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BY THE COMPTROLLER GENERAL



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Report To The Congress

OF THE UNITED STATES

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More Can Be Done To Identify And Help Communities Adjust To Economic Problems Caused By Increased Imports

This report identifies matters which have limited the effectiveness of community adjustment assistance authorized in the Trade Act of 1974.

When the community adjustment assistance program was authorized, the magnitude of the problem was unclear. Unfortunately, the Department of Commerce still does not know the dimensions of the problem as it has not undertaken a systematic assessment of trade-related problems, nor has it identified problems related to trade in Economic Development Administration programs. GAO determined that most communities with actual and potential trade-related problems were unaware that Federal assistance was available.

A community adjustment program that seeks out communities needing assistance will need full-time staff and will require increased funds.

The report recommends that the Department of Commerce establish procedures for identifying needs for adjustment assistance and improve its trade monitoring system and that the Congress provide additional guidance on the future direction of this program.



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CED-79-42
MAY 15, 1979



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

B-152183

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the effectiveness of community adjustment assistance administered by the Department of Commerce. It is one of several reports we plan to issue in fulfilling our legislative requirements to assess the effectiveness of adjustment assistance programs and to report our findings no later than January 31, 1980.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), the Accounting and Auditing Act of 1950 (31 U.S.C. 67), and the Trade Act of 1974 (19 U.S.C. 2101).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Commerce.

A handwritten signature in black ink, appearing to read "James A. Staats".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

MORE CAN BE DONE TO IDENTIFY
AND HELP COMMUNITIES ADJUST
TO ECONOMIC PROBLEMS CAUSED
BY INCREASED IMPORTS

D I G E S T

Communities affected adversely by imports received some Federal assistance but not the special attention the Trade Act of 1974 intended. Generally, small communities have suffered most when major employers, because they were unable to compete with imports, shut down or reduced employment substantially. Such communities generally lacked industrial diversification necessary to adjust to heavy job losses and consequently suffered high unemployment, loss of revenues, and general economic stagnation.

If these communities are to be helped effectively:

- Criteria and procedures should be developed to measure the severity of import problems in communities.
- Community officials should be alerted to adjustment assistance benefits.
- Data should be obtained to identify areas vulnerable to future import injury.

Under the Trade Act, communities injured by imports are entitled generally to all forms of assistance provided under the Public Works and Economic Development Act. This includes a wide range of financial assistance to help economically distressed areas attract new industry, leading to permanent jobs. Funds authorized under titles I and IX of the Public Works and Economic Development Act can be used to construct public facilities, develop private industry, provide technical assistance, and so on, to improve a community's economy.

The Economic Development Administration has not set up a separate program to assist communities injured by imports. Rather, it has a stated policy of encouraging these communities to apply for assistance authorized under the Public Works and

Economic Development Act. This policy was adopted because

- benefits provided under this act, particularly those authorized under title IX, can help such communities and
- it is easier for a community to qualify for benefits under this act than under the Trade Act.

GAO agrees in principle with this policy. However, the necessary criteria and procedures to implement this policy have not been established and no special attention or assistance has been given to communities injured by imports. Rather, they have had to compete with communities having economic problems attributable to other factors, such as closed military installations, natural disasters, and compliance with environmental regulations, for the limited funds available under the Public Works and Economic Development Act. (See pp. 9 and 10.)

While the Economic Development Administration has identified \$23.7 million in title IX grant assistance awarded to communities with import problems through fiscal year 1978, this assistance was not provided through any systematic assessment of import injury, nor was the assistance directed specifically at the communities' trade problems. Attempts to improve local economic conditions have had mixed results. (See pp. 10 to 14 and 29.)

The Economic Development Administration

- has not established procedures or assigned staff to evaluate the impact that imports have had on communities,
- is unaware of the extent of the problem, and
- has not been in a position to request appropriations to deal with the problem or to assure that funds were allocated efficiently. (See p. 20.)

RESULTS OF GAO SURVEY

GAO talked with officials in 100 communities in 30 States to obtain an indication of import injury.

These communities were randomly selected from a universe of 507 where either workers or firms had been injured by imports. GAO found that

- officials in 95 communities were not aware that special Federal assistance was available to help communities injured by imports and
- in 19 communities, imports may have had a severe enough impact to warrant this special assistance. (See pp. 20-22.)

In 4 of the 19 communities located in north central Pennsylvania, imports of electronic components resulted in reductions in sales and production of major employers. These reductions were accompanied by the loss of approximately 2,000 jobs and contributed to higher unemployment, lost tax revenue, and general economic stagnation in the communities. EDA provided some assistance to the counties where three of these communities are located. However, this assistance has yet to have an effect on the communities' economies. For other case studies see pages 22 to 28.

IDENTIFYING IMPORT VULNERABILITY

The Trade Act also mandated that a trade monitoring system be established to identify communities whose economies are vulnerable to import injury. The success of such a system depends largely on the degree to which import statistics can be related to domestic production and employment data.

Limitations in data comparability have hindered the establishment of an effective system. Problems identified include

- differences in classifications between imported and domestically produced products and
 - insufficient detail in reporting and delays in publishing domestic employment and production statistics; (See pp. 37-40.)
- Despite these problems, progress has been made in correlating available data. In 1977 the Economic Development Administration developed an
- PSC.

information system which could satisfy the legislative intent of trade monitoring. However, funds have not been committed to maintain and refine the system. GAO also identified sources of information which can complement data generated from a computerized trade monitoring system. (See pp. 40 to 45.)

RECOMMENDATIONS TO THE
SECRETARY OF COMMERCE

To assist the Congress in assessing what changes may be desirable in the program, the Secretary of Commerce should direct the Assistant Secretary for Economic Development to:

- Develop information on the magnitude of the problem by (1) identifying communities injured by imports and (2) indicating the nature and extent of the injury.
- Present the Department's recommendations on how assistance levels to trade-impacted communities should be established and the specific funding needed for this purpose. (See pp. 17, 31, and 45.)

RECOMMENDATIONS TO THE CONGRESS

In view of the Department's reluctance to give special attention to communities injured by imports for reasons cited below, the Congress needs to reaffirm its position that communities injured by imports are to receive special attention and specify whether the Department should take the actions recommended by GAO to identify and assist them.

Also, the Congress should amend the certification and benefit delivery provisions of title II, chapter 4, of the Trade Act of 1974 by specifying that adjustment assistance be provided through provisions of title IX of the Public Works and Economic Development Act of 1965. In place of the certification criteria stated in section 271(c) of title II, the Congress should specify that adjustment assistance be provided to communities based on a systematic assessment of their relative needs and their ability to adjust to their individual dislocation problems. (See p. 32.)

AGENCY COMMENTS

The Assistant Secretary for Economic Development agrees with GAO's conclusion that more can be done to identify and assist communities adversely affected by imports. However, because of budgetary constraints and the availability of other economic adjustment programs, the Assistant Secretary does not believe that dislocations due to imports should be given special emphasis in the allocation of Federal funds for economic assistance. He believes that imports are only one cause of economic dislocations and therefore limited funds should go to areas of greatest need regardless of the cause of dislocation. The Assistant Secretary agrees with GAO's recommendation that the Congress should amend the Trade Act's community certification and benefit delivery provisions. (See p. 66.)

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ABBREVIATIONS

BLS	Bureau of Labor Statistics
DOL	Department of Labor
EDA	Economic Development Administration
GAO	General Accounting Office
PWEDA	Public Works and Economic Development Act
TSUS	Tariff Schedules of the United States

CHAPTER 1

INTRODUCTION

The Trade Act of 1974--Public Law 93-618, enacted January 3, 1975--gives the President authority to make trade agreements with foreign countries and liberalizes certain adjustment assistance provisions, benefits, and qualifying requirements of the Trade Expansion Act of 1962 (Public Law 87-794). In passing both of these acts, the Congress (1) recognized that increased imports resulting from expanding international trade could adversely affect certain U.S. workers and firms and (2) directed that those segments of the economy affected by increased import competition be eligible to receive monetary and nonmonetary adjustment assistance. Specifically, this assistance was designed to bring about an adjustment to changed economic conditions caused by changes in international trade patterns.

The Trade Act of 1974 provided, for the first time, trade adjustment assistance for communities. The Secretary of Commerce is responsible for certifying firms and communities as eligible for benefits provided in the act and for delivering the benefits to them. The Secretary has delegated authority for administering firm and community adjustment assistance to Commerce's Economic Development Administration (EDA). The Secretary of Labor is responsible for delivering adjustment assistance benefits to workers.

Section 280 of the Trade Act directs the General Accounting Office (GAO) to review the adjustment assistance programs and report by January 1980 on how effectively the programs are helping workers, firms, and communities. Because of the programs' complex structure, we have issued several reports on various aspects of trade adjustment assistance. Reports issued to date are listed in appendix I. This report deals with community adjustment assistance.

PURPOSE OF COMMUNITY ADJUSTMENT ASSISTANCE

The Congress provided adjustment assistance for communities because economic dislocation, which may accompany increased imports, frequently falls heaviest on particular communities or regions. The legislative history recognizes that small communities may need this assistance the most. Senate Finance Committee Report 93-1298, dated November 26, 1974, states that small communities may find the normal process of economic adjustment to be quite difficult because they lack a diversified economy with alternative channels of

employment. The report further states that while an unemployed worker in a metropolitan area can often find other job opportunities without relocating, the unemployed worker in a small city, town, or rural area is not so fortunate. Job opportunities there are fewer--perhaps only one or two major employers are in the area--and a single plant closing, besides directly affecting the workers involved, can indirectly affect an entire community's economy.

By reviewing the legislative history and discussing the program with EDA officials, we identified three objectives of community adjustment assistance:

- Create job opportunities by attracting new industries into a trade-impacted community to offset jobs lost to imports.
- Provide job opportunities in the impacted community for those workers injured by increased imports. Senate Report 93-1298 recognizes that many workers who have lost their jobs due to imports are not particularly mobile and continue to reside in the trade-impacted community. This implies that new employment opportunities for them would have to be created.
- Identify communities threatened with an economic dislocation before it actually occurs. Section 282 of the Trade Act directed that a trade monitoring system be created to aid the community assistance program by identifying geographic areas where employment is particularly vulnerable to import increases. The implication is that adjustment assistance could help these areas diversify their economy to offset any future trade injury.

Process for receiving assistance

The act sets forth a two-step process which a community must follow before it can receive adjustment assistance. First, a petition (see app. II) requesting certification of eligibility to apply for assistance must be filed with EDA's Trade Act Certification Division. This petition may be filed by a political subdivision of a State (referred to in the act as a "community"), by a group of communities, or by a State Governor on behalf of such communities.

Eligibility for assistance is described in section 271(c) of the act. It requires the Secretary of Commerce to certify

that increased imports of articles like or directly competitive with those produced by community firms contributed importantly to (1) the total or partial separation, or threatened separation, of a significant number or proportion of the workers in the community and (2) the decline in sales and/or production of firms located in the trade-impacted area. An applicant community must also be certified as eligible for assistance if it meets the above two tests as a result of area firms having transferred all or some of their operations to foreign countries.

EDA's regulations implementing section 271(c) require the petitioner to provide data on each firm in the community believed to have been adversely affected by imports. Information requested on the petition includes (1) a description of the article(s) produced by the firm which has been affected by imports, (2) a description of imported articles like or directly competitive with the article(s) produced by the firm, and (3) 5-year historical statistics on the firm's employment, sales, and production and the relationship of imports to changes in these statistics.

The petition also requires, for the most recent 2-year period, data on employment, sales, and production for all firms engaged in manufacturing, wholesale, retail, agriculture, and mining operations for the trade-impacted area in which the community is located. Generally, a county is the smallest entity which EDA will consider as a trade-impacted area. EDA requires this data so that it can examine the economic diversification of the area surrounding the community and the relative impact of imports on the area's economic health. An area with a healthy and well-diversified economic base would be better able to self-adjust to trade dislocations than one without these characteristics.

The second step begins when a community is certified as eligible to receive adjustment assistance. The Secretary is required to send representatives to the trade-impacted area in which the community is located to inform local officials of program benefits and to assist in establishing a trade-impacted area council. The council is to develop a plan for the economic recovery of the community, and this plan must be approved before program benefits can be received.

Section 273 of the Trade Act states that communities adversely affected by imports are entitled to generally all forms of assistance provided under the Public Works and Economic Development Act (PWEDA) of 1965 (42 U.S.C. 3121 et seq.), as amended. This act authorizes a wide range of financial assistance to help economically distressed areas

attract new industry, thereby creating permanent jobs. The principal benefits offered to communities are provided under titles I and IX of the act. (See ch. 2.)

PROGRAM ADMINISTRATION AND FUNDING

The Trade Act does not specifically require, nor has EDA set up, a separate community adjustment assistance program. Rather, EDA's stated policy is to encourage communities with import-related adjustment problems to use the PWEDA program which can respond most fully to its needs in the most timely fashion. EDA justifies this policy because (1) community benefits provided in the Trade Act are the same as those provided under PWEDA, (2) a community can qualify for assistance under PWEDA more easily than under the Trade Act, and (3) other Federal programs are available to assist communities with economic problems.

The major problem in qualifying for adjustment assistance under the Trade Act has been meeting the data requirements to establish eligibility. Since the Trade Act was passed in January 1975 through September 30, 1978, only three communities petitioned EDA for adjustment assistance; all were denied primarily because they did not provide all data required on the petition. The three petitioners were Pettis County, Missouri; Floyd County, Georgia; and the Central Texas Economic Development District. (Details on each case appear in app. III.)

Program inactivity prompts congressional concern

In December 1976, the Chairman of the Senate Committee on Finance asked EDA what was required to make community adjustment assistance effective. In a February 1977 response, EDA stated that in developing the petition form and in formulating the certification regulations, it had tried to incorporate the criteria for certification specified in the Trade Act. However, EDA recognized that most communities could have difficulty providing reliable data on production, sales, and employment for all firms in the community or county in which the community is located.

EDA said it would consider a mechanism to improve its response to communities which have difficulty supplying data requested on the petition form. Options included (1) the community being the location where workers or firms had previously been certified for adjustment assistance, (2) the community having a significant proportion of its employment dependent on an industry which the President called

for expedited adjustment assistance under section 202 of the Trade Act, and (3) the community satisfactorily demonstrating by other means that a significant proportion of its output and employment is being adversely affected by increasing imports.

On July 20, 1977, House bill 8442 was introduced by the Chairman, Subcommittee on Trade, House Committee on Ways and Means, to improve the adjustment assistance programs for workers, firms, and communities. A major change to improve adjustment assistance for communities was a proposal to amend section 271(c) by simplifying the eligibility criteria. In place of the existing criteria, the bill proposed that communities be certified as eligible to receive adjustment assistance whenever

- the number of workers in a community certified by the Department of Labor as eligible to apply for adjustment assistance constituted 5 percent or more of the community's total labor force or
- a major layoff, closing, or firm relocation in a community was pending because of foreign competition and that community had an unemployment rate of 7 percent or more.

Although House bill 8442 was not enacted into law, on November 22, 1977, EDA amended its regulations governing eligibility criteria for community adjustment assistance (13 C.F.R. 315.98). The amendment clarified two key phrases that previously were undefined. "Significant number or proportion of the workers" was defined as 200 employees or 5 percent of the total employment force of a trade-impacted area, and "firms or subdivisions of firms" was clarified to mean those firms or subdivisions of firms employing the significant number of workers. However, as of March 1979, the petition form had not been revised to incorporate these changes. The Chief of EDA's Trade Act Certification Division believes, as do we (see p. 22), that the amendments oversimplify the certification process.

Bills have been introduced in the Congress in 1979 (S.227 and H.R. 1953) to amend adjustment assistance for workers and firms. However, as originally introduced, these bills do not propose changes to the community adjustment provisions of the Trade Act.

Program funding

The appropriations acts for fiscal years 1975-78 provided \$1.6 billion to implement programs authorized under

PWEDA and the firm and community programs authorized under the Trade Act. Budget justifications submitted by EDA for these years show a total of \$38.8 million requested and appropriated for community adjustment assistance. These funds were allocated to the title IX program. In fiscal year 1979 EDA requested and received \$1.3 million for community adjustment assistance. The fiscal year 1980 budget requests \$7.5 million.

In chapter 2 we discuss EDA program responsiveness to economic dislocations caused by increased imports; in chapter 3, the impact of imports on communities; and in chapter 4, the problems in establishing an effective trade monitoring system.

