



Canada.

TEXTILE AND CLOTHING BOARD |

INTERIM REPORT PURSUANT TO SECTION 17(2) OF
THE TEXTILE AND CLOTHING BOARD ACT RESPECTING
CLOTHING

Ottawa, Canada.
November 8, 1976.

INTERIM REPORT ON
CLOTHING INQUIRY

This is an interim report, made pursuant to section 17(2) of the Textile and Clothing Board Act. It relates to the inquiry on clothing undertaken at the request of the Minister of Industry, Trade and Commerce, which inquiry is being carried out to determine whether imports of certain types of clothing are causing or threatening to cause serious injury to production in Canada.

In response to the Minister's request, the Board gave public notice of its intention to conduct such an inquiry, a copy of this notice is attached as Appendix I. The notice of inquiry was given the widest possible distribution and was published in the September 25, 1976 issue of the Canada Gazette. Interested parties wishing to submit views were requested to do so by November 29, 1976. In view of the magnitude of the inquiry, the Board met informally with as many as possible of those parties considered to have a major interest in this inquiry, in order to gain a preliminary assessment of the seriousness of the situation. Attached as Appendix II is a list of those with whom the Board met.

An "Emergency Interim Submission" by the Apparel Manufacturers' Institute of Quebec, the Apparel Manufacturers' Association of Ontario and the Manitoba Fashion Institute was presented to the Board at a private hearing held on Nov. 1, 1976. It was stated that apparel imports were severely disrupting the Canadian apparel market. The request was made that the Board, pursuant to Section 17(2) of the Textile and Clothing Board Act, recommend the establishment of quotas to limit imports on an annual basis to the average volume of apparel imports during the calendar years 1973 to 1975, inclusive. The position of these apparel manufacturers was supported by the Centrale des Syndicats Démocratiques, the International Ladies Garment Workers' Union, the Amalgamated Clothing and Textile Workers' Union, and the Canadian Textiles Institute.

Section 17(2) states:

"(2) Where, during the course of an inquiry, the Board is of the opinion that the textile and clothing goods that are the subject matter of the inquiry are being imported at such prices, in such quantities and under such conditions as to cause or

threaten serious and immediate injury to the production in Canada of any textile and clothing goods that would be difficult to repair, the Board may, before making any evaluation of the plans required to be submitted in connection with the inquiry, make a written report to the Minister recommending that special measures of protection be implemented immediately on an interim basis pending its evaluation of the plans."

Statistics showing imports, production and market in Canada for the individual categories of clothing which are covered by the inquiry are not available from published sources in the necessary detail which would allow a definitive analysis to be made. However, the various associations of clothing manufacturers in Canada have provided the Board with data mostly obtained from Statistics Canada, on imports of textiles and clothing up to July, 1976 as well as on domestic shipments, department store apparel sales and inventories. In addition, the Board has also obtained various analyses and estimates pertaining to the current situation in the clothing market from Statistics Canada and the Textile and Consumer Products Branch of the Department of Industry, Trade and Commerce.

The following is a summary of garment imports in terms of thousands of dozens for the first seven months of 1975 and 1976 as provided by the manufacturers' associations:

First seven months of 1975	8,981,000 dozens
First seven months of 1976	<u>13,660,000 dozens</u>
Increase in 1976	<u>4,679,000 dozens</u>
percentage increase	52.1

Based on the first seven months of 1976, the manufacturers' associations have projected the volume of imports for the calendar year 1976 at slightly over 23,000,000 dozens or about one dozen garments for every man, woman and child in Canada. On a per capita basis, the value of Canadian imports of textiles and clothing in 1974 was 300 per cent higher than in the United States and almost 250 per cent higher than in the European Economic Community, according to the United Nations, Commodity Trade Statistics, 1974, and the United Nations' Monthly Bulletin of Statistics, April 1976.

The Textile and Consumer Products Branch of the Department of Industry, Trade and Commerce has assembled data on garment imports for the first six months of the years 1975 and 197 which substantially support the data provided by the manufacturers' associations for seven months. In addition, the latter was confirmed following research by the Board's staff.

