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**TERRY TOWELS OF ALL TYPES,
INCLUDING WASH CLOTHS,
TOWEL SETS, BATH MATS
AND BATH SETS, AND BAR MOPS**

**A report to the Minister of
Regional Industrial Expansion**

Canada



Government
of Canada

Gouvernement
du Canada

Textile and
Clothing Board

Commission du
textile et du vêtement



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Ottawa, Canada
K1A 0H5



January 25, 1985

The Honourable Sinclair Stevens, P.C., M.P.
Minister of Regional Industrial Expansion
Ottawa, Ontario
K1A 0H5

Mr. Minister:

The Textile and Clothing Board has concluded its inquiry, carried out in accordance with Section 9 of the Textile and Clothing Board Act, regarding the effects on Canadian production resulting from imports of terry towels of all types, including wash cloths, towel sets, bath mats and bath sets, and bar mops.

We now have the honour and pleasure of submitting our report on this inquiry. It contains a description of the situation in this industry sector, as well as our conclusions and recommendations regarding imports of these products.

The Board will be pleased to supply you with any additional information or explanations you may wish regarding this report.

Yours sincerely,

Jacques St-Laurent
Member

Otto E. Thur
Chairman

Canada.

TEXTILE AND CLOTHING BOARD

REPORT ON AN INQUIRY
RESPECTING
TERRY TOWELS OF ALL TYPES,
INCLUDING WASH CLOTHS, TOWEL SETS,
BATH MATS AND BATH SETS,
AND BAR MOPS

Ottawa, Canada
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1. MANDATE AND PROCEDURES

On July 4, 1984, the Textile and Clothing Board received a notice of complaint from the Canadian Textiles Institute alleging that imports of terry towels of all types, including wash cloths, towel sets, bath mats and bath mat sets, bath sheets, and bar mops, had caused and were threatening to cause serious injury to Canadian production of such goods, and requesting the Board to conduct an inquiry into this allegation.

The Board agreed to this request and, in the notice of inquiry published in the Canada Gazette of July 7, 1984⁽¹⁾, invited all interested parties to submit briefs on the subject matter of the inquiry no later than August 7, 1984.

The Board also requested in the notice that Canadian producers presenting a brief or associating themselves with the presentation of a brief, file with the Board plans of the adjustments to be made to their operations to increase their ability to meet international competition in the Canadian market. In the notice, interested parties were also invited to indicate at the time of presenting briefs if they wished to make supplementary oral presentations before the Board.

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

A total of eleven briefs relating to the inquiry were received. The briefs were presented by individual firms and by organizations representing terry towel manufacturers, importers and exporters.

(1) See Appendix 1.

Of those parties presenting or supporting the presentation of briefs, two requested to be heard publicly, eight to be heard privately, while one did not ask to appear before the Board. At the request of the Board, two other firms gave oral submissions in private. Hearings took place in Montreal and Toronto in the month of August. Appendix 2 identifies those who appeared before the Board at these hearings.

In addition to information received in the briefs and during hearings, Board personnel visited the plants of all three domestic manufacturers of the goods under inquiry, and discussed the Canadian towel market with major retailers. The Office of Industrial Adjustment of the Department of Regional Industrial Expansion prepared a report for the Board on the terry towel industry, and additional information was provided by Revenue Canada and Statistics Canada.

2. PREVIOUS REPORTS OF THE BOARD

Terry towels have been the subject of three previous reports by the Board.

The first report, dated May 9, 1973, covered "Cotton terry towels and towelling", which included woven cotton terry towels, towelling, wash cloths, towel sets, bath mats and bath mat sets. The Board then concluded that, on the basis of 1972 imports, a threat of serious injury to Canadian production did exist, but that the translation of this threat into actual serious injury was not imminent. The Board considered its report to be an interim one and committed itself to re-examine the situation in six months' time.

In the meantime, the Board suggested that "...current restraints⁽¹⁾ be maintained and that non-restraining low-cost suppliers

(1) Agreements existed with the People's Republic of China and Hong Kong limiting imports during 1973 to 384,196 kilograms and 667,921 kilograms, respectively.

be informed that, should special measures of protection be implemented later this year or in 1974, a period ending with the date of this interim report will be considered by Canada as the appropriate base for any quotas or restraints to be established."

