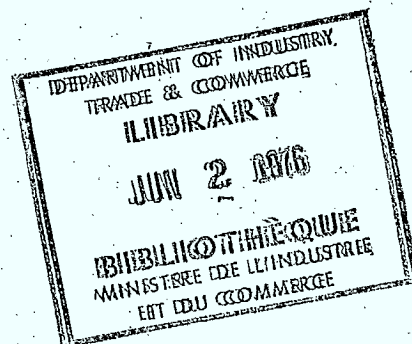


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Canada. Textile Clothing Board.
Report on an inquiry respecting
outerwear. Ottawa, 1976.

Canada. TEXTILE AND CLOTHING BOARD



REPORT ON AN INQUIRY RESPECTING
OUTERWEAR

OTTAWA, CANADA
FEBRUARY 11, 1976.

OUTERWEAR

On August 22, 1975 the Children's Apparel Manufacturers Association and other outerwear manufacturers filed with the Textile and Clothing Board a notice of complaint pursuant to Section 8 of the Textile and Clothing Board Act alleging that the importation into Canada of certain outerwear (men's, ladies' and children's) was causing or threatening serious injury to the production in Canada of like or similar goods, and requesting that the Board conduct an inquiry into this allegation.

The Board agreed to act upon this request, and decided that the inquiry would cover men's, ladies' and children's outerwear classified under tariff items 52305-1, 53305-1, 54305-1 and 56300-1, defined as follows:

- (a) snowsuits, snowmobile suits, ski suits and ski pants;
- (b) jackets and parkas;

all such garments being manufactured substantially from woven fabrics, which are lined and which are designed to protect the wearer against cold or inclement weather.

Procedure

Notice of the commencement of this inquiry was published in the Canada Gazette of September 6, 1975, and copies of the notice were distributed to the news media and to parties who could be expected to have an interest in this inquiry. In the notice, interested parties were invited to submit briefs to the Board by October 20, 1975, and to indicate at the same time if they wished to make supplementary oral presentations before the Board. It was pointed out that any producer who associated himself with the notice of complaint and supported a request for special measures of protection would be expected to file with the Board a plan describing the adjustments he proposed to make in his operations in order to increase his ability to meet international competition in the market in Canada.

Written submissions were received from the Children's Apparel Manufacturers Association jointly with a group of outerwear manufacturers; several Canadian producers of men's, ladies' and children's outerwear; the Canadian Textiles Institute jointly with the three textile labour unions and the Society of Canadian Slide Fastener Manufacturers; three Canadian suppliers of fabrics and other components to the outerwear producers; the Canadian producer of nylon yarns and acrylic fibres; the

Retail Council of Canada; the Consumers Association of Canada; the Canadian Textile Importers Association; and two Canadian importing firms. A complete listing of those who made submissions to the Board in connection with this inquiry is attached as Appendix 1.

Requests to make supplementary presentations at hearings in this inquiry were received from the Children's Apparel Manufacturers Association and the group of other outerwear manufacturers, and also from the Canadian Textile Importers Association.

On December 2, 1975 an open hearing took place in Ottawa for the purpose of receiving supplementary information from the Children's Apparel Manufacturers Association and from the outerwear producers supporting the Association's submission. A supplementary oral presentation was made by the Canadian Textile Importers Association and its supporters at an open hearing also held in Ottawa on December 16, 1975. The Board also met privately with several Canadian outerwear producers and importers, and with the Retail Council of Canada and representatives of some of the major retail chains.

The staff of the Board conducted several interviews with Canadian producers and importers for the purpose of obtaining statistical data, and visited a number of manufacturing establishments. With the cooperation and assistance of Statistics Canada extensive analyses of import documents were carried out. The Board was also provided with special reports from the Departments of Industry, Trade and Commerce and of Manpower and Immigration on matters within their respective areas of responsibility. Additional research was carried out by the Board's staff.

Briefs and Other Evidence

The following is a summary of the highlights of the evidence presented to the Board in written briefs, in open hearings and in private meetings, and of the claims and allegations made by the various interested parties.

In the joint brief of the Children's Apparel Manufacturers Association and of sixty-odd outerwear manufacturers, the basic problems facing the Canadian outerwear industry were stated to be the following:

- large volumes of low-priced outerwear were being imported from the Orient and selling at very low prices in the basic and, increasingly, in the fashion lines;
- market disruption was being created by the uncertainty as to whether the large retailers would place significant orders in the Orient, this uncertainty preventing the domestic manufacturers from properly planning and implementing efficient production scheduling.

