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THE CHANGING ENVIRONMENT 1981-1986
TAILORED COLLAR SHIRT SECTOR ADJUSTMENT ANALYSIS

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PART I

SCOPE OF THE STUDY

The purpose of this report is to provide a preliminary assessment of the competitiveness of the tailored collar shirt industry at about the time of the introduction of the duty remission order for tailored collar shirts which came into effect on January 1, 1986. The report will focus on the initiatives of manufacturers to adjust to their competitive environment from the beginning of 1981 to the end of 1986, a period during which they experienced the worst economic recession since the 1930s and when their share of the tailored collar shirt market decreased dramatically as a result of import competition.

This report is the first phase of a three-part evaluation project to be concluded prior to December 31, 1988 when the remission program is scheduled to expire. The second phase of the project will consist of a short technical assessment of the remission order around the end of February 1987. The third phase to be completed by the end of 1988, will include a qualitative evaluation of the impact of the program. The first phase report is intended to set the framework against which the qualitative evaluation will take place in 1988. Upon completion, the evaluation process will provide a measure of:

- a) the impact of the duty remission program on the tailored collar shirt sector and its downstream suppliers of shirting fabrics;
- b) the ability of tailored collar shirt manufacturers to compete against imports under a less protective regime of quantitative restraints; and
- c) the applicability of the duty remission concept to other sectors of the clothing textiles and footwear industries.

The information and advice contributed by manufacturers of tailored collar shirts, manufacturers of shirting fabrics, retailers and importer/wholesalers were crucial to the completion of the first part of this project. A representative sample of shirt manufacturers responded to a detailed questionnaire touching upon all aspects of their operations but concentrating on their efforts to adjust to their external environment. In addition, a number of the larger shirt manufacturers, contractors, importer/wholesalers and fabric manufacturers were interviewed to obtain a better perspective of the impact of the remission program on the shirt sector. The assistance of all who contributed is appreciated.

PART II

SECTORAL ENVIRONMENT

1. Market Perspective

a) Structure

It is estimated that around 36 million tailored collar shirts for men and boys were consumed in Canada in 1986 of which fine dress shirts and tailored sport shirts accounted for about 85 per cent while knit tailored sport shirts and work shirts (including uniform) shared the remainder. The per capita consumption of tailored collar dress shirts since 1981 has shown little growth (Table 17, page 45) while the better performance exhibited by sport shirts over the same period is generally attributed to their higher fashion appeal.

Table 16 on page 45 provides an indication of the market flows for tailored collar shirts since 1981. The market, apart from cyclical fluctuations related to the 1981-83 recession, had remained fairly stable over the period 1981-1984. In 1982, the market began to recover slowly from the severe downturn the previous year; by 1984, the recovery was well underway and strengthened into 1985 as well as 1986 when the market was about 36 per cent higher than it was in 1981. Table I illustrates the growth in net domestic shipments, imports and the overall market since 1981. Over the same period, Canada's population increased by around 6 per cent and the overall Canadian market for apparel increased by around 10 per cent.

TABLE 1

TAILORED COLLAR SHIRTS

Annual Rates of Change

1981 - 1986 (Per cent)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986(1)</u>
Net Domestic Shipments	- 20.6	- 13.9	- 10.9	- 3.0	+ 5.2	- 10.8
Imports - Total	- 3.5	+ 19.6	+ 2.3	+ 26.9	+ 26.5	+ 11.7
Imports - Low cost	- 4.4	+ 22.9	+ 2.8	+ 27.0	+ 22.3	+ 9.5
Apparent Canadian Market	- 13.7	+ 1	- 3.9	+ 13.8	+ 18.2	+ 4.3
Market Share Domestic	- 8	- 13	- 6	- 16	- 11	- 15
Market Share Imports	+ 12	+ 18	+ 6	+ 13	+ 6	+ 7

(1) This data is preliminary and is subject to revision. There is no causal relationship between this data and the introduction of the duty remission program.

Price, quality and brand preference continue to have the greatest influence on consumer decisions to purchase tailored collar shirts but their impact has weakened since 1981 in favour of fashion and style mostly related to fabrics and collar shapes. The fashion consciousness of Canadian consumers has become more sophisticated since 1981 and the demand for styled shirts at all price points is growing. Over this period, the value of shirt manufacturer's production and average retail prices have increased (Table 2) which, aside from inflation, appears to reflect the desires of consumers for better quality and higher fashion content.

The retail distribution of apparel illustrated in Table 3 is controlled in large part by department stores (e.g. Sears, The Bay, Eaton's) and the specialized chains. Their combined share of the retail market increased to 77.9 per cent in 1986 from 71.7 per cent in 1981 largely at the expense of independent specialty stores whose market share declined 6.2 percentage points over this period. The main beneficiaries have been the specialized chains whose share

increased to 39.4 per cent from 29.8 per cent during the same period. The retail distribution of tailored collar shirts has followed similar variations.

TABLE 2
RETAIL SALES OF CLOTHING
(millions \$)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
TOTAL	8,297	8,417	9,269	9,975	11,038	9,149
Men's and Boys' Clothing	1,651.1	1,625.3	1,722.9	1,953.1	2,077.9	2,164.6
Men's and Boys' Shirts*	392	395	377	463	575	650

* estimates

Sources: Statistics Canada; Department of Regional Industrial Expansion.

TABLE 3
DISTRIBUTION OF APPAREL SALES BY TYPE OF STORE

	(Per cent)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>All Apparel</u>						
Department Stores	41.9	43.4	40.2	39.9	39.4	38.5
Chain Stores	29.8	30.2	35.1	36.9	37.7	39.4
Independent Stores	28.3	26.4	24.7	23.2	22.9	22.1
<u>Men's & Boys' Apparel</u>						
Department Stores	34.8	32.7	33.8	32.5	32.8	34.1
Chain Stores	22.9	26.5	30.9	36.1	37.3	36.0
Independent Stores	42.2	33.4	35.3	31.3	29.8	29.8

Source: Statistics Canada

The basis for these variations appears to be the increase in the number of shopping centers supporting an increasingly wide range of specialized chain stores. The trend, which was particularly pronounced immediately after the 1981-1983 recession years, has been reinforced by the increasing consumer demand for fashion and service which the specialized chains seem to be in a better position to provide because they have positioned themselves in specific market segments which are easier to exploit than the wider range of segments served by department stores or independents.

Most of the tailored collar shirts sold in Canada fall within the medium price point range, where the department stores and chains supply the bulk of the volume market segment. To maximize their sales of these shirts, the department stores usually focus their promotional efforts on private labels on the basis of price and value which remain the major consideration in the purchasing decisions of consumers. This trend, which is also gaining strength within the stronger specialized chains with larger volumes, has had a tendency to make it difficult for many shirt manufacturers to promote their own moderately-priced labels. Despite this, however, some of the more successful firms have developed brands which are well known for their style, value and quality; this has given these firms a distinct competitive advantage in the market place.

For more upscale shirts, the promotional efforts of department stores and chains are concentrated on manufacturers' and designer labels which generally provide better styling and greater potential for product differentiation to suit particular market segments.