CHAPTER 2

PROBLEMS IN PROVIDING COMMUNITY ADJUSTMENT

ASSISTANCE THROUGH PWEDA PROGRAMS

We agree with EDA's stated policy that benefits provided under the Public Works and Economic Development Act, particularly those authorized under title IX, can help communities that are adversely affected by imports. However, this policy has not been implemented effectively because EDA has not established criteria and procedures to identify and assist communities specifically impacted by imports through PWEDA programs. Instead, community adjustment assistance has been provided in the same manner as other PWEDA assistance, resulting in (1) insufficient EDA focus on communities with trade-related problems, (2) competition from communities with other economic problems seeking limited PWEDA funds, and (3) insufficient EDA staff assigned to assist communities adversely affected by imports.

PWEDA PROGRAMS DESIGNED TO HELP COMMUNITIES ADJUST TO ECONOMIC PROBLEMS

EDA maintains that the Special Economic Development and Adjustment Assistance Program, authorized under title IX of PWEDA, is its most effective tool for helping trade-impacted communities. This program was created in September 1974 to help areas meet special needs arising from actual or threatened severe unemployment. EDA funds two types of grants under the provisions of title IX: development grants, which are intended to help an area prepare a strategy to resolve its economic adjustment problems, and implementation grants, to actually carry out the strategy. Program funds can be used to construct public facilities; develop private industry; and for technical assistance, training allowances, and other purposes which help the community meet its adjustment objectives.

The title IX program is the most flexible of the programs authorized under PWEDA. For example, while the other programs provide for funding of individual projects, under title IX an implementation grant may be used to fund several projects, thereby responding more comprehensively to a community's economic problem.

Title I of PWEDA authorizes grant assistance to support construction of public works and development facilities needed to attract industry and encourage business expansion. These projects include water, sewer, and waste treatment facilities; industrial parks; and skill training centers. Title I

assistance is available only to communities located in designated redevelopment areas. To become designated, an area must meet one of the requirements set forth in title IV of PWEDA--usually high unemployment and/or low median family income--and have submitted an overall economic development plan for promoting the area's development. Title I benefits are used primarily to combat long-term economic problems.

Conversely, title IX assistance is available to any community, regardless of whether it is in a designated redevelopment area, and has been used to address sudden as well as long-term economic dislocations.

Funding history for PWEDA programs
since enactment of the Trade Act

For fiscal years 1975-78, EDA was appropriated \$1.6 billion for implementing all programs authorized under PWEDA and the Trade Act. As part of the budgetary process, EDA is required to identify specific allocations for each program legislated by the Congress. Therefore, EDA allocated \$311.6 million under title IX, \$38.8 million of which was earmarked for community adjustment assistance. Historically, community adjustment assistance funds have been included in title IX allocations. EDA has not allocated funds specifically for community adjustment assistance under other PWEDA programs, such as title I. EDA's funding history for community adjustment assistance and the titles I and IX programs since enactment of the Trade Act follows.

<u>Fiscal year</u>	<u>Title I allocations</u>	<u>Title IX allocations</u>	<u>Community trade adjustment</u> <u>(note a)</u>	<u>Actual EDA appropriations</u> <u>(note b)</u>
-----(000 omitted)-----				
1975	\$137,156	\$ 38,750	\$ None	\$ 246,950
<u>c/1976</u>	<u>175,504</u>	<u>96,250</u>	<u>18,750</u>	<u>450,000</u>
1977	176,100	77,000	10,000	390,100
1978	<u>169,000</u>	<u>99,650</u>	<u>d/10,000</u>	<u>494,000</u>
	<u>\$657,760</u>	<u>\$311,650</u>	<u>\$38,750</u>	<u>\$1,581,050</u>

a/These funds are included in title IX allocations.

b/EDA appropriations include funding for programs authorized under PWEDA and for trade adjustment assistance (firm and community programs).

c/Includes transitional quarter--15-month period.

d/\$8.7 million was reprogramed to assist trade-impacted firms.

Community adjustment assistance funds were not allocated in fiscal year 1975 because EDA's budget was approved before the Trade Act was enacted.

TITLE IX RESOURCES NOT DIRECTED SPECIFICALLY TO COMMUNITIES AFFECTED BY IMPORTS

EDA has not established a separate unit under the title IX program to assist communities adversely affected by imports. Rather, community adjustment assistance has been extended in essentially the same manner as title IX assistance. As such, EDA has not provided staffing, developed program guidelines, or established funding priorities which are essential in delivering the type of adjustment assistance that the Congress envisioned.

The title IX staff at EDA headquarters, Washington, D.C., was limited to a program coordinator during the first 2 years of the program's existence. In January 1977, another individual joined the title IX staff and two more members were added in February and June 1978. As of August 1978, there were four headquarters staff members responsible for carrying out the title IX program. However, none of these staff members have been assigned the sole responsibility of identifying and assisting trade-impacted communities. Further, in each of EDA's six regional offices (Philadelphia, Atlanta, Chicago,

Austin, Denver, and Seattle) the title IX program is administered usually by the deputy regional manager, as only one of many responsibilities. Permanent staff has not been assigned in the regions to the title IX program or to specifically assist trade-impacted communities.

EDA has not adopted written guidelines for administering trade adjustment assistance to affected communities. EDA guidelines for administering title IX simply cite import competition as an economic adjustment problem which qualifies for title IX funding. The guidelines do not, however, establish criteria for selecting eligible applicants nor do they set funding priorities for title IX awards. Since trade adjustment problems have not been given priority status under title IX, communities with import-related problems are competing with many other communities for the limited title IX funds available to address a variety of problems related to changes or threatened changes to their economies.

EDA more concerned with economic problems
as they exist than what causes them

EDA has identified six adjustment problems considered to be root causes of economic dislocations. These problems, along with the share of the title IX budget these categories used during fiscal years 1975-77, are shown in the following table. The total number of projects is also listed.

<u>Type of problem</u>	<u>Number of projects</u>	<u>Program obligations</u>	<u>Percent of title IX program obligations</u>
(000 omitted)			
Defense base realignments	25	\$ 52,211	24.7
Natural disaster	17	20,766	9.8
Foreign trade	a/ 15	19,147	9.0
Environment related	10	12,422	5.9
Boom town	10	4,272	2.0
General economic adjustment	<u>72</u>	<u>102,992</u>	<u>48.6</u>
Total	<u>149</u>	<u>\$211,810</u>	<u>100.0</u>

a/Includes a \$10 million project awarded to the State of New York. (See p. 13.)

The 15 title IX projects which EDA identified as trade related were awarded to 12 communities or areas. EDA officials contend that these awards are trade related because workers in these communities were certified by the Department of Labor (DOL) for worker adjustment assistance benefits. We repeated EDA's identification process and our results are shown below.

--Nine communities had workers who were, in fact, certified by DOL for trade adjustment assistance.

--One community had workers who were certified as eligible for benefits under the provisions of the Trade Expansion Act of 1962.

--Two communities had workers who applied for trade adjustment assistance; however, DOL denied the applications.

EDA officials stated that these 12 communities generally suffer from a wide variety of economic adjustment problems, but that EDA has never analyzed the severity of the trade factor. These officials maintain that EDA is responsible

for providing adjustment assistance to help local areas meet needs arising from actual or threatened economic dislocations and that the factors contributing to the dislocations are of no real consequence; what is important is the degree of injury.

Title IX project files do not indicate
whether increased imports
cause economic problems

We reviewed the title IX project files for these 15 projects in an attempt to identify factors which would show that increased imports caused economic dislocations. Our review disclosed only six cases in which imports were cited by EDA or the applicant as a factor in the community's actual or threatened economic dislocation experience. Although the remaining nine files do not make any direct reference to trade-related problems, this does not mean such problems do not exist. For example, seven cases cited plant closings as a cause of economic dislocations. Reasons for these closings were not identified in the project files; however, imports could have been a major or contributing factor.

The following table illustrates the economic dislocation problems we observed during our analysis. Each project file cited at least 2 economic dislocation problems; therefore, the total number of problems shown exceeds 15.

<u>Economic dislocation problem</u>	<u>Number of projects</u>
Imports	6
Compliance with EPA regulations	6
Plant closings	7
Recession	4
Long-term economic decline of community	4
Inadequate infrastructure within the community	3
Marginal plant operations	3
Energy shortage	2
Other economic dislocation problems	4
Total	<u>39</u>

The project files did not assign weights or rank each type of economic problem in the community; consequently, we were unable to distinguish, by reviewing the files, whether trade was a major or minor problem.

SOME TITLE IX GRANT RECIPIENTS
RECEIVED TANGIBLE BENEFITS,
OTHERS DID NOT

In analyzing the 15 title IX grants, we noted that EDA awarded \$1.1 million for 11 development grants and \$18 million for 4 implementation grants. Development grants ranged from \$45,000 to \$380,000; implementation grants from \$1.4 million to \$10 million. A breakdown of the 15 grants is shown in the following table.

Fiscal year	Development grants		Implementation grants		Total	
	No. grants	Funding (000 omitted)	No. grants	Funding (000 omitted)	No. grants	Funding (000 omitted)
1975	4	\$ 400	-	\$ -	4	\$ 400
1976	2	100	2	11,628	4	11,728
1977	5	619	2	6,400	7	7,019
Total	11	\$1,119	4	\$18,028	15	\$19,147

Development grants generally have no direct economic impact on a community. These grants are used primarily to conduct studies of a community's economic problems and to design a strategy which addresses these problems. On the other hand, economic benefits from implementation grants can be more readily documented. Accordingly, we selected two of the four implementation grants to show the relationship between the impact of imports and the benefits derived from the projects.

State of New York

In June 1976, a \$10 million implementation grant, representing more than 50 percent of the total assistance identified in the above table, was approved for the New York State Department of Commerce. This was not preceded by a development grant, since the State had developed a strategy for using the funds before it applied to EDA. The grant was made to prevent closing steel plants in Dunkirk (Chautauqua County) and Watervliet (Albany County). These plants are the major employer in both communities, and their closure would have resulted in the loss of approximately 2,200 jobs. The plants had been losing money consistently because of external problems generally affecting the specialty steel industry and internal managerial problems. The external problems were caused primarily by reduced demand for domestically produced specialty steel products, resulting in part from increased imports.

Petitions were filed with DOL in November 1975 by the United Steelworkers of America on behalf of the workers at

the affected plants. The workers were certified in January 1976 as eligible to receive worker adjustment assistance. In making its eligibility determination, DOL found that sales and production at both plants had decreased in part because customers were not buying as much from the plants due to lower priced imports.

In making the grant award, EDA considered how the closures would affect the communities in terms of unemployment and lost revenue. At the time of grant award, the unemployment rate was about 9 percent in Chautauqua County and about 7 percent in Albany County. Closure of the plants would have added substantially to the size of the unemployed work force, since other job opportunities in the communities were limited. In addition, there would have been a combined loss to the communities of approximately \$30 million in annual income with an immeasurable ripple effect in the retail and service sectors of both economies.

The State of New York loaned the \$10 million grant to a newly formed corporation to purchase the plants and continue operations. The corporation is administered by former officers of the plants. Loan repayments are made to a revolving fund administered by the State and are to be used in the two counties to fund future economic development projects.

In summary, the title IX grant provided the necessary capital to purchase the plants, thereby saving approximately 2,200 jobs. It also provided for long-term economic development in both Chautauqua and Albany Counties through establishment of the revolving loan fund.

Tell City, Indiana

In June 1975, EDA approved a \$50,000 development grant for Tell City (Perry County) to devise an adjustment strategy to respond to severe reductions in the area's employment. Specifically, between May 1974 and February 1975 the number of unemployed residents in Perry County increased from about 400 to about 1,450, and the county's unemployment rate rose from 5 to 19 percent. The single largest layoff (approximately 450 workers) occurred when Tell City's major employer, an electronic components producer, closed its vacuum tube plant. In addition, layoffs occurred in other industrial sectors, including woodworking plants and aluminum facilities.

In October 1974, former employees of the vacuum tube plant were certified as eligible for worker adjustment assistance under provisions of the Trade Expansion Act. It was determined that a major factor in the decision to close the plant had been the increase of imported electronic tubes. We

found no evidence indicating that imports contributed directly to the other layoffs.

In May 1977, EDA approved a \$1.4 million implementation grant to carry out the adjustment strategy formulated under the development grant. This strategy concentrated on ways to attract new industry to the area; in this case, developing an industrial park and constructing a vocational education facility. However, as of August 1978, this grant has had little effect on the community's economy. The president of the Tell City Development Commission stated that the industrial park has been designed but that the commission is awaiting EDA approval to solicit bids for construction. Construction also had not started on the education facility because questions had to be resolved with the board of education.

We also contacted the director of the local employment security office to determine the status of the 450 workers who were displaced from the vacuum tube plant. This individual provided the following estimates on the displaced workers.

<u>Number of workers</u>	<u>Status</u>
170	Rehired by the company in another job capacity
50	Found other employment almost immediately after losing their jobs
15	Accepted early retirement
<u>215</u>	Majority were women, most of whom left the labor market
<u>450</u>	

He also stated that Perry County no longer has a severe unemployment problem; unemployment has declined steadily since February 1975 and was down to about 4.6 percent in May 1978.

In summary, while the title IX grants have not had a tangible impact on the community, the area's economy seems to have self-adjusted to its employment problem.

IMPACT OF TITLE I GRANTS NOT ASSESSED

While EDA relies primarily on the title IX program to assist trade-impacted communities, projects funded under title I can also be effective. However, EDA has not been able to document whether communities affected by imports have benefited from title I funding because (1) before June 1977, EDA's title I application did not have a means of identifying trade as a factor contributing to economic

dislocations, and (2) after June 1977, communities applying for title I assistance did not indicate that EDA funds were needed to combat trade-related problems.

Under the title I program, as under title IX, staff has not been assigned nor have procedures been developed for specifically assisting trade-impacted communities. Historically, EDA has funded about 300 title I projects each year. Since designated redevelopment areas cover about 65 percent of the country, there is considerable competition for these funds, and communities with import problems do not receive priority consideration.

Because EDA had no documentation, we tried to identify communities that were assisted through the title I program that might have had import-related problems. We compared title I grants, awarded between April 1975 and September 1977, to a list of 507 communities (see p. 20) where workers or firms were certified for adjustment assistance. We made this comparison to determine (1) the actual number of title I projects awarded to communities with certified workers or firms and (2) whether imports were documented in a sample of project files as contributing to the economic condition which justified award of the project. The fact that workers and/or firms have been adversely affected by imports usually does not mean that the community in which they reside has also been affected. However, we do believe that identifying the location of certified workers and firms is a logical starting point for assessing possible spillover effects on the communities themselves.

Our comparison showed that 78 projects, totaling \$73.6 million, had been awarded to 55 of these 507 communities. We reviewed 12 of these project files to determine the relationship of imports to the communities' economic problems. We selected these projects based on the greatest likelihood that the community was affected by imports and the project could respond to that impact. Preference in our selection was given to small communities over major cities, locations with generally 200 or more certified workers as opposed to others with under 25, and types of projects which we believed would have been most responsive to an import problem--industrial parks and expansions of water and sewer systems as opposed to renovations of public buildings and repavement of streets.

No reference was made in the 12 project files, by either the applicant or EDA, to imports as a cause of economic decline in the community. We discussed with EDA project managers whether imports may have contributed to the community's economic problems but simply were not cited in the project files. They said they were unaware of any

community which sought title I assistance because of an import injury. We asked community officials for five of these projects whether they believed imports had affected their communities. In two instances imports were cited as a contributing cause of higher unemployment. In both cases the unemployment rate was a primary factor justifying the project awards. Imports were not considered to have been a problem in the other three cases.

CONCLUSIONS

EDA's policy of assisting trade-impacted communities through programs authorized under the Public Works and Economic Development Act, while conceptually sound, has not been implemented effectively. EDA has not followed up on this policy with specific administrative procedures and the necessary staffing and funding priorities required to assure that communities with trade problems receive the special attention the Congress intended. While some communities injured by imports have received benefits through PWEDA programs, with the exception of a special footwear program, discussed in chapter 3, these benefits were not provided through a systematic assessment of import injury. Because EDA has not assigned staff to systematically assess import impact, it has not been in a position to request funds necessary to deal with the problem or to assure that funds made available have been allocated efficiently and fairly. Instead, projects have generally been awarded to communities with a variety of economic problems, have not been directed specifically at a community's trade problem, and have had mixed results in improving local economic conditions.

Programs authorized under PWEDA, in particular title IX, are flexible enough to provide effective assistance to communities with trade problems. However, if the Congress intends that all communities with significant trade-related dislocations receive special assistance, adequate funds must be provided for this purpose. It would be easier for EDA to administer the program if funds were segregated under the title IX program specifically for communities where imports have injured, or threaten to injure, the local economy.

