REPORT ON A REVIEW CONCERNING ACRYLIC YARN

Canada

Government of Canada
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Textile and Clothing Board
Commission du textile et du vêtement

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June 23, 1988

The Honourable Robert R. de Cotret, P.C., M.P.
Minister of Regional Industrial Expansion
Ottawa, Ontario
K1A 0H5

Mr. Minister,

The Board has concluded its review concerning acrylic yarn. We now have the honour of submitting to you our report which contains an overview of the situation of the sector in question, as well as our conclusions and recommendations.

Should you wish further information or explanations about this report, we will be pleased to do so at your convenience.

Yours sincerely,

Otto E. Thur
Chairman

William L. Hawkins
Member

Jacques St-Laurent
Member

Canada

TEXTILE AND CLOTHING BOARD

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1. MANDATE AND PROCEDURE

Section 19 of the Textile and Clothing Board Act requires that the Board keep under constant review the effects of special measures of protection which have been implemented by the government pursuant to a recommendation of the Board. In this context, the Board was aware that, beginning in the latter part of 1987, representations had been made by certain commission dyers of acrylic yarns to the Minister of State for International Trade, regarding the increased quantities of dyed acrylic yarns entering Canada from low-cost sources and the potential risks that these quantities represented.[1]

Accordingly, on February 20, 1988, the Textile and Clothing Board gave notice of its intention to conduct a review, pursuant to Section 19, of the situation in Canada concerning acrylic yarns containing 50 per cent or more by weight of acrylic fibers for machine knitting and hand knitting. The purpose of this review was to determine if any recommendations should be made to the Minister concerning the modification or removal of the special measures of protection relating to this product.

In its Notice of Review published in the Canada Gazette[2], the Board invited all interested parties to submit briefs on the subject matter not later than March 31, 1988. The Board also announced in the notice that it would hold hearings to receive supplementary data and asked interested parties to indicate at the time of presenting briefs if they wished to make oral presentations before the Board. Copies of the notice were distributed to interested firms, individuals and groups, including major trade and other organizations, and to interested government departments.

Nineteen briefs were received from organizations representing Canadian yarn spinners, yarn dyers, garment manufacturers, foreign exporters and domestic importers of acrylic yarns.

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1 See Appendix 1
2 See Appendix 2

Hearings took place in Toronto and Montréal during April 1988. Fifteen parties were heard, either publicly or privately. Appendix 3 identifies those who presented briefs and appeared before the Board at these hearings.

In addition to the information received in the briefs and during the hearings, Board personnel carried out research on the industry sector, made plant visits, and received a comprehensive report on the acrylic yarn industry from the Textiles, Clothing and Footwear Directorate of the Department of Regional Industrial Expansion.

2. BACKGROUND

The Board has conducted numerous inquiries/reviews on acrylic yarn; the first in 1971 and the last in 1985. This will be the ninth official report submitted on the subject. Each inquiry/review has brought definitional changes with expanded coverage. Over the years the Board has addressed such elements as machine versus hand knitting yarns; cotton versus worsted spun yarns; greige versus dyed yarns; yarn counts; fibre lengths; fibre content; substitutable and modified yarns; price points; and types of packaging - all resulting from the rather technical definitions recommended by the producers.

A move towards a more general definition of the types of acrylic yarn covered by restraint agreements has been sought as a solution to the administrative problem of dealing with technically narrow definitions which often rendered restraint agreements ineffective. The Board addressed this important issue on numerous occasions in its reports on acrylic yarns. While government officials have made efforts over the years to arrive at a more standardized definition, two basically separate definitions still remain with the four countries with whom we have restraint agreements:

1. In the case of Taīwan, all types of machine knitting and hand knitting yarns containing 50 per cent or more by weight of acrylic fibre.

2. In the case of Singapore and Malaysia, all types of yarns containing 50 per cent or more by weight of acrylic fibre, which is similar to the Taïwan definition.

3. In the case of South Korea, all types of machine knitting and hand knitting yarns containing 50 per cent or more by weight of acrylic fibre, except those yarns composed entirely of fibres not exceeding 2-½ inches.

