

INTRODUCTION

Facts for Consideration

The fashion apparel industry is Dade County's largest single industrial employer. It is exactly the type of clean, smokeless industry that this area has always sought. With this in mind, consider the following FACTS:

Dade County's and the City of Miami's administration of inventory taxes, is not in accord with Florida State Law, and these taxes are imposed in a manner which directly penalizes our local fashion industry.

At a time when expansion of the Greater Miami fashion industry was being hampered by a shortage of trained personnel, the Dade County vocational school program was training Cuban refugees in apparel work so they could be sent to work in NORTHERN fashion industries.

Fashion apparel made in Greater Miami is finding increasing acceptance in major national markets -- yet many major Dade department store buyers appear reluctant to purchase and feature locally produced fashions.

Under current administration of the City of Miami's occupational tax, a fashion manufacturer employing 30 persons pays the same "head tax" as one employing 150.

Fashions are among the most widely publicized products in the nation -- yet publicity on Miami's fashion production being afforded by the Miami Metro News Bureau can at best be described as "relatively insignificant."

The Apparel Industry and Greater Miami's Industrial Future

At a time when thoughtful citizens, businessmen, and county and municipal officials all appear united in their efforts to attract, hold, and encourage desirable light industry within this area, it is especially disturbing to note the lack of recognition which is currently being afforded to our apparel industry. Its current significance, the economic factors responsible for its geographic concentration in this area, and its current and future needs, appears somehow to have escaped recognition in their true proportions.

In an effort to encourage industrialization in South Florida, attention is all too often directed to attracting new, unproven industry. As a result, we tend to ignore that which already exists. We fail to recognize and encourage the most desirable industries of all -- those which are currently contributing to our local economy. These are the industries which are deserving of our greatest attention, for they have proven both their ability to succeed and their future growth potential.

The apparel industry in Miami is currently our most significant single manufacturing activity. More workers are currently employed in the production of apparel and related items in Metropolitan Miami than in any other single manufacturing industry.

Apparel manufacturing in this area has caused Florida to gain national recognition as a growing apparel resource. Between 1947 and 1963, this state increased its apparel output by over 430%, while apparel production for the entire nation only increased by about 18%. Apparel manufacturing is one of our state's fastest growing industries. Over 60 per cent of all Florida manufacturing of apparel and related items occurs in Metropolitan Miami.

The heart of apparel production is women's fashion apparel -- it is in this major segment of the apparel industry that the Miami location has clearly demonstrated its outstanding potential for state and national leadership. Florida's women's apparel production has increased over ten fold since 1947. Two thirds of this production occurs in Dade County. Dade and Broward counties account for roughly 80% of women's fashion apparel production in this state. Almost five thousand persons are employed in this manufacturing in the City of Miami alone. The value of women's apparel production may well exceed 70 million dollars within the next two years; most of that output should occur in the Miami area.

In terms of our need for smokeless light industry, the fashion industry is ideally and uniquely suited to our area. A more ideal industry to be associated with tourism would be difficult to imagine. These two industries are not only compatible, they are virtually interdependent. Miami's reputation as a resort area is tremendously enhanced by its growing reputation as a major fashion-producing area in America.

It is disturbing to note that the reputation and

recognition of our fashion industry throughout the nation is not matched by local recognition of its present significance and future potential. Current employment in apparel manufacturing in this area is in its infancy in terms of that future potential. Our growing national recognition as the second most important source of resort fashions in America is a clear indication of the opportunities which are available for increased apparel output in South Florida.

It would seem that the time has come for a concerted effort to finally encourage, rather than discourage the development of this light industry.

Antiquated and shortsighted taxation practices, which are currently checking the growth of the industry in the Greater Miami area, must be revised. The test of industrial taxation should be the question, "Does this tax procedure encourage and hold local industry?" The current shifting of industry to Hialeah to avoid discriminatory taxation is obviously not in the best interests of the City of Miami.

Future shortages of trained labor, at a time when we seek to encourage employment within Greater Miami, is a threat to the growth of our apparel industry.

Failure to incorporate more fashion advertising and promotion into our appeal for tourism, is no longer excusable, and in effect is denying the mutual benefits which fashion recognition offers to our reputation as a resort area.

It is my hope that this report will contribute in some small measure to definite action on the recommendations which I have noted. With the cooperation of municipal, county, and state government, I believe that Florida's apparel industry may one day surpass the California industry, making Florida the most important resort fashion production area in the United States.

PART I

GROWTH, DEVELOPMENT, AND CURRENT STATUS OF
THE APPAREL INDUSTRY IN FLORIDA AND THE GREATER MIAMI AREA

The apparel manufacturing industry in Florida has enjoyed remarkable growth over the period of the last twenty years. When viewed in its entirety, apparel production is generally considered to include apparel of all types (including men's, women's, and children's garments) as well as other finished products made from fabrics and similar materials. This major group of activities is known as Standard Industrial Classification 23, and as such is designated by the U.S. Bureau of the Census as follows:

"This major group, known as the cutting-up and needle trades, includes establishments producing clothing and fabricated products by cutting and sewing purchased woven or knit textile fabrics and related materials such as leather, rubberized fabrics, plastics and furs."

The following ten Exhibits present detailed information on the "needle trade" in Florida, its growth and development, as well as its major segment, the women's apparel industry. The growth of this fashion industry, and its geographic concentration within South Florida, are of critical significance in our efforts to foster industrialization which is highly compatible with tourism.

EXHIBIT I

Exhibit I presents general statistics for all apparel and related items manufactured in Florida with comparative United States data for the years 1963, 1958, 1954, and 1947. The number of these manufacturing establishments in Florida increased almost four fold since 1947, and larger firms, employing over twenty persons, increased over five fold. Total employment was up over five times, and total payroll exceeded \$32 million by 1963. Value added by manufacture exceeded \$56 million in 1963. It should be noted this development within the Florida industry exceeded by far the relatively modest gains which typified the total national apparel industry.

Exhibit I

Establishments Manufacturing Apparel and Related Items^a in Florida:
General Statistics with Comparative United States Data in 1963, 1958, 1954 and 1947

Year	Number of Establish.		All Employees		Production Workers			Value Added by Mfr. (\$1000)	New Capital Expenditures (\$1000)	Number of Employees for the U.S. & Comparative Indices		
	Total	20 or more empl.	Number	Pay-roll (\$1000)	Number	Man-hours	Wages (\$1000)			No. of Empl. in U.S.	Index of Empl. Change 1947 = 100	
1963	403	152	10,734	32,411	9559	17,620	26,162	56,068	1,191	1,275,567	531.9	117.9
1958	330	98	6,649	18,378	5735	10,368	14,108	29,249	848	1,180,517	329.4	110.0
1954	269	80	5,847	12,942	5,291	9,604	10,407	19,869	595	1,190,064	289.7	109.1
1947	117	27	2,018	3,598	1,844	3,611	2,854	5,913	288	1,081,844	100.00	100.0

Source: U. S., Bureau of the Census, U. S. Census of Manufactures: 1963, Florida Area Report, MC63(P)-S10, 6
 U. S., Bureau of the Census, U. S. Census of Manufactures: 1958, III, 6, 9-8.
 U. S., Bureau of the Census, U. S. Census of Manufactures: 1954, III, 4, 109-6.
 U. S., Bureau of the Census, U. S. Census of Manufactures: 1947, III, 22, 144.

^a Standard Industrial Classification 23.

