



[ *Canada*  
TEXTILE AND CLOTHING BOARD

REPORT ON AN INQUIRY RESPECTING  
POLYESTER FILAMENT YARN

OTTAWA, CANADA.  
FEBRUARY 14, 1975.

REPORT BY THE TEXTILE AND CLOTHING BOARD  
ON POLYESTER FILAMENT YARN

Terms of Reference

On November 28, 1974 the Minister of Industry, Trade and Commerce requested the Board to undertake concurrent inquiries on an urgent basis on a number of textile products and to report to him as soon as possible the results of these inquiries.

The Board has already reported to the Minister on some of the products in question. The present report deals specifically with polyester filament yarns.

Procedure

Notice of the concurrent inquiries, including the one on polyester filament yarn, was published in the Canada Gazette of December 7, 1974 and was distributed to all parties likely to have an interest in the matter. The notice invited interested parties to submit briefs to the Board by January 6, 1975, and to indicate if they wished to appear before the Board to make supplementary oral presentations. 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.

A written submission concerning the products involved in the concurrent inquiries, including polyester filament yarn, was presented to the Board by the Canadian Textiles Institute jointly with the Fédération Canadienne des Travailleurs du Textile Inc. (CSD), the Textile Workers Union of America and the United Textile Workers of America. Written submissions dealing specifically with polyester filament yarn were also received from the two Canadian producers of such yarn; a number of independent polyester yarn texturers; and the Japan Silk and Synthetic Textiles Exporters' Association jointly with the Japan Chemical Fibres Association.

A private hearing took place on December 10, 1974 for the purpose of receiving supplementary information from the Canadian Textiles Institute, the labour unions and producers who wished to appear in support of the joint brief of the Institute and the unions.



The same parties presented additional information at an open hearing held on January 15, 1975. 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 also met privately with the two Canadian producers of filament polyester yarn and with one of the independent yarn texturers.

Statistical data relating to the production and importation of polyester filament yarn were examined and a special analysis of unpublished data was carried out in collaboration with 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.

In the brief which it submitted jointly with the labour unions, the Canadian Textiles Institute submitted that the industry sectors concerned in the concurrent inquiries were faced with highly unusual and critical circumstances and that the immediate implementation, on an interim basis, of special measures of protection was necessary to avoid market disruption resulting in damage difficult to repair. The Institute stated that disruption was being caused by sharp and substantial increases or imminent increases of imports of the products in question, at prices so low that in some instances they were below the cost of the raw materials used in their production. As a result of these low price quotations and of actual and imminent imports based on these prices, the Canadian producers had been forced to curtail their operations, to effect increasingly large lay-offs of workers, to cut down hours of work and to postpone investments. Additional factors cited by the Institute as evidence of disruption were low levels of capacity utilization, depressed order books and high inventories in all sectors concerned. The Institute conceded that other industries also had problems, but suggested that no other major industry had to compete with imports at laid-down prices lower than those of two or three years ago. The Institute claimed that the present problems of the Canadian textile industry were not caused primarily by a reduction in Canadian consumer demand, but were to a large extent the result of market disruption brought about by exceptionally low-priced quotations for offshore goods.

Referring specifically to polyester filament yarns, the Institute stated that the producers and texturers of polyester filament yarn were facing serious injury for the second time in three years. Their production, employment and prices had fallen since July 1974. Reasons advanced for such a situation were that demand in the double knit market, a major consumer of textured polyester yarn, had been weak; that import prices had declined to below estimated foreign costs of production; and that disposal pricing was occurring in both double knit fabrics and polyester yarn. Canadian yarn prices had already dropped to near the break-even point, and import price quotations were dropping even lower. The Institute affirmed that as a result, Canadian producers were already experiencing injury which could become irreparable in a short space of time, resulting in failures among the smaller firms and cancelled investment plans in larger ones. The Institute and the labour unions recommended that to eliminate disposal pricing a surtax be imposed on imports of textured polyester filament yarns, and that all polyester filament yarns be added to the Import Control List.