Independent retailers do not account for a major share of the retail shirt market largely because of their smaller purchasing power and promotional budgets, their lack of focus, and lack of advantageous location.

The peak retail sales periods for tailored collar shirts generally occur during the months of March, April and May for the spring/summer season and in October, November and December for the fall/winter season. The peak production periods usually occur about three to four months in advance of the heaviest retail seasons.

Decisions by department stores, specialized chains or independents to purchase either imported or domestic shirts are based on a combination of price and fashion risk. (Page 48 provides an example of retail buying dynamics.) Importing shirts is clearly a very risky and expensive proposition and retailers are becoming increasingly wary when sourcing abroad. Problems related to obtaining quota entitlements, late deliveries, missed fashion seasons, inconsistent quality, inventory control and the burden of administrative costs such as travel expenses and quota charges, can have a serious impact on the retailer's gross margin and ultimately affect pricing and merchandising strategies. Strictly from an operational perspective, importing must be planned many months in advance and changes in the circumstances surrounding any given shipment are usually very difficult to implement. To keep these problems at a minimum, retailers usually prefer to purchase imported shirts through importers/wholesalers or manufacturers.

These difficulties can be offset to some extent by the generally higher retail margins earned on imports compared with domestically sourced goods. Imported shirts therefore offer retailers the capability of maximizing contributions to their profit centers while giving them the flexibility of introducing potentially greater markdowns to fully exploit the preference of consumers to buy shirts at a "discount". Indeed, since 1981, there has been a significant increase in the level of special promotional events by retailers to the extent that around 80 per cent of purchases of tailored collar

shirts in Canada occur during off-price promotions. Table 4 compares wholesale prices indices for tailored collar shirts since 1981; it shows that the prices of Canadian-made shirts are rising at a slower rate than the price of imported goods.

TABLE 4
AVERAGE WHOLESALE PRICES - TAILORED COLLAR SHIRTS
(Canadian \$)

	<u>Canada</u>	<u>China</u>	<u>Hong Kong</u>	<u>Korea S.</u>	<u>Taiwan</u>
1981	11.26	3.08	5.39	4.08	4.08
1882	11.59	3.29	5.60	4.02	4.19
1983	11.82	3.15	5.92	3.85	3.88
1984	11.88	3.49	6.44	4.83	4.98
1985	13.02	4.06	6.26	4.93	5.43

	<u>INDICES 1981 - 100 (1)</u>					<u>Clothing C.P.I</u>
	<u>Canada</u>	<u>China</u>	<u>Kong Kong</u>	<u>Korea S.</u>	<u>Taiwan</u>	
1981	100.0	100.0	100.0	100.0	100.0	100.0
1982	102.9	106.8	103.4	98.5	102.7	105.6
1983	105.0	102.3	110.4	94.4	95.1	109.8
1984	105.5	113.3	119.5	118.4	122.1	112.5
1985	115.6	131.8	116.1	120.8	133.1	115.6

Sources: Textile and Clothing Board. Statistics Canada.

(1) For indices adjusted to exchange rate fluctuations, please refer to Table 19 on page 48.

b) Imports

Tailored collar shirts have been identified by the Textile and Clothing Board (TCB) in its report of October 1985 as one of the "product categories in which the position of Canadian producers is particularly vulnerable" to import competition.

Undoubtedly, the crucial developments in the import situation over the period 1981-1986 have been the spectacular increase (from

45 per cent in 1981 to 73 per cent in 1985) in the share of the tailored collar shirt market supplied by foreign manufacturers and the 1985 surge in imports from low cost unrestrained sources (from 1 per cent of total imports to 5 per cent of total imports in 1985). Imports of 25.9 million units in 1986 represented an increase of 9.5 per cent from the previous historic high of 23.2 million in 1985.

The shirt industry has been under unrelenting pressure from imports since the middle 1950s. To provide manufacturers with "breathing space" to adjust, quantitative restraints to limit import volumes were introduced as early as 1963 and, by 1971, restraint agreements had been concluded with eleven countries. By the end of 1971, however, competitive pressures from imports had become so intense that global quotas were introduced on woven and knitted shirts below certain values. The TCB reviewed the import situation on several occasions thereafter and made recommendations to modify and continue the quota measures which were subsequently adopted by the government. Supported by the Board's recommendations, the government negotiated import restrictions with the principal low cost sources under the GATT Multifibre Arrangement (MFA) which disciplines the application of such restraints.

In its interim 1985 report, the TCB called for global import quotas "to avert a crisis" in the textile and clothing industries while the government was negotiating more "comprehensive and rigid" bilateral agreements under the MFA. Although the government did not implement global quotas as the TBC had recommended, it announced a revised textile and clothing policy in July of 1986, indicating that it intended to seek an extension of the MFA agreements in a manner that "would ensure a more moderate pace of import growth which is consistent with an orderly adjustment process". Shortly following the announcement, new MFA agreements were negotiated which contained

somewhat broader restraint levels for each of the major suppliers (Hong Kong, South Korea, Taiwan) and comparatively more favourable provisions for the smaller low-cost exporting countries. Overall, the objective was to manage the growth of shirt imports at levels which more closely reflected market growth. At present Canada has negotiated bilateral restraint agreements with 21 shirts supplying countries which is seven more than in 1981. The number of countries exporting shirts to Canada during this period has increased to 72 from 40. Although the question of new entrants and the level of the negotiated restraint levels have been among the more controversial problems related to the policy of restraint measures, around 90 per cent of the shirts imported from low-cost sources are subject to restraints. As well, the overall growth rates for all apparel categories in the new restraint agreements recently negotiated by Canada range from 0.4 to 5 per cent of the four major exporting countries and from 0 to 7 per cent for other exporting countries. These growth rates are slightly lower than the growth rates negotiated in the previous agreements.

Table 20 on page 50 of the Appendix contain detailed statistics on imports and their sources and Table 16 on page 45 gives a historical perspective of the share of the market supplied by foreign sources.

The duty remission program for tailored collar shirts was introduced as an adjustment assistance measure in connection with the new textile and clothing policy. If the program achieves its objectives, the concept may be extended to other apparel sectors in need of government subsidies. Although the program and the regime of import restraints appear to be contradictory policies, their objective is to help manufacturers adjust to a changing competitive environment.

Specifically, the objectives of the duty remission program are:

- a) to encourage the maintenance of domestic production;
- b) to improve the production efficiency of the shirt sector and encourage rationalization; and
- c) to reduce the dependency of manufacturers on quotas as the principal means of protection against low-cost imports.

To improve the compatibility of the remission program and the policy restraint measures, the shirt manufacturers have requested that they be allowed to import certain quantities of shirts outside of the negotiated restraint levels.

Part V of this paper provides an overview of developments attributable to the recently introduced duty remission measure.

Manufacturers are adjusting to the competitive pressure from imports by, among other things, increasing their own imports of finished shirts. In 1981 manufacturers accounted for around 28 per cent of shirt imports whereas by 1985, the proportion had increased to 35 per cent as illustrated in Table 5. Most of this increase occurred during the recession years of 1981-1982 whereas the most dramatic increases in the volume of imports occurred in 1984 and 1985. Imports by manufacturers decreased slightly in 1986. By far, the great preponderance of these imports is concentrated among the 6 larger shirt manufacturers.