While the restraint agreements with Taïwan, Singapore and Malaysia include all yarns covered by this review, the South Korean agreement excludes acrylic yarns spun on the cotton system. Recent trends indicate a stronger interest for cotton spun acrylic yarns in the sweater trade. It is this easy substitutability of yarns spun on one spinning system for those spun on the other that led the Board to note, in its 1980 review, that "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 its last inquiry in 1985 the Board, having found serious injury to commission dyers, recommended that steps be taken immediately to restrain imports of Mexican yarns containing 50 per cent or more by weight of acrylic fibres. Mexican yarns, virtually all dyed, first penetrated the Canadian market in 1983 and had already reached volumes in excess of half a million kilograms by 1984. This surge in imports was seriously affecting the existence of the Canadian commission dyers whose demise would have disrupted the flexible source of yarn supply afforded the domestic knitters.

The Board also found injury to domestic spinners but it was not considered to be as serious. Accordingly, the Board recommended that the restraint measures in place at that time, which essentially affected low-cost sources of undyed yarns, be maintained and extended.

Since 1985, while bilateral restraints with South Korea, Taïwan, Malaysia and Singapore have been extended until 1991, the restraint agreement with Brazil and the consultation level with the Philippines have been dropped. Furthermore, the government did not implement the Board's recommendation respecting Mexico. In 1987, acrylic yarns imported from that country were quadruple their 1984 level and totalled 2.0 million kilograms.

3. PRODUCT UNDER REVIEW

Included in this review are hand knitting worsted spun acrylic yarns as well as machine knitting acrylic yarns spun on the worsted, cotton and Repco systems; excluded are acrylic yarns for the carpet and weaving trade. 'Acrylic yarns' include those made wholly of acrylic fibres and those blended yarns containing fifty per cent or more by weight of acrylic fibres; they can be in the undyed or dyed form, in any yarn count, and have various put-ups such as hanks, skeins, cones or tubes.

Technical data relative to the spinning and dyeing processes of acrylic yarns, as well as their various applications and end uses, are well defined in the Board's last report (1985), and indeed in many of the Board's previous reports on acrylic yarns. Therefore, no further elaboration will be made.

4. DOMESTIC ACRYLIC YARN INDUSTRY

The acrylic yarn industry is composed of spinners and dyers.

A. Spinners:

As may be noted in Table 1 below, there are currently eleven spinners of acrylic yarns in Canada: four produce hand knitting yarns, three produce machine knitting yarns spun on the cotton system, and five produce machine knitting yarns spun on the worsted system (including the Repco system). One spinner manufactures both hand knitting and machine knitting worsted spun acrylic yarns.

Table 1

CANADIAN SPINNERS AND TYPES OF YARNS PRODUCED

		Hand Knitting Yarn	Machine Knitting Yarn	
Spinners			**Worsted Spun***	**Cotton Spun**
Ascona Spinning Ltd.	Perth, Ontario		X	
Crystal Yarns Ltd.	Montréal, Québec		X	
Dawtex Industries Inc.	Toronto, Ontario		X	
Dominion Yarn Co.	Cornwall, Ontario			X
Filtex Inc.	Sutton, Québec	X		
Lanatex Yarns Ltd.	Toronto, Ontario		X	
Patons & Baldwins Canada Ltd.	Toronto, Ontario	X		
Phentex Inc.	St. Hyacinthe, Québec	X		
Spinrite Yarns & Dyers Ltd.	Listowel, Ontario	X	X	
Textiles Dionne Inc.	Montmagny, Québec			X
Zephyr Textiles Inc.	Ormstown, Ontario			X

* Including the Repco system.

Employment as of December 31, 1987, totalled 1,355 in the hand knitting and machine knitting worsted spun acrylic yarn sub-sectors. This compared to 1,048 in 1984. In 1986, however, employment was at a high of 1,413. The drop in 1987, mostly in the machine knitting area, will continue in 1988, according to evidence heard at Board hearings. Reduced activity in the hand knitting sub-sector, affecting employment slightly, was felt earlier in 1987. Employment in the machine knitting cotton spun acrylic yarns sub-sector numbered 332 in 1987, compared to 309 in 1984 and 320 in 1986; a relatively stable employment level is expected in 1988.

