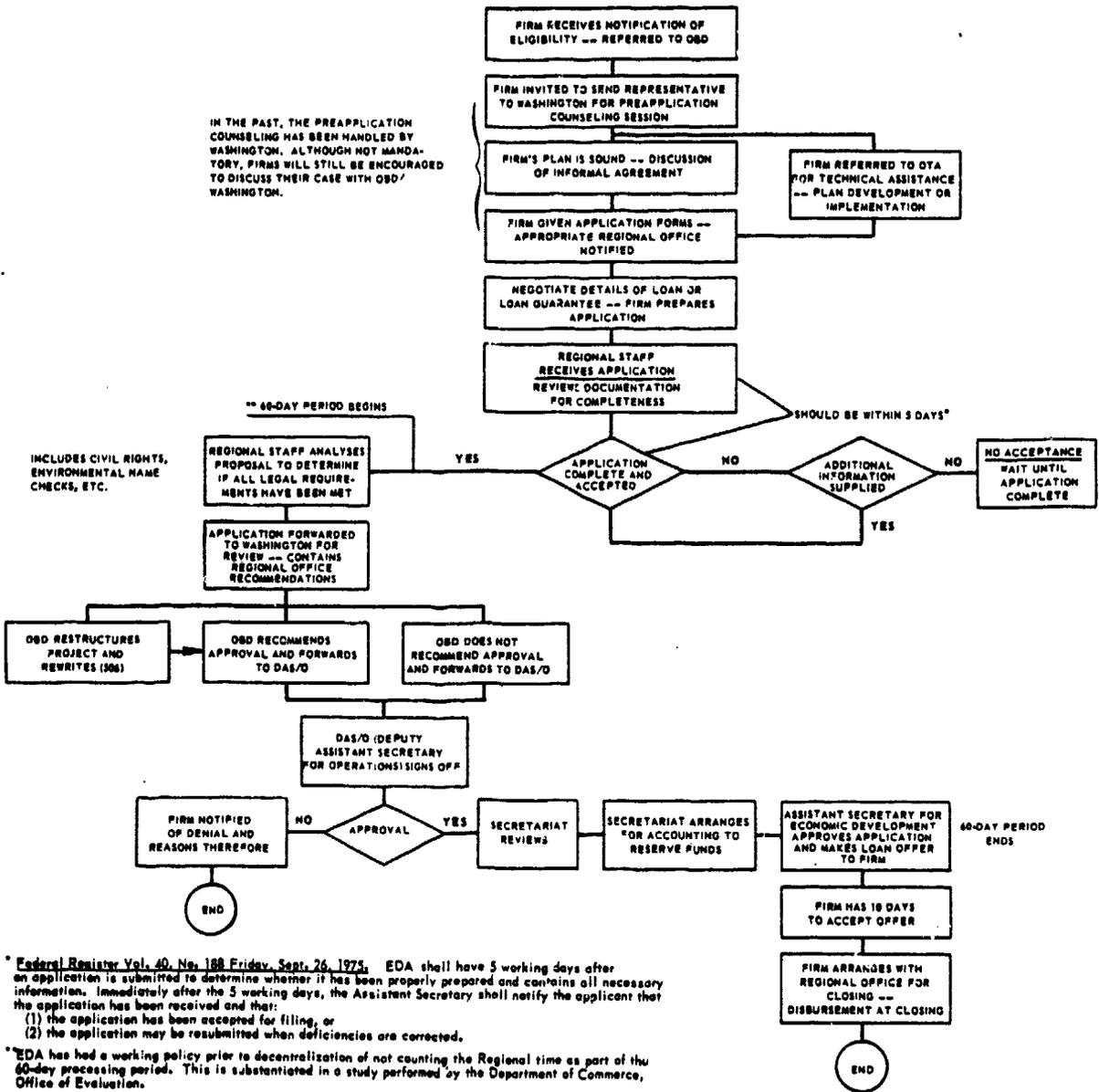
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1/ In some cases, OBD might restructure the project and would rewrite the Action Memorandum.

