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# TEXTILE AND CLOTHING INQUIRY

Report to the Minister  
of Industry, Trade  
and Commerce

June 30, 1980/Vol. 1



Government  
of Canada

Textile and  
Clothing Board

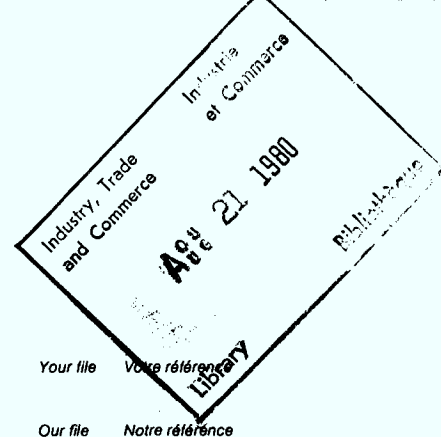
Gouvernement  
du Canada

Commission du  
textile et du vêtement



Textile and  
Clothing Board

Commission du  
textile et du vêtement



June 30, 1980

The Honourable Herb Gray, P.C., M.P.  
Minister of Industry, Trade  
and Commerce  
Ottawa, Ontario  
K1A 0H5

Sir:

In accordance with its mandate, the Board has carried out an extensive inquiry regarding the effects of imports of textile and clothing goods upon Canadian production and employment.

We have the pleasure of submitting our report on this inquiry. It contains our comments and conclusions on the current situation and on the future prospects of the Canadian textile and clothing industries. It also details our recommendations for a course of action for the period after December 31, 1981, the date on which most of the current measures of protection against imports of textile and clothing goods will be terminated.

The Board would be pleased to meet with you at your convenience should you wish any additional information or explanations.

Yours sincerely,

Otto E. Thur  
Chairman

Jacques St-Laurent  
Member

  
J.E. Clubb  
Member

Ottawa, Canada  
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*Le Canada.*

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Cat. No. Id 46-2/1980-1E

ISBN 0-662-11031-5 (V.1)

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## INTRODUCTION

### MANDATE AND PROCEDURES FOLLOWED

Section 19 of the Textile and Clothing Board Act requires the Board to keep under constant review the effects of special measures of protection which have been implemented, and the progress of adjustments made by the producers of textile and clothing goods to become more competitive. Accordingly, the Textile and Clothing Board announced on August 31, 1979, that it intended to conduct a review of the situation in Canada regarding textile and clothing goods currently subject to special measures of protection. The full list of the goods in question appears in Appendix I to Volume 1 of this report. The review was for the purpose of determining the recommendations the Board should make to the Minister of Industry, Trade and Commerce as to whether the special measures of protection in question should be maintained, modified or removed beyond December 31, 1981.

Although the measures currently in force do not end until December 31, 1981, the Board decided to undertake its review at a relatively early date in order to allow sufficient time for all parties concerned to plan their actions for 1982 and beyond in light of the Board's recommendations.

In the notice of review, published in the Canada Gazette of September 1, 1979, the Board invited all interested parties to submit to it, by November 26, 1979, confidential briefs containing their opinions and comments on a specific number of subjects, as

well as all additional information they considered pertinent to the review. To assist in the preparation of such briefs the Board attached to the notice a series of guidelines on the subjects on which it specifically wished to obtain information and opinions. The Board also announced in the notice that it would hold hearings across Canada to receive supplementary explanations or arguments from those presenting briefs or associating themselves with the presentation of a brief. The full text of the notice of review and of the guidelines for the preparation of briefs appears as Appendices 2 and 3 to Volume I of this report.

The review announced on August 31, 1979 was subsequently changed to an inquiry under Section 9 of the Textile and Clothing Board Act, and an announcement to that effect was published in the Canada Gazette of November 24, 1979. The decision to conduct an inquiry instead of a review was arrived at in light of the desirability of providing maximum flexibility in the formulation and implementation of special measures of protection in the event that such action were judged to be necessary. The announcement of the change and the notice of inquiry appear as Appendices 4 and 5 to Volume I of this report.

Copies of the notice were distributed to the news media, to interested firms, individuals and groups, including major trade and other organizations, and to interested government departments, both federal and provincial.

In the notice of inquiry the Board extended the period for the submission of briefs to December 31, 1979. It also requested textile and clothing manufacturers presenting briefs or associating themselves with the presentation of a brief to present to the Board plans of the adjustments to be made to their operations to increase their ability to meet international competition in the Canadian market.

A total of 150 briefs, submissions or reports relating to the inquiry were received. The briefs were presented by individual

firms and by organizations representing textile and clothing manufacturers and their suppliers, labour unions, importers, retailers and consumers. A complete list of those who submitted briefs is attached as Appendix 6 to Volume I of this report.

Of those parties presenting or supporting the presentation of briefs, 36 requested public hearings and 96 requested to be heard privately. The Board's hearings took place in Montréal, Toronto, Winnipeg and Vancouver during the months of February and March 1980. Appendix 6 identifies those who appeared before the Board at these hearings.

In addition to the information received in the briefs and during the hearings the Board and its personnel carried out extensive research on a number of aspects of the industry. The Textile and Consumer Products Branch of the Department of Industry, Trade and Commerce prepared for the Board a series of reports on most sectors of the textile and clothing industries covered by the inquiry. Additional research was carried out with the collaboration of other branches of the Department of Industry, Trade and Commerce, with Statistics Canada and with other groups, both within and outside the Government.

## CONTENTS OF THE REPORT

In this report the Board has limited its discussion to those factors which it considers of immediate relevance in arriving at its conclusions and formulating its recommendations. In Volume I, the first chapter presents in a succinct manner the evolution of the trading environment, both international and domestic, in which the Canadian textile and clothing industries have been operating. Chapters two and three describe respectively the situation in the textile and clothing industries with emphasis on those aspects of the industries which the Board considers of primary importance. In Chapter four, the Board singles out and discusses major issues

and problems which were highlighted during the inquiry. In Chapter five, the Board presents its conclusions and recommendations.

It will be noted that except for a few sensitive products, the Board has dealt globally with the subject at hand. That is not to say that the situations prevailing with regard to the individual product categories listed in Appendix 1 have not been examined separately. Rather, in carrying out such examinations, the Board has found (again excepting sensitive items) that by and large the trends in the various product sectors were essentially the same, and that conclusions could be drawn which hold generally for the whole product range. In this respect, the Board has prepared a series of profiles which give a cross-sectional view of the textile and clothing industries. These profiles are reproduced in Volume II of this report.

## 1. TRADE IN TEXTILES AND CLOTHING

### INTERNATIONAL

Textiles and clothing have been accorded special status by the world trading community. In 1960, sixteen countries developed and adopted guidelines which have overseen the conduct of international trade in these products since that time. While refinements to those guidelines have subsequently been introduced, the objectives remain essentially the same today as they were two decades ago:

to promote the economic development of developing countries by providing increased access to world markets for exports of their manufactured products;

to ensure that trade proceeds in a reasonable and orderly manner in order to avoid disruption in importing countries; and

to provide a framework within which participating countries could deal with market disruption from imports.

In the years immediately prior to 1960, major importing countries such as the United States and Canada experienced sharp and substantial increases in imports of textiles and clothing from developing countries which caused serious disruption in their domestic markets. This situation gave rise to increasing demands from textile and clothing manufacturers in importing countries

for government initiatives to limit imports of such products. As a result, major exporting countries were faced not only with numerous requests to voluntarily control their exports, but in some instances with import ceilings which were imposed by importing countries and which for the most part ignored the provisions of the General Agreement on Tariffs and Trade (GATT). The situation as it evolved proved to be totally unsatisfactory both from the point of view of disruption in the markets of importing countries caused by increasing imports from developing countries, and from the point of view of disruption to the trade of developing countries resulting from the proliferation of restraints on exports of textiles and clothing from those sources.

The sixteen countries<sup>1</sup> which met in Geneva in 1960 were firm in their resolve to deal with the problems of market disruption and to formulate constructive solutions which would be consistent with the basic objectives of the GATT. While Article XIX of the GATT provided a contracting party with the right to take action against imports of any products which were causing or threatening to cause serious injury, it also imposed the obligation to apply the measure to all imports of such products regardless of the source. The disruption from imports of textiles and clothing at that time was caused primarily by products of Japanese and Hong Kong origin, although imports from several other developing countries were increasing rapidly. A further constraint to the use of Article XIX was that the importing country had to be prepared to pay compensation to the exporting country or face possible retaliatory action. Compensation would normally have been in the form of tariff or trade concessions in relation to the value of the trade affected by the import restrictions.

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<sup>1</sup> Australia, Austria, Belgium, Canada, France, Germany, India, Italy, Japan, the Netherlands, Pakistan, Portugal, Spain, Sweden, the United Kingdom and the United States.

On July 21, 1961, the world trading community gave formal recognition to the need for a long term solution to the problems of trade in textiles and clothing, which at that time was heavily concentrated in products manufactured from cotton, by concluding a formal Arrangement under the aegis of the GATT. The Arrangement called for interim measures to deal with import problems during the twelve-month period beginning October 1, 1961, and the formation of a committee to recommend appropriate longer term measures. The interim instrument which was referred to as the Short-Term Arrangement Regarding International Trade in Cotton Textiles (STA) recognized the importance of textile exports for developing countries and provided a formula for limiting such exports in the event of market disruption. Seven months later, agreement was reached on the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA). The LTA came into effect on October 1, 1962, for a five-year period. Through several extensions it governed world trade in cotton textiles until the end of 1973. The original signatories to the LTA accounted for over 90 percent of the free world's trade in cotton textiles and clothing<sup>1</sup>.

While the LTA continued to emphasize the need to increase access to the markets of developed countries for manufactured products from developing countries, its substantive provisions dealt mainly with the prevention and alleviation of market disruption in importing countries from what was frequently referred to as abnormal competition. Imports from developing and state-trading countries were generally at prices substantially below those of similar goods produced in the importing countries, so much so, that tariffs had little effect. This pricing policy reflected in part the extremely low production costs in developing

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<sup>1</sup>United States International Trade Commission, The History and Current Status of the Multifibre Arrangement, Washington, January, 1978.

countries, particularly labour costs, and decisions in both developing and state-trading countries to subsidize exports. In the case of state-trading countries especially, costs were largely ignored when setting selling prices. The LTA attempted to deal with this problem by refining the provisions dealing with the minimum level to which exports could be restrained, defining the consultation period and providing for annual increases in levels of restraint.

During the period from 1962 to 1973 a number of developments occurred which progressively reduced the effectiveness of the LTA. The foremost of these involved the rapid increase in the use of man-made fibres and their substitution for cotton fibres in many of the most popular applications. The provisions of the LTA, it will be recalled, applied only to cotton textiles and clothing. The implementation of the LTA in addition was not uniform in that some importing countries concluded comprehensive restraints on all cotton textiles and clothing while others negotiated restraints on a selective basis. The latter approach tended to intensify import penetration in non-restrained product categories. During this same period, the number of developing countries exporting textiles increased significantly, accentuating the cumulative nature of the disruption from such imports.

As the effectiveness of the LTA diminished, importing and exporting countries became increasingly aware of the need to redefine the guidelines to deal more effectively with the problems of international trade in textiles. Finally, in 1973, about fifty countries met in Geneva to consider the future of the LTA. These negotiations resulted in a new arrangement to deal with trade in textiles and clothing of wool and man-made fibres in addition to those of cotton. The Arrangement Regarding International Trade in Textiles, otherwise known as the Multifibre Arrangement (MFA), came into effect on January 1, 1974, for a four-year period. As in the case of the previous arrangements, the objectives of the MFA were to encourage economic development

in developing countries while recognizing the need to prevent disruption in the markets of developed countries.

While the most significant development in the MFA was the inclusion of textiles and clothing of wool and man-made fibres, it also provided for the establishment of the Textile Surveillance Body to supervise the implementation of the Arrangement and to make recommendations as appropriate. The MFA also had more liberal provisions for annual growth in restraint levels, for swing between product categories, and for carryover and carry forward. The latter three provisions permit exporters to ship under certain circumstances quantities of textiles and clothing in excess of agreed levels during the restraint period. Swing provisions permit an exporter to transfer to one product category that portion of a restraint which has not been used in another product category during a particular restraint period. In the case of carryover, an exporter is allowed to use in a particular year that portion of a restraint which was unused in the preceding year. The carry forward provisions enable an exporter to borrow from the following year's restraint to meet current year demand. For example, assuming that each of these three provisions had a quantitative limitation equivalent to 5 percent of the level of the restraint category in which they were going to be used, the combined effect would be an increase of 15 percent in the level of shipments permissible. In actual practice, the flexibility provisions are often more generous than those in the above example.

Although the inclusion of wool and man-made fibre products was seen as a major breakthrough, the MFA actually did little to alleviate the dissatisfaction of importing countries. Their criticisms concerned the magnitude and the automatic nature of growth rates, the base period provisions for the calculation of restraints, and the lack of regard for the degree of import penetration in importing countries. These criticisms led to the negotiation of a protocol to the MFA at the time of its

renewal in 1977 which, in effect, allowed jointly agreed reasonable departures from particular elements of the Arrangement. In essence, the protocol sanctioned the negotiation of restraint agreements which would be less liberal than those envisaged under the guidelines contained in Articles 3 and 4 of the Arrangement. In the period immediately following the extension of the MFA, the major importing countries relied heavily on the protocol in their new bilateral agreements with exporting countries.

Although the protocol did go some way towards accommodating the concerns of importing and exporting countries, there continue to be serious and growing concerns, particularly amongst importing countries, regarding the overall effectiveness of the Arrangement. From the importing countries' point of view, it does not deal with the cumulative nature of the disruption caused by the ever-increasing number of developing country suppliers. Exporting countries on the other hand resent the unrelenting pressure to adopt stricter limitations on their textile and clothing exports, notwithstanding previously-agreed levels of restraint.

Importing and exporting countries will meet in Geneva later this year to consider the future of the MFA. In particular they will decide what, if any, guidelines will be required beyond 1981 to govern world trade in textiles. In their deliberations, the participants will likely deal with the issues mentioned in the preceding paragraphs as well as the role to be played by the most advanced developing countries, the so-called newly industrialized countries, in the formulation of an arrangement which would lighten the increasingly heavy burden on developed countries resulting from the ever-growing exports of textiles and clothing from new generations of developing countries.

## CANADA

From 1955 to 1960 Canada experienced significant increases in imports of textiles and clothing from developing countries, in particular Japan. These imports were judged to have seriously disrupted the market and resulted in the Canadian government requesting Japan to impose voluntary limitations on its exports of certain textile and clothing products of cotton and man-made fibres. While the limitations to which Japan agreed were relatively effective their exports of other textile and clothing items continued to grow. Furthermore, rapidly increasing imports from other sources such as Hong Kong compounded the problem.

The following table will demonstrate the substantial growth in clothing imports from six developing sources from 1955 to 1960. Imports from these sources, which in 1955 represented 26 percent of all clothing imports, increased to 75 percent in 1960. In this period imports were recorded in pounds rather than numbers of garments.

TABLE 1  
CANADIAN IMPORTS OF CLOTHING (1955, 1960)

<u>Origin</u>	<u>1955</u>		<u>1960</u>	
	<u>Quantity, '000 lbs</u>	<u>Percent</u>	<u>Quantity, '000 lbs</u>	<u>Percent</u>
Japan	1,465	25.8	10,866	47.2
Hong Kong	30	0.5	5,480	23.8
Taiwan	-		509	2.2
Poland	-		195	0.8
China	-		191	0.8
Philippines	-		3	NEG
Sub-total of 6 developing sources	1,495	26.4	17,244	74.9
Total imports	5,668	100.0	23,010	100.0

Source: Statistics Canada, Catalogue 65-007.

Towards the end of 1960, it had become clear that the problem of 'low-cost' imports would likely be a permanent one, increasing in scope and intensity as textile and clothing manufacturing and exporting became more prevalent in the Far East. Following a major evaluation of the serious disruption being caused by textile and clothing imports from such sources, the Government announced, in early 1961, the formation of the Interdepartmental Committee on 'Low-Cost' Import Policy to assess the impact of imports on manufacturers, to take into account export, consumer and other interests and to provide advice on the need for the exporting countries concerned to limit their shipments to the Canadian market. The Government emphasized that this decision reflected the seriousness with which the problems of 'low-cost' imports was being regarded by Canada.

From the outset, the approach adopted by Canada to deal with injurious imports placed the burden of proving injury with domestic manufacturers. The approach also envisaged a preference for negotiated solutions involving individual countries and specific products. The Export and Import Permits Act at that time did not contain any specific provision authorizing the imposition of limitations on imports of textiles and clothing.

In essence, Canada's approach was to deal with individual cases of injury from imports at a given point in time on a selective basis. It clearly could not have been interpreted as a policy designed to encourage expansion in the textile and clothing industries in Canada.

In 1961, Canada formalized the bilateral arrangement with Japan, concluded an arrangement with Hong Kong to limit its exports of certain textile and clothing products to Canada, and played a leading role in the development of the Short-Term and Long-Term Arrangements Regarding International Trade in Cotton Textiles. Arrangements were concluded in 1963 with Israel, Portugal and Taiwan.

In the period following 1961, Canada continued to pursue bilateral solutions to injury from imports of textiles and clothing. By 1970, eighteen bilateral agreements had been concluded. In each case action was initiated following the deliberations of the 'Low-Cost' Committee and none was comprehensive either as to product or fibre coverage. In fact, seven of the arrangements covered only one product and only two were in effect during the entire period. Some of the arrangements applied to certain textiles and clothing products of wool and man-made fibres as well as those of cotton fibres, and as such were more encompassing than envisaged by the LTA. In pursuing this course however, Canada diligently followed the guidelines designed to deal with disruption from imports of cotton products as provided for in the LTA.

Notwithstanding the restraint arrangements which had been negotiated, Canada continued to experience sharp and substantial increases in imports. Restrained countries increased their exports of products not subject to the arrangements and non-restrained 'low-cost' sources emerged as major suppliers. In addition there was a shift away from Japan, the traditional 'low-cost' source of imports. It was also during this period that certain state-trading countries emerged as major suppliers of textiles and clothing, which proved to be as disruptive as imports from the 'low-cost' Far East countries. The following table identifies some of the changes in the levels of clothing imports from 1961 to 1970. Starting in 1961, imports of garments were recorded in units of garments instead of pounds.

TABLE 2  
CANADIAN IMPORTS OF CLOTHING (1961, 1970)

<u>Origin</u>	<u>1961</u>		<u>1970</u>	
	<u>Quantity, '000 garments</u>	<u>Percent</u>	<u>Quantity, '000 garments</u>	<u>Percent</u>
Japan	29,829	42.0	23,630	15.5
Hong Kong	11,214	15.8	36,721	24.1
Taiwan	973	1.4	23,911	15.7
China	581	0.8	8,716	5.7
Korea	-	-	6,280	4.1
Romania	48	0.1	2,862	1.9
Poland	204	0.3	1,358	0.9
Philippines	53	0.1	95	NEG
<hr/>				
Sub-total of 8 developing sources	42,902	60.4	103,573	67.9
Total Imports	70,983	100.0	152,558	100.0

Source: Statistics Canada, Catalogue 65-007.

The mounting pressure from 'low-cost' imports resulted in demands from domestic manufacturers for quicker and more effective initiatives to prevent injury to production and employment. At the same time, exporting countries had intensified their resistance to requests for export restraints. This, in many instances, aggravated an already serious situation and highlighted Canada's limited legislative authority to take unilateral action to impose limitations on imports of textiles and clothing. Furthermore, this situation evolved at a time when major developments were taking place in textile technology, production and market demand which gave impetus to the demands for a policy designed to encourage Canadians to invest in these developments.

On July 19, 1970, the Minister of Industry, Trade and Commerce announced a new policy for textiles which he described as "a comprehensive and forward-looking policy, dealing not only with

protection against disruptive competition, but just as importantly, providing positive inducements for adjustment, for restructuring and for the optimum use of new technology, creative research and design". The policy was designed to provide a framework within which the textile and clothing industries could "plan, invest and develop with a greater degree of confidence". The industries were urged to phase out the non-competitive lines of production and to move to those with the highest competitive potential.

In order to facilitate the adjustment or strengthening of the more viable lines of production, the Government undertook to implement, unilaterally if necessary, special measures of protection in those cases where 'low-cost' imports were judged to have caused or threatened to cause serious injury to domestic production and employment. The Textile and Clothing Board was established to advise the Government in this respect. Industry plans for restructuring or for strengthening their competitive position were to be a condition of protection from injurious imports. The Export and Import Permits Act was amended to provide the Government with specific authority to impose limitations on imports in those cases where negotiated solutions were found to be inappropriate.

In the period following the implementation of the policy, Canada continued to pursue a selective approach to special measures of protection against injurious imports by initiating action only when serious injury was found to have been caused or threatened. Although the Multifibre Arrangement provided guidelines to deal with disruption from imports of wool and man-made fibre textiles and clothing in addition to those of cotton, the resistance of exporting countries to restraining their exports did not diminish. The product-by-product, country-by-country approach taken by Canada increased the number of negotiations and frustrations. In addition, the arrangements concluded by Canada were generally of one year's duration.

The continued growth in imports culminated with a dramatic 46 percent increase in imports of clothing from 1975 to 1976. Approximately 80 percent of these imports originated in 'low-cost' sources. The injury caused by these imports was so sudden and serious that the Government, on the recommendation of the Textile and Clothing Board, invoked its rights under the GATT. A global quota was imposed on November 29, 1976 on virtually all clothing imports to stabilize the market situation and to prevent damage to Canadian production and employment which would be difficult to repair. The level of the quota approximated the level of imports in 1975.

The decision was subsequently taken to replace the global quota with a series of bilateral arrangements. In the meantime, the Multifibre Arrangement was extended with provisions for reasonable departures from its particular elements in particular cases. Canada concluded its bilateral agreements with those provisions in mind and delayed signing the Protocol of Extension of the MFA until it was satisfied that satisfactory arrangements could be negotiated with major 'low-cost' and state-trading sources. Most of these arrangements came into effect on January 1, 1979.

## EFFECTS OF THE RESTRAINT POLICY IN CANADA

During the twenty years since 1960, Canada has followed essentially a selective policy regarding limitations on imports from developing countries. Restraint arrangements were concluded on a product-by-product, fibre-by-fibre, and country-by-country basis. This approach did not guarantee the domestic textile and clothing industries specific shares of the Canadian Market. The industries have been encouraged to concentrate on viable lines of production and to phase out the product lines which have the least opportunity to become competitive. The basic aim of the policy was to promote productivity and efficiency, and to assure a more

orderly and stable development of Canadian textile and clothing markets.

Today Canada has twenty bilateral agreements in effect, none of which is comprehensive as to product or fibre coverage. In fact, five of the agreements cover no more than two product categories.

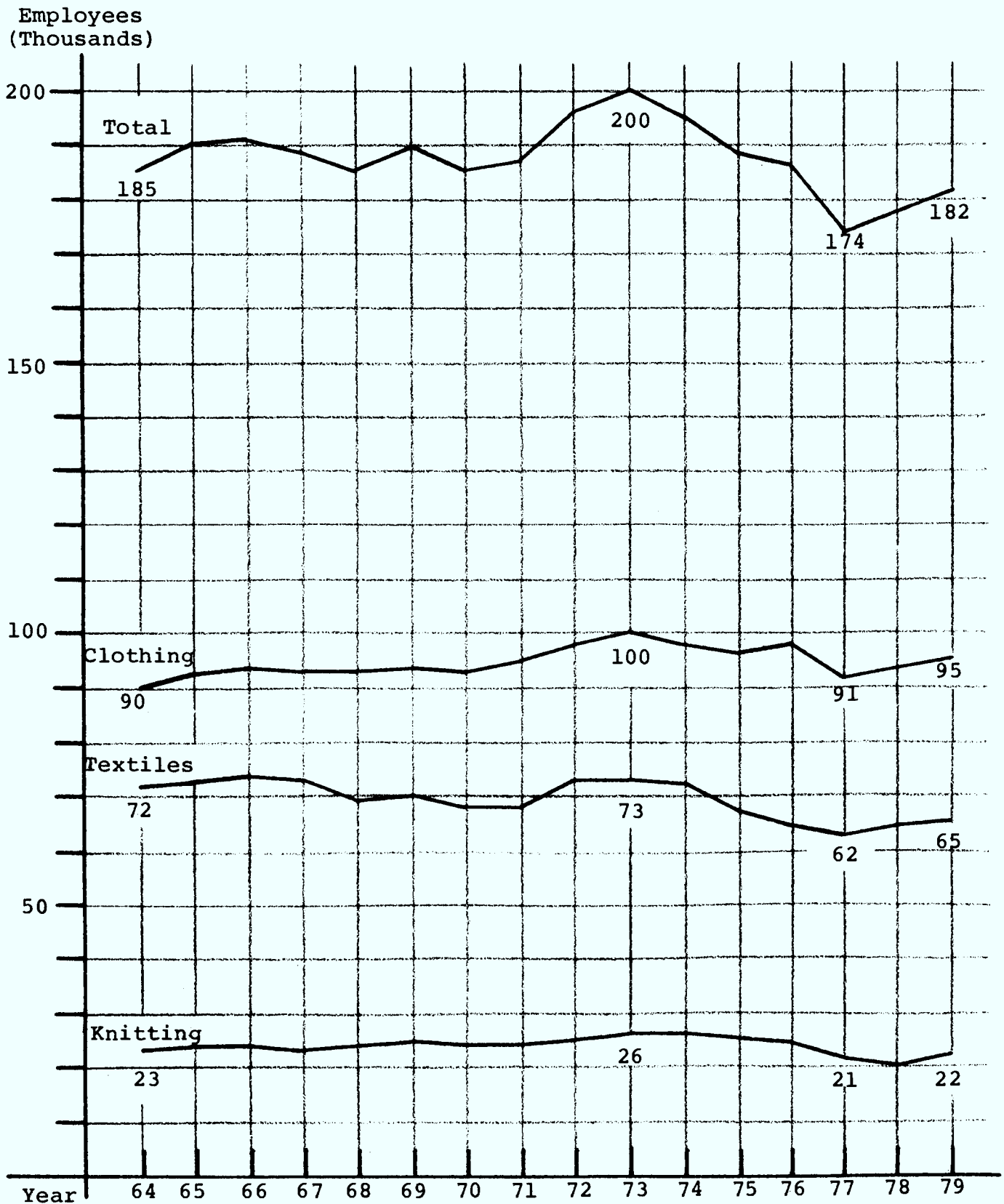
Major adjustments have occurred in Canada's textile and clothing industries which should be noted. Firstly, in the period from 1972, the second full year following the textile policy announcement, to 1977, the latest year for which industry statistics are available, the number of establishments has decreased by 12 percent, from 2,945 to 2,604. The average yearly attrition rate through amalgamation or outright closure is 68 establishments.