TABLE 5

SHARE OF TAILORED COLLAR SHIRT IMPORTS BY CATEGORY OF IMPORTERS

	<u>Manufacturers - % of Total</u>		<u>Retailers - % of Total</u>	
	<u>Units</u>		<u>Units</u>	
1981	4,095,421	28	2,854,967	20
1982	6,267,293	36	2,046,124	12
1983	6,192,863	33	2,533,721	13
1984	5,696,221	33	2,574,493	15
1985	7,723,482	35	2,654,160	12
1986	7,480,865	31	3,003,597	12

	<u>Importer/Wholesalers - % of Total</u>		<u>Others - % of Total</u>	
	<u>Units</u>		<u>Units</u>	
1981	6,353,450	43	1,640,762	11
1982	7,171,601	41	1,910,647	11
1983	7,902,907	42	2,268,465	12
1984	7,816,241	46	1,051,361	6
1985	10,140,255	46	1,543,391	7
1986	11,600,539	48	2,131,111	9

SHARE OF ALL CLOTHING IMPORTS BY CATEGORY OF IMPORTERS
(Units)

	<u>Manufacturers</u>	<u>Retailers</u>	<u>Importer/Wholesalers</u>
1981	18.8	16.9	51.6
1982	20.6	14.7	52.0
1983	21.9	14.2	50.2
1984	21.0	15.8	55.3
1985	21.7	16.3	51.5
1986	22.0	15.9	50.0

Source: Statistics Canada, Textile and Clothing Board.

This important increase has been largely at the expense of retailers whose share of direct imports has declined by around 8 percentage points over the period in question. Most of the offshore purchasing by retailers is done by the major department stores and the larger

specialized chains who have chosen to import directly because of the large volumes they handle. Although they may have achieved more control over their product styling and have eliminated manufacturers or wholesaler's mark-ups by using this approach, they are still confronted with the imponderables discussed on page 7. The independent specialty stores whose product lines are concentrated in manufacturers or designers labels also import directly but in considerably less quantities.

Most of the importing is done by the 40 odd importer/wholesalers involved in the shirt trade (around 10 deal predominately in shirts); their share of imports has increased marginally during the period under review. Importer/wholesalers offer their customers, mostly retailers, the advantage of close and continuous contacts with offshore suppliers and the maintenance of inventories thereby mitigating some of the operational difficulties associated with sourcing abroad.

2. Manufacturing Perspective

a) Structure

In 1986, twenty-eight (28) manufacturers accounted for about 80 per cent of domestically produced tailored collar dress and sport shirts; seven (7) contractors who cut, sew and finish shirts mostly for manufacturers, supplied the remainder. Last year, the industry shipped around 10.3 million shirts valued at approximately \$155 million; these shipments were almost exclusively for the domestic market. Around 3,800 workers were employed in the sector last year. It is estimated that manufacturers employed about 3,100 persons of which about 2,000 were production workers;

contractors employed around 700 workers. Historical details on the number of firms, shipments and employment in the shirt sector are provided in Table 16 on page 45. Table 6 illustrates the sector's historical operating capacity.

TABLE 6

**RATES OF CAPACITY UTILIZATION IN THE CLOTHING
AND KNITTING INDUSTRIES AND THE
TAILORED COLLAR SHIRT SECTOR**

	<u>Clothing & Knitting</u>	<u>Tailored Collar Shirts</u>
	(Percent)	
1981	90	75
1982	79	67
1983	89	70
1984	92	78
1985	88	75

Sources: Statistics Canada, Department of Regional Industrial Expansion.

In 1986, shirt manufacturers and contractors located in the province of Ontario accounted for around 63 per cent of sector employment and 65 per cent of its shipments. Manufacturers and contractors in Québec accounted for about 27 per cent of sector employment and about 25 per cent of shipments. Most shirt contractors are located in Québec. Although the level of domestic shipments has declined during the period 1981 to 1986, the tailored collar shirt manufacturers in Ontario have increased their share of domestic employment, shipments and establishments as illustrated in Table 7.

TABLE 7

REGIONAL DISTRIBUTION OF THE TAILORED COLLAR SHIRT SECTOR

	<u>1981</u>	<u>Share of Total</u>	<u>1986</u>	<u>Share of Total</u>
<u>QUEBEC</u>				
Employment	1,242	27%	1,026	27%
Shipments (\$000,000)	52.8	30%	38.8	25%
Establishments	27	52%	15	42%
<u>ONTARIO</u>				
Employment	2,806	61%	2,394	63%
Shipments (\$000,000)	104.9	60%	100.8	65%
Establishments	19	37%	17	49%
<u>OTHER PROVINCES</u>				
Employment	552	12%	380	10%
Shipments (\$000,000)	17.3	10%	14.0	9%
Establishments	6	11%	3	9%

Source: Textile and Clothing Board, Department of Regional Industrial Expansion.

Contractors have been identified as a separate group of manufacturing establishments given that they account for an important portion of sector shipments. It has been theorized that the high proportion of shipments attributed to contractors is related to frequent market fluctuations caused by historically high levels of import penetration. During active market periods, contractors are generally the first to be adversely affected by sudden surges of imports or market downswings and, conversely, are often the initial beneficiaries of rapid increases in consumer demand. Contractors contribute significantly to the viability of the sector by providing manufacturers with quick access to additional production capacity as conditions warrant. Contractors deal almost exclusively with manufacturers (who resell the finished shirts to retailers) or with

government departments or agencies. (It is estimated that contractors produced around 350,000 shirts for the federal government in 1986.) There was no evidence that contractors or manufacturers in the tailored collar shirt sector use home workers; the efficient production of high-quality shirts demands specialized skills and equipment which home workers do not normally possess.

Despite the relatively large number of establishments, activity is concentrated within the six largest shirt companies which account for around 85 per cent of shipments on a unit basis. The six vary in size from firms with about 150 employees to those with more than 900. Three of the largest manufacturers are located in the province of Ontario.

Three U.S. owned firms account for around 30 per cent of the tailored collar shirts produced in Canada; this proportion of foreign ownership is among the highest of all apparel industry sectors. Although all manufacturers operate at arm's length from their retail customers, two of the larger firms have substantial corporate linkages with major retail organizations.

b) Fabric Sources

The principal fabrics used by tailored collar shirt manufacturers are woven polyester/cotton blends (65-35 per cent; 110/78 construction) and 100 per cent cotton broadcloth. Although the polyester/cotton fabrics are manufactured in Canada in substantial quantities, the exclusive styles and patterns which manufacturers need to satisfy consumer demand are not available in a sufficiently broad range. Manufacturers rely on imports subject to relatively high customs duties for most (80 per cent) of their fabric requirements. Despite the price advantages often available from foreign fabric suppliers,

the shirt manufacturers have indicated on many occasions that the duties payable on these imports are having an adverse impact on their competitiveness. Part IV of this paper (Sector Competitiveness) comments further on the domestic availability of shirting fabrics.