In the brief which they submitted jointly with the Canadian Textiles Institute, the three textile labour unions expressed deep concern over the serious disruption of the industry sectors concerned, which had resulted in increasingly larger lay-offs, many of these occurring in small communities with serious damage to the local economy. They expressed their support for the recommendations made by the Canadian Textiles Institute and urged the Board to give immediate attention to the situation to ensure that imports of offshore goods would be kept to an absolute minimum, thereby preserving jobs for Canadians.

In their briefs and in private appearances before the Board, the two Canadian producers of flat polyester yarn, one of whom is also a large texturer, repeated the arguments of the Canadian Textiles Institute and described in detail how their operations had been adversely affected. They provided confidential details of their plans for improvement and expansion of their operations. Both producers urged the Board to recommend the application of a surtax on the textured yarns imported at the lowest price levels.

The independent producers of textured polyester filament yarns who made representations to the Board described their difficulties in terms of price competition. They also gave confidential details of plans to adjust their operations to a more competitive position. One of the texturing firms informed the Board of its decision to close its texturing plant permanently. All of them fully supported the recommendations of the Canadian Textiles Institute, except one who felt that the level of surtax recommended would not provide an adequate level of protection.

The Japan Silk and Synthetic Textiles Exporters' Association and the Japan Chemical Fibres Association mentioned in their joint submission that the United States and West Germany were the major suppliers to Canada of polyester yarns; that Japanese yarns had become less competitive in price; that channels of trade for Japanese yarn exports to Canada were limited; and that at present exports to Canada were taking place under special conditions. Consequently, the Associations were of the opinion that imports of polyester yarn from Japan were not causing injury and did not warrant special measures of protection.

The Department of Manpower and Immigration provided the Board with a report on the employment situation in those localities where polyester yarns, both flat and textured, were produced.

The Textiles Division of the Department of Industry, Trade and Commerce submitted a detailed report on the situation in the polyester filament yarn sector of the industry. From the same Department, the Office of Special Import Policy reported to the Board on the application of previous recommendations by the Board regarding polyester yarns.

#### Recent Industry Development

The development of the Canadian polyester filament yarn industry until the end of 1972 was described in the Board's previous report on this industry. Since 1972 major changes have occurred.

Both Canadian producers of polyester filament flat yarn have achieved substantial increases in capacity, partly through the modification of production processes and partly through the installation of additional plant and equipment. Moreover, both have recently undertaken new investment programs which will lead to large additions to capacity.

New techniques have been developed which make it possible to speed up the production of textured polyester filament yarn either by combining draw-texturing with the production of flat yarn in the plant of the basic producer, or by having the basic producer supply partially drawn rather than fully drawn yarn to independent firms who then combine the remaining drawing and texturing operations. Celanese Canada Limited has followed the first course, and now textures a substantial portion of its yarn at its Millhaven plant, while also supplying undrawn yarn to its Cambridge plant for drawing and texturing. DuPont of Canada Limited has adopted the other course, and has put partially drawn yarn on the market for sale to independent texturizers starting January 1975. These developments should result in substantial improvements in productivity.

There has been a substantial expansion in Canadian polyester yarn texturing capacity since 1971, mostly in facilities owned or controlled by the flat yarn producers. In 1975 the situation will be mixed. One of the major texturing firms recently announced plans to build a large new plant designed to process partially drawn yarn. On the other hand, two independent texturing firms recently decided to phase out operations and a third is reported to be considering closing down.

### Employment

The Canadian Textiles Institute has compiled weekly reports since early November 1974 on employment by a sample of 24 companies. The acrylic and polyester yarn sector of this sample includes the largest polyester yarn producer and texturizer, two other texturizers, one of whom also produces acrylic yarn, and six other producers of acrylic yarn. Employment by these nine firms in the production of polyester and acrylic yarn has been as follows:

<u>Week of</u>	<u>Hourly Paid Employees</u>	<u>Decline from week of Jan. 11, 1974</u>	<u>Manhours Worked</u>	<u>Decline from week of Jan. 11, 1974</u>
	-number-	-per cent-	-number-	-per cent-
January 11, 1974	3,834		152,786	
August 30, 1974	3,788	1.2	143,644	6.0
November 8, 1974	2,914	24.0	113,231	25.9
November 15, 1974	2,811	26.7	103,963	32.0
November 22, 1974	2,665	30.5	104,060	31.9
November 29, 1974	2,657	30.7	99,677	34.8
December 6, 1974	2,548	33.5	100,048	24.5
December 13, 1974	2,501	34.8	95,169	37.7
December 20, 1974	2,501	34.8	96,877	36.6
December 27, 1974	1,948	49.2	65,488	57.1
January 3, 1975	2,032	47.0	65,081	57.4
January 10, 1975	2,536	33.9	97,028	36.5

This indicates that employment of production workers by the two sectors combined had declined by about one-third by November 1974 from its January level and that it did not improve in the next two months. Polyester yarn accounted for a large part of this decline. Reports of pending lay-offs indicate that early improvement is not in sight.

### The Market

In 1971 the apparent Canadian market for polyester filament yarn was 35.7 million pounds consisting of 17.1 million pounds of domestic shipments and 18.6 million pounds of imports. In both 1973 and 1974 the market was of the order of 60 million pounds. Precise figures on shipments were furnished by the two flat yarn producers but are confidential. The information furnished reveals that domestic shipments of polyester filament yarn during the first half of 1974 were higher than in the first half of 1973, but that the trend turned down slightly in the third quarter and sharply in the fourth quarter. Meanwhile inventories in the hands of producers increased. There was a slight decline in total domestic shipments of polyester filament yarn from 1973 to 1974, the increases in the first half of the year being somewhat more than offset by decreases in the second half.

Imports of polyester yarn (which include a small amount of spun yarn) by month in the last two years have been as follows:

	<u>1973</u>	<u>1974</u>
	-	-
	000 pounds	
January	1,312	3,511
February	1,776	1,544
March	2,066	1,948
April	2,644	1,239
May	2,057	1,609
June	2,410	1,322
July	2,220	1,160
August	1,628	825
September	1,459	2,204
October	2,259	951
November	1,429	1,281
December	2,262	

It may be noted that during each month of 1974, imports were lower than in the corresponding month of 1973, except January and September. However, during the 12-month period ended January 1974 imports of polyester yarn were at a record high and imports in the calendar year 1974 exceeded those in any calendar year except 1973.

The leading import sources for polyester yarn in the first eleven months of 1974 were West Germany, the United States, Austria, Switzerland, France, the United Kingdom and Japan, in that order. In 1972 Japan had ranked second to West Germany as an import source but in 1973 and the first half of 1974 imports from Japan fell off sharply. In the second half of 1974 they picked up again, with large shipments in September and November (See Tables 1 and 2 for further details).



### Prices

The following prices quoted by Canadian producers for 150 denier polyester yarn were reported to the Board by the Textiles Division, Department of Industry, Trade and Commerce:

	<u>Flat</u>	<u>Textured</u>
	- cents per pound -	
November 1972	69-76	110-127 $\frac{1}{2}$
November 1973	88-92	135-148 $\frac{1}{2}$
November 1974	82	115-128

In 1972 both the price of flat yarn and the margin for texturing were considered inadequate to cover the full costs of production. Since then there have been substantial increases in costs, especially for raw materials and labour, but these have been partly offset by increased productivity.

The recommendations of the Canadian Textiles Institute would, in effect, result in a floor price for imported 150 denier textured polyester yarn of about \$1.20 per pound.

The Daily News Record recently has reported a United States price for first quality textured 150 denier polyester yarn of \$1.00 per pound with substantially lower prices for "white only" yarn having poor dyeing characteristics. These are regarded as distress prices below the full cost of production, but not necessarily below direct costs.