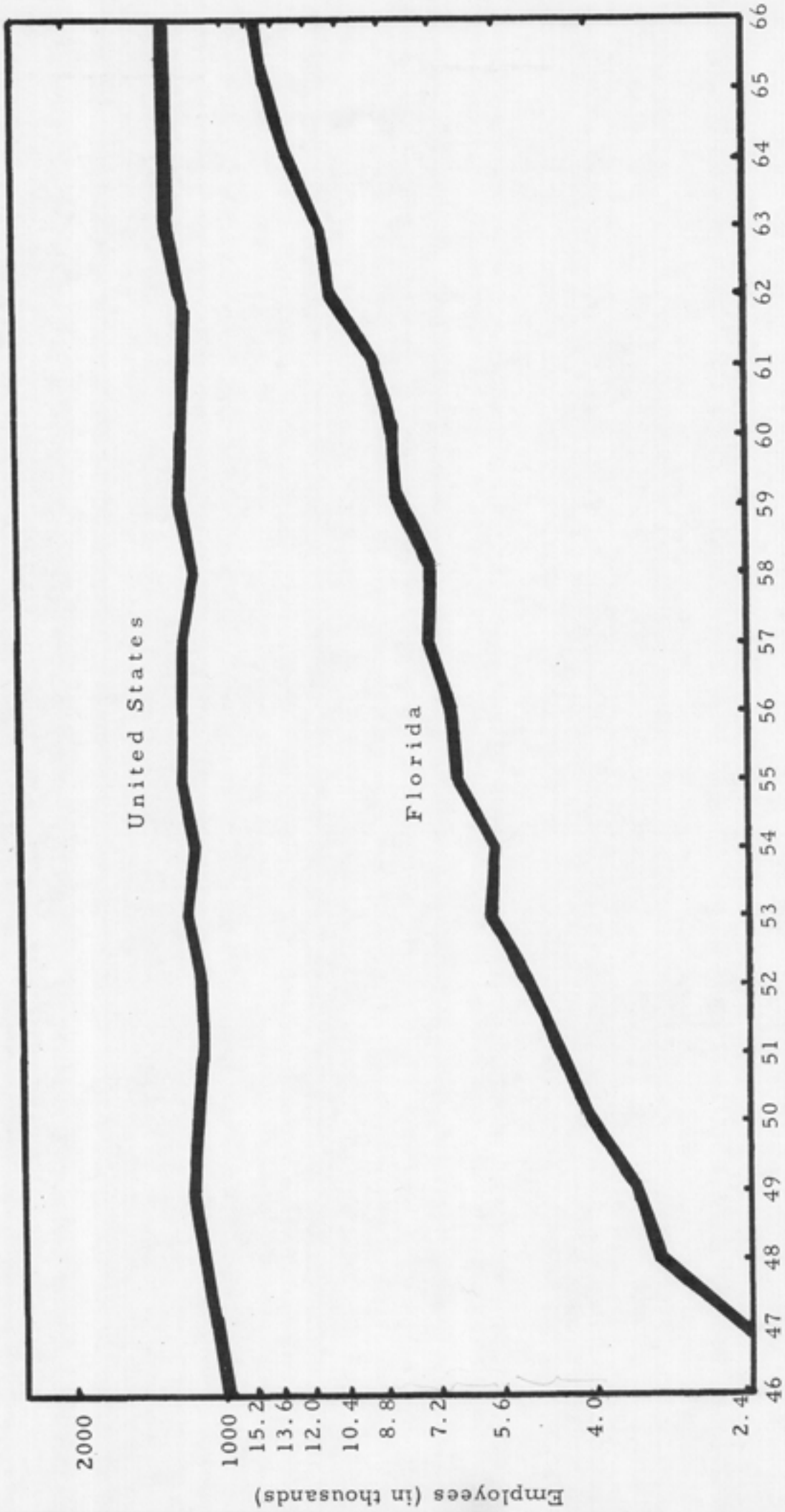
EXHIBIT II

The rate of growth of Standard Industrial Classification 23 in Florida, contrasted with the national rate of growth of this industry will be found in Exhibit II. This exhibit utilizes a logarithmic scale on the O-Y axis, and a constant arithmetic scale on the O-X axis. Thus, employment growth rate is logarithmically reproduced on the vertical scale by employment totals for Florida and the nation as a whole, and is plotted horizontally for the twenty year period 1946-1966.

This semi-logarithmic chart clearly indicates the relative absence of growth rate in the nation as a whole, as well as the considerable and constant growth of this industry in Florida. It may be presumed that this evidence reflects the diminution of the New York industry, which has lost many apparel manufacturers who have preferred to relocate in Florida. The constancy of Florida's rate of growth over this extended period of time in and of itself strongly suggests a continuation of this trend. Part II of this report presents economic factors which relate to this growth trend.

Exhibit II

Employment Growth Rate, All Apparel Manufacturing^a Employees
in United States with Comparable Florida Employment
1946-1966



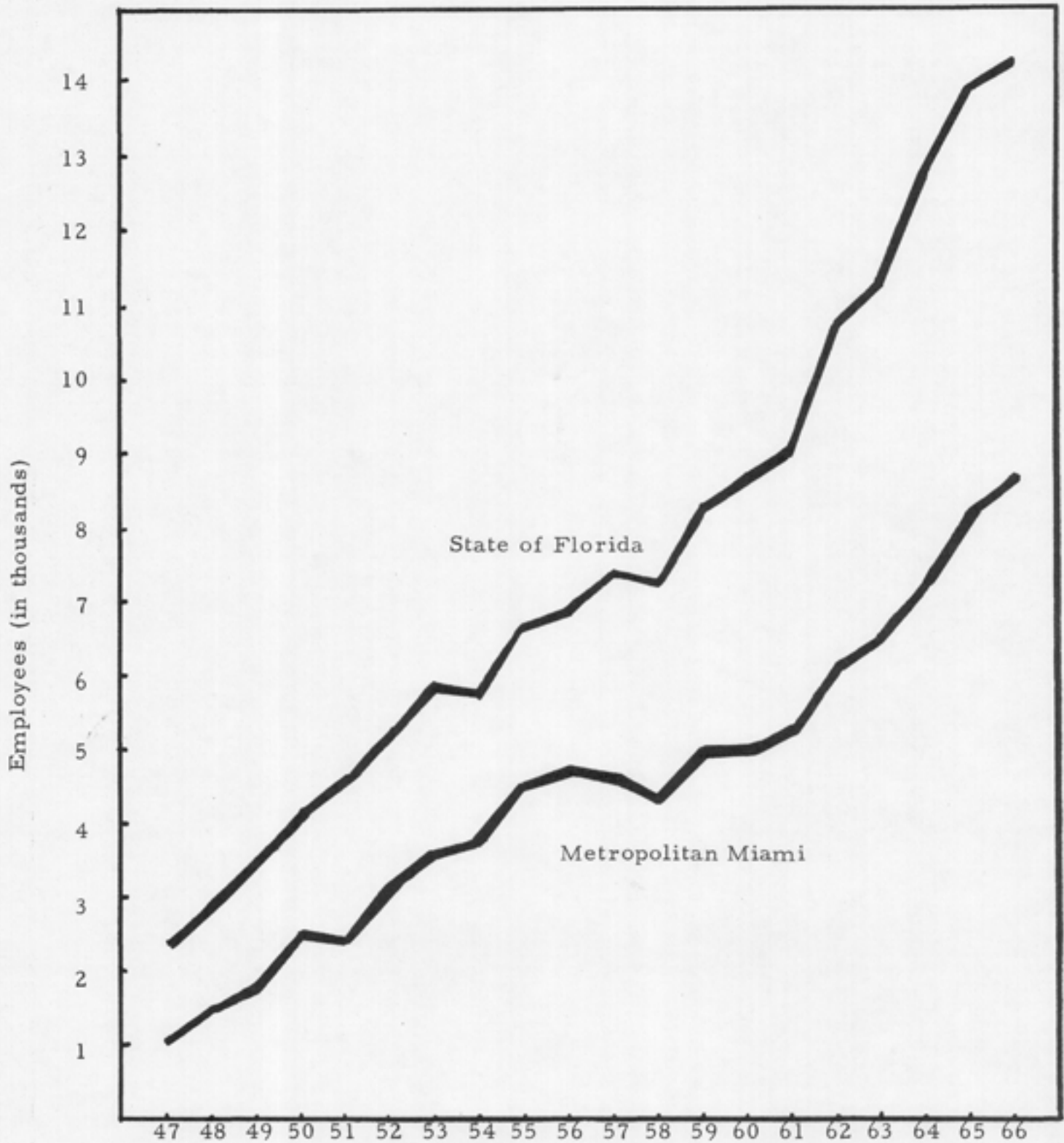
Source: U. S., United States Department of Labor, Bureau of Labor Statistics and U. S. Census Data.

^aStandard Industrial Classification 23.

EXHIBIT III

Exhibit III presents total apparel manufacturing employment in Florida and in the Metropolitan Miami area, plotted to arithmetic scale for the years 1947 through 1966. Relatively consistent and considerable industrial growth is readily apparent, in both the total state apparel employment and within the geographically concentrated Metropolitan Miami area. In 1966, total employment exceeded 14,000 persons, of which 8,700 were employed within Metropolitan Miami.