The competitiveness of the shirt sector is crucial to the domestic manufacturers of shirting fabric whose market fluctuates in accordance with shirt production. The production of shirting fabrics is dominated by Dominion Textile; approximately 250 to 300 employees are involved in this integrated operation. Seeing itself in a difficult position because of the dramatic decline in domestic shirt production, Domtex has improved its product range and delivery lead times. Domtex, which is also a significant producer and finisher of greige shirting fabrics (including important quantities of imported greige materials), offers a fabric printing service to shirt manufacturers and has improved its product quality in an effort to duplicate yarn dyed fabrics demanded by the marketplace. Domtex's only major competition in Canada, Doubletex (which employs around 500 in total) imports substantial quantities of greige shirting fabrics for custom finishing. The combined finishing services of Domtex and Doubletex have provided shirt manufacturers with a much wider range of fabric styles and colours than would otherwise be available exclusively from domestic production. Consoltex produces a limited but growing range of polyester cotton fabrics which can be used to make shirts. Table 8 provides an estimate of the domestic shirting fabric market while Table 9 indicates the price movements in polyester/cotton and cotton shirting fabrics since 1981.

TABLE 8

**ESTIMATED CANADIAN MARKET
FOR SHIRTING FABRICS
(000 M²)**

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Fabrics Used in the Production of Shirts:						
Imported shirt market	24,550	29,375	29,375	38,175	48,275	54,012
Domestic shirt market	38,350	30,400	30,400	23,300	22,600	23,952
TOTAL MARKET	62,900	59,775	56,250	61,475	70,875	77,964
Fabrics Used in the Production of Domestic Shirts:						
Imported	25,950	18,750	15,060	13,745	15,300	18,852
Domestic	12,400	11,650	11,115	9,555	7,300	5,100
Market Shares:						
Domestic shirt market imported fabrics	68 pc.	62 pc.	58 pc.	59 pc.	68 pc.	79 pc.
Domestic shirt market domestic fabrics	32 pc.	38 pc.	42 pc.	41 pc.	32 pc.	21 pc.

Sources: Fabric Manufacturers; Department of Regional Industrial Expansion.

TABLE 9

FABRICS PRICE INDICES - 1981 = 100

	<u>Polyester/Cotton & Cotton Fabric</u>	<u>Worsted</u>	<u>Nylon</u>	<u>Double Knit</u>
1981	100	100	100	100
1982	101	99	109	97
1983	109	97	111	99
1984	112	100	116	99
1985	112	100	118	97

Source: Statistics Canada.

To help overcome some of the cost pressures associated with the importation of shirting fabrics, the government in the early 1970s introduced two duty relief measures. Under the Customs Drawback Shirting Fabric Regulations, shirt manufacturers may claim drawback of all duties paid on imported woven shirting fabrics if, during a certain period, a manufacturer's consumption of domestic woven fabrics is not less than 75 per cent of the company's total fabric consumption. Should fabric consumption be less than this amount, the rate of drawback is reduced by 2 percentage points for each point by which domestic consumption is less than the specified level. The Shirting Fabric Remission Order remits one quarter of the duties paid on imported woven yarn dyed fabrics (not including wool fabrics) and woven cotton fabrics (count 60 or finer) used in the production of men's and boys' shirts. Table 10 illustrates the amount of duties refunded by the government under each of these measures.

TABLE 10

CUSTOMS DUTY REFUNDED ON IMPORTED SHIRTING FABRICS

	<u>Customs Drawback Shirting Fabric Regulations</u>	<u>Shirting Fabrics Remission Order</u>
1981	\$1,282,374	\$319,247
1982	\$1,098,394	\$378,867
1983	\$1,200,132	\$355,829
1984	\$ 881,747	\$153,763
1985	\$ 547,956	\$382,164
1986	not available	\$200,382

c) **Production Costs and Profitability**

The "cost of sales" of a typical tailored collar shirt consists of about 30 per cent for direct labour, 31 per cent for overhead, selling and administrative expenses and 39 per cent for fabrics, trimmings and other components. These percentages are based on weighted average data and vary considerably from firm to firm.

The only change in proportion since the early 1980s was in the direct labour component, which increased slightly reflecting an increase of 31 per cent in average wages since 1981 (which is considerably more than the average increase in selling prices). To these costs, manufacturers add a margin of between 25 per cent to 35 per cent depending on volume, quality and their competitive situation. The average margin does not appear to have changed over the period 1981-1986. Contractors usually add a margin of around 40 per cent to the cost of direct labour. Again, this proportion does not appear to have changed much over the period in question. Tables 11 and 12 as well as Table 18 on page 47 provide an interesting comparison of labour and overall production costs in the shirt industries in Canada and the United States.

TABLE 11

ESTIMATED AVERAGE HOURLY EARNINGS
TAILORED COLLAR SHIRTS (\$CDN)

	<u>Canada</u>	<u>Per cent</u> <u>Increases</u>	<u>United States</u>	<u>Per cent</u> <u>Increases</u>
1982	\$5.80	--	\$5.13	---
1983	\$5.96	2.7%	\$5.30	3.3%
1984	\$6.43	7.8%	\$5.79	9.2%
1985	\$7.30	13.5	\$6.21	7.2%

Sources: Statistics Canada.
Department of Regional Industrial Expansion.
U.S.A. Department of Labour.

TABLE 12

COMPARISON INCREASE IN AVERAGE HOURLY EARNINGS
IN TAILORED COLLAR SHIRT INDUSTRY, CLOTHING INDUSTRY
AND IN ALL MANUFACTURING INDUSTRIES

(Per cent)

	<u>1983-82</u>	<u>1984-83</u>	<u>1985-84</u>
Tailored Collar Shirts	2.7	7.8	13.5
Clothing	5.1	1.2	3.8
All Manufacturing	3.5	5.2	3.9
U.S.A. Tailored Collar Shirts	3.3	9.2	7.2

Sources: Statistics Canada
Department of Regional Industrial Expansion.
U.S.A. Department of Labour.

The shirt manufacturing sector has increased its profit before taxes by an average of around 12 per cent in 1986. The relative profit performance of tailored collar shirt production improved marginally between 1981 and 1986 with net profit after tax as a per cent of sales increasing from 2.7 per cent in 1980 to 4.1 per cent in 1986. Net profits as a per cent of equity is also showing an improvement as illustrated in Table 13. As in the case of the early 1980s, the most profitable firms are those with the larger market shares and the larger sales volume; the firms with poorer profit performance tended to be the smaller production units with comparatively lower sales volumes and market shares. However, some of the smaller firms concentrating in the higher priced fashion markets have experienced good profit performance. The improvement in profitability, which is probably too slight to be indicative of any important trend, may be attributed in part to the adjustment measures taken by manufacturers to improve their competitiveness and to the generally higher margins earned on their increasing volume of imports.

TABLE 13
NET PROFIT AFTER TAXES (PER CENT)

	<u>Profit/Sales</u>			<u>Profits/Equity</u>		
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Tailored Collar Shirts	3.3	3.6	4.1	17.6	16.4	19.2
Clothing & Knitting	2.8	3.6	n.a.	12.1	14.9	n.a.
All Manufacturing	4.0	3.6	n.a.	10.7	9.7	n.a.