Secondly, employment in these two sectors also decreased significantly. Comparing the average employment of the years 1972-74 and 1977-79, three-year averages in order to smooth out short-term instabilities, the Board found that some 20,000 jobs were lost (See Chart 1).

Thirdly, Canada remains a relatively open market for textile and clothing imports from developed and developing countries (including state-trading countries). Between 1972-74 and 1977-79, the average trade deficit in textiles and clothing increased from \$876.8 million to \$1,569.5 million, an increase of 79 percent. During the same years, the average Canadian trade deficit in textiles and clothing with developing countries rose from \$288.2 million in 1972-74 to \$624.8 million in 1977-79, an increase of 117 percent. In 1979, Canada's textile and clothing deficit was close to \$2 billion overall and \$800 million with developing countries alone.

# CHART 1

## TOTAL EMPLOYMENT CANADIAN TEXTILE AND CLOTHING INDUSTRIES (1964-1979)



Source: Statistics Canada, Catalogue 31-203.

The following table will demonstrate Canada's position in relation to other countries in terms of per capita imports of textiles and clothing. For purposes of this table state-trading countries are included in the developing country category.

TABLE 3  
PER CAPITA IMPORTS OF TEXTILES AND CLOTHING  
IN CERTAIN COUNTRIES (1975, 1978)

- U.S. Dollars -

	<u>Developed</u>		<u>Developing</u>		<u>World</u>	
	<u>1975</u>	<u>1978</u>	<u>1975</u>	<u>1978</u>	<u>1975</u>	<u>1978</u>
Canada	38.25	41.79	16.61	23.51	54.86	65.29
U.S.A.	5.13	7.06 <sup>(1)</sup>	11.59	18.64 <sup>(1)</sup>	16.71	25.70 <sup>(1)</sup>
Japan	3.43	5.60	7.22	15.82	10.65	21.42
E.E.C. <sup>(2)</sup>	11.67	19.48	13.93	22.69	25.62	42.40
Sweden	113.44	133.22	29.51	37.57	142.95	170.80
Australia	27.32	33.35 <sup>(1)</sup>	22.90	31.90 <sup>(1)</sup>	50.30	65.34 <sup>(1)</sup>

Source: U.N. Trade Statistics (International Trade Data Bank);  
U.N. Monthly Bulletin of Statistics, November 1979  
(Population).

(1) 1977.

(2) excludes intra-trade of 9 EEC member countries.

## SUMMARY

1. Despite the efforts of the world trading community during the last 20 years, and notwithstanding various multilateral arrangements governing international trade in textiles, a lasting and effective solution to deal with the existence of serious damage or threat thereof from imports has eluded importing and exporting countries.
2. The major importing countries have announced publicly their intentions to maintain a strong manufacturing presence in textiles and clothing.
3. Indications are that in the next round of negotiations to consider the need for a multifibre arrangement beyond 1981, importing and exporting countries will have to come to grips with the fundamental issue of cumulative disruption. They will have to recognize the unlikelihood of importing countries being able to continue to absorb increasing imports of textiles and clothing from the growing family of developing country producers.
4. Since 1960 Canada has attempted to deal with serious injury from imports of textiles and clothing from 'low-cost' and state-trading sources on the basis of negotiated arrangements to limit exports to Canada of specific products from individual countries.
5. Canada's selective approach in dealing with injurious imports frequently resulted in the negotiation of restraint agreements after serious injury had been caused. This allegedly created a feeling of insecurity amongst manufacturers which directly affected their decisions regarding capital expenditures on plant and equipment.
6. Canada's textile policy as it evolved encouraged restructuring and clearly stated that lines of production which had no prospects of becoming competitive should be phased out.

## 2. THE PRIMARY TEXTILE INDUSTRY

A large number of differing yet inter-related subsectors make up the complex entity known as the primary textile industry. Each subsector, from the initial fibre stage to household products or the production of yarns and fabrics which enter into apparel, industrial or automotive products, may be viewed as a separate industry in its own right. However, the output of each phase of production is the major raw material for the next production stage, and actions which affect the final output of these downstream manufacturers have an important effect on the performance of the supplying subsector.

In this chapter, the Board will examine the state of the Canadian primary textile industry, with special attention given to developments which have taken place within this industry since 1976, and the impact of imported products on various subsectors of the industry. Except for warp-knit fabrics which are under import surveillance, imports of all other textile products subject to this inquiry are under restraint from at least one export source.

### PRODUCTS MANUFACTURED

The primary textile industry is composed of establishments manufacturing (including dyeing, finishing and printing where applicable) the following products: man-made fibres and yarns; cotton and wool yarns; cotton, wool and man-made fabrics; knitted

fabrics; hosiery; thread, cordage, rope and twine; carpets, mats and rugs; and sheets, pillowcases, towels, blankets and bedspreads.

As imports of carpets, mats and rugs are not subject to restraint, and thus not subject to this inquiry, information on these products is not included.

#### LOCATION, CONCENTRATION AND SPECIALIZATION

There were 1,050 textile establishments in 1972 compared to only 944 in 1977, a 10 percent decrease in five years. This decrease was not peculiar to any particular province or region of Canada, but was fairly uniform throughout the country. The concentration of the textile industry in Quebec and Ontario, where 85 percent of the establishments are located, denotes the importance of this industry to these provinces.

TABLE 4  
REGIONAL DISTRIBUTION OF TEXTILE  
ESTABLISHMENTS BY NUMBER AND PERCENTAGE (1972, 1977)

<u>Region</u>	<u>1972</u>		<u>1977</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Atlantic	26	2.5	20	2.1
Québec	482	45.9	432	45.8
Ontario	417	39.7	373	39.5
Prairies	76	7.2	70	7.4
British Columbia	49	4.7	47	5.0
Yukon and Northwest Territories	—	—	2	0.2
Total	1050	100.0	944	100.0

Source: Statistics Canada, Catalogue 31-203.

The industry's shipments of \$3.04 billion in 1977 represented 2.8 percent of the shipments of all Canadian manufacturing and accounted directly for 4.1 percent of the employment of all Canadian manufacturing. Approximately 50 percent of the Canadian textile workers are employed in Quebec while Ontario employs some 45 percent. In 1977, 49 percent of Canadian textile shipments on a value basis were produced in Quebec while 47 percent originated in Ontario.

The distribution of establishments by size of employment is shown in Table 5.

TABLE 5  
DISTRIBUTION OF TEXTILE ESTABLISHMENTS  
BY EMPLOYMENT SIZE RANGE AND PERCENTAGE (1972, 1977)

<u>Employment Size Range</u>	<u>1972</u>		<u>1977</u>	
	<u>Number of Establishments</u>	<u>Percentage</u>	<u>Number of Establishments</u>	<u>Percentage</u>
Less than 50	745	71.0	675	71.5
50- 99	103	9.8	95	10.1
100-199	91	8.7	90	9.5
200-499	85	8.1	61	6.5
500-999	17	1.6	17	1.8
More than 1,000	<u>9</u>	<u>0.9</u>	<u>6</u>	<u>0.6</u>
Total	1,050	100.0	944	100.0

Source: Statistics Canada, Catalogue 31-203.

The decrease in the number of textile establishments has been more predominant in those establishments with less than 50 employees and in those in the 200-499 employment size range. Three of the nine establishments which had more than 1,000 employees in 1972 have reduced their work force to less than 1,000 employees in 1977.

*gaining economies of scale*

Overall, this resulted in a net decrease of 15.2 percent of the work force.

In the early 70's, fabric manufacturers were encouraged to rationalize their operations and to concentrate on the more viable lines of production rather than to try to supply every type of fabric required in Canada. Over the years therefore, fabric manufacturers, particularly the manufacturers of woven fabrics, phased out many of the less profitable lines of production and specialized in those fabrics most in demand. At the same time, because of import competition as well as other reasons, several of the smaller and medium-size manufacturers ceased operations or merged, thus reducing Canadian sources of supply of many fabrics to a few large manufacturers. For example, each of the various types of man-made fibres is produced by only one or two firms. Similarly, there are only two Canadian weavers of cotton apparel fabrics including denim, two of nylon apparel fabrics, three of polyester apparel fabrics, two of sheets and pillowcases and three of towels. In addition, 85 percent of domestic production of worsted fabrics is supplied by two firms. These developments are pushing manufacturing efficiencies and specializations to a point where further rationalization in the primary textile industry could impede the development of new and varied products.

## CAPITAL AND REPAIR EXPENDITURES

The reaction of the primary industry to the imposition of global quotas in 1976 was understandably favourable. However, this response did not immediately translate into increased capital spending geared toward the replacement, expansion and modernization of production facilities for a number of reasons.

Firstly, major capital expenditures are not made on the spur of the moment. Extensive planning is required, and expenditures must be justified on the basis of expectations of a reasonable

level of activity in the market and an appropriate rate of return on investment. A major motivation for these expenditures is the maintenance and improvement of already existing plants and equipment.

Secondly, the time lag between a decision to invest, and the actual capital expenditure itself, can easily run to 2 or 3 years, depending upon the type of machinery and equipment purchased and the prevailing delivery times in the machinery supply sector. Plant expansion, or the construction of a completely new plant and delivery of the commensurate machinery and equipment can, depending on the sector involved, take far longer to come on stream.

A third consideration which weighed against any sudden and dramatic increase in capital spending intentions was, of course, the prevailing level of activity and capacity utilization in the primary textile industry itself. Excess capacity was available which would enable the mills to respond to increased demand from apparel manufacturers.

Lastly, but no less importantly, was the degree of uncertainty which still prevailed even after imposition of the global quotas on clothing. The global quotas had been recommended to the Minister of Industry, Trade and Commerce by the Board as an interim and emergency measure in November, 1976. Many firms were therefore reluctant to make large commitments without first knowing how long the global quotas would be in place; what special measures, if any, would replace the global quotas; what would be the duration of those measures; what countries and products would be covered; what would be the restraint levels; what would be growth levels; and so on.

All of the foregoing is not intended to imply that capital expenditures were not being made in the primary textile industry from 1977 onward. Rather, it does help to explain the time lag between Government action and industry reaction, and shows how

the industry's perception of the future is a major factor in the investment decision process.

Capital and repair expenditures by the textile and knitting mills are set out in Table 6.

TABLE 6  
CAPITAL AND REPAIR EXPENDITURES,  
TEXTILE AND KNITTING MILLS <sup>(1)</sup> (1974-1980)

- million dollars -

	<u>Capital</u>	<u>Repair</u>	<u>Total</u>
1974 -	158.0	64.2	222.2
1975 -	174.2	61.6	235.8
1976 -	119.3	67.3	186.6
1977 -	87.6	68.4	156.0
1978 -	106.3	73.2	179.5
1979 (2)	133.2	78.2	211.4
1980 (3)	167.4	87.6	255.0

Source: Statistics Canada, Catalogue 61-205.

- (1) Includes knitted garments.
- (2) Preliminary.
- (3) Forecast.

Since 1977 there has been a steady but moderate revival in capital and repair expenditures by the primary textile industry. The considerable increase in imports in 1976 resulted in a serious delay in expenditures. The recovery has been very gradual: it is only in 1980 that the nominal amount of capital and repair expenditures will exceed the level achieved in 1975. In real terms expenditures in 1980 will still be lagging the 1975 level by some 35 - 40 percent.

## CAPACITY UTILIZATION

In Canada, information about the degree of capacity utilization can be obtained from Statistics Canada, the Bank of Canada and the Department of Industry, Trade and Commerce. In their estimates, the first two institutions rely on variants of the capital/output ratio method, and the Department uses the estimates method developed by the Wharton School. In an overly simplified way, the capital/output ratio method can be described as taking the lowest actual capital/output ratio in each industry as 100, and expressing successive capital/output ratio results in relation to this assumed basis. The Wharton School method plots the peaks in output, calculates a trend line based on these peaks, and the result of the trend line for any particular year or quarter will give the conventional 100 capacity utilization.

Even described crudely, one can see immediately that these methods do not correspond to what the industry considers its optimum capacity utilization. The industry knows that 100 percent capacity utilization is impossible, that idle capacity has to exist at each step of transformation for security reasons. Thus, the optimum rate of capacity utilization in industry is in the 90-94 percent range rather than the theoretical 100 percent.

We may conclude that all the published results on capacity utilization, whatever the source, are systematically biased upward, probably by 6 to 10 percent depending on the specific branch of manufacturing. Nevertheless, the data are useful because they indicate correctly the changes in capacity utilization, even though the level may not correspond to the industry's practice.

In Table 7 the Board uses the data published by Statistics Canada. These data are well known and widely commented upon in economic and trade journals.

TABLE 7  
INDEX OF CAPACITY UTILIZATION,  
TEXTILE, KNITTING MILLS AND MANUFACTURING INDUSTRIES (1975 - 1980)

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(1971 = 100)

<u>Year</u>	<u>Textile</u>	<u>Knitting Mills</u> <sup>(1)</sup>	<u>Manufacturing Industries</u>
1975	82.3	80.6	81.0
1976	82.1	79.5	82.6
1977	84.5	78.3	82.1
1978	93.5	89.1	85.9
1979	95.9	95.9	86.5
1979 (1st quarter)	97.7	91.4	87.6
1980 (1st quarter)	88.1	90.6	84.6

Source: Statistics Canada, Catalogue 31-003.

(1) Includes knitted garments.

The primary industry was able to respond to the increased demand for yarns and fabrics largely through greater utilization of its existing plant facilities, rather than through increased capital expenditures. Excess capacity was available in most sectors of the primary industry. Shifts were added and the number of days worked per week was increased where possible, to cope with the increased bookings from the apparel industry.

While lead time for some primary textile products has grown somewhat longer, the potential still exists in certain areas to make greater use of existing plant facilities by going to a seven day per week operation.

## PRODUCTIVITY AND TECHNOLOGICAL DEVELOPMENT

The record of productivity growth in the textile industry as compared with manufacturing generally is set out in the following table. It should be noted that productivity increases in the textile industry have not only kept pace with the manufacturing sector in general but have surpassed it.

TABLE 8  
TEXTILE, KNITTING MILLS AND MANUFACTURING INDUSTRIES,  
INDEX OF REAL VALUE ADDED PER MAN-HOUR WORKED (1976-1979)

(1971 = 100)

<u>Year</u>	<u>Textile Industries</u>	<u>Knitting Mills</u> <sup>(1)</sup>	<u>Manufacturing Industries</u>
1976	127.3	110.6	118.0
1977	137.3	117.4	123.6
1978	144.0	133.8	128.6
1979	145.6	135.0	128.9

Compound Annual Growth Rate - percent -

1971-79	4.8	3.8	3.2
1971-76	5.0	2.0	3.4
1976-79	4.6	6.9	3.0

Source: Statistics Canada, Catalogues 61-213 and 72-002.

(1) Includes knitted garments.

In their briefs to the Board, individual firms provided details on productivity gains achieved in their own company and/or on individual product lines within a company. These gains were normally associated with specific capital expenditures for new machinery and equipment but also resulted from improved capacity utilization and better production scheduling. Better management, improved employee performance, general business improvement and

installation of newer, more productive equipment are some of the inter-related elements associated with the productivity gains which, by themselves, are difficult to differentiate. Nevertheless, impressive gains in productivity were recorded in a number of areas, and often appeared to result directly from capital expenditures on faster, more productive equipment.

The bulk of the spending projects for the primary textile industry in the 80's is directed towards newer, faster and more efficient production machinery. These expenditures are likely to enhance the overall performance of the industry in the years ahead, and lead to continuing productivity increases on a broad scale.

Future capital expenditures and productivity increases in the primary industry are necessary to enhance the competitiveness of the industry, and are conditional in large part on the continued health of the clothing industry.

Canadian textile manufacturers are fully aware of technological developments and try to select the latest technology available when making their spending decisions. Confidential data was received from a number of firms relating to specific technological changes affecting their particular product lines, and how they intended to pursue these developments with respect to their own operations. More general data on developments or innovations which have been adopted by the industry were provided by the Canadian Textiles Institute, and are summarized hereunder:

- Canada's man-made fibre and filament yarn producers have made significant technological advances in the past three years. A fifteen million pound batch process for polyester staple fibre has been replaced by a sixty million pound continuous process installation. Not only has the productive capacity been quadrupled, but the quality of the product manufactured by continuous process is much better controlled, thereby providing significant benefits to down-stream manufacturers.

- There is a growing demand in certain applications for filament yarn that has the appearance of spun yarn. Canadian filament producers have been doing research to find ways of modifying the appearance of filament yarns in response to this demand.
- It naturally follows that better synthetic fibres and better filament yarns will go a long way to assist the domestic industry to produce high quality goods economically. One must add to this the matter of fibre and filament yarn finishes, to which the producers have been giving a great deal of attention during the past few years. It is probably one of the most important aspects of quality to a spinner or weaver, and the one least understood by persons outside the manufacturing area.
- Open-end spinning and shuttleless weaving with air jet, water jet or projectile weft insertion are the two most significant developments in fabric formation during the recent past. Yarn evenness has been improved by the installation of newly developed chute feeds to replace pickers and lap-fed cards and by the use of electronically controlled autolevellers on drawing frames.
- Non-woven materials have replaced traditional fabrics to a considerable extent as substrates for coated fabrics, for certain items of apparel and for many industrial applications. They have entered into hospital supplies and into the totally new field of geotechnical fabrics where they are used to inhibit soil erosion. In conjunction with fabrics manufactured from slit film they have replaced imported hard fibres such as jute and sisal.
- In the field of wet processing, i.e., the dyeing and finishing of yarns and fabrics, there have been many technological advances, particularly in the application of mini-computers to control operations previously controlled mechanically or manually. Computer together with digital spectrophotometers, are used to analyze

colours and to provide dye formulations and their costs, based on the best combination of dyes for any given shade.

- Another positive contribution of computers working with digital sensors has been in the field of energy conservation. Heat, which has heretofore been wasted in all phases of dyeing and drying of textiles, is now being conserved by the use of only that amount necessary to perform a particular transformation.
- The utilization of computer systems has been moving forward rapidly in recent years. They are being used to provide sales persons with instant information on availability of products through desk terminals and screens. They also facilitate control over inventories and accomplish this in a fraction of the time taken heretofore.

The Canadian textile industry invests heavily in highly automated equipment in order to decrease steadily the labour content of its unit of output. Wages represent the most important cost disadvantage of the industry in relation to developing countries, and it is therefore normal that efforts should focus on the labour content of the product.

The investment strategy of the textile industry is well adapted to its needs: a very high proportion of new investments is of a capital deepening nature, increasing efficiency and minimizing labour content. Capital widening, i.e. investments in additional productive capacity, represents less of a priority.

## COST INCREASES

The major cost elements affecting the textile industry have escalated rapidly as exhibited in Table 9:

TABLE 9  
TEXTILE INDUSTRY: PRICE INDEX OF MAJOR INPUTS (1975-1979)

(1971 = 100)

	<u>Cotton</u> <sup>(1)</sup>	<u>Wool</u> <sup>(1)</sup>	<u>Man-Made</u> <sup>(2)</sup> <u>Fibres and</u> <u>Filament yarns</u>	<u>Dye-</u> <sup>(3)</sup> <u>Stuffs</u>	<u>Labour</u> <sup>(4)</sup> <u>(Wage</u> <u>Earners)</u>	<u>Energy</u> <sup>(5)</sup>
1975	225	259	122	137	150	189
1976	267	265	130	150	172	283
1977	206	297	133	165	192	336
1978	221	330	137	192	207	411
1979	272	379	156	211	227	439

Compound Annual Growth Rate - percent -

1971-79	13.3	18.1	5.7	9.8	10.8	20.3
1971-76	21.7	21.5	5.4	8.5	11.5	23.1
1976-79	0.6	12.8	6.3	12.1	9.7	15.8

Source: DuPont of Canada.

- (1) Survey of Current Business, U.S. Dept. of Commerce.
- (2) Statistics Canada, Catalogue 62-011.
- (3) Statistics Canada, Catalogue 65-007.
- (4) Statistics Canada, Catalogue 72-002.
- (5) 1972 = 100. Based on Toronto City Gate Natural Gas Prices.

Furthermore, one of the major elements affecting the Canadian textile and knitting industry is the cost of new machinery and equipment, most of which has to be imported into Canada. This cost factor has become even more significant as the value of the Canadian dollar has declined over the past several years. For example, the Canadian Textiles Institute stated in its brief that "a Sulzer loom now has a landed cost of about \$50,000 compared with \$25,000 only .5 years ago; and that an Ingolstadt open-end spinning frame has risen in price from \$141,000 in 1975 to \$201,000 today".

"As a result, a major primary producer estimates that the capital cost to create a job in a modern greige plant now runs to \$150,000, while it would cost \$200,000 to create a job in a modern finishing plant".

## SELLING PRICES

In recent years there have been significant increases in costs and selling prices of domestically produced goods. However, the selling prices of domestic textiles, including knit goods and man-made fibres, have risen at substantially lower rates than the average prices for all Canadian manufactured products and for imported fabrics. This indicates that the domestic textile industry has outperformed not only imported textiles but also "all Canadian industries" in controlling selling price increases.

TABLE 10  
TEXTILE INDUSTRY: SELLING PRICE INDEX (1975-1979)

(1971 = 100)

	<u>Total Textiles</u>	<u>Total Knitting Mills</u> (1)	<u>Man-made Fibres and Filament Yarns</u>	<u>Imported Textiles</u>	<u>All Manufacturing Industries</u>
1975	132.5	119.6	121.8	128.4	153.7
1976	142.5	125.2	129.9	136.5	161.6
1977	150.4	132.2	133.3	146.6	174.3
1978	159.7	139.7	136.7	170.3	190.4
1979	180.7	153.7	156.6	191.6	217.8
<u>Compound Annual Growth Rate</u> - percent -					
1971-79	7.7	5.5	5.7	8.5	10.2
1971-76	7.3	4.6	5.4	6.4	10.1
1976-79	8.2	7.1	6.4	12.0	10.5

Source: Statistics Canada, Catalogues 62-011 and 65-001.

(1) including knitting garments.

## PROFITABILITY

Table 11 provides comparisons of the net profit-to-sales ratio for textile and knitting mills and for all manufacturing for the period 1977 to 1979. It shows all manufacturing to have been ahead of textiles in 1977 and 1978. In 1979 the textile and knitting mills sectors had moved ahead of all manufacturing.

TABLE 11

PROFITABILITY OF CANADIAN MANUFACTURING INDUSTRIES  
AND TEXTILE AND KNITTING MILLS (1977-1979)

	<u>Textile &amp; Knitting Mills</u>		<u>All Manufacturing</u>	
	<u>Profit After Tax</u>	<u>Profit as a percent of sales</u>	<u>Profit After Tax</u>	<u>Profit as a percent of sales</u>
	-- million - dollars		- million - dollars	
1977	120	3.2	4,826	3.8
1978	156	3.6	6,261	4.3
1979	295	5.8	8,764	5.1

Source: Statistics Canada, Catalogue 61-003.

Increased capacity utilization and growing productivity have combined to improve the profitability of textile and knitting mills. This development is an important one because profitability serves as a criterion for investment decisions, and, at the same time, increases the cash flow required to finance investment projects.