The Asian Textile Record reports that the Osaka spot price of 150 denier textured polyester yarn rose from \$0.96-\$1.03 U.S. on March 16, 1972 to \$1.74-\$1.83 U.S. on July 26, 1973 and then declined to \$0.83-\$0.90 U.S. on October 17, 1974. Since then it has strengthened somewhat to over \$0.91 U.S. The margin between textured and flat yarn in Japan recently has been very low, only about 15 cents per pound. Polyester yarn arriving in Canada from Japan in September and November had average values for duty of 81 and 79 cents per pound respectively. The yarn arriving from Japan in September was all flat but it is not known whether all of the November arrivals were flat. The yarn imported from other leading suppliers was mostly undyed textured and had an average value for duty in excess of \$1.00 per pound.



### Conclusions

In formulating its conclusions the Board addressed itself primarily to three basic questions. They were as follows:

1. Are polyester filament yarns being imported into Canada at such prices, in such quantities and under such conditions as to cause or threaten serious injury?
2. Should the Board regard as acceptable the plans which it received from Canadian producers describing adjustments which they proposed to make in their operations to increase their ability to meet international competition in the market in Canada?
3. Assuming affirmative answers to both of the foregoing questions, should the Board recommend that special measures of protection be implemented, and if so, what measures would be appropriate?

The Board considered these questions in the light of a number of background factors. Three of these merit specific mention.

First, fabrics made from polyester filament yarns have had an exceptionally strong growth rate in recent years, achieved in large part at the expense of other fabrics and fibres. Wool, cotton, rayon and even nylon have been losing ground relatively to polyester, and it is expected that these trends will continue. It follows that if Canada is to continue to have a healthy textile industry, capable of supplying a substantial part of its changing market requirements, polyester will have to play an important and growing role in it.

Second, the production of polyester filament yarn appears to be well suited to Canadian conditions, having regard to the capital and technological requirements and the nature and sources of the raw materials.

Third, the present size and prospective growth of the Canadian market appear sufficient to permit two producers of basic polyester yarns to achieve the economies of scale required for efficient operation. It appears also that there will be a continuing role for a limited number of independent texturers in Canada, despite the growth of producer-texturing.

### Injury

The Board has concluded that textured polyester filament yarns have been and are being imported into Canada in such quantities, under such conditions and at such prices as to cause and threaten serious injury to Canadian production. It considers that there is a direct causal relationship between the continued high level of imports of such yarns at sharply declining prices in the second half of 1974 and the substantial reductions which have occurred in recent months in Canadian production, employment and prices in this sector. It considers also that a threat of serious injury will continue until steps are taken to prevent further imports of such yarns at very low prices. It does not think that imports of flat yarns have been a substantial factor in the injury which has occurred so far, or that they constitute a serious threat in the immediate future.

### Plans

There are only two Canadian producers of basic polyester yarns. Early in 1974, before present problems had developed, both of them had announced plans to expand their production, in one case by the erection of a completely new plant at Côteau du Lac, Quebec. The requirements of Section 23 of the Textile and Clothing Board Act prevent the Board from including in this report any detailed description of the plans of the two producers. It can, however, report that it found the plans acceptable, and that it hopes that their implementation will not be seriously affected by recent adverse market developments or by undue concern about unfair competition. The plans of the independent texturers involve the construction of one new plant, some re-equipping, and the closing of some older operations. In the Board's view these plans, together with the closures which have occurred, reflect a realistic appraisal of the problems and opportunities which lie ahead for this sector of the industry.

### Recommendations

Having found that textured polyester filament yarns have been imported and are likely to be imported from a number of sources at disposal prices which cause or threaten serious injury to Canadian producers, the Board concluded that special measures of protection should be applied at the earliest possible date. It recognized, however, that the yarns in question are important raw materials, and that it would be undesirable to adopt measures likely to raise their price or reduce their supply in the normal course of trade.

Accordingly, the Board is proposing only selective measures, along the lines proposed by the producers, designed to afford a degree of protection against unfair or undue competition from textured polyester filament yarns offered at unusually low prices from any country

for whatever reason, whether or not dumped in the technical sense. It is not the Board's intention that these measures limit the normal flow of imports from any source, and it is not the Board's expectation that they will be required for any extended period.