In early 1974, the Board re-examined the situation respecting "cotton terry towels and towelling" which again included wash cloths, towel sets, bath mats and bath mat sets, and reported to the Minister on July 11, 1974.

The Board's conclusions at that time were that, on the basis of 1973 imports, terry towel imports excluding all other related products, were now seriously threatening the domestic market and it recommended: that special measures of protection be applied to imports from Poland, India and Czechoslovakia; that there be a continuation of the restraints with the People's Republic of China; that restraints with Hong Kong be lifted; and that imports from Hong Kong be kept under surveillance, along with imports from Taiwan and Pakistan.

Measures of protection were subsequently applied to imports from Poland in 1975 (356,980 kilograms) and Czechoslovakia in 1976 (211,557 kilograms) but no restraint measures were applied to imports from India due to a considerable reduction in imports from that country subsequent to the Board's report.

In late 1976, the three Canadian towel producers again approached the Board to have the situation reviewed. In its third report, dated July 28, 1977, the Board found that, as a consequence of abnormally high levels of imports "...Canadian producers have had to resort to temporary lay-offs, involving at times half of the industry's workers, to keep their inventories from reaching excessive levels as a result of lack of orders. In addition, the extensive modernization

plans initiated by the industry in 1973 and due for completion in 1978 have been put in serious jeopardy at a most critical time when they were about to become operational."

The Board was also of the opinion that, should 1977 import levels be as high as 1976 levels, the Canadian towel industry would suffer irreparable damage leading to high unemployment and severely undermining the rationalization plans that were then under way.

In view of the above, coupled with concern for the repercussions on the communities where employment in this industry represented the major source of work, the Board concluded that terry towels and wash cloths containing 50 per cent or more by weight of cotton were being imported at such prices, in such quantities, and under such conditions as to cause serious injury to production and employment in Canada, and named the following countries to be included on the Import Control List:

Czechoslovakia	Poland	Hong Kong
India	Pakistan	Japan
P.R. of China	South Korea	Taiwan
Brazil	Thailand	El Salvador

More specifically, restraints were recommended for imports of terry towels and wash cloths containing 50 per cent or more by weight of cotton for a 36-month period beginning July 1, 1977, with a limit set for the first year at 3,900,000 pounds in total, and six per cent maximum increases per annum for the above countries excluding Japan, Thailand, Brazil and El Salvador. These four excluded countries were to be issued permits freely with the understanding that, if imports from any of those four sources threatened to reach injurious levels, negotiations should be undertaken immediately to limit imports at appropriate levels.

The following table summarizes the history of the restraint levels and actual imports of terry towels from all sources over the period from 1975 to 1980.

TABLE 1

RESTRAINT LEVELS AND
ACTUAL IMPORTS, ALL SOURCES*
(*000 kilograms)

	1975	1976	1977	1978	1979	1980
Restraint level	1,267	**	**	1,774	1,919	2,369
Imports	2,168	3,412	3,585	3,310	3,253	2,988

* Excludes bath mats and bath mat sets.

** Data not available by calendar year.

SOURCE : Department of External Affairs and Statistics Canada.

In the present inquiry, the Board has been asked to examine the situation respecting terry towels of all types, including wash cloths, towel sets, bath mats and bath mat sets, bath sheets and bar mops. Throughout this report, references to "terry towels" shall be understood to include all of the aforementioned items, unless stated otherwise.

3. THE PRODUCT UNDER INQUIRY

Domestically manufactured terry towels of all types are primarily made in blends of polyester and cotton fibres, usually in the proportion of 90 per cent cotton to 10 per cent man-made fibres. A small proportion of domestic production is made of 100 per cent cotton fibres. Imports, on the other hand, are mainly of 100 per cent cotton. The use of blends improves the strength and stability of the end product, and also results in less loom stoppages caused by yarn breaks during the weaving process.

The products in this inquiry are made from fabric woven on terry looms from single or plied cotton yarns (or blends thereof), with loop pile on one or both sides, in either plain or patterned weave, whether greige, bleached, dyed or printed.

These products can be obtained in a number of standard sizes, as detailed in Table 2 below. The dimensions shown are only intended to be representative of the most common sizes in use, and are not meant to be fully comprehensive.