It was therefore contended that men's, ladies' and children's outerwear, manufactured of quality textile materials and styled for the North American market were being and would be imported into Canada at prices, in quantities and under conditions which would lead to disruption and injury in Canada, unless action to respond to the import problem were not taken. Following a description of the structure and operations of the outerwear industry, the Association's brief outlined the disruption in the market situation which occurred in 1975, first, with a decrease in orders for domestic goods in the early part of the year, followed in late summer by a rapid turnaround as a result of cancellations or non-deliveries of import orders, which left the domestic producers to supply replacement goods on short notice. It was mentioned in the brief that large import orders for outerwear were again being placed in the Orient, and it was expected, now that Asiatic suppliers had adjusted their production capacity, that full deliveries would be made in 1976. Since many of these import orders were placed by large retailers, it placed the domestic producers, who depend heavily on orders from the major retail chains for their basic production, in an uncertain position. It was stated that if the trend to direct imports by large retailers continued, this would lead to serious problems for the domestic producers. The Association's brief went on to describe the low price competition which was adding to the seriousness of the situation. It gave specific price comparisons for domestic and imported garments of similar style and quality, showing that imported garments were being sold on the Canadian market at prices sometimes below the domestic cost of manufacturing alone. In view of the threat of disruption represented by unregulated low-cost imports, the Association and the outerwear producers recommended that the outerwear items forming the subject of this inquiry be placed on the Import Control List, so that surveillance may be continuously made of orders placed; and that outerwear imported from South Korea, Hong Kong, the People's Republic of China, Taiwan, the Philippines and Brazil be subject to quantitative restraints negotiated with the supplying countries at levels calculated according to the Arrangement Regarding International Trade in Textiles beginning from the date of this inquiry.

In their individual briefs the outerwear manufacturers expressed their full support for the Association's brief, and gave confidential details about their operations. They outlined the difficulties which they had experienced as a result of the loss of

business earlier in 1975, followed by the rush to attempt to satisfy customers who had not received their import orders. They told of their inability to plan their operations accurately in view of the uncertainty about import levels, and expressed their hesitation in making further investments to improve their facilities. They urged the Board to accept the recommendations in the Association's brief in order to restore a measure of stability in the market and to remove the prevailing uncertainty about the future.

The brief presented to the Board by the Canadian Textiles Institute jointly with the three textile labour unions and the Society of Canadian Slide Fastener Manufacturers described the importance of the Canadian outerwear industry to its suppliers in the primary textile sector and in the components sector. The Institute expressed its support for the outerwear manufacturers' brief and outlined how the loss of outerwear business to imports was adversely affecting textile suppliers, in particular the suppliers of woven nylon fabrics, cotton and polyester-cotton fabrics, wool fabrics, knitted fabrics, sewing threads, narrow fabrics, laces and tapes, and slide fasteners. For their part, the three labour unions expressed their great concern about increasing imports of outerwear and consequent loss of jobs, both in the clothing and in the textile sectors of the industry. They urged the implementation of a clearly defined global policy for imports, to allow the survival and expansion of firms willing to remain Canadian producers and to employ Canadian workers.

The individual briefs of the Canadian fabric producers outlined the vital importance of the outerwear industry as a user of their products. They described the loss of business which they had incurred as a result of garment imports, one of them mentioning his decision to close completely a fabric weaving plant and another noting that he had drastically reduced the production of pile lining fabrics used in the manufacture of outerwear. The fabric producers expressed strong support for the brief of the outerwear manufacturers and urged the adoption of its recommendations.

The Canadian producer of nylon yarn and acrylic fibre, in his confidential brief described the outerwear market as one which is and has been for many years a cornerstone of its nylon and acrylic businesses. He outlined in some detail the loss of business sustained over the years as a result of growing imports of garments. He stated that his concern and uncertainty about the future of this market was having a major effect on his planning for plant expansion. He expressed the hope that a constructive solution to the garment import problem could be found.

The Retail Council of Canada, in its submissions to the Board, argued that the situation of the outerwear industry was not as serious as had been made to appear. The Council agreed that direct

The plans submitted by the industry in connection with this inquiry have been examined carefully. The Board is satisfied that the implementation of the plans proposed would significantly improve the performance of Canadian producers in meeting international competition in the market in Canada.

In its deliberations regarding the scope and duration of appropriate special measures of protection the Board also gave very careful consideration to the effect of such action on the consumer. Of particular concern was the position put forth by the Canadian Textile Importers Association which described how the negotiation of restraints could increase the cost of imported garments to the Canadian consumer by the amount of the quota charges which, as a rule, are imposed by exporters following such action. Historically, in the case of garments, for example, once an exporting country has entered into a restraint arrangement with Canada, that country administers and controls the restraint. The agreed levels to be exported under the arrangement are allocated by the Government of that country to its exporters. The quota thus allocated to exporters becomes a valuable commodity to which a price is attached. This price can vary from category to category, country to country and in accordance with supply and demand. The quota charge is usually added to the initial selling price of the item in question. It has been reported to the Board that the quota charges now being quoted for jackets in Hong Kong and The Republic of Korea are \$15.00 and \$26.00 per dozen respectively.

In the opinion of the Board any limitation on imports of outerwear should be controlled in Canada through the issuance of import permits to Canadian importers. While such a measure may not totally eliminate the incidence of quota charges, it should go a long way towards protecting the Canadian consumer against the creation of artificially inflated prices.

The Board's concern over the sharp increase in imports encompasses the activities of manufacturers in this area as well as those of other importers. Imports by producers could conceivably have a more immediate effect on Canadian jobs and investment than imports by other sources. The Board will monitor this situation particularly closely in order to measure the effect of any transfer of production by manufacturers to other countries.