RECOMMENDATIONS TO THE SECRETARY OF COMMERCE

If communities adversely affected by imports are to receive special attention as the Congress intended, we recommend that the Secretary of Commerce direct the Assistant Secretary for Economic Development to:

--Identify as a separate line item in EDA's appropriation requests to the Congress those funds to be set aside under title IX specifically for communities with trade-related problems.

--Assign one or two staff members under the title IX program to be solely responsible for administering trade adjustment assistance to communities.

Prior to taking action on these recommendations, the Secretary needs to implement recommendations cited on page 31 concerning the development of adequate information on the magnitude of the problem.

AGENCY COMMENTS
AND OUR EVALUATION

In commenting on our report (see app. VI) EDA agreed that more can be done to identify and assist communities adversely affected by imports. However, in responding to our recommendations that funds be requested and set aside under title IX specifically to assist communities with trade-related problems and that staff be assigned to administer this assistance, EDA stated that:

"While the GAO report suggests assigning one or two staff members to identify communities whose economies have been adversely affected by imports, the report does not provide insight into the budgetary implications of providing assistance to those communities which such an assessment may disclose as needing special adjustment assistance. It would not seem advisable to attempt to single out communities with import related economic problems, raise expectations, and then be unable to deliver assistance because of necessary budget priorities and limitations."

We appreciate EDA's concerns that contacting communities adversely affected by imports may raise false expectations if funds to assist them are not available. However, unless EDA takes the initiative to contact these communities it will not be able to apprise the Congress of the extent of the problem nor be in a position to request adequate funding. Further, without contacting communities EDA has no assurance that appropriated funds are being used in areas of greatest need. In the past, assistance has been only partly successful in helping to resolve import-related economic problems.

EDA correctly points out that our report did not provide insight into the budgetary implications of providing special assistance to trade-impacted communities. Considering

the varied economic situations in the communities we identified as having been injured by imports and the fact that each would require a unique response, it is not feasible to predict accurately the annual cost of assisting these communities. However, based on our contacts with community officials and the average cost of title IX projects, we estimate that \$20 million-\$30 million annually would provide adequate assistance to communities most severely affected by imports.

CHAPTER 3

IMPACT OF IMPORTS ON COMMUNITIES

NOT ASSESSED NOR ARE COMMUNITIES

AWARE OF ADJUSTMENT BENEFITS

With the exception of a pilot program to assist communities whose economies were affected by declines in the shoe industry (see p. 28), EDA has not assessed the impact that imports have had on communities, has not developed procedures for making such an assessment, and has not alerted communities of benefits available under the act. In the absence of an active EDA program, we contacted communities throughout the country to determine whether imports had injured their economies. The results of these contacts indicate that while imports have not caused widespread economic dislocations, enough communities appear to have been affected to warrant an ongoing EDA assessment.

EDA could increase its responsiveness to trade-impacted communities by

- establishing procedures to systematically identify communities that might need adjustment assistance,
- alerting communities of adjustment assistance benefits,
- developing criteria to measure the severity of import problems in communities, and
- assisting communities in preparing plans to adjust effectively to import problems.

GAO METHODOLOGY USED TO ASSESS IMPORT IMPACT

We reviewed DOL and EDA certification listings to identify communities that had workers or firms that qualify for trade adjustment assistance. We analyzed the listings for the time period spanning implementation of the Trade Act in April 1975 through September 1977. The DOL listing of worker certifications showed 480 separate communities having workers certified. A listing of firms, certified by EDA for the same period, showed firms certified in 107 communities. Combining the two listings and eliminating duplications (80) left a composite list of 507 communities. The communities varied in population size from under 500 to major cities such as Philadelphia and New York. Our composite list reflects DOL and EDA determinations of import injury and gave us a

starting point for assessing whether there was any spillover effect on the communities themselves.

We randomly selected 100 of these communities and contacted local officials to solicit their opinions regarding the extent of import-related problems in their communities. The communities varied in size, geographic distribution (30 States), and number of certified workers (ranging from 5 to 4,200). In many instances, our community contacts included elected officials as well as representatives from the local business sector. We solicited opinions from city mayors, city managers, local councilmen, local public works officials, economic development planners, executive directors of the local chambers of commerce, industrial developers, bank officers, and directors of local employment security offices. We believe this blending of public and private sectors gave us a balanced perspective of the state of local economies.

Our objectives for these contacts were to (1) obtain perceptions regarding the impact of imports on communities, (2) determine local awareness of benefits available to communities under the Trade Act, and (3) assess whether clarifications to the eligibility criteria discussed in chapter 1 (see p. 5) provide a satisfactory means to certify communities as eligible for adjustment assistance. The results of our community contacts follow.

--Officials in 43 communities perceived imports as having an adverse impact on their local economies. Officials in the remaining 57 felt imports had no tangible impact on their communities.

--Officials in 95 communities were not aware that a specific Federal program had been established to assist communities injured by trade.

--In the five instances where community officials were aware of a specific Federal program for trade-impacted communities, two learned of it through EDA efforts, three learned of it through other sources.

Community officials cited higher unemployment, lost tax revenue, closure or reduction in employment of local firms, and threatened loss of jobs as problems supporting their contention that imports had a tangible impact on their communities. Through further discussions with these officials, we concluded that only 19 of the 43 communities experienced import-related problems severe enough to warrant possible special adjustment assistance. In eliminating 24 communities, we made subjective judgments based on such factors as

(1) duration of worker unemployment, (2) diversification of the community's economy (ability of displaced workers to find jobs nearby), and (3) overall unemployment rate in the community. Imports such as shoes, copper, electronic parts, and steel products were cited by local officials as contributing to economic dislocations in the majority of the remaining 19 communities. These communities were generally small, as shown in the table below.

<u>Community population</u>	<u>Number</u>
Under 10,000	9
10,000-14,999	4
15,000-19,999	4
Over 20,000	2
	<u>19</u>

Clarifications made to the eligibility criteria, in our opinion, oversimplify the certification process. Of the 100 communities contacted, 70 had either 200 certified workers, or the number of certified workers was at least 5 percent of the community's work force. While these 70 communities did include the 19 that we identified as possibly needing special adjustment assistance, they also included 20 of the 24 where local officials believed an import problem existed but which we eliminated, and 31 where the local officials didn't believe there was an import problem. While the clarifications would seem to be a good initial screening mechanism to identify communities possibly affected by imports, to certify communities on this basis would negate the act's intent. Certification is to be based on a determination of actual import injury. Our findings show that the majority of communities meeting this criteria have not incurred a serious enough injury to warrant special assistance.

CASE STUDIES DEMONSTRATING THE NEED FOR A COMMUNITY ADJUSTMENT ASSISTANCE PROGRAM

To further assess the need for a viable community program, we visited 5 of the 19 communities identified as possibly hurt by imports. Through these community visits, we attempted to evaluate the nature and extent of the economic dislocations attributable to imports. Another community (Casa Grande, Arizona) was identified through a newspaper article. In this case, we contacted various community leaders to develop the Casa Grande scenario.

North-central Pennsylvania

Imports of electronic components have resulted in reductions in sales and production of predominant employers in the communities of St. Marys, Emporium, Kane, and Bradford. These reductions resulted in approximately 2,000 jobs lost from 1974 through 1978. Officers in the affected companies estimate that an additional 750 jobs are threatened by imports.

The four communities are located in the neighboring counties of Cameron, Elk, and McKean in north-central Pennsylvania. This area is characterized by a lack of industrial diversification with approximately 30 percent of the manufacturing sector dominated by the electronics industry. A 1970 index of industrial diversification for Pennsylvania's 67 counties ranked Cameron and Elk as 66th and 67th. McKean County ranked 39th. This lack of diversification has been a primary factor limiting the communities' ability to self-adjust to job dislocations associated with increased imports. Inadequate infrastructure, especially water and sewer systems, and accessibility problems caused by a poor intraregional highway system have limited industrial growth.

We talked to 30 individuals, including executive officers of the affected companies, borough mayors and a tax collector, members of a local school board, officers in local banks, the executive director and members of a local chamber of commerce, local merchants, local economic development planners, and directors of local employment security offices. They agreed unanimously that the job dislocations attributable to imports had adversely affected the economies of their communities. While the majority of the displaced workers received adjustment assistance from DOL, municipal officials, except the borough manager in Kane, were unaware of community adjustment assistance, and so they did not apply. The borough manager requested and received the petition for adjustment assistance but stated that the community did not apply to EDA because he didn't believe he could provide the data requested on the form. During our visit we left the petition with the mayors of St. Marys and Bradford and with a local economic development planner for their review. Later we contacted them, and while their opinions varied on the usefulness of the data requested, all agreed that the information would be very difficult to provide.

A brief synopsis follows which highlights the impact of imports on major employers in the four communities and associated spillover effects on the local economies, as perceived by the individuals contacted.

St. Marys, located in Elk County, and Kane, located in McKean County, are both small communities with populations of about 7,500 and 5,000, respectively. An electronics company, which is the largest employer in both communities, eliminated approximately 700 jobs between 1974 and 1978 in its electronics division as a direct result of foreign competition. Corporate officers stated that an additional 180 positions in St. Marys and 95 in Kane are threatened by imports. These jobs were lost because the company could no longer produce electronic components at a price competitive with foreign imports. Several hundred additional jobs were lost in the division during the same period because major customers decided to manufacture their own anodes. Although these job losses were not import related, they had the same depressing effect on the local economy.

Bradford, with a population of about 13,000, is the largest community in McKean County. While its economic base is more diversified than either St. Marys or Kane, it has also been heavily dependent on the electronics industry. Imports from Japan are directly responsible for shutting down another electronics company, once a major employer in Bradford. During the early 1970s the company employed 1,100 workers in the production of resistors. Unable to compete with imports, it discontinued production in Bradford in 1976 and relocated its operations overseas. In June 1978, only 120 people continued to work at the Bradford plant, repackaging for shipment those resistors produced in the foreign plant. These remaining positions are due to be eliminated within a year when the company begins shipping directly to its customers. An executive officer stated that had the company been able to compete effectively with imports, and given normal growth, instead of eliminating 1,100 jobs, the facility would be employing about 2,000.

Another large company, which is in the cutlery industry, employs about 800 workers in two Bradford plants. Although the company has not been affected because of its high quality products, imports are affecting cheaper products in the industry, and the company feels that certain jobs are threatened as demand shifts from the more expensive, higher quality products to the cheaper imports. In December 1977, the company imported for the first time a cheaper knife from Germany to satisfy customer demand.

There are about 7,000 residents in Cameron County, 3,000 of which reside in its largest community, Emporium. The area's largest employer has been steadily reducing employment over the last 15 years as a result of the advent of solid-state electronics and the importation of semiconductors and receiving tubes from Japan.

The company's receiving tube division formerly operated on three shifts, producing 100,000 tubes daily. In 1978 the division was operating only a single shift, producing only 8,000 tubes daily. In the mid-60s, employment in the division exceeded 1,500; in mid-1978 employment was down to just over 500. Corporate officials stated that imports threaten 200 of the remaining jobs in the division.

These kinds of job displacements were cited as contributing to higher unemployment, lost tax revenue, and general economic stagnation in the four communities. In the last 4 years, the unemployment rates for the three counties were consistently above both State and national averages (see app. IV). In general, a community's work force equals 35-40 percent of its population, so that while it is impossible to relate precisely the extent to which these job displacements have affected local unemployment rates, for communities the size of these the effect is significant.

Officials of local employment security offices were reluctant to speculate on the number of displaced workers who may have found other jobs in the area. They pointed out that while some displaced workers have found other jobs, this effectively eliminates positions for others entering the labor force. According to school board officials in St. Marys, because of limited employment opportunities during the last 4 years, many graduating seniors have had to seek employment outside the area. This outmigration of young people was also cited by individuals in the other communities we visited.

Job displacements were also cited as causing reductions in municipal and school district revenues generated by employment taxes. For example, in St. Marys both the borough and the school district share equally in revenue collected through (1) wage taxes, (2) occupation assessment taxes, and (3) occupation privilege taxes. While no one has accounted specifically for the revenue lost from the job dislocations associated with imports, the borough mayor and the business manager for the school district stated that 5 percent of total tax revenues would be a conservative estimate.

Employment insecurity, a near zero population growth, relatively stable bank deposits, and virtually no speculative housing construction were situations cited as reflecting the communities' general economic stagnation. While community officials believe the job dislocations associated with imports have contributed to each of these situations, the relationships are indirect and cannot be precisely measured.

These indirect relationships can be explained through an economic principle known as the "multiplier process."

Simply stated, the process begins with wages, earned through basic sector activities such as manufacturing, being spent by employees within the local economy and thereby generating other jobs. Using an example developed by a local economic planner, a dollar spent in the community benefits the original wage earner, the merchant who makes a sale to this employee, the gas station owner who sells the merchant gas, and the sandwich shop owner who sells the station owner lunch. Again, one cannot relate explicitly the economic impact of job losses due to imports on local economies, but given the small size of the communities cited in this example, and the impact imports have had on the predominant manufacturing industry (electronics), local officials seem justified in their contention of injury.

EDA has funded title I projects in both Elk and McKean counties; however, they have yet to have an effect on the areas' economies. In 1974 a \$350,000 grant was made to McKean County to develop an industrial park. Although the park was completed in 1976 and is equipped with access roads, water lines, and an on-site sewage treatment plant, it remains empty. In 1977 EDA awarded \$1.1 million in grant assistance for construction of an industrial park in Elk County. Lack of adequate sewer treatment capacity in St. Marys has held up progress on this project.

Sullivan, Missouri

Residents of this community were displaced from their jobs on two separate occasions as a direct result of imports. In 1975 about 140 employees of a local footwear company were laid off when sales of women's shoes declined in favor of lower priced imports. This layoff had no tangible economic impact on the community and some of the displaced workers were later rehired by the company. However, the closure of an iron ore mine in December 1977, due to increased imports of iron ore pellets, has affected both Sullivan and the surrounding area.

When the mine closed, approximately 900 to 1,000 workers lost their jobs, causing a sharp increase in the area's unemployment. Sullivan, which has a population of about 5,100, is located in Franklin County, 60 miles southwest of St. Louis. Sullivan is the largest community within commuting distance of the mine, which is located in neighboring Washington County. The area's economy is characterized by light industry capable of providing only a few jobs to the out of work miners. The Mayor of Sullivan estimated that the community's unemployment

rate increased from about 10 percent to 35 percent after the mine closed. Washington County's unemployment rate jumped from 7.7 percent in November 1977 to 22.5 percent in February 1978, according to statistics maintained by the county's employment security office. However, the county's unemployment rate is overstated since it reflects the full impact of the closure and fails to discount those employees who reside outside the county (such as, in Sullivan).

Aside from increased unemployment, both the Sullivan school district and Washington County are likely to lose revenue because of the closure. The superintendent of the Sullivan area schools estimated that between 7 and 9 percent of the school district's 2,200 students will leave because of the closure. This would adversely affect the school district's budget, since 40 percent of its revenue comes from the State based on total enrollment.

We were advised by the tax collector for Washington County that the mine provided approximately \$1 million, or 25 percent, of the county's total 1977 tax revenue. The mine has filed for a reduction in taxes with the State Tax Commission. The county tax collector, as of September 1978, did not know how much the taxes would be reduced but speculated that there would be a substantial reduction.

Officials in Sullivan were working with EDA to secure funds to construct an industrial park. As of June 1978, funds had not been committed to the community.

Casa Grande, Arizona

Imported copper ore was responsible for the loss of about 1,500 jobs in the small community of Casa Grande. A mining company, a major employer in this community of about 16,000 people, closed its copper mine and processing plant in September 1977. It was forced to close because imported copper ore had driven the price of domestic copper down to a level where the company could no longer produce it profitably.

Higher unemployment, reduced tax revenues for schools and the municipal government, the outmigration of families seeking employment elsewhere, and the loss in sales revenues to local businesses have been cited by local officials as spillover effects from the job dislocations. Unemployment in Pinal County, where Casa Grande is located, was 14.2 percent in September 1977. Casa Grande's unemployment in the spring of 1978 was estimated at 13 percent. Property tax revenues have declined with the mine closure as has State aid for schools, since enrollment was down from previous years. Also, retail sales were down by about 25 percent according to the executive director of the local chamber of commerce.

Casa Grande officials believe the economic conditions will not improve as long as the mine is closed. Community officials hope that the mine will reopen when the market price of copper goes up; however, in the interim, Casa Grande has a problem for which these officials have no solution.