The heavy investments made by the spinners of machine knitting worsted spun acrylic yarns between 1980 and 1984 in rationalizing their plants and increasing capacity levels, put them in a good position to respond to the increased demand for acrylic yarns in 1985 and 1986. Since 1984, spinners of worsted spun acrylic yarns for machine knitting have moved gradually away from reliance on 100 per cent acrylic yarns in basic yarn counts and concentrated more on the production of blended yarns, specialty yarns and specialized yarn counts. The trend is to continue to adjust their product mix so as to move away from direct competition with low-cost imported acrylic yarns. Despite the continuing increase in imported low-cost machine knitting worsted spun acrylic yarns throughout that period and the recent downturn in the market for such yarns in general, investment for most domestic spinners is on-going.

While investment in the hand knitting sub-sector is currently low when compared to the period of exceptionally high investment made between 1980 and 1985, investment in the cotton spun machine knitting sub-sector continues unabated.

B. Dyers:

Dyers form an integral part of the domestic acrylic yarn industry. They not only commission dye for the domestic spinners, but they respond to the demands of those garment knitters who have purchased either domestic or imported undyed yarns; dyers also dye their own imported yarns or those yarns purchased domestically from an importer. There are currently six such dyers. Data on Perfect Dyeing Ltd. was incorporated with that of B.M. Dyeing Inc., a related company, in 1984. A new company, Cydco Inc., opened their dyeing facilities in Ville D'anjou, Québec, in September of 1987. The six dyers are:

B.M. Dyeing Inc.	Montréal, Québec
Cydco Inc.	Ville D'Anjou, Québec
Gordon Yarn Dyers Ltd.	Montréal, Québec
Perfect Dyeing Ltd.	Montréal, Québec
Performance Dye Works Corp. Ltd.	Montréal, Québec
Tex-Dye Industries (1980) Inc.	Montréal, Québec

Over the years import competition forced domestic spinners to use increasing quantities of dyed fibres and to produce decreasing quantities of high bulk 2/24s worsted count acrylic yarns of 100 per cent acrylic fibres - staple items which the dyers had traditionally dyed for the spinners and knitters. The dyers reacted to this situation by importing undyed acrylic yarns themselves. This new activity, concentrating in the basic 2/24s yarn count, had a stabilizing effect on the dyers' operations in the sense that during normally slack plant periods, imported undyed yarns could be dyed in basic commodity colours which were always in demand - white, black, ivory, etc. This production stability not only gave the knitters a flexible source of yarn, but allowed the dyers to maintain more constant employment levels in their plants.

Up to 1983, the majority of acrylic yarns imported from low-cost countries were in the undyed state. Commencing in 1983, Mexico entered the Canadian market with dyed acrylic yarns which immediately created difficulty for the dyers and, to a lesser extent, the domestic yarn spinners. The Mexican export market, created basically to penetrate the United States market, was jeopardized when the United States placed an embargo on Mexican acrylic yarns in 1983. Consequently, by 1984 Mexico had doubled its exports of dyed acrylic yarns into Canada. Since Canada had no restraints on Mexican acrylic yarns, Mexican exports quadrupled in volume by 1987 over their 1984 level.

Commission dyers' production is fairly evenly split between the dyeing of high bulk acrylic yarns on hanks or skeins, and the package dyeing of acrylic and other yarns. While demand remains strong for package dyed yarns of various kinds, the skein dyeing operation is being seriously affected by the downturn in market demand for high bulk acrylic yarns, and by the continued high level of imports of dyed Mexican acrylic yarns.

Production capacity for skein dyeing was increased significantly in 1985 and 1986. This investment was facilitated by financial assistance from the Canadian Industrial Renewal Board. Thus, while the dyers were well placed to respond to the heavy demand for skein dyed high bulk acrylic yarns in 1985, 1986 and 1987, the changing market conditions which began to be felt in the latter part of 1987 brought capacity utilization rates down as low as 52 per cent. The investments which were made in order to respond to the increasing demand for acrylic yarns in the domestic market were rendered largely superfluous by a softening domestic market.

Employment in the dyeing sector numbered 189 workers as of December 31, 1987, as compared to 199 at the same time in 1984. The drop in employment is more pronounced when compared to the more active and peak year of 1986 when 259 workers were in place. The dyers have been reporting continued decreasing employment levels for 1988 and some are already participating in 'work sharing' programs.

