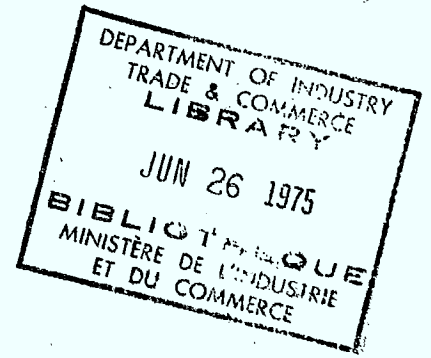


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TEXTILE AND CLOTHING BOARD

REPORT ON AN INQUIRY RESPECTING
SHEETS AND PILLOWCASES

OTTAWA, CANADA
JANUARY 22, 1975

REPORT BY THE TEXTILE AND CLOTHING
BOARD ON SHEETS AND PILLOWCASES

Terms of Reference

In March 1974, the Board received from the Minister of Industry, Trade and Commerce, a request that it undertake an inquiry to determine whether imports of sheets and pillowcases were causing or threatening to cause serious injury to Canadian producers and whether special measures of protection were necessary.

Procedure

Notice of this inquiry was published in the May 18, 1974 issue of the Canada Gazette, and copies of the notice were distributed to the news media and to parties who could be expected to have an interest in the inquiry. Interested parties were invited to submit briefs to the Board by June 28, 1974, and to indicate at the same time if they wished to make supplementary oral presentations before the Board. It was pointed out that any producer who submitted or associated himself with a brief alleging injury or threat of injury and requesting special measures of protection would be expected to file with the Board a plan describing the adjustments he proposed to make in his operations in order to increase his ability to meet international competition in the market in Canada.

Written submissions were received from the Canadian Textiles Institute; the two integrated Canadian producers of sheets and pillowcases; the major Canadian producer of polyester fibres; the Retail Council of Canada; the Consumers' Association of Canada; the Canadian Importers' Association; the American Textile Manufacturers Institute; and a number of importers of sheets and pillowcases. The Canadian Textiles Institute's brief was supported by the Canadian branch of the United Textile Workers of America and by the Canadian Federation of Textile Workers Inc.

Requests to make supplementary presentations at hearings were received from the Canadian Textiles Institute, the two Canadian producers of sheets and pillowcases, and the Retail Council of Canada.

An open hearing took place in Ottawa on July 11, 1974 for the purpose of receiving supplementary information from the Canadian Textiles Institute and supporters of the Institute's brief, including the sheet and pillowcase producers and the textile unions. Observers at this open hearing were invited to submit any comments they might wish to make to the Board in writing after the hearing. The Board had private meetings with the Canadian producers of sheets and pillowcases and with the Retail Council of Canada to discuss confidential matters. Mills of the sheet

and pillowcase producers were also visited by the Board.

Statistical data relating to the production and importation of sheets and pillowcases were examined, and special analyses of unpublished data were carried out with the cooperation and assistance of Statistics Canada. The Board was provided with reports from the Textiles Division and from the Office of Special Import Policy of the Department of Industry, Trade and Commerce, and from the Department of Manpower and Immigration on matters within their respective areas of responsibility.

Briefs and Other Evidence

The following is a summary of the evidence presented to the Board in written submissions, open hearings and private meetings, and of the claims and allegations made by the various interested parties in this inquiry. Because there are only two Canadian producers of sheets and pillowcases most of the details concerning industry activity were provided in confidence to the Board during the private hearings.