The State of Arizona requested EDA assistance in February 1978 on behalf of 12 communities, including Casa Grande, which had been hurt by copper industry reductions. The assistance was requested to develop an adjustment strategy to deal with the economic problems associated with these reductions. EDA approved a \$75,000 title IX grant on April 27, 1978, to develop this strategy. As of August 1978, this project had been staffed but fieldwork to assess import impact and formulate an adjustment strategy had not been started.

EDA INITIATIVES TO ASSIST TRADE-IMPACTED COMMUNITIES

In the latter part of fiscal year 1977, EDA initiated a pilot program to systematically identify communities whose economies may have been adversely affected by the decline of the shoe industry. This was part of an intensified Department of Commerce program to assist this industry.^{1/} The pilot program was designed to identify affected communities, initiate an outreach effort to notify them of their eligibility, assist them in filing applications, expedite their receiving assistance, and provide close contact and advisory assistance during the grant period.

Initially, EDA headquarters provided five of its six regional offices with a list of communities in their regions which satisfied the following two conditions:

--200 or more workers were certified by DOL for trade adjustment benefits based on the layoffs experienced by local footwear companies.

--These unemployed footwear workers represented at least 5 percent of the local work force.

The sixth region (Seattle) had no communities meeting these criteria. Each region was to select one community to participate in the program.

^{1/}See GAO report "Adjustment Assistance to Firms Under the Trade Act of 1974--Income Maintenance or Successful Adjustment?", (ID-78-53, Dec. 21, 1978).

The regions conducted field investigations to assess the magnitude of the import problem on the communities. These investigations included contacts with local community officials, representatives of employment security offices, and managers of the affected shoe companies. In the southeast region (Atlanta), the field investigation revealed that the impact from foreign trade was not as severe as statistics seemed to indicate; consequently, only four communities were selected to participate in the pilot program.

As part of EDA's outreach effort, a member of the head-quarter's title IX staff and the local economic development representative visited each of the four pilot communities. The responsibility for further project development was then assigned to the economic development representative and the appropriate regional office. EDA reviewed and approved the grant applications and authorized these projects for title IX funding in fiscal year 1978. EDA allocated \$666,500 for these four pilot projects. Three of these projects are development grants, and the fourth is an implementation grant valued at \$381,500.

EDA obligated \$4.6 million of fiscal year 1978 title IX funds to assist 15 communities, including the pilot projects, which it classified as having trade-related economic problems. With the exception of the four pilot projects and a \$60,000 development grant awarded to Lynn, Massachusetts, where jobs were also lost in the shoe industry, no special effort was made to directly assist import-impacted communities. Rather, the remaining 10 communities received title IX grants through the program's normal award process.

CONCLUSIONS

Communities affected by imports are not receiving special assistance as the Trade Act intended. For the most part this impact seems to have been isolated to small communities where major employers have either closed or substantially reduced employment. These communities generally lack the industrial diversification necessary to self-adjust to these worker dislocations, and as a result, have experienced higher unemployment, lost revenues, and general economic stagnation. Also, communities injured by imports are generally unaware of adjustment benefits because EDA has not told them about these benefits.

To accomplish congressional intent of community adjustment assistance, it is not necessary for EDA to maintain a separate certification procedure. Discussions with EDA and community officials confirm actual problems experienced by

communities in providing data required on the petition. Conversely, the November 1977 amendments, which clarify phrases in the eligibility criteria, oversimplify the certification process because job displacements are not related to the general economic condition in the community. Applying these amendments would result in certifying communities not seriously hurt by imports and would transfer what has been a problem of certifying a community's eligibility to one of selecting which communities are to receive available program benefits.

If communities affected by trade are to be assisted, EDA needs to identify communities possibly impacted by imports and alert them of benefits available. Resources should be allocated based on both relative need and communities' ability to adjust to the economic dislocations caused by imports. The degree of import injury and whether that injury is significant enough to warrant special adjustment assistance will always be somewhat subjective.

We found that statistics are not available to precisely account for the spillover effect on local economies resulting from import-related job displacements. However, we believe that EDA has the expertise to develop the criteria and methodology that will effectively carry out the congressional intent of community adjustment assistance. If EDA does that, it will be in a much better position to (1) identify communities hurt by imports, (2) assess their relative injury and need for assistance, and (3) allocate resources more effectively to meet those needs.

We believe that EDA should use at least three information sources--worker and firm certifications, statistical data indicating geographic vulnerability to future import injury, and field personnel--in attempting to identify communities injured by or threatened with injury from imports. Each data source presents administrative problems in attempting to obligate whatever resources are appropriated by the Congress for community adjustment assistance. For example, worker certifications normally lag several months behind the actual date workers are laid off, limiting EDA's ability to provide timely assistance when the communities themselves are affected. The trade monitoring system (see ch. 4), even if refined to the point that the Congress intended, will only predict possible import injury and will always identify more areas that are threatened than will actually be affected in the future. Involvement of field personnel, perhaps the best source of timely information, requires the coordination of many people who must be made aware of adjustment assistance benefits and be able to identify communities possibly in need. The collective use of these data sources, in spite

of their individual problems, should provide EDA with the basis for systematically identifying and assisting communities injured by imports.

RECOMMENDATIONS TO THE
SECRETARY OF COMMERCE

To assist the Congress in assessing what changes may be desirable in the program, the Secretary of Commerce should direct the Assistant Secretary for Economic Development to develop information on the magnitude of the problem by (1) identifying communities injured by imports and (2) indicating the nature and extent of the injury. Specifically, the Assistant Secretary should:

- Establish procedures for systematically identifying communities that may need special adjustment assistance. These procedures should account for locations where workers or firms have been certified and areas whose economies are vulnerable to import injury. For communities with certified workers, we recommend that the initial identification be limited to those having at least 200 certified workers or where the number of certified workers represents at least 5 percent of the work force.
- Contact municipal officials in the identified communities to obtain their opinions as to whether their community has an import-related problem.
- Develop criteria which can be applied consistently through field investigations to measure the severity of the import problem in those communities where municipal officials believe a problem exists. The criteria should relate actual or threatened dislocations to overall economic conditions in the community considering such factors as fluctuations in the community's unemployment rate, changes in municipal revenues, economic diversification of the area, and dependence of the area's retail and service sectors on revenues generated by affected employers.

Once this assessment is made, the Secretary of Commerce should present to the Congress the Department's recommendations on how assistance levels to trade-impacted communities should be established and the specific funding needed for this purpose. (See recommendations on p. 17.) If the Congress earmarks funds for this purpose, the Secretary of Commerce

should further direct the Assistant Secretary for Economic Development to:

- Select communities to receive adjustment assistance on the basis of relative need and ability to adjust to the problem. For communities receiving adjustment assistance, project files should document the specific import problem and how the assistance will be applied to address the problem. This will permit future evaluations of project effectiveness.
- Provide expeditious assistance to selected communities by having EDA officials assist in preparing adjustment strategies and completing applications for program benefits. This would be consistent with what EDA did in its pilot program.

RECOMMENDATIONS TO THE CONGRESS

In view of the Department's reluctance to give special attention to communities injured by imports for reasons cited below, the Congress needs to reaffirm its position that communities injured by imports are to receive special attention and specify whether the Department should take the actions recommended in this report to identify and assist them.

Also, to provide more effective assistance to communities whose economies have been adversely affected by imports, we recommend that the Congress amend the certification and benefit delivery provisions of title II, chapter 4, of the Trade Act of 1974 by specifying that adjustment assistance be provided through provisions of title IX of the Public Works and Economic Development Act of 1965. In place of the certification criteria stated in section 271(c) of title II, we recommend that the Congress specify that adjustment assistance be provided to communities based on a systematic assessment of their relative needs and their ability to adjust to their individual dislocation problems. If the Congress desires, we will assist in drafting specific amendments to the legislation.

AGENCY COMMENTS AND OUR EVALUATION

EDA said that it agreed in principle with our conclusions regarding the need to systematically identify and assist communities adversely affected by imports. EDA said that having a more structured approach than it has had in the past would provide greater insight into the extent to which imports have contributed to economic dislocation problems in communities. EDA said that to better measure the

severity of trade impact in communities (1) it requires, as of November 1978, additional data from communities applying for title IX assistance and (2) it is producing a monthly printout which identifies communities where workers have been laid off due to imports.

Aside from these actions, EDA said that

"* * * considering budgetary constraints, the many programs already available to help communities adjust to economic problems, and the failure of GAO to show where Title IX assistance has been denied to trade-impacted communities which sought it, EDA does not consider it necessary or advisable to adopt as extensive an approach as advocated by GAO."

EDA pointed out there are many Federal programs, with over \$1.4 billion, presently available to assist communities suffering from economic problems. Regarding its own programs, EDA said that as of February 1979 about 2,000 of the 3,141 counties in the United States were eligible for EDA assistance and that any community suffering from either sudden or long-term economic problems is eligible for additional assistance under title IX. In support of its position EDA said

"It is important to recognize that import related dislocations be considered in context with many other economic problems confronting U.S. communities for which EDA is also mandated to respond. It has been EDA's position to direct its limited resources to those communities having the greatest economic need regardless of whether that need resulted from imports, defense realignments, or compliance with environmental standards."

We recognize that the issue of the degree of priority given to trade-related problems compared to other problems is a policy issue on which there can be reasonable differences of opinion. Accordingly, as stated on the previous page, we recommend that the Congress resolve whether the Department of Commerce should take the actions recommended by GAO to identify and help these communities.

We continue to believe the systematic approach outlined in our recommendations is necessary if communities affected by imports are to receive special attention. The fact that a trade-impacted community is within an area that is eligible for EDA or other Federal assistance does not mean that it has or will receive it or that any assistance received has a mitigating impact on the trade-caused dislocation.

EDA itself points out that about two-thirds of the counties in the United States are eligible for its assistance. Given the wide variety of demands and priorities for public facility financing, it is logical to expect that without a special effort only a small portion will coincidentally end up in trade-impacted communities.

EDA states that our report fails to show where title IX assistance has been denied to trade-impacted communities which sought it. In fact, the three communities which petitioned EDA for adjustment assistance (see app. III) were denied title IX benefits because of higher priority projects. Also, a 1975 application for title IX assistance which proposed an overall recovery program for Elk County was not funded. Rather, one project (an industrial park) included in the application was funded in 1977. As we noted on page 25, lack of adequate sewer treatment capacity has held up progress on the project. Finally, in view of our findings that officials in 95 out of 100 communities were not aware that a specific Federal program had been established to assist communities injured by trade, we believe a greater effort is needed to alert communities of available benefits.

EDA did not comment on our recommendation that project files document the import problem in communities and how EDA assistance is being applied to address the problem. EDA did state that trade-impacted communities cited in our report were eligible, and in many cases received, assistance under the Public Works and Economic Development Act. We agree that some EDA projects have helped to mitigate trade dislocations by expanding employment opportunities. However, generalizations about the benefits of these projects should not be made until EDA analyzes whether the projects actually offset trade-related dislocations and led to rebuilding of local economies.

EDA's actions to measure the severity of trade impact in communities are positive, but they do not go far enough. EDA has been receiving data from DOL for 2 years on workers dislocated from their jobs because of imports. However, with the exception of its special effort to assist the shoe industry, EDA has not used this data to assess whether spillover effects have occurred in the communities where these workers reside.

We agree with EDA that budgetary limitations are a very real constraint to providing special assistance to communities injured by imports. However, we believe EDA has an obligation to provide the Congress with information on the extent to which imports have caused economic problems in communities and to estimate the funds necessary to address

these problems. Without this information, the Congress is limited in its ability to make informed judgments on merits of providing special assistance to these communities.

EDA agrees with our recommendation that the Congress should amend the Trade Act's community certification and benefit delivery provisions. While such an amendment will eliminate the cumbersome certification procedures, EDA needs to complement legislative changes with administrative actions that will better ensure that communities experiencing economic problems caused by imports are identified and assisted.

CHAPTER 4

THE TRADE MONITORING SYSTEM ENVISIONED

BY THE CONGRESS HAS NOT BEEN ESTABLISHED

To facilitate administering trade adjustment assistance to communities, the Congress required that a statistical monitoring system be established to identify those communities vulnerable to increased imports. Although a monitoring system has been developed, problems in comparability, availability, and timeliness of U.S. import and production data and limited resources to deal with these problems have hampered the system's effectiveness.

Despite these problems, agencies are working to improve the system. However even as improvements are made, the system's usefulness in community adjustment assistance depends on EDA giving special attention to communities with import-related economic problems.

TRADE MONITORING RESPONSIBILITIES

Section 282 of the Trade Act directed the Secretaries of Commerce and Labor to establish and maintain a system to monitor imports into the United States. This section was added to the original legislation by the Senate Committee on Finance. According to Senate Report 93-1298, the system was intended to "facilitate the operation of the community assistance program" by serving "as an early warning of serious dislocation from abrupt increases in imports." The system was to reflect

- changes in the volume of imports,
- changes in the relation of such imports to changes in domestic production,
- changes in employment in domestic industries producing articles like or directly competitive with such imports, and
- the extent to which changes in production and employment are concentrated in specific geographic regions in the United States.

In 1975 the Secretary of Labor delegated his responsibilities under section 282 to the Bureau of Labor Statistics (BLS). The Secretary of Commerce's responsibilities were delegated to the Bureau of the Census in 1976. According to a March 1977 agreement between Census and BLS, Census

is to collect and tabulate import and export data, domestic production data, and general statistics by industry and geographic region for use in a trade monitoring system. BLS is responsible for collecting employment data by industry group and designing and implementing a statistical trade monitoring system. BLS has interpreted its responsibility as limited to statistical monitoring to indicate trends rather than assessing the actual or threatened impact of imports on the domestic economy. The detailed analyses needed to make these determinations are the responsibility of those agencies administering adjustment assistance programs.

OBSTACLES TO IMPLEMENTATION
OF SECTION 282

In December 1977 and again in February 1978, the Chairman, Subcommittee on Trade, House Committee on Ways and Means, expressed concern that Commerce and Labor had failed to carry out the requirements of Section 282 of the Trade Act and requested that they report on their plans to implement it. Both Departments responded that lack of comparable data and funding limitations had prevented them from establishing a monitoring system.

We met with the chief officials of the three divisions within Census and the one BLS division responsible for implementing section 282 to find out their specific problems in setting up a trade monitoring system. At Census the three divisions are the Foreign Trade Division, the Industries Division, and the Economic Surveys Division. At BLS the responsibility is with the Division of Foreign Labor Statistics and Trade. Discussions with these officials and our review of the reports which these divisions produce confirmed that problems in data comparability exist. Problems in confidentiality of data and limitations on governmental requests for data from private sources were also identified as impediments to implementing the system, but to a far lesser degree.

Lack of comparable data

Identification of geographic areas whose economies are vulnerable to future import injury depends on the degree to which import data can be correlated with domestic production and employment data. Integration of this data is hindered by limitations in comparability.

Section 608(a) of the Trade Act directed the Department of Commerce, in cooperation with the Department of the Treasury and the International Trade Commission, to develop comparable data for imports, exports, and domestic production.

Import data is collected by the Customs Service and classified according to the Tariff Schedules of the United States (TSUS). Export statistics also originate with Customs and, in response to section 608(a), were classified according to a TSUS-based numbering system implemented in January 1978. Census collects and classifies domestic production data under the Standard Industrial Classification (SIC). Census officials view the revision in export statistics as a major step forward in improving data comparability, as required under section 608. However, three primary problems limit data comparability and, in turn, affect implementation of a trade monitoring system: basic differences in commodity classifications; lack of employment data at the product level of detail; and lack of timely, product, and geographically specific domestic production data.

An example of the problem of correlating imported and domestically produced commodities is illustrated in the textile industry. Domestic textile products are classified by fiber of chief weight, whereas the import schedule classifies most textile fiber blends according to the fiber of chief value. As these fiber values change, the classification for a given imported product changes. Thus, a steady increase in imports of the same product may not show up because its classification is not constant. Since TSUS and the Standard Industrial Classification were developed independently to serve different purposes, the problem cannot be resolved by simply changing one classification to make it consistent with the other.

The second major problem affecting the trade monitoring system concerns domestic employment data. This data is collected monthly by State agencies from private establishments on a sample basis. While the coverage provided in the sample is comprehensive (about 48,000 reporting units in manufacturing and 2,100 in mining), the level of detail reported is too limited to be useful for trade monitoring in at least two ways. First, the data is reported only at the industry level of detail. Since an industry represents a collection of firms which produce a variety of products, the employment data can be only partly related to import data which is product specific. Secondly, the data is limited geographically to the State level rather than, for example, the county level. This is too broad a geographic area to assess the impact of imports on communities.