5. THE CANADIAN MARKET

Confidentiality of data severely restricts the publication of market information by sub-sector. By far the largest part of the market is, however, represented by the machine knitting and hand knitting worsted spun acrylic yarn sub-sectors. The total apparent Canadian market for that segment of the industry is given as follows:

Table 2

APPARENT CANADIAN MARKET
WORSTED SPUN (OR EQUIVALENT) ACRYLIC YARNS
FOR MACHINE KNITTING AND HAND KNITTING

(Thousand Kilograms)

	1984	1985	1986	1987
Domestic Shipments	6,432	7,343	8,406	7,651
Imports	4,648	5,629	7,788	7,637
Apparent Canadian Market	11,080	12,972	16,194	15,288
Share of Market held by:		- per cent -		
Domestic Shipments	58	57	52	50
Imports	42	43	48	50

Source: Textile, Clothing & Footwear Branch, Department of Regional Industrial Expansion and Statistics Canada.

The increased demand for acrylic yarns in 1985, 1986 and the first half of 1987 is demonstrated in Table 2. Spinners and dyers were working at higher capacity levels in response to an upturn in the market caused by a fashion trend to loose and bulky sweaters. There were shortages of acrylic and other yarns reported during this short, active period.

Historically, the problem area for Canadian spinners has been in the production of worsted spun acrylic yarns for machine knitting. That sub-sector has continued to lose market share to imports despite the increased demand for domestic yarns in the last three years. In fact, the years 1986 and 1987 marked all-time lows for domestic market shares, even though shipment levels in those two years were high. On the other hand, the hand-knitting worsted spun acrylic yarn sub-sector, which produced to capacity levels during the 1985-1987 period, increased its market share substantially.

The demand for worsted spun acrylic yarns for machine knitting fell during the latter part of 1987. This downturn is expected to continue throughout 1988. The fashion trend for loose bulky sweaters has subsided. The glut of acrylic sweater imports, (22 million units in 1987 versus 10 million in 1984), is currently creating havoc in the marketplace. Retailers, caught with large inventories of sweaters, are disposing of them at very attractive prices and are reluctant to place new orders with domestic sweater manufacturers. The chain reaction to this situation ultimately affects even the hand knitting and the cotton yarn sub-sectors. The incentive to hand knit sweaters is greatly reduced by the availability of low priced finished sweaters, whether imported or domestic. In the cotton spun machine knitting sub-sector the boom years of 1985 and 1986 have similarly been followed by decreased demand in 1987. However, unlike the worsted spun machine knitting sub-sector, where domestic orders are currently down while imports continue to increase, the other two sub-sectors report a decrease in overall market demand, affecting both domestic and imported yarns.

The following table should help to put the worsted spun acrylic yarn sub-sectors in better perspective. (Similar data on acrylic yarns spun on the cotton system cannot be provided for reasons of confidentiality.)

Table 3

APPARENT CANADIAN MARKET
WORSTED SPUN (OR EQUIVALENT) ACRYLIC YARNS
FOR MACHINE KNITTING AND HAND KNITTING

(Index 1984 = 100)

		Domestic Shipments	Imports	Apparent Canadian Market
Machine Knitting	1984	100.0	100.0	100.0
	1985	117.4	118.1	117.8
	1986	127.4	196.2	167.7
	1987	129.0	197.2	169.0
Hand Knitting	1984	100.0	100.0	100.0
	1985	112.1	130.2	116.2
	1986	132.7	79.9	120.9
	1987	112.6	63.9	101.7

Source: Textile, Clothing & Footwear Branch, Department of Regional Industrial Expansion and Statistics Canada.

Domestic spinners are continuing to diversify away from direct import competition in the 100 per cent acrylic fibre high bulk yarns for machine knitting, into blended acrylic yarns with a wide variety of specialty counts. Nevertheless, despite the beliefs of several dyers and sweater manufacturers, Canadian spinners are not totally out of the basic 2/24s yarn count. Whereas 31 per cent of all acrylic yarns for machine knitting produced in Canada in 1984 were of the 2/24s worsted count, in 1987 it had decreased to 25 per cent. The move away from this staple yarn count, which has been widely used in the sweater trade, has been a survival manoeuvre. While the capacity to make this particular yarn count still exists, the incentive to produce is understandably not there because of fierce import competition.