Sources: Statistics Canada, Department of Regional Industrial Expansion.

PART III

RESPONSE TO MARKET FORCES 1981-1986 - ADJUSTMENT STRATEGIES

The tailored collar shirt sector has been called a "problem" sector for many years. Business conditions such as strong import competition combined with excess capacity, weak market growth and the very difficult economic climate during the recession of 1981-1982 have increased the pressures on tailored collar shirt manufacturers to develop strategies to adjust to their external environment. The main impetus for adjustment appears to have been the economic recession which was the most severe of its kind since the depression years of the 1930s.

Against a background of inconsistent consumer demand conditions in the early 1980s and consistent competitive pressure from imports, the efforts by firms to maintain their market shares has resulted in strong inter-company competitiveness. As a consequence, the process of adjustment to import competition during the period 1981 to 1986 has resulted in many company failures and plant closings (Table 16 on page 45). Today's manufacturers recognized early on that they would not be able to compete with low cost imports exclusively on the basis of price and developed a range of long term adjustment strategies which included:

- a) reorganizing their production by replacing less viable lines with imports;
- b) redirecting their resources to the production of distinctive, fashion oriented shirts;
- c) revising their marketing strategies;
- d) improving their production efficiencies by investing in up-to-date technology;
- e) improving their response to their customer's needs;
- f) streamlining their workforce;

- g) making considerable efforts to reduce production costs and overheads and to improve their control over these factors;
- h) improving their financial structure;
- i) improving their labour relations.

ADJUSTMENT STRATEGIES

The following is a synopsis of the principal adjustment strategies employed by tailored collar shirt manufacturers over the period 1981-1986.

Improvements in Production Engineering and Technology

Although some of the larger shirt manufacturers on occasion enjoy scale economies, the typical shirt production facility in Canada is structured out of operational necessity to produce a large number of styles and to accommodate short production runs which often may be less than economically viable. Against this background, one of the most important adjustment strategies employed by manufacturers during the period under review, has been to strive to reduce manufacturing costs through improvements in production engineering and technology. In general, the more profitable firms, as well as those which are less profitable but maintain their competitive position, are those which devote considerable resources to keeping costs down and improving productivity.

In the late 1970s and early 1980s, improvements in production engineering and efforts to adopt new technology in the sector were lagging behind those of other apparel sectors in Canada. The import situation and the labour cost factor had created a great deal of uncertainty regarding acceptable payback periods which were often shorter than sector performance could justify. Since 1980, however, the situation has changed partially as a consequence of the marginal improvement in profitability and the greater concentration on importing by manufacturers. In addition, the former Canadian Industrial

Renewal Board (CIRB) has played a role in stimulating more confidence on the part of potential investors by helping manufacturers finance the considerable expense involved in improving production processes. In total, the CIRB has provided sector firms with around \$5 million to help finance projects with capital expenditures of around \$18 million. Over the period 1981-1986 the adoption of new technology in the shirt sector appears to have caught up with the pace of adoption in other apparel sectors in Canada.

A great number of the recent advances in apparel production have involved the use of computer technology to improve the areas of pattern grading, marker making and cutting. These advances have contributed to improving the quality, cost effectiveness and productivity of garment production. The standardized operations in shirt production are well suited to automation and many of the new technological developments were designed with this consideration in mind. Shirt manufacturers in Canada began to introduce this specialized new technology into their plants on a more concerted basis during the period 1981-1986 (Table 14 page 27). In addition, numerous engineering improvements also have been made to improve the production efficiency of individual work stations including the acquisition of automated material handling systems, programmable and profile stitchers, collar running and fusing machines, automatic pocket setters and hemmers, band creasing and stitching machines, button hole and button sewing machines, and specialized finishing equipment.

The most labour intensive areas in shirt production are sewing and finishing with about 70 per cent of labour costs attributed to these functions. A good portion of these labour costs are related to material handling and a number of automated systems have been acquired resulting in savings in labour and improved productivity. Nevertheless, sewing and finishing are areas where shirt manufacturers could concentrate on improving their efficiency by acquiring more up-to-date equipment at relatively low cost with perhaps better than expected pay back because of the relatively rapid productivity improvements.

Aside from modernizing their machinery and equipment, some manufacturers over the period 1981-1986 have acquired computerized factory control systems to improve their production integration.

These gradual changes have had a favourable impact on productivity (Table 16 page 45) and have improved the production flexibility, product quality and competitiveness of sector firms. At present, the manufacturing operations of a few of the leading shirt makers in Canada are probably as technologically efficient as those of shirt makers in other developed countries. The average throughput time for a Canadian-made shirt has been reduced by 10 per cent over the period 1981-1986. Most of the other Canadian shirt manufacturers are labouring with moderately efficient production facilities and would benefit significantly from an infusion of new technology. However, lack of management aggressiveness, limited financial resources, small production runs and the market uncertainties facing the less successful firms are hindering increased investment in this area.

At the same time, however, new technology and improvements in production engineering are also being adopted by manufacturers in the three major supplying countries in the Far East who are taking full advantage of these processes to make their operations even more productive and cost-efficient and to upgrade the quality and style of their shirts.

The more successful domestic manufacturers have recognized that the benefits of new production processes and technology would be transitory if these processes were adopted in isolation to other adjustment strategies. These firms therefore have integrated improvements in production processes into adjustment strategies encompassing areas such as marketing, organizational structure, location, labour, finance and external relations.

Product Development and Market Differentiation

Among the easiest to implement of the adjustment strategies used by tailored collar shirt manufacturers has been improved product development and market differentiation. During the period under review, the more successful shirt

TABLE 14
AGE OF MACHINERY AND EQUIPMENT IN 1984
MEN'S AND BOY'S TAILORED COLLAR SHIRTS

<u>TYPE OF MACHINERY AND EQUIPMENT</u>	<u>NUMBER OF MACHINES</u>				<u>TOTAL</u>
	<u>20 YEARS AND OVER</u>	<u>10 TO 19 YEARS</u>	<u>5 TO 9 YEARS</u>	<u>UNDER 5 YEARS</u>	
<u>Pattern Design, Marketing and Grading:</u>					
1. Conventional	-	1	1	1	3
2. Computerized	-	-	-	2	2
<u>Cutting Room:</u>					
1. Fabric inspection	2	5	1	2	10
2. Special tables	-	-	-	-	-
3. Manual spreaders	8	7	15	-	30
4. Automatic spreaders	2	6	1	6	15
5. Die cutters	3	13	8	2	26
6. Electric cutters	6	27	15	12	60
7. Power assisted cutters	-	11	-	-	11
8. Computer driven cutters	-	-	-	1	1
<u>Sewing and Assembly:</u>					
1. Fusing machines	3	11	10	9	33
2. Ultrasonic machines	-	2	1	2	5
3. Plain sewing machines					
a) Non-electric	594	501	321	149	1,565
b) Electric/programmable	-	-	-	16	16
4. Special purpose sewing units					
a) Operator fed and guided	3	113	9	6	131
b) Operator loaded (auto)	-	48	107	27	182
<u>Pressing Finishing:</u>					
1. Manual pressing	47	1	10	7	65
2. Automatic sequence	-	17	-	1	18
<u>Folding and Packaging:</u>					
	29	44	10	3	86
<u>Automated Material Handling:</u> (Number of work stations served by overhead conveyor system.)					
	-	44	-	40	84