Finally, the level of detail in which domestic production statistics are reported and delays in their publication limit their usefulness in trade monitoring. The Census of Manufactures, which is conducted by the Industries Division, provides nearly universal coverage of manufacturing activity, including

the number of establishments and employees. However, because information is collected and classified by plant or establishment, it is not possible to publish statistics at the specific product level of detail. In addition, the census is conducted so infrequently (once in 5 years) and published about 18 months after collection that the data has limited value for use in an early warning system.

The Industries Division also conducts intercensal surveys but as the frequency of the surveys increase, the coverage provided decreases. For example, the Current Industrial Report series consists of about 100 specialized reports published monthly, quarterly, biennially, and annually. This series provides greater detail on specific products, but it covers only about 40 percent of all manufacturing industries. Another limitation in this series is that the data is generally aggregated at the State level. Finally, data from the series is published about 1 year after it is collected which affects computation of import penetration ratios. (See p. 40.)

Data confidentiality

In discussions with Census officials we asked whether the Current Firm Directory might not be a useful supplement to the other data sources, particularly if EDA wanted to assess the possible impact of imports on particular firms and related effects on communities. The directory is a listing of over 7 million firms and establishments in the United States. It contains the name of the establishment, its physical location, its industry code, and employment information.

Census officials said that the directory is the basis for Census samples and is limited to in-house use. Census' authorizing legislation (13 U.S.C. 9) precludes disclosure of this information outside of Census. Census has drafted an amendment to this legislation to permit disclosure to other agencies for statistical purposes such as sampling; however, an early warning system was not perceived to be a statistical use, and therefore the information would not be released. EDA has had to go to a private source to obtain similar information.

Census officials also told us that data on individual firms, gathered in connection with the Census of Manufactures and the Current Industrial Reports, is also subject to legal prohibition against disclosure. For example, Census will not disclose industry geographic data if the area has less than three establishments.

Limitations on data requests

To minimize response burdens, the Office of Management and Budget (OMB) has issued directives which limit the data Census can request from private businesses. To improve the Current Industrial Report series for use in trade monitoring, Census is considering expanding this series to provide greater industrial coverage. We questioned Census officials about the impact the OMB directives might have on these plans. Census officials said that they did not consider the data required in this series to be overly oppressive and that approval could be obtained for its collection. However, they agreed that these directives have to be considered and approval granted before the series can be expanded.

DESPITE PROBLEMS, PROGRESS HAS BEEN MADE IN TRADE MONITORING

Recognizing the need for an integrated data system to fulfill the legislative intent of section 282 and to facilitate the operation of trade adjustment assistance programs, agencies are working to develop data and a methodology for a trade monitoring system. In 1973 BLS established a computer-based early warning system to identify industries most vulnerable to import competition. BLS has maintained the system and produces quarterly and annual tabulations. This trade monitoring system has limitations however and is not totally responsive to the congressional intent of section 282.

BLS trade monitoring system

The BLS trade monitoring system is based on foreign trade data from Census and BLS-generated employment statistics. The BLS system produces quarterly tables that show the value of imports for consumption, the percentage change in value over a 12-month period, the annual import penetration ratio, and employment by industry. The system produces a list of import-impacted industries by matching import and employment data and applying certain criteria including the percentage change over a 12-month period in the import penetration ratio.

We did not evaluate the adequacy of the selection criteria BLS uses to identify import-impacted industries, but our observations and discussions with BLS officials point out limitations in the system's input data. First, computation of the annual import penetration ratio, defined as the ratio of imports to the new supply (imports plus domestic product shipments), is based on domestic production data which typically is a year or two old at the time of computation.

Consequently, the ratios cannot be calculated for current periods. Secondly, the BLS monitoring data reflects the current value of imports--no deflators are used to allow for inflation, thus the impact of imports may be exaggerated. BLS officials told us that they are trying to develop a system of indexes to deflate import series, but such a system would not be available until 1981 at the earliest. Finally, the most important limitation in the system in terms of meeting the requirements of section 282 is the lack of detailed geographic statistics that would allow identification of areas vulnerable to trade-related problems. To monitor the impact of imports on the domestic economy it is necessary to identify with some precision those markets that are affected. Limitations previously cited in domestic employment and production data preclude this precision in the BLS output reports.

Application of data
to geographic areas

As administrator of trade adjustment assistance to communities, EDA needs the geographic detail that is missing from the BLS system. To provide this detail, EDA's Industries Studies Division developed a reporting system using the BLS reports plus a commercial source which provides data on employment by industry and county. EDA analyzes the BLS list of import-impacted industries, applying additional criteria, to produce a modified list of affected industries. The criteria used are

- an increase in imports of 30 percent or \$10 million over 12 months,
- a decrease in employment in the same industry over the 12 months, or
- a decrease in average monthly employment from the average for the preceding calendar year.

The modified industry list is used as input into a computer program with the county/establishment data, producing a four-part report. The first report lists the counties and industries within those counties in order of the proportion of total employment which is accounted for by industries identified as import-impacted.

The second report is similar to the first except that it lists the counties in order of the number of employees in import-impacted industries. This is provided to indicate the absolute magnitude of the problem in each area.

The third report lists States and counties alphabetically and describes the situation in each affected industry in each county. This is intended to provide a reference to the situation in a particular county.

The last report identifies the geographical distribution of each affected industry. Thus, if one wants to know the location of shoe manufacturers, for example, the information is readily available. Examples of these reports appear in appendix V.

To gain insight on the ability of EDA's system to predict import injury, we compared the DOL calendar of actual worker certifications in the first quarter of 1978 with EDA's second quarter 1977 monitoring system reports. The EDA system is not firm specific, but it provides information at the industry level of detail. In our analysis, some assumptions were made in assigning a four-digit classification to firms on the DOL calendar. Classification was generally based on the narrative included in the DOL listing.

The DOL cumulative summary identified 156 firms in 14 major industry groups as having workers certified in the first quarter of 1978. We eliminated 26 of these in 2 industry groups (metal mining and rail transportation) because they are not included in the EDA system.

The results of our analysis, presented in the chart below, showed that in 95 of 130 cases, the EDA system identified industry problems in advance of DOL certifications of worker displacement. To determine whether the size of the community affected the success rate, we examined large and small communities separately. We classified a community as large if its estimated population exceeded 50,000. Affected industries were more often identified in larger metropolitan areas.

Standard industrial classification	Number of certifications from DOL listing			Identified by EDA system		
	Metropolitan area population over 50,000	Smaller area	Total	Metropolitan area	Smaller area	Total
Apparel and other products	32	18	50	29	14	43
Leather and leather products	12	13	25	11	11	22
Primary metals	7	13	19	6	9	15
Electronical and electronic machinery equipment and supplies	3	9	12	1	2	3
Measuring, analyzing, and controlling instruments	5	1	6	5	-	5
Rubber and miscellaneous plastic products	1	4	5	1	1	2
Textile mill products	2	2	4	1	1	2
Food and kindred products	-	2	2	-	-	-
Machinery except electrical	1	1	2	1	-	1
Chemicals and allied products	-	1	1	-	-	-
Paper and allied products	1	-	1	1	-	1
Miscellaneous manufacturing industries	2	1	3	1	-	1
Total	<u>66</u>	<u>64</u>	<u>130</u>	<u>57</u>	<u>38</u>	<u>95</u>
Percent of total	51	49	100			
Percent identified by system	86	59	73			

Conclusions should not be drawn about EDA's monitoring system based on our preliminary evaluation. Agency officials admit that the criteria they applied to the BLS list of import-impacted industries are somewhat arbitrary and would need to be refined as the output data is subjected to further analysis. However, the output reports, even if refined, will be of no value for community adjustment assistance unless EDA gives communities with import-related problems special attention. These reports were never circulated to or used by EDA officials who administer the titles I or IX programs. Our analysis indicates that if EDA does give special attention to communities with trade-related problems, the system could aid in identifying geographic areas vulnerable to imports. The system needs improvement, as evidenced by the lower success rate in identifying smaller, less urbanized areas, but EDA has not committed the resources needed to maintain and refine the system. The system was designed and operated by one temporary employee who left the agency in May 1978, at which time work on the system was suspended.

CONSIDERATIONS FOR IMPROVING TRADE MONITORING ACTIVITIES

Agencies involved in trade monitoring will likely continue to have problems relating import data to domestic production and employment data. However, their initiatives to open up channels of communication through the Commerce and Labor Adjustment Action Committee and plans to improve statistical data sources if additional resources become available should improve that task. EDA can complement these improvements by making use of existing agency resources to identify areas injured or vulnerable to injury from imports.

The Commerce and Labor Adjustment Action Committee was established in September 1977 to coordinate agency programs that help individuals, firms, and communities adjust to sudden economic dislocations. While the committee is concerned with all large-scale job dislocations regardless of cause, it considers trade as a causal factor. Specifically, the committee has set up a technical task force including representatives of Census, BLS, EDA, and the Bureau of International Labor Affairs to study ways to improve trade monitoring activities. The Bureau of International Labor Affairs administers the worker petition determination process and would also benefit from improvements in the trade monitoring system.

Past efforts to deal with the problems of data comparability and to establish a trade monitoring system have been hindered by a lack of funding. Census initially requested funds for actions taken in response to sections 282 and 608 of the Trade Act for fiscal year 1976. No funds were received until fiscal year 1977, when the Congress appropriated \$425,000 for the data comparability program (section 608). For fiscal year 1978, Census received \$120,000 for section 608 activities and \$114,000 for section 282 activities (trade monitoring). Census officials estimate that an additional \$500,000 will be needed to initiate new surveys and expand and modify the Current Industrial Report series for trade monitoring purposes. Efforts to improve comparability are estimated to cost \$950,000.

BLS has received no funds to carry out its trade monitoring responsibilities. The funding requests in 1976 and 1977 for \$240,000 and \$154,000 were rejected by OMB. EDA has not requested funds for its monitoring activities.

Regardless of the amount of funds provided for trade monitoring activities, EDA could use other information sources to identify areas vulnerable to or actually hurt by imports. The Industry and Trade Administration, which is part of the Department of Commerce, has 120 analysts specializing in over

300 industries. These are the most knowledgeable sources in Commerce about the economic health of their respective industries and the effect imports may be having on them. They are also aware of industry concentrations in specific geographic areas.

Another source of information available to EDA is the staff of the Economic Development Districts. The districts, which are multi-county organizations, incorporate over 60 percent of the designated redevelopment areas. These staff members prepare economic development plans which highlight economic conditions in the district and outline future plans for economic development. To prepare these plans, district officials must assess the area's economic conditions. Although our contacts with district representatives were limited, the contacts we had indicated that they were aware of the actual or threatened impact which imports pose to their areas.

CONCLUSIONS

Problems in data comparability and limited resources to deal with these problems have been primary impediments to establishing an effective trade monitoring system. While additional resources will improve input data for the system, EDA should reinstitute its own trade information system and consult analysts within the Industry and Trade Administration and staff of economic development districts to identify geographic areas vulnerable to import injury.

RECOMMENDATIONS TO THE SECRETARY OF COMMERCE

We recommend that the Secretary of Commerce direct the Assistant Secretary for Economic Development to:

--Operate a trade reporting system designed to identify areas vulnerable to imports in connection with EDA's monitoring of actual trade dislocations. Output reports from the system together with information provided by industry analysts and field personnel should be considered in identifying and selecting communities to receive adjustment assistance and in apprising the Congress of needs under the program.

AGENCY COMMENTS AND OUR EVALUATION

EDA did not respond directly to our conclusions and recommendations concerning trade monitoring. However, in our discussions EDA officials expressed doubt about their ability

to deal with communities solely on the basis of vulnerability. They said that their experience has shown that most communities will not take the necessary action in advance of a crisis. Further, they said that many employees in import-sensitive industries will not leave their jobs voluntarily even if new employers could be attracted to their communities.

Our recommendation that EDA operate a trade reporting system and use other sources of information to identify areas vulnerable to imports was not intended to imply that EDA commit resources to communities solely on the basis of vulnerability. Rather, we are suggesting that the vulnerability of a community's employment base be considered together with actual import-related dislocations in selecting communities to receive adjustment assistance. For example, the communities in north-central Pennsylvania, cited in chapter 3, not only experienced import-related dislocations, but also have a portion of their existing employment base vulnerable to future dislocations. It is in this context that we consider information on import vulnerability useful.

CHAPTER 5

SCOPE OF REVIEW

We contacted public officials and business representatives in 100 communities to assess the impact of imports on local economies and to determine if these officials were aware of community benefits provided under the Trade Act. These communities were selected from a universe of 507 where workers or firms were certified for adjustment assistance before September 30, 1977. We visited five communities where these contacts indicated an import injury. We also reviewed the three petitions submitted for community adjustment assistance.

We reviewed the legislative history of the community adjustment assistance program, discussed the program with responsible EDA officials, and evaluated EDA's policy of administering adjustment assistance through the title IX program. We reviewed all title IX projects awarded to communities through fiscal year 1977 which EDA identified as having trade-related problems. We also identified and reviewed title I projects awarded to communities possibly injured by imports.

We discussed data requirements needed to establish an effective trade monitoring system with officials of the Bureau of the Census, BLS, International Trade Administration, and EDA. We also analyzed output reports generated from a computerized system designed by EDA to identify geographic areas vulnerable to imports.

OTHER GAO REPORTS ON ADJUSTMENT ASSISTANCE

<u>Report</u>	<u>Number</u>	<u>Date of issuance</u>
Assistance to Nonrubber Shoe Firms	CED-77-51	Mar. 4, 1977
Certifying Workers for Adjustment Assistance--the First Year Under the Trade Act	ID-77-28	May 31, 1977
Letter Report to Congressman Charles A. Vanik, Chairman, Subcommittee on Trade, House Committee on Ways and Means, on the Need to Improve Coordination of Trade Adjustment Assistance Programs for Workers, Firms, and Communities	ID-78-5	Dec. 6, 1977
Worker Adjustment Assistance Under the Trade Act of 1974--Problems in Assisting Auto Workers	HRD-77-152	Jan. 11, 1978
Adjustment Assistance Under the Trade Act of 1974 to Pennsylvania Apparel Workers Often Has Been Untimely and Inaccurate	HRD-78-53	May 9, 1978
Worker Adjustment Assistance Under The Trade Act of 1974 to New England Workers Has Been Primarily Income Maintenance	HRD-78-153	Oct. 31, 1978
Adjustment Assistance to Firms Under the Trade Act of 1974--Income Maintenance Or Successful Adjustment?	ID-78-53	Dec. 21, 1978
Considerations for Providing Adjustment Assistance Under the 1974 Trade Act: A Summary of Techniques Used in Other Countries (volumes 1 & 2)	ID-78-43	Jan. 18, 1979

APPENDIX II

APPENDIX II

OMB No. 41-R2875
Approval expires: 12/31/78

Form ED-437 (12/75) U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION COMMUNITY PETITION FOR CERTIFICATION OF ELIGIBILITY FOR TRADE ADJUSTMENT ASSISTANCE <i>(Under Certification and Trade Adjustment Assistance for Firms and Communities, 15 C.F.R., Part 315, U.S. Department of Commerce, pursuant to Section 271 of the Trade Act of 1974, Public Law 93-618)</i>	FOR GOVERNMENT USE ONLY <hr/> Project Number <hr/> Date Accepted for Filing
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General Instructions: This petition is required for filing by a community or group of communities requesting the Secretary of Commerce to certify the petitioner's eligibility for adjustment assistance pursuant to the Trade Act of 1974 (the "Act").

Definitions: *Community* means any political subdivision of a state of the United States including, but not limited to, any municipality, town, county, parish, Indian tribe, local government agency, or other general purpose subdivision of such state. A section, part, neighborhood, or census tract of a political subdivision is not considered a community under the Act. A *Trade Impacted Area* is a geographic area which may include one or more communities. It must be found by the Secretary of Commerce to have met the criteria on sales or production and employment provided for in Section 271(c) of the Act. Any community within a Trade Impacted Area that is found to meet such criteria may be certified as eligible for adjustment assistance under the Act.

The Trade Impacted Area concept recognizes that changes in economic conditions within a town or city frequently have an impact upon workers and businesses situated beyond its boundaries. Therefore, generally the smallest entity which will qualify as a Trade Impacted Area will be a county or parish. A municipality which wishes to apply for certification is encouraged to submit a joint petition with other nearby towns or cities within the county or parish in which it is located.

When contiguous cities and counties are already joined together in a State-recognized multi-jurisdictional planning district, the District may file a petition for and on behalf of all or some of its member jurisdictions. Similarly, a Governor of a State may petition on behalf of one or more communities.