6. IMPORTS

In 1987, close to 9 million kilograms of acrylic yarns were imported into Canada, of which 6.9 million kilograms were worsted spun acrylic yarns for machine knitting, almost double the 1984 level of 3.5 million kilograms.

Imports from Mexico jumped from a half million kilograms in 1984 to 2 million kilograms in 1987. Mexico is now the largest exporter of acrylic yarns to Canada, surpassing the four restrained countries' exports combined. Those four - South Korea, Taïwan, Malaysia and Singapore - exported 1.7 million kilograms of acrylic yarns to this country in 1987. Meanwhile, the People's Republic of China and Indonesia, both new entrants in this market since 1984, exported in 1987 close to 1.4 million kilograms of acrylic yarns to Canada.

Table 4

IMPORTS OF WORSTED SPUN (OR EQUIVALENT) ACRYLIC YARNS FOR MACHINE KNITTING

(Thousand Kilograms)

	1984	1985	1986	1987
Mexico	523	583	1,222	1,960
Korea, South x	1,119	1,352	1,568	1,414
China, P.R.	-	-	576	925
United States	309	357	354	580
Indonesia	-	148	750	468
Japan	393	320	889	299
Mauritius	-	144	230	240
Malaysia x	144	232	239	205
Spain	neg	36	322	196
Brazil	252	252	171	167
Taïwan x	58	252	187	109
Singapore x	91	141	-	-
Others	24	16	72	87
Blends*	589	304	292	255
TOTAL	3,502	4,137	6,872	6,905

Neg. = Negligible
* Not available by country.
x Restrained

Source: Statistics Canada, special import analysis.

Virtually all Mexican acrylic yarns imported into Canada are intended for the machine knitting trade. Approximately two-thirds of Mexico's dyed yarns are high bulk, predominantly 2/24's worsted yarn count, the commodity item for domestic dyers. Mexican acrylic yarns are under quota in the United States. The quota is in the 1.3 million kilogram range or one third less than actual 1987 imports into Canada.

All the other low-cost acrylic yarns are imported largely in the undyed state. South Korea, the largest such exporter, slightly decreased its share of exports to Canada in 1987 but is still the major exporter of undyed acrylic yarns on the Canadian market. Close to 90 per cent of South Korea's undyed acrylic yarn exports to Canada are of the high bulk 2/24s worsted yarn count, virtually unchanged since 1984.

As for hand knitting acrylic yarns, imports in 1987 dropped to one-half of the 1985 level. While domestic producers continued to hold a healthy share of a shrinking market, imports declined. Blended acrylic yarns, largely acrylic and wool, represented 58 per cent of total hand knitting acrylic yarn imports in 1987, up from 42 per cent in 1984. The soft market for hand knitting yarns is not unique to Canada, but is similarly reflected in other parts of the world. The Canadian industry is concerned about potential imports from Turkey, (to date, all hand knitting yarns), because of the rapid penetration achieved by Turkey in the hand knitting yarn market in the United Kingdom. To date, Turkey is an insignificant supplier to the Canadian market.

Table 5

**IMPORTS OF
WORSTED SPUN (OR EQUIVALENT) ACRYLIC YARNS
FOR HAND KNITTING**

(Thousand Kilograms)

	1984	1985	1986	1987
United States	321	268	197	160
Japan	96	128	89	61
United Kingdom	11	31	10	34
Turkey	-	4	31	25
France	87	54	25	17
Others	149	81	55	10
Blends*	482	926	509	425
TOTAL	1,146	1,492	916	732

* Not available by country.

Source: Statistics Canada, special import analysis.

In 1987, imports of cotton spun acrylic yarns were 37 per cent higher than their 1984 level (Table 6). While imports from developed countries almost tripled from 1984 to 1987, imports of such yarns from low-cost sources decreased by more than a third. The end uses for these yarns, largely for fabrics requiring 'softer' characteristics, (as opposed to bulky worsted spun yarns for the sweater trade), have traditionally made the domestic producers less vulnerable to import competition. This is demonstrated in the significant share of the market which they continue to hold. Nevertheless, the presence of South Korea as a principal source of imports of these yarns into Canada continues to be a matter of some concern to Canadian manufacturers.