The import data supplied by the Branch shows an increase of 50.3 per cent for six months in 1976, compared with the associations' figure of 52.1 per cent for seven months. In terms of quantities the Branch shows an increase of 4,149,000 dozens for six months in 1976, compared with the associations' seven-month figure of 4,679,000 dozens.

Data obtained by the Textile and Clothing Board from Statistics Canada with respect to the value of importations of relevant categories of clothing during the first seven months of each of the years 1973 to 1976 inclusive is as follows:

<u>January-July</u>	<u>Import Volume</u>	<u>Increase Over Preceding Year</u>
	\$	per cent
1973	182,500,000	-
1974	222,700,000	22
1975	253,900,000	14
1976	401,400,000	58

The increase in the first seven months of 1976 over the same period in 1973 is \$218,900,000, which is equal to 120 per cent of the 1973 import figure.

An analysis done by the Textiles and Consumer Products Branch indicates that the bulk of the increase in imports originates from low-cost sources, including state-trading countries. Appendix III provides details as to some of the significant sources.

According to the estimate of the apparent Canadian market developed by the Textile and Consumer Products Branch domestic shipments of clothing will have declined from 340.1 million units in 1973 to an estimated 245.5 million units in 1976, for a decrease of 28 per cent over the period, the bulk of the decrease occurring during 1976. The following table illustrates this:

CANADIAN CLOTHING MARKET

(million units)

	<u>1969</u>	<u>1971</u>	<u>1973</u>	<u>1975</u>	<u>Jan. to June</u> <u>1975</u>	<u>June</u> <u>1976</u>	<u>Estimate</u> <u>for</u> <u>1976</u>
Domestic Shipments	332.6	335.2	340.1	298.8 (e)	141.3 (e)	151.0 (e)	245.5 (e)
Imports actual	91.0	110.2	153.2	192.4	96.6	145.2	290.7 (e)
Apparent Canadian Market	423.6	445.4	493.3	491.2 (e)	237.9 (e)	296.2 (e)	536.2 (e)
Percentage of Apparent Canadian Market			-	per cent	-		
Domestic	78.5	75.3	68.9	60.8	59.4	51.0	45.8
Imports	21.5	24.7	31.1	39.2	40.6	49.0	54.2

(e) estimated

These figures confirm the claim of the industry that the share of the domestic clothing market held by Canadian manufacturers will decline to approximately 45 per cent in 1976. As of June 1976 their share of the domestic market had already declined to 51 per cent. It has been calculated that the number of employees to be laid-off as a result of this decline is likely to exceed 20,000 in the garment sector alone. Furthermore, 12,500 employees in the primary sector are expected to lose their jobs. The Board has received evidence that much of this displacement has already occurred.

CONCLUSIONS AND RECOMMENDATIONS

During the years 1969 to 1975 inclusive, the apparent Canadian market for apparel increased at an average yearly rate of 2.7 per cent. During that same period, garment imports increased by an average of 18.5 per cent per annum. It can only be concluded, therefore, that the sudden increase of 50 per cent in imports in the first six months of 1976 cannot be attributed to increased market demand.

On the basis of the evidence received, the Board has concluded that the categories of clothing listed below are being imported in such quantities and in such conditions as to cause or threaten serious and immediate injury to production in Canada that would be difficult to repair. It is the Board's view that unless immediate action is taken to curb the influx of imports, activity in the Canadian garment industry will decline to unacceptably low levels, levels which would result in substantial lay-offs, plant closures and significant losses in investment.

1. Pants (including jeans, slacks, shorts, Overalls and coveralls)
2. Unstructured or leisure suits
3. Blouses and ladies' shirts
4. Pyjamas and sleepwear
5. Raincoats
6. Sportswear, including dresses and co-ordinates
7. Foundation garments
8. Swimwear
9. Underwear
10. Top coats, overcoats and outerjackets, including duffle coats, suburban coats and pant coats.
11. Men's fine suits
12. Leather coats
13. Men's and boys' shirts
14. Sweaters, pullovers and cardigans.