The Canadian Textiles Institute submitted that the Canadian producers had been under severe pressure from imports of disruptively priced goods during recent years. It suggested that the industry had arrived at a point where it could no longer neutralize the cost advantages of imports by superior technology and styling. It claimed that there was uncertainty about future import patterns, noting that the total of existing restraints amounted to about 30% of the market for sheets and 70% of the market for pillowcases. The Institute claimed that when Canadian production of sheets and pillowcases was fully restored to normal, following the fire at the plant of Wabasso Ltd., an overcapacity situation would exist. Canadian industry would have to readjust its market position in relation to imports from the United States, and at the same time would have to face the threat of injury from huge quantities of sheets and pillowcases said to be overhanging the market in low-cost and state-trading countries. Restraints had been a bulwark against which the industry had made major investments and renewed commitments to the future. The Institute, therefore, considered it would be most unwise to remove the restraints. It claimed that low-cost and state-trading countries continued to account for a high proportion of Canada's imports of sheets and pillowcases, and continued to constitute a serious threat.

The Institute recommended that sheets and pillowcases of all fibres and blends thereof be placed on the Import Control List; that imports from all low-cost countries be limited to a specific amount; and that imports from developed countries be allowed under a general permit.

In their briefs and in private appearances before the Board, the two sheet and pillowcase producers expressed their full support of

the Canadian Textiles Institute's brief. They gave confidential details of their operations and of their financial situation. They also outlined plans which they had implemented or intended to implement to improve their competitive ability. Wabasso Ltd., in particular described the seriously adverse effects on the company of the destruction by fire in March 1973 of its finishing plant and of its inventory of sheets and pillowcases, and outlined the steps being taken to restore the company to its former position in the Canadian market.

The producers urged the retention of restraints on sheets and pillowcases both to help correct market distortions caused by the Wabasso fire and to prevent further loss to low-cost imports of the market share of the Canadian producers.

A representative of the United Textile Workers of America recorded at the public hearing the union's support of the Canadian Textiles Institute's brief. He stated that not only were restraints on imports needed, but more efficient tools were required to administer these restraints.

The Retail Council of Canada, the Canadian Importers' Association, the Canadian Association of Consumers, and some individual importers opposed the retention of restraints on imports of sheets and pillowcases. The main reasons invoked for this stand were that Canadian producers were operating at capacity and making good profits; that there were long delays in deliveries of domestic goods; that tariff protection was adequate to control import competition; that restraints resulted in higher prices to consumers and contributed to inflation; and that restraints were contrary to the stated aims of trade liberalization of the Arrangement Regarding International Trade in Textiles.

A number of importers of sheets and pillowcases from the United States, and the American Textile Manufacturers Association representing firms exporting to Canada, stated that American sheets and pillowcases did not disrupt the Canadian market as they were significantly higher-priced than Canadian goods.

The Department of Manpower and Immigration reported to the Board on the employment situation in communities where sheets and pillowcases were produced. There was a relatively high level of unemployment in these communities.

The Office of Special Import Policy of the Department of Industry, Trade and Commerce reported to the Board on the administration of the restraint agreements on sheets and pillowcases. The Textiles and Consumer Products Branch provided the Board with a report on the current situation in the industry sector involved, and additional research was carried out by the Board's staff.

Industry Structure

Two firms, Dominion Textile Ltd., and Wabasso Ltd., account for virtually all the sheet and pillowcase production in Canada. Consequently statistical data secured by the Board on Canadian production and shipments are confidential.

These firms have integrated production operations from raw fibre through to finished sheets and pillowcases. They have specialized weaving plants for sheeting at Sherbrooke and Trois Rivières, and finishing operations are carried out in separate plants at Magog and Trois Rivières.

Total employment in the production and marketing of sheets and pillowcases is roughly 2,000 persons, nearly all of whom work in Trois Rivières, Sherbrooke and Magog. Data on the employment situation in these communities are presented in the Appendix, Tables 1 and 2.