Table 6

**IMPORTS* OF
COTTON SPUN ACRYLIC YARNS**

(Thousand Kilograms)

	1984	1985	1986	1987
Korea, South	420	561	898	306
Japan	128	31	166	599
United States	67	47	34	103
China, P.R.	-	-	-	51
Taïwan	117	129	71	35
Others	96	86	73	37
TOTAL	828	854	1,242	1,131

* Includes blended acrylic yarns.

Source: Statistics Canada, special import analysis.

7. IMPORT RESTRICTIONS

Imports of acrylic yarns from South Korea, Taïwan, Malaysia and Singapore are subject to bilateral restraint agreements until the end of 1991. Since the Board's last report of 1985, both the Brazilian restraint and the consultation level with the Philippines have been dropped (end of 1986). Original and revised restraint levels plus utilization rates are shown, (Table 7), for 1984 to 1987 inclusive.

South Korea exports both worsted spun and cotton spun machine knitting acrylic yarns to Canada; however, their cotton spun acrylic yarn exports remain unrestrained, and South Korea has been a major exporter of those yarns to Canada as noted in Table 6. The new restraint agreement commencing in 1987 increased South Korea's restraint level by almost 20 per cent over 1986. The new restraint agreements in 1987 also increased Malaysia's restraint level by 10 per cent and Singapore's by 25 per cent. Taïwan's restraint level in 1987 remains relatively unchanged since 1984, but that year's level (1984) represented a six-fold increase from the 1983 level.

Table 7

ACRYLIC YARNS - RESTRAINT LEVELS AND UTILIZATION RATE
(Kilograms and Per Cent)

		1984 Kilograms	%	1985 Kilograms	%	1986 Kilograms	%	1987 Kilograms	%
	O (1)	1,162,720		1,209,229		1,257,598		1,504,086	
Korea, South	R (1)	1,286,075		1,466,650		1,267,760		1,534,154	
	U (1)	1,156,711	90	1,423,026	97	1,211,759	96	1,416,418	92
	O	220,667		233,907		247,941		272,735	
Malaysia	R	220,667		233,907		248,861		300,008	
	U	144,282	65	232,987	100	193,997	78	237,239	79
	O	120,000CL		120,000CL		120,000CL			
Philippines	R	120,000		120,000CL		120,000			
	U	0	-	0		0		(2)	
	O	90,100		95,506		101,236		127,000	
Singapore	R	95,200		109,820		97,607		127,000	
	U	60,800	64	106,360	97	0	0	45,600	36
	O	303,500		318,675		334,609		334,609	
Taiwan	R	328,666		353,884		351,385		334,618	
	U	253,720	77	353,838	100	328,585	94	283,220	85
	O	220,000		228,800		237,952			
Brazil	R	228,471		251,600		237,952			
	U	147,332	64	224,034	89	131,540	55	(2)	
	O	2,116,987		2,206,117		2,299,336		2,238,430	
TOTALS	R	2,279,079		2,535,861		2,323,565		2,295,780	
	U	1,762,845	77	2,340,245	92	1,865,881	80	1,982,477	86

1. O = Original Level. R = Revised Level. U = Utilization.
2. Consultation Level/Restraint dropped.
CL Consultation Levels.

Source: Special Trade Relations Bureau, Department of External Affairs.

In 1987, actual imports from these four restrained sources increased by 7 per cent over 1984. However, because of strong growth of imports from Mexico, their total share of low-cost imports in 1987 amounted to only 35 per cent as compared to 71 per cent in 1984. There are now five unrestrained low-cost sources each of whom in 1987 exported more than the lowest restrained country (Singapore).

8. CONCLUSIONS

The lack of restraint action against Mexico has allowed that country to quadruple its exports of acrylic yarns to Canada since 1984. While the effects of those increased exports were temporarily mitigated by the strong market demand for these yarns in 1985, 1986 and 1987, the present fashion shift away from sweaters will probably impact more heavily on Canadian spinners and dyers of worsted spun acrylic yarns for machine knitting than on their foreign competitors. The overall decline in market demand for sweater yarns in general is, however, a recurring pattern of the fashion cycle.

The situation of the commission dyers as well as the spinners is more serious than it was in 1984. At that time, the market was just entering into a recovery phase, whereas today it is showing every sign of a serious fall-off.

