TEXTURED NYLON YARNS IN THE RANGE OF 65-125 DECITEX (59-112 DENIER)

A report to the Minister of Regional Industrial Expansion

Government of Canada
Gouvernement du Canada

Textile and Clothing Board
Commission du textile et du vêtement

Canada

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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 textured nylon yarns in the range of 65-125 decitex (59-112 denier).

It is with honour and pleasure that we now submit our report of this inquiry. It contains a description of the situation in the industry sector involved, as well as our conclusions regarding imports of these products.

Should you wish any additional information or explanations regarding this report, the Board will be pleased to provide them at your convenience.

Yours sincerely,

Jacques St-Laurent
Member

Otto E. Thur
Chairman

Canada

<u>TEXTILE AND CLOTHING BOARD</u>

REPORT ON AN INQUIRY
RESPECTING
TEXTURED NYLON YARNS
IN THE RANGE OF 65-125 DECITEX
(59-112 denier)

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1. MANDATE AND PROCEDURES

On June 12, 1984, the Textile and Clothing Board received a notice of complaint from the Canadian Textiles Institute alleging that the importation into Canada of textured nylon yarns in the range of 65 to 125 decitex (59 to 112 denier) had caused and was 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 agreed to act upon this request and on June 22, 1984, announced that it was undertaking an inquiry regarding the effects on Canadian production of imports of textured nylon yarns in the range of 65 to 125 decitex(1).

In the notice of inquiry published in the Canada Gazette of June 23, 1984, the Board invited all interested parties to submit to it, by July 31, 1984, briefs containing their opinions and comments on the subject matter of the inquiry. In particular, the Canadian producers of nylon feed yarns and of the subject textured yarns were requested to file with the Board plans describing the adjustments to be made to their operations in order to increase their ability to meet international competition in Canada. The Board also announced in the notice that it would hold hearings to receive supplementary explanations or comments from those presenting briefs or associating themselves with the presentation of a brief.

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

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(1) See Appendix 1.

Five briefs relating to the inquiry were received. The briefs were presented by the Canadian Textiles Institute representing the domestic nylon feed yarn producer and domestic throwsters, by two individual firms, by one importer, and by one user of textured nylon yarns in Canada.

Of those parties presenting or supporting the presentation of briefs, one requested a public hearing and the rest requested to be heard privately. The Board also requested several other firms, which had not made representations to the Board, to appear before it. The Board's hearings took place in Montreal and Toronto during August 1984. Appendix 2 identifies those who appeared before the Board at these hearings.

In addition to the information received in the briefs and during the hearings, the Board and its personnel carried out research on a number of aspects of the industry sector, and the Office of Industrial Adjustment of the Department of Regional Industrial Expansion prepared a comprehensive report for the Board on the textured nylon yarn industry.

2. PRODUCT DEFINITION

Textured nylon yarn can be defined as a continuous nylon filament yarn treated to impart bulking and stretching properties and to obtain the appearance of spun yarn. There are several methods of yarn texturing, but the most important, that of false twist texturing, is the one which is used in Canada.

In the false twist method, the nylon feeder yarn is twisted, heat treated, untwisted and heat set in one operation. In the older false twist method, the twisting is carried out by means of a small hollow spindle revolving at very high speeds, through which the yarn has been threaded. Texturing with this type of equipment is carried out at speeds of 100 - 125 metres per minute.

The spindle method of imparting twist in the texturing process is giving way to the newer method of friction twisting. In the friction system developed first, the feeder yarn goes through a series of hollow revolving discs placed on different axes, at a texturing speed of about 350 metres per minute. With the latest method of friction twist, the yarn, rather than going through the discs, contacts the perimeter of a number of discs revolving on two or three axes. This is the most advanced technology available, and it allows texturing speeds up to 800 - 825 metres per minute. In Canada, all three methods of twisting in the texturing process are being utilized.