Since 1970 investment in the sheet and pillowcase industry has involved the replacement of spinning frames and many of the looms, and also the expansion of one of the finishing plants. This had the effect of increasing capacity and efficiency. In March, 1973, the other finishing plant, at Trois Rivières, was destroyed by fire. This reduced Wabasso's production and shipments substantially during the ensuing 18 months, partly as a result of the heavy loss of inventory and partly as a result of the lack of sufficient alternative finishing facilities in Canada to absorb the output of greige sheeting from the Trois Rivières weaving mill. Sheeting had to be shipped to the United States for commission finishing. The Trois Rivières finishing plant has since been rebuilt, with the new plant coming on stream in the fall of 1974.

Canadian domestic shipments of sheets and pillowcases increased 29 and 27 per cent respectively from 1970 to 1972. In 1973 shipments of sheets and of pillowcases both declined by about 20 per cent as a result of the fire at Trois Rivières. Available Canadian finishing facilities produced to capacity throughout the year. Shipments were almost back to 1972 levels during the first half of 1974 but the seasonal decline in the third quarter was greater than it had been two years earlier.

A few years ago, nearly all the sheets and pillowcases produced in Canada were white, and were 100 per cent cotton. In recent years there has been a strong trend from white to colored and printed sheets

and pillowcases, and from all cotton to polyester-cotton blends. Colored and printed sheets and pillowcases accounted for about two thirds of shipments in 1974. The proportion of polyester-cotton blends to all cotton was also about two to one. In 1974 imports of polyester-cotton sheets and pillowcases exceeded those of the all cotton type for the first time (See Appendix, Tables 3 and 4 for details).

Sources of Imports

The leading import sources of sheets in the first ten months of 1974 were the United States, Poland, India and Japan, with a number of other individual countries being minor suppliers. In 1974, the United States was the dominant source, accounting for 73 per cent of the imports, even though as recently as 1972 its share had been only 15 per cent. At that time Japan and Poland were more important import sources than the United States. In 1971 imports from Taiwan, too, had exceeded those from the United States.

The United States was also the dominant import source for pillowcases in the first ten months of 1974, accounting for two thirds of total imports. Other leading sources included Romania, the People's Republic of China, Poland, India and Japan. From 1971 to 1973 China had been the leading source of pillowcases.

There is an association between the relative importance of the United States as a source of supply of sheets and pillowcases and the share of the market filled by the polyester-cotton types. Asiatic and European countries have been the leading suppliers of all cotton sheets and pillowcases. On the other hand, the United States has been the leading supplier of polyester-cotton sheets and pillowcases, while Japan and Romania (pillowcases only) also have been major sources in some years. The People's Republic of China, Poland, Hungary and India have not yet exported significant quantities of polyester-cotton sheets and pillowcases to Canada.

The loss of the Wabasso finishing plant in March 1973 disrupted Canadian shipments and consequently gave a stimulus to imports. United States exporters were in a good position to take advantage of this opportunity and imports from that country rose quickly throughout 1973 and into the first quarter of 1974. (See Appendix, Table 5). There was no similar stimulus to imports from other countries, probably as a result of the reduction in the price advantage for all cotton sheets and pillowcases stemming from high raw cotton prices, combined with growing popularity of the polyester-cotton product. In any event, imports of sheets and pillowcases from other countries dropped sharply

in the first and second quarters of 1974 and remained relatively low in the third quarter. Imports from the United States have also declined from the peak of the first quarter of 1974 but remain high relative to earlier years.

Conclusions

In view of uncertainty in the Canadian sheet and pillowcase market resulting in part from Wabasso Limited's fire in March 1973, and the consequent temporary major reduction in Canadian productive capacity, the Board deliberately delayed forming its conclusions in this inquiry. Before making its decision the Board wanted to have clearer indications of the extent to which the level of imports entering Canada in 1973 and most of 1974 was the result of a temporary deficiency in Canadian supplies and of what was going to happen to those imports once the rebuilt Canadian facilities came on stream. It was necessary therefore to await the resumption of "normal" Canadian production.