The systematic increase in imports of undyed 100 per cent acrylic yarns over the past several years reflects not only the sharply increased demand for sweater yarns during that period, but also an increase in the capacity of Canadian dyers to respond to the needs of the sweater knitters. This increased dyeing capacity has meant an excess of capacity which will probably not be utilized until the next upturn in the fashion cycle. The increased penetration of dyed Mexican yarns into the Canadian market may stabilize near their peak volumes, so that the impact of the decline in total market demand will be felt by the domestic dyers and the domestic spinners.

The Canadian spinners of worsted spun acrylic yarns for machine knitting have succeeded in decreasing their dependence on the staple 2/24s worsted count high bulk acrylic yarns. In 1987, they reported that a quarter of their total production was in this yarn count category as compared to almost one-third in 1984. However, one of the new market areas they moved into, that of blended acrylic yarns for more specialized market niches, continues to be threatened by imports of similar blended yarns and endangers their diversification plans.

Between 1984 and 1987 imports of sweaters made of acrylic yarns more than doubled from 10 million units to 22 million units. A fall-off in market demand has led to a high level of inventory of these sweaters which is being disposed of to the added detriment of the domestic sweater manufacturers, dyers and spinners.

Manufacturers of acrylic yarns spun on the worsted system for hand knitting have continued to maintain their share of market at a high level, which reflects their investments over recent years and their competitiveness in the Canadian market. These manufacturers will probably experience a much lower decline in shipment levels than will manufacturers of machine knitting yarns, and their long term outlook remains strong. Care must be taken that imports of hand knitting yarns from low-cost sources such as Turkey not be allowed to make a rapid market penetration similar to the penetration which occurred in the United Kingdom.

Manufacturers of acrylic yarns spun on the cotton system are not as dependent on sales to the sweater knitting trade as are the manufacturers of acrylic yarns spun on the worsted system. In fact, since the fashion trend is away from the heavy, bulky sweater look of recent years, the spinners of yarns on the cotton system may not feel the consequences of the fashion shift to the 'leaner' look to the same extent as their competitors who spin on the worsted system. Nevertheless, the significance of South Korea as a supplier to Canada of yarns spun on the cotton system, and the fact that these yarns are not restrained from that country, could portend difficulties in the future.

9. RECOMMENDATIONS

In light of these conclusions, the Textile and Clothing Board recommends:

- that the government maintain the existing bilateral restraint agreements presently in effect;

- that the government reconsider the feasibility of restraining imports of acrylic yarns from Mexico, and consider similar restraint action against any major, newly emerging low-cost supplier;

- that the government closely monitor imports of worsted spun hand knitting acrylic yarns from Turkey, with a view to entering into a restraint agreement should such imports escalate rapidly;

- that the government take steps to bring the definition of all restrained yarns into line with the definition used in the restraint agreements with Malaysia and Singapore.

THE HOUSE OF QUALITY AND SERVICE — LA MAISON DE QUALITÉ ET DE SERVICE

TEINTURERIE DYEING INC.

1820 PARTHENAIS ST. • MONTREAL, QUEBEC H2K 3S3 • TEL. 527-3437-39

September 29, 1987

The Honorable Pat Carney
Minister of State for International Trade
Lester B. Pearson Building
Ottawa, Ontario
K1A OG2

Dear Honorable Pat Carney,

We are writing you this letter to draw your attention to the urgent situation we the textile yarn dyers are facing, due to the increasing quantities of imported dyed acrylic yarns from Mexico, Indonesia and lately Turkey.

The matter is becoming more urgent every day as the import of dyed acrylic yarns is in continuous increase and has started to threaten the jobs and the existence of the yarn dyeing industry in Canada. We as dyers cannot compete with prices of dyed acrylic yarns coming from countries paying very low wages. Additionally our Government has placed quota restrictions on Korea, Taiwan, Singapore, Malaysia and the Phillipines who are supplying Canada with natural (undyed) yarns, limiting our access to competitive sources of supply of natural yarns.

As things stand now, there are no quotas restricting the import of dyed yarns and no quota restriction has been imposed on Mexico, Indonesia and Turkey, so these countries tend to export dyed yarns due to their cheap labor, while quotas restricting natural (undyed) yarns are still in effect.