Textured nylon yarn in the range of 65 to 125 decitex is used primarily in the manufacture of half hosiery where it provides stretch, strength and shape retention. It has a wide range of other uses such as in outerwear, underwear, sportswear, sewing thread, trimming and elastic tape. Textured nylon yarn finer than 65 decitex is used in the manufacture of pantyhose, while textured nylon yarn coarser than 125 decitex has industrial applications.

The market for the 65 - 125 decitex yarn includes two basic yarn sizes, the 77 decitex (70 denier) representing some 70 per cent of the market, and the 110 decitex (100 denier) accounting for the balance of the market.

In recent years imported textured nylon yarn made from nylon 6 has begun to take market share away from textured nylon yarn produced in Canada from nylon 6,6. While the cost of producing the two types of nylon appear to be substantially the same, nylon 6 is reputed to have a somewhat greater affinity for dyestuffs, thus providing a cost saving in chemicals used in the dyeing process. At the same time, nylon 6 has less elasticity than nylon 6,6. Consequently, it does not perform as well with respect to shape retention.

Domestic shipments of textured yarn consist almost entirely of type 6,6 nylon yarn purchased by the throwsters as feed yarn from DuPont Canada Inc. Some small volumes of domestic shipments of textured nylon yarn are made from imported feed yarns either of type 6,6, or of type 6.

DuPont Canada Inc. is the sole Canadian supplier of nylon 6,6 feed yarns to Canadian throwsters, and employs 24 people in the production of those specific yarns. In addition to supplying feed yarns to the throwsters who produce textured nylon yarns in the range of 65-125 decitex, DuPont itself is the only Canadian texturizer of nylon yarns used in the manufacture of pantyhose (20 and 40 denier).

3. THE APPARENT CANADIAN MARKET

The apparent Canadian market for 65 - 125 decitex textured nylon yarns is presented in Table 1 for the years 1981, 1982, and 1983, and for the first four months of 1983 and 1984.

Table 1

APPARENT CANADIAN MARKET
TEXTURED NYLON YARN
65 - 125 DECITEX (59-112 DENIER)

('000 kilograms)

				Jan. - Apr.	
	1981	**1982**	**1983**	**1983**	**1984**
Total shipments	1,495	1,407	1,576	512	476
Exports	55	40	50	10	18
Domestic shipments	1,440	1,367	1,526	502	458
Imports	407	329	727	203	289
APPARENT CANADIAN MARKET	1,847	1,696	2,253	705	747
Share of market held by:			(per cent)		
Domestic shipments	78	81	68	71	61
Imports	22	19	32	29	39

SOURCE : Department of Regional Industrial Expansion.

While domestic shipment levels increased in 1983 as compared to both the recession year of 1982 and the more normal business year of 1981, import levels in 1983 were almost equivalent to the combined level of imports in 1981 and 1982. The share of market held by imports in 1983 was 32 per cent, compared to 22 per cent in 1981 and 19 per cent in 1982. In the first four months of 1984 imports continued to increase and claimed 39 per cent of the apparent Canadian market.

Imported textured nylon yarns originating in the Far East consist mostly of type 6 nylon. Domestic shipments and imports originating in the developed countries consist mostly of type 6,6 nylon. Regardless of the nylon type however, imports and domestic shipments of these yarns serve essentially the same customer base, with the bulk of textured nylon yarns in the size range of 65 - 125 decitex going to the half hosiery trade.

In fact, it may well be that changes in the make-up of the Canadian hosiery market have directly influenced the level of textured nylon yarn imports and of domestic shipments. Although dress hosiery composed entirely of nylon yarn was commonplace a number of years ago, there is little demand for it today. This decreased demand for nylon would impact more heavily on domestically produced nylon 6,6 than on imported nylon 6 since many hosiery producers previously used only, or mainly, nylon 6,6 in dress hosiery because of its higher elasticity.