Following the firm's acceptance of the assistance offer, the firm and EDA enter into legal proceedings surrounding the loan closing.

A flow chart detailing the application process follows.

APPLICATION PROCESS



\* Federal Register Vol. 40, No. 188 Friday, Sept. 26, 1975. EDA shall have 5 working days after an application is submitted to determine whether it has been properly prepared and contains all necessary information. Immediately after the 5 working days, the Assistant Secretary shall notify the applicant that the application has been received and that:

- (1) the application has been accepted for filing, or
- (2) the application may be resubmitted when deficiencies are corrected.

\* EDA has had a working policy prior to decentralization of not counting the Regional time as part of the 60-day processing period. This is substantiated in a study performed by the Department of Commerce, Office of Evaluation.

OMB No. 41-R2261; Approval Expires December 31, 1978

FORM ED-436  
(12-75)

U.S. DEPARTMENT OF COMMERCE  
ECONOMIC DEVELOPMENT ADMINISTRATION

**PETITION BY A FIRM FOR CERTIFICATION OF ELIGIBILITY  
TO APPLY FOR TRADE ADJUSTMENT ASSISTANCE**

*(Under Certification Trade Adjustment Assistance for Firms and Communities, 15 C.F.R., Part 315,  
U.S. Department of Commerce, pursuant to Section 251 of the Trade Act of 1974, Public Law 93-618)*

**RETURN TO:**

Attention: Office of Planning and Program Support  
Economic Development Administration  
6113 Main Commerce Building  
Washington, D.C. 20230

For Government Use Only

Project Number

Date Accepted for  
Filing

**General Instructions:** This petition is required for filing by a firm requesting the Secretary of Commerce to certify the firm's eligibility to apply for Trade Adjustment Assistance. For purposes of this petition, a "firm" includes an individual proprietorship, partnership, joint venture, association, corporation (including a development corporation), business trust, cooperative, trustee in bankruptcy, and receiver under decree of any court.

Statutory criteria for certification include (1) a significant number or proportion of the firm's workers have become totally or partially separated, or are threatened with separation, (2) sales or production, or both, of the firm have decreased absolutely, and (3) increases of imports of articles like or directly competitive with articles produced by the firm contributed importantly to such total or partial separation, or threat thereof, and to such decline in sales or production.

This Petition is subject to the Freedom of Information Act and all information submitted herewith is available to the public, except that which is exempt under 5 U.S.C. 552 B(4) as confidential business information, including trade secrets and commercial and financial information.

Any information which the petitioner desires to be treated as confidential should be attached on separate sheets identified with the appropriate item number and bearing at the top of each such sheet the clear legend "Confidential Business Information."

Submit five executed copies of this petition form and any attachments. Acceptance of this petition will be delayed if the form and appropriate attachments are not properly completed in accordance with instructions hereon.

Name and Address of Petitioning Firm (Street, City, County, State, and ZIP Code)

Telephone Number  
(Include Area Code)

Legal Form of Organization: (Indicate by an "X")

Partnership

Corporation

Single Proprietorship

Other (Please specify)

Name, Address, and Nature of Business of any parent company, subsidiary, affiliate, predecessor or successor firm, co-venturers or of any other firm controlled or substantially beneficially owned by the petitioning firm or by its principal shareholders. (If the answer is "None", so indicate.)