## TRAINING

Highly automated equipment produces a double consequence for the level of skills required from the labour force: on the one hand, automation tends to de-skill some operations, and on the other hand, it requires more highly skilled persons for the operation and maintenance of the sophisticated equipment now in place. These trends will continue in the 80's, and the need for technicians, industrial engineers, chemists, computer specialists and related disciplines will continue to grow.

In order to meet these needs individual firms have conducted extensive and well-planned training programmes. Moreover, two existing schools, Mohawk College in Ontario and College Regional Bourghamine in Québec, offer programmes in textile technology. Over the past three years these two schools have graduated an average of twenty-five students per year, all of whom have been placed in the industry. Industry representatives have expressed the wish to see university programmes with credit courses leading to diplomas in textile production and management. Such developments are not impossible but they require a realistic estimate of the number of candidates the industry can and will be willing to absorb on a permanent basis.

## THE CANADIAN PRIMARY TEXTILE MARKET

The market for textile products in Canada is a very demanding one. Since the consumer insists on the broadest selection of apparel from the retailing industry, which in turn the clothing industry must supply, a broad range of fabrics from the primary textile industry is required in order to respond to those changing consumer demands. Similar pressures are exerted by those sectors serving the markets for industrial and household products.

In reacting to these changes in the public mood, the apparel industry attempts to offer new and varied products to the retailing

trade. This results in new and changing demands upon the primary textile industry for different yarn types and sizes, different fabric weights and constructions, and a variety of different finishes to provide the look which is currently in vogue.

## SIZE OF MARKET

Single product plants and long runs are standard in the United States and the European Economic Community (E.E.C.) to a far greater extent than could ever be feasible in Canada. In each case, the market served by their primary textile industries is more than ten times the size of the Canadian market. Economies of scale and efficiency of production require fairly long runs of particular yarn and fabric types. However in producing the wide variety of products which it does produce, the Canadian primary textile industry frequently has to show more initiative and pay more attention to detail and planning than do its American and E.E.C. counterparts.

## DEGREE OF PENETRATION

In addition to and as a consequence of the market size served by the domestic industry, a further distinction between Canadian, American and E.E.C. textile markets is that the import penetration in the latter two markets is not nearly as severe as it is in Canada. As a result not only does the Canadian primary textile industry have a smaller potential domestic market to service in the first instance, but that market potential has been seriously reduced even further by the volume of textiles and made-up garments which are imported into Canada.

Table 12 shows per capita imports of textiles from developed and developing countries into selected countries for the year 1978.

TABLE 12  
PER CAPITA IMPORTS OF TEXTILES  
FROM DEVELOPED AND DEVELOPING COUNTRIES  
INTO SELECTED COUNTRIES (1978)

- U.S. dollars -

	<u>Developed</u>	<u>Developing</u>	<u>World</u>
Canada	35.48	7.25	42.74
U.S.A. (1)	4.15	3.27	7.43
Japan	3.73	8.69	12.42
E.E.C. (2)	11.30	7.03	18.47

Source: UN Trade Statistics (International Trade Data Bank);  
UN Monthly Bulletin of Statistics, Nov. 1979 (Population).

(1) 1977.

(2) Excludes intra-trade of 9 E.E.C. member countries.

#### SOURCE OF IMPORTS

There have been significant changes in international trading patterns over the years. Prior to the 70's, developing or "low-cost" countries concentrated their export efforts on cotton yarns and fabrics, whereas their current exports concentrate far more heavily on made-up items of apparel. During the 70's, developed countries, notably the United States and the E.E.C., emerged as major suppliers of man-made yarns and fabrics to world markets. Over the same period, Japan has largely lost its competitive position as a 'low-cost' producer due to an appreciation of its currency accompanied by a sharp increase in wages and other production costs, such as for energy and raw materials.

At the time of the introduction of Canada's textile policy a major threat to Canadian industry was the importation of yarns and

fabrics from 'low-cost' sources. Although 'low-cost' sources still accounted for some 27 percent of imports in the late 70's, imports of textiles from developed countries, especially in the man-made sector, have been capturing an ever increasing share.

TABLE 13  
ANNUAL AVERAGE PERCENTAGE <sup>(1)</sup> DISTRIBUTION OF IMPORTS  
BY TYPE OF PRODUCT AND SOURCE (1967-1968, 1976-1978)

<u>Type of Products</u>	<u>Source</u>					
	Developed		Japan		'Low-cost'	
	<u>1967-68</u>	<u>1976-78</u>	<u>1967-68</u>	<u>1976-78</u>	<u>1967-68</u>	<u>1976-78</u>
Cotton yarns	46.1	39.7	0.5	0.5	53.3	59.8
Cotton fabrics	45.4	43.2	8.1	5.5	46.5	51.2
Cotton yarns and fabrics	45.6	42.6	6.5	4.5	47.9	52.9
Man-made yarns	81.6	85.2	12.3	6.5	6.1	8.3
Man-made fabrics	67.9	65.6	23.6	18.1	8.5	16.1
Man-made yarns and fabrics	73.0	75.9	19.4	12.0	7.6	12.1
Worsted fabrics	58.2	28.7	36.1	19.6	5.8	51.7
Double-knit and Tricot fabrics	41.2	64.9	50.7	21.0	8.1	14.1
All of the above products	55.8	62.9	12.6	9.8	31.6	27.2

Source: Statistics Canada, Catalogue 65-007.

(1) Based on product weight.

Complicating the situation is the proximity of Canada to the American primary textile industry. The United States is a major source of primary textile imports into Canada. This is understandable in light of: the Canadian apparel industry's need for variety which cannot be fully met in Canada; the need for small

quantities which can be readily obtained from the more economical long runs allowed by the size of the American market; and the shorter lead times available from the United States in comparison to those available from low-cost suppliers. The Canadian industry does not object to competition from the United States as long as the selling price to Canada reflects the normal, full cost pricing for the product. The difficulty arises when the American textile market slows down, and American mills have unused capacity available. In such circumstances, disruption in the Canadian market may occur, particularly when incremental pricing and the recovery of variable costs are the determinants of selling prices charged to apparel manufacturers. In such cases, tariff levels are rendered somewhat meaningless.

As can be seen in many of the textile import tables in Volume II of this report, imports of textile products from developing countries are, in the majority of cases, at lower levels than imports from more developed countries. The problem is that imports from developing countries have shown more potential to fluctuate and to exert price pressures on the Canadian textile market, than imports from developed countries. Even without the occurrence of fluctuations in import volumes from traditional low-cost textile sources, the domestic textile industry is subject to the same problem which besets the Canadian apparel industry - a plethora of off-shore suppliers and potential growth in the total volume of textile products which are allowed to enter Canada.

An examination follows of the three main sub-divisions of the primary textile market, that is, the sales yarn, the fabric and the household and miscellaneous products markets.

#### THE SALES YARN MARKET

Table 14 includes all sales yarns of cotton, polyester-cotton, acrylic, rayon, nylon, polyester and mixed fibres. Yarns produced by integrated mills for internal consumption are not included.

In this sector, Canadian mills have been able to maintain their contribution to the market up to 1978. However, because of the doubling of imports of nylon and polyester filament yarns in 1979, Canadian mills have been losing their share of a growing market to imports from other developed countries.

TABLE 14  
APPARENT CANADIAN MARKET FOR SALES YARNS (1976-1979)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 kilos -			
Domestic Shipments	109,895	130,520	143,613	149,918
Exports	5,250	9,417	13,943	13,919
Net domestic Shipments	104,645	121,103	129,670	135,999
Imports	40,954	39,517	43,320	60,718
(of which, 'low-cost')	(6,836)	(7,269)	(10,048)	(8,998)
Apparent Canadian Market	145,599	160,620	172,990	196,717
Share of Canadian market held by:	- percent -			
Net Domestic Shipments	71.9	75.4	75.0	69.1
Total Imports	28.1	24.6	25.0	30.9
'Low-Cost' Imports as a Percentage of Total Imports	16.7	18.4	23.2	14.8

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

Domestic shipments of carpet yarns, both filament and spun, cotton and polyester-cotton yarns have doubled since 1975, whereas acrylic yarn shipments have remained fairly constant. The United States is still by far the single most important off-shore supplier of yarns, and low-cost suppliers have become less of a factor in the market in 1979.

As noted earlier, textile products are not all under the same degree of pressure from 'low-cost' imports. However, the ones which are under the greatest pressure do illustrate the disruptive potential held by 'low-cost' sources, either individually or collectively.

For example, worsted spun acrylic yarn is a classic case of a situation where, in spite of repeated inquiries and reviews by this Board and Government restraint action going back to 1972, the domestic spinners of worsted spun acrylic yarns have continued to experience difficulties and to fall by the wayside. Their problems have been caused or exacerbated by 'low-cost' import competition and more recently, by fluctuating domestic market demand. The problem of high import levels is difficult enough for domestic spinners to cope with when markets are growing. However, when total market demand declines, as it has done for some time recently due to a fall-off in the Canadian sweater market, the pressure increases on domestic spinners to maintain a viable level of production.

The situation concerning acrylic yarns was made more difficult because the definition of the yarn that was subject to restraint was too narrow. As a result foreign exporters took advantage of the definition to ship large quantities of yarns to Canada which were competitive with and directly substitutable for the yarns covered by the restraint.

The more precisely the area of injury is defined, the greater the likelihood there is that almost identical products which are outside the control measures, but which can serve the same end use as the controlled product, will enter the domestic market from 'low-cost' sources. In the case of acrylic yarns from Taiwan, in 1979, by the time it was realized that these yarns were substitutable with yarns which the restraint measures had been intended to protect, more than one million pounds had entered Canada. In that year, the Taiwanese restraint level for acrylic yarns as defined was 102,000 pounds.

Had the Board recommended comprehensive controls similar to those in effect in the United States and the E.E.C., and had the Government carried out these recommendations, imports of acrylic yarns from Taiwan would not have exceeded the restraint level.

Six of the fifteen domestic worsted spun acrylic yarn spinners in existence five years ago have gone out of business. This has resulted in a net reduction of 404 employees from a high of 1,503 employees in March 1975, in this sector alone.

#### THE FABRIC MARKET

Table 15 shows the evolution of the apparent Canadian market for woven fabrics subject to the inquiry, during the period from 1976 to 1979. During that period the manufacturers in this sector have marginally increased their share of the market, but that share still remains below 45 percent.

As was the case with sales yarns, Table 15 demonstrates the extent to which imports can disrupt the Canadian market. For example, low-cost imports of woven fabrics decreased by almost 42 million square metres in 1977, and then increased by 51 million square metres in 1978, an increase of 48 percent.

TABLE 15  
APPARENT CANADIAN MARKET FOR WOVEN FABRICS  
SUBJECT TO INQUIRY<sup>(1)</sup> (1976-1979)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
- million square metres -				
Domestic Shipments	331.9	346.1	387.6	440.4
Exports	45.4	45.5	47.2	52.9
Net Domestic Shipments	286.5	300.6	340.4	387.5
Imports	446.1	390.5	439.6	481.7
(of which, 'low-cost')	(148.3)	(106.5)	(157.1)	(155.1)
Apparent Canadian Market	732.6	691.1	780.0	869.2
- percent -				
Share of Canadian market held by:				
Net domestic Shipments	39.1	43.5	43.6	44.5
Total Imports	60.9	66.5	66.4	65.5
'Low-cost' Imports as a Percentage of Total Imports	33.2	27.2	35.8	32.1

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

(1) Cotton, polyester-cotton, denim, corduroy, nylon, polyester, woollen, worsted, coated, rayon, acetate, mixed fibres and pile fabrics of man-made fibres.

Table 16 outlines the evolution of the apparent Canadian market for warp-knit fabrics for the period from 1976 to 1979. Although the share of the market held by Canadian warp-knit manufacturers decreased by about 8 percent in 1979, domestic shipments increased in that year and the Canadian manufacturers still hold close to 81 percent of the market.

TABLE 16

APPARENT CANADIAN MARKET FOR WARP-KNIT FABRICS (1976-1979)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 kilos -			
Domestic Shipments	8,191	7,778	9,328	9,964
Exports	35	160	133	301
Net Domestic Shipments	8,156	7,618	9,195	9,663
Imports	2,912	2,463	1,209	2,314
(of which, 'low-cost')	(96)	(103)	(33)	(25)
Apparent Canadian Market	11,068	10,081	10,404	11,977
Share of Canadian market held by:	- percent -			
Net domestic Shipments	73.7	75.6	88.4	80.7
Total Imports	26.3	24.4	11.6	19.3
'Low-cost' Imports as a Percentage of Total Imports	3.3	4.2	2.7	1.1

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

Table 17 shows the import share of the markets for major fabric types subject to this inquiry, as well as the share of imports held by 'low-cost' suppliers.

TABLE 17  
IMPORT PENETRATION AS A PERCENTAGE<sup>(1)</sup> OF THE  
CANADIAN FABRIC MARKET, AND 'LOW-COST' IMPORTS  
AS A PERCENTAGE<sup>(1)</sup> OF TOTAL IMPORTS (1976-1979).

<u>Types of fabrics</u>	<u>Imports as a percentage of market</u>				<u>'Low-cost' imports as a percentage of total imports</u>			
	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Cotton, polyester- cotton, denim and corduroy	64.0	58.3	62.4	61.8	51.2	43.4	53.0	46.1
Nylon and polyes- ter	62.2	58.0	46.1	46.2	8.0	7.4	8.1	9.8
Woollen and worsted	40.3	37.4	43.1	47.9	27.1	27.9	26.6	25.3
Coated	48.8	49.4	48.4	48.7	1.9	3.8	8.1	8.6
Rayon, acetate, mixed fibres and pile (except cotton)	57.4	59.1	57.3	53.0	17.9	15.0	18.2	19.5
Warp-knit	26.3	24.4	11.6	19.3	3.3	4.2	2.7	1.1

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

(1) Percentage based on square metres except for warp-knit fabrics where it is based on kilos.

The overall large import penetration of the Canadian fabric market has not affected the production of every fabric evenly. One sector which has been a major problem area for the textile industry for a number of years is the worsted fabric sector.

In this instance the problem is created by several factors:

- the Canadian market has shown very slow growth during recent years;
- Tariff protection is becoming increasingly ineffective; with a nominal ceiling of \$1.10 per pound on the majority of imports, Canadian manufacturers receive only symbolic protection at the higher price end of the market, or less than 5 percent protection;
- the number of 'low-cost' suppliers is growing, and they exert considerable price pressure at the higher as well as the lower end of the market.

The worsted fabric industry has been rationalized to the point where the sector is dominated by two companies which accounted for 85 percent of Canadian shipments in 1979.

When Japanese and Korean imports invaded the fine worsted fabric market, Canadian mills were forced to abandon this particular product area. Although Canadian mills could make this finer grade of fabric they found it increasingly difficult to compete against import prices. Consequently, a substantial share of Canadian production is in plain worsted fabrics although fancy fabrics are still an essential part of domestic production. In recent years imports from 'low-cost' sources have consisted primarily of basic fabrics. These imports now are the price leaders and Canadian producers must meet these prices or lose even more market share.

It would also be unrealistic to expect Canadian mills to cease production of greige fabrics and concentrate their efforts in dyeing and finishing imported greige fabrics. Canadian mills are fully integrated and there is considerably more value added in spinning and weaving than in dyeing and finishing. Unrestrained imports of greige fabrics would further weaken the viability of the existing plants.

Table 18 shows the apparent Canadian market for worsted fabrics over the past 5 years.

TABLE 18  
APPARENT CANADIAN MARKET FOR WORSTED FABRICS (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
- '000 square metres -					
Domestic Shipments	10,831	12,356	11,894	12,491	12,979
Exports	347	188	64	42	42
Net domestic Shipments	10,484	12,168	11,830	12,449	12,937
Imports	6,109	6,977	6,466	6,583	7,306
(of which, 'low-cost')	(2,247)	(3,052)	(3,399)	(3,707)	(4,288)
Apparent Canadian Market	16,593	19,145	18,296	19,032	20,243
- percent -					
Share of Canadian Market held by:					
Net Domestic Shipments	63.2	63.6	64.7	65.4	63.9
Total Imports	36.8	36.4	35.3	34.6	36.1
'Low-Cost' Imports as a Percentage of Total Imports	37.6	43.7	52.6	56.3	58.7

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

As table 18 indicates, 'low-cost' imports accounted for 37.6 percent of all worsted fabric imports in 1975, and increased their share of total imports to 58.7 percent in 1979. During this period imports from the People's Republic of China rose from 11,000 to 556,000 square metres, while imports from India doubled from 296,000 to 596,000 square metres. Argentina shipped only 2,000 square metres of worsted fabric to Canada in 1975, but 186,000 in 1979. Czechoslovakia, which shipped 112,000 square metres in 1975,

increased its exports to 782,000 square metres in 1979 while Poland, Hungary and Romania all substantially increased their exports to Canada in 1979 over their 1975 levels.

#### HOUSEHOLD AND MISCELLANEOUS TEXTILE PRODUCTS

Other textile products covered by this inquiry include towels and washcloths, sheets and pillowcases, hosiery, cordage, rope and twine, tablecloths, bedspreads, blankets and bedding.

The statistics which follow are taken from surveys carried out by the Textile and Consumer Products Branch. More detailed statistics on these products appear in Volume II of this report.

##### Terry Towels, Washcloths and Sets

Table 19 outlines the apparent Canadian market for terry towels, washcloths and sets (excluding bath mats) for the period 1975-1979.

In 1977, the installation of new equipment by the largest of the three Canadian manufacturers contributed significantly to the sharp increase in domestic shipments in 1978. Bilateral restraints with three countries and the depreciated value of the Canadian dollar were also important factors in allowing domestic manufacturers to capture a greater share of the market, which was as low as 50.3 percent in 1976 and has since increased to a high of 65 percent.

TABLE 19  
APPARENT CANADIAN MARKET FOR TERRY TOWELS,  
WASHCLOTHS AND SETS, EXCLUDING BATH MATS (1975-1979)

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	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 kilos -				
Domestic Shipments	3,402	3,468	2,981	4,246	4,553
Exports	nil	N/A	N/A	N/A	26
Net Domestic Shipments	3,402	3,468	2,981	4,246	4,527
Imports	2,168	3,429	2,583	2,477	2,440
(of which, 'low-cost')	(1,403)	(2,709)	(2,200)	(2,159)	(2,083)
Apparent Canadian Market	5,570	6,897	5,564	6,723	6,967
Share of Canadian Market held by:	- percent -				
Net Domestic Shipments	61.1	50.3	53.6	63.2	65.0
Total Imports	38.9	49.7	46.4	36.8	35.0
'Low-Cost' Imports as a Percentage of Total Imports	64.7	79.0	85.2	87.2	85.4

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

N/A: Not available.

#### Sheets and Pillowcases

Tables 20 and 21 show the apparent Canadian market for sheets and pillowcases respectively for the last five years.

TABLE 20  
APPARENT CANADIAN MARKET FOR SHEETS,  
EXCEPT THOSE OF RUBBER (1975-1979)

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	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 units -				
Domestic Shipments	8,332	9,559	9,089	10,254	11,219
Exports	16	7	5	6	24
Net Domestic Shipments	8,316	9,552	9,084	10,248	11,195
Imports	6,368	8,770	5,200	4,188	3,357
(of which, 'low-cost')	(1,994)	(4,731)	(2,101)	(1,468)	(857)
Apparent Canadian Market	14,684	18,322	14,284	14,436	14,552
Share of Canadian Market held by:	- percent -				
Net Domestic Shipments	56.6	52.1	63.6	70.9	76.9
Total Imports	43.4	47.9	36.4	29.1	23.1
'Low-cost' Imports as a Percentage of Total Imports	31.3	53.9	40.4	35.0	25.5

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

TABLE 21  
APPARENT CANADIAN MARKET FOR PILLOWCASES (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 dozens -				
Domestic Shipments	481	609	551	624	670
Exports	2	1	neg	neg	neg
Net Domestic Shipments	479	608	551	624	670
Imports	593	850	455	397	439
(of which, 'low-cost')	(299)	(591)	(247)	(201)	(251)
Apparent Canadian Market	1,072	1,458	1,006	1,021	1,109
Share of Canadian Market held by:	- percent -				
Net Domestic Shipments	44.7	41.7	54.7	61.1	60.4
Total Imports	55.3	58.3	45.3	38.9	39.6
'Low-Cost' Imports as a Percentage of Total Imports	50.4	69.5	54.2	50.6	57.1

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

There has been a significant improvement in the domestic share of the market for both sheets and pillowcases. For pillowcases, the Canadian share of the market was 60 percent in 1979 compared to only 42 percent in 1976. Domestic shipments of sheets captured 77 percent of the market in 1979 compared to 52 percent in 1976. Imports of both sheets and pillowcases have been in decline since they peaked in 1976, but 'low-cost' imports still account for 26 percent and 57 percent of total imports respectively.

## Hosiery

The apparent Canadian market for hosiery appears in Table 22.

TABLE 22  
APPARENT CANADIAN MARKET FOR  
HOSIERY OF THE TYPES UNDER RESTRAINT (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
- '000 dozen pairs -					
Domestic Shipments	4,228 <sup>(1)</sup>	4,106	4,278	4,511	4,945
Exports	43	31	34	90	64
Net Domestic Shipments	4,185	4,075	4,244	4,421	4,881
Imports	1,752	2,375	2,406	1,978	2,577
(of which, 'low-cost')	(1,013)	(1,434)	(1,360)	(913)	(1,202)
Apparent Canadian Market	5,937	6,450	6,650	6,399	7,458
Share of Canadian Market held by:					
- percent -					
Net Domestic Shipments	70.4	63.2	63.5	69.1	65.4
Total Imports	29.6	36.8	36.5	30.9	34.6
'Low-Cost' Imports as a Percentage of Total Imports	57.8	60.4	57.5	46.2	47.6

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

(1) Estimate.

A highly competitive environment has significantly contributed to change the structure of the hosiery industry. While there were 101 firms producing all types of hosiery and employing 7,100 workers in 1970, the industry shrank to 61 firms employing 4,016 people in 1977. Rationalization of production and modernization programs have permitted the industry to remain competitive.

With respect to the categories of hosiery which are under restraint, the share of this growing market held by Canadian manufacturers has increased slightly from 63 percent in 1976 to 65 percent in 1979. 'Low-cost' imports still account for 47 percent of all imports.

### Cordage, Rope and Twine

The apparent Canadian market for cordage, rope and twine is outlined in Table 23 for the years 1975 - 1979.

TABLE 23  
APPARENT CANADIAN MARKET FOR  
CORDAGE, ROPE AND TWINE (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 kilos -				
Domestic Shipments	10,457	7,600	7,750	7,726	10,129
Exports	978	825	1,083	839	783
Net Domestic Shipments	9,479	6,775	6,667	6,887	9,346
Imports	38,364	28,900	35,669	24,255	30,530
(of which, 'low-cost')	(17,223)	(22,368)	(28,280)	(16,100)	(23,766)
Apparent Canadian Market	47,843	35,675	42,336	31,142	39,876
Share of Canadian Market held by:	- percent -				
Net Domestic Shipments	19.9	19.0	15.8	22.1	23.4
Total Imports	80.1	81.0	84.2	77.9	76.6
'Low-Cost' Imports as a Percentage of Total Imports	44.9	77.4	79.3	66.4	77.9

Source: Textile & Consumer Products Branch, Department of Industry, Trade and Commerce.

The highest import penetration in primary textiles has occurred in these products: in 1979 imports accounted for 77 percent of the apparent Canadian market while domestic shipments accounted for 23 percent only, and this 23 percent represents the domestic producers' highest share of the market in recent years. 'Low-cost' countries have been major suppliers in recent years, and in 1979 they accounted for 78 percent of all imports. During the 1976-79 period, the major individual import suppliers were Mexico (31 percent), Brazil (29 percent), the United States (13 percent).

Canadian producers in this sector are extremely competitive because certain twines and ropes for agricultural and commercial fishing purposes enter the country duty free. Imports of baler and binder twine originate mainly from Mexico and Brazil, two 'low-cost' countries, but no quantitative restrictions are applied to cordage and twine imports from these countries. Imports of cordage and twine are restrained from the Republic of Korea and Taiwan only, but these two sources sell ropes and no baler or binder twine.

The unrestrained and duty free entry of baler and binder twine represents a serious problem to the industry as a whole since the production of baler and binder twine in Canada provides the volume necessary to support a viable Canadian operation in this sector.

The bulk of rope used in commercial fishing is made of polypropylene and is largely imported from the Republic of Korea (67 percent), the United States (17 percent), Portugal (6 percent) and Norway (4 percent). Because of duty free access to the Canadian market domestic producers have avoided the commercial fishing rope market. However, there is one recent exception where a Canadian manufacturer has successfully challenged fishing rope imports through the development of innovative cost-saving machinery, which subsequently led to the expansion of his existing plant and the establishment of a new plant. The outcome of this venture will no doubt have a major bearing on the efforts of Canadian manufacturers to capture a greater share of an expanding rope market for commercial fishing. If imports from 'low-cost' countries

remain quantitatively restricted, the prospects for domestic manufacturers would be enhanced.