Table 2

**SIZE RANGES BY TYPE
DOMESTIC AND IMPORTED TOWELS
(In Inches)**

Type	Domestic	Imported
Wash cloths	12 x 12, 13 x 13	11 x 11, 12 x 12
Hand towels	15 x 25, 16 x 28, 18 x 30	15 x 25, 16 x 28, 18 x 30
Bath towels	22 x 44, 24 x 44, 25 x 50, 26 x 48	20 x 40, 22 x 44
Beach towels	30 x 60 up to 42 x 72	29 x 59, 34 x 63, 42 x 72
Bath sheets	30 x 60 up to 42 x 72	30 x 60 up to 42 x 72

SOURCE : Textile and Clothing Board.

The only real differences in size between domestic and imported towels is in wash cloths and bath towels, where the sizes of imports are usually smaller. Beach towels and bath sheets can be used for the bath or at the beach. However, beach towels are usually multi-coloured, feature scenes or designs, and are either printed or produced on jacquard looms using dyed yarns. Bath sheets, on the other hand, tend to be primarily batch dyed in solid colours and are essentially just large bath towels.

Apart from differences in dimension, probably the greatest factor differentiating Canadian-made from imported towels is their respective weights. Imported towels from Asia tend not only to be very

inexpensive, but also very light (which fact contributes to their low price) in comparison to Canadian-made towels. Imports from the United States and from Western Europe tend to be of even heavier and more expensive towels than those produced in Canada.

In addition to the variety of towel types described above, the Board was also asked to include bar mops in its inquiry. These items are made by manufacturers who purchase sub-standard towels from Canadian mills and cut them into sizes of approximately 17 by 20 inches.

The Board was asked to also include bath mats and bath mat sets in its report. Accordingly, data presented in this report on domestic shipments and imports is inclusive of bath mats and bath mat sets. However, towels account for almost 100 per cent of all imports by weight.

4. APPARENT CANADIAN MARKET

The apparent Canadian market for terry towels of all types for the years 1981 through 1983, and for the first 6 months of 1983 and 1984, is presented in Table 3 below.

Table 3

APPARENT CANADIAN MARKET TERRY TOWELS ('000 kilograms)					
	1981	1982	1983	Jan. - June	
				1983	1984
Net Domestic Shipments	4,521	4,140	4,863	2,457	2,441
Imports	<u>3,737</u>	<u>2,803</u>	<u>4,197</u>	<u>2,226</u>	<u>2,563</u>
Apparent Canadian Market	8,258	6,943	9,060	4,683	5,004
Share of market held by :			(per cent)		
Domestic Shipments	55	60	54	52	49
Imports	45	40	46	48	51

SOURCE : Department of Regional Industrial Expansion.

The apparent Canadian market for towels declined by 16 per cent during the recession in 1982, then increased by 30 per cent in 1983. This very high level of demand has continued, and even escalated somewhat during the first half of 1984 compared to 1983.

Domestic shipments in 1982 decreased by just over 8 per cent, compared to a 25 per cent decrease in imports. However, while domestic shipments rebounded by only 17 per cent in 1983, imports increased by 50 per cent. In the first half of 1984 imports continued to grow (by 15 per cent) over the previous year's comparable level, while domestic shipment levels stabilized.

As a consequence of all these fluctuations, imports now account for 51 per cent of the apparent Canadian market, although that market is considerably higher than it was in 1981. The last time imports held such a high share of the apparent Canadian market was in 1976 (50 per cent) and in 1977 (55 per cent), when the Board issued its last report on this industry sector.

In addition to the historical competitiveness of imports in the Canadian retail towel market, pressure is now also being exerted by imports in the institutional towel market. This market segment has usually provided a fairly consistent level of demand for a basic product which allowed domestic producers to achieve better production efficiencies. Not only could long runs be achieved in this basic product category but, more significantly perhaps, institutional products could be used as fillers to maintain adequate production levels without building up costly inventories of more highly styled towels which could not be as readily marketed.

It is not possible to delineate the extent to which imported towels have increased their penetration of the institutional towel market. However, pricing data submitted to the Board suggests that the

landed, duty paid value of imported institutional bath towels from India and Pakistan was from 43 to 45 per cent below the wholesale price of similar towels produced in Canada. Given such a wide disparity in prices, the domestic industry would have to sell at prices well below their costs of production to meet such competition.