<p><b>Item 1 - HISTORY OF FIRM</b></p> <p>Attach a separate sheet identified at the top as "Item 1 - History of Firm" and provide a brief narrative of the firm's economic history, including (a) the year founded; (b) type(s) of business engaged in; (c) a precise description of all goods and services produced; (d) number, location and nature of business of all manufacturing, production and sales facilities; (e) markets served; (f) names and titles of officers, directors and management of the firm; (g) major ownership interests now in the firm; (h) significant ownership or management changes in past 5 years; and (i) any other important events in the recent history of the firm.</p>
<p><b>Item 2 - ARTICLE(S) PRODUCED</b></p> <p>Describe precisely the article(s) produced by the firm which have been affected by import competition, including the Standard Industrial Classification number(s) for each such article.</p> <p>i.</p> <p>ii.</p> <p>iii.</p> <p>iv.</p> <p>v.</p> <p>vi.</p> <p>vii.</p> <p>viii.</p>
<p><b>Item 3 - IMPORTED COMPETITIVE ARTICLE(S)</b></p> <p>Describe precisely the imported article(s) which are like or directly competitive with the article(s) described in Item 2, including the Statistical Classification Number listed in the Tariff Schedules of the United States Annotated (TSUSA). <i>(Attach separate sheet if needed)</i></p> <p>i.</p> <p>ii.</p> <p>iii.</p> <p>iv.</p> <p>v.</p> <p>vi.</p> <p>vii.</p> <p>viii.</p>
<p><b>Item 4 - SEPARATION OF WORKERS</b></p> <p>Attach a separate sheet identified at the top as "Item 4 - Separation of Workers" and describe the extent of the actual separation, or threat of separation, whether total or partial, of the workers of the firm. Include data on the number and proportion of workers affected, and any changes in average weekly hours worked. If a threat of worker separation exists explain the nature of the threat and the anticipated consequences thereof, including the number and proportion of workers threatened with total or partial separation.</p> <p>If any group of the firm's employees has petitioned the Secretary of Labor for certification of eligibility to apply for Trade Adjustment Assistance in an effort to obtain benefits for workers, give the date of such petition and a brief summary of the status of the worker case. (If the answer is "none," so indicate.)</p>

**Item 5 - BASIS OF PETITION**

Attach a separate sheet identified at the top as "Item 5 - Basis of Petition" and describe the decline in total sales or production (or both) of the firm and relate the increase in imports to the firm's decline in sales or production and worker separation, and explain how the increased imports contributed importantly to the sales or production decline and actual or threatened worker separation.

**Item 6 - PREVIOUS FIRM PETITION**

Did the firm previously petition the Tariff Commission of the United States for a finding of import injury under provisions of the Trade Expansion Act of 1962? If so, give the date of such petition and a brief summary of the results of the petition. (If the answer is "No", so indicate.)

**Item 7 - SUPPORTING DATA**

Provide data on the firm's sales, production, inventory, production workers and man hours worked, as well as imports of like or directly competitive articles, for the past five years on the attached tabular form.

**Item 8 - CERTIFIED FINANCIAL REPORTS**

Attach copies of the complete auditor's certified financial reports for the petitioning firm and its subsidiaries for the last five accounting years. If such reports by certified public accountants are not available, furnish copies of the complete profit and loss statements, balance sheets, and supporting statements prepared by the petitioning firm's own accountants, together with copies of the firm's Federal income tax returns for the last five accounting years.

**NAME AND TITLE OF PERSON TO CONTACT FOR ADDITIONAL INFORMATION**

Name		Title	
Address		Telephone Number	Area Code

**Certification** - The undersigned officer of the firm executing this certification in behalf of the petitioning firm hereby certifies that the information contained in or submitted with this petition is correct and complete to the best of his knowledge and belief.

Name of firm	Signature of Authorized Official of the Firm	
	Title	Date

This form must be certified by and sworn to before a Notary Public.

**CERTIFICATION BY NOTARY:** (Complete)

Subscribed and sworn to before me this \_\_\_\_\_ of \_\_\_\_\_  
 (day) (month; year)

\_\_\_\_\_  
 Notary Public

\_\_\_\_\_  
 Expiration Date

(SEAL)

The U.S. Code, Title 18 (Crimes and Criminal Procedure), Section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

Supplement to Form ED-436  
**ITEM 7 - Supporting Data**

Name of Petitioning Firm \_\_\_\_\_

Report below the requested data. Where quantity is requested, specify in column (b) the unit of measure used. At the top of the columns (c) through (g), indicate the calendar year, or if annual statistics are compiled on a non-calendar year basis, convert to a calendar year and explain in a footnote.