#### Tablecloths, Bedspreads, Blankets and Bedding

The response by the industry to the Board's questionnaire dealing with these four products was limited to a relatively small number of manufacturers. Although those firms who did respond were among the largest in the industry, there was insufficient data to establish accurately the size of the market for these products.

Nevertheless, from the partial data obtained it would appear that this industry sector has been competitive in the Canadian market. There has been some slight decline in bedspread output and this was attributed by manufacturers to the increasing popularity of comforters and quilts, where shipments have increased by over 50 percent from 1975 to 1978. Shipments of tablecloths by those firms responding to the Board's questionnaire increased by more than 100 percent from 1975 to 1978, while manufacturers of blankets reported fairly stable market conditions for the period from 1975 through the first six months of 1979, during which time domestic manufacturers annually supplied approximately 90 percent of the apparent Canadian market for these goods.

## SUMMARY

1. During the 70's, rationalization in the primary textile industry has continued with the phasing out and merger of less profitable operations. This resulted in a ten percent decrease in the number of establishments during the period, with the majority of remaining firms being highly specialized.
2. Recent increased demand for Canadian yarns and fabrics is due to increased activity in the clothing sector. This increased demand is partly attributable to import control measures on clothing and has been met mostly through further utilization of existing capacity, rather than through plant expansion. However, capital expenditures for machinery, although modest and probably cautious because of the uncertainty in the market place, are expected to increase during the 80's.
3. Productivity gains through technological development have been impressive during the period and are expected to continue, making the Canadian textile industry comparable to any other in the developed world.
4. The requirement for skilled labour is still being met mostly through in-house training, although formal training is on the increase.
5. Although costs of production have escalated at significant rates during the 70's, the increases in industry selling prices have remained substantially below those prevailing in other manufacturing activities. By 1979, the industry's profitability had improved relative to other manufacturing sectors, mostly through greater use of existing production capacity.
6. In view of the relatively small Canadian market and the high degree of import penetration in both the primary textile and finished garment fields, the level of activity in the primary

textile industry is inextricably linked to activity in the apparel manufacturing sector.

7. Although the United States and other developed countries account for the larger share of Canadian imports of yarns and fabrics, price pressures exerted by 'low-cost' and state-trading countries and their demonstrated capability to enter the Canadian market quickly and massively, are of greater concern to the domestic industry than imports from developed countries, as long as imports from the latter do not enter the market at distress prices.
8. There are still several sectors of the textile industry which are being severely affected by the volume and prices of 'low-cost' imports, and a number of plant closures and permanent lay-offs can be attributed directly to import competition. Acrylic yarns and worsted fabrics are two of the sectors which have been and are being most seriously affected by 'low-cost' imports.

### 3. THE CLOTHING INDUSTRY

The Canadian clothing industry manufactures a broad range of apparel of virtually all types for consumer, industrial and institutional use. It is a major consumer of yarns and fabrics produced by the textile industry, accounting for 45 percent of that industry's output based on fibre weight equivalent. It is relatively labour intensive and among the largest of manufacturing employers. It accounts for more than 6 percent of all manufacturing employment in Canada and in certain regions, for as high as 25 percent. With its large number of manufacturers and the trend to diversification among large firms, no single company dominates any particular sector of the clothing market. As a result, competition is keen among domestic manufacturers, and between these and importers.

This chapter deals with the current situation in the Canadian clothing industry and examines how the industry has reacted to the special measures of protection which have been in place since 1976. All of the clothing items, including handbags, which are the subject of this inquiry are under restraint from at least one source.

#### PRODUCTS MANUFACTURED

The major manufacturing subsectors involved in this inquiry and their principal products are listed below:

1. Men's Clothing - men's, youths' and boys' suits, coats, trousers, overcoats, shirts, underwear, work clothing, sportswear, leather clothing;

2. Women's Clothing - women's, misses' and girls' suits, coats, dresses, skirts, blouses, sportswear, underwear, lingerie and household apparel;
3. Children's Apparel - clothing principally in sizes 0 to 6x;
4. Foundation Garments - corsets, girdles, brassieres, etc.;
5. Knitting Mills - knitted underwear, sweaters and other apparel made from knitted fabrics.
6. Work gloves.

Although handbags are included in this inquiry, the tables used in this chapter do not include the handbag sector, since Statistics Canada does not publish a separate report on this product.

There are other industry sectors which, like the primary textile industry, are indirectly but adversely affected by high levels of clothing imports. Among these are those sectors which manufacture zippers, buttons, hooks, labels, etc., and sell the bulk of their products to apparel manufacturers.

Every garment contains at least one of the different types of products noted above. It follows, therefore, that the experience of these allied sectors has closely paralleled that of their principal customer. Their future viability is intimately linked to that of the clothing industry.

#### LOCATION, CONCENTRATION AND SPECIALIZATION

The number of clothing establishments manufacturing those products which are the subject of this inquiry declined from a level of 1,895 in 1972 to 1,660 in 1977. This absolute decrease

of 235 establishments was fairly uniform in terms of its effect on the regional distribution of clothing establishments, as Table 24 demonstrates:

TABLE 24

REGIONAL DISTRIBUTION OF CLOTHING ESTABLISHMENTS  
BY NUMBER AND PERCENTAGE (1972, 1977)

<u>Region</u>	1972		1977	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Atlantic	12	1	11	1
Québec	1,331	70	1,171	71
Ontario	393	21	338	20
Prairies	113	6	102	6
British Columbia	46	2	38	2
Total	1,895	100	1,660	100

Source: Statistics Canada, Catalogue 31-203.

The bulk of production continues to take place in three urban centres: Montréal, Toronto and Winnipeg. Outside the major centres, firms are mainly located in a large number of small and medium size communities in the Eastern townships and the Trois-Rivières regions of Québec and the Kitchener-Brantford area of Ontario.

The employment size of establishments in the clothing industry for the years 1972 and 1977 is shown in Table 25:

TABLE 25

DISTRIBUTION OF CLOTHING ESTABLISHMENTS  
BY EMPLOYMENT SIZE RANGE AND PERCENTAGE (1972, 1977)

<u>Employment Size Range</u>	1972		1977	
	<u>Number of Establishments</u>	<u>Percentage</u>	<u>Number of Establishments</u>	<u>Percentage</u>
Less than 50	1,230	64.9	1,040	62.7
50-99	347	18.3	339	20.4
100-199	222	11.7	195	11.7
200-499	82	4.3	76	4.6
500-999	13	0.7	9	0.5
More than 1,000	1	neg	1	neg
Total	1,895	100.0	1,660	100.0

Source: Statistics Canada, Catalogue 31-203.

The decrease in the number of clothing establishments between 1972 and 1977 was greatest for those in the 'less than 50' and in the '100-199' employment size ranges in terms of numbers. Four of the thirteen establishments which had 500 to 999 employees in 1972 were no longer listed in that category in 1977. Overall this resulted in a net decrease of 6,971 employees, or 7 percent.

Apparel manufacturers have traditionally specialized in one of the major subsectors or even in one product within a subsector. However, a number of firms have been emerging whose production has been cutting across subsector lines. This allows firms to better utilize capacity. Also, there are private contractors who, using materials supplied by clothing manufacturers, carry out one or more of the manufacturing processes. These contractors are used to advantage during times of shortages of capacity, or in cases where specialized production capabilities are not available in the clothing manufacturer's own plant. It is not unusual for manufacturers to do contract work for others.

## CAPITAL AND REPAIR EXPENDITURES

While the clothing industry is less capital intensive by far than the primary textile industry, nevertheless both industries take much the same approach to capital spending. That is to say, expenditures must be justified on reasonable expectations of continuing protection against 'low-cost' imports and on an appropriate rate of return. Generally, companies in the clothing industry have been prepared to make capital expenditures provided the pay-back period does not extend beyond the period for which restraints are in force.

Table 26 gives capital and repair expenditure data for the years 1974 through 1980, as reported by Statistics Canada:

TABLE 26  
CAPITAL AND REPAIR EXPENDITURES,  
CLOTHING INDUSTRY (1974-1980)

- million dollars -

	<u>Capital</u>	<u>Repair</u>	<u>Total</u>
1974	20.3	7.0	27.3
1975	23.1	7.7	30.8
1976	21.8	8.9	30.7
1977	21.0	8.2	29.2
1978	26.1	11.2	37.3
1979 (1)	26.6	10.4	37.0
1980 (2)	30.7	11.0	41.7

Source: Statistics Canada, Catalogues 61-205 and 61-206.

(1) Preliminary.

(2) Forecast.

Following a three-year period from 1975 to 1977 when capital expenditures levelled out at approximately \$30 million annually, the clothing industry began in 1978 to increase its level of expenditures, primarily for new machinery and equipment. However,

if the general price increases and the depreciation of the Canadian dollar are taken into account, real investments decreased in 1976 and 1977, were probably stationary in 1978 and 1979 and will increase in 1980 only. On that basis, while the clothing industry did tend to invest more heavily in 1978 and 1979 than it had done previously, a great deal of caution is still being exercised in the face of uncertainty beyond the current restraint period.

Individual firms which submitted briefs to the Board or which appeared privately before the Board, provided data which indicated that their capital expenditures in 1979 were up by 50 percent over 1978. While these firms clearly do not represent a cross-section of the Canadian clothing industry, this does indicate that a number of firms are taking a much more positive and aggressive attitude toward capital expenditures than is the industry as a whole. In general, most firms appeared willing to continue to make these investments if conditions remain favourable, and to place more emphasis on improving the productivity and efficiency of their existing plants.

## CAPACITY UTILIZATION

Data on capacity utilization in the clothing industry should be interpreted in light of the warning presented in Chapter 2 on capacity utilization in the textile industry. Here again variations in capacity utilization are in the right direction, even if the general level will appear to many observers as being biased upward.

TABLE 27

INDEX OF CAPACITY UTILIZATION,  
CLOTHING AND MANUFACTURING INDUSTRIES (1975-1980)

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(1971 = 100)

Year	Clothing	Manufacturing Industries
1975	82.3	81.0
1976	87.0	82.6
1977	81.4	82.1
1978	92.7	85.9
1979	94.0	86.5
1979 (1st quarter)	95.4	87.6
1980 (1st quarter)	82.2	84.6

Source: Statistics Canada, Catalogue 31-003.

After a very bad year in 1977, when high inventories from record imports in 1976 debilitated the domestic manufacturers, capacity utilization improved steadily over the next two years. However, the 1979 annual figure may be misleading because it averages out two opposite developments: while the earlier part of the year was a period of strong growth and growing capacity utilization, it was followed in the latter part of the year by a tapering off of growth and a downward turning point in capacity utilization.

The slowing down became even more significant in the first months of 1980. Full statistical information for the whole of the clothing industry is not yet available but partial evidence the Board has received from the Parity Committee for the Shirt Industry for the Province of Québec shows that the average number of employees in that sector, and the total hours worked, have declined by 12.3 percent and 20 percent respectively in the first four months of 1980 compared to the same period in 1979. Comparable data from the Advisory Committee for the Men's and Boys' Clothing Industry in Ontario shows an 11.6 percent decline in average number of employees, and a 20.5 percent decline in total hours worked in that sector, in the first quarter of 1980 as compared to the first quarter of 1979.

## PRODUCTIVITY AND TECHNOLOGICAL DEVELOPMENT

The record of productivity growth in the clothing industry in terms of real value added per man-hour worked as compared with manufacturing generally, is set out in Table 28:

TABLE 28

CANADIAN MANUFACTURING INDUSTRIES AND  
WOMEN'S, MEN'S AND CHILDREN'S CLOTHING MILLS:  
INDEX OF REAL VALUE ADDED PER MAN-HOUR WORKED (1975-1979)

(1971=100)

	<u>Women's Clothing</u>	<u>Men's Clothing</u>	<u>Children's Clothing</u>	<u>Total Manufacturing</u>
1975	128.5	111.1	114.5	113.8
1976	130.3	119.6	114.5	118.0
1977	125.4	116.8	114.5	123.6
1978	140.0	127.6	127.9	128.6
1979	143.8	127.1	151.8	128.9

Compound Annual Growth Rate - percent -

1971-79	4.7	3.0	5.4	3.2
1971-76	5.4	3.6	2.8	3.4
1976-79	3.3	2.1	9.9	3.0

Sources: Statistics Canada, Catalogues 61-213 and 72-002.

Productivity in clothing is sensitive to the degree of capacity utilization. Poor capacity utilization in 1977 resulted in a significant overall drop in productivity in the women's and men's clothing sectors. Over the next two years, higher levels of capacity utilization were accompanied by sizeable productivity increases. Productivity in the children's clothing sector remained constant from 1975 through 1977, then increased significantly in 1978 and 1979.

Although it is generally recognized that the potential for high productivity is limited because of short runs and the broad product mix of many firms, it is felt that improvement opportunities remain through the adoption of better production techniques and equipment and greater specialization, a trend that has been evident for some time. A number of companies provided data on their own operations, and were able to identify specific productivity improvements.

Although automation has not progressed as much in the clothing industry as in the textile industry, there have been significant technological developments in the last few years which have helped bring a greater degree of automation and which have been adopted by the more progressive manufacturers in the industry. Several manufacturers have already installed or are considering the installation of computerized pattern grading and marker making equipment. Many manufacturers have already installed the newest types of electronically controlled and programmable sewing machines. There is already much automatic sewing equipment which allows one operator to tend two, three and four machines with less skill requirements than older type sewing machines and with much increased productivity. Computerized multiple station pressing equipment is making its appearance in a number of the more modern plants. Many garment producers have installed, and others are evaluating the possibility of installing sophisticated material handling equipment. More and more garment manufacturers are adopting electronic data processing systems to achieve better control of the whole manufacturing process. In other words, the industry has been generally keen to take advantage of the latest developments in technology to improve the quality of its products and the productivity of its plants.

The industry, through its associations, has as a top priority the establishment of productivity centres to achieve increased productivity and efficiency. One such centre is already in operation in Winnipeg and another will be operating in Montréal within the near future. The Winnipeg centre has assumed responsibility for the following:

- engineering services on a fee-for-service basis to small plants, and as an advisor on outside or in-house engineering for larger plants;
- a central organization which prepares and delivers seminars, technical classes and technical meetings;
- a library of films, books and periodicals on production operations; and
- a central location for requests for technical information or its sources. The chief engineer of the centre can also act as an advisor to manufacturers on the purchase of new equipment.

In response to long expressed concerns about the productivity and competitive position of the apparel industry, the Textile and Clothing Technology Centre of the Ontario Research Foundation (O.R.F.) has established a computerized pattern grading and marker making service bureau at its Sheridan Park headquarters. This service brings the speed and accuracy of electronic pattern grading and marker making within the reach and means of modest-size apparel producers and will help make them more competitive. In conjunction with the Apparel Manufacturers' Association of Ontario, the O.R.F. has also established a fabric and clothing quality testing programme.

All of these services are meeting with steadily growing acceptance by the industry. Four hundred firms used the services of the Textile and Clothing Technology Centre in 1979, up from three hundred in 1978. The opportunities for establishing a similar joint venture in Montréal are being explored.

## COST INCREASES

As in the case for all manufacturing sectors, the clothing industry has had to contend with significant cost increases in many areas over the 1977-1979 period. While clothing manufacturers have benefited from the decline in value of the Canadian dollar to the extent that it makes their products more competitive with imports to Canada, conversely they have had to pay higher prices for the yarns, fabrics, machinery and equipment they themselves import. Labour, energy and transportation costs have also increased.

Raw materials represent a significant cost in the manufacture of apparel. In the chapter on the textile industry, the section dealing with selling prices shows that the compound annual growth rate in the selling price index for total textiles for the period 1976-1979 has been 8.2 percent while the compound annual growth rate in the selling price index for imported textiles has been 12 percent over the same period.

Individual clothing manufacturers provided detailed data on their cost increases over the past several years. For these particular respondents, raw material cost increases have been significantly higher than those indicated by the selling price index data for the textile industry. While examples of these increases are given in Table 29, these data should not be interpreted as being valid for the clothing industry as a whole. Raw material cost increases can vary widely from producer to producer, depending on such elements as the quality of fabric used in one year as compared to another; whether fabric previously purchased domestically is now imported; and the type of fabric (i.e. fancy versus plain) used in one year as compared to another.

TABLE 29  
PERCENTAGE INCREASE IN RAW MATERIAL COST,  
SELECTED CLOTHING MANUFACTURERS (1977-1979)

<u>Company</u>	<u>Percentage increase 1977-1979</u>
A	40.3
B	43.0
C	39.0
D	45.0
E	35.0
F	43.0

Source: Textile and Clothing Board, briefs and private hearings.

Average hourly earnings from 1977 to 1979 for all manufacturing and for clothing are reported by Statistics Canada in Table 30:

TABLE 30  
AVERAGE HOURLY EARNINGS  
MONTH OF NOVEMBER (1977-1979)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Percentage Increase 1977-1979</u>
	- dollars -			
Manufacturing	6.57	7.04	7.69	17.0
Clothing	4.34	4.67	5.06	16.6

Source: Statistics Canada, Catalogue 72-002.

Data provided by the Joint Committee for the Men's and Boys' Clothing Industry in the Province of Québec shows that average hourly earnings increased by 16.5 percent from 1977 to 1979, which is consistent with the foregoing Statistics Canada data. However, the Parity Committee for the Shirt Industry of Québec reports that average hourly earnings in that sector increased by 23.8 percent from 1977 to 1979.

## SELLING PRICES

Table 31 shows changes in the Consumer Price Index and Industry Selling Prices between 1975 and 1979. Statistics Canada publishes industry selling price statistics only for men's clothing and for foundation garments but not for the total clothing industry. However, it is felt that these are partial indicators of the trend in clothing prices at the manufacturers' selling price level.

TABLE 31  
CONSUMER PRICE INDEX AND  
INDUSTRY SELLING PRICE INDEX (1975-1979)

(1971 = 100)

	<u>Consumer Price Index</u>		<u>Industry Selling Price Index</u>			
	<u>All Items</u>	<u>Clothing</u> <sup>(1)</sup>	<u>All Mfg.</u>	<u>All Text.</u>	<u>Men's Clothing</u>	<u>Foundation Garments</u>
1975	138.5	122.6	153.7	132.5	142.1	130.6
1976	148.9	128.7	161.6	142.5	154.1	140.7
1977	160.8	137.0	174.3	150.4	167.4	149.2
1978	175.2	141.7	190.4	159.7	178.2	161.5
1979	191.2	154.9	217.8	180.7	196.0	172.0
<u>Compound Annual Growth Rate - percent -</u>						
1971-79	8.4	5.6	10.2	7.7	8.8	7.0
1971-76	8.3	5.2	10.1	7.3	9.0	7.1
1976-79	8.7	6.4	10.5	8.2	8.4	6.9

Source: Consumer Price Index  
- all items - Statistics Canada, Catalogue 62-010.  
- clothing only - Textile and Consumer Products Branch,  
Department of Industry Trade and  
Commerce.

Industry Selling Price Index - Statistics Canada,  
Catalogue 62-011.

(1) Estimated - excludes accessories, footwear, infants' wear  
and clothing material and services.

At the retail level, the Consumer Price Index (C.P.I.) for the period 1971 to 1979 has risen 91.2 percent for all items compared with 54.9 percent for clothing. From 1976 to 1979, the period during which restraints on clothing imports were in effect, either by way of global quotas or bilateral agreements with selected countries, the C.P.I. for all items increased by 28.4 percent compared with clothing which increased by 20.4 percent. Thus, in the period when stringent import restraints have been in effect, the Consumer Price Index for clothing rose at a lower rate than did the index for "All Items".

The estimated average unit wholesale price of all clothing items subject to restraint has increased as follows:

TABLE 32  
ESTIMATED AVERAGE WHOLESALE PRICE<sup>(1)</sup>  
ALL CLOTHING SUBJECT TO RESTRAINTS (1976-1979)  
- dollars -

<u>Year</u>	<u>Domestic Clothing</u>	<u>Imported Clothing</u>		
		<u>Total</u>	<u>Restrained</u>	<u>Unrestrained</u>
1976	6.63	4.87	3.99	8.51
1977	7.22	6.08	4.88	11.02
1978	8.03	7.02	6.00	12.08
1979	9.31	8.46	7.47	14.40

Increase - percent -

1976-1979	40	74	87	69
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Source: Textile and Clothing Board.

(1): Domestic wholesale prices are based on a survey by the Textile and Clothing Board. Import prices were calculated from Statistics Canada data on import values factored to arrive at the wholesale price.

Unit wholesale prices of imports increased at almost twice the rate of increase for domestically produced apparel during the period when global quotas were in place. The estimated wholesale prices of imports from those sources which became subject to bilateral restraint agreements in 1979 increased at more than twice the rate of increase shown for domestic clothing prices.

The disparity in price evolution of domestic versus imported clothing is attributable to the depreciation of the Canadian dollar, to more rapid cost increases in many other countries, especially the "newly industrialized countries", than in Canada, and partly to increased costs of importing including quota charges, and probably some trading-up.

On selected product lines, the price increases for imported and domestic clothing were as follows:

TABLE 33  
ESTIMATED AVERAGE WHOLESALE PRICE INCREASES  
(DECREASES) FOR SELECTED CLOTHING CATEGORIES (1976-1979)  
- Percent -

<u>Clothing Category</u>	<u>Domestic Clothing</u>	<u>Imported Clothing</u>		
		<u>Total</u>	<u>Restrained</u>	<u>Unrestrained</u>
Children's and infants' outerwear	40	109	146	(7)
Pants	30	38	57	9
Pants, children's and infants'	7	54	61	30
Suits, sportcoats and blazers	38	94	142	(15)
Pyjamas and sleepwear	42	64	109	(14)
Pyjamas and sleepwear, children's and infants'	40	30	89	(5)
Sweaters	57	109	114	113
Blouses and T-shirts	52	118	128	73
Raincoats	156	38	140	(31)
Dresses and sportswear	41	87	112	47
Dresses and sportswear children's and infants' (11)	(11)	85	97	49

Source: Textile and Clothing Board.

## PROFITABILITY

Table 34 provides comparisons of the net profit-to-sales ratio of the clothing industry and of total Canadian manufacturing for the period 1977 to 1979. It shows all manufacturing to have been marginally ahead of clothing in 1977, and substantially ahead in both 1978 and 1979, which were peak years of activity for the clothing industry. The clothing sector was still less profitable in 1979 than it had been in 1977.

TABLE 34  
PROFITABILITY OF CANADIAN MANUFACTURING INDUSTRIES  
AND THE CLOTHING INDUSTRY (1977-1979)

	<u>All Manufacturing</u>		<u>Clothing</u>	
	<u>Profit</u> <u>After</u> <u>Tax</u>	<u>Profit as</u> <u>a Percent</u> <u>of Sales</u>	<u>Profit</u> <u>After</u> <u>Tax</u>	<u>Profit as</u> <u>a Percent</u> <u>of Sales</u>
	- million - dollars		- million - dollars	
1977	4,826	3.8	109	3.6
1978	6,261	4.3	81	2.5
1979	8,764	5.1	97	2.9

Source: Statistics Canada, Catalogue 61-003.

## TRAINING

With the apparel industry moving into more complex and mechanized operations, there is a growing need for people with technical and management skills to maintain the equipment and to supervise its operation. On the other hand, the operation of the equipment has been refined to the extent that a minimum of adjustment is required on the part of the operator.

Necessity has prompted most firms to train operators on an individual and informal basis. Only a few of the larger companies have implemented structured training courses for operators. Increasing use of sophisticated machinery has produced a growing shortage of mechanics needed to maintain the equipment. The

majority of the training in this area is presently being provided by equipment suppliers. The Apparel Manufacturers Institute of Québec in co-operation with machinery suppliers is setting up a special school to train mechanics. The Institute also sponsors seminars concerning the clothing industry, covering such topics as the use of computers, human resource management and export management.

The British Columbia Fashion and Needle Trades Association, in its brief, reported that formal operator training is deficient and that operators and other skills must be trained in-house. The Association arranged through the Canada Manpower Industrial Training Programme to conduct a supervisor's training course which resulted in twenty-four supervisors receiving training by a management consulting firm specializing in the garment industry.

In 1976-77, Employment and Immigration Canada in conjunction with provincial ministries spent \$876,000 on training programmes for the industry. In 1977-78 the amount spent was \$1,548,500 resulting in the placement of 852 people in the industry. The 1978-79 figures are not yet available but are expected to show an increase over 1977-78.

During the past three years George Brown College in Toronto has graduated an annual average of 471 students in apparel pattern drafting, power sewing machine operations and fashion design. Of these, an annual average of 394 graduates have been placed in the industry, a success rate of 84 percent. In addition, George Brown annually graduates twelve students in management skills, all of whom are placed in the industry.

The Department of Clothing and Textiles at the University of Manitoba offers a bachelor's degree programme which provides an opportunity to specialize in a variety of areas such as design, history, textile science, apparel manufacture, marketing and economics.