Statutory criteria for certification are that: (1) a significant number or proportion of the workers in the Trade Impacted Area in which the community is located have become totally or partially separated, or are threatened with separation; (2) sales or production, or both, of the firms or subdivisions of firms in the Trade Impacted Area have decreased absolutely; and (3) increases of imports of articles like or directly competitive with articles produced by the firms or subdivisions of firms in the Trade Impacted Area, or the transfer to a foreign country of a firm or subdivision of a firm located in the Area, have contributed importantly to such total of partial separation, or threat thereof, and to such decline in sales or production.

Detailed information on sales, production and employment under Section III of this petition which a producing firm desires to be treated as business confidential should be marked at the top with 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 and Part 315 of the Certification and Trade Adjustment Assistance for Firms and Communities.

For additional information, contact the appropriate regional office where this petition should be filed. Names, addresses and telephone numbers of regional offices are listed in the attachment on the last page of this form.

SECTION I—Community Identification

Provide the following information for each participating community.

A. Name of State: _____ Name of Community: _____

Type of Community (*check one*): County _____ City _____ Incorporated Town _____

State authorized multi-jurisdictional planning unit _____

Other (*please specify*) _____

B. Chief administrative official of petitioning community:

Name _____ Title _____

Mailing Address _____

Telephone number (including area code) _____

C. Person to contact regarding this petition, if other than official identified above:

Name _____ Title _____

Mailing Address _____

Telephone number (including area code) _____

D. Other communities within the Trade Impacted Area (*indicate with an "X" those communities participating in this petition*):

Name	Type (County, city, town, etc.)	Participating
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

SECTION II—Economic and Social Characteristics of the Community

The purpose of this section is to determine the existence of a declining economic situation within the Trade Impacted Area in which the petitioning community (or communities) is located; specifically, a decline in the Area's sales or production and actual or threatened separation of a significant number or proportion of workers. Although the determination will be based on recent annual data, earlier base-year data from official published sources are needed to provide a point of reference for the determination. 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 to date for this year and for the same period last year. Please indicate the source or sources of all information submitted. When specific data are not available, indicate with "N.A." However, as it is essential that a community establish the basis of its petition to be certified as eligible for adjustment assistance, every effort should be made to furnish all requested information.

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Provide the following information for each participating community:					
	Base Year Data	Most Recent Two Years		Cumulative Quarterly Data For	
		19____	19____	() Quarters This Year To Date	() Quarters Last Year To Date
A. Demographic Characteristics (Number of Persons)					
Population	(Base Year)				
Labor Force					
B. Employment (Number of Persons)					
Unemployment	(Base Year)				
Covered FICA Employment Total					
Employment by Sector:					
Agriculture, Forestry, Fisheries					
Mining					
Manufacturing					
Retail Trade					
Wholesale Trade					
Other (<i>please specify</i>): _____					
C. Sales or Production (Thousands of Dollars)					
Value Added by Manufacture	(Base Year)				
Manufacturing Sales	(Base Year)				
Wholesale Sales	(Base Year)				
Retail Sales	(Base Year)				
Agricultural Sales/ Production	(Base Year)				
Mining Sales/ Production	(Base Year)				
Other Revenues (<i>please specify</i>): _____	(Base Year)				

APPENDIX II

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Suggested sources of data if not locally available:

General—County and City Data Book, Bureau of the Census, U.S. Department of Commerce

Population—Census of Population, Bureau of the Census, U.S. Department of Commerce—Appropriate State Agency

Unemployment and Underemployment—State Employment Security Agency

Employment by Sector—County Business Patterns, Bureau of the Census, U.S. Department of Commerce

Retail Sales—State Tax Agency

Manufacturing, Wholesale, Retail, Agricultural and Mining Data—Bureau of the Census, U.S. Department of Commerce

Value Added by Manufacture—Census of Manufactures, Annual Survey of Manufactures

Agriculture Sales/Production—Census of Agriculture

Wholesale and Retail Sales—Census of Business

Mining Sales/Production—Census of Mineral Production; also Bureau of Mines, U.S. Department of the Interior

SECTION III—Basis of Petition

A community or group of communities may base its petition for eligibility certification on an economic decline, including actual separation or threat of separation of a significant number or proportion of area workers, and an absolute decrease in sales or production of area firms or subdivisions of firms because (1) increased imports of articles like or directly competitive with those produced by area firms contributed importantly to such decline or separation; or (2) the transfer of a manufacturing or processing firm or subdivision of a firm to a foreign country contributed importantly to such decline and separation. If the basis for this claim is the harmful impact of imports, fill out Part A and complete tabular supplement to this petition form for each affected firm or subdivision of a firm. If the claim is based on the loss of one or more production facilities to a foreign location, fill out Part B for each firm or subdivision. Both parts may be completed if the community has been affected by both developments. Attach a statement relating the increase in imports, or the transfer of a production facility to a foreign country, to the decline in sales or production and actual or threatened full or partial worker separation, and explain how such increase or transfer contributed importantly to such consequences. If a *threat* of worker separation exists, explain the nature of the threat and the anticipated consequences thereof, including the number and proportion of the workers threatened.

Part A—Import-Impacted Firm or Subdivision

A community may show that increasing imports of foreign goods are an important cause of its economic decline. This Part is designed to identify the specific manufacturing, mining, processing or agricultural firms or subdivisions which have experienced declines in sales or production and actual or threatened separation or partial separation of workers of which increased imports are an important cause.

Provide the following information for each such firm or subdivision, attaching separate sheets as needed if more than one has been affected by increasing imports. Also fill out tabular Supplement A to this petition form.

Name of Firm or Subdivision _____

Address _____

Is it presently in operation? Yes ____ No ____ If the answer is "no," give date of closing _____

Official to contact for further information:

Name _____ Title _____

Mailing Address _____

Telephone Number (including area code) _____

Is it a subdivision? Yes ____ No ____ If the answer is "yes," specify relationship and identify parent firm:

Relationship _____

Parent Firm: Name _____

Mailing Address _____

Firm Official to contact for additional information:

Name _____ Title _____

Mailing Address _____

Telephone Number (including area code) _____

Has the firm petitioned the Secretary of Commerce for certification of eligibility to apply for adjustment assistance under the provisions of Title II, Chapter 3, of the Act? Yes _____ No _____ If answer is "yes," give date that petition was submitted _____

Has any group of the firm's employees petitioned the Secretary of Labor for certification of eligibility to apply for adjustment assistance under the provisions of Title II, Chapter 2, of the Act? Yes _____ No _____ If answer is "yes," give date that petition was submitted _____

Complete the following for closed plants only:

Peak employment when plant was operating (Total number of persons) _____

Year of Peak Employment _____ Average plant employment during year preceding closing (To calculate average annual employment, see definitions for employment data in Supplement A) (Total number of persons) _____

Is plant facility still standing? Yes _____ No _____ If answer is "yes," is the plant now occupied? Yes _____ No _____

Is the present occupant in the same industry as previous firm? Yes _____ No _____

Part B—Firms or Subdivisions of Firms Transferred to Foreign Countries

For each firm or subdivision of a firm which has transferred or has definite plans to transfer from the Community to a foreign country, provide the information requested below and also fill out Supplement B to this petition form.

Name of Firm _____

Address when operating in the community _____

_____ Present Address _____
_____ Product(s) of the plant _____

Date of actual or planned relocation _____ Name and address of Parent Company, if any _____

Peak employment when plant was operating (Total number of persons) _____

Year of peak employment _____ Average plant employment during year preceding transfer (To calculate average annual employment, see definitions for employment data in Supplement A) (Total number of persons) _____

Is plant facility still standing? Yes _____ No _____ If answer is "yes," is the plant now occupied?
Yes _____ No _____ Is the present occupant in the same industry as previous firm? Yes _____ No _____

SECTION IV—Articles Produced and Imported

- A. **Domestic Production**—Describe precisely the articles produced or formerly produced by each firm or subdivision of a firm (identified in Section III) and identify each article by the appropriate Standard Industrial Classification number. Place an asterisk (*) beside each item which is like or directly competitive with the imported articles described below.

APPENDIX II

APPENDIX II

B. Imports—Describe precisely the articles imported into the United States for consumption which are like or directly competitive with the domestically-produced articles described above and identify each article by the appropriate Statistical Classification Code number listed in the Tariff Schedules of the United States Annotated ("TSUSA").

Certification—The undersigned official executing this certification on behalf of the petitioning community (or communities) hereby certifies that the information contained in or submitted with this petition is correct and complete to the best of his knowledge and belief. *Attach documentary evidence of authorization to file this petition.*

Name of Community (or Communities)	Signature of Authorized Official	
	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

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 A to Form ED-437—Supporting Data for Producing Firms and Subdivisions of Firms

Name of Petitioning Community _____ Name of Firm or Subdivision _____

Report below the data requested for each of the last five calendar years for each producing firm in the petitioning community (or communities) as identified in Section III. Where quantity is requested, specify in column (c) the unit of measure used. Indicate the years in the space at the top of columns (d) through (h).

For *sales* and *production* data, report value and quantity for all articles produced by the firm and for the article(s) marked with an asterisk in Section IV. Sales totals should represent net sales f.o.b. point of shipment and should exclude interplant transfers, returned goods, discounts and allowances.

For *employment data*, report the firm's average employment (both full- and part-time) of all persons, as well as the average number of production and related workers and the man-hours worked both for all articles and services produced by the firm and for the articles marked with an asterisk in Section IV. 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 overtime hours to straight-time hours.*

Data on U.S. imports are compiled and published on a monthly and annual basis by the Bureau of the Census, U.S. Department of Commerce. Consult with the nearest DIBA District Office of the Department of Commerce for the appropriate source for the specific commodity information required. For instance, annual import data classified by TSUSA commodity code are published annually in Report FT-246, *Imports for Consumption and General Imports*.

SUPPLEMENT A to Form DIB-347P (Continued)

Section (a)	Item (b)	Unit of Measure (c)	Calendar Year				
			(d)	(e)	(f)	(g)	(h)
A. Sales	Total for all articles produced	Value		Dollars			
		Quantity		(Specify Unit)			
	Total for each article asterisked in Section IV-A	Value		Dollars			
		Quantity					
B. Production	Total for all articles produced	Value		Dollars			
		Quantity		(Specify Unit)			
	Total for each article asterisked in Section IV-A	Value		Dollars			
		Quantity					

SUPPLEMENT A to Form DIB-347P (Continued)

Section (a)	Item (b)	Unit of Measure (c)	Calendar Year				
			(d)	(e)	(f)	(g)	(h)
C. All Persons Employed by the Firm	Average employment in the firm (or subdivision)	Number of Persons					
D. Employment of Production and Related Workers	Average number for all articles and services produced	Number of Workers					
	Average number for articles marked with an asterisk in Section IV-A	Number of Workers					
	Total hours for all articles and services produced	Thousands of Man-Hrs.					
	Total hours for articles marked with an asterisk in Section IV-A	Thousands of Man-Hrs.					
E. U.S. Imports for Consumption	Total for each article described in Section IV-B	Value	(Specify Article)	Dollars			
		Quantity					
				(Specify Unit)			

Supplement B to Form ED-437—Supporting Data for Firms and Subdivisions of Firms Transferring to a Foreign Country

Name of Petitioning Community _____ Name of Firm or Subdivision _____

Report below the data requested for each of the last five calendar years for each firm in the petitioning community (or communities), as identified in Section III, which has transferred or has definite plans to transfer to a foreign country. Where quantity is requested, specify in column (c) the unit of measure used. Indicate the years in the space at the top of columns (d) through (h).

For *sales and production* data, report value and quantity for the output of all articles and services by the firm or subdivision. Sales totals should represent net sales f.o.b. point of shipment and should exclude interplant transfers, returned goods, discounts and allowances.

For *employment* data, report the firm's average employment (both full- and part-time) of all persons, as well as the average number of production and related workers and the man-hours worked for the output of all articles and services by the firm or subdivision. The average employment in a given year is to be calculated by adding the number (both full and part-time employees) for the pay periods ending closest to the 15th of each month and dividing that total by 21. 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 overtime hours to straight-time hours.

Section (a)	Item (b)	Unit of Measure (c)	Calendar Year				
			(d)	(e)	(f)	(g)	(h)
A. Sales	Total for all articles and services	Value	Dollars				
		Quantity	(Specify Unit)				
B. Production	Total for all articles and services	Value	Dollars				
		Quantity	(Specify Unit)				
C. All Persons Employed by the Firm	Average Employment in the firm or subdivision	Number of Persons					
D. Employment of Production and Related Workers	Average number for all articles and services	Number of Workers					

APPLICANTS WHICH PETITIONED FOR
COMMUNITY ADJUSTMENT ASSISTANCE

Applicant 1--Pettis County, Missouri, filed a petition with EDA in February 1976 because of the decline in production and employment of a shoe manufacturer in Sedalia. The firm and 370 of its employees had been certified previously by EDA and DOL for adjustment assistance under other provisions of the Trade Act. Sedalia planned to use adjustment assistance to construct an industrial park to attract new industry and lower its unemployment rate, which community officials estimated would increase by 3 percent if the firm closed.

EDA rejected the petition in March 1976 because complete 2-year historical data relating to the economic diversification of the area surrounding the community was not supplied. Further, the data which was supplied did not indicate economic injury to the area. In rejecting the petition, EDA, consistent with its policy, encouraged the community to use other EDA-administered programs.

In 1976 Pettis County did not have an approved overall economic development plan and consequently was not eligible for assistance under title I. Sedalia sought title IX assistance but was advised that no assistance could be granted because of higher priority projects. Subsequently, Sedalia received funds from the Ozark Regional Commission and the Farmers Home Administration to construct the industrial park. It is now complete and was partially occupied as of February 1978.

EDA approved a \$1 million direct loan to the shoe manufacturer in December 1975. An official of the local employment security office thought that most of the certified workers had either been reemployed by the shoe manufacturer or had found other jobs.

Applicant 2--Floyd County, Georgia, submitted a petition to EDA in April 1977 due to the closure of a textile manufacturer in Rome which displaced 539 people. While community officials told us that the closure was partly due to foreign competition, neither the firm nor the employees petitioned for trade adjustment assistance.

EDA rejected the petition because it lacked complete sales, production, and employment data for both the community and the textile firm. In its rejection letter, EDA encouraged Rome to apply for other EDA program assistance. Subsequently, Rome applied for title IX assistance to devise an economic development strategy, but it was denied because EDA's regional officials believed there were other communities with a greater need for the limited title IX funds.

Applicant 3--The Central Texas Economic Development District petitioned EDA on February 17, 1978, on behalf of Limestone County, Texas. The county's largest private employer had closed in order to consolidate its operations in Georgia, where it had been producing goods which it contended had been adversely affected by imports. Over 300 jobs were lost as a result of the closure. The company submitted a petition to DOL in October 1977 for adjustment assistance for its workers. DOL denied the petition in May 1978 based on its finding that imports had not contributed importantly to the loss of jobs.

EDA rejected the district's petition not only for insufficient data but primarily because manufacturing sales in the county had increased during the first three quarters of 1977 over 1976, unemployment was reduced, and goods produced by the plant in Texas were not directly affected by imports. As with the other two applicants it was suggested they seek financial assistance under other EDA programs. This assistance was sought under both titles I and IX; however, funds were already committed to higher priority projects. The Economic Development Representative for the county stated that while the plant closure raised the county's unemployment rate by about 1 percent, the June 1978 rate still was only 5.1 percent. This individual believed that the county has the ability to self-adjust to the plant closure and does not require special assistance from EDA.