Sources: Statistics Canada; Textile and Clothing Board.

manufacturers have used the flexibility of new technology and better production engineering to become more sophisticated in replacing unprofitable lines with a variety of fashionable products to fit specific niches. This has helped them to generate greater consistency of consumer demand and better margins. Generally, the larger manufacturers have worked harder and have been more successful in developing consumer oriented market positioning. The less successful manufacturers, most of which appear to be smaller firms, have structured their production largely on the basis of operational necessities related to their scale of production and seem to have given little consideration to market positioning probably because of the lack of resources and management aggressiveness. The problem for many of these manufacturers has been how to balance the advantages of the economies of scale of large runs against the diseconomies which a wider variety of products might bring.

The move to more distinctive markets and fashionable styling has usually involved increases in price points supported by means of improved product quality and appealing fabrics. In addition, some manufacturers have promoted an image of quality and design by promoting manufacturers' brands and designer labels and, to a lesser extent, by developing private label programs in conjunction with retailers. In promoting consumer demand for their own brands, the larger manufacturers have improved their margins and strengthened their market position over offshore competitors as well as many smaller Canadian firms.

Improved market positioning has made it easier for manufacturers to develop a more diverse range of new fashion oriented products more rapidly and to respond more quickly to market changes. A broader range of shirts appeals to a larger consumer base and a greater cross section of retailers and in this way, manufacturers have reduced to some extent their dependency on the major department stores.

Although these improved strategies are working to the advantage of manufacturers, producers in the Far East have also followed the market and greatly improved the appeal of their products. Because of distance, however, their market niches are less well defined giving Canadian shirt manufacturers an important competitive advantage.

Product Diversification

During the early stages of its development, the tailored collar shirt sector was highly product dependent. As the sector matured and product demand stabilized, manufacturers increased the diversity of their product lines to the extent that, at present, few firms are exclusive producers of tailored collar shirts. Among the thirty-five manufacturers and contractors considered to be part of the sector, there are only around 15 firms whose major product concentration is shirts. Product areas into which firms have diversified (either by adding new production or by acquisitions) include ladies blouses and sportswear, ties, pants, jeans, jackets, overcoats, raincoats, sweaters and activewear. Diversification has certainly not been limited to the larger firms although the range of goods which they make is much broader. Contractors have also diversified, taking advantage of their flexibility which provides them with more freedom to explore a wide variety of product areas.

Consolidation and Rationalization

The strategy of consolidation and rationalization has been employed by manufacturers in conjunction with the adoption of more efficient production engineering and management practices. During the cyclical recessionary conditions in the early 1980s, it became evident that many shirt plants were operating at rates of output that exceeded the requirements of prevailing consumer demand. The resulting unnecessary overheads induced shirt manufacturers (and many in other apparel sectors as well) to reduce the size of their manufacturing operations and their plant capacities. The result was a considerable loss of manufacturing jobs during the period 1981-1983 when these negative economic conditions were at their worst. (Please refer to Table 16 on page 45.) The general trend towards increased consolidation and rationalization is continuing with the concentration of operating resources in areas where firms have concluded that they can best succeed.

In addition, some manufacturers have consolidated their plant locations to improve logistics and take advantage of the generally lower wage rates in smaller urban centres. On top of the labour cost advantages of locating production in smaller centers must be included the lower labour turnover and the lower cost of land, buildings and taxes. Over the period 1981-1986, several of the leading shirt manufacturers have made significant adjustments in plant location to maximize their operational efficiencies.

Importing

An important adjustment strategy employed by the more successful shirt manufacturers to overcome some of their competitive difficulties has been to import increasingly substantial quantities of shirts from low-wage rate countries. These manufacturers through their intimate knowledge of the marketplace, have been able to reduce the usual operational problems associated with importing to a minimum and have used this strategy quite profitably. This trend (see Table 5 on page 12) has gained strength over the period 1981-1986 and is a crucial factor in the evaluation of the duty remission program. Most of the importing by manufacturers is done by the larger firms. The medium and smaller shirt companies do not have the same degree of intimacy with the import market and, although they may have successful marketing programs for their own products, many do not appear to have the resources to develop long-term strategies based on a combination of imported shirts and domestic production. In fact, some of the medium and smaller sized firms are positioned in market segments involving high price fashion shirts and have little interest in building up sales volume based on import programs. At this time, these firms do not appear to be interested in availing themselves of the duty remission program to any significant extent.

A factor which might add to the problems associated with importing by manufacturers is that suppliers in the Far East probably earn higher margins on direct sales to retailers than to other channels of distribution. The extent to which manufacturers might be able to use the duty remission benefits to counterbalance this factor is unknown.

Management

The management structure of firms in the sector ranges from the highly specialized executive teams of the larger companies to the informally organized groups of generalists who operate the medium and smaller sized firms. Financial considerations have made it very difficult for most medium and smaller sized firms to attract professional management personnel. Although many smaller manufacturers may appear to be inefficiently managed and perhaps could be criticized for their reactive approach to a changing environment, their managerial strategy has been fairly well suited to the market niches which they serve. Success in these market segments is often determined by the speed with which management decisions are made in response to market changes and the smaller organizations may have a distinct advantage over some of their larger competitors. These smaller firms seem to be satisfied with their individualistic approach and appear to have made few structural and qualitative adjustments in management structure over the period 1981-1986. Out of necessity, however, the larger manufacturers have been driven by their competitive environment to introduce important managerial changes to improve their adaptability. These changes have been largely in the areas of financial planning and control, marketing, production planning and quality control where executive positions have been created or existing positions strengthened and restructured to improve company performance.

Financial

During the period 1981-1986, most shirt manufacturers were induced to make changes in their financial structure in order to survive some of the difficulties arising out of factors such as weak receivables and cash flow or the high interest rates which prevailed early in this period. Most of the leading manufacturers have introduced major modifications to their capital structure (e.g. capitalization through public offering of shares), their working capital management and their financial control practices which has improved their ability to evaluate their strengths or weaknesses in these areas.

Labour Relations

Improved labour relations have become a more crucial factor in production management during the period 1981-1986. Manufacturers are addressing labour problems more carefully and with more sensitivity recognizing that it is vital to maintain a productive work force at a time when there is an increasingly short supply of skilled apparel workers, particularly in the large urban areas. Moreover, working conditions and the ergonomics of work stations are gradually being improved by the larger manufacturers, and some medium and smaller sized firms, with consequent impact on labour productivity. (Please refer to Table 11 page 20 and Table 12 on page 21 for comparisons of average hourly earnings. Table 16 on page 45 illustrates the recent trend in value added per man hour in the shirt industry.)