Over the last ten years the Clothing and Textiles Department and the textile and apparel industries have been working together on a growing range of activities. Since 1974 an increasing number of graduates have been employed by the apparel industry.

## THE CLOTHING MARKET

Based on fibre weight equivalent, the Canadian apparel manufacturing sector is the most important single customer of the textile industry. Because of this dependence, the textile industry is extremely vulnerable to fluctuations in the level of activity in the Canadian apparel industry. Any significant and permanent reduction in the apparel industry could have a crippling effect on the textile industry.

The apparent Canadian market for clothing is illustrated in Table 35. Domestic shipments in terms of units have only increased by 10 percent from 1971 to 1979, as compared to a 37 percent increase for imports. In 1979, in terms of units the market share of imports was 31 percent. In 1976, when clothing imports reached record levels, the share of the market held by imports was 44 percent.

Various factors discussed in other parts of this report, such as material and labour costs, management capability and industry productivity have a significant influence on the ability of the apparel industry to compete with goods from foreign suppliers. The myriad of products required by the Canadian market which has been described to be as sophisticated as any in the world, dictated by fashion, style, brand or designer names, requires that the Canadian producers be able to adapt quickly to market requirements. As the import pressures increased, the domestic industry responded by broadening its product mix, vacating low-end markets, improving styling capability and to some extent developing export markets.

TABLE 35  
APPARENT CANADIAN MARKET FOR  
CLOTHING (1971, 1975-1979)

	<u>1971</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- million units -					
Domestic Shipments	340.2	345.8	340.5	333.1	360.9	371.4
Exports	5.0	3.5	3.4	3.7	3.2	3.2
Net Domestic Shipments	335.2	342.1	337.0	329.2	357.5	368.2
Imports	122.5	182.2	266.9	180.6	163.9	167.5
(of which, 'low-cost')	( 86.6)	(152.3)	(232.8)	(155.2)	(143.2)	(144.4)
Apparent Canadian Market	457.7	524.5	604.0	510.0	521.6	535.7
Share of Canadian Market held by:	- percent -					
Net Domestic Shipments	73.2	65.3	55.8	64.6	68.6	68.7
Total Imports	26.8	34.7	44.2	35.4	31.4	31.3
'Low-cost' Imports as a Percentage of Total Imports	70.7	83.6	87.2	85.9	87.4	86.2
<u>Compound Annual Growth Rate</u>	- percent -				Apparent Canadian Market	
<u>Period</u>	<u>Shipments</u>	<u>Exports</u>	<u>Imports</u>			
1971-79	1.10	-5.43	3.99		1.99	
1971-76	0.02	-7.42	16.85		5.70	
1976-79	2.94	-2.00	-14.38		-3.92	
Source:	Shipments - 1971 - Textile and Consumer Products Branch, Department of Industry, Trade and Commerce 1975-79 - Textile and Clothing Board Exports - Statistics Canada, Catalogue 65-004. Imports - Statistics Canada, Catalogue 65-007.					

The Canadian apparel industry has not traditionally been a major exporter. However, efforts by the industry to establish markets outside of Canada are increasing, and exports by the clothing industry in Western Canada contribute significantly to the Canadian clothing industry's total exports.

In terms of units, Taiwan, Hong Kong, the Republic of Korea and the People's Republic of China accounted for the major portion of imports from restrained sources during the 1977 to 1979 period. These imports represented 88 percent of all imports from such sources and 69 percent of total imports in 1979. Similarly, the

United States, France, Italy and the United Kingdom accounted for the major portion of imports from developed sources during the same period. These four countries accounted for 87 percent of imports from all such sources in 1979 but only 11 percent of total imports. Blouses, T-shirts, sweaters, shirts, sweatshirts and pants (including slacks and shorts) were the major products imported in each of the years 1977, 1978 and 1979, and accounted for 69 percent of total imports in the latter year.

## DEGREE OF PENETRATION

As is the case in the textile industry, the Canadian clothing industry has a relatively small potential domestic market to serve. This market has been heavily penetrated by imports, primarily from 'low-cost' countries.

Table 36 shows per capita imports of clothing from developed and developing countries for the year 1978.

TABLE 36  
PER CAPITA IMPORTS OF CLOTHING  
FROM DEVELOPED AND DEVELOPING COUNTRIES  
INTO SELECTED COUNTRIES (1978)

	- U.S. dollars -		
	<u>Developed</u>	<u>Developing</u>	<u>World</u>
Canada	6.30	16.25	22.56
United States <sup>(1)</sup>	2.91	15.36	18.27
Japan	1.87	7.13	9.00
E.E.C. <sup>(2)</sup>	8.18	15.66	23.93

Source: UN Trade Statistics (International Trade Data Bank);  
UN Monthly Bulletin of Statistics, Nov. 1979 (Population).

(1) 1977.

(2) Excludes intra-trade of 9 E.E.C. member countries.

In an attempt to project the possible future trend of imports into Canada from developing and state-trading countries under restraint, Table 37 has been prepared showing imports in 1979 and the restraint levels for 1980 and 1981.

TABLE 37  
IMPORTS (1979) OF CLOTHING SUBJECT TO RESTRAINT  
AND RESTRAINT LEVELS (1980-81)

- '000 units -

<u>Product</u>	<u>Imports in 1979</u>		<u>Levels of Restraint</u>	
	<u>Restrained Sources</u>	<u>All Sources</u>	<u>1980</u>	<u>1981</u>
Outerwear	2,776	3,068	3,117	3,179
Pants and slacks	16,787	23,365	21,119	23,034
Blouses and shirts	47,367	54,262	51,547	54,066
Dresses and skirts	8,637	14,641	9,103	9,661
Outer-jackets	3,142	4,946	6,017	6,394
Shirts	<u>15,633</u>	<u>17,136</u>	<u>18,850</u>	<u>19,317</u>
Sub-Total	94,342	117,418	109,753	115,651
Other Products	<u>36,275</u>	<u>50,056</u>	<u>51,150</u>	<u>52,780</u>
Total	130,617	167,474	160,903	168,431

Source: Textile and Clothing Board.

Given the wide fluctuations which occur in international trade in textiles, it is difficult to forecast imports of clothing. It has been possible, however, to make an assessment on the basis of the level of imports permissible under the terms of the bilateral restraint agreements. In this respect, if the restraints for 1981 were fully utilized, imports from restrained sources alone would exceed the level of imports from those sources in 1979 by about 37.8 million garments, or 29 percent.

## SELECTED PRODUCTS

Up to this point in the chapter the Board has dealt with the situation in the clothing market as a whole. In this section the Board will address itself to a number of individual clothing categories and to work gloves and handbags.

### SHIRTS, TAILORED COLLAR, MEN'S AND BOYS'

Shirts are a typical example of the special and difficult character of international trade in clothing and the difficulties in dealing with such a problem. Up to 1955, the shirt industry was basically a domestic one with little or no import competition. In 1955, imports from Japan captured a major portion of the market growth. By 1971 agreements had been reached with a total of eleven countries in an attempt to contain import penetration. On November 30, 1971, a global quota was applied to men's and boys' shirts with tailored collars valued for export below \$30 per dozen if made of woven fabric and below \$33 per dozen if made of knit fabric. The Board reviewed the situation in 1972, 1973, 1974 and 1976.

Table 38 shows the apparent Canadian market for shirts with tailored collars for men and boys. During the period from 1975 to 1979, the market increased by over five million units, and except for 1976, domestic manufacturers have consistently held approximately 57 percent of the overall market. This contrasts with the 98.5 percent share held by domestic manufacturers in 1952.

The domestic shirt industry increased its shipments substantially in 1978 and 1979 compared to the years 1975 to 1977 when shipments remained static. Although there was an overall increase in shipments in 1979, the market softened in the latter half of the year and this situation has continued into 1980. A survey of shirt manufacturers showed that domestic shipments in the first quarter of 1980 amounted to 3,764,512 units, or 13 percent below the level of 4,339,068 units

in the same period in 1979. Imports of these shirts in the first quarter of 1980 amounted to 5,649,081 units, an increase of 23 percent over the level of 4,589,898 units in the first quarter of 1979.

TABLE 38  
APPARENT CANADIAN MARKET FOR SHIRTS,  
TAILORED COLLAR, MEN'S AND BOYS' (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 units -				
Domestic shipments <sup>(1)</sup>	16,404	16,424	16,657	17,964	19,423
Exports <sup>(1)</sup>	88	76	208	219	128
Net Domestic Shipments	16,316	16,348	16,449	17,745	19,295
Imports <sup>(2)</sup>	12,545	16,366	12,812	13,199	14,713
(of which, 'low-cost')	(11,656)	(15,269)	(11,889)	(12,551)	(13,816)
Apparent Canadian Market	28,861	32,714	29,261	30,944	34,008
Share of Canadian Market held by: - percent -					
Net Domestic Shipments	56.5	50.0	56.2	57.3	56.7
Total Imports	43.5	50.0	43.8	42.7	43.3
'Low-cost' Imports as a Percentage of Total Imports	92.9	93.3	92.8	95.1	93.9

Source: (1) Textile and Clothing Board.

(2) Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

The decline in domestic activity in 1980 is reflected in the employment statistics provided by the Parity Committee of the Shirt Industry of the Province of Québec. These statistics indicate a decrease of 12.3 percent in the average number of employees and a 20 percent decrease in the number of hours worked during the first four months of 1980 compared to the same period in 1979.

# SWEATERS, PULLOVERS,

Table 39 shows the apparent Canadian market for sweaters, pullovers and cardigans for the period from 1975 to 1979.

TABLE 39  
APPARENT CANADIAN MARKET FOR SWEATERS,  
PULLOVERS, CARDIGANS (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	-'000 units -				
Domestic Shipments <sup>(1)</sup>	26,732	23,425	19,322	20,518	19,566
Exports <sup>(1)</sup>	194	192	172	151	174
Net Domestic Shipments	26,538	23,233	19,150	20,367	19,392
Imports <sup>(2)</sup>	29,561	45,172	28,734	24,081	20,520
(of which, 'low-cost')	(24,843)	(39,257)	(24,754)	(21,357)	(18,292)
Apparent Canadian Market	56,099	68,405	47,884	44,448	39,912
Share of Canadian Market held by:	- percent -				
Net Domestic Shipments	47.3	34.0	40.0	45.8	48.6
Total Imports	52.7	66.0	60.0	54.2	51.4
'Low-cost' Imports as a Percentage of Total Imports	84.0	86.9	86.1	88.7	89.1

Source: (1) Textile and Clothing Board.

(2) Textile and Consumer Products Branch, Department of Industry, Trade and Commerce.

During the period from 1975 to 1979 the market declined from 56 million units to 40 million units, or 29 percent. Domestic shipments and imports both declined, by 27 percent and 31 percent respectively, during the same period. As a result, the domestic share of the market increased to 49 percent, while the import share decreased to 51 percent. However, the restraint level for sweaters for 1981 is 26,876,000 units, 47 percent higher than the level of imports of sweaters from 'low-cost' sources in 1979. Any resurgence which may take place in consumer demand for sweaters

could therefore be accommodated entirely by restraining sources within their bilaterally negotiated restraint levels, unless consumer demand were to suddenly grow at a phenomenal rate.

Even more to the point, should there be no growth at all in the apparent Canadian market in the future, imports could erode the Canadian manufacturers' market share to approximately 27 percent by merely fully utilizing the restraint levels in their possession. Not only do Canadian producers have to concern themselves with whether they will be able to participate in any growth in the market, their more immediate concern is whether they will be able to retain the less than 50 percent share of the market they currently hold.

#### SUITS, SPORTCOATS AND BLAZERS, STRUCTURED, FOR MEN AND BOYS

The apparent Canadian market for structured suits, sportcoats and blazers for men and boys is shown in Table 40. This market was 391,000 units higher in 1979 compared to 1975. This growth in the market was largely taken up by imports which grew by 296,000 units during the same period. As a result the market share held by domestic manufacturers decreased by 5.3 percentage points.

In 1979 there have been some difficulties involving the administration of restraints by exporting countries. In several cases restraint levels have been exceeded and compensatory reductions in future restraint levels have had to be negotiated. In other cases there have been attempts to circumvent the restraints by exporting 'structured' garments which fell outside the technical definition for this product.

TABLE 40

APPARENT CANADIAN MARKET FOR SUITS, SPORTCOATS AND  
BLAZERS, STRUCTURED, FOR MEN AND BOYS (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 units -				
Domestic Shipments <sup>(1)</sup>	3,742	3,705	3,831	3,428	3,751
Exports <sup>(1)</sup>	148	158	108	79	62
Net Domestic Shipments	3,594	3,547	3,723	3,349	3,689
Imports <sup>(2)</sup>	569	807	540	677	865
(of which, 'low-cost')	(456)	(705)	(428)	(555)	(742)
Apparent Canadian Market	4,163	4,354	4,263	4,026	4,554
Share of Canadian Market held by:	- percent -				
Net Domestic Shipments	86.3	81.5	87.3	83.2	81.0
Total Imports	13.7	18.5	12.7	16.8	19.0
'Low-cost' Imports as a Percentage of Total Imports	80.1	87.4	79.3	82.0	85.8

Source: (1) Textile and Clothing Board.

(2) Textile and Consumer Products Branch, Department of  
Industry, Trade and Commerce.

CHILDREN'S AND INFANTS' WEAR (SIZES 0-6X)

Table 41 shows the apparent Canadian market for the following items of children's and infants' wear in sizes 0 to 6X: outerwear, pants, blouses and T-shirts, pyjamas and sleepwear, dresses and sportswear, and sweaters.

TABLE 41  
APPARENT CANADIAN MARKET FOR CHILDREN'S  
 AND INFANTS' WEAR, 0 TO 6X (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 units -				
Domestic Shipments <sup>(1)</sup>	33,238	31,598	31,518	32,368	35,793
Exports <sup>(1)</sup>	488	560	477	417	544
Net Domestic Shipments	32,750	31,038	31,041	31,951	35,249
Imports <sup>(2)</sup>	14,260	20,959	16,923	19,620	17,809
(of which, 'low-cost')	N/A <sup>(3)</sup>	(17,091)	(13,771)	(17,307)	(15,202)
Apparent Canadian Market	47,010	51,997	47,964	51,571	53,058
Share of Canadian Market held by:	- percent -				
Net Domestic Shipments	69.7	59.7	64.7	61.9	66.4
Total Imports	30.3	40.3	35.3	38.1	33.6
'Low-cost' Imports as a Percentage of Total Imports	N/A <sup>(3)</sup>	81.5	81.4	88.2	85.4

Source: (1) Textile and Clothing Board  
 (2) Textile and Consumer Products Branch, Department  
 of Industry, Trade and Commerce  
 (3) N/A - Not available.  
 Unable to break out children's wear in all import  
 categories in 1975.

During the period from 1975 to 1979 the overall market increased from 47 million units to 53 million units or approximately 13 percent. However, imports increased by 3.5 million units or 25 percent while domestic shipments increased by 2.5 million units, equal to 8 percent. The result is that over the period from 1975 to 1979, the domestic share of the market dropped to 66 percent and imports rose to 34 percent.

As will be seen from the foregoing table, the share of the market held by net domestic shipments fluctuated between 60 and 66 percent during the period from 1976 to 1979.

The Canadian markets for the product categories included in Table 41 have not all behaved in the same manner as will be evident from an examination of the relevant tables in Volume II. For example, the markets for the three categories of: outerwear; pants and blouses; and T-shirts, have increased during the period 1975-1979 although in each instance the domestic share has declined. The category of pyjamas and sleepwear has grown substantially and the domestic share of this market has grown and is dominated by domestic suppliers. On the other hand the markets for dresses and sportswear and for sweaters have both declined. In addition, the domestic share of the market for these two categories has declined.

#### WORK GLOVES

Table 42 shows the apparent Canadian market for work gloves for the period from 1975 to 1979.

TABLE 42  
APPARENT CANADIAN MARKET FOR WORK GLOVES (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 dozen pairs -				
Domestic Shipments <sup>(1)</sup>	1,727	1,831	2,103	2,211	2,290
Exports <sup>(1)</sup>	228	142	176	165	141
Net Domestic Shipments	1,499	1,689	1,927	2,046	2,149
Imports <sup>(2)</sup>	1,604	2,431	1,785	1,835	2,962
(of which, 'low-cost')	(1,457)	(2,150)	(1,517)	(1,662)	(2,740)
Apparent Canadian Market	3,103	4,120	3,712	3,881	5,111
Share of Canadian Market held by: - percent -					
Net Domestic Shipments	48.3	41.0	51.9	52.7	42.0
Total Imports	51.7	59.0	48.1	47.3	58.0
'Low-cost' Imports as a Percentage of Total Imports	90.8	88.4	85.0	90.6	92.5

Source: (1) Textile and Clothing Board.

(2) Textile and Consumer Products Branch, Department  
of Industry Trade and Commerce.

From the foregoing it will be observed that imports have consistently held a significant share of the market from 1975 to 1979, ranging from 47 percent to 59 percent. In 1979, imports increased by 61 percent over 1978. It is believed that a significant portion of this large increase represents anticipatory stockpiling which could cause some difficulties for Canadian manufacturers when these gloves find their way into the market place. This situation will be worsened by the current problems facing the automotive industry, one of the major purchasers of work gloves.

An analysis of the 1,078,000 dozen pair increase in the level of imports from 'low-cost' sources from 1978 to 1979 reveals that: imports from China more than doubled to 747,000 dozen pairs; imports from Macao, a new entrant in the Canadian market, amounted to 166,000 dozen pairs; imports from India went from 13,000 dozen pairs to 97,000 dozen pairs; and imports from Thailand rose from 2,000 dozen pairs to 67,000 dozen pairs.

It is evident that these dramatic increases in work glove imports have aggravated the already serious situation with which the Canadian manufacturers have to contend.

#### HANDBAGS

The apparent Canadian market for handbags of all types is shown in Table 43.

TABLE 43  
APPARENT CANADIAN MARKET FOR HANDBAGS  
OF ALL TYPES (1975-1979)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	- '000 dozens -				
Domestic Shipments <sup>(1)</sup>	323	278	361	478	577
Exports <sup>(2)</sup>	14	8	7	5	6
Net Domestic Shipments	309	270	354	473	571
Imports <sup>(2)</sup>	518	853	795	888	849
(of which, 'low-cost')	(426)	(723)	(653)	(753)	(710)
Apparent Canadian Market	827	1,123	1,149	1,361	1,420
Share of Canadian Market held by:	- percent -				
Net Domestic Shipments	37.4	24.1	30.8	34.8	40.2
Total Imports	62.6	75.9	69.2	65.2	59.8
'Low-cost' Imports as a Percentage of Total Imports	82.4	84.8	82.1	84.8	83.6

Source: (1) Kennedy, Ross & Associates.

(2) Statistics Canada, Catalogues 65-004 and 65-007.

From a low of 270,000 dozens in 1976 the handbag manufacturers have more than doubled their shipments in 1979. However, they still hold only 40 percent of the total market, the largest share in recent years.

Nevertheless, pressure is still being exerted on domestic manufacturers because in 1979 imports from restrained sources represented only 56 percent of the restraint levels. As a consequence, bilaterally-restrained sources of handbags are free to almost double their future exports to Canada at any time without exceeding or contravening the restraint agreements.

## SUMMARY

1. From 1972 to 1977 the number of establishments where garments which are the subject of this report are manufactured declined by 235, or 12 percent.
2. Capital and repair expenditures began to increase in 1978, after remaining at about the \$30 million level in each of 1975, 1976 and 1977. Expenditures in 1978 were \$37.3 million and are planned to increase to approximately \$42 million in 1980.
3. Training needs are still largely being satisfied by on-the-job and in-house training programs. However the industry recognizes the need for more formal training programmes and progress has been made in this direction.
4. There have been a number of technological developments and innovations which have helped to increase productivity in the Canadian clothing industry. These improvements are closely related to better production techniques and a greater use of automated equipment.
5. Capacity utilization rates for the clothing industry increased significantly in 1978 and 1979. However, the clothing industry has shown itself to be subject to sudden and wide swings in the level of industry activity and production has begun to fall off considerably in 1980.
6. Although costs of production have continued to grow at significant rates since 1971, the increase in the Consumer Price Index for clothing has consistently remained below the index for "All Items". At the same time, partly because of the very keen competition among clothing manufacturers, the clothing industry's profitability has lagged behind that reported for all manufacturing activity. In both 1978 and 1979, a

period of peak capacity utilization, the industry's profitability was below that recorded for 1977 when capacity utilization was at a five-year low.

7. During the period from 1976 to 1979 the estimated average unit wholesale price for domestic clothing increased by 40 percent compared to an estimated average unit wholesale price increase of 74 percent for imports.
8. In spite of several years of restraint on imports of clothing into Canada, a number of sectors are still experiencing difficulties in the Canadian market-place. The emergence of new sources of 'low-cost' imports have serious implications for the future for most clothing sectors.
9. The economic situation in 1980 has adversely affected activity levels in the clothing industry. Employment and man-hours worked have declined significantly in a number of product sectors.

#### 4. ISSUES AND PROBLEMS

In the briefs presented to the Board and during the hearings, both public and private, mention was made of issues or problems with which the textile and clothing industries have been faced. Some of these issues are of long standing, others are more recent. All of them impact to some extent on the performance of the industry. Also, during the course of the inquiry the Board focused its attention on a number of aspects of industry activity which are of significance in improving the competitiveness of the industry.

An attempt has been made in this chapter to summarize these various points.

##### PRODUCT AVAILABILITY

Much has been said about the availability of certain types of garments and of fabrics and yarns used in the manufacture of garments.

Retailers, importers and consumers have complained of shortages of low-priced children's wear. It has been claimed that these shortages have been in great part the result of the application of import restraints. Exporters in foreign countries, being restrained as to the quantities they could ship to Canada, have allegedly attempted to maintain the value of their exports by concentrating on higher-priced adult garments, to the detriment of lower priced children's wear. Similarly, importers, it is claimed, have also

abandoned low price points to maintain their earnings. Removal of restraints on children's wear was advocated on the grounds that Canadian manufacturers could not supply garments at the lower price points, and that these were only available from 'low-cost' exporting countries.

As a possible solution to ensure availability of children's clothing from 'low-cost' sources, it was suggested to the Board that if restraint measures have to be applied, a portion of each quota should be reserved for children's wear, provided a suitable definition for children's wear can be agreed upon. Since in the larger boys' and girls' sizes there is an overlap with adult sizes, it would be very difficult to reach agreement on an appropriate definition. Nevertheless, some specific children's wear restraint levels do exist in a number of the bilateral agreements presently in place.

However, considerable evidence was presented to the Board by Canadian manufacturers of children's wear showing that significant quantities of children's garments are being produced in Canada for sale in the lower price ranges. These Canadian manufacturers denied emphatically that there were shortages of children's wear at lower price points in Canada. Furthermore, at the time of the Board's hearings, evidence was presented showing that many Canadian manufacturers of children's clothing were working only part time due to a lack of orders. The lower level of purchases by Canadian retailers led some manufacturers to seek export markets more aggressively.

There appears to be a difference of opinion as to what are considered low price points in the context of today's market situation. Because of increased costs of production, Canadian garment manufacturers have had to increase their prices. Imported garments have also increased in price for many reasons, including trading up as a result of restraints; increased manufacturing costs and quota charges in some exporting countries; and increased foreign exchange costs. It cannot be determined which of these factors has had a greater impact on the upward movement of prices

of imported goods. The fact remains that it is no longer reasonable to expect the same low price points which were offered in 1976, regardless of where the garments are produced.

In discussing product availability, the major issue concerned fabrics used by Canadian garment manufacturers. Firstly, they complained of being unable to obtain sufficient quantities of large volume basic fabrics from the limited number of domestic sources. Secondly, in those instances where the fabrics were available, their quality was allegedly not up to the required standards. Thirdly, although imported fabrics were available from industrialized countries, these were at relatively high prices. Fourthly, the sources of lower-priced fabrics were all being restrained.

Garment manufacturers also complained of not being able to obtain from domestic sources the variety of fabric designs, constructions, and colors or print patterns dictated by fashion, and therefore that they were forced to go outside the country to obtain them. Similarly, complaints were voiced about the non-availability from Canadian manufacturers of certain types of yarns, particularly various fancy knitting yarns. To alleviate these situations, garment manufacturers recommended that not only should fabrics and yarns not available from Canadian sources be free of restraint measures, but also that they should be duty free.

Canadian fabric manufacturers, having rationalized their production over the years, stated that they were not in a position to supply the complete range of fabrics demanded by domestic garment manufacturers, and that they would not attempt to do so. They nevertheless went to great lengths to demonstrate that they were able to supply their customers satisfactorily, within the range of fabrics they were producing. They acknowledged that there was a period, late in 1978 and in the first part of 1979, when their deliveries were extended in a number of cases, but they stated that all their regular customers still obtained their full requirements. They said also that, except during infrequent

short periods of peak demand, ample spare capacity exists to produce all the types of fabrics normally available in Canada. Fabric manufacturers argued that many of the garment manufacturers who stated that they were unable to obtain their fabrics from domestic sources were those who usually shop around for bargains without too much consideration about continuity of supply. In other cases, Canadian fabric manufacturers said, the quantities required by garment manufacturers were too small for economical production.