While sports hosiery has been around for years, the fitness boom of recent years has greatly increased demand for, and consumption of, this type of hosiery. Most sports hosiery is made up of a blend of various fibres, with nylon being used in minor proportions to provide strength at wear points (heel and toe) and to provide stretch and elasticity so that the hosiery will retain its shape after repeated wearings and launderings. Because the market is so competitive, sports hosiery has become a commodity-type product which is sold not only in single pairs but also in bulk form (packages of 3 or 4 pairs). The price competitiveness among domestic hosiery manufacturers is heightened by competition from imported hosiery from the Far East, which is manufactured from nylon 6 yarn, as compared to the nylon 6,6 yarn which is still more widely used in Canada. In order to remain competitive with this imported hosiery, a number of Canadian producers of hosiery have begun to use imported nylon 6 yarn since it is cheaper than the domestically produced nylon 6,6 yarn.

4. DOMESTIC PRODUCERS, EMPLOYMENT AND INVESTMENTS

There are seven firms producing textured nylon yarns in the range covered by this inquiry. While four of these firms texturize only nylon yarns, the three remaining firms texturize both nylon and polyester yarns. Five firms are located in Quebec, and the remainder are located in Ontario. Employment data by province for the production of both nylon and polyester textured yarns are as follows:

Table 2

EMPLOYMENT
BY
PROVINCE
(Firms producing textured nylon yarn in the range of 65 - 125 decitex and textured polyester yarn)
(Number of Employees)[1]

	December 31			April 30
	1981	1982	1983	1984
Québec	147	159	138	126
Ontario	27	32	46	30
TOTAL	**174**	**191**	**184**	**156**

(1) Includes non-production employees.

SOURCE : Department of Regional Industrial Expansion.

Employment data by type of fibre are as follows:

Table 3

EMPLOYMENT BY FIBRE TYPE (Number of Employees)(1)

	December 31			April 30
	1981	1982	1983	1984
Nylon	128	142	130	96
Polyester	46	49	54	60
TOTAL	**174**	**191**	**184**	**156**

(1) Includes non-production employees.
SOURCE : Department of Regional Industrial Expansion.

In April 1984 employment in the texturing of nylon and polyester yarns was 10 per cent below its December 1981 level, and 15 per cent below its December 1983 level. All the decrease is attributable to nylon yarn texturing where, after an increase in employment between 1981 and 1982, employment dropped by 8.5 per cent between 1982 and 1983, and further dropped by 24 per cent during the first four months of 1984. Thus, between December 1981 and April 1984, employment in nylon yarn texturing has been reduced by 25 per cent.

In the case of nylon yarns, the combined effect of import competition and newer technology has had an adverse impact on employment.

The equipment used by throwsters in texturing nylon yarn is relatively cost effective, without being of the most modern variety. However, two new high speed texturing machines were installed in 1982, and, during the 1981-1984 period, throwsters spent close to $2.5 million on new equipment. That represents investment expenditures of $20,000.00 per employee over the four-year period, and it involves all employees, not production employees only.

To a certain extent, some of the texturing equipment used in Canada can be adapted at a low cost to the production of either nylon or polyester yarns. This is particularly true with respect to the older equipment still being used. That same degree of flexibility does not apply to the latest technology for texturing nylon yarn, where the costs involved in such an adaptation could be very high.

5. VOLUME AND SOURCES OF IMPORTS

Table 4 provides the most recent data with respect to imports from all countries.

Table 4

IMPORTS BY COUNTRY OF ORIGIN
TEXTURED NYLON YARN
65 - 125 DECITEX
('000 kilograms)

	1981	1982	1983	Jan. - Apr. 1983	Jan. - Apr. 1984
Thailand	-	neg.	178	37	110
Taiwan	91	171	134	49	10
Korea, South	48	26	75	8	16
Sub-Total	139	197	387	94	136
United States	179	53	121	29	31
Germany, West	44	52	92	24	36
Switzerland	17	4	79	38	31
Austria	-	-	-	-	25
France	22	23	25	14	13
Israel	-	-	21	4	12
Portugal	-	-	2	-	4
United Kingdom	-	-	-	-	1
Netherlands	6	-	-	-	-
Sub-Total	268	132	340	109	153
TOTAL	407	329	727	203	289

neg. - negligible.