In Sections A, B and E report value and quantity for all articles produced by the firm and for the article described in Item 2. In Section A sales totals should represent net sales f.o.b. point of shipment and should exclude interplant transfers, returned goods, discounts, and allowances. Define briefly the basis for valuing production and inventory in the space below the tabulation.

In Section F report the quantity and value of U.S. imports for consumption of like or directly competitive articles described in Item 3.

In Section C report the average employment of all persons by the firm and in Section D for all articles produced by the firm and for the article(s) described in Item 2 the average number of production and related workers and the man hours worked. The average employment in a given year is to be calculated by adding the number (both full and part time) for the pay periods ending closest to the 15th of each month and dividing that total by 12. In production and related workers do not include supervisory or administrative employees above the working foreman level, or their clerical staff, salesmen or general office workers. In reporting man hours include hours paid for holidays, sick leave and vacations taken. Do not convert over-time hours to straight-time hours.

Quarterly Data If several months have elapsed between the end of the last calendar year and the date of this petition, report in last two columns quarterly data for this year and the preceding year.

Section (a)	Total for all articles & services produced	Unit of measure (b)	Calendar Year					Cumulative Quarterly Data For*		
			(c)	(d)	(e)	(f)	(g)	Quarterly this year to date (h)	Quarterly last year (i)	
A. SALES <sup>3</sup>	Value	Dollars								
		Quantity								
	Value	Dollars								
		Quantity								
	Total for each article described in Item 2	Quantity	(Specify unit)							

Sections (a)	Unit of measure (b)	Calendar Year								Cumulative Quarterly Data For*											
		Value <sup>1</sup> Quantity	Total for all articles produced	Value <sup>1</sup> Quantity	Total for each article described in Item 2	(c)	(d)	(e)	(f)	(g)	Quarters last year (h)	Quarters last year (i)									
						i	ii	iii	iv	v	vi	vii	viii								
B. PRODUCTION <sup>3</sup>	Dollars																				
	(Specify unit)																				
	Dollars																				
	(Specify unit)																				
	Number of persons																				
	Number of workers																				
	Number of workers																				
	Thousands of man hours																				
Thousands of man hours																					
C. ALL PERSONS EMPLOYED BY THE FIRM	Average number of employees																				
	Average number for all articles produced																				
	Average number for articles described in Item 2																				
	Total hours for all articles produced																				
D. EMPLOYMENT OF PRODUCTION AND RELATED WORKERS	Total hours for articles described in Item 2																				
	Total hours for articles described in Item 2																				

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FORM ED-435 (12-75)

Section (a)	Description	Unit of measure (b)	Calendar Year								Cumulative Quarterly Data For *			
			(c)	(d)	(e)	(f)	(g)	Quarters this year (h)	Quarters last year (i)					
E. FINISHED GOODS INVENTORY (End of period)	Total for all articles produced	Value <sup>2</sup>												
	Total for all articles described in Item 2	Quantity												
		Value <sup>2</sup>												
		Quantity												
F. U.S. IMPORTS	Total for each article described in Item 3	Value												
	Quantity													

<sup>1</sup>Basis for value of production:

<sup>2</sup>Basis for value of inventory:

<sup>3</sup>Describe precisely what goods and services are produced and sold by the petitioning firm (including any affiliates or subsidiaries) other than those described in Item 2 which have been affected by import competition; i.e., describe the activities of the firm(s) that would account for any differences between total production and sales versus the output of import-impacted articles:

<p><b>FORM ED-372</b> (Rev. 10-75)</p> <p style="text-align: center;"><b>U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION</b></p> <p style="text-align: right;">OMB Approval Not Required</p> <p style="text-align: center;"><b>APPLICATION REQUIREMENTS AND INDEX-TRADE ADJUSTMENT ASSISTANCE FOR FIRMS</b></p>	
<p><b>NAME AND ADDRESS OF APPLICANT (Operating Company)</b></p>	<p><b>PROJECT NO.</b></p>
<p><b>PROJECT LOCATION (If different from above)</b></p>	<p><b>DATE:</b></p>
<p style="text-align: center;"><b>INSTRUCTIONS FOR COMPLETION AND USE OF FORM ED-372</b></p> <p>This form identifies the documentary material needed by EDA to evaluate applications for financial assistance to businesses under its trade adjustment assistance programs. Many items are included in this list, but only those items checked in Column (B) will be required to perfect an application.</p> <p>Each project is unique; the specific documentary requirements for it are determined in a pre-application conference with the prospective applicant, at which time an EDA representative shall:</p> <ol style="list-style-type: none"> <li>1. Place a check mark in Column (B) to the left of each required item, except for those with pre-printed check marks which are required from <u>all</u> applicants;</li> <li>2. Place the letters NR, instead of a check mark, next to each unneeded item;</li> <li>3. Identify additional documentary requirements on the numbered, but otherwise blank, lines;</li> <li>4. Execute the first endorsement to this form; and</li> <li>5. Give the prospective applicant a copy of the endorsed form as the index of the application.</li> </ol> <p>Using a copy of the checked form as an index (which shall be included in the application package), the applicant shall assemble in the order indicated the documentary material and mark each item for identification with its appropriate number/letter from this form. When the application is received, an EDA representative shall check each item to ensure that it provides the necessary information and shall indicate its acceptability by initialing the appropriate space in Column (A) and shall execute the second endorsement.</p>	