In formulating the special measures of protection being recommended, the Board made every effort to develop measures which would give Canadian producers the degree of protection necessary to alleviate the serious injury from increasing. On the other hand, the Board recognizes the very

important roles of the consumer, retailer and importer in the Canadian economy and in doing so, is cognizant of its responsibility to minimize to the extent possible disruption in the market place which could result from wide ranging special measures of protection. There is ample evidence to show that the implementation of special measures of protection, in addition to limiting the quantity of goods imported into Canada, directly affects the nature and value of goods being imported and impose significant financial hardship. For example, quotas administered by exporting countries have resulted in "quota charges" over and above the regular prices of the merchandise which are passed on to the retailer and eventually to the consumer; under quota conditions, exporters are reluctant and in some cases refuse to sell children's garments, preferring to sell garments for men and women where the absolute mark-up would be more substantial thereby creating a reduction in the quantity of children's garments available; and since the majority of garments imported from the Far East are purchased on a "Letter of Credit" basis which, once opened, must be honoured, the effects of delays in the implementation of quotas, or uncertainty in quantity which may be permitted entry, cause severe disruption in the importing and retailing communities.

The Board has noted that importers have already opened Letters of Credit for merchandise for Spring and Summer 1977, and are presently negotiating with exporters for merchandise for Fall and Winter 1977.

Pending completion of its inquiry the Board recommends:

- (1) that the import control list be amended to include all the items of clothing listed above;
- (2) that the level of imports of the goods covered in (1) above be limited in 1977 to the level of imports of these goods from all sources during the calendar year 1975;
- (3) that, in those cases where limitations have already been implemented on any of the products listed above, imports in 1977 be limited to the level of imports in 1975, or to the level of the limitation, whichever is the lesser;

- (4) that the limitation on imports be controlled through the issuance of permits to importers on the basis of their performance in each of the product categories listed above.

W. Bennett
Chairman

James Stewart
Member

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Member

TEXTILE AND CLOTHING BOARDPUBLIC NOTICE OF INQUIRYCLOTHING

The Textile and Clothing Board hereby gives notice of its intention to conduct an inquiry pursuant to a request received from the Minister of Industry, Trade and Commerce in a letter reading as follows:

"I have received representations to the effect that a number of apparel items are being imported under such conditions as to cause or threaten serious injury to Canadian production of like or directly competitive products. These items fall into the following broad categories:

1. Pants (including jeans, slacks, shorts, overalls and coveralls)
2. Unstructured or leisure suits
3. Blouses and ladies' shirts
4. Pyjamas and sleepwear
5. Raincoats
6. Sportswear, including dresses and co-ordinates
7. Foundation garments
8. Swimwear
9. Underwear
10. Top coats, overcoats and outer jackets, including duffle coats, suburban coats and pant coats.

Accordingly, I hereby request the Board:

1. To undertake an inquiry regarding the effect of imports of these products on Canadian production and employment;

2. To examine any plans for adjustments in their operations which producers of such products submit to the Board;
3. If the Board finds that the goods in question are being imported or are likely to be imported under such conditions as to cause or threaten serious injury and that plans submitted are acceptable, to make appropriate recommendations to me to prevent or remedy the serious injury in question, taking into account the effect of any relevant international agreements to which Canada is a party and relevant manpower and regional factors;
4. To submit a report to me on these matters as expeditiously as possible, bearing in mind the provisions of the Textile and Clothing Board Act, including Section 17(2).

The inquiry should cover goods manufactured from all fibres, whether woven, knitted, crocheted, etc., for men, women, boys, girls or infants. Competing products composed wholly or in part of non-textile materials such as leather or vinyl should also be included."

The Board invites interested parties to submit to it not later than November 29, 1976, 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.

It should be noted that any Canadian producer who submits or associates himself with a brief alleging injury and requesting the implementation of special measures of protection will be expected to file with the Board a plan describing the adjustments he proposes to make in his operations in order to increase his ability to meet international competition in the market in Canada.