SOURCE : Textile and Clothing Board, based on Statistics Canada data.

Total imports declined by almost 20 per cent in 1982 compared to 1981, but then increased by 120 per cent in 1983 over their level in the recession year of 1982. The level of imports in 1983 was almost as high as the level of imports in both 1981 and 1982 combined. This surge in imports continued into the first four months of 1984, when imports increased by an additional 42 per cent over the first four months of 1983.

In 1982, imports from the three Asian countries (Thailand, Taiwan and South Korea) represented 60 per cent of total imports while those from developed countries represented 40 per cent.

The surge in imports in 1983 was less attributable to developing countries than to developed : while imports from the three Asian countries increased by almost 100 per cent, those from developed sources grew by 158 per cent. As a result, the respective shares of the developing and the developed countries in imports of textured nylon yarns in 1983 were 53 and 47 per cent.

In the first four months of 1984, over the same period of 1983, imports from the three Asian countries increased by a further 45 per cent, and those from developed countries by 40 per cent. There was no significant change in the shares of imports held by these two groups of countries during those two periods : during the first four months of 1983, 46 per cent of imports originated from developing countries and 54 per cent from developed countries, compared to respective shares of 47 and 53 per cent in 1984.

Furthermore, whereas imports from developing countries have tended to heavily concentrate on one country as the dominant supplier, imports from developed countries are originating from an increasing number of countries.

Although Thailand shipped only negligible quantities in 1982, in less than two years it not only became the dominant supplier among the three developing countries but it also became the largest individual supplier of these yarns to Canada. During this period imports from Taiwan were on the decline and import levels from South Korea were more or less stationary.

Meanwhile the number of developed sources of imports increased from four in 1982 to six in 1983 and to eight in 1984. Among the developed countries the United States was the dominant supplier up to 1982, but its dominant position has been eroded since then. In the early part of 1984 imports from West Germany, Switzerland, the United States and Austria were all at comparable levels. The fact that an increasing number of suppliers from developed countries were able to compete successfully with domestic producers in the Canadian market for textured nylon yarn is a clear indication that domestic price policies were too rigid, and failed to take into account exchange rate related price shifts.

It is not surprising that domestic throwsters are viewing these developments with some concern. Nevertheless, the concerns expressed to the Board have centred on the three Asian suppliers, and not on imports from any other sources. This is due to the fact that Thailand, Taiwan and South Korea are supplying nylon yarn at very low prices, while the European and American suppliers are exporting nylon yarn at prices more in line with those charged by domestic throwsters.

6. IMPORT RESTRICTIONS

Imports from both Taiwan and South Korea are subject to bilateral restraint agreements which apply until the end of 1986 to a broad category of yarns. No specific restraint is provided for nylon yarns, let alone textured nylon yarns, in either agreement. Therefore, imports of textured nylon yarns from Taiwan and South Korea are restrained only to the extent that they may not exceed the total level for restrained yarns of all fibres. These total levels represent 500 metric tonnes for Taiwan and 1,660 tonnes for South Korea which, in total, is approximately equivalent to the overall apparent Canadian market for textured nylon yarn.

Thailand's exports of textured nylon yarns to Canada are not restricted.

All in all, import restraints on textured nylon yarns are more symbolic than real. Restraints applied to a general group of products are ineffective when it comes to protecting any particular product of the group.

7. IMPORT PRICES

For the most part, and as might be expected, the value for duty of imported textured nylon yarns in the range of 65 - 125 decitex tends to be lower for imports from the Far East than for imports from Europe and the United States. Table 5 provides the value for duty for imports from all of the countries exporting the subject nylon yarns to Canada.