This problem of fabric and yarn availability is not new, nor is it easy to resolve. Technically, there are very few, if any, fabrics that could not be produced in Canada. The technology and the know-how are there and the equipment, if not already in place, can be obtained with relative ease. But, in order to produce economical runs, fabric and yarn manufacturers must process a minimum quantity which may be far above the requirements of the garment manufacturer. The latter in this case will likely turn to the United States or to other countries where the small quantities required can usually be obtained, often in exclusivity for the Canadian market.

With regard to large volume fabrics already being produced in Canada, domestic manufacturers have explained that it would be uneconomical for them to maintain sufficient production capacity to satisfy short-term increases in demand. Should a sustained increase in demand occur, the time lag in building up sufficient capacity would likely result in some shortages until the new production capacity came on stream.

There are other aspects of fabric and yarn availability which enter into the picture, such as substitutability and quality but they are all part of the same overall problem. Several attempts on the part of yarn, fabric and garment manufacturers to come to an understanding on this issue, and to establish a mechanism to deal with specific problems, have been unsuccessful. It is extremely difficult if not impossible to establish a general rule which

could be applied to determine which fabrics or yarns are not available from Canadian sources and should be given special treatment.

## SPECIALIZATION AND CONSOLIDATION

Garment manufacturers have ascribed their difficulties in fabric procurement in Canada to the fact that they are limited in several instances to only one or two domestic manufacturers, and that these manufacturers do not offer a sufficient variety of yarns and fabrics to satisfy their needs.

In the early 70's, it was suggested to fabric manufacturers that, rather than try to supply every type of fabric required in Canada, they should attempt to rationalize their operations and concentrate on the more viable lines of production. Over the years, therefore, fabric manufacturers, particularly those producing woven fabrics, phased out many product lines and specialized in those fabrics most in demand by garment manufacturers. At the same time for a number of reasons, including import competition, several of the smaller and medium-size fabric manufacturers ceased operations or merged, thus reducing Canadian sources of supply of a number of fabrics to a few large manufacturers. Ironically, having specialized and become more viable, fabric manufacturers are now being urged to produce a greater variety of fabrics.

Criticism has also been levelled at times at the clothing industry because of its high degree of fragmentation. It has been claimed that the industry overall could become more efficient and viable if some consolidation were to take place. In the last few years, a number of firms have merged, or been acquired by other firms, thus creating more efficient production units. Although new firms have been formed, there has been an overall decrease in the total number of firms in the industry.

## LABOUR AVAILABILITY

Allegations have been made many times that garment manufacturers, particularly in the large urban centres, have had difficulty in attracting and retaining qualified workers, particularly sewing machine operators and mechanics. However, when garment manufacturers were queried on this subject their answer was that although at times they have had some difficulties in obtaining skilled help, there has been no widespread shortage of operators. Many of the manufacturers who appeared before the Board have introduced formal training programmes within their own plants, often on a continuing basis, which they have found to be quite successful. Other firms have used the training schools organized by their industry associations and many have taken advantage of the assistance provided by governments for the training of workers.

It will be noted that training requirements in the clothing industry are greater because of the higher than average rate of labour turnover. This higher turnover is in part due to the relatively high proportion of women in the labour force of this industry, many of whom are likely to interrupt their working careers for many reasons. Many of those entering this labour force for the first time remain only long enough to acquire skills giving them greater industrial mobility.

Some areas have apparently been experiencing more difficulty than others in obtaining a full complement of workers. In Winnipeg particularly, this has been the case mainly because of the recent significant expansion in production capacity of several firms in the area. However, with the various training options mentioned above, the industry seems to be overcoming the problem. Furthermore some companies are establishing plants in towns outside of Winnipeg where there is available labour.

With regard to sewing machine mechanics, the industry admits that it could employ more than are available at present. The increasing complexity of sewing equipment used requires significantly

greater breadth of knowledge, not only in mechanical skills, but also in electronics, to maintain this equipment properly. The larger firms have stated that they are coping with this problem by training new mechanics on the job, by sponsoring their training through special courses organized by industry and teaching organizations, and also by taking advantage of the training assistance offered by machinery manufacturers. Many smaller firms which cannot afford full time mechanics will usually take advantage of the technical services offered by machinery manufacturers. In most cases this appears to provide a satisfactory solution.

According to the textile industry, there is no problem at this time in attracting and training skilled labour in textiles, nor is any difficulty foreseen. Most firms have well organized training programs, and many are taking advantage of the training assistance offered by governments, both federal and provincial.

#### TECHNICAL STAFF AND TOP MANAGEMENT

It has been said that in general the clothing industry suffers from a lack of professional management. While the Board cannot comment with respect to the industry as a whole, by far the greater majority of the clothing firms which the Board met have been very much aware of the need for professionally trained technical and management personnel to properly administer the increasingly complex operations of their firms. Several of these already have professional management and technical teams making use of the most up-to-date management techniques and tools available. Many firms are taking steps to build up such teams by hiring professionally trained persons in key technical and management positions, often with the assistance of consultants. Personnel already on the job is given every opportunity to supplement its experience with further training through formal courses and seminars organized specifically for the clothing industry.

The industry admits that there is still much to be done in this respect. However, as noted by the industry, more and more firms are using the services of clothing manufacturing professionals in a consultative capacity, including the training of company staff. Already there are a number of good examples showing the trend of developments in that direction.

## CAPITAL EXPENDITURES

It has been alleged that the textile and clothing industries in Canada are being accorded too much protection and as a result they have not been making the investments that would enable them to face international competition.

This statement does not appear justified in view of the reports on their capital expenditures. Numerous firms in both industries have reported substantial capital expenditures in the last three years, which have been discussed elsewhere in this report. Many of these expenditures made have been for improvement in the productivity of the plants involved, in the form of newer higher speed equipment and better material handling methods. Some of the expenditures have also been for improvement of production facilities. In other words, the industry has made use of the period of greater stability to improve its efficiency and its competitive ability.

Plans for substantial capital expenditures in the coming years have also been presented to the Board. In many cases, however, these plans have been accompanied by statements that they are contingent on continuing protection against disruptive imports to maintain the relative stability experienced since quotas were first imposed in 1976. According to the industry, should that "certainty" be removed or diminished, many of these planned capital expenditures would likely be cancelled.

However, several firms, particularly in the textile industry, are proceeding with substantial capital expenditures in new, more productive equipment. In the clothing industry, a not insignificant proportion of the new equipment purchases is being made by often highly specialized contractors who have been expanding their operations to handle the increased amount of business directed to them by clothing manufacturers.

## PRODUCTIVITY

The textile and clothing industries have been criticized for lagging behind in terms of productivity.

During the inquiry however, manufacturers in both industries provided the Board with concrete evidence of the considerable progress they have made in improving their productivity. All of the major textile manufacturers who met with the Board reported substantial productivity increases resulting from new equipment installations and from other changes in operations. Similarly, many clothing manufacturers reported significant productivity improvements resulting not only from new equipment but also from improved work and material handling methods. Several manufacturers have engaged the services of consultants to effect overall improvements in their operations, resulting in increased productivity.

Collectively, the clothing industry has done much to give itself the means to improve its productivity. Productivity centres have been planned or established to assist the industry, particularly the smaller firms. Courses and seminars on productivity have been developed for the industry in conjunction with colleges and other learning institutions. In Toronto the industry has access to computerized pattern marking and grading equipment and other services offered by the Ontario Research Foundation.

On the basis of evidence presented to the Board, the progressive elements in both the textile and clothing industries have demonstrated by their efforts that they consider productivity improvements a key element in their attempts to enhance their competitive ability.

## RELATIONSHIP OF CLOTHING MANUFACTURERS WITH RETAILERS

The Canadian retailing scene is probably unique among developed countries since it is dominated by a very limited number of large retailers. While this situation has existed for several years it has intensified in the past few years due to take-overs of already large retailing chains and department stores. According to statements made by many clothing manufacturers this has created a serious situation for them since the large retailer can virtually dictate conditions to the small manufacturer. From the point of view of sheer economic power the small manufacturer has little chance of maintaining his position opposite the large retailer.

It has been stated to the Board that retailers have cancelled sizeable orders, sometimes for very minor delays in deliveries, sometimes for no reason at all, other than that the retailer was overstocked. In other cases, for similar reasons, requests were alleged to have been made to the manufacturers to delay their deliveries for months, sometimes with only one or two days notice before the original delivery date, leaving the manufacturer to warehouse the merchandise for the benefit of the retailer. Another alleged practice reported to the Board was that retailers asked for special discounts for promotions, for new store openings, for shipments to a central warehouse instead of to individual stores, with the implication that should these discounts not be accorded, further business with the retailer would be jeopardized. A more general comment was made about the large retailers' apparent practice of allowing lead times up to one year on orders for imported goods, whereas lead times of as little as three to four weeks were being given to domestic suppliers. The latter complained

in these cases that they could not schedule production until the last minute, and then had to work under pressure, with overtime, to meet the requested delivery.

Reports have also been made to the Board of buyers obtaining garment samples early in the selling period, and then having these samples copied in the Orient in large quantities in time to place the imported garments on the Canadian market, to the detriment of the original producer of the garment. Several examples of imported copies of Canadian-designed garments were shown to the Board to illustrate this point.

It is difficult to determine just how well-founded are the complaints of the suppliers and just how prejudicial they are to apparel manufacturers. On the basis of statements made to the Board during the inquiry, the complaints against the retailers were not unanimous. Several manufacturers have reported excellent relationships with all retailers. Others have singled out one or two retailers with whom they have experienced difficulties, but at the same time they reported very good dealings with the others.

The Retail Council of Canada, on behalf of the large retailers, has stated that order cancellations and black-listing for refusing to give discounts would be practices completely contrary to the avowed buying policies of the retailers. However, it defended the practice of requesting discounts for special circumstances as a normal business practice, and noted that garment manufacturers were free to accept or reject these requests without fear of loss of business. As to lead times, some retailers were prepared to provide equal lead times for both domestic manufacturers and importers. However, the retailers claimed that many manufacturers are not ready to show their lines early enough to provide the requested lead times.

Although the major retailers have stated that some of the actions complained about are clearly against their buying policies, they have admitted that in large organizations such as theirs,

the human element has to be taken into account; it seems that there has to be an element of doubt as to the extent to which laid-down policies are carried out. They have stated that whenever violations of buying policies occur they are dealt with accordingly. Obviously, such situations can only be corrected if management is informed of the problem by the manufacturer. However, the Board noted that manufacturers are frequently loath to do this for fear of reprisals.

The retailers for their part also reported some difficulties with manufacturers. They told of substantially late shipments and on some occasions, failure to deliver at all. In other cases, the goods supplied were, according to the retailers, well short of the quality standards agreed upon.

Whether or not these difficulties experienced by both the manufacturers and the retailers are widespread, it would appear that both would gain from developing long term relationships which would allow both the retailer and manufacturer to better understand each other's position and would be mutually beneficial. However, the Board feels that the onus is on the retailers to try to bring about an improvement in this situation.

## EXPORTS

Canadian textile manufacturers have been accused of lacking interest in exporting their products to other countries.

It is true that the Canadian textile and clothing industries have never exported their products on a scale comparable to that of several other industrialized nations. However, there is at present a strong nucleus of exporters who continue to be successful in world markets.

In the textile industry, most of the larger firms have mounted continuing export programmes, particularly to the United Kingdom and to other countries in Europe. Although substantial quantities of fabrics and household products are being exported, they still represent only a small percentage of the total output of these firms. Some medium and smaller fabric manufacturers have been quite active in export markets. These smaller firms which are successfully exporting have tended to specialize in particular fabric constructions and have become leaders in the production of these fabrics.

In a similar manner, some garment manufacturers have been successfully exporting their products, mainly to the United States, but also to a number of European countries. A number of men's suit manufacturers are selling a good percentage of their production to the United States. Several children's wear manufacturers have successfully sold in the United States, in England and in continental Europe. Outerwear manufacturers have also been actively exporting their products. Clothing firms in the Western provinces have been particularly active in exporting, mainly to the United States and Europe. Indeed, it appears that the clothing firms in British Columbia consider the whole west coast, both Canadian and American, as their natural market and have geared their operations to serve both sides of the border.

Several garment manufacturers have participated successfully in export promotion programs organized by the Government. Other export promotion initiatives, such as the Canadian Outerwear Fashion Fair in Winnipeg last March, have been quite successful. However, the manufacturers feel that developing export business requires considerable effort over a long period and is not a viable proposition unless a strong domestic market has been secured. In order to increase export activities, garment manufacturers have urged governments to improve their export promotion programmes by adopting a longer term approach and by providing greater financial support for potential export programmes, much as other countries do.

## IMPORTS

During the inquiry the Board heard many comments and criticisms concerning the manner in which imports have been controlled.

Virtually everybody who appeared before the Board agreed that import controls should be administered in Canada. This was the case when a global quota was applied from November 29, 1976 to December 31, 1978. Although this global quota brought requests for compensation from some countries, importers stated that administration of this global quota in Canada enabled them to go to whatever market offered the best opportunities for procurement within the quota limitations. They claimed that with the advent of bilateral export restraint arrangements this freedom to shop world markets was curtailed and that they had to contend with the export quotas allocated to various exporters in the restrained countries. According to importers these quota allocations enabled their holders to increase their prices through so-called quota charges. At the same time, being limited in the quantities they could export to Canada, the quota holders allegedly preferred selling higher priced goods to maintain or increase the overall value of their sales.

Of course, with trading up and 'quota charges' increasing the price of exports to Canada, Canadian importers (including the large retailers) claimed they could not offer goods at the lower price points demanded by consumers. They advocated either the removal of restraints on lower-priced goods, or sub-quotas on a price basis to ensure adequate quantities of lower-priced goods. It will be noted, however, that at about the same time that bilateral arrangements were being implemented, there were reports of substantial cost increases as a result of inflation in exporting countries, and this, coupled with the devaluation of the dollar, has also contributed to the increased price of imports.

The Canadian Textile Importers Association, the Retail Council of Canada, and the Consumer's Association of Canada all blamed

the bilateral export restraint arrangements for the 'quota charges' and for the alleged disappearance of low price points on the Canadian market scene. Although 'quota charges' have been linked to price increases the degree and extent of this relationship have not been conclusively demonstrated.

There were also criticisms by domestic manufacturers about the administration of the restraint measures in Canada. They complained that no provision had been made to issue import permits on a quarterly basis, which for some clothing categories, resulted in bunching of imports, thus creating distortions in the market. They also complained that swing, carryover and carry forward provisions made it possible in some cases to exceed by as much as 20 percent the agreed restraint level.

A major complaint of manufacturers was that importers were moving to other countries not subject to export restraints and were rapidly building up a significant import performance before any action would be taken by the Government to curb these new sources of imports. In other words, it was a complaint about the so-called "moving threat". They further argued that once negotiations were undertaken to restrain these new sources, imports had already reached a high level. Consequently, the restraint level eventually agreed upon, when added to the quantities permitted from other countries already under restraint, would constitute an injurious level of imports in the event that the restraints were fully utilized.

Some industry groups reported problems with regard to the scope of coverage of the restraints, and the interpretation of the definitions used. One particular industry group, the work glove manufacturers, complained bitterly about difficulties in arriving at a proper interpretation of restraint agreements concerning work gloves, particularly in connection with the agreement with Hong Kong. Copies of documents and correspondence on the subject were presented to the Board to illustrate the problem.

Another group, the acrylic yarn producers, told of considerable difficulties being experienced with the exact interpretation of the description of the acrylic yarns under restraint. The problem revolved around several highly technical points and necessitated at one time an on-site investigation by a technical expert in the plant of the exporting company. Because of these difficulties, there were considerable delays in taking action against yarn imports allegedly not of the type under restraint, but in fact competing directly with the types of yarn which the restraint had been intended to protect.

Again there have been misgivings expressed by the industry with regard to the definition used to describe men's and boys' structured suits which are under restraint. The present restraints apply to structured suits which exhibit the three characteristics of such suits, that is shoulder pads, front stiffening, and lining. In order to avoid the restraints, it appears that some importers have brought in suits without shoulder pads and have had pads sewn in after entry of the suits in Canada.

In order to prevent further occurrences of this nature, the Canadian suit manufacturers have proposed a modification of the definition of a structured suit to "any suit incorporating at least one of the three characteristics mentioned above". In their view, this would effectively eliminate further circumvention of the import restraints. It is questionable, however, if for example, a suit with only the lining and no stiffener or shoulder pads could be properly considered as a structured suit. It would appear that at least two of the three characteristics should be present in any structured suit.

## **LABELLING**

The labelling of imported garments was a major issue with garment manufacturers. It was alleged that in a number of cases the labelling of the imported garments was such that the country

of origin was not readily apparent as required by Customs regulations.

The Board examined a number of imported garments and found that in some cases the country of origin was marked only on the underside of the label. Whether or not such practices contravene the regulations is a matter for Revenue Canada, Customs and Excise to examine and as such it would be inappropriate for the Board to comment.

The Board also noted however, that there was no uniform practice among Canadian garment manufacturers concerning the labelling of their garments as being made in Canada. Such a practice would be desirable in the Board's view.

#### ANTI-DUMPING PROCEDURES

The Anti-dumping procedures were described as being too costly, too cumbersome and too lengthy. Manufacturers of textiles and clothing maintained that serious injury could occur long before the present anti-dumping system would have been able to deal with the situation, and suggested that adopting the system used in the United States would be more effective and quicker.

Dumping is more serious for the textile industry, where the profit margin is often very small, and where the degree of capacity utilization is a major determining factor of the amount of profit realized. Special dumping problems arise from imports originating in Eastern European state-trading countries where prices charged bear no relationship to production costs.

In the Board's view it would be inappropriate to comment on this issue inasmuch as the anti-dumping procedures come within the purview of Revenue Canada, the Anti-dumping Tribunal and the Department of Finance. However, the importance of effective and

efficient implementation of such normal measures of protection as anti-dumping and value for duty cannot be over-emphasized. This is particularly relevant in light of the traditional position of these industries that they are prepared to compete in Canada with imports from such countries as the United States without special measures of protection.

## CONSUMERS' CONCERNS

Consumers' concerns have been voiced by several groups during the inquiry, notably the Retail Council of Canada, the Canadian Textile Importers Association, and of course the Consumers' Association of Canada (C.A.C.). The latter expressed its concern about the recent rise in prices of clothing at a rate greater than that of the general Consumer Price Index. In its opinion, this was due in large part to the special measures of protection against imports now in effect, and more specifically, to the transfer from Canadian administered global quotas to bilateral agreements administered in foreign countries. In its opinion this has given rise to quota brokering and trading-up, resulting in substantial price rises for imported clothing and in the gradual disappearance from the market of low price imported clothing, particularly children's clothing.

The C.A.C. considered that the industry should only concentrate on those lines of production which could be made viable without special protection. It contended in this respect that the industry could never be internationally competitive at the lower end of the price spectrum. It recommended therefore the immediate removal of import restraints on children's clothing, and a commitment to remove all import controls by a definite date, following rationalization and phase-out action by the industry. In the meantime, any control measures to be applied should be controlled in Canada.

Although clothing prices have been rising appreciably since early 1979 it has been demonstrated in Chapter 3 that over the whole period when import restraints have been in effect, the price index

for clothing rose at a much lower rate than the overall Consumer Price Index. It will be noted that most of the major cost elements in the production of fabrics and garments have escalated at significantly higher rates during the past eight years, or even during the past three years, than the selling prices of domestic textile and clothing goods. It is only now that selling prices are being adjusted to reflect, at least partially, increased costs.

The lack of availability of low price children's clothing has been discussed earlier in this chapter, under Product Availability. A similar situation exists with regard to other types of low price clothing.

#### MANUFACTURERS AS IMPORTERS

During the inquiry an interesting recommendation was made by a number of parties as a possible solution to the problem of import competition. The recommendation was that manufacturers be given preference in importing.

Giving manufacturers the preference to import in a certain proportion to their domestic production would allow them to complete their product lines and to specialize in fewer products in their plants. Some manufacturers are already blending imports with their manufacturing operations with very good results for Canadian production. Particular lines of garments are imported and market tested for acceptance, and if the results are satisfactory the garment in question is put into production in Canada. In other instances some components can be imported advantageously to coordinate with Canadian-produced garments, making a more marketable final product. In those instances that have come to the Board's attention this blending of imports with Canadian-produced garments has increased Canadian production.

More generally, such a scheme would help to curb high prices by allowing consumers to obtain the lowest price garments available either from importing sources or from domestic production. A more orderly market would result, as well as simplified administration of imports restraints. Mergers between importers and manufacturers would be encouraged, to create larger, more efficient units.

The proposal has merit, but a number of points would have to be examined before it could be applied. For example, under such a system, should clothing manufacturers be allowed to import clothing goods only, or should they be allowed also to import fabrics and yarns? Similarly, should the fabric producers be allowed to import fabrics only?

These questions could be resolved in consultation with the industry and it is possible that a viable scheme could be worked out. However, the fact that import restraints under the bilateral agreements are controlled in the exporting countries would constitute a major obstacle to the proper functioning of the scheme. Control of imports in Canada would greatly facilitate matters in this case.

The Board considers that the proposal to give manufacturers preference in importing presents sufficient advantages to be given serious consideration. The textile industry of the European Economic Community has been giving active consideration to such a proposal, and in at least one bilateral import restraint agreement (with China) priority in importing has been obtained for the manufacturers. The industry remains in favour of the principle, but experience to date has made it difficult to form a definitive view on the functioning of such a system if the allocation of quotas remains in the hands of exporting countries.

## 5. CONCLUSIONS AND RECOMMENDATIONS

This inquiry has been the most comprehensive ever undertaken by the Textile and Clothing Board. The evidence presented in 150 briefs and during 132 private and public hearings was extensive. Those most directly concerned with the question of special measures of protection: manufacturers, labour unions, importers, retailers and consumers, expressed their views to the Board on whether or not there is need for such protection beyond 1981.

The Board noted that there was unanimity amongst all groups on two basic issues: the timing of the Government's decision on the Board's recommendations for the period beginning January 1, 1982, and the preciseness of that decision. In the first instance their position was that the Government should announce its decision no later than March 31, 1981. This date coincides generally with the date by which domestic as well as import commitments must be made for the 1982 spring selling season. Regarding the second issue, their position was that in the event special measures of protection are required beyond 1981, the same Government announcement should state the nature and duration of the measures and define the guidelines to govern their implementation and administration. It was claimed by those involved that the certainty which would result from this approach would enable them to operate in a more efficient and businesslike manner.

Aside from those two issues, the positions presented to the Board by manufacturers, unions, importers, retailers and consumers had little in common. In no way, however, did this detract from

the validity of the views which were expressed. The frankness and openness of those who appeared before the Board, as well as those who wrote to the Board, was welcomed and indeed encouraged because of the importance of their views in the context of the objectives of the inquiry.

The Board has weighed the evidence carefully, analyzing it in light of the expert advice received from the Department of Industry, Trade and Commerce, and in light of the Board's own research and of its obligations under the Textile and Clothing Board Act. The conclusions and recommendations which follow are in essence a course of action which, in the Board's view, will be to the best advantage of Canada.

## PLANS

Capital expenditures by textile and clothing manufacturers have been noteworthy. The Board has analyzed these expenditures in relation to the plans which were submitted previously by manufacturers to enhance their ability to meet international competition in the market in Canada, and is satisfied with the progress which they have made in implementing these plans. Similarly the Board has examined closely the adjustment plans which manufacturers of the textile and clothing products subject to this inquiry have submitted in respect to their future activities. In the opinion of the Board these plans, which include substantial capital expenditures, will further enhance the ability of the manufacturers to meet international competition in the market in Canada. These plans are considered to be acceptable.

## INJURY

In the opinion of the Board, there is sufficient reason to believe that should the special measures of protection be terminated on December 31, 1981, imports from 'low-cost' and state-trading sources

would increase in a rapid and disorderly fashion, causing damage to Canadian production and employment which would be difficult to repair. The Board has concluded, therefore, that imports of the textile and clothing products listed in Appendix 7 will continue to be imported from 'low-cost' and state-trading sources and are likely to be imported from such sources in 1982 and beyond at such prices, in such quantities and under such conditions as to threaten serious injury to the production in Canada of textile and clothing goods.

## SPECIAL MEASURES OF PROTECTION

In the formulation of the special measures of protection which would be appropriate for 1982 and beyond, the Board carefully considered the relevant recommendations of manufacturers, labour unions, importers, retailers and consumers. It is essential that the special measures of protection accord the degree of protection necessary to alleviate the threat of serious injury. At the same time, the measures should minimize as much as possible the disruption in the affairs of importers who will continue to supply a relatively large share of the Canadian market.

The degree of certainty which was considered to be so important by all groups would be achieved through the imposition of a quota administered and controlled in Canada against imports from all 'low-cost' and state-trading sources on the basis of specific levels for individual garment categories. Such an initiative would enable manufacturers to invest with confidence. It would allow importers to negotiate the lowest possible prices with foreign suppliers and to enter into contracts with the knowledge that their goods would be permitted entry into Canada.