COMPARISON OF UNEMPLOYMENT IN NORTH-CENTRAL
PENNSYLVANIA WITH STATE AND NATIONAL AVERAGES

<u>Period</u>		<u>County</u>		<u>Pennsylvania</u>	<u>U.S.</u>
		<u>Elk</u>	<u>McKean</u>	<u>State average</u>	<u>average</u>
1975:					
Quarter:					
1st	14.5	11.1	12.6	9.1	9.1
2d	16.2	10.3	14.1	8.4	8.7
3d	18.3	10.1	16.6	8.2	8.3
4th	11.7	9.0	14.7	7.6	7.8
Annual Average	15.2	10.1	14.5	8.3	8.5
1976:					
Quarter:					
1st	10.4	10.2	16.9	8.8	8.5
2d	10.4	10.1	13.9	8.2	7.4
3d	8.4	8.9	13.9	7.4	7.6
4th	7.8	8.5	14.2	7.3	7.3
Annual Average	9.3	9.4	14.8	7.9	7.7
1977:					
Quarter:					
1st	9.7	10.9	14.5	9.1	8.2
2d	8.3	7.9	12.3	7.2	6.9
3d	8.0	7.9	10.8	7.5	6.8
4th	7.9	7.5	14.3	7.0	6.2
Annual Average	8.5	8.5	13.0	7.7	7.0
1978:					
Quarter:					
1st	9.1	8.4	14.5	7.8	6.8
2d	8.3	6.2	11.0	6.4	5.8
3d	8.5	7.2	12.1	7.0	5.9

IMPORT-MONITORING REPORTS

AFFECTED COUNTIES BY PERCENT OF COUNTY EMPLOYMENT

STATE	COUNTY	SIC CODE	INDUSTRY	# OF EMPL. OF COUNTY	% OF EMPL.	# OF FIRMS	DIST. OF EMPL.			BY FIRM SIZE		
							1-10	11-100	101-500	500 & UP		
OHIO	CUYAHOGA	3566	SPEED CHANGERS, DRIVES AND GEARS	323	.08	12	16	177	130	0		
OHIO	CUYAHOGA	3564	BLOWERS AND FANS	522	.13	12	12	360	150	0		
OHIO	CUYAHOGA	3562	BALL AND ROLLER BEARINGS	97	.03	5	7	90	0	0		
OHIO	CUYAHOGA	3559	SPECIAL INDUSTRIAL MACHINERY, NEC	1683	.43	35	61	611	1011	0		
OHIO	CUYAHOGA	3555	PRINTING AND TRADES MACHINERY	194	.05	13	30	164	0	0		
OHIO	CUYAHOGA	3554	PAPER INDUSTRIES MACHINERY	6	.00	2	6	0	0	0		
OHIO	CUYAHOGA	3553	WOODWORKING MACHINERY	45	.01	1	0	45	0	0		
OHIO	CUYAHOGA	3545	MACHINE TOOL ACCESSORIES	2181	.56	36	82	429	570	1100		
OHIO	CUYAHOGA	3541	MACHINE TOOLS, METAL CUTTING TYPES	1725	.44	48	121	631	973	0		
OHIO	CUYAHOGA	3537	INDUSTRIAL TRUCKS AND TRACTORS	2062	.53	13	11	249	904	898		
OHIO	CUYAHOGA	3536	HOISTS, CRAINS, AND MONORAILS	327	.08	10	21	156	150	0		
OHIO	CUYAHOGA	3534	ELEVATORS AND MOVING STAIRWAYS	36	.01	4	5	31	0	0		
OHIO	CUYAHOGA	3531	CONSTRUCTION MACHINERY	666	.17	11	16	250	400	0		
OHIO	CUYAHOGA	3523	FARM MACHINERY AND EQUIPMENT	7	.00	2	7	0	0	0		
OHIO	CUYAHOGA	3511	TURBINES AND TURBINE GENERATOR SETS	12	.00	2	12	0	0	0		
OHIO	CUYAHOGA	3443	FABRICATED PLATE WORK (BOILER SHOPS)	450	.12	16	12	438	0	0		
OHIO	CUYAHOGA	3411	METAL CANS	326	.08	3	6	0	320	0		
OHIO	CUYAHOGA	3357	NCNFIRKCUS WIRE DRAWING AND INSULATI	87	.02	2	1	86	0	0		
OHIO	CUYAHOGA	3339	PRIMARY NONFERROUS METALS NEC	297	.08	4	7	180	110	0		
OHIO	CUYAHOGA	3315	STEEL WIRE AND RELATED PRODUCTS	90	.02	1	0	90	0	0		
OHIO	CUYAHOGA	3312	BLAST FURNACES AND STEEL MILLS	4401	1.14	14	24	170	427	3780		
OHIO	CUYAHOGA	3292	ASBESTOS PRODUCTS	195	.05	5	5	190	0	0		
OHIO	CUYAHOGA	3269	POTTERY PRODUCTS, NEC	5	.00	3	5	0	0	0		
OHIO	CUYAHOGA	3264	PORCELAIN ELECTRICAL SUPLIES	0	.00	1	0	0	0	0		
OHIO	CUYAHOGA	3262	VITREOUS CHINA FOOD UTENSILS	340	.09	3	0	100	240	0		
OHIO	CUYAHOGA	3261	VITREOUS PLUMBING FIXTURES	2	.00	1	2	0	0	0		
OHIO	CUYAHOGA	3253	CERAMIC WALL AND FLOOR TILE	7	.00	2	7	0	0	0		
OHIO	CUYAHOGA	3241	CEMENT, HYDRAULIC	113	.03	2	0	113	0	0		
OHIO	CUYAHOGA	3211	FLAT GLASS	5	.00	2	5	0	0	0		
OHIO	CUYAHOGA	3172	PERSONAL LEATHER GOODS, NEC	10	.00	3	10	0	0	0		
OHIO	CUYAHOGA	3131	BOOT AND SHOE CUT STOCK AND FINDINGS	3	.00	1	3	0	0	0		
OHIO	CUYAHOGA	3011	TIRES AND INNER TUBES	36	.01	1	0	36	0	0		
OHIO	CUYAHOGA	2892	EXPLOSIVES	70	.02	2	10	60	0	0		
OHIO	CUYAHOGA	2841	SOAP AND OTHER DETERGENTS	387	.10	10	23	40	324	0		
OHIO	CUYAHOGA	2812	ALKALIES AND CHLORINE	920	.24	1	0	0	0	920		
OHIO	CUYAHOGA	2771	GREETING CARD PUBLISHING	1192	.31	4	12	50	0	1130		
OHIO	CUYAHOGA	2731	BOOK PUBLISHING	301	.08	17	51	130	120	0		
OHIO	CUYAHOGA	2651	FOLDING PAPERBOARD BOXES	419	.11	9	29	125	265	0		
OHIO	CUYAHOGA	2599	FURNITURE AND FIXTURES NEC	188	.05	7	16	20	152	0		
OHIO	CUYAHOGA	2515	MATTRESSSES AND BEDSPRINGS	165	.04	5	5	35	125	0		
OHIO	CUYAHOGA	2449	WOOD CONTAINERS, NEC	21	.01	4	21	0	0	0		
OHIO	CUYAHOGA	2342	BRASS, ETC. AND ALLIED GARMENTS	181	.05	3	6	25	150	0		
OHIO	CUYAHOGA	2341	WOMEN'S AND CHILDREN'S UNDERWEAR	20	.01	2	5	15	0	0		
OHIO	CUYAHOGA	2337	WOMEN'S AND MISSES SUITS AND COATS	1210	.31	5	0	110	0	1100		
OHIO	CUYAHOGA	2331	WOMEN'S AND MISSES BLOUSES AND WAIST	15	.00	2	4	11	0	0		
OHIO	CUYAHOGA	2321	MEN'S AND BOYS' SHIRTS AND NIGHTWEAR	25	.01	2	5	20	0	0		
OHIO	CUYAHOGA	2311	MEN'S AND BOYS' SUITS AND COATS	2340	.60	6	15	25	0	2300		
OHIO	CUYAHOGA	2082	MALT BEVERAGES	325	.08	1	0	0	325	0		

AFFECTED COUNTIES BY TOTAL NUMBER OF AFFECTED EMPLOYEES

STATE	COUNTY	SIC CODE	INDUSTRY	# OF	% OF	# OF	DIST.	OF EMPL.	BY FIRM SIZE	
				OF EMPL	OF COUNTR	EMPL FIRMS	1-10	11-100	101-500	500 & UP
OHIO	CUYAHOGA	3553	WOODWORKING MACHINERY	45	.01	1	0	45	0	0
OHIO	CUYAHOGA	3545	MACHINE TOOL ACCESSORIES	2181	.56	36	82	429	570	1100
OHIO	CUYAHOGA	3541	MACHINE TOOLS, METAL CUTTING TYPES	1725	.44	48	121	631	973	0
OHIO	CUYAHOGA	3537	INDUSTRIAL TRUCKS AND TRACTORS	2062	.53	13	11	249	904	898
OHIO	CUYAHOGA	3536	HOISTS, CRANES, AND MONORAILS	327	.08	10	21	156	150	0
OHIO	CUYAHOGA	3534	ELEVATORS AND MOVING STAIRWAYS	36	.01	4	5	31	0	0
OHIO	CUYAHOGA	3531	CONSTRUCTION MACHINERY	666	.17	11	16	250	400	0
OHIO	CUYAHOGA	3523	FARM MACHINERY AND EQUIPMENT	7	.00	2	7	0	0	0
OHIO	CUYAHOGA	3511	TURBINES AND TURBINE GENERATOR SETS	12	.00	2	12	0	0	0
OHIO	CUYAHOGA	3443	FABRICATED PLATE WORK (BOILER SHOPS)	450	.12	16	12	438	0	0
OHIO	CUYAHOGA	3411	METAL CANS	326	.08	3	6	0	320	0
OHIO	CUYAHOGA	3357	NONFERROUS WIRE DRAWING AND INSULATI	87	.02	2	1	86	0	0
OHIO	CUYAHOGA	3339	PRIMARY NO. FERROUS METALS NEC	297	.08	4	7	180	110	0
OHIO	CUYAHOGA	3315	STEEL WIRE AND RELATED PRODUCTS	90	.02	1	0	90	0	0
OHIO	CUYAHOGA	3312	BLAST FURNACES AND STEEL MILLS	4401	1.14	14	24	170	427	3780
OHIO	CUYAHOGA	3292	ASBESTOS PRODUCTS	195	.05	5	5	190	0	0
OHIO	CUYAHOGA	3269	POTTERY PRODUCTS, NEC	5	.00	3	5	0	0	0
OHIO	CUYAHOGA	3264	PORCELAIN ELECTRICAL SUPLIES	0	.00	1	0	0	0	0
OHIO	CUYAHOGA	3262	VITREOUS CHINA FOOD UTENSILS	340	.09	3	0	100	240	0
OHIO	CUYAHOGA	3261	VITREOUS PLUMBING FIXTURES	2	.00	1	2	0	0	0
OHIO	CUYAHOGA	3253	CERAMIC WALL AND FLOOR TILE	7	.00	2	7	0	0	0
OHIO	CUYAHOGA	3241	CEMENT, HYDRAULIC	113	.03	2	0	113	0	0
OHIO	CUYAHOGA	3211	FLAT GLASS	5	.00	2	5	0	0	0
OHIO	CUYAHOGA	3172	PERSONAL LEATHER GOODS, NEC	10	.00	3	10	0	0	0
OHIO	CUYAHOGA	3131	BOOT AND SHOE CUT STOCK AND FINDINGS	3	.00	1	3	0	0	0
OHIO	CUYAHOGA	3011	TIRES AND INNER TUBES	36	.01	1	0	36	0	0
OHIO	CUYAHOGA	2892	EXPLOSIVES	70	.02	2	10	60	0	0
OHIO	CUYAHOGA	2841	SOAP AND OTHER DETERGENTS	387	.10	10	23	40	324	0
OHIO	CUYAHOGA	2812	ALKALIES AND CHLORINE	920	.24	1	0	0	0	920
OHIO	CUYAHOGA	2771	GREETING CARD PUBLISHING	1192	.31	4	12	50	0	1130
OHIO	CUYAHOGA	2731	BOOK PUBLISHING	301	.08	17	51	130	120	0
OHIO	CUYAHOGA	2651	FOLDING PAPERBOARD BOXES	419	.11	9	29	125	265	0
OHIO	CUYAHOGA	2599	FURNITURE AND FIXTURES NEC	188	.05	7	16	20	152	0
OHIO	CUYAHOGA	2515	MATTRESSES AND BEDSPRINGS	165	.04	5	5	35	125	0
OHIO	CUYAHOGA	2449	WOOD CONTAINERS, NEC	21	.01	4	21	0	0	0
OHIO	CUYAHOGA	2342	BRASSIERES AND ALLIED GARMENTS	181	.05	3	6	25	150	0
OHIO	CUYAHOGA	2341	WOMEN'S AND CHILDREN'S UNDERWEAR	20	.01	2	5	15	0	0
OHIO	CUYAHOGA	2337	WOMEN'S AND MISSES SUITS AND COATS	1210	.31	5	0	110	0	1100
OHIO	CUYAHOGA	2331	WOMEN'S AND MISSES BLOUSES AND WAIST	15	.00	2	4	11	0	0
OHIO	CUYAHOGA	2321	MEN'S AND BOYS' SHIRTS AND NIGHTWEAR	25	.01	2	5	20	0	0
OHIO	CUYAHOGA	2311	MEN'S AND BOYS' SUITS AND COATS	2340	.60	6	15	25	0	2300
OHIO	CUYAHOGA	2082	MALT BEVERAGES	325	.08	1	0	0	325	0
OHIO	CUYAHOGA	2034	DEHYDRATED FRUITS, VEGETABLES AND SO	60	.02	1	0	60	0	0
OHIO	CUYAHOGA	2024	ICE CREAM AND FROZEN DESSERTS	97	.03	5	22	75	0	0
OHIO	CUYAHOGA	2023	CONDENSED AND EVAPORATED MILK	1	.00	1	1	0	0	0
OHIO	CUYAHOGA	2022	CHEESE, NATURAL AND PROCESSED	70	.02	2	0	70	0	0
OHIO	CUYAHOGA	1476	ROCK SALT	200	.05	1	0	0	200	0
OHIO	CUYAHOGA	****	COUNTY SUBTOTAL	26576	6.85	433	887	6040	7221	12428