Table 5

VALUE FOR DUTY
IMPORTS OF TEXTURED NYLON YARN
65 - 125 DECITEX

(Canadian dollars per kilogram)

	1981	1982	1983	Jan. - Apr. 1984
Thailand	-	4.85	3.90	3.99
Taiwan	4.81	4.41	4.21	4.59
Korea, South	4.41	4.19	3.51	3.84
United States	7.16	7.83	7.16	7.41
Germany, West	5.73	7.10	6.44	6.00
Switzerland	7.47	5.67	5.45	5.62
Austria	-	-	-	5.38
France	4.98	5.34	5.31	5.36
Israel	-	-	4.83	4.28
Portugal	-	-	4.02	4.41
United Kingdom	-	-	-	8.27
Netherlands	4.32	-	-	-
TOTAL	6.02	5.45	5.02	5.01

SOURCE : Textile and Clothing Board, based on Statistics Canada data.

The value for duty of imported textured nylon yarn from the three Asian suppliers and from Israel and Portugal in 1984 was less than $5.00 per kilogram, and was even lower than the price paid by domestic throwsters to purchase their raw material (i.e. nylon feed yarns). The value for duty of yarns imported from all other suppliers was in excess of $5.00 per kilogram, ranging from $5.36 for yarns from France to $7.41 for yarns from the United States. (While the value for duty of yarns imported from the United Kingdom ranks highest on the table, the quantities imported are so marginal that they can not generate reliable value for duty information).

The value for duty of textured nylon yarn imports from the United States (which accounted for 17 per cent of total imports in 1983) has been in excess of $7.00 per kilogram in each of the four years shown in table 6, and the United States has been the leading developed country supplier of these yarns in 1981, 1982 and 1983, with West Germany gaining dominance only in the first four months of 1984. The much higher value of the yarns from the United States does not appear to have been any impediment to their successful penetration of the Canadian market. However, this can be attributed to a heavy concentration of "Ban-Lon" yarns among those imports. These trademarked yarns are produced by a different texturing process (the stuffer-box method) than the one used by Canadian nylon yarn throwsters (the false twist method). While "Ban-Lon" yarns were produced in Canada up until the mid-to late 70s, this is no longer the case and these yarns must now be imported. In addition to "Ban-Lon" yarns, the United States also supplies a number of specialty yarns to Canada where the low volume and the great variety of such special yarns do not justify their production in this country.

8. EXCHANGE RATES, CUSTOMS DUTIES AND DOMESTIC PRICES

The price evolution of imports is determined to a certain extent by exchange rate fluctuations. While the Canadian dollar has depreciated against the U.S. dollar in recent years, it has strengthened against most other currencies. Since the values for duty given in Table 5 are in Canadian dollars, these exchange rate differences would reflect the strength of the U.S. dollar, and the weakness of other currencies, vis-a-vis the Canadian dollar. Table 6 provides details on exchange rates with a number of selected countries which are major suppliers of textured nylon yarn to Canada.

Table 6

CONVERSION RATES TO CANADIAN DOLLARS - JANUARY AVERAGES -

	1981	1982	1983	1984	Per cent change 84/81
Korea, South	.001803	.001681	.001624	.001564	-13.3
Thailand	.05823	.05235	.05405	.05451	- 6.4
Taiwan	.03317	.03323	.03098	.03111	- 6.2
France	.2567	.2046	.1814	.1453	-43.4
Germany, West	.5935	.5200	.5142	.4442	-25.2
Switzerland	.6548	.6469	.6251	.5580	-14.8
United States	1.1907	1.1924	1.2284	1.2483	+ 4.8

SOURCE : Bank of Canada.