Canada has rejected, as a long term solution to the alleviation of serious injury from imports of textiles and clothing from 'low-cost' and state-trading sources, the imposition of quotas. Rather, Canada has pursued, and in all likelihood will continue to pursue bilateral solutions to this problem in accordance with the provisions of the Multifibre Arrangement.

In the opinion of the Board, however, Canada cannot continue to accept increasing quantities of textiles and clothing from 'low-cost' and state-trading sources. Such an approach would destroy government and industry efforts to maintain in Canada a modern, efficient and competitive textile and clothing industry.

As was demonstrated in Table 37, full utilization of existing restraints in 1981 would result in 37.8 million more units of clothing being imported from restrained sources than in 1979, an increase of 29 percent. Such an eventuality would result in serious cutbacks in domestic production and a substantial drop in employment. Furthermore, the conclusion of arrangements providing for high restraint levels which do not reflect traditional levels of imports will only aggravate the already precarious position of domestic manufacturers.

In the opinion of the Board the quota approach to the prevention of serious injury to Canadian textile and clothing manufacturers and employees from imports originating in 'low-cost' and state-trading sources is preferable to the present bilateral approach. At the same time, the Board recognizes Canada's commitment to the principles of the Arrangement Regarding International Trade in Textiles.

The recommendations for special measures of protection which follow are in effect a compromise between these two approaches. Taken in their totality these recommendations will be beneficial to Canada and at the same time recognize Canada's international obligations.

#### IMPORT CONTROL LIST

Full use of the Import Control List will ensure, to the greatest extent possible, the effective implementation of special measures of protection. It is recommended, therefore, that:

*each of the textile and clothing products contained in Appendix 7 should be included on the Import Control list on and after January 1, 1982;*

*General Import Permits should be issued to cover the importation of each of the products listed in Appendix 7 from the following sources:*

- |                      |                      |
|----------------------|----------------------|
| - Australia          | - Japan              |
| - Austria            | - The Netherlands    |
| - Belgium/Luxembourg | - New Zealand        |
| - Denmark            | - Norway             |
| - Finland            | - South Africa       |
| - France             | - Sweden             |
| - Germany, West      | - Switzerland        |
| - Iceland            | - The United Kingdom |
| - Ireland            | - The United States  |
| - Italy              |                      |

*Individual Import Permits should be required to import each of the products listed in Appendix 7 from sources other than those noted above.*

## **BILATERAL SOLUTION AND DURATION**

The Board has concluded that Canada should continue to pursue bilateral solutions to the threat of serious injury from imports of textiles and clothing from 'low-cost' and state-trading sources. Regarding the duration of the special measures of protection, the Board has taken into account the desirability of maintaining stability in the market place and of fostering a climate of confidence which is so necessary to the commitment of funds for capital expenditures for plant and equipment. Stability should be assured for the long term to allow for the planning and execution of capital expenditure decisions and to create a climate in which the benefits of these decisions can be realised. It is recommended, therefore, that:

*the bilateral agreements and quotas which are currently in effect on the products listed in Appendix 7, as well as any agreements or quotas which are negotiated or imposed between now and December 31, 1981, should be extended to cover the period from January 1, 1982 to December 31, 1990.*

## BASE PERIOD

In the opinion of the Board, a major weakness of the bilateral approach has been to maintain or increase restraint levels in a subsequent period which have not been fully utilized in the preceding period. The Board has concluded that the level of restraint for a succeeding year should be the export performance of the restrained source in those instances where it is less than the agreed or imposed level for the current period. It is recognized that whereas such an objective could be achieved in a quota situation, it would be relatively more difficult to achieve in a bilateral situation. It is recommended, therefore, for textile and clothing products other than those named in the recommendations on 'sensitive' products, that:

*in the calendar year 1982, exports of the products listed in Appendix 7 by those sources with which bilateral agreements are currently in effect or will be in effect between now and December 31, 1981, and imports of such products from the sources subject to quotas currently imposed by Canada or to be imposed between now and December 31, 1981 should be the lesser of*

*the level of exports specified in the relevant bilateral agreement, or the level of quota for the calendar year 1981*

*or*

*the average annual exports during the period from 1978 to 1980 inclusive from the source with which the bilateral agreement exists, excluding any over-shipments, or the average annual imports during the same period from the source subject to a quota.*

## GROWTH AND FLEXIBILITY

The Board considers that the provisions of the Arrangement Regarding International Trade in Textiles concerning growth, swing, carryover and carry forward are overly generous. In the opinion of the Board the provisions for growth should reflect the growth of domestic demand for textiles and clothing. In this regard, with respect to those products listed in Appendix 7 other than those identified in the recommendation dealing with "sensitive" products, it is recommended that:

*growth in the overall level of exports from those sources with which there are bilateral agreements, and the growth in the level of imports from those sources subject to a quota, in 1983 and each year thereafter should not exceed a maximum of 4 percent;*

*swing not be permitted between the five product groups listed in Appendix 7;*

*swing be permitted between individual products within a product group up to a maximum of 4 percent; and*

*carryover and carry forward provisions be discontinued.*

## SENSITIVE PRODUCTS

While the Board has concluded that special measures of protection are required in respect of each of the products listed in Appendix 7, it has identified a number of product categories which, because of particularly serious market situations, require special attention regarding: the acceptable levels of imports; the annual growth permitted in the levels of restraint; and the appropriateness of swing, carryover and carry forward provisions. The products in question,

which are described in Appendix 7, are as follows:

- winter outerwear garments: adults (including boys and girls); children's and infants' (0-6x);
- structured suits, sportcoats and blazers: men's and boys';
- shirts with tailored collars: men's and boys';
- sweaters, cardigans and pullovers: men's and boys'; women's and girls'; children's and infants' (0-6x);
- pants: men's and boys'; women's and girls'; children's and infants' (0-6x);
- worsted fabrics;
- acrylic yarns.

It is the recommendation of the Board that:

*in 1982, imports of each of the "sensitive" products from all 'low-cost' and state-trading sources should not exceed the overall quantitative ceiling for each product established on the basis of the average annual level of imports of that product from all such sources during the years 1978, 1979 and 1980. In the calculation of the average annual level of imports over shipments of restraints should be deducted;*

*bilateral agreements should be concluded for 1982 which will ensure that the sum of the levels negotiated, when added to imports from all other 'low-cost' and state-trading sources, does not exceed the overall quantitative ceiling established for that product;*

*for 1983 and each year subsequent thereto, up to and including 1990, growth in the level of the overall quantitative ceiling for each product be limited to a maximum of 1 percent of the ceiling for the preceding year; and*

*bilateral agreements concluded with respect to each "sensitive product" should contain no provisions for swing, carryover or carry forward.*

## CHILDREN'S WEAR

The Board is aware of the general tendency of exporters to export adult wear in those instances where restraints do not differentiate between age groups. While the Board is convinced of the need for special measures of protection for the children's wear manufacturing sector, it is of the opinion that the bilateral agreements should ensure that traditional trading patterns be preserved so that the consumer can continue to have access to these products. It therefore recommends that:

*the provisions with regard to children's wear in the present agreements continue to apply beyond 1981.*

## UNRESTRAINED 'LOW-COST' AND STATE-TRADING SOURCES

There are a number of unrestrained 'low-cost' and state-trading sources which are exporting certain products to Canada at levels exceeding the lowest levels of restraint provided for in bilateral agreements with other sources. There are other unrestrained 'low-cost' and state-trading sources which are increasing their exports to Canada at rates which are in excess of their traditional performance, without regard for the initiatives taken by Canada to regulate imports. On the basis of past experience the number of such sources will likely grow, and compound the disruption presently being caused. Accordingly, it is the recommendation of the Board that:

*imports from unrestrained 'low-cost' and state-trading sources of each of the textile and clothing products listed in Appendix 7, other than those products noted in the recommendations on "sensitive products", should be limited as follows:*

*in the case of unrestrained 'low-cost' and state-trading sources which are exporting certain products to Canada at levels exceeding the lowest levels of restraint provided for in bilateral agreements with other sources, to the average annual level of imports from the*

*individual source during the period from 1978 to 1980; in the case of unrestrained 'low-cost' and state-trading sources which are increasing their exports to Canada at rates which are in excess of their traditional performance, to the lesser of the average annual level of imports from the individual source during the period from 1978 to 1980, or the level of the lowest bilaterally-agreed quantitative restraint applicable to that product.*

## HANDLOOM PRODUCTS

The Board agrees with the spirit of the Arrangement Regarding International Trade in Textiles concerning the exemption from the application of special measures of protection of exports from 'low-cost' and state-trading countries of handloom fabrics of the cottage industry, hand-made cottage industry products made of such handloom fabrics and traditional folklore handicraft textile products. It is essential however that such exemptions be strictly controlled. Accordingly, it is the recommendation of the Board that:

*bilateral agreements should provide for the exclusion of textile and clothing products of the nature described above providing each shipment is accompanied by a "Certificate in Regard to Handlooms, Textile Handicrafts and Traditional Textile Products of the Cottage Industry" issued by the Government of the Country of origin;*

*the exclusion referred to above should apply only to garments or other textile articles of a kind traditionally made in the cottage industry, having been cut, sewn and embroidered, if applicable, solely by hand from handloom textile fabrics without the aid of any machine. Handloom textile fabrics are fabrics which have been woven on looms operated solely by hand or foot and are of a kind traditionally made in the cottage industry; and*

*individual import permits should be required for these products and should be accompanied by the relevant certificate issued by the Government of the country of origin of the goods.*

## SPECIAL ARRANGEMENTS

The Board has examined the arrangement with Japan which covers certain textile products and has noted that the arrangement will remain in effect until the end of 1980. The Board considers this arrangement to be very important to the Canadian textile industry. It therefore recommends that:

*the current arrangement on certain textile products with Japan be extended.*

## ACRYLIC YARNS

In the opinion of the Board the effectiveness of the bilateral restraint agreements on acrylic yarns, particularly such yarns used in machine knitting, has been seriously undermined by technical innovations which enable exporters to produce yarns allegedly not of the type under restraint but which, in the Board's view, are competitive with and directly substitutable for the yarns which the restraint had been intended to protect. The Board therefore recommends that:

*the current arrangements be extended to cover all yarns containing 50 percent or more by weight of acrylic fibres;  
and*

*the arrangement with Japan, which covers only hand knitting yarns, continue on the same basis as at present.*

## STRUCTURED SUITS, SPORTCOATS AND BLAZERS, MEN'S AND BOYS'

Most bilateral agreements and quotas which cover these garments specify that the garments must contain three elements: lining; shoulder padding; and front stiffening. The Board is aware of attempts to circumvent these arrangements and to undermine their effectiveness by shipping garments which have only two of the three characteristics. In the opinion of the Board such garments are competitive with, and directly substitutable for, garments having the three characteristics. It is recommended, therefore, that:

*bilateral agreements or quotas should define structured suits, sportcoats and blazers for men and boys as such garments having any two of the following characteristics or their equivalents:*

- (1) lining*
- (2) shoulder padding*
- (3) front stiffening.*

## ORDERLY MARKETING

The Board has noted that in particular instances there has been excessive concentration of imports in certain periods even though the annual quota and/or restraint levels may not be exceeded. Notwithstanding the seasonal factor inherent in many textile and clothing products, such concentration could cause serious disruption in the market resulting in injury to the domestic industry which would be difficult to repair. The Board therefore recommends that:

*the orderly marketing principles embodied in the provisions of the MFA be enforced.*

## IMPORT PERMITS

The Board is of the view that the present "back to back" system of issuing an import permit upon presentation of an export authorization 'certificate' duly authenticated by the exporting source

is essential to the control of imports. It is recommended that:

*the 'back to back' system for the control of imports as provided for in current bilateral agreements be continued during the period from January 1, 1982 to December 31, 1990.*

## ENFORCEMENT

The Arrangement Regarding International Trade in Textiles contains provisions which specifically give importing countries the right to impose limitations on injurious imports in those instances where negotiations fail to produce a satisfactory result. It is the recommendation of the Board that:

*Canada should exercise its rights under the Arrangement Regarding International Trade in Textiles to take unilateral action in those cases where a satisfactory bilateral agreement cannot be concluded; and*

*in the event there is no Arrangement Regarding International Trade in Textile or similar international agreement beyond 1981 Canada should resort to its rights under the GATT to deal effectively with serious injury from imports.*

## LABELLING

As indicated in Chapter 4, the Board cannot comment on whether or not exporters and importers are contravening the regulations controlling the marking of imported garments with the country of origin of the goods. In light of the concerns which were expressed in this matter, it is the recommendation of the Board that:

*a review of the intent, effectiveness and enforcement of the regulations be undertaken at an early date; and*

*consideration be given to the international standardization of requirements governing the labelling of garments with the country of origin.*

The Board noted the complete lack of uniformity in the identification of goods made in Canada. In many instances consumers who wish to purchase Canadian-made goods are unable to identify such products. The Board strongly recommends that:

*a uniform Made-in-Canada label should be developed which would be required to be prominently displayed on all Canadian-made garments.*

## TRANSSHIPMENTS

The Board noted the recent international efforts to deal with the circumvention of bilateral restraint agreements by means of transshipment. While the Board recognizes the difficulties involved in uncovering such practices, it recommends that:

*measures be developed to deal effectively and definitively with the circumvention of restraint agreements by means of transshipment.*

## CUSTOMS PORTS

The effective administration of special measures of protection must be guaranteed. Some exporters and importers have entered into arrangements to circumvent bilateral restraint arrangements by transshipment, by employing fraudulent invoicing techniques and by labelling goods in a manner which disguises the country of origin. These practices are contrary to the provisions and the spirit of the Arrangement Regarding International Trade in Textiles. In the opinion of the Board the Customs port of entry is the key element in any effort to deal with these practices which undermine the effectiveness of bilateral restraint arrangements. In this respect the Board recommends that:

*the Government designate at an early date specified customs ports of entry through which all imports of textiles and clothing would be channelled and controlled; and*

*the appropriate staff at such Customs ports receive basic technical training in the fields of textiles and clothing.*

## STATISTICS

There continues to be a need for sound statistical data on textiles and clothing. Manufacturers are often reluctant to supply data in detail and on a timely basis, while importers and their brokers appear to be primarily interested in providing only enough information to permit the goods to be classified from a Customs tariff point of view. These attitudes have frustrated the efforts of the Board, Statistics Canada, the Department of Industry, Trade and Commerce and the industries themselves to analyze conditions in various market sectors. It is recommended that:

*the Department of Industry, Trade and Commerce organize a task force to study this major problem and to recommend a course of action to overcome the difficulties. The task force should consist of representatives of the Government and business sectors involved in trade in textiles and clothing.*

## ADVISORY COMMITTEE

The solution to the problem of the availability of textile and clothing products from domestic manufacturers is elusive. The Board is of the view that a concerted effort should be made to resolve this matter. Therefore it is recommended that:

*a panel of industry experts be established to provide advice to the Office of Special Import Policy on the desirability of authorizing "ex-quota" shipments in those instances where*

*requests are received for permits to import textile and clothing products which are alleged not to be available in Canada and while available from restrained sources cannot be obtained because the restraint either has been fully utilized or fully allocated.*

## INDUSTRY ASSISTANCE

The financial support measures which formed an integral part of the textile policy announced in May 1970, formally linked certain financial assistance to the presentation of acceptable plans for restructuring and strengthening of viable lines of production. The Board assumes that this linkage has continued and that the industry as it exists today reflects in large part the role that the Government has played in encouraging manufacturers to enhance their ability to meet international competition in the market in Canada. The Board recommends that:

*The Federal Government continue to provide financial assistance to those companies carrying out approved restructuring plans; and*

*the Federal Government strongly support the financial assistance programmes of the provincial governments for the textile and clothing industries within their boundaries.*

While the export record of the textile and clothing industries overall has not been impressive when compared to that of certain other industrial sectors, the Board has found that there are many individual examples of exciting growth in export performance and of equally exciting potential for future growth. In this respect the Board applauds the efforts of those who participated in the organization of the very successful Canadian Outerwear Fashion Fair in Winnipeg in March of this year. The Board strongly supports Government efforts in this respect and recommends that:

*greater priority be given to the promotion of this export resource.*

Another important element of the 1970 textile policy which is supported fully by the Board is the Fashion Canada program. The Board was impressed with such aspects as the Designer Assistance Program and the Image Development Project, particularly the publication "Fashion Canada Mode". It is the recommendation of the Board that:

*this program be continued and strengthened so that it can contribute to the development of the Canadian clothing industry in Canada and abroad.*

## A P P E N D I C E S

LIST OF TEXTILE AND CLOTHING ARTICLES  
COVERED BY THE INQUIRY

Note - The clothing articles listed refer  
to both fully and partially manufactured  
articles.

1. Cotton yarns and rovings
2. Acrylic yarns
3. Polyester yarns
4. Rayon yarns
5. Nylon yarns
6. Mixed fibre yarns
7. Broadwoven cotton fabrics
8. Broadwoven polyester fabrics
9. Woollen fabrics
10. Worsted fabrics
11. Broadwoven rayon fabrics
12. Broadwoven fabrics of mixed fibres
13. Broadwoven pile fabrics of man-made mixed fibres
14. Warp-knit fabrics
15. Coated fabrics
16. Towels, washcloths and bath mats
17. Sheets and pillowcases
18. Hosiery, excluding ladies seamless and full-fashioned hosiery and panty-hose
19. Work gloves
20. Handbags made of fabrics
21. Blankets
22. Bedding
23. Tablecloths
24. Bedspreads
25. Cordage, rope and twine
26. Outerwear garments, commonly referred to as snowsuits, snow-mobile suits, ski suits, ski pants and snow pants, and jackets and vests including parkas, ski jackets and similar jacket-type garments

27. Pants, slacks, jeans, outer shorts, overalls and coveralls
28. Unstructured suits, sports coats and blazers, men's and boys'
29. Blouses, shirts, T-shirts and sweatshirts, women's, girls', children's and infants'
30. Pyjamas, sleepwear, bathrobes, dressing gowns and housecoats
31. Rainwear
32. Dresses, skirts and suits, women's, girls', children's and infants'
33. Coordinates and outerwear sets, including athletic sets
34. Foundation garments
35. Swimwear
36. Underwear
37. Overcoats, topcoats and jackets
38. Professional and shop coats
39. Structured suits, sports coats and blazers, men's and boys'
40. Leather coats and jackets
41. Shirts, T-shirts and sweatshirts, men's and boys'
42. Sweaters, pullovers and cardigans
43. Broadwoven nylon fabrics

TEXTILE AND CLOTHING BOARD  
PUBLIC NOTICE OF REVIEW

The Textile and Clothing Board, pursuant to Section 19 of the Textile and Clothing Board Act, hereby gives notice of its intention to conduct a review of the situation in Canada regarding the textile and clothing goods listed in Appendix A<sup>1</sup> to this notice, in order to determine what recommendations it should make to the Minister of Industry, Trade and Commerce as to whether the special measures of protection currently in force relating to these goods should be maintained, modified or removed beyond December 31, 1981.

The Board invites all interested parties to submit to it not later than November 26, 1979, briefs relating to this review. Ten copies of each brief should be supplied. The Board will not make public the contents of such briefs and the confidentiality of confidential material contained in them will be maintained. Those submitting briefs are free to make them public if they wish.

With regards to the contents of briefs the Board strongly urges their authors to address themselves particularly to a number of points which it considers significant in this review. To this end, guidelines for the preparation of the briefs are provided in Appendix B<sup>2</sup> to this notice.

Hearings relating to this review are expected to be held by the Board in Montreal, Toronto, Winnipeg, Vancouver, Halifax and Ottawa during February and March 1980. Other cities may be added to the above if required. Specific dates and places for the hearings will be announced at a later date.

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<sup>1</sup>Appendix 1 in the report.

<sup>2</sup>Appendix 3 in the report.

These public hearings will be for the purpose of receiving supplementary explanations or arguments from organizations or persons who will have presented briefs by November 26, 1979 and who have asked or been invited to appear before the Board.

The Board will also receive requests for private hearings from parties who have presented briefs and who wish to discuss confidential matters. Such requests should be made before November 26, 1979. These private hearings will be arranged at mutually convenient times for the parties.

All correspondence and briefs regarding this review should be addressed to the Secretary, Textile and Clothing Board, C. D. Howe Building, 235 Queen Street, Ottawa, Ontario, K1A 0H5 (telephone: 593-6336).

Ottawa, Canada  
August 31, 1979

## GUIDELINES FOR THE PREPARATION OF BRIEFS

These guidelines have been drafted in broad terms to encompass all sectors of the industry involved in the products listed in Appendix A<sup>1</sup> to the Notice of Inquiry. Where the guidelines have particular relevance to a sector, it would be appreciated if detailed information would be provided by that sector. Although the comments by some sectors on some of the guidelines must, of necessity, be more general in nature, the Board would welcome them.

The guidelines cover the following points:

- I - Cost/Selling Price Behaviour
- II - Availability of Labour
- III - Product Availability
- IV - Capital Expenditures and Productivity
- V - Technological Developments
- VI - Competitiveness - Domestically and Internationally
- VII - Management
- VIII - The Future

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<sup>1</sup>Appendix 1 in the report.

## I. COST/SELLING PRICE BEHAVIOUR

In recent years there have been significant changes in costs and selling prices of domestically produced goods as well as in the average values for duty of imported goods. These changes undoubtedly have affected buying patterns at all levels of consumption. Please indicate and document as thoroughly as possible:

- (A) the changes which have occurred in each of the years 1977, 1978 and 1979 and which are expected to occur in the next year or so; and,
- (B) the predominant factors which have influenced these changes as well as those which will influence the changes which are envisaged beyond 1979.

## II. AVAILABILITY OF LABOUR

A great deal has been said about the availability of labour to fill job vacancies in Canada's textile and garment industries, particularly in the case of the latter. In fact, in the eyes of some, this question has become a major issue. The Board would welcome comments documented as thoroughly as possible, on:

- (A) whether or not there is or will be sufficient labour to fill job vacancies in the (1) textile industry, and (2) garment industry;
- (B) whether or not there are or will be shortages of particular skills in the (1) textile industry, and (2) garment industry;
- (C) what is being done or should be done to deal with the labour shortfall, if such is the case, e.g. by the industries and by governments;
- (D) the effectiveness of manpower training programs, both industry and government sponsored; and
- (E) whether or not special operator skills are required to apply the technology being put into place. If so, what steps are being taken to develop those skills?

### III. PRODUCT AVAILABILITY

It has been alleged that the global import quota on clothing and more recently the bilateral agreements on imports of yarns, fabrics, textile products and garments have caused shortages and in some instances the elimination of certain products from the market. These allegations, which originate with garment manufacturers, fabric finishers, importers, retailers and consumers, have involved such situations as (1) the significant decrease in the quantity of garments available at the low end of the price spectrum, (2) the effect of quota charges, and (3) the quantitative import restrictions placed on fabrics which are either not manufactured in Canada or not manufactured in sufficient quantities. Comments are invited on the following, providing supporting documentation where possible:

- (A) the product areas which have been affected by shortages or which are no longer being served;
- (B) the causes for these situations;
- (C) if these situations have resulted from import control measures, why have Canadian manufacturers not filled the gap?
- (D) what should be done to alleviate these problems and avoid them in the future?
- (E) if you are buying products made in Canada which previously had been imported, please comment in as much detail as possible; and

(F) in the briefs and during the hearings leading up to the report on the Clothing Inquiry in 1977, criticisms were frequently voiced that very short lead times were extended to domestic suppliers compared with much longer lead times given to foreign suppliers. Please describe the situation as it affects your company today and explain the impact on your operations. Do you see additional changes in this connection in the future?

#### IV. CAPITAL EXPENDITURES AND PRODUCTIVITY

It was envisaged that during the period covered by special measures of protection against injurious imports, Canadian producers would begin to implement plans designed to improve their performance and enhance their ability to meet international competition in the market in Canada. Improved performance could result through increased efficiency and productivity and the acquisition of more modern equipment. While the Board is interested in the steps taken to achieve these goals, it is equally anxious to obtain your best assessment of the future level of capital spending by the industry and in particular by your company, both in the short term and in the long term. Accordingly, please let us have data and your views on the following:

- (A) what steps have been taken by manufacturers to enhance their ability to meet international competition in the market in Canada during the period from 1977 to 1979. Please provide data for each of the years 1977, 1978 and 1979 on your expenditures on (1) land, (2) buildings, (3) machinery and equipment, (4) repairs and maintenance, and (5) upgrading of existing machinery and equipment. Outline the productivity gains realized from these expenditures and the effect of these expenditures on your total plant capacity;
- (B) data for each of 1980 and 1981 on planned capital expenditures, a general outline of the nature of the expenditures, and of the benefits to be obtained therefrom; and,

(C) it is unlikely manufacturers will have well-defined plans for capital spending in the period from 1982 to 1985. However, based on your assessment of the economy and the probable developments in the industry, please estimate the possible capital expenditures for your company during that period and provide some general comments on the purpose of such expenditures and on the benefits to be gained. It is recognized that attempting to forecast so far into the future involves the use of "order of magnitude" figures but they are necessary in order for the Board to attempt a reasonable assessment of the industry over the next several years. Major world events are having an impact on all industry in Canada including such things as the energy problem and the hopes and aspirations of developing countries which are of particular significance to the textile and garment industry. All known factors should be taken into account in making this forecast.