Exhibit III
 All Apparel Manufacturing^a Employment
 Florida and Metropolitan Miami
 1947-1966



Source: United States Department of Labor, Bureau of Labor Statistics,
Employment and Earnings Statistics for States and Areas: 1939-64,
 134, 145.

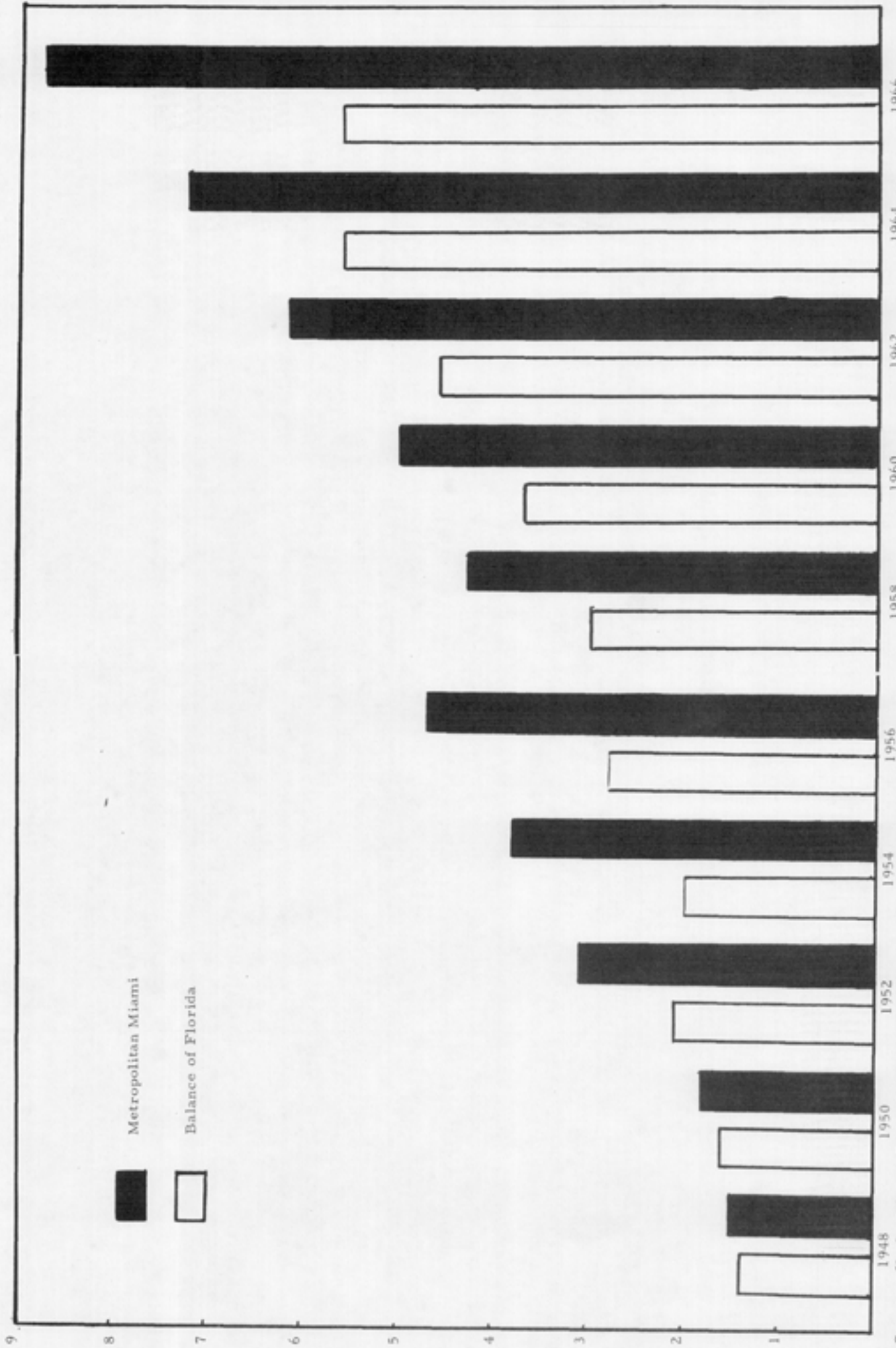
^aStandard Industrial Classification 23.

EXHIBIT IV

The high degree of geographic concentration in Miami is even more readily apparent from Exhibit IV. This exhibit presents apparel employment in comparative bar form at 3 year intervals from 1948 through 1966, for Metropolitan Miami and for the balance of apparel workers in Florida. Total apparel and related manufacturing activities offer a broad indication of growth of what might be considered as a "fashion industry." It must be remembered that this broad classification includes far more activities than are generally considered significant in terms of establishing a market resource for "fashions" per se.

In terms of the development of Florida as an emerging fashion resource, it seems more reasonable to focus attention upon that segment of the total needle trade which is of paramount fashion significance. In this context, women's, and children's outerwear (Standard Industrial Classification 233 and 236) provide a more pertinent indication of production relative to fashion-market development.

Exhibit IV
 All Apparel Manufacturing^a Employment in Metropolitan Miami
 with Comparable Employment in the Balance of Florida
 1948-1966 (two year intervals)



Source: U. S., United States Department of Labor, Bureau of Labor Statistics, Employment and Earnings Statistics for States and Areas: 1939-64, 134, 145.
^aStandard Industrial Classification 23
 Note: 1966 Data is Author's estimate based on first four months of 1966; B.L.'s data.

EXHIBIT V

Exhibit V presents general statistics for women's apparel manufacturing (S.I.C. 233 and 236) in Florida and comparative United States data for the years 1963, 1958, 1954, and 1947. The information on this table can be used to appraise the development of the hard core of the apparel industry in terms of fashion significance in the United States. In this exhibit it can be noted that women's apparel producing firms in Florida increased about four fold since 1947, and the larger firms employing over twenty persons increased almost ten fold. Total employment increased almost ten times, and total payroll increased by fifteen times, to a total of over \$19 million in 1963. In the five year period from 1958 through 1963, the number of employees, total payroll increased by fifteen times, to a total of over \$19 million in 1963. In the five year period from 1958 through 1963, the number of employees, total payroll, production workers, man-hours worked, wages paid, and value added by manufacture, all approximately doubled. The substantial growth of women's apparel production, the heart of Florida's fashion industry, exceeded by far the relatively modest gains which typified the industry nationally.

Exhibit V

Women's Apparel¹ Manufacturing in Florida:
General Statistics with Comparative United States Data
in 1963, 1958, 1954 and 1947

Year	Number of Establish.		All Employees		Production Workers			Value Added by Mfr. (\$1000)	New Capital Expenditures (\$1000)	Number of Employees for the U. S. & Comparative Indices	Index of Empl. Change 1947 = 100	
	Total	20 or more empl.	Num-ber	Pay-roll (\$1000)	Num-ber	Man-hours	Wages (\$1000)					No. of Empl. in U. S.
1963	174	99	6,378	19,237	5659	10,413	15,538	33,659	NA ²	600,681	978.2	131.7
1958	142	56	3,277	9,790	2769	4,977	7,276	15,936	377	552,153	502.6	121.1
1954	116	46	3,025	7,296	2916	4,857	5,818	11,249	243	553,668	423.8	121.4
1947	46	10	652	1,261	595	NA ³	1,043	2,048	141	455,955	100.0	100.0

Source: U. S., Bureau of the Census, U. S. Census of Manufactures: 1963, Florida Area Report, MC63(P)-S10;
U. S. Census of Manufactures: 1958, Florida Area Report, MC58(3)-9; U. S. Census of Manufactures: 1954,
III, 109-7; U. S. Census of Manufactures: 1947, III, 145.

¹The women's apparel manufacturing industry total corresponds to Standard Industrial Classification 233 & 236

²Data not available, but less than \$1 million.

³Data not available.

EXHIBIT VI

The fashion industry has long been characterized by the tendency toward a high degree of geographic centralization. In fact, the higher the fashion content of the apparel being produced, the greater will be the degree of geographic concentration that can be expected to be found.