Public hearings relating to this inquiry will be held by the Board in Montreal, Ottawa, Toronto and Winnipeg commencing in early January 1977. Specific dates and places for these hearings will be announced at a later date.

These public hearings will be for the purpose of receiving supplementary presentations or arguments from organizations or persons who will have presented briefs by November 29, 1976, and have given notice of their wish to make supplementary oral presentations. Because of the unusually large scope of this inquiry and of the need to organize the hearings as early as possible the Board requests that those who wish to be heard notify the Board to that effect at the latest by October 30, 1976, indicating at the same time at which of the four specified cities they wish to be heard. All requests for appearances before the Board should be accompanied at least by an outline of the full brief to be presented to the Board by November 29, 1976.

The Board will also receive requests for private hearings from parties who wish to discuss confidential matters. Such requests should also be made before October 30, 1976. These private hearings will be arranged at mutually convenient times for the parties concerned.

All correspondence and briefs regarding this inquiry should be addressed to the Secretary, Textile and Clothing Board, Room 716, Journal North Building, 300 Slater Street, Ottawa, Ontario, K1A 0H5 (Telephone: 996-6993).

Ottawa, Canada.
September 24, 1976.

THE BOARD TOGETHER WITH STAFF MEMBERS HELD
INFORMAL PRIVATE MEETINGS WITH THE FOLLOWING:

A

ORGANIZATIONS

Apparel Manufacturers Association of Ontario
B.C. Fashion and Needle Trade Association
C.D. Howe Institute
Canadian Importers Association Inc.
Canadian Textiles Institute
Consumers's Association of Canada
Montreal Dress and Sportswear Manufacturers Guild
Perconsult
Quebec Apparel Manufacturer's Institute
Retail Council of Canada
Textile Trade Association

B

UNIONS

Amalgamated Clothing and Textile Workers Union
Fédération Canadienne des Travailleurs du Textile Inc. (CSD)
United Textile Workers of America

C

GOVERNMENT - FEDERAL

Canadian International Development Agency
Department of Consumer & Corporate Affairs
Economic Council of Canada
Department of External Affairs
Department of Finance
Department of Labour

Department of Manpower & Immigration

Department of Revenue Canada

The Tariff Board

D

GOVERNMENT - PROVINCIAL

Manitoba Department of Industry & Commerce

Ontario Ministry of Industry & Tourism

Quebec Department of Industry & Commerce

GARMENT IMPORTSJANUARY - JUNE, 1976

(000 UNITS)

PANTS

Hong Kong	4,744
China	3,667
Korea, S	2,514
Taiwan	6,078
Mexico	813
Puerto Rico	804
Total above	18,620
Other	4,050
Total	22,670

BLOUSES

Hong Kong	3,159
India	1,363
Korea, S.	2,158
Taiwan	6,341
Malaysia	546
Total above	13,567
Other	1,209
Total	14,776

UNDERWEAR

Hong Kong	4,374
Israel	580
Spain	352
Taiwan	2,383
Total above	7,689
Other	2,521
Total	10,210

COATS

Hong Kong	686
Korea S.	2,306
Taiwan	582
China	490
Total above	4,064
Other	816
Total	4,880

PYJAMAS & SLEEPWEAR

Hong Kong	157
China	1,211
Taiwan	1,001
Brazil	169
Tot.above	2,538
Other	369
Total	2,907

SWIMWEAR

Hong Kong	648
Taiwan	1,087
Israel	91
Korea S.	60
Tot.above	1,886
Other	627
Total	2,513

RAINCOATS

Taiwan	562
Hong Kong	217
Korea, S.	138
Tot.above	917
Other	152
Total	1,069

DRESSES

Hong Kong	490
Taiwan	252
India	220
Tot.above	962
Other	788
Total	1,750

FOUNDATION GARMENTS

Hong Kong	420
Philippines	660
Tot.above	1,080
Other	471
Total	1,551