ALPHABETICAL LISTING

STATE	COUNTY	SIC CODE	INDUSTRY	# OF	% OF	# OF	DIST. OF 1-10	OF 11-100	EMPL.	BY FIRM 101-500	SIZE 500 & UP
				OF COUNTY EMPL	OF COUNTY EMPL	FIRMS					
OHIO	CUYAHOGA	2812	ALKALIES AND CHLORINE	920	.24	1	0	0	0	0	920
OHIO	CUYAHOGA	2841	SOAP AND OTHER DETERGENTS	387	.10	10	23	40	324	0	0
OHIO	CUYAHOGA	2892	EXPLOSIVES	70	.02	2	10	60	0	0	0
OHIO	CUYAHOGA	3011	TIRES AND INNER TUBES	36	.01	1	0	36	0	0	0
OHIO	CUYAHOGA	3131	BOOT AND SHOE CUT STOCK AND FINDINGS	3	.00	1	3	0	0	0	0
OHIO	CUYAHOGA	3172	PERSONAL LEATHER GOODS, NEC	10	.00	3	10	0	0	0	0
OHIO	CUYAHOGA	3211	FLAT GLASS	5	.00	2	5	0	0	0	0
OHIO	CUYAHOGA	3241	CEMENT, HYDRAULIC	113	.03	2	0	113	0	0	0
OHIO	CUYAHOGA	3253	CERAMIC WALL AND FLOOR TILE	7	.00	2	7	0	0	0	0
OHIO	CUYAHOGA	3261	VITREOUS PLUMBING FIXTURES	2	.00	1	2	0	0	0	0
OHIO	CUYAHOGA	3262	VITREOUS CHINA FOOD UTENSILS	340	.09	3	0	100	240	0	0
OHIO	CUYAHOGA	3264	PORCELAIN ELECTRICAL SUPPLIES	0	.00	1	0	0	0	0	0
OHIO	CUYAHOGA	3269	POTTERY PRODUCTS, NEC	5	.00	3	5	0	0	0	0
OHIO	CUYAHOGA	3292	ASBESTOS PRODUCTS	195	.05	5	5	190	0	0	0
OHIO	CUYAHOGA	3312	BLAST FURNACES AND STEEL MILLS	4401	1.14	14	24	170	427	3780	0
OHIO	CUYAHOGA	3315	STEEL WIRE AND RELATED PRODUCTS	90	.02	1	0	90	0	0	0
OHIO	CUYAHOGA	3339	PRIMARY NO. FERRIC METALS NEC	297	.08	4	7	180	110	0	0
OHIO	CUYAHOGA	3357	NONFERROUS WIRE DRAWING AND INSULATED	87	.02	2	1	86	0	0	0
OHIO	CUYAHOGA	3411	METAL CANS	326	.08	3	6	0	320	0	0
OHIO	CUYAHOGA	3443	FABRICATED PLATE WORK (BOILER SHOPS)	450	.12	16	12	438	0	0	0
OHIO	CUYAHOGA	3511	TURBINES AND TURBINE GENERATOR SETS	12	.00	2	12	0	0	0	0
OHIO	CUYAHOGA	3523	FARM MACHINERY AND EQUIPMENT	7	.00	2	7	0	0	0	0
OHIO	CUYAHOGA	3531	CONSTRUCTION MACHINERY	666	.17	11	16	250	400	0	0
OHIO	CUYAHOGA	3534	ELEVATORS AND MOVING STAIRWAYS	36	.01	4	5	31	0	0	0
OHIO	CUYAHOGA	3536	HOISTS, CRAINS, AND MONORAILS	327	.08	10	21	156	150	0	0
OHIO	CUYAHOGA	3537	INDUSTRIAL TRUCKS AND TRACTORS	2062	.53	13	11	249	904	898	0
OHIO	CUYAHOGA	3541	MACHINE TOOLS, METAL CUTTING TYPES	1725	.44	48	121	631	973	0	0
OHIO	CUYAHOGA	3545	MACHINE TOOL ACCESSORIES	2181	.56	36	82	429	570	1100	0
OHIO	CUYAHOGA	3553	WOODWORKING MACHINERY	45	.01	1	0	45	0	0	0
OHIO	CUYAHOGA	3554	PAPER INDUSTRIES MACHINERY	6	.00	2	6	0	0	0	0
OHIO	CUYAHOGA	3555	PRINTING AND TRADES MACHINERY	194	.05	13	30	164	0	0	0
OHIO	CUYAHOGA	3559	SPECIAL INDUSTRIAL MACHINERY, NEC	1683	.43	35	61	611	1011	0	0
OHIO	CUYAHOGA	3562	BALL AND ROLLER BEARINGS	97	.03	5	7	90	0	0	0
OHIO	CUYAHOGA	3564	BLOWERS AND FANS	522	.13	12	12	360	150	0	0
OHIO	CUYAHOGA	3566	SPEED CHANGERS, DRIVES AND GEARS	323	.08	12	16	177	130	0	0
OHIO	CUYAHOGA	3612	TRANSFORMERS	165	.04	11	8	157	0	0	0
OHIO	CUYAHOGA	3632	HOUSEHOLD REFRIGERATORS AND FREEZERS	1	.00	1	1	0	0	0	0
OHIO	CUYAHOGA	3661	TELEPHONE AND TELEGRAPH APPARATUS	97	.03	4	6	91	0	0	0
OHIO	CUYAHOGA	3721	AIRCRAFT	1	.00	1	1	0	0	0	0
OHIO	CUYAHOGA	3861	PHOTOGRAPHIC EQUIPMENT AND SUPPLIES	1468	.38	14	38	55	175	1200	0
OHIO	CUYAHOGA	3873	WATCHES, CLOCKS, AND WATCHCASES	5	.00	1	5	0	0	0	0
OHIO	CUYAHOGA	3931	MUSICAL INSTRUMENTS	104	.03	12	42	62	0	0	0
OHIO	CUYAHOGA	3944	GAMES, TOYS, AND CHILDREN'S VEHICLES	37	.01	8	12	25	0	0	0
OHIO	CUYAHOGA	3942	DOLLS	30	.01	1	0	30	0	0	0
OHIO	CUYAHOGA	3951	PENS AND MECHANICAL PENCILS	48	.01	2	0	48	0	0	0
OHIO	CUYAHOGA	3952	LEAD PENCILS AND ART GOODS	7	.00	2	7	0	0	0	0
OHIO	CUYAHOGA	3953	MARKING DEVICES	70	.02	8	26	44	0	0	0
OHIO	CUYAHOGA	3961	COSTUME JEWELRY	63	.02	7	22	41	0	0	0

INTERIM IMPORT MONITORING SYSTEM DISTRIBUTION OF AFFECTED INDUSTRIES

STATE	COUNTY	SIC CODE	INDUSTRY	# OF OF COUNTY EMPL	% OF EMPL	# OF FIRMS	DIST. OF EMPL. BY FIRM SIZE			
							1-10	11-100	101-500	500 & UP
TEXAS	LEON	3312	BLAST FURNACES AND STEEL MILLS	520	64.68	2	0	0	520	0
TEXAS	MORRIS	3312	BLAST FURNACES AND STEEL MILLS	1340	43.85	1	0	0	0	1340
W. VA	HANCOCK	3312	BLAST FURNACES AND STEEL MILLS	2150	21.27	2	0	25	0	2125
MO	JEFFERSON	3312	BLAST FURNACES AND STEEL MILLS	2	.03	1	2	0	0	0
OKLA	HASKELL	3312	BLAST FURNACES AND STEEL MILLS	65	11.97	1	0	65	0	0
ARK	MILLER	3312	BLAST FURNACES AND STEEL MILLS	37	.68	2	0	37	0	0
ALA	ETOWAH	3312	BLAST FURNACES AND STEEL MILLS	1353	9.73	2	3	0	0	1350
W. VA	FAYETTE	3312	BLAST FURNACES AND STEEL MILLS	1150	26.11	1	0	0	0	1150
W. VA	BROOKE	3312	BLAST FURNACES AND STEEL MILLS	1100	25.94	1	0	0	0	1100
IOWA	POWESHIEK	3312	BLAST FURNACES AND STEEL MILLS	15	.50	1	0	15	0	0
TENN	HARDIN	3312	BLAST FURNACES AND STEEL MILLS	50	2.06	1	0	50	0	0
KY	HOPKINS	3312	BLAST FURNACES AND STEEL MILLS	35	.38	1	0	35	0	0
TEXAS	ELLIS	3312	BLAST FURNACES AND STEEL MILLS	370	4.43	1	0	0	370	0
PA	MERCER	3312	BLAST FURNACES AND STEEL MILLS	2140	8.28	4	0	60	650	1430
PA	ARMSTRONG	3312	BLAST FURNACES AND STEEL MILLS	1230	10.27	1	0	0	0	1230
PA	BEAVER	3312	BLAST FURNACES AND STEEL MILLS	5030	13.75	5	0	35	235	4760
WISC	ROCK	3312	BLAST FURNACES AND STEEL MILLS	37	.14	1	0	37	0	0
ARK	JACKSON	3312	BLAST FURNACES AND STEEL MILLS	200	7.62	1	0	0	200	0
KY	CAMPBELL	3312	BLAST FURNACES AND STEEL MILLS	1140	12.95	1	0	0	0	1140
KAN	THOMAS	3312	BLAST FURNACES AND STEEL MILLS	4	.49	1	4	0	0	0
IND	POPTER	3312	BLAST FURNACES AND STEEL MILLS	2800	16.55	2	0	0	0	2800
PA	NORTHUMBERLAND	3312	BLAST FURNACES AND STEEL MILLS	100	.45	1	0	100	0	0
S.C.	GEORGETOWN	3312	BLAST FURNACES AND STEEL MILLS	8	13.39	1	0	0	0	800
CALIF	NAPA	3312	BLAST FURNACES AND STEEL MILLS	1	8.19	1	0	0	0	1130
ILL	WHITESIDE	3312	BLAST FURNACES AND STEEL MILLS	1	16.03	2	0	0	450	1380
ALA	SHELBY	3312	BLAST FURNACES AND STEEL MILLS	4	5.43	3	1	58	425	0
PA	NORTHAMPTON	3312	BLAST FURNACES AND STEEL MILLS	1200	2.10	1	0	0	0	1200
KY	BO'D	3312	BLAST FURNACES AND STEEL MILLS	1890	14.33	2	0	0	450	1440
OHIO	MUSKINGUM	3312	BLAST FURNACES AND STEEL MILLS	680	4.19	1	0	0	0	680
KAN	MIAMI	3312	BLAST FURNACES AND STEEL MILLS	280	8.86	1	0	0	280	0
CALIF	STANISLAUS	3312	BLAST FURNACES AND STEEL MILLS	50	.14	1	0	50	0	0
W. VA	CABELL	3312	BLAST FURNACES AND STEEL MILLS	1166	3.36	2	0	66	0	1100
IND	LA PORTE	3312	BLAST FURNACES AND STEEL MILLS	8953	9.04	12	3	170	300	8480
PA	CRAWFORD	3312	BLAST FURNACES AND STEEL MILLS	613	3.83	1	0	0	0	613
GA	FLOYD	3312	BLAST FURNACES AND STEEL MILLS	10	.06	1	10	0	0	0
COLO	OTERO	3312	BLAST FURNACES AND STEEL MILLS	63	2.13	1	0	63	0	0
N.C.	EDGECOMBE	3312	BLAST FURNACES AND STEEL MILLS	1	.00	1	1	0	0	0
IND	JACKSON	3312	BLAST FURNACES AND STEEL MILLS	33	.57	1	0	33	0	0
PA	BUTLER	3312	BLAST FURNACES AND STEEL MILLS	1310	5.80	1	0	0	0	1310
IND	JAY	3312	BLAST FURNACES AND STEEL MILLS	550	10.79	1	0	0	0	550
PA	WARREN	3312	BLAST FURNACES AND STEEL MILLS	1106	9.33	1	0	0	0	1108
OHIO	SCIOTO	3312	BLAST FURNACES AND STEEL MILLS	1100	10.67	1	0	0	0	1100
PA	WASHINGTON	3312	BLAST FURNACES AND STEEL MILLS	3185	7.96	6	0	49	776	2360
PA	WESTMORELAND	3312	BLAST FURNACES AND STEEL MILLS	5464	7.61	13	4	20	1200	4240
CHIO	MAHONING	3312	BLAST FURNACES AND STEEL MILLS	4884	7.48	7	2	142	0	4740
MASS	ESSEX	3312	BLAST FURNACES AND STEEL MILLS	6	.00	1	6	0	0	0
NEB	OTOE	3312	BLAST FURNACES AND STEEL MILLS	12	.71	1	0	12	0	0
PA	LEBANON	3312	BLAST FURNACES AND STEEL MILLS	26	.11	1	0	26	0	0



**UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Administration
Washington, D C 20230**

21 MAR 1979

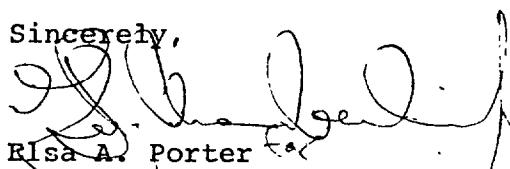
Mr. Henry Eschwege
Director, Community and Economic
Development Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in reply to your letter of January 8, 1979, requesting comments on the draft report entitled "More Can Be Done To Identify and Assist Communities Adversely Impacted By Imports."

We have reviewed the enclosed comments of the Assistant Secretary for Economic Development and believe they are responsive to the matters discussed in the report.

Sincerely,


Rita A. Porter
Assistant Secretary
for Administration

Enclosure



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Development
 Washington, D.C. 20230

MAR 2 1979

Mr. Henry Eschwege
 Director, Community and
 Economic Development Division
 General Accounting Office
 Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your January 8 letter to Secretary Kreps regarding the General Accounting Office's draft report to Congress, "More Can Be Done to Identify and Assist Communities Adversely Impacted by Imports." This is a well-balanced review and description of the existing trade adjustment assistance program for communities.

The Economic Development Administration (EDA) has the following comments on the conclusions and recommendations of the subject draft report.

CONCLUSIONS

EDA agrees with the general conclusion that more can be done to identify and assist communities adversely affected by imports. However, EDA does not believe it is either advisable or necessary to single out these communities for special attention, particularly in a time of budget stringency, and particularly because there are programs and information available to help such communities under other auspices.

Specifically, the report should note that the Federal government presently has in place a great many programs for assisting communities which are suffering from economic problems. As of February 12, 1979, there were 1,988 counties (out of a total of 3,141 counties in the United States) and 524 cities of over 25,000 (out of a total of 1,060 cities of over 25,000) which were eligible for community assistance under the Public Works and Economic Development Act of 1965, as amended. Each of these counties and cities is eligible, by virtue of its designation under the Public Works and Economic Development Act of 1965, for all assistance authorized for communities certified under the Trade Act of 1974. In addition, communities which suffer from either a sudden and severe rise in unemployment or long term economic deterioration are eligible for additional assistance under Title IX of the Public Works and Economic Development Act of 1965, as amended.

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In addition, communities are eligible for economic development assistance under the Urban Development Action Grant program of the Department of Housing and Urban Development, the Business and Industry Loan Program of the Farmers Home Administration in the Department of Agriculture, and certain features of the Small Business Act pertaining to community development corporations.

The total amount budgeted for all these programs in the 1980 Budget is over \$1.4 billion. It is difficult to understand how a community adversely affected by imports would have difficulty receiving substantial Federal assistance for economic development.

The fault is not in EDA's administration of the community assistance provisions of the Trade Act, but rather in the difficulties inherent in community economic development. The ultimate determinant of a community's ability to recover from an economic misfortune almost always turns upon the ability of the community itself. There must be leadership in the community which can pull the various elements of the community together behind a practical strategy. There must be cooperation from various elements in the community which are often at odds with each other. And there must be a willingness to work hard and persistently at the important task of economic development.

It is interesting to note that every example of a trade impacted community cited in the Report was also eligible for assistance under the Public Works and Economic Development Act. And many of these communities had received assistance under the Act. Thus, these communities were eligible for and had received benefits to which they were entitled under the Trade Act. The fact that those benefits were provided under the Public Works and Economic Development Act should not be ignored in appraising the Department's performance.

In fact, the Department should be credited with going beyond the strict letter of the law to assist trade-impacted communities in order to make sure that they benefit from PWEDA programs. A literal reading of the law and legislative history might lead one to conclude that the trade-impacted communities ought to be certified only under the Trade Act (since Congress specifically provided for such communities in that legislation) and not under PWEDA. If the Department had adopted that strict view, trade-impacted communities would be denied the benefits of PWEDA's Title IX in part because of the certification requirements contained in the Trade Act. Acting in

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what it considered to be Congressional intent, the Department included trade-impacted communities under Title IX, an action which the Report commends. In fact, the one example cited of a community which was helped to recover from import impact by the Department was accomplished under the authority of Title IX.

RECOMMENDATION TO THE CONGRESS

To provide more effective assistance to communities the economies of which have been adversely affected by imports, we recommend that the Congress amend the certification and benefit delivery provision of Title II, Chapter 4 of the Trade Act of 1974 by specifying that adjustment assistance be provided through provisions of Title IX of the Public Works and Economic Development Act of 1965. This assistance should be based on the relative needs of communities and their ability to adjust to specific trade dislocation problems. If the Congress desires, we will assist in drafting specific amendments to the legislation.

E^DA agrees with this recommendation.

RECOMMENDATIONS FOR THE SECRETARY OF COMMERCE

The report finds fault with EDA for not establishing a systematic method to identify and assist communities adversely affected by imports. Accordingly, the report proposes a series of 8 specific recommendations aimed initially at identifying communities adversely impacted by imports and ultimately at providing benefits to those having the greatest need and ability to adjust to the trade problem.

EDA agrees in principle with GAO's recommendations. Having a more structured approach than the administration has had in the past would certainly provide greater insight into the extent to which imports have contributed to economic dislocation problems in U. S. communities. In recognition of the importance of getting some additional information to measure the severity of trade impact in communities, EDA requires as of November 1978, additional data on Form ED-535, the Title IX SSED profile. EDA is also producing a monthly printout from the Department of Labor trade adjustment assistance calendar to identify layoffs in communities that make these communities eligible under our threshold criteria for Title IX SSED (Sudden and Severe Economic Dislocation).

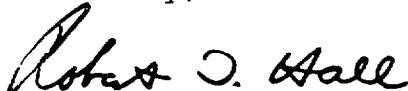
- 4 -

However, considering budgetary constraints, the many programs already available to help communities adjust to economic problems, and the failure of GAO to show where Title IX assistance has been denied to trade-impacted communities which sought it, EDA does not consider it necessary or advisable to adopt as extensive an approach as advocated by GAO. It is important to recognize that import related dislocations be considered in context with many other economic problems confronting U. S. communities for which EDA is also mandated to respond. It has been EDA's position to direct its limited resources to those communities having the greatest economic need regardless of whether that need resulted from imports, defense realignments, or compliance with environmental standards.

While the GAO report suggests assigning one or two staff members to identify communities whose economies have been adversely affected by imports, the report does not provide insight into the budgetary implications of providing assistance to those communities which such an assessment may disclose as needing special adjustment assistance. It would not seem advisable to attempt to single out communities with import related economic problems, raise expectations, and then be unable to deliver assistance because of necessary budget priorities and limitations.

In conclusion EDA agrees with the desirability for legislative changes directing that community adjustment assistance be provided under the provision of Title IX consistent with actions initiated by EDA. Elimination of the cumbersome certification procedures is a positive suggestion made by GAO and one which EDA endorses.

Sincerely,



Robert T. Hall
Assistant Secretary
for Economic Development

(06904)

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