Exhibit VI presents evidence that in Florida, women's apparel manufacturing has long been concentrated in the two neighboring counties of Dade and Broward. This exhibit traces the growth and development of these counties as the centralized area of fashion production employment in Florida, and provides a comparison of this development with such employment found in the balance of the state. These data are presented for two year intervals, 1958 through 1966.

Exhibit VI

Women's Apparel Manufacturing^a in Florida;
 Florida's Number of Establishments and Employees,
 Dade and Broward Counties, and Balance of State
 1966, 1964, 1962, 1960, 1958

County	1966		1964		1962		1960		1958	
	Empl	Estab	Empl	Estab	Empl	Estab	Empl	Estab	Empl	Estab
Dade	5,972	205	5,515	157	4,324	155	3,423	133	3,125	121
Broward	1,137	12	810	11	476	6	243	6	103	4
Total	7,109	217	6,325	168	4,800	161	3,666	139	3,228	125
Balance of Florida	2,290	41	2,036	37	2,131	38	1,354	35	1,067	25
State Total	9,399	258	8,361	205	6,931	199	5,020	174	4,295	150

Source: Florida State Chamber of Commerce, Directory of Florida Industries, 1956-57 Edition; 1958 Supplement; 1959-60 Edition; 1961 Edition; 1962 Supplement; 1963 Edition, 1964 Supplement; 1965 Edition; 1966 Supplement, (Jacksonville: Florida State Chamber of Commerce), Tabulations and minor corrections by the Author.

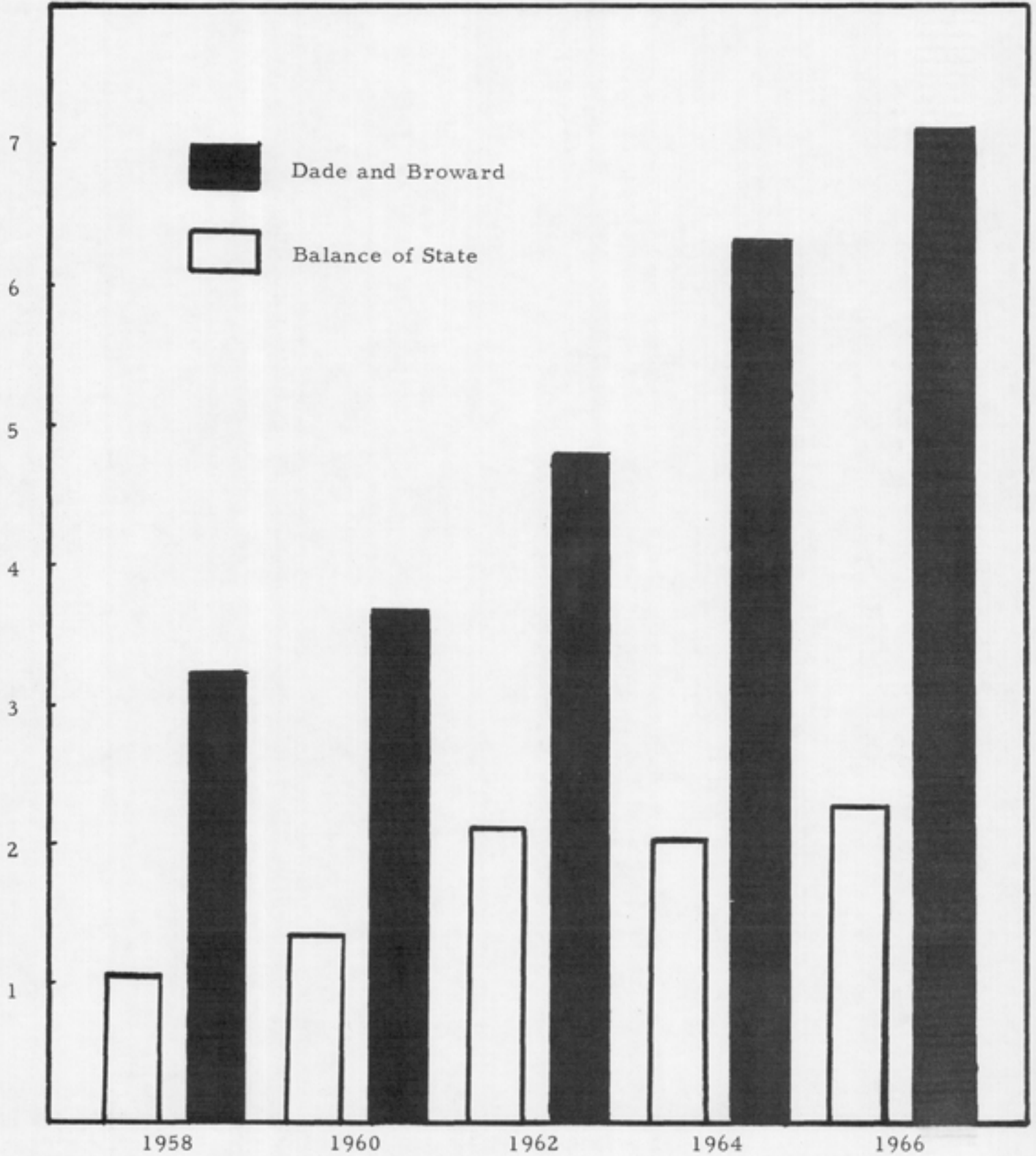
^aStandard Industrial Classification 233, 234, 236, and Other Women's Apparel.

EXHIBIT VII

This degree of progressive fashion concentration is even more clearly evidenced in Exhibit VII, which relates employment in these counties in bar form to such employment found in the balance of Florida for the same two year periods, 1958 through 1966. Fashion production in the balance of Florida has remained remarkably constant in 1962, 1964, and 1966 at a total employment of approximately 2,000 persons. Dade and Broward employment continued to show a consistent increase, from 4,800 in 1962 to over 7,000 employees by 1966.

Exhibit VII

Women's Apparel Manufacturing Employment^a
 in Florida: Dade and Broward Counties Compared
 to Balance of State - 1958-1966 (two year intervals)



Source: Florida State Chamber of Commerce, Directory of Florida Industries, Editions and Supplements 1956-1966, tabulations and minor corrections by the author.

^aStandard Industrial Classification 233, 234, 236 and other Women's Apparel.