Our Government must be made aware of the unfairness of having restrictive quotas on natural (undyed) yarns while no quotas exists on the import of dyed yarns from Mexico, China, Indonesia andTTurkey.

.../2

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September 29,1987

We the yarn dyers find ourselves in a handicapped situation and we kindly urge the authorities either to place import restrictions on all countries who are exporting acrylic yarns to Canada the same way as the U.S. Government has already acted and is still inforcing vigorously, or let acrylic yarns be imported from all countries free of quota to enable us to find competitive sources of supply of natural acrylic yarns, such as the case of Brazil where quota restrictions have been lifted lately.

Another solution is to restrict import of all dyed acrylic yarns coming from Mexico, Indonesia and Turkey.

Unless urgent action is taken by our Government we forsee that it is only a matter of time before the yarn dyers, presently employing approximately 300 people will be forced to lay off their employees and close their operations.

We look forward to hear from you immediately concerning this urgent situation.

Yours very truly,

This letter is written on behalf of ourselves and the following companies:-

Gordon Dyers
1244 Laurentian Blvd.
Montreal,Quebec
H4R 1J7

Performance Dyeworks
3770 St. Patrick St.
Montreal,Quebec
H4R 1A2

Tex-Dye Industries (1980) Inc.
3200 St. Patrick St.
Montreal, Quebec H3K 3H5

c.c. Mr. Otto Thur
Chairman of Textile Clothing Board
235 Queens Street
Ottawa, Ontario
K1A OH5

APPENDIX 2

TEXTILE AND CLOTHING BOARD

NOTICE OF REVIEW

ACRYLIC YARNS

The Textile and Clothing Board hereby gives notice of its intention to conduct a review, pursuant to Section 19 of the Textile and Clothing Board Act, of the situation in Canada concerning acrylic yarns containing 50 per cent or more by weight of acrylic fibres for machine knitting and hand knitting. The purpose of the review is to determine if any recommendations should be made to the Minister of Regional Industrial Expansion concerning the modification or removal of the special measures of protection relating to this product.

The Board invites all interested parties to submit to it, not later than March 31, 1988, briefs relating to this review. Ten copies of each brief should be supplied. The Board will not make such briefs public; however, those submitting briefs are free to do so if they wish. Confidential information supplied to the Board will be treated in the strictest confidence.

Public hearings relating to this review are expected to be held by the Board in Montréal and Toronto, if required, in April 1988. 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 March 31, 1988 and who have asked or have been invited to appear before the Board.

The Board will also receive requests for private hearings from parties who have presented or supported the presentation of briefs and wish to discuss confidential matters. These private hearings will be arranged at mutually convenient times.

All correspondence and briefs relating to this inquiry should be addressed to the Executive Director, Textile and Clothing Board, 235 Queen Street, Ottawa, Ontario, K1A 0H5 (telephone (613) 954-5014).

Ottawa, Canada
February 20, 1988.

APPENDIX 3

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

FIRM OR ORGANIZATION	PRESENTED A BRIEF	APPEARED AT A HEARING
Ascona Spinning Ltd.	X	X
Canadian Textiles Institute	X	X
Canvel (Division of Darrow Fabrics Inc.)	X	X
Consehlo Nacional da Industria Textil	X	
Consulate of Malaysia	X	
Coronation Knitting Mills Canada Inc.	X	X
Dawtex Industries	X	X
Derivados Acrilicos, S.A. de C.V.	X	
Embassy of Mexico	X	
Filtex Inc.	X	
Gordon Yarn Dyers Ltd.	X	X
Japan Silk and Synthetic Exporters' Association	X	
Lanatex Yarns Ltd.	X	X
Patons & Baldwins Canada Inc.	X	X
Polytex Industries Ltd.	X	X
Québec Outerwear Knitters' Association	X	X
Spinrite Yarns & Dyers, Limited	X	X
Splend'or Industries	X	X
Teinturerie BM Dyeing Inc.	X	X
Tex-Dye Industries (1980) Inc.	X	X
Textiles Dionne Inc.	X	X
Tricots Harris Inc. (Les)	X	

DATE DUE - DATE DE RETOUR

ISTC 1551 (8/88)