In the Board's opinion, the substantial increases in imports of sheets and pillowcases from the United States commencing in mid-1973 were to a large extent the direct result of would-be purchasers of Canadian made goods being unable to obtain their requirements in Canada. It follows that, given existing tariff levels, as Canadian production increases and the Canadian producers are able to offer buyers prompt delivery of the required goods there should be no insuperable difficulties preventing the replacement of the bulk of American imports by Canadian production. This in itself provides scope for significant increases in the latter.

The Canadian producers alleged that they were threatened with serious injury resulting from the importation of sheets and pillowcases from low-cost sources, including the state-trading countries, and that the translation of this threat into actual serious injury was imminent. The Board is of the opinion that a potential threat of injury resulting from imports from these sources does exist but, after examining all the evidence before it, including levels and trends of imports from these sources during recent months, the Board has concluded that this threat is not sufficiently imminent to warrant a recommendation for special measures of protection. In reaching this conclusion, the Board bore in mind the fact that, in the event of a sharp and substantial increase in imports from any of these sources, the Arrangement Regarding International Trade in Textiles provides a mechanism for the prompt implementation of any special measures of protection which may become necessary.

Although the Board is not making any recommendation regarding special measures of protection covering sheets and pillowcases at this time, it will continue to keep the situation under close observation with a view to making a recommendation promptly if events should indicate this is necessary.

Plans

The Board cannot release information about the plans submitted by the two Canadian producers involved in this inquiry, because of confidentiality requirements. However, the Board wishes to record that it has inspected the plants and examined the plans of these producers. It has concluded that they have attained a high level of efficiency in the production of sheets and pillowcases and that their plans for further improvement in their competitive ability are completely acceptable.

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Having concluded that it should not recommend special measures of protection relating to sheets and pillowcases at this time, the Board has terminated this inquiry.

E. A. Annie

Chairman

[Signature]
Member

Jacques St-Jean
Member

APPENDIX

Table 1	Labour Force in Localities and C.M.C. Areas where sheets and pillowcases are produced.
Table 2	Registered Clients without Employment in C.M.C. Areas where sheets and pillowcases are produced, November 1974.
Table 3	Imports of Sheets, by Source.
Table 4	Imports of Pillowcases, by Source.
Table 5	Quarterly Imports of Sheets and Pillowcases 1972-1974 .

TABLE 1

Labour Force in Localities and C.M.C. Areas
where sheets and pillowcases are produced

<u>Canada Manpower Centre</u>	<u>Locality</u>	<u>Labour Force</u>	
		<u>1971 (Census) Canada Manpower Centre</u>	<u>1971 (Estimated) Locality</u>
Magog	Magog	9,075	4,980
Sherbrooke	Sherbrooke	62,550	30,614
Trois-Rivières	Trois-Rivières	53,330	20,726

Source: Department of Manpower and Immigration

TABLE 2

Registered Clients without Employment in C.M.C. Areas
where sheets and pillowcases are produced, November 1974

<u>Canada Manpower Centre</u>	<u>Number</u>
Magog	856
Sherbrooke	5,994
Trois-Rivières	3,399

Source: Department of Manpower and Immigration.

TABLE 3
IMPORTS OF SHEETS, BY SOURCE

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>January-October</u> <u>1973</u> <u>1974</u>	
	- 000 -				
<u>All Sheets</u>					
United States	437	841	1,685	1,197	3,043
China, P.R.	56	501	1,057	888	61
Poland	819	1,027	738	635	506
Japan	1,050	1,196	579	563	116
Hungary	-	521	453	422	-
India	5	20	313	163	287
Malaysia	-	-	263	199	-
Hong Kong	211	242	231	186	50
Taiwan	814	808	201	201	11
All Other	<u>63</u>	<u>277</u>	<u>239</u>	<u>137</u>	<u>76</u>
Total	3,455	5,433	5,759	4,591	4,150
<u>All Cotton</u>					
China, P.R.	56	501	1,057	888	61
Poland	819	1,027	738	635	489
Japan	735	901	493	493	103
Hungary	-	521	453	422	-
India	5	20	313	163	287
Malaysia	-	-	263	199	-
Taiwan	814	722	201	201	11
United States	29	41	149	86	87
Hong Kong	211	226	87	81	32
All Other	<u>61</u>	<u>180</u>	<u>234</u>	<u>133</u>	<u>65</u>
Total	2,730	4,139	3,988	3,301	1,135
<u>Other (predominantly polyester-cotton)</u>					
United States	408	800	1,536	1,111	2,955
Hong Kong	-	16	143	105	17
Japan	315	296	86	70	14
All Other	<u>2</u>	<u>182</u>	<u>6</u>	<u>4</u>	<u>29</u>
Total	725	1,294	1,771	1,290	3,015