5. DOMESTIC PRODUCERS AND EMPLOYMENT

Three Canadian firms produce the terry towels and related products covered by this inquiry : Dominion Textile Inc., whose towel plant is located in Iroquois, Ontario; Wabasso Inc., with towel production facilities in Dunnville, Ontario; and the Cambridge Towel Corporation in Cambridge, Ontario. Two firms have their own yarn spinning facilities while the third sources its yarn requirements from an associated spinner and other suppliers. The yarn plants involved are located in Montmorency, Valleyfield, Shawinigan and Trois Rivières in Québec, and in Welland and Hamilton, Ontario.

While these yarn plants vary considerably in terms of size, they are all relatively modern and well equipped. The bulk of the yarn produced by these plants is sold to other manufacturers for the production of goods other than towels.

The majority of those employed directly in the manufacture of towels and related products are located in small communities, and the importance of this source of employment is evident when considered in light of the population of these centers. For example, in Iroquois, Ontario, close to a third of the population is presently employed in Dominion Textile Inc.'s Caldwell towel plant.

In arriving at the number of employees involved in this industry sector, data was obtainable only for those employees directly involved in the production of towels. It was not possible to determine

the number of employees involved in the production of yarn for use in the manufacture of towels since, as already noted, the yarn plants also sell to other companies which produce a variety of end products.

Employment in the towel sector over the past three and one half years has been as follows :

Table 4

	EMPLOYMENT IN THE TOWEL SECTOR				
	on December 31			on June 30	
	1981	1982	1983	1983	1984
No. of employees :					
Production	802	840	874	914	806
Other (1)	<u>172</u>	<u>164</u>	<u>185</u>	<u>178</u>	<u>189</u>
Total	974	1,004	1,059	1,092	995

(1) Includes salaried plant supervision.

SOURCE : Department of Regional Industrial Expansion.

While total employment grew steadily from 1981 through 1983, there was a 9 per cent decline in the level of employment in the first 6 months of 1984 compared to the same period in 1983. From a more historical perspective, however, it can be seen that employment levels have been relatively unchanged since 1975.

Table 5

	1975	1976	1977	1978	1979	1980	1981	1982	1983
Total number of employees	1,000	1,007	999	962	900	1,024	974	1,004	1,059

SOURCE : Department of Regional Industrial Expansion.

Expenditures on buildings, machinery and equipment in this industry sector, as in other textile sectors, has tended to fluctuate from year to year. Table 6 provides actual expenditures for the years 1981 through 1983, and planned expenditures for 1984.

Table 6

**CAPITAL EXPENDITURES
IN THE TOWEL SECTOR
(*000 dollars)**

	1981	1982	1983	1984 ⁽¹⁾
Buildings	29	39	72	650
Machinery and Equipment	<u>1,497</u>	<u>4,671</u>	<u>1,606</u>	<u>3,076</u>
Total	1,526	4,710	1,678	3,726

(1) Planned.

SOURCE : Department of Regional Industrial Expansion.

These expenditures have been assisted by the Canadian Industrial Renewal Board (CIRB), which has given financial support to the modernization efforts of all three domestic producers. The bulk of these expenditures have been for new high speed shuttleless looms which have replaced slower, narrow width shuttle looms.

Each producer has its own marketing organization. The number of individual product items in each firm's sales program ranges from a low of about 500 to a high of about 4 thousand. This necessitates the production and maintenance of very high levels of inventory at all times, in order to be able to respond quickly to repeat orders.

In addition to selling directly to major retailers, towel manufacturers also sell to distributors (who in turn supply small retailers such as bath boutiques and specialty shops) and to the institutional trade. This latter market sector is very large and very competitive. It is made up of hotels, hospitals, jails, athletic clubs, etc.

The towels sold to retailers and distributors are predominantly plain, piece dyed towels of good quality, while the towels sold to institutions cover the spectrum of quality from the very cheapest to the most expensive. These institutional sales would be predominantly of low quality, low weight, functional white goods because of, for example, the high theft rate of towels from hotels. Nevertheless, some institutional sales (again, to hotels) would be of very high quality, high weight towels made on jacquard looms and featuring the hotel's emblem or name.