From the above table it can be seen that from 1981 to 1984 the Canadian dollar strengthened against every currency shown except the U.S. dollar, and has shown particularly strong growth against the French franc and the West German mark. These exchange rate movements have helped to keep prices from Western Europe at a more competitive level vis-à-vis the Canadian producers and the low-cost Asian countries where currency depreciations remained very moderate.

Prices for Canadian-produced textured nylon yarns sold to the hosiery industry have averaged $6.95 per kilogram since 1981, and have only recently been reduced to $6.35 per kilogram in response to price pressures from imports. These price reductions were made possible by an equivalent reduction in the price of the feed yarns supplied to throwsters by DuPont Canada Inc.

At $6.35 per kilogram, Canadian throwsters are directly competitive with textured nylon yarn imported from Europe, but are still at a price disadvantage compared to the Far East. For example, in the first four months of 1984 imports from West Germany had an average value for duty of $6.00 per kilogram. At a rate of duty of 10 per cent plus $0.075 per pound, these yarns would have a duty-paid value of $6.77 Canadian. Yarns from Switzerland had an average value for duty of $5.62 per kilogram during the same period, or a duty-paid value of $6.35 Canadian. Freight and brokerage charges in the range of 15-20 cents per kilogram would also have to be added in both the above examples to arrive at a final cost to the purchaser in Canada.

On the other hand, yarn from Thailand in 1984 had an average value for duty of $3.99 per kilogram, or a duty-paid value of $4.56 Canadian, compared to average duty-paid values for Korean and Taiwanese yarns of $4.39 and $5.21 per kilogram, respectively, in Canadian funds. Freight and brokerage charges of about 40 cents per kilogram would have to be added to these landed costs. Even so, the Korean yarn still remains $1.56 per kilogram, or about 25 per cent, below the temporarily reduced Canadian price for equivalent yarn. The most expensive yarn from the Far East, that from Taiwan, still lands in Canada at 74 cents per kilogram less than the price of Canadian yarn. Finance charges incurred by the importer could add about 10 cents per kilogram to his landed costs.

In October 1984 Thailand devalued its currency by close to 15 per cent, and decided to move from the pegged exchange rate system applied until now to a flexible exchange system. The immediate effect of the devaluation, all other things remaining equal, would be to decrease the value for duty of imported textured nylon yarn by 60 cents per kilogram.

9. IMPORTS OF HOSIERY

Problems of the textured nylon yarn sector should not be analyzed in isolation from those its main customer, the hosiery industry, is facing, for fear that by solving the nylon yarn problem an even bigger problem is created downstream for hosiery.

The hosiery industry is also under considerable pressure caused by growing import penetration (Table 7).

Table 7

APPARENT CANADIAN MARKET
HOSIERY OTHER THAN FINE DECITEX LADIES' HOSIERY(1)
(thousand dozen pairs)

	1980	1981	1982	1983	Jan. - Sept. 1983	Jan. - Sept. 1984
Total shipments of domestically produced goods	6,610	6,333	6,219	6,560	n.a.	n.a.
Exports	47	66	33	15	n.a.	n.a.
Domestic shipments	6,563	6,267	6,186	6,545	n.a.	n.a.
Imports	1,933	2,088	2,037	2,686	2,152	2,459
APPARENT CANADIAN MARKET	8,496	8,355	8,223	9,231	n.a.	n.a.
Share of market held by:			(per cent)			
Domestic shipments	77.2	75.0	75.2	70.9		
Imports	22.8	25.0	24.8	29.1		

n.a. - not available.
(1) Hosiery other than fine decitex ladies' hosiery represents mostly hosiery products containing textured nylon yarn in the decitex range under inquiry. However, it also contains products made of 100 per cent wool, 100 per cent cotton, and acrylic blends.

SOURCE : Department of Regional Industrial Expansion.

Between 1980 and 1983, domestic shipments of hosiery other than fine decitex ladies' hosiery decreased fractionally, by less than one per cent, but imports increased significantly, by 39 per cent. In the first nine months of 1984, over the same period in 1983, imports grew by an additional 14 per cent.