Source: Statistics Canada, Imports by Commodities

TABLE 4

IMPORTS OF PILLOWCASES, BY SOURCE

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>January-October</u>	
				<u>1973</u>	<u>1974</u>
	- 000 -				
<u>All Pillowcases</u>					
United States	396	963	2,277	1,778	2,798
China, P.R.	3,261	3,231	3,347	3,182	343
Poland	451	640	620	510	208
Roumania	741	1,382	499	499	328
Japan	1,716	1,297	397	378	194
India	60	74	374	219	204
Pakistan	36	97	321	205	85
Hungary	-	599	305	265	-
Taiwan	833	878	130	130	30
Hong Kong	392	466	66	54	21
All Other	<u>7</u>	<u>66</u>	<u>424</u>	<u>294</u>	<u>31</u>
Total	7,893	9,693	8,760	7,514	4,242
<u>All Cotton</u>					
China, P.R.	3,261	3,231	3,347	3,182	315
Poland	451	640	560	450	208
India	60	74	374	219	196
Pakistan	36	97	321	205	85
Japan	1,185	955	308	308	181
Hungary	-	599	305	265	-
United States	75	87	205	151	34
Taiwan	833	824	130	130	30
Roumania	741	96	88	88	-
Hong Kong	392	464	63	51	21
All Other	<u>-</u>	<u>62</u>	<u>418</u>	<u>292</u>	<u>11</u>
Total	7,034	7,129	6,119	5,341	1,081
<u>Other (predominantly polyester-cotton)</u>					
United States	322	876	2,072	1,627	2,764
Roumania	-	1,286	411	411	328
Japan	531	341	89	70	13
All Other	<u>6</u>	<u>61</u>	<u>70</u>	<u>66</u>	<u>55</u>
Total	859	2,564	2,642	2,174	3,160

Source: Statistics Canada, Imports by Commodities

TABLE 5

QUARTERLY IMPORTS OF SHEETS AND PILLOWCASES
1972-1974

<u>Year and Quarter</u>	<u>Sheets</u>			<u>Pillowcases</u>		
	<u>United States</u>	<u>Other Countries</u>	<u>All Countries</u>	<u>United States</u>	<u>Other Countries</u>	<u>All Countries</u>
- thousand -						
<u>1972</u>						
I	158	1,182	1,340	187	2,582	2,769
II	174	986	1,160	145	1,483	1,628
III	172	1,275	1,447	205	2,246	2,451
IV	337	1,149	1,486	426	2,419	2,845
Total	841	4,592	5,433	963	8,730	9,693
<u>1973</u>						
I	114	1,153	1,267	97	1,818	1,915
II	267	1,005	1,272	408	1,678	2,086
III	581	825	1,406	960	1,789	2,749
IV	723	1,090	1,813	812	1,200	2,012
Total	1,685	4,074	5,759	2,277	6,484	8,760
<u>1974</u>						
I	1,047	397	1,444	914	523	1,437
II	948	192	1,140	927	303	1,230
III	803	316	1,119	721	489	1,210
October	245	203	448	236	128	364

Source: Statistics Canada, Imports by Commodities