The retail trade, in addition to carrying plain, piece dyed goods for sale directly to the consumer, also carries a line of fancy jacquards and prints - predominantly "beach" towels - which are not produced in Canada in any great volume. Jacquard beach towels are made of dyed yarns and usually feature original designs in as many as eight colours. They range in size from 30 x 60 inches to 42 x 72 inches. Towels in these sizes are produced in Canada (usually they are referred to as bath sheets), but they are piece dyed in solid shades, rather than being yarn dyed.

6. IMPORTS AND SOURCES OF IMPORTS

Imports of terry towels of all types are detailed in Table 7.

Table 7

**IMPORTS FROM SELECTED SOURCES
TERRY TOWELS, WASH CLOTHS AND SETS,
BATH MATS AND SETS
('000 kilograms)**

	1981	1982	1983	Jan. - June	
				1983	1984
<u>Restrained Sources</u>					
P.R. of China	1,175	806	1,263	680	687
Pakistan	228	221	431	247	248
Poland	318	181	415	249	321
Hong Kong	131	195	211	118	96
Czechoslovakia	138	110	198	77	115
Taiwan	53	55	118	105	60
India	237	128	86	35	91
South Korea	neg	24	25	20	22
	2,280	1,720	2,747	1,531	1,640
<u>Unrestrained Low-cost Sources</u>					
Brazil	51	36	116	45	259
Cuba	-	99	108	60	31
Singapore	29	53	99	27	27
Thailand	30	22	24	13	16
Guatemala	-	neg	13	6	33
Philippines	-	-	-	-	3
	110	210	360	151	369
United States	1,271	772	984	498	476
Other	76	101	106	46	78
Total	3,737	2,803	4,197	2,226	2,563

neg - negligible.

SOURCE : Statistics Canada.

Since 1982, China has been the largest foreign source of terry towels, surpassing the United States for the first time in that year.

Of particular concern to the industry is that the severe import pressure felt from these restrained sources is being further exacerbated by new pressures from the unrestrained low-cost sources identified in Table 7. Imports from those six sources in the first half of 1984 have increased by 144 per cent over the same period in 1983.

Brazil is currently by far the largest source of imports from unrestrained low-cost suppliers, both Cuba and Guatemala have recently emerged as substantial suppliers, and the Philippines has been "testing the waters" in 1984 as well. Any one of these is a potential source of larger volumes of imports in the future.

7. IMPORT RESTRICTIONS, UTILIZATION OF RESTRAINT LEVELS

Imports of towels into Canada have been under restraint for over twenty years. As Table 7 shows, imports from restrained sources have increased over the period shown, rising from 61 per cent of total imports in 1981 to 64 per cent of total imports in the first half of 1984. At the same time, imports from the unrestrained low-cost sources listed in Table 7 have risen from 3 per cent to 14 per cent of total imports over the same period. New suppliers of towels continue to emerge as importers seek out unrestrained low-cost sources of supply.

Imports from the eight restrained countries accounted for about two-thirds of total imports in 1983 and during the first six months of 1984. Six of the restrained sources have specific restraint levels for towels, while the remaining two sources (India and South Korea) restrain their towel exports as part of an overall group level containing a number of textile products.

L'industrie s'inquiète particulièrement du fait qu'à la forte pression des importations provenant de pays appliquant des restrictions vient s'ajouter la pression accrue des importations provenant des pays à bas coûts de production mentionnés au tableau 7 et qui n'appliquent pas de restrictions. Les importations provenant de ces six pays durant le premier semestre de 1984 ont augmenté de 144 pour cent par rapport à la même période en 1983.

Parmi les pays à bas coûts de production n'appliquant pas de restrictions, le Brésil est présentement, et de loin, la plus importante source d'importations, tandis que le Cuba et le Guatemala sont récemment devenus des fournisseurs substantiels, et que de même les Philippines ont "tâté le marché" en 1984. N'importe lequel de ces pays a le potentiel de fournir des quantités plus grandes d'importations dans l'avenir.