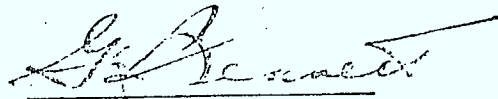
Recommendations

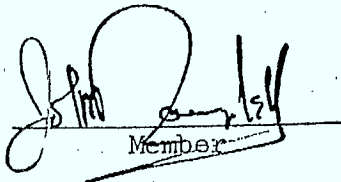
The Board recommends:

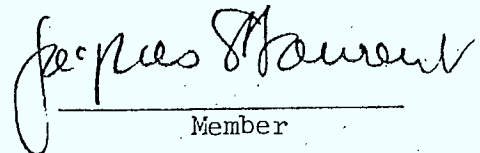
1. That outerwear, as described above, be placed on the Import Control List.
2. That arrangements be concluded with the Republic of Korea, Taiwan, Hong Kong, The People's Republic of China and the Philippines to limit their exports

to Canada of outerwear as described, for the 36-month period beginning March 1, 1976 to levels calculated in accordance with the Arrangement Regarding International Trade in Textiles.

3. That the arrangements concluded pursuant to No. 2 above, preferably be controlled in Canada through the issuance of individual permits allocated to importers on an appropriate equitable basis, such as historical performance.
4. That individual permits be issued freely to cover imports from sources other than those noted in No. 2 above, providing importers present copies of their contracts to the issuing authority within 30 days of the date on which the contract was signed.
5. That Statistics Canada provide separate statistics for both domestic shipments and imports based on the description of outerwear used in this report.
6. That the Export and Import Permits Division maintain records of all permits issued for the importation of outerwear and that it make reports thereon to the Textile and Clothing Board at the end of each calendar month.
7. That the Board monitor the situation on the basis of the reports received pursuant to No. 6 above with a view to making further recommendations as appropriate.


Chairman


Member

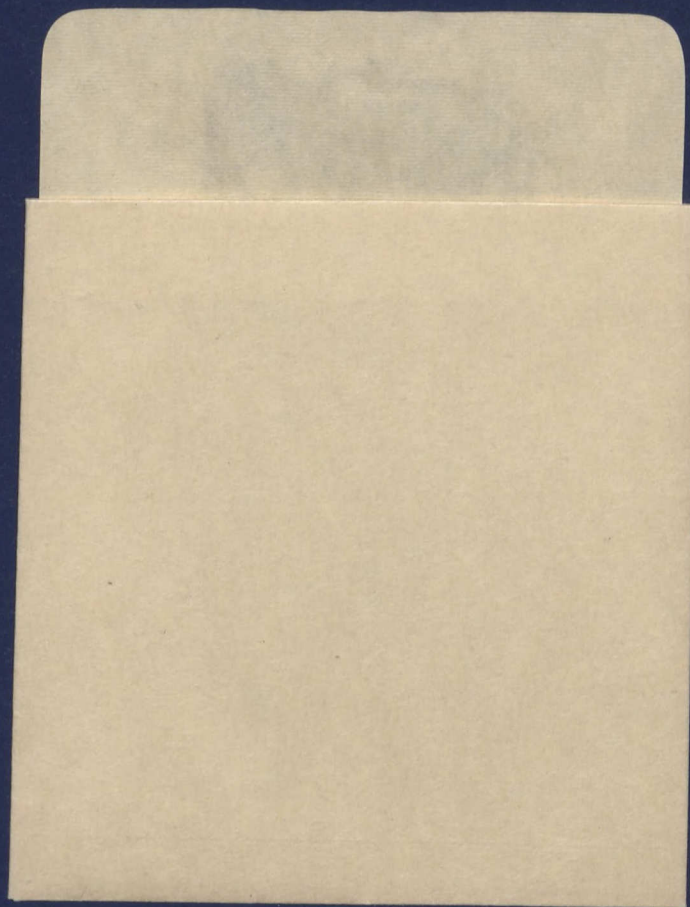

Member

APPENDIX I

INQUIRY ON OUTERWEAR

List of those who made submissions to the Board

Children's Apparel Manufacturers Association, jointly with
a group of 62 outerwear manufacturers.
Alpha Sportswear Limited
Alpine Sportswear Limited
Conrad Sportswear Inc.
Gary-Mor Sportswear Inc.
Irwin Togs Manufacturing Co. Ltd.
Kiddies Togs Manufacturing Co. Ltd.
Leather Wear Limited
Match Mates Inc.
Squire Manufacturing Limited
Sprung Clindinin Limited
Woods Bag and Canvas Limited
Canadian Textiles Institute, jointly with the
Fédération Canadienne des Travailleurs du Textile Inc. (CSD),
The Textile Workers' Union of America,
The United Textile Workers of America, and
The Society of Canadian Slide Fastener Manufacturers
Consolidated Textiles Limited
Huntingdon Mills Limited
Feather Industries Limited
DuPont of Canada Limited
Retail Council of Canada
Consumers' Association of Canada
Canadian Textile Importers Association
Tomex Limited
Triton Industries Limited.



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