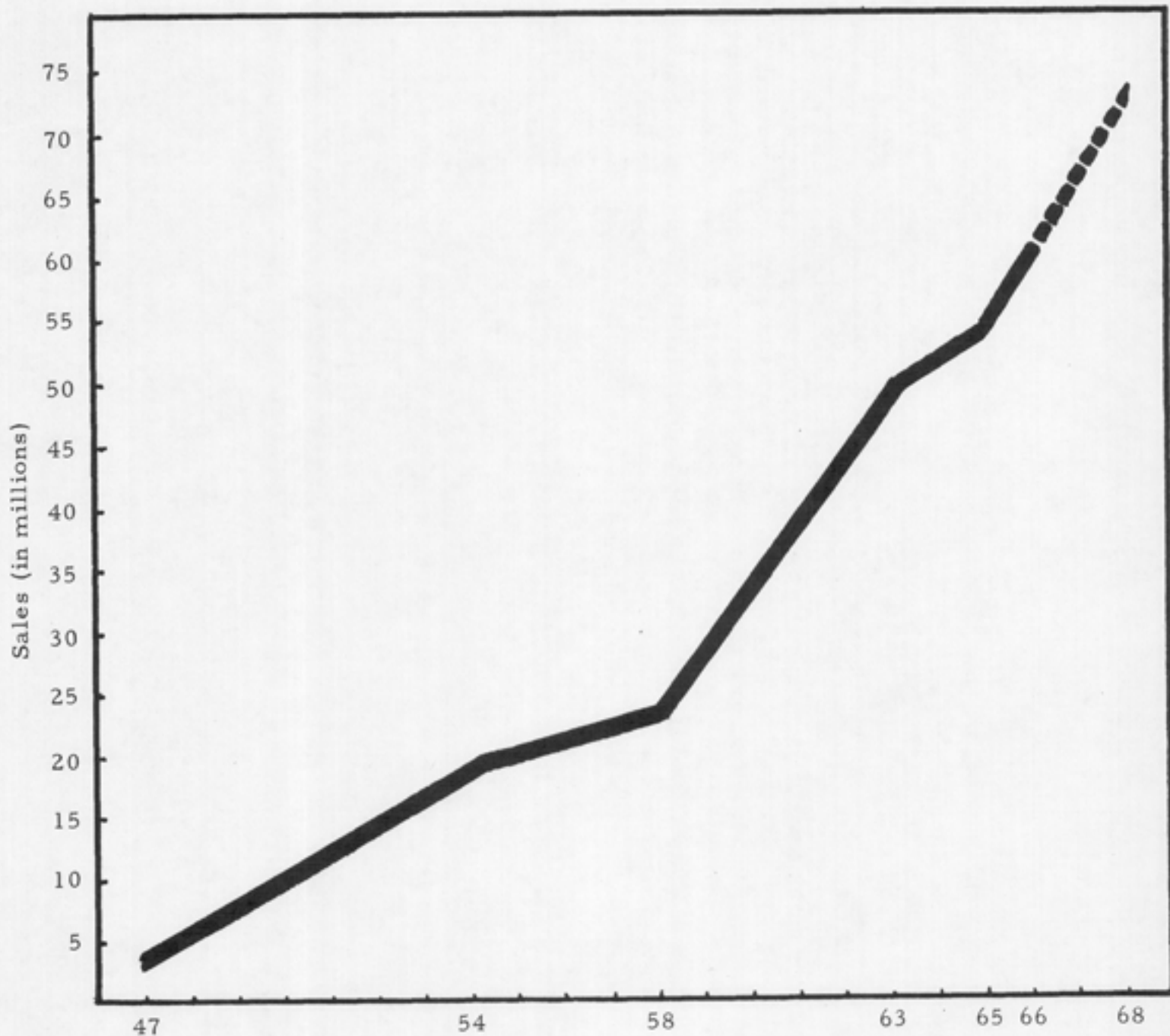
EXHIBIT VIII

Florida's genuine and substantial economic locational advantages which contribute to successful production and marketing of fashion apparel can be substantiated by both increased production and increased volume of wholesale apparel sales.

Exhibit VIII presents approximate sales figures for the women's apparel industry in Florida for the years 1947 through projected estimates of sales by 1968. From this arithmetic line chart, the constant increase in sales can be readily noted. In 1947, the wholesale sales of women's apparel produced in Florida were only slightly higher than \$3 million. By 1965, they had reached \$54 million. The author conservatively estimates that they will exceed \$72 million by 1968. The sales figures and projections were compiled by the author through the application of pricing formulae currently in use within the industry, to census data; and for non-census years through the application of employment/sales relationships.

Exhibit VIII

Wholesale Sales for Manufacturers of Women's Apparel^a
in the State of Florida, Selected Years 1947-1968



Source: Author's estimates based upon employee, wage, and sales relationships for the years indicated to 1965, and projections thereof.

^aStandard Industrial Classifications 233, 254, 236, and other women's apparel.

EXHIBIT IX

Apparel manufacturing in Metropolitan Miami had become our largest single industrial employer in 1962. In that year its employment surpassed the fabricating of metal products (largely the aluminum window industry) and has since continued in first place. Employment in the apparel industry here is currently slightly under 9,000 persons. The true potential significance of the industry is not reflected by the levels of current employment, however, as this is an infant industry in Metropolitan Miami. The growth trend, and the economic factors which are contributing to its development, indicate that this industry has the greatest potential of any manufacturing activity in our area.

EXHIBIT IX

Employment by Major Manufacturing Industries
Metropolitan Miami 1964

<u>S.I.C. No.</u>	<u>Industry</u>	<u>Employment</u>
23	Apparel and Related Items	7,200
34	Fabricated Metal Products	6,300
37	Transportation Equipment	5,900
27	Printing, Publishing, and Allied Products	4,800
25	Furniture and Fixture Manufacturing	3,300
35,36	Machinery, Including Electrical	3,100
32	Stone, clay, and Glass	2,600
24	Lumber	900

Source: U. S. Department of Labor, Bureau
of Labor Statistics, Employment and Earnings
Statistics for States and Areas: 1939-64.

EXHIBIT X

Dade County is the major county in Florida for the production of women's fashion apparel. The City of Miami itself dominates as the major production location within the county. It should be noted, however, that an important shift in manufacturing location is occurring in recent years. Between 1964 and 1966, Miami actually lost production workers, and Hialeah increased in terms of apparel employment. Hialeah's employment share increased by almost 3 times, while Miami did not increase, but rather lost over 300 workers during this period. Sources within the industry report that the Hialeah location is becoming increasingly attractive to manufacturing firms currently located within the City of Miami. This seems to be particularly true for larger manufacturing firms, and is attributed to a more favorable tax environment in Hialeah.

EXHIBIT X

Women's Apparel^a Establishments and
 Employment by Municipalities Within Dade County
 1964-1966

Municipality	1964		1966	
	Estab- lishments	Employees	Estab- lishments	Employees
Miami	134	4,878	167	4,556
Hialeah	16	496	29	1,272
Opa Locka	3	127	1	100
Miami Beach	3	9	6	34
Coral Gables	1	5	2	10

Source: Florida State Chamber of Commerce, Directory of Florida Industries, 1963 Edition, 1964 Supplement, 1965 Edition, 1966 Supplement (Jacksonville: Florida State Chamber of Commerce).

Tabulations and minor corrections by the author.

^aStandard Industrial Classification 233, 234, 236, and other Women's Apparel.

PART II

ECONOMIC LOCATIONAL ADVANTAGES FOR
FASHION APPAREL PRODUCTION IN
FLORIDA AND THE GREATER MIAMI AREA

Every indicator which the author has tested since 1960 when he first began intensive investigation of the apparel industry, has indicated both increasing absolute significance within Florida, and undeniable potential for substantial continued future growth. The success of this industry, and the geographic concentration of those activities with higher fashion content within the Gold Coast area, can only be explained by an examination of probable economic advantages which this area affords to these manufacturers. These economic advantages may be divided into two major segments: first, those locational advantages which relate to the ability to produce fashion apparel; and, second, those locational advantages which relate to the ability to market fashion apparel.

Production Advantages Within Florida

The author believes that the Florida environment is undistinguished in many respects in terms of meeting the physical and financial requirements of this industry. The majority of all apparel firms, both in Florida and the nation, are small manufacturing establishments with less than one hundred employees. The need for plant space is modest and the necessary investment in machinery is small and readily financed.

Since the initial capital requirements of light industry are small by definition and apparel manufacture is no exception, financing is accomplished almost invariably by the manufacturer himself. The fashion product, being highly differentiated as a style item, does not lend itself to extensive mechanization or the technique of true mass production. Working capital is supplied primarily by the owner's original investment and retained income. Temporary needs for working capital are readily met by trade credit from suppliers, factoring of accounts receivable and forms of bank credit. Although manufacturers in the highly concentrated Dade County area find that specialized machinery is increasingly accessible, the general physical and financial requirements of the industry are equally available in many other areas of the country.

The Florida location carries with it a reported disadvantage, which tends to be alleviated as the industry expands. Apparel manufacturers in Florida lack ready access to the trade's materials -- textiles, findings, trims, and the like -- compared with manufacturers in the major production areas in and around New York City. However, expanding apparel production in Dade County has attracted representatives of northern firms selling these raw materials; this problem is now encountered to a reduced extent by the present and prospective apparel producer. The cost of shipping both raw materials to, and finished apparel from, the Dade area is not considered by the local industry to be a major disadvantage. These items have high value in relation to bulk, hence transportation costs are a minor consideration.

In the opinion of many manufacturers, the comparative difficulty of obtaining raw materials is more than overshadowed by the labor situation in Florida. Nearly all of the apparel manufacturers in the state have had experience in or close contact with production in the New York area where the strength of the International Ladies' Garment Workers' Union is virtually undisputed. There is no doubt that Miami manufacturers consider the relative absence of union power in Florida to be a locational advantage; yet there is perhaps no other topic which the members of the industry are so reluctant to discuss publicly. The author believes that the recent trend for relocation of this industry throughout the country is substantially attributable to a desire to escape union influence such as prevails in New York City -- influence which one typical manufacturer confidentially described as "that intolerable stranglehold of the International Ladies' Garment Workers' Union."