The financial data provided in relation to (B) and (C) above should be expressed in 1979 dollars.

## V. TECHNOLOGICAL DEVELOPMENTS

Canada's textile and garment industries have been considered by some to lag behind the rest of the world in the adoption of the latest technological developments. Comments are invited on the following points in as much detail as possible:

- (A) is Canada's textile industry technologically deficient? If so, the deficiencies should be identified;
- (B) is Canada's garment industry technologically deficient? If so, the deficiencies should be identified;
- (C) what technological developments have been introduced into Canadian textile and garment manufacturing since the beginning of 1977? What have been the effects of these installations?
- (D) what technological developments are available which have been proven commercially but which have not been introduced in Canada? What are the reasons for this delay?
- (E) what technological developments are now being tested which if adopted will enhance the position of Canadian textile and garment producers?

## VI. COMPETITIVENESS - DOMESTICALLY AND INTERNATIONALLY

Competition among manufacturers, among importers and between the two groups is very intense. It could be said that those who have survived must be competitive at least in the Canadian market under the conditions that have prevailed. Some questions have arisen, however, regarding the ability of Canadians to produce the types of fabrics that are required or the quality and style of garments demanded by the consumer. Looking at the international market from the point of view of trade statistics, Canadian manufacturers are either not competitive or lack the initiative required to be successful in the international market-place. The Board would welcome opinions on the competitiveness of Canadian textile and garment producers in the Canadian market and in the international market. Comments are invited on the following:

- (A) the strengths and weaknesses of the Canadian textile and garment industries;
- (B) are these industries competitive in Canada with foreign-made goods? Please elaborate in as much detail as possible dealing with such factors as price, quality and country of origin;
- (C) if these industries are competitive in Canada to what extent is it influenced by special measures of protection and by the tariff?
- (D) how the competitiveness of Canadian industry would be affected in the future if
  - (a) special measures of protection on textiles and clothing articles are maintained;

- (b) special measures of protection on textiles and clothing articles are modified; and,
  - (c) special measures of protection on textiles and clothing articles are removed;
- (E) from the international point of view, if Canadian industry is not competitive what action must be taken to improve Canada's performance in the international market-place? On the other hand, if it is competitive why is it not exporting more textiles and garments?

## VII. MANAGEMENT

Enlightened and strong management is one of the most important ingredients contributing to a successful operation. As business becomes more complex, greater reliance must be placed on "professional" management with well-defined and specialized skills.

- (A) In the light of the foregoing, please comment on the capability of management down to and including "first line" supervision in

- 1) the textile industry, and
- 2) the garment industry.

Strengths and weaknesses should be identified and documented as well as possible.

- (B) If you are a textile or garment manufacturer, please provide the following information:

- 1) the number of management personnel, down to and including first line supervision and the number of other employees;
- 2) is it a policy of your firm to hire professionally trained personnel?
- 3) do you regularly arrange for personnel to receive appropriate management training?
- 4) to what extent do you use management consultants or engineering consultants in your operations?

5) do you see shortages of qualified management personnel in your organization and if so what steps are you taking to correct the situation?

(C) It is alleged that frequently, family-owned firms tend to rely on the founding entrepreneur and do not ensure a continuation of sound management through the employment of professionally trained managers. If you are a family-owned company, please comment on this situation as it affects your firm.

## VIII. THE FUTURE

A number of very significant developments have influenced the manufacture of textiles and garments in Canada. Among these developments have been the shift from natural to man-made fibres; the increasing share of the Canadian market held by imports; increasing costs, particularly those of energy, raw materials and labour; the declining value of the Canadian dollar; significant advances in technology; the global quota on clothing; and more recently the bilateral arrangements covering imports of textiles and clothing articles.

These and many other factors have been instrumental in molding and shaping the Canadian textile and garment industry into its present form. All of these factors, and others yet to arise, will continue to influence the shape of the Canadian industry in years to come.

- (A) how do you view the shape and general composition of the Canadian textile and garment industry in the longer term? e.g. what significant changes, if any, will take place and what effect will these changes have on the industry as a whole, and on individual industry sector?
- (B) in your view, what should the textile and garment industry look like in the longer term?
- (C) with respect to (B) above, what steps should be taken to achieve such a result?

## SPECIAL ANNOUNCEMENT

The Board has re-examined the procedures announced on August 31, 1979, regarding its intention to report to the Minister of Industry, Trade and Commerce on the maintenance, modification or removal of the special measures of protection on textile and clothing goods beyond December 31, 1981. In this respect, the Board has concluded that it would be appropriate to proceed with an inquiry pursuant to section 9 of the Textile and Clothing Board Act. The procedures outlined in the attached copy of the relevant Notice of Inquiry will replace the review procedures announced on August 31, 1979.

This decision was taken in light of the desirability of providing maximum flexibility in the formulation and implementation of special measures of protection in the event that such action is judged to be necessary.

In its notice of August 31, 1979, inviting interested parties to present views on the maintenance, modification or removal of the special measures of protection beyond 1981, the procedures which were to be followed were identical to those provided for an inquiry pursuant to section 9 of the Textile and Clothing Board Act. Consequently, the briefs submitted to the Board in response to the notice of August 31 will be considered by the Board as having been submitted for the inquiry announced today unless advice to the contrary is received from their authors by December 31, 1979. All other interested parties are invited to submit briefs as part of the inquiry, as early as possible but not later than December 31, 1979.

The guidelines for the preparation of briefs which had been provided with the notice of August 31, 1979 will also apply to any briefs submitted in connection with the inquiry announced today.

The Textile and Clothing Board

Ottawa, Ontario

November 23, 1979

TEXTILE AND CLOTHING BOARD  
NOTICE OF INQUIRY

The Textile and Clothing Board, pursuant to Section 9 of the Textile and Clothing Board Act, hereby gives notice that it is undertaking an inquiry regarding imports of the textile and clothing goods listed in Appendix A<sup>1</sup> in order to provide the Minister of Industry, Trade and Commerce with recommendations as to whether or not special measures of protection should be implemented in respect of the goods in question on January 1, 1982. These procedures replace the review procedures announced on August 31, 1979.

The Board invites all interested parties to submit to it not later than December 31, 1979, briefs relating to this inquiry. Ten copies of each brief should be supplied. The Board will not make public the contents of such briefs and the confidentiality of confidential material contained in them will be maintained. Those submitting briefs are free to make them public if they wish.

With regard to the briefs, the Board strongly urges those responsible to address themselves particularly to a number of points which it considers significant in this inquiry. To this end, guidelines for the preparation of the briefs are provided in Appendix B<sup>2</sup> to this notice.

Those producers who submit briefs or who associate themselves with the presentation of briefs on their behalf will be expected to file with the Board a plan describing the adjustments they propose to make in their operations in order to increase their ability to meet international competition in the market in Canada.

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<sup>1</sup>Appendix 1 in the report.

<sup>2</sup>Appendix 3 in the report.

Hearings relating to this inquiry are expected to be held by the Board in Montreal, Toronto, Winnipeg, Vancouver, Halifax and Ottawa during February and March 1980. Other cities may be added to the above if required. Specific dates and places for hearings will be announced at a later date.

These public hearings will be for the purpose of receiving supplementary explanations or arguments from organizations or persons who will have presented briefs by December 31, 1979 and who have asked or been invited to appear before the Board.

The Board will also receive requests for private hearings from parties who have presented briefs and who wish to discuss confidential matters. Such requests should be made before December 31, 1979. These private hearings will be arranged at mutually convenient times for the parties.

All correspondence and briefs regarding this inquiry should be addressed to the Secretary, Textile and Clothing Board, C.D. Howe Building, 235 Queen Street, Ottawa, Ontario, K1A 0H5 (telephone: 593-6336)

Ottawa, Canada  
November 23, 1979

FIRMS AND ORGANIZATIONS WHICH PRESENTED OR  
SUPPORTED BRIEFS TO THE BOARD AND APPEARED  
AT HEARINGS OF THE BOARD

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Abbey Neckwear Ltd.	Montréal, Qué.	
Advisory Committee of the Dress and Sportswear Industry of Ontario	Toronto, Ont.	Public
Aero Garment Ltd.	Vancouver, B.C.	Private
Alberta Apparel Manufacturers Association	Edmonton, Alta.	Public
Amalgamated Clothing and Textile Workers Union (ACTWU)	Don Mills, Ont. Vancouver, B.C. Winnipeg, Man.	Public Public Public
Anchor Textiles	Toronto, Ont.	Private
Apparel Manufacturers Association of Ontario	Toronto, Ont.	Public
Apparel Manufacturers' Institute of Québec	Montréal, Qué.	Public
Arrow Company, The	Toronto, Ont.	Private
B.M. Dyeing Limited	Montréal, Qué.	Private
Ballin Mfg. Co. Inc.	Montréal, Qué.	Private
Barakett Canada Ltd.	Montréal, Qué.	Private
Bayside Dyeing & Finishing Co. Ltd.	Trenton, Ontario	Private
Besner, J.A. & Sons	Montréal, Qué.	Private
Brendyn Incorporated	Toronto, Ontario	
British Columbia Fashion & Needle Trades Association, The	Vancouver, B.C.	Public
British Man-Made Fibres Federation	London, England	
British Woollens Inc.	Montréal, Qué.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Cabrelli Incorporated	Montréal, Qué.	Private
Canadelle Inc.	Montréal, Qué.	Private
Canadian Apparel Manufacturers Institute	Ottawa, Ont.	Public
Canadian Association of International Textile Traders and Textile Trade Association	Ottawa, Ont.	Public
Canadian Beachwear Limited	Montréal, Qué.	Private
Canadian Chemical Producers' Association, The	Ottawa, Ont.	
Canadian Glove Manufacturers Association Ltd.	Toronto, Ont.	Public
Canadian Handbag Importers Association, The	Montréal, Qué.	Public
Canadian Handbag Manufacturers, The	Toronto, Ont.	Private
Canadian Importers Association Inc.	Toronto, Ont.	Public
Canadian Shirt Manufacturers Association, The	Ottawa, Ont.	Public
Canadian Slide Fastener Manufacturers' Association	Ottawa, Ont.	Public
Canadian Textile Importers Association	Montréal, Qué.	Public and Private
Canadian Textiles Institute and Acrylic Yarn Spinners	Montréal, Qué.	Private
Canadian Textiles Institute jointly with the C.S.D., the A.C.T.W.U. and the U.T.W.A.	Montréal, Qué.	Public
Canadian Worsted Manufacturing Limited	Toronto, Ont.	Private
Cartier Trading Limited	Montréal, Qué.	Private
Caulfeild, Burns & Gibson Limited	Toronto, Ont.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Celanese Canada Inc.	Montréal, Qué.	Private
Centrale Des Syndicats Démocratiques	Montréal, Qué.	Public
Champlain Clothes Limited	Montréal, Qué.	Private
Children's Apparel Manufacturers Association	Montréal, Qué.	Public
Cleyn & Tinker Inc.	Huntingdon, Qué.	Private
Clix Inc.	Montréal, Qué.	Private
Clothing Export Council of Great Britain	London, England	
Consolidated Textiles Ltd.	Montréal, Qué.	Private
Consumers' Association of Canada	Ottawa, Ont.	Public
Cookshire Woollen Mills Ltd.	Cookshire, Qué.	
Coppley, Noyes and Randall Limited (Cambridge Clothes)	Hamilton, Ont.	Private
Cordage Institute of Canada	Montréal, Qué.	Public
Crown Cap Mfg. Co. Ltd.	Winnipeg, Man.	Private
Croydon (Division of Warnaco of Canada Limited)	Montréal, Qué.	Private
Davis, L. Textiles Co. Ltd.	Toronto, Ont.	Private
Dawtex Industries Inc.	Toronto, Ont.	
Distribution Services Branch, Industry, Trade & Commerce	Ottawa, Ont.	
Dolly Dimple Incorporated	Montréal, Qué.	Private
Dominion Glove Company Ltd.	Beebe, Qué.	Private
Dominion Textile Inc.	Montréal, Qué.	Private
Drapeshire Clothes Inc.	Vancouver, B.C.	Private
DuPont Canada Inc.	Montréal, Qué.	Private
Edmont Canada Limited	Cowansville, Qué.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Elite Blouse & Skirt Manufacturing Limited	Toronto, Ont.	
Emery, C.G. International Limited	Markham, Ont.	
Formfit of Canada Limited	Toronto, Ont.	Private
Forsyth Trading Company Limited	Toronto, Ont.	Private
G.W.G.	Edmonton, Alta.	Private
Ganterie Canadienne Ltée	Ancienne-Lorette, Qué.	Private
Gay Togs	Montréal, Qué.	Private
Gemini Fashions of Canada Ltd.	Toronto, Ont.	Private
George Brown College	Toronto, Ont.	Public
George Hancock Textiles Limited	Toronto, Ont.	
Gerb Headwear Co.	Winnipeg, Man.	Private
Gordon Textile Dyers Ltd.	Montréal, Qué.	Private
Hanson-Mohawk Inc.	Hull, Qué.	
Harris Knitting Mills Ltd.	Montréal, Qué.	Private
Harry Sherman	Montréal, Qué.	
Harvey Woods Limited	Woodstock, Ont.	Private
Holiday Sportswear Manufacturing Company	Toronto, Ont.	
Home Furnishing Industries Association	Ottawa, Ont.	Public
Huck Glove Company Limited	Kitchener, Ont.	
Hudson's Bay Company	Toronto, Ont.	
Hutner, A.M.	Toronto, Ont.	
Imasa Limited	Montréal, Qué.	Private
Imperial Converters	Montréal, Qué.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Industrial Textiles (1977) Limited	Toronto, Ont.	Private
Ingram's of Saskatoon	Saskatoon, Sask.	
International Ladies' Garment Worker's Union	Montréal, Qué. Western Canada Region	Public Public
International Leather Goods, Plastics and Novelty Workers Union	Montréal, Qué.	Public
Irving Arnold Associates	Toronto, Ont.	Public
Irwin Mfg. Co. Ltd.	Montréal, Qué.	Private
Jack Spratt Mfg. Inc.	Montréal, Qué.	Private
Jacob Crowley Mfg. (1971) Ltd.	Winnipeg, Man.	Public
Jantzen of Canada Limited	Vancouver, B.C.	Private
Japan Chemical Fibres Association and Japan Silk & Synthetic Textile Exporters' Association	Osaka, Japan	Private
Japan Textile Products Exporters' Association	Osaka, Japan	Private
Japan Woollen and Linen Textile Exporters Association, The Japan Woollen Spinners Association, Japan Worsted and Woollen Weavers Association	Japan	
Julius Resnick, Canada Ltd.	Montréal, Qué.	Private
Kiddies Togs Mfg. Co. Ltd.	Montréal, Qué.	Private
Koret of California (Canada) Ltd.	Vancouver, B.C.	Private
Laventhol & Horwath	Toronto, Ont.	Public
Leisure Time Distributors Ltd.	Vancouver, B.C.	Private
Les Confections Jos-Bel Inc.	Ste-Rose De Watford, Qué.	
Les Industries Kidbec	Montréal, Qué.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Les Industries Populaire Limitée	Montréal, Qué.	
Loomweave Mills	Montréal, Qué.	
Lounge Fashion Clothes Limited	Vancouver, B.C.	Private
Lutfy Ltd.	St. Laurent, Qué.	Private
Lyon Industries (1976) Ltée/Ltd.	Montréal, Qué.	Private
Made to Fit Garment (Canada) Ltd.	Montréal, Qué.	Private
Majdell Mfg. Co. Ltd.	St. Laurent, Qué.	Private
Manitoba Fashion Institute Inc.	Winnipeg, Man.	Public
Marilyn Brooks Inc.	Toronto, Ont.	
Mark III Togs Ltd.	Montréal, Qué.	Private
Match Mates Inc.	Montréal, Qué.	Private
Men's Clothing Manufacturers Association of Ontario	Toronto, Ont.	Public
Men's Clothing Manufacturers Association of Québec	Montréal, Qué.	Public
Merit Clothing Limited	Montréal, Qué.	Private
Modern Headwear	Winnipeg, Man.	Private
Monark Sales Limited	Montréal, Qué.	Private
Montreal Clothing Contractors Association	Montréal, Qué.	Private
Montreal Dress & Sportswear Guild	Montréal, Qué.	Public
National Knitting Limited	Toronto, Ont.	Private
National Wool Textile Export Corporation, The	Bradford, England	
Needle Trade Management Association of Ontario	Toronto, Ont.	Public
Norton Safety Products Limited	Rexdale, Ont.	
Nova Scotia Textiles Limited	Windsor, N.S.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Nova Stran Ltd.	Saint John, N.B.	Private
Ontario Glove Company	Waterloo, Ont.	Private
Ontario Research Foundation	Mississauga, Ont.	Public
Parity Committee of the Handbag Industry in Québec	Montréal, Qué.	Public
Patons & Baldwins (Canada) Limited	Toronto, Ont.	Private
Peerless Clothing Mfg. Company	Montréal, Qué.	Private
Perth Yarns Limited	Perth, Ont.	Private
Pracht of Canada Ltd.	Montréal, Qué.	
Promo-Wear Ltd.	Teulon, Man.	Private
Quebec Outerwear Knitters Association	Montréal, Qué.	Public
Rentex Inc.	Montréal, Qué.	
Retail Council of Canada	Toronto, Ont.	Public
Retail Merchants Association of Canada Inc.	Scarborough, Ont.	
Rice Sportswear Ltd.	Winnipeg, Man.	Private
RidgeLine Products Inc.	Toronto, Ont.	Private
Riviera Slacks Inc.	Toronto, Ont.	Private
Robin Sportswear Ltd.	Montréal, Qué.	Private
Rubin Brothers Clothiers Limited	Montréal, Qué.	Private
Satexil Inc.	Montréal, Qué.	Private
Shergroup Textiles Ltd.	Toronto, Ont.	Private
Silkknit Limited	Toronto, Ont.	Private
Silpit Industries Ltd.	Winnipeg, Man.	Private
Smash	Saint Laurent, Qué.	
Society of the Button Industry	Montréal, Qué.	Public
Sport-Ease Fashions Ltd.	Winnipeg, Man.	

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Squire Manufacturing International Inc.	Winnipeg, Man.	
Standard Knitting Ltd.	Winnipeg, Man.	
Stanfield's Limited	Truro, N.S.	
Superior Glove Company	Acton, Ont.	Private
Taiwan Textile Federation, The	Toronto, Ont.	
Talon Division - Textron Canada Limited	Toronto, Ont.	Private
Tan Jay International	Winnipeg, Man.	Private
Texflex Limited	Stoney Creek, Ont.	
Textiles and Consumer Products Branch, Industry, Trade and Commerce	Ottawa, Ont.	
Textiles Dionne Inc.	Ste-Foy, Qué.	
TransContinental Sales Inc.	Montréal, Qué.	Private
University of Manitoba, The	Winnipeg, Man.	Private
Victoria Leather Jacket Company Ltd.	Winnipeg, Man.	Public
Wabasso Limited	Montréal, Qué.	Private
Warren Knit	St. Catherines, Ont.	Private
West Coast Woollen Mills Ltd.	Vancouver, B.C.	
William Cline Co. Limited	Kitchener, Ont.	Private
Wm. Hutchinson (Yarns) Ltd.	Bradford, England	
Woods Bag & Canvas Co. Ltd.	Toronto, Ont.	

PRODUCTS TO BE INCLUDED ON THE  
IMPORT CONTROL LIST

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## A. YARNS

1. Yarns and rovings, including threads, cords and twines, wholly of cotton, other than those presently excluded from the Import Control List.
2. Acrylic yarns.
3. Polyester yarns.
4. Rayon yarns.
5. Nylon yarns.
6. Mixed fibre yarns.

## B. FABRICS

7. Broadwoven polyester fabrics.
8. Broadwoven polyester - cotton fabrics.
9. Broadwoven woollen and worsted fabrics.
10. Broadwoven nylon fabrics.
11. Broadwoven cotton fabrics.
12. Broadwoven rayon fabrics.
13. Broadwoven pile fabrics of man-made fibres.
14. Broadwoven fabrics of mixed fibres.
15. Broadwoven coated fabrics.

## C. CLOTHING

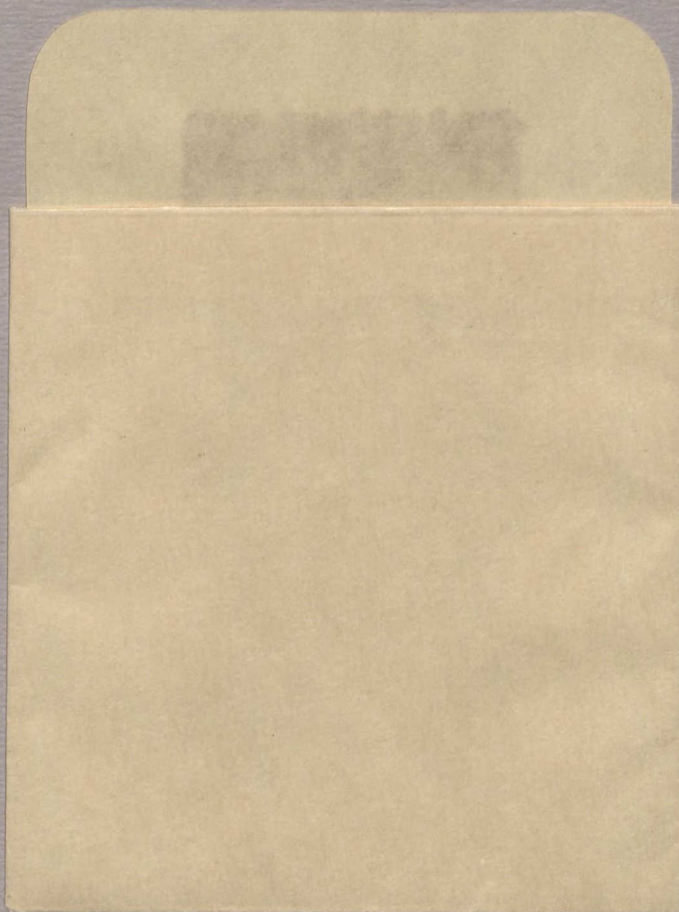
16. Outerwear garments, whether fully or partially manufactured commonly referred to as
  - (a) snowsuits, snowmobile suits, ski suits and ski pants, and
  - (b) jackets and vests, including parkas and ski jackets, that have an outer shell manufactured substantially from woven fabrics, and that are lined and designed to protect the wearer against cold or inclement weather.
17. Pants, including jeans, slacks, shorts, overalls and coveralls, whether fully or partially manufactured.
18. Unstructured or leisure suits, including unstructured sportcoats and blazers, whether fully or partially manufactured.
19. Blouses and ladies' shirts, including T-shirts and sweat shirts, whether fully or partially manufactured.
20. Pyjamas and sleepwear, whether fully or partially manufactured.
21. Raincoats, whether fully or partially manufactured.
22. Sportswear, including dresses and coordinates, whether fully or partially manufactured.
23. Foundation garments, whether fully or partially manufactured.
24. Swimwear, whether fully or partially manufactured.
25. Underwear, whether fully or partially manufactured.
26. Top coats, overcoats and outerjackets, including duffle coats, suburban coats and pant coats, whether fully or partially manufactured.
27. Men's and boys' fine suits and jackets, including sportcoats and blazers, whether fully or partially manufactured.
28. Leather coats, whether fully or partially manufactured.
29. Men's and boys' shirts, including T-shirts and sweat shirts, whether fully or partially manufactured.
30. Sweaters, pullovers and cardigans, whether fully or partially manufactured.
31. Hosiery.

#### D. HOUSEHOLD PRODUCTS

- 32. Towels, washcloths, bath mats and bath sets.
- 33. Blankets.
- 34. Tablecloths.
- 35. Bedspreads.
- 36. Bedding, n.e.s.
- 37. Sheets, made wholly or in part of cotton or of man-made fibres, whether imported separately or in combination with other goods.
- 38. Pillowcases, made wholly or in part of cotton or of man-made fibres, whether imported separately or in combination with other goods.

#### E. MISCELLANEOUS PRODUCTS

- 39. Work gloves composed wholly or in part of textile fabric or leather, whether or not impregnated or coated with plastic.
- 40. Cordage, rope and twine.
- 41. Handbags, made of fabrics, whether uncoated, coated or bonded, containing natural or man-made fibres or blends of these fibres, with a body area, excluding handles, between 258 square centimetres and 1,226 square centimetres in the manufacture of which leather and plastic materials may be used as trim and finish but not a major component of the shell.



INDUSTRY CANADA/INDUSTRIE CANADA



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