More than half of these imports are originating from five developing countries, and the rest mainly from developed countries. The number of restraint agreements has been growing since 1981. In that particular year two bilateral restraint agreements specified import limits for hosiery (South Korea and Taiwan); in 1982, China was added; in 1983, Singapore; and in 1984, Thailand (Table 8).

Table 8

HOSIERY RESTRAINT LEVELS AND IMPORT LEVELS BY RESTRAINED COUNTRIES (1981, 1982, 1983)

(thousand dozen pairs)

	Restraint Levels			Import Levels		
Country	**1981**	**1982**	**1983**	**1981**	**1982**	**1983**
Korea, South	715.5	715.0	679.3	828	707	732
P.R. China	n.a.	209.2	255.2	120	137	251
Thailand(1)	n.a.	n.a.	n.a.	0	0	69
Taiwan	227.9	131.2	139.1	44	225	144
Singapore(2)	n.a.	n.a.	41.7	0	11	252
Total	943.4	1,055.5	1,115.3	992	1,080	1,448

n.a. - not applicable.

(1) Restraint came into effect in 1984 only.
(2) Restraint came into effect in late 1983.

SOURCE : Department of Regional Industrial Expansion.

Total restraint levels with all five restraining supplier countries amount to 1,394,633 dozen pairs in 1984, and grow thereafter at an annual rate of 5 per cent in 1985 and in 1986, whereas the total apparent market has remained stationary since 1979.

In these circumstances, domestic producers of hosiery have to pay particular attention to their price competitiveness. One way of competing is by becoming themselves importers of finished goods; another way is by reducing their production costs through access to the lowest priced supplies of yarn.

It should also be mentioned that total employment in the hosiery industry is not negligible. Hosiery producers using coarser count textured nylon yarns employ a total of 1400 to 1500 people, or ten times more than the feed yarn producer and the throwsters combined.

10. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

Ever since the recessionary conditions of 1981-82, domestic producers of 65-125 decitex textured nylon yarn have experienced a stunted recovery whereas imports have been booming. The market share of the domestic throwsters in the apparent Canadian market has been declining from 81 per cent in 1982, to 68 per cent in 1983, and to 61 per cent during the first four months of 1984.

Employment has been affected severely : after a first reduction of 8.5 per cent in 1983, an additional 26 per cent reduction occurred in the first four months of 1984. However, only part of this decline in employment is attributable to a decrease in output; the main responsibility for the reduction stays with technological progress, namely the introduction of new, high speed texturizing equipment.

Imports have been increasing rapidly in 1983 as well as in 1984 from both developing and developed countries. Thailand grew from negligible in 1982, to the rank of first source of Canadian imports in 1983, and continues in that position in the first months of 1984. However, other developing sources of imports (Taiwan and South Korea) are less buoyant. Imports from developed countries are growing significantly, and the number of developed countries of origin of imports is increasing steadily.

Textured nylon yarn imports from developing and developed countries are very competitive in terms of prices. The average value for duty of imports originating from the three Asian countries is either below or close to the prices of feed yarn in Canada. On the other hand, import prices from Western Europe have become highly competitive over the last two years because of the appreciation of the Canadian dollar, and because of the stability of Canadian prices at a relatively high level between 1981 and the summer of 1984.

The major component, about 70 per cent, of the cost of producing textured nylon yarn is the cost of nylon feed yarn which is beyond the control of domestic throwsters. Thus, working with a transformation margin of 30 per cent, throwsters are in no position to influence domestic prices to any significant degree, and certainly not to the degree required by the appreciation of the Canadian dollar.

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Conclusions

In their submissions, Canadian nylon yarn throwsters are seeking a reduction in imports of textured nylon yarns in the range of 65 to 125 decitex (59 to 112 denier) from the three Asian suppliers to Canada. There is no request to restrain nylon yarn imports from Western Europe.