It should be emphasized that the Florida women's apparel industry is not extensively unionized. The influence which the International Ladies' Garment Workers' Union, Local 415 in Miami, exerts upon the local industry is dependent upon the number of apparel workers who are union members, and perhaps more important, the number of manufacturing establishments which are under contractual agreement with the Union. Considerable variation exists, however, in the statistics which are available relevant to union membership and the number of firms which may be considered as "unionized." One qualified union spokesman reported to the author in 1962, that there were approximately 2,500 members of Local 415 at that time. Other reputable non-union sources reported that the actual membership did not exceed 1,500 persons in 1962, and that only approximately twenty-five

Florida firms could be described as "unionized." Currently, the union admits to a decline in union membership to 1,800 persons in 1965, less than 25% of the workers. Confidential sources within the industry maintain that current membership is substantially less than 1,000 persons in 1965 and that only twelve firms can be considered "unionized."

The significance of this issue can be ascertained by the bitterness which characterizes the participants in this struggle. The International Ladies' Garment Workers' Union in their drive to improve their influence within the Florida industry, had counted heavily upon movement of large, unionized firms from New York to the Dade County area. Such a development, it was hoped, would strengthen union activities by consolidation of union membership within these firms. While it is still too early to predict the significance of recent investments by two large unionized firms, Jonathan Logan in Miami and Bobbie Brooks in Hialeah, the author contends that there is reason to believe that union activity will not increase to any substantial extent in the near future. The author believes further that the majority of apparel workers will continue to be unreceptive to efforts at unionization. The large number of Cuban workers who have now found increasing employment within the industry can be characterized as resistant to union efforts. In fact, many observers attribute the decline in union influence between 1962 and 1965, to the large scale employment of Cuban workers within the industry in Dade County.

The question of the labor environment extends well beyond the issue of unionization, important though this issue might be to the apparel manufacturers. The even more complex question of wages and wage costs must be considered in an effort to appraise the Florida environment. One of the most apparent factors relative to available labor is the comparative low level of wages which prevails throughout the Florida apparel industry. The fact that wages are lower in Florida is freely admitted within the industry. Furthermore, it can be assumed that the prospect of being able to sell more profitably and competitively in the national market, due to reduced labor costs can greatly influence the selection of plant location.

Few issues are as widely misunderstood as the level of wages or its significance not only by the public at large, but within the industry as well. The stereotype of the "sweat shop" operations tends to be perpetuated in the minds of the uninformed, largely because the piece rate system of payment which characterizes the industry is itself misunderstood.

Although union and nonunion manufacturing firms employ both "piece workers" and "time workers," the majority of apparel workers are compensated under a piece-rate incentive system. The piece workers are commonly called "operators" and perform such functions as machine sewing operations. A given manufacturing task is usually priced according to the time required to perform that task so as to yield easily fair minimum payment per hour to a typical production worker. For example, a piece rate for an operator, currently would be set to yield the legal minimum wage of \$1.25 per hour in a nonunion shop, and roughly \$1.40 per hour in a unionized firm if the worker produces each piece within the standard amount of time. However, it is a long established principle of this compensation plan that the average worker does work faster than the standard time, and will actually receive considerably more than the fair minimum payment per hour worked. For this reason, the piece rate cannot be used to determine the exact hourly earnings for a given worker. In addition, a manufacturer can hope to increase output to permit the rapid delivery of goods during peak months of February, March, April and May only by permitting far higher than minimum earnings for both union and nonunion workers. It should be emphasized that piece rates should never be used to indicate the level of compensation paid within the vast majority of firms, although the error is commonly made. The average hourly wage paid to all apparel workers is currently in excess of \$1.60 per hour worked. This payment in New York City exceeds \$2.20 per hour.

When seeking to evaluate the true economic significance of comparatively lower levels of wages paid in Florida, one must recognize that the true significance of the productivity of labor (and hence labor costs) is found in the market place -- that is, in the price which the item produced can command in the market. This depends not only upon how much was paid to the worker, but in addition, upon how much additional value was created in the finished style item, the worth of which is profoundly influenced by the appropriateness of the style of the garment itself. The true economic significance of a wage level advantage, if one exists, will be determined by the ability of the Florida manufacturer to sell his style items in the competitive market. The final answer to the question of comparative wage levels is to be found, therefore, in the nonphysical advantages which location may afford the Florida manufacturer who seeks to compete with other apparel producers.

Marketing Advantages Within Florida

The success of an apparel manufacturer must ultimately

be found to depend in major part upon his ability to compete for the market of retail accounts located throughout the United States and parts of Latin America. Unless the Florida location affords the opportunity to compete vigorously for a share of the total apparel market, any possible manufacturing advantages of a physical location would be of but little ultimate benefit.

First, Florida itself represents a local market of considerable significance. In no small measure, the proximity of the highly centralized fashion industry in Dade County, and to some extent in neighboring Broward County, reflects a desire to serve retail establishments located in the lucrative Gold Coast area.

The women's apparel manufacturers who have located here, however, would hasten to emphasize the fact that theirs is a national market and not primarily a local one. The locations of markets for Miami-made textile products are indicated by the following percentages of sales to various areas, which should be interpreted in approximate terms since definitive statistics on this subject are difficult to obtain. In 1961, the South Florida area accounted for 33.7% of industry sales; all other areas of Florida, 17.1%; other states 46.2% and foreign sales 3.0%. Reliable sources currently indicate that approximately 90% of the production of the larger manufacturing firms is shipped outside of the state of Florida. Pan American World Airways and airfreight officials recently reported a rising volume of shipments of apparel to Latin America -- a market particularly accessible to manufacturers in South Florida.

Further, the large number of Cuban workers resident in Dade County and employed in the industry, and the recent appearance of Latin owned or managed smaller firms are contributing to an awareness of the needs of the market in the Spanish-speaking countries to the South. The increasing development of these markets may be attributed to a considerable degree to the influence of Cuban business skills now assimilated within the industry.

Since the ability to market women's apparel to areas far removed from their production site is characteristic of all fashion industries, one might inquire further whether the Florida location affords special advantages that would facilitate the distribution of apparel. Two special advantages, both the result of local climatic conditions are capitalized upon by the Florida manufacturer.

First, the ability to compete in the national market is enhanced by the opportunity to "pretest" summer styles locally during the winter tourist season, in advance of their nationwide introduction in the following spring. With retail exposure of cruisewear and resortwear lines during the winter months, consumer reactions to the styling of such products may be of great assistance in predicting accurately the national reaction to similar items in spring and summer months which follow.

Second, Florida's climate and the needs of the local market, have caused the Florida manufacturer to specialize in "resortwear" and "spring and summer" apparel. In addition to enjoying a degree of isolation from competition while northern firms are producing winter apparel, the Florida producer can continue to furnish retailers in northern states with late delivery of summer goods during July and August when northern sources of supply are already shifting to winter production and discontinuing such items. Thus, an increasing reliance is placed upon Florida suppliers as they have proven to be a more specialized and reliable source of summer goods.

While the preceding advantages are believed by the author to be of greater competitive significance, other advantages are frequently noted within the industry.

First, the location of the industry in the Gold Coast area permits the association of tourism with apparel for promotional purposes. Salability, at both retail and wholesale levels is materially enhanced through association with a glamorous, fashionable, and well-publicized production site. Just as the couturier utilizes the environment of Paris as a setting for his creations, so the Florida producer seeks to exploit the intangible advantages of his resort location, not only with retail buyers, but ultimately with individual consumers as well. Trademarks, tradenames, and general advertising efforts clearly stress this theme. The northern retail buyer tends to exhibit a natural curiosity in any fashion commodity produced in one of the most glamorous and fashionable of the American resort areas. The Florida Fashion Council itself utilizes as a trademark the now famous scenic view of the Miami skyline.

Second, the fact that the trade showings are held in Miami Beach during the Florida tourist season presents some locational advantages. The northern buyer may be at least partially interested in the opportunity to combine business with pleasure by attending trade showings in Miami. Possible

legitimate expense deductions for a buying trip that can be made to coincide with travel to and residence in the Florida Gold Coast area, generally Miami Beach, cannot be overlooked as locational advantages of these fashion reviews.

Third, due to the influence of the climate on the type of product made, the Florida apparel manufacturer naturally specializes in year-round production of spring and summer wear. Such specialization, in contrast to northern firms which must divide their production to include fall and winter goods, may be expected to contribute to the development of particular talents and designing skills.