7. RESTRICTION DES IMPORTATIONS ET UTILISATION DES CONTINGENTS

Les importations de serviettes au Canada sont contingentées depuis plus de vingt ans. Comme le démontre le tableau 7, les importations provenant de pays appliquant des restrictions ont augmenté au cours de la période couverte, passant de 61 pour cent des importations totales en 1981, à 64 pour cent durant le premier semestre de 1984. Dans le même temps, les importations provenant des pays à bas coûts de production n'appliquant pas de restrictions et dont les noms apparaissent au tableau 7, ont augmenté de 3 pour cent à 14 pour cent des importations totales. De nouveaux pays continuent d'apparaître comme fournisseurs de serviettes, alors que les importateurs sont à la recherche de nouvelles sources d'approvisionnement à bas prix n'appliquant pas de restrictions.

Les importations provenant des huit pays contingentés représentèrent environ les deux tiers des importations totales en 1983 et durant le premier semestre de 1984. Six des pays contingentés ont des niveaux spécifiques de contingents pour les serviettes, alors que pour les deux autres pays (l'Inde et la Corée du Sud) les exportations de serviettes font partie d'un contingent contenant de nombreux autres produits.

Les six pays exportateurs qui appliquent des contingents spécifiques ont, ensemble, utilisé entièrement leurs contingents en 1983, et tout indique qu'ils le feront encore en 1984. En comparaison, leurs taux d'utilisation en 1981 et 1982 étaient de 92 pour cent et 67 pour cent respectivement, en se basant sur les importations réalisées par rapport aux niveaux des contingents.

Tableau 8

**NIVEAUX DES CONTINGENTS*
ET IMPORTATIONS RÉALISÉES,
1981, 1982 ET 1983**

(en milliers de kilogrammes)

	1981		1982		1983	
	Niveaux des Contingents	Importations réalisées	Niveaux des Contingents	Importations réalisées	Niveaux des contingents	Importations réalisées
Chine, Rép. pop.	1,082	1,175	1,091	804	1,134	1,263
Pakistan	200	224	360	215	444	421
Pologne	444	318	460	181	533	415
Hong Kong	237	131	150	194	159	209
Tchécoslovaquie	154	138	154	110	198	198
Taiwan	96	53	100	55	111	118
Total	2,213	2,039	2,315	1,559	2,579	2,624

* Niveaux ajustés.

SOURCE : Ministère des Affaires extérieures et Statistique Canada.

On remarquera que les importations présentées dans le tableau 8 diffèrent de celles que l'on retrouve dans le tableau 7. Ceci est dû au fait que les importations au tableau 8 ne comprennent pas les descentes de bain et les ensembles de descentes de bain dont les importations ne sont pas présentement assujetties à des restrictions.

While the average values for duty of imports from all sources declined slightly over the period since 1981, those for Brazil declined abruptly from 1982 to 1983. Whereas these imports were valued at \$12.85 per kilogram (Canadian funds) in 1982, their value was only \$6.85 per kilogram in 1983 and \$6.56 per kilogram during the first half of 1984. In 1982, the major importers of towels from Brazil were the larger department stores, which accounted for 67 per cent of such imports. However, imports by department stores accounted for only 7 per cent of total imports of towels from Brazil in 1983. In that year, one wholesale importer alone accounted for 57 per cent of all towels imported from Brazil. While this latter importer claimed to be importing towels similar to those imported in 1982 by retailers (i.e. jacquard beach towels and reactive dye printed towels) the value for duty of his imported towels was 50 per cent lower than the value for duty of towels imported by retailers a year earlier. Such a rapid and steep decline in value for duty must, therefore, have resulted from a change in the type of towel being imported, as well as from the sharp reduction in the value of the cruzeiro against the Canadian dollar. Between 1982 and the first half of 1984 the decline in value for duty of towels imported from Brazil was 49 per cent, while the decline in the value of the cruzeiro against the Canadian dollar from December 1982 to June 1984 was just over 84 per cent.

Imported towels, washcloths, etc., are subject to an MFN rate of duty of 22.5 per cent when made wholly of cotton, or when made of blends where the man-made fibres represent less than 50 per cent, by weight, of the textile component.