The Board recommends as follows:

1. That the Governor in Council, pursuant to section 8 (2) of the Customs Tariff, provide that if any textured polyester filament yarn of the deniers specified in column (1) hereunder should be imported from any country at an export price as determined under section 10 of the Anti-dumping Act lower than the value per pound specified in column (2), if natural, or in column (3), if dyed, a surtax be imposed thereon equal to the difference between the export price thereof and the value per pound shown in the appropriate column.

(1)	(2)	(3)
<u>Denier</u>	<u>Natural</u>	<u>Dyed</u>
140-199	\$1.00	\$1.50
110-139	1.10	1.60
80-109	1.27	1.80
up to 79	1.50	2.10

2. That the effects of any surtax applied pursuant to this recommendation be reviewed not more than 150 days after the date of its application with a view to recommending whether or not provision should be made for its retention beyond 180 days.

G. A. Annis  
Chairman

Sim [Signature]  
Member

Jacques Moreau  
Member

TABLE 1

IMPORTS OF POLYESTER YARN AND AVERAGE VALUE FOR DUTY  
BY COUNTRY, 1971 - 1974

<u>Country</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>January - November</u> <u>1973</u>	<u>1974</u>
	-000 pounds -				
Germany, West	7,208	5,935	7,056	6,644	4,460
United States	2,076	3,069	4,079	3,633	4,239
Austria	425	83	2,067	1,466	1,965
Switzerland	1,372	671	1,391	1,318	1,887
France	534	839	1,879	1,666	1,272
United Kingdom	1,035	223	1,832	1,773	1,190
Japan	2,137	3,139	1,588	1,411	940
Netherlands	133	22	1,296	1,275	357
Israel	1,116	332	894	856	302
Denmark	640	438	725	542	283
Italy	334	416	90	64	263
All Other	<u>1,542</u>	<u>1,003</u>	<u>642</u>	<u>613</u>	<u>254</u>
All Countries	<u>18,552</u>	<u>16,170</u>	<u>23,539</u>	<u>21,261</u>	<u>17,412</u>

- dollars per pound -

Germany, West	1.11	1.03	1.19	1.19	1.44
United States	1.25	1.17	1.09	1.05	1.34
Austria	1.44	1.64	1.18	1.17	1.19
Switzerland	1.44	1.21	1.16	1.17	1.16
France	1.48	1.04	1.11	1.10	1.24
United Kingdom	1.23	1.63	1.19	1.18	1.37
Japan	.96	.88	1.06	1.07	.93
Netherlands	1.32	1.16	.73	.72	1.19
Israel	1.43	1.38	1.38	1.38	1.57
Denmark	1.28	1.45	1.38	1.42	1.26
Italy	1.37	1.25	1.34	1.33	1.48
All Other	1.35	1.20	1.34	1.34	1.55
All Countries	1.21	1.08	1.15	1.14	1.31

Source: Statistics Canada, Imports by Commodities



TABLE 2

IMPORTS OF POLYESTER YARN  
FROM SELECTED COUNTRIES,  
BY MONTH, 1973 - 1974

	<u>Germany, West</u>	<u>United States</u>	<u>Austria</u>	<u>Japan</u>	<u>All Other</u>	<u>All Countries</u>
--000 pounds --						
<u>1973</u>						
January	668	267	57	91	229	1,312
February	646	722	36	46	326	1,776
March	561	408	139	34	924	2,066
April	841	367	340	74	1,022	2,644
May	853	217	118	41	828	2,057
June	935	225	222	125	903	2,410
July	644	176	137	188	1,075	2,220
August	540	204	90	180	614	1,628
September	188	185	69	218	799	1,459
October	538	430	197	238	856	2,259
November	231	433	60	177	528	1,429
December	412	431	602	178	639	2,262
<u>1974,</u>						
January	1,110	690	850	-	861	3,511
February	391	528	233	1	391	1,544
March	499	316	227	-	906	1,948
April	192	283	122	-	642	1,239
May	264	648	58	50	589	1,609
June	240	380	91	101	510	1,322
July	267	326	104	90	373	1,160
August	252	285	-	22	266	825
September	532	392	147	399	734	2,204
October	329	319	77	-	226	951
November	408	240	56	276	301	1,281

Source: Statistics Canada, Imports by Commodities