Customer Service

This particular strategic consideration had been somewhat neglected prior to the early 1980s but the difficult business conditions early in the decade induced companies to develop closer relations with their retail customers. More recently, this approach appears to be delivering important advantages in terms of negotiating better deals with retailers for special retail promotions or program marketing which offshore suppliers can only match with difficulty. The duty remission program will likely enhance this closer relationship as indicated on page 41.

A related strategy employed by manufacturers has been to improve their distribution services and delivery lead times which are two other areas where domestic manufacturers enjoy considerable advantages over their offshore competitors. On average, the turnaround time from order to delivery of a Canadian-made shirt is about half that of an imported shirt. The proximity of Canadian manufacturers to the marketplace also gives them the edge with regard to sensitivity to fashion trends and the delivery and inventory needs of retailers. The "Just-in-Time"/"Quick Response" marketing strategy is slowly moving the risk of carrying unsold inventory from the shoulders of the

retailer to those of the manufacturer. Retailers are delaying orders as long as possible to minimize their stocks on hand and this has encouraged manufacturers to quicken their delivery response and better manage their inventory flows to prevent buildups.

Retailers and the more dynamic manufacturers are cooperating to improve the "Just-in-Time"/"Quick Response" relationship by introducing bar coding which will lead inevitably to electronic data interchange with consequent improvements in communications and accounting. The remaining challenge will then be to include domestic fabric suppliers in the "Just-In-Time"/"Quick Response" chain.

PART IV

CONCLUSIONS - SECTOR COMPETITIVENESS

Although the impact of the shirt sector's adjustment efforts have not been uniform, the frequently stated view that the sector is declining is not entirely accurate. The sector has been subjected to severe import competition over the period under review but a number of firms representing an important proportion of total output have adjusted with some success by striving to achieve the lowest possible production costs and the highest degree of product differentiation and market segmentation.

In combination with these adjustment strategies, the larger and more aggressively run firms have experienced success in improving their competitiveness by taking advantage of their healthy financial resources to implement diversified marketing programs based in part on importing a portion of their product lines. Some of the medium and small sized firms making higher priced shirts have also been successful utilizing astute market positioning strategies to place themselves in segments where import competition is minimal. However, there are many less successful medium and small sized firms operating in the "volume" segment of the market which have had difficulty adjusting to the changing environment and are in danger of being forced out of business either by imports or their larger domestic competitors. In view of their limited market share and scale of production, these smaller less successful firms cannot justify heavy investment in modern technology which, instead of increasing their productivity, would increase their fixed costs and reduce their competitiveness. The highly independent nature of these firms, which often make shirts as an adjunct to other apparel products and persist in the shirt business largely as residual suppliers to smaller retailers, could be an impediment to greater rationalization and concentration within the shirt sector.

Despite the industry's efforts to adjust, it will continue to be very difficult for shirt manufacturers in Canada to produce shirts of comparable quality and style that are competitive in price with shirts manufactured in

Hong Kong, Korea, Taiwan and many other low wage rate countries. Given the significant labour component of shirt production, the sector has been and will continue to be highly vulnerable to import competition from these countries and susceptible to labour shedding and plant closures. Slow domestic demand and increased imports which have had a tendency to keep prices down and earnings lower than they might be otherwise, will continue to place a great deal of pressure on shirt manufacturers some of whom undoubtedly will fail.

The more successful firms are likely to increase their market share (with domestically-made and imported shirts) at the expense of smaller less viable domestic manufacturers and importer/wholesalers. A point will be reached in the medium term when the "surviving" group of shirt manufacturers will achieve the highest level of viability in terms of marketing, production efficiency and financial resources which the Canadian shirt market can support.

The following factors are affecting the sector's competitiveness:

- ° The cost of labour in domestic shirt production has increased by 33 per cent during the period 1981 to 1986. Suppliers in low wage rate countries have taken advantage of this trend and used their labour cost advantages to aggressively target the shirt market in Canada (and those in other developed countries) where labour costs are higher resulting in job losses and plant closures (Table 16 on page 45). Although Canadian shirt manufacturers, particularly the larger companies, have improved in their production technology and productivity, shirt manufacturing, as in other countries, will continue to struggle against the substantial labour cost advantage enjoyed by low cost suppliers as well as their productivity advantages. This will enable low cost suppliers at the very least to maintain their share of the Canadian market.
- ° An important constraint on the Canadian shirt industry's competitiveness is the limited range of shirting fabrics available from Canadian production. Despite the best efforts of the domestic fabric manufacturers and finishers, the shirt industry cannot obtain a sufficiently diversified

range of piece goods from Canadian production (yarn dyed shirting fabrics are not manufactured at all in Canada) and is not using what is available in any substantial quantities. In addition to the lack of variety, the prices of Canadian-made fabrics frequently do not provide shirt manufacturers with much flexibility in adjusting their price points to meet import competition. The shirt manufacturers would have a great deal of difficulty maintaining their market share if they were compelled to depend exclusively on the range of domestic fabrics.

To their credit, Canadian fabric manufacturers and finishers have made significant efforts to duplicate yarn dyed fabrics by using sophisticated printing techniques but retailers are yet to be convinced that prints match the quality and appearance of yarn dyes. (Most consumers cannot differentiate between prints or yarn dyes and fabric manufacturers have made little effort to educate retailers in this regard). Printed fabrics appear to have their place in the market in the area of casual tailored collar shirts and dress shirts in the medium and lower price points both of which markets are increasingly dominated by offshore suppliers. At the present time, around 45 per cent of shirts manufactured in Canada are made with yarn dyed fabrics, all of which are imported.

The shirt manufacturers have had little alternative but to increase their reliance on imported fabrics whose costs are increased by customs duties and quota charges. As noted earlier, around 40 per cent of the manufacturing cost of an average tailored collar shirt is attributable to the fabric component. Therefore, the duty payable on imported fabrics (mostly 25 per cent) could amount to as much as 8 to 10 per cent of the manufacturing cost. The duty premium paid for the use of imported fabrics is passed on to consumers which has a negative impact on manufacturers' competitiveness. Furthermore, the experience gained in sourcing fabrics offshore has given shirt manufacturers a head start in establishing offshore production arrangements.

- ° Compounding the competitive difficulties attributed to fabric availability is the limited size of the Canadian shirt market. The need to provide a wide range of shirt styles for a limited market adversely affects manufacturers's unit costs. The size of runs that can be produced economically is already limited by low-cost imports which supply much of the volume business in the medium and lower price points and an increasingly important share of the market in the upper price points. However, the economy of scale situation in recent years appears to have improved somewhat as a consequence of the efforts of some manufacturers to improve productivity and flexibility. Despite these improvements, many shirt manufacturers are operating at less than maximum efficiency.
- ° Excessive fragmentation is also having a negative impact on the sector's competitiveness. Many small enterprises, which do not have the resources to adopt up-to-date technology and production processes still contribute jobs and value added but exacerbate inter-company competitiveness and have a tendency to erode the market share of larger firms. These small firms have made up the majority of plant closures since 1981 and are expected to comprise most of the future failures over the medium term.
- ° The sector's efforts to improve its competitiveness over the period 1981-1986 have been hampered by severe price competition over a period when market demand was not strong. Indeed, as noted earlier, a very high proportion of shirts are sold at off-price promotions which will gradually erode the industry's profitability over the long term.