In general, the wholesale price of domestically manufactured towels approximates the average value for duty of towels imported from the United States, i.e., \$11 to \$12 Canadian per kilogram. However the Canadian prices cover the entire range of towel production, from the cheaper institutional towels to the more expensive bath towels and bath sheets, while imports from the United States are concentrated more

heavily in top of the line towels. This difference in product mix suggests that Canadian manufacturers need the tariff protection mentioned above against even American imports, probably because of volume related economies of scale.

9. SUMMARY

Imports of terry towels of all types increased by almost 50 per cent in 1983 over the level of imports in the recession year of 1982. During the first half of 1984 imports were 15 per cent higher than their level in the first half of 1983.

Correspondingly, during the first six months of 1984 the share of the apparent Canadian market for terry towels held by imports increased to 51 per cent from 48 per cent during the same period in 1983, 46 per cent for the full year 1983, and 40 per cent for 1982.

While total employment in domestic towel mills grew steadily from 1981 through 1983, there was a 9 per cent decline in the level of employment in the first six months of 1984 compared to the same period in 1983.

Domestic towel manufacturers, with the financial assistance of the Canadian Industrial Renewal Board, have taken significant steps in recent years to upgrade and modernize their production facilities. Additional plans for future investment are also significant, but are being held in abeyance because of uncertainty arising from the present import situation.

The six countries with specific restraint levels on their exports to Canada of terry towels have, in total, fully utilized their quota in 1983. Based on 6 months' data for 1984, indications are that they will again fully utilize their restraint levels in the full year 1984. These import pressures have been exacerbated by the more than threefold increase in imports from unrestrained low-cost sources from 1981 to 1983.

Among these non-restrained sources of imports Brazil has emerged as a major supplier of towels to Canada in 1983 and the first half of 1984. In the first half of 1984, imports of terry towels from Brazil were higher than were imports from six of the eight countries which restrain their towel exports to Canada. Cuba, Singapore and Guatemala have recently also shown strong potential as major suppliers of towels.

The value for duty of terry towel imports from low-cost sources remains considerably lower than the value for duty of imports from the United States and other industrialized suppliers to Canada, or the average price of domestically produced towels.

10. CONCLUSIONS AND RECOMMENDATIONS

The Board has concluded that the domestic towel manufacturing sector is in a difficult situation because of towel imports. This situation has become more acute recently because of increasing levels of imports from unrestrained low-cost suppliers, as well as higher utilization of restraint levels by those countries whose towel exports to Canada are subject to bilateral restraint agreements.

While the Board acknowledges that not all imported towels can be directly replaced by Canadian production, the bulk of the imports are directly competitive with Canadian goods. It also notes that there is considerable latitude within most existing restraint agreements to allow for the importation of those special items which it is not economical to produce in the domestic market.

The Board is also of the view that the worsening situation in the Canadian towel market in 1983-1984 was aggravated by exchange rate variations between Canadian and foreign currencies which made the price differentials between imported and Canadian-made towels even greater than normally was the case.

The domestic towel industry has requested that Brazil, Cuba and Singapore be added to the list of restraining countries, and that negotiations to restrain imports from Thailand, Guatemala and the Philippines be initiated once imports from these latter countries reach the level of 100,000 kilograms each. The industry also requested that the restraint agreement with India, which includes towels among a "basket" restraint, be changed to show a specific level for towels.

On the basis of the evidence before it, the Board has concluded that terry towels of all types, excluding bath mats, bath mat sets and bar mops, are being imported at such prices, in such quantities and under such conditions as to cause serious injury to the production in Canada of like goods. Furthermore, the Board is of the opinion that the extensive restructuring and modernization plans of domestic towel manufacturers are such that their full implementation should significantly improve the performance of the Canadian producers in meeting international competition in the market in Canada.

While the Board announced on December 22, 1984, that it would be conducting an inquiry with a view to recommending what special measures of protection, if any, should apply beyond 1986 to a broad range of clothing and textile products, including terry towels, the Board is of the opinion that, in this intervening period, special measures of protection in addition to those currently in effect for terry towels are necessary.