The Board is of the opinion that production of nylon feed yarn and of textured nylon yarn are highly capital intensive manufacturing activities which, under normal circumstances, do not require special measures of protection beyond normal rates of customs duties. When direct labour costs represent 10 per cent of total production costs or less, as they do in any reasonably modern texturing plant, hourly wage rate differentials do not represent an unsurmountable cost handicap.

Manifestly, the surge of imports over the last 12 or 18 months should be attributed, partly at least, to the combined effect of the post-recessionary revival of activity in the half hosiery industry, and of the general appreciation of the Canadian dollar. Thus, imported textured yarns became better priced and more competitive in relation to domestic products, and half hosiery manufacturers, vulnerable themselves to considerable import pressures, took advantage of these better priced supplies to stay competitive.

As for the three Far Eastern countries, the evidence available to the Board does not support the view that the three cases are identical or comparable, and that parallel action should be taken against all of them.

For Taiwan, the evidence presented shows that neither are Taiwanese prices abnormally low nor are imports originating from that country a threat to the Canadian textured nylon yarn industry. Since the beginning of 1983 imports from Taiwan have been actually declining steadily.

The case of South Korea is somewhat different. Whereas actual imports from that country do not proceed in huge and inordinate volumes, Korean prices appear to be abnormally low. Nevertheless, it should also be pointed out that textured nylon yarn prices from Korea have been consistently the lowest priced imports since 1981, and that the 1981-1984 decline of the value for duty (-12.9 per cent) does not exceed the depreciation of the Korean currency in relation to the Canadian dollar over the same period (-13.2 per cent).

Thus, the textured nylon yarn import problem is limited to one developing country, Thailand. Imports from Thailand are growing at an exceptionally rapid pace, and prices, although higher than the Korean prices , are very low.

However, an examination of the import figures reveals that Thailand's gains are mainly other developing countries' losses. The share of the three East Asian countries in the total imports of textured nylon yarn has not been growing since 1981. These three countries represented 60 per cent of Canadian imports in 1982, 53 per cent in 1983 and 47 per cent in the first few months of 1984, while imports from developed countries represented 40 per cent of total imports in 1982, 47 per cent in 1983 and 53 per cent in the first few months of 1984.

Recommendations

Taking into account all of the available information, the Textile and Clothing Board came to the conclusion that new special measures of protection for textured nylon yarn are not warranted at this time. The increased import penetration experienced in the Canadian market in 1983 and early 1984 appears to be the consequence of the economic revival and of rigid domestic prices since 1981, notwithstanding the significant appreciation of the Canadian dollar which occurred in the meantime.

In the view of the Board, the recent domestic price reduction should improve the position of domestic manufacturers. At any rate, the Board will re-examine the situation in its general hearings during the first half of 1985.

Appendix 1

TEXTILE AND CLOTHING BOARD
PUBLIC NOTICE OF INQUIRY
TEXTURED NYLON YARNS

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 nylon yarns in the range of 65 to 125 decitex (59 to 112 denier) has caused and is threatening to cause serious injury to the production in Canada of these yarns 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 textured nylon yarns in the range of 65 to 125 decitex (59 to 112 denier);

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 July 31, 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 6, 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 July 31, 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
June 22, 1984

APPENDIX 2

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

	Presented a Brief	Supported a Brief	Appeared at Hearings
Aczel Sales Ltd.	x		x
Ambertex, Inc.		x	x
Bermatex Inc.		x	x
Canadian Textiles Institute	x		x
DuPont Canada Inc.	x		x
Gorman Knitting Mills Ltd.			x
Les Industries Canatex		x	x
Prestige Knitting Mills Canada Ltd.			x
Richelieu Knitting Inc.			x
Rubyco Inc.	x		
Sauquoit Industries Ltd.		x	x
Wertex Hosiery Inc.	x		x