AS- CEPTED	RE- OWNER													
A	B	<u>Applicant's Financial Position—Continued</u>												
		<p>20. Letter of equity commitment from the below listed sources for fixed asset and working capital requirements, as appropriate (letters of commitment should show both amount of funds and ownership interest):</p> <p>a. _____</p> <p>b. _____</p> <p>c. _____</p> <p>d. _____</p> <p>e. _____</p>												
		<p>21. Financial statements (not over 90 days old) of below listed parties; of a parent corporation, or owners, partners or principals of a closely held applicant, or both (Individuals use Form ED-273, "Personal Financial Statement, as of _____.") (EDA representative shall list below those parties required to submit financial statements):</p> <p>a. _____</p> <p>b. _____</p> <p>c. _____</p> <p>d. _____</p> <p>e. _____</p>												
		<p>22. Letters of commitment of guarantors (EDA representative shall list required guarantors below):</p> <table style="width:100%; border:none;"> <thead> <tr> <th style="text-align:center; border:none;"><u>Required Guarantors</u></th> <th style="text-align:center; border:none;"><u>Requested Amounts</u></th> </tr> </thead> <tbody> <tr> <td style="border:none;">a. _____</td> <td style="border:none;">_____</td> </tr> <tr> <td style="border:none;">b. _____</td> <td style="border:none;">_____</td> </tr> <tr> <td style="border:none;">c. _____</td> <td style="border:none;">_____</td> </tr> <tr> <td style="border:none;">d. _____</td> <td style="border:none;">_____</td> </tr> <tr> <td style="border:none;">e. _____</td> <td style="border:none;">_____</td> </tr> </tbody> </table>	<u>Required Guarantors</u>	<u>Requested Amounts</u>	a. _____	_____	b. _____	_____	c. _____	_____	d. _____	_____	e. _____	_____
<u>Required Guarantors</u>	<u>Requested Amounts</u>													
a. _____	_____													
b. _____	_____													
c. _____	_____													
d. _____	_____													
e. _____	_____													
	✓	<p>23. Letters from two lending institutions declining to finance the project either directly, in participation with EDA or with an EDA guaranty:</p> <p>a. _____</p> <p>b. _____</p>												
		<p>24. Proposed Loan Documents (Note and Loan Agreement) identifying term, interest rate, collateral to be taken and other key terms and conditions of any loan to be guaranteed by EDA</p>												
		<p>25. Copies of Lease(s) involved in project:</p> <p>a. From _____ to _____</p> <p>b. From _____ to _____</p>												
		<p><u>Management and Operations</u></p> <p>26. Certificate of good standing for corporate applicant</p> <p>27. Copy of partnership agreement</p> <p>28. Organization charts showing corporate and management (personnel) structures</p> <p>29. Resumes of the following named project administrative and operational personnel:</p> <p>a. Chief executive officer _____</p> <p>b. Chief financial officer _____</p> <p>c. Chief sales and marketing officer _____</p> <p>d. Officer in charge of production _____</p> <p>Others: (Title and Name)</p> <p>e. _____</p> <p>f. _____</p>												
	✓													
	✓													
	✓													
	✓													
		<p>30. Letters of commitment from below listed suppliers of scarce power and raw materials, and from critical customers, brokers, etc. (EDA representative shall list required commitments below).</p> <table style="width:100%; border:none;"> <thead> <tr> <th style="text-align:center; border:none;"><u>Name of Supplier or Customer</u></th> <th style="text-align:center; border:none;"><u>Items</u></th> </tr> </thead> <tbody> <tr> <td style="border:none;">a. _____</td> <td style="border:none;">_____</td> </tr> <tr> <td style="border:none;">b. _____</td> <td style="border:none;">_____</td> </tr> <tr> <td style="border:none;">c. _____</td> <td style="border:none;">_____</td> </tr> <tr> <td style="border:none;">d. _____</td> <td style="border:none;">_____</td> </tr> <tr> <td style="border:none;">e. _____</td> <td style="border:none;">_____</td> </tr> </tbody> </table>	<u>Name of Supplier or Customer</u>	<u>Items</u>	a. _____	_____	b. _____	_____	c. _____	_____	d. _____	_____	e. _____	_____
<u>Name of Supplier or Customer</u>	<u>Items</u>													
a. _____	_____													
b. _____	_____													
c. _____	_____													
d. _____	_____													
e. _____	_____													
		<p>31. Independent Feasibility Study by _____</p>												

AC- CEPTED	RE- QUIRED	
A	B	<u>Costs and Capabilities</u>
		32. Schedule for construction of facilities, and acquisition and installation of M & E
		33. Schematic layouts of buildings including layout and work flow of key machinery and equipment (i.e. production lines) (Reduce to as near legal size (8-1/2 x 14) as practical)
		34. Capability of machinery and equipment to produce the anticipated quality of quantity of goods at maximum production rate per hour anticipated
		a. Independent appraisal of production capacity
		b. Manufacturer's warranties (EDA representative shall list required items below):
		1. _____
		2. _____
		3. _____
		35. Form ED-267, "Tabulation of Total Incurred Costs to Date" - Applicant should use this as a detailed projected listing of specific sub-elements of project cost. (For M & E, indicate model, capacity, and whether new or used)
		36. Evidence of <input type="checkbox"/> or Option for <input type="checkbox"/> purchase of land including description of land and purchase price
	✓	37. Map of local area (city or county) showing precise location of the project (relevant portion thereof not greater than 8-1/2 x 14)
		38. Site plat (Reduced to as near legal size (8-1/2 x 14) as practical)
		39. Independent bid by contractor or cost estimate by architect/engineer for project buildings, including description of type of construction, square footage and special features and statement assuring that Davis Bacon Wages will be paid
		40. Cost estimates by machinery and equipment suppliers and installers (including Davis Bacon statement on costs associated with major installations)
		41. Other Project Costs:
		a. Architectural and engineering services
		b. Legal and/or administrative expenses
		c. Commitment of interim lender supporting the projected cost of interest expenses during construction indicated on Forms ED-267 and ED-271
		d. Preliminary expenses _____
		e. Evidence in support of contingency reserve _____
<u>Other Documentation Required</u>		
		42. _____
		43. _____
		44. _____
		45. _____
		46. _____
		47. _____
		48. _____
		49. _____
		50. _____
<p><b>First EDA Endorsement</b>                      A pre-application conference was held at _____ on ____ / ____ / ____ at which time the undersigned EDA representative explained the items on this form to _____ of _____ (firm); the undersigned indicated the forms, documentation and other items of information required to support an application for business development assistance by placing his initials in the appropriate boxes.</p>		
TYPE NAME AND TITLE OF EDA REPRESENTATIVE		SIGNATURE
		DATE
<p><b>Final EDA Endorsement:</b> The undersigned has reviewed the application and has determined that the applicant has submitted all required items of information, that each item is completed, that all documents requiring applicant's signature or certification are properly executed, that the entire application is organized as required by this form and that all problems involving required items have been resolved.</p> <p>It is therefore recommended that the Regional Director assign this application a project number and that processing commence.</p>		
RECOMMENDED: TYPE NAME AND TITLE OF EDA REPRESENTATIVE		SIGNATURE
		DATE