Accordingly, the Board recommends that:

1. terry towels of all types, excluding bath mats and bath mat sets, be maintained on the Import Control List;
2. existing bilateral restraint agreements having specific restraint levels for terry towels and related products remain in force;

3. consultations begin immediately with Brazil with a view to concluding an agreement to restrain their exports to Canada in 1985 of terry towels of all types, excluding bath mats and bath mat sets, at the lowest level possible, consistent with Canada's rights and obligations under the M.F.A.; the restraint agreement with Brazil continue in force for the calendar year 1986, at a level equivalent to the 1985 level of restraint advanced by not more than 6 per cent;
4. Canada enter into consultations with unrestrained suppliers of terry towels which are causing or threatening serious injury to Canadian production, when imports from such sources individually approximate 100,000 kilograms on an annual basis, with a view to concluding agreements limiting exports of that commodity to Canada until December 31, 1986;
5. existing bilateral restraint agreements which do not have specific levels for terry towels but, rather, include terry towels as part of a group restraint, be amended to provide specific restraint levels for terry towels, should such exports to Canada from those countries individually approximate 100,000 kilograms on an annual basis.

APPENDIX 1

**TEXTILE AND CLOTHING BOARD
PUBLIC NOTICE OF INQUIRY
TERRY TOWELS**

The Textile and Clothing Board has received from the Canadian Textiles Institute a notice of complaint pursuant to Section 8 of the Textile and Clothing Board Act alleging that the importation into Canada of terry towels has caused and is threatening to cause serious injury to the production in Canada of these goods, and requesting that the Board conduct an inquiry into the said allegation.

The Board has agreed to act upon this request for an inquiry. Accordingly, the Board proposes :

- 1) to undertake an inquiry and make a report to the Minister of Regional Industrial Expansion regarding the effects on Canadian production of imports of terry towels of all types, including wash cloths, towel sets, bath mats and bath mat sets, and bar mops;
- 2) to examine any plans for adjustment in their operations which Canadian producers of such goods submit to the Board; and
- 3) if it should be found that the products in question are being imported at such prices, in such quantities and under such conditions as to cause or threaten serious injury to production in Canada, and that the plans submitted by Canadian producers are acceptable, to include in its report a recommendation as to whether, in the Board's opinion, special measures of protection should be implemented in respect of any such goods.

The Board requests all interested parties to submit briefs relating to this inquiry not later than August 7, 1984. Briefs presented after this date will not be accepted. Ten copies of each brief should be supplied. The Board will not release copies 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.

Each Canadian producer who submits a brief and wishes to associate himself with the notice of complaint filed by the Canadian Textiles Institute 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.

Hearings relating to this inquiry are tentatively scheduled for the week of August 20, 1984, in Montreal and, if necessary, in Toronto. Specific dates and venues for these hearings will be announced later. At any such hearings, supplementary presentations or arguments will be accepted by the Board from organizations or persons who will have submitted briefs before August 7, 1984 and have indicated in their briefs their wish to make supplementary oral presentations. Hearings will be in public if, in the opinion of the Board, the nature of the information to be disclosed so permits.

All correspondence and briefs regarding this inquiry should be addressed to the Secretary, Textile and Clothing Board, Floor 01 West, C.D. Howe Building, 235 Queen Street, Ottawa, Ontario, K1A 0H5 (Telephone 993-6336).

Ottawa, Ontario
July 7, 1984

APPENDIX 2

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

	<u>Presented A Brief</u>	<u>Supported A Brief</u>	<u>Appeared at Hearings</u>
- Borden and Elliott representing Fieldcrest Mills International Inc.	x		x
- Bramaco Marketing Services Limited	x		x
- Cambridge Towel Corporation	x	x	x
- Canadian Textile Importers Association	x		
- Canadian Textiles Institute	x		x (public)
- Distributions Muralex Inc.	x		x
- Dominion Textiles Inc.	x	x	x
- Gottlieb, Kaylor, Swift and Stocks representing - Variety Textiles Limited	x		x (public)
- Angelica Whitewear Limited			x (public)
- George Courey Inc.			
- Overseas Linencraft Limited			x
- Safdie and Company Limited			
- Trans Continental Sales Limited			
- Main Trade Inc.			
- Rudan Import Company Limited			
- Griffith-Kerr Sales	x		x
- Grey, Clark, Shih and Associates Limited representing Conselho Nacional da Industria textil, Sao Paulo, Brazil	x		x
- Wabasso Inc.	x	x	x