Similarly, a high degree of specialization within this one category of spring and summer wear tends to present a more uniform product image to prospective buyers. That is, it is easier to associate such merchandise with a highly specialized firm producing items of constant fashion characteristics, than it is to develop manufacturer identification with lines of more varied seasonal characteristics. Within the industry, it is hoped that buyers are becoming more and more accustomed to associating their needs for specialized types of resortwear with the Florida apparel industry.

Fourth, a minority of Florida manufacturers contend that, in view of all of the aforementioned locational advantages, there is an opportunity to establish a national reputation for genuine and substantial fashion innovation here. That is, Haute Couture as contrasted with more conservative fashions, could become important, with Florida firms being considered as major fashion innovators within the national industry.

In this context it should be remembered that an area's function in terms of fashion innovation and hence as a major market is not simply attributable to the dollar value of output or sales within that locale. The world leadership associated with the Parisienne Haute Couture is most assuredly not limited to their proportionate share of world sales or production in fashion merchandise.

Historically, the apparel industry tends to continue a pattern of geographic concentration within areas of successful operation. Increasing activity in a given area tends to reduce the disadvantages of distance from sources of supply, as representatives of textile firms, or even the textile firms themselves, follow the growing concentration of manufacturers into the new area. Similarly, the ability of an area to attract the retail

buyer increases considerably from the additional pulling power afforded by more lines being promoted within the same market area. A locational affinity exists in apparel manufacturing to an even far greater extent than we may note in the location of retailing establishments, if only because the requirements of both the manufacturing site and the marketing site must be satisfied within a given successful locational area.

Florida locations other than Dade or Broward Counties are less favorable, at least for the parent site of apparel manufacturing. Development in other areas of the state, to the extent that they do occur, generally involve apparel production in classifications of merchandise with lower fashion content than women's outerwear (dresses and resort apparel).

In terms of national market significance, the Miami area's primary fashion appeal exists within the categories of spring, summer, and resort apparel. Within this classification of fashion merchandise, this area has achieved at least third place in the nation. There are those who would argue that within our field of apparel specialization, Florida is second only to California as a fashion resource. In terms of all classifications of apparel, New York, of course, by far dominates the fashion industry with California and Texas trailing behind. Apparel manufacturing in Florida is about one-half that of the Texas industry. Expansion of activity in Florida will probably not alter that ranking. This does not imply that Florida's growth in the industry may not be considerable -- rather it is believed that growth in these activities in California, Texas, and Florida may well occur simultaneously within the next decade, at the relative expense of the industry in New York State.

In summation, the outlook is for a considerable increase in the economic significance of apparel manufacturing in Florida. Florida offers many advantages to the apparel manufacturer, and both the industry and the apparel market are becoming increasingly aware of these locational advantages.

The Proposed Merchandise Mart

At area's national reputation as a major market center for fashion apparel and related merchandise is obviously a complex blend of many causative economic factors.

The author believes that the economic conditions which

have thus far contributed to the successful development of Miami apparel production and marketing are largely the same factors which will contribute to the success of the proposed Miami Merchandise Mart. The location of the market center in Dade County is strongly advocated by local apparel manufacturers. The local industry is well aware of the fact that successful marketing of fashion merchandise in a given area adds to, rather than subtracts from the individual competitive sales total of any given manufacturer. Just as the principle of retail affinity exists between retail stores so it exists to a perhaps even greater degree within the fashion industry. The principle of retail sales affinity indicates that a single large retail unit in a given area could increase its sales volume when a similar retail unit secured an adjacent location. This is explainable in terms of the increased pulling power of two retail units in a given area being greater than the sum of their individual powers to attract customers if they were not located together. Thus, apparel exhibitors from other states will increase the sales of local manufacturers by sharing in the considerable wholesale marketing activities which preexist in the Miami area.

The ability to reach a national and international market of retail accounts has already been proven by successful manufacturers in the Miami area. This area, for reasons already described, is the heart of Florida's geographically concentrated fashion production which demonstrates an outstanding growth rate. The Florida Gold Coast area has long been regarded as a retail market center of considerable proportions by manufacturers located elsewhere in the nation. It contains a remarkable tourist population which serves as a testing ground for summer and resort fashions during the winter season, prior to national introduction. As a tourist center, it has strong appeal to apparel manufacturers, and retail buyers as an area in which to transact business. The natural parallel between tourism and fashion is of tremendous promotional value in the marketing of fashions from the Miami area.

In conclusion, the factors which contributed to the growth of the local fashion production will similarly contribute to the success of the proposed market center. I regard such a center as an inevitable compliment to Miami's growing recognition as a major fashion market in the United States.

PART III

RECOMMENDATIONS FOR ACTION TO
ENCOURAGE INDUSTRIAL DEVELOPMENT OF
APPAREL MANUFACTURING IN THE GREATER MIAMI AREATaxation of Inventories

Currently, the apparel manufacturer located within the City of Miami is being subjected to a city "inventory tax" (tangible personal property tax) which last year required a payment of \$18.24 per thousand dollars of appraised value. A similar county tax is also in use, which last year was set at \$22.19 per thousand.

Such tax, by its very nature, discourages rather than encourages the conduct of commercial activity by any manufacturer. It is a tax which imposes a penalty-to-do business, and as such discourages the very means by which income from manufacturing can be generated. Revenues gained from taxes of this nature in reality discourage business and investment and discourage the very means by which greater industrial growth could be generated.

Furthermore, I believe that the current administration procedure relevant to this tax assessment by the City of Miami and Dade County is highly questionable, on both a legal and equitable basis. Florida Statutes Section 192.05 clearly states that the "stock-in-trade" assessment is to be made on the basis of average valuation, and not on the basis of value of inventory on January 1. In the apparel industry, in effect, the tax is being imposed on an inventory valuation approximately two times greater than the true value of average inventory on hand. Although the tax assessor's office claims that such an average inventory valuation may be used, they readily admit that such procedure is not being used, is not widely known by manufacturers, and provisions are not available for reporting average inventory on the assessment forms currently in use. Furthermore, the actual assessment value in many cases is not based upon the reported information, but appears to be an arbitrary upward adjustment of the reported value of merchandise on hand. It has been further reported that manufacturers are encouraged to report for inventory tax assessment purposes the ending inventory figure used to determine profit or loss from manufacturing operations as reported on federal income tax

returns. Such a figure, when a taxpayer is on a calendar accounting basis, again would yield a high value as of December 31, and not the true average value of inventory as authorized by State Statute 192.05. State Statute 192.05 reads as follows:

"Assessment of stock in trade -

(1) All personal property considered as goods, wares and merchandise commonly known as stock in trade shall be assessed for the purpose of taxation by the counties, cities, villages, towns and taxing districts at a just valuation to be based upon the average value of such stock of goods, wares and merchandise, or stock in trade as held or owned over a period of twelve months next preceding the first day of January of the year for which the assessment is made. In determining the just valuation of stock in trade, the assessor of taxes shall take into consideration:

- (a) The invoice cost value of the goods,
- (b) The transitory nature of the goods en route from manufacturer to ultimate consumer,
- (c) The condition of the goods including depreciation,
- (d) The cost of storing, handling and protecting the goods,
- (e) The time the goods were held, and
- (f) Such other factors as may be applicable and which reduce the value of this particular classification of tangible personal property from its initial cost.

(2) Any person who fails to make a tax return as required by this section shall pay a penalty in addition to and as part of the tax, a sum equal to 25% of the tax found to be due. A

taxpayer making a return and who fails to include therein all stock in trade subject to taxation as required by this chapter shall pay as a penalty in addition to, and as part of the tax, a sum equal to 25% of the tax found to be due on that part of his stock in trade which he fails to include in his return. All taxes together with any penalties shall draw interest at the rate of one percent per month from the date the said taxes become delinquent until same have been paid. In making a back assessment of omitted property there shall be added as a penalty the sum of 25% of the tax per annum from the date such tax should have been paid."

Quite obviously, the valuation as per this Statute is not determined by ending inventory at a given time, used in computation of profit and loss statements. The commercial tangible personal property tax return, furnished by the assessor's office and used by both county and municipalities, requires the disclosure of "Full Cash Value of Inventories (including consigned stocks)," and "Goods in Storage located in Dade County on the first day of January each year." Thus, this form does not request the required average valuation over the "period of twelve months," does not provide for its computation, and does not advise the taxpayer of his legal rights assured by the State Statute.