TABLE 1

OFFICIALS' RESPONSES TO OPERATIONS REGARDING IMPORT INQUIRY AND REASONS FOR NOT PETITIONING FOR TAA

Reasons Why Firms Have Not Petitioned For Trade Adjustment Assistance	Total	Officials who Feel Their Firm Has Been Injured by Imports					Officials who feel that their firm has not been injured by imports
		3*	1*	2*	2**	5**	
Not aware of the TAA program	13		1*				
Don't know the program specifics (where and how to apply; what it involves)	6	3*	1*	1*	1*	0	0
Not in need of assistance	38	4	2	4	8	20	
Don't believe the firm is eligible	10	3	1	1	5	0	0
Part of another company, conglomerate (entire "firm" may not be injured)	4	4	0	0	0	0	0
Feel the TAA program is not the answer (based quotas, higher tariffs, etc.)	9	5	2	0	1	1	1
Too much time and/or paperwork involved; don't have time or money to prepare a plan	8	6	2	0	0	0	0
Don't want a government loan, subject to government involvement.	5	2	0	0	2	1	1
Trying on own, waiting to see what happens	4	4	0	0	0	0	0
In process of deciding if should petition; completing petition	2	2	0	0	0	0	0
Miscellaneous:	3						
--can't afford another loan			1				
--switched production lines to avoid layoffs							1
--have a non-TAA loan							
<b>Total firms responding</b>	<b>102</b>	<b>37</b>	<b>10</b>	<b>6</b>	<b>19</b>	<b>28</b>	

\*listed on ETA mailing list of firms notified of the program.  
 \*\*listed on ETA mailing list except for one firm.

STATUS OF CERTIFIED NONRUBBER FOOTWEARFIRMS AS OF DECEMBER 31, 1976 (note a)

Number which have received financial assistance	<u>b/4</u>	
Number which have received proposal technical assistance	1	
Number with applications in process	<u>1</u>	<u>6</u>
Other:		
Have no plans to submit an application	2	
Have submitted a proposal but not the entire application	2	
Have met with EDA officials but have not submitted application	<u>c/2</u>	
Have sold operations to another company	1	
No contact with OBD; (status unknown)	<u>2</u>	<u>9</u>
Total		<u>15</u>

a/ With the exception of one firm in Puerto Rico which we omitted from the review because of anticipated difficulty in contacting firm officials.

b/ Type of assistance and amount includes:

Fixed asset loan	\$250,000	Working capital loan	\$1,000,000
Working capital loan	630,000	Working capital loan	700,000
Working capital loan	750,000		

c/ According to an OBD official, the parent company ceased the shoe operations.