A further and equally critical observation should be made relevant to this inventory taxation. The City of Hialeah does not currently impose any municipal tax on inventories. Section 135 of the New Code of Ordinances of the City of Hialeah has been employed to exempt manufacturers from such taxation within that municipality. This controversial ordinance reads as follows:

"(a) Hereafter it shall be discretionary with the governing body of the City of Hialeah, a municipal corporation in Dade County, as to whether or not a personal property tax levy is made in said municipality.

(b) The city council of the City of Hialeah in Dade County is hereby authorized within its discretion to adopt a municipal ordinance exempting personal property from ad valorem taxes for municipal purposes. It shall be discretionary

with said city council as to whether or not the filing of personal property tax returns shall be required."

(Ch. 30808 and 30812, Section 1, Special Acts of the 1955 Legislature, from which Section 135 is taken, each became a law on June 23, 1955. Construing the acts in para materia, it would appear that each could be construed as effective, subject to action by the city council of Hialeah.)

The absence of such municipal taxation within Hialeah has produced considerable locational disequilibrium within Dade County and a shift of industrial growth patterns.

It should be noted that in 1964, Hialeah had only 16 apparel firms, employing about 500 persons. Within the last two years, their employment increased to almost 1,300 workers within 29 apparel firms which have now located there. By contrast, in the same two-year period, Miami lost over 300 apparel workers. While the inventory tax alone may not account for this locational preference, it is certainly to be regarded as an example of shortsighted taxing procedure which tends to drive highly desirable light industry from a City of Miami location.

It has been argued recently that the City of Hialeah should be caused to comply with this Statute, and should impose an inventory tax. The orderly economic development of the entire county and the several municipalities within it is not compatible with wide variations in tax procedure which simply cause a shifting pattern of industrial location, often to the detriment of the City of Miami. Efforts to equalize tax procedure within the county are highly desirable. It is difficult to understand why unequal and preferential tax procedures are permitted to exist within the single municipality of Hialeah to the detriment of other municipalities within Dade County, and to the competitive disadvantage of manufacturers located in these other municipalities.

On the other hand, I believe that efforts to force such a tax in Hialeah would represent a backward step in our larger goal of industrial encouragement within Greater Miami. The best of all possible action in this matter would be the total elimination of this tax in Florida. Taxation which discourages commercial activity is detrimental to economic prosperity and ultimately subtracts from rather than adds to total tax revenues.

If this tax is not eliminated, however, then it should be enforced universally throughout Dade County. Further, the administrative procedure of assessment should be made to comply with State Statute 192.05, and an average valuation should be used. I believe that the assessor's office should be required to advise manufacturers of their legal right to assessment at true and fair average value, and should be required to assess in a manner which would not impose further burden upon firms with considerable inventory fluctuation. This is obviously particularly true of the apparel industry, where wide fluctuations in inventory are a particularly common business characteristic.

The Controversial "Head Tax"

Manufacturing firms in Miami and Hialeah are further burdened by an occupational license tax. The nature of this tax is particularly disagreeable to individual manufacturing firms. It is sometimes argued that the amount of this burden is relatively slight per manufacturer, but I do not believe that inequities in a given tax can be justified simply on the basis of the small dollar amount of the injustice involved. The Hialeah tax is considerably lower than in Miami.

The occupational license tax schedules currently in use in these two municipalities are as follows:

<u>Miami</u>		<u>Hialeah</u>	
1 to 5 employees	\$ 37.30	1 to 10 employees	\$ 25.00
6 to 10 employees	73.80	10 to 15 employees	50.00
11 to 15 employees	146.00	15 to 25 employees	75.00
16 to 25 employees	219.00	Over 25 employees	100.00
Over 25 employees	292.00		

Initially, it may be noted that all firms in Miami are more heavily burdened than those in Hialeah. But further inequities exist within the tax schedules themselves.

In 1965, Miami had 138 women's apparel manufacturing firms. Eight of these firms employed over 75 workers each -- four firms employed over 100 workers each. Eighteen firms with less than 35 workers, 14 firms with less than 50 workers, and 11 firms with less than 75 workers all paid the same occupational tax burden as their larger local competitors. Such obvious inequities do not mitigate for increased taxes on larger firms -- but they do strongly suggest a lowering of burden for smaller firms. A firm

with 30 workers should not pay the same tax as one which employs 150 persons, in either Hialeah or in Miami.

A more equitable method would be relatively simple to devise. The County, for example, has long followed the procedure of utilizing a base charge of \$7.75 plus \$1.50 per employee. Employment figures are determined as averages, but the payment is graduated on a per-employee basis, up to the maximum tax of \$150.25.

The city occupational license tax procedures are badly in need of revision, and a more equitable basis of application on a "per-employee" schedule seems highly desirable. It should further be noted that any system adopted by the City of Miami should be carefully contrasted with similar tax procedures in Hialeah. It is highly questionable whether the City of Miami is acting in its best interest when it imposes occupational or similar taxes on manufacturers which are in excess of charges currently imposed in Hialeah. Efforts to generate revenue within Miami, which contribute to an exodus to Hialeah or other municipalities, are obviously ill-conceived and ultimately self-defeating. As in the case of the inventory tax previously cited, these actions discourage highly desirable light industrial manufacturing operations in the commercial areas of the city, and ultimately lead to stagnation and actual deterioration in the value of taxable real property used for manufacturing purposes. The loss of these activities is further compounded by the natural relocation of families employed by light industry, and a general deterioration in the level of commercial activity within the City of Miami.

Vocational Training Programs

The success of any local industry obviously requires a pool of available labor. The progressive growth of apparel manufacturing in this area has recently reached the point where the local industry is feeling a genuine scarcity of trained apparel workers and machine operators. The industry has grown to the point where a labor shortage could become a major deterrent to future growth, especially for smaller manufacturing firms which are beginning to feel the drain on their labor force associated with the movement of larger firms into this general area.

Currently, the trade and industrial educational division of Vocational, Technical and Adult Education, functioning under the Dade County Public School System, has made some effort

to assist in the training of labor for the apparel industry. On one occasion, they trained Cuban refugees for relocation within the northern apparel industry. Their efforts are most commendable.

However, a genuine lack of communication exists concerning their activities and local industry needs. This is particularly unfortunate at a time when the County educational system proposes to be earnestly seeking to serve the needs of local industrial firms, and the firms themselves maintain that ample trained workers are not available.

There is a genuine need for greatly improved communication between vocational training programs and the apparel industry. I believe that, while there is a mutual obligation existent here for the interaction of the apparel industry and the vocational programs of the County, greater attention and effort should be expended by the Dade County Public School System to tailor their programs to fit the needs of local industry. Pressure and encouragement should be expended by County and municipal government in an effort to better mesh the needs of local industry with the County vocational training programs. A greater degree of interaction seems essential, especially at a time when labor shortages are being felt, but workers are being trained for relocation in northern industry. Such activities, however well intentioned, can hardly be in the best interests of Greater Miami or the industries which function within this area. With over 50% of the industrial tax dollar being used for education in Dade County, the industries themselves obviously should be afforded every possible consideration relative to their needs for vocational training which is in the best interest of all concerned.

Publicity

A vital ingredient in a successful fashion apparel industry is publicity. This is an ingredient which is richly deserved by Greater Miami's apparel industry. Negligible attention has been paid to this important Greater Miami industry by the Miami Metro News Bureau. Much of the fashion publicity emanating from this area unwittingly features California resort fashions in programs by State, County, and City agencies to promote Florida tourism. I recommend strongly that it be made basic policy that publicity originating in this area which includes fashions should feature Miami-made

products. This policy, of course, should include our considerable expenditures for publicity relating to tourist promotion, and should, wherever possible, include reference to and designation of Miami-made fashions.

Dade Retail Outlets

Only one major Greater Miami retail outlet -- Richards Department store -- has made any real attempt at purchasing and promoting large quantities of Miami-made fashion products. More than 80 per cent of fashion products manufactured here are shipped to northern markets. Thus, we have the strange picture of major Northern retail outlets being more appreciative of Miami-made products than are major outlets right here in Dade County. With proper governmental and civic encouragement, I believe that this situation could be changed, and I strongly recommend that this encouragement be given.