PART V

THE FUTURE

The period 1981-1986 witnessed important changes in shirt manufacturing. Had manufacturers not adjusted to these changes by developing better strategic perspectives as noted earlier, the long-term viability of shirt production in Canada would have been in question. There is little doubt that low cost import competition will continue to cause great uncertainty within the sector although shirt manufacturers appear to be better equipped now to deal with this competition than they were in the early 1980s. In addition, uncertainty is being created by several outstanding issues outlined below which could have a significant impact on sector viability:

- ° the question of how the government will deal with the problem of fabric availability;
- ° the possible ratification of the free trade agreement with the United States including the special rules of origin for the apparel industry;
- ° the degree of aggressiveness with which the government will pursue MFA restraint negotiations with new emerging suppliers; and
- ° the question of whether or not the duty remission program will be continued and what impact it might have on negotiated restraints levels;
- ° the question of access to the import market by shirt manufacturers themselves (i.e. ex-quota allocation).

Although a discussion of these issues is beyond the scope of this paper, it can be said that the strategic planning of the shirt manufacturers would be more aggressive and undertaken with greater confidence if these uncertainties were favourably resolved.

The following trends and developments are anticipated over the medium to long term:

(a) Sectoral Trends

- ° The level of import competition which has intensified considerably over the period 1981-1986, will continue to increase but at a marginally reduced pace as a consequence of a tighter import control regime and as the benefits of restructuring, rationalization and strategic adjustment by manufacturers slowly manifest themselves.
- ° Some improvements in the share of the market supplied by Canadian manufacturers are likely but only if adequate and reasonable levels of quantitative restraints offset the lower prices of imports.
- ° Shirt production in Canada will increase slightly but probably will not surpass the growth in the market anticipated at just over 2 per cent per year. Direct imports by manufacturers will continue to grow at the expense of imports by retailers.
- ° Less productive and efficient firms manufacturing the more price sensitive "volume" shirts will see their competitiveness erode slowly over the medium term resulting in additional plant closures. The resulting higher level of sector concentration should have a beneficial impact on productivity and competitiveness.
- ° Improvements in the industry's competitiveness through increased investment in new equipment and better production management will continue but import competition and the anticipated slow growth of the market is not likely to encourage sustained capital expenditures in these areas.
- ° Manufacturers are not likely to augment their production capacity outside increases associated with new more efficient equipment and plant engineering.

- ° The capital intensity of the shirt sector will continue to increase gradually but at a somewhat slower pace than during the period 1981-1986. This investment may be concentrated among more successful medium and smaller sized firms as they become more attuned to the necessity and benefits of new technology and product restructuring to achieve optional production efficiency.
- ° Technological improvements and other measures affecting productivity will continue to reduce the labour component of shirt production but the extent of the impact on production costs will depend in large part on whether or not the cost of wages continues to increase at its current pace.
- ° The impact of new technology on the industry should not be overestimated. Moreover, economically accessible technical developments which would have a profound impact on reducing costs and improving the efficiency of shirt production are not likely to occur over the medium term. The competitiveness of manufacturers will probably continue to improve not so much as a consequence of cost reductions, higher productivity or rationalization measures, but rather as a result of the ability of manufacturers to respond quickly to fashion changes, retailers' needs, and "Just-in-Time" delivery.
- ° In the less fragmented industry which is expected to evolve over the longer term, contractors will have an increasing role to play because of their flexibility.

(b) Developments - Duty Remission

Although the duty remission program has not been in place long enough to allow for an in-depth evaluation of its impact on sector competitiveness, the following is a preliminary view of some of the developments resulting from the measure:

- ° The benefits of the duty remission program will weigh heavily in favour of the larger more successful manufacturers who are already

significant importers. The program will enable these manufacturers to offer retailers better prices for imported and domestically produced goods while earning acceptable profit margins. This will encourage manufacturers to rationalize their product lines and increase domestic production.

- ° The control of the marketplace by the large department stores has given them a better bargaining position in negotiating purchases from shirt manufacturers. These larger retailers have been able to obtain a proportion of the duty remission benefits from manufacturers in the form of more favourable price points to support better off-price promotions. In return, manufacturers (mostly the large and medium sized firms) have received larger orders for their domestically-made goods. The smaller manufacturers who import and have remission entitlements do not appear to have derived any important benefits from duty remission as yet.
- ° The share of the market supplied by the larger more successful firms will increase not only at the expense of imports by retailers or wholesalers but also at the expense of the smaller domestic manufacturers whose resources cannot match those of the larger firms. This loss of market share by the less successful firms would occur even without duty remission but at a reduced pace dictated by normal market forces.
- ° Many of the smaller manufacturers who are not importers at the present time and have little desire to involve themselves in this market, may be placed at a competitive disadvantage because they do not qualify for duty remission benefits to the same extent as their larger competitors. The situation may change as smaller manufacturers become more aware of how to take full advantage of duty remission.
- ° Shirt manufacturers who do not rely on imports at present may experience an erosion of their market shares unless they are well positioned in specific market niches which are relatively insulated from both import and domestic competition.

The remission program will provide an indirect incentive for manufacturers who are not well positioned in the marketplace to become more efficient producers and better marketing strategists.

- ° The duty remission program should make it easier for sector firms to justify capital expenditures or to attract investment capital for their restructuring projects. The condition in the remission order that manufacturers must surpass their 1984 production level (except for the year 1986) to qualify for benefits, might create difficulties for some manufacturers who cannot meet this criteria. They could lose remission benefits and market share to the larger more successful firms and/or to new firms who do not have to meet the 1984 requirement by virtue of the definition of "manufacturer" in the measure.
- ° The remission program will bring some "spin-off" benefits for fabric manufacturers. The quantities of domestically-made fabrics purchased by shirt manufacturers will increase but not by very much given that under the terms of the order, considerable quantities of shirts made in Canada with imported fabrics (greige or otherwise) can be used to increase duty remission entitlements.
- ° With regard to the question of fabric availability, the remission benefits for eligible manufacturers will do little to offset the duty cost related to the importation of shirting fabrics. Most shirt manufacturers believe that government action to resolve the fabric availability question would do far more than the duty remission to improve the sector's competitiveness and would be less discriminatory in delivering assistance to manufacturers.
- ° There is some evidence that foreign manufacturers may be attempting to capture part of the duty remission benefits by increasing their margins on sales to domestic manufacturers. This is not likely to have a significant influence on the costs of imported shirts.

- ° Prior to the introduction of the measure, it was anticipated that retailers or importer/wholesalers might negotiate arrangements with contractors to take advantage of the latter's duty remission entitlements. However, at the writing of this report, contractors do not appear to have received many enquiries in this regard and there is a possibility that these duty remission entitlements will go unused. There appears to be little incentive for retailers to work with contractors given the definition of "manufacturer" and, more importantly, because contractors do not have contacts abroad or quota entitlements. There is little incentive for importer/wholesalers to work with contractors as the latter do not have direct access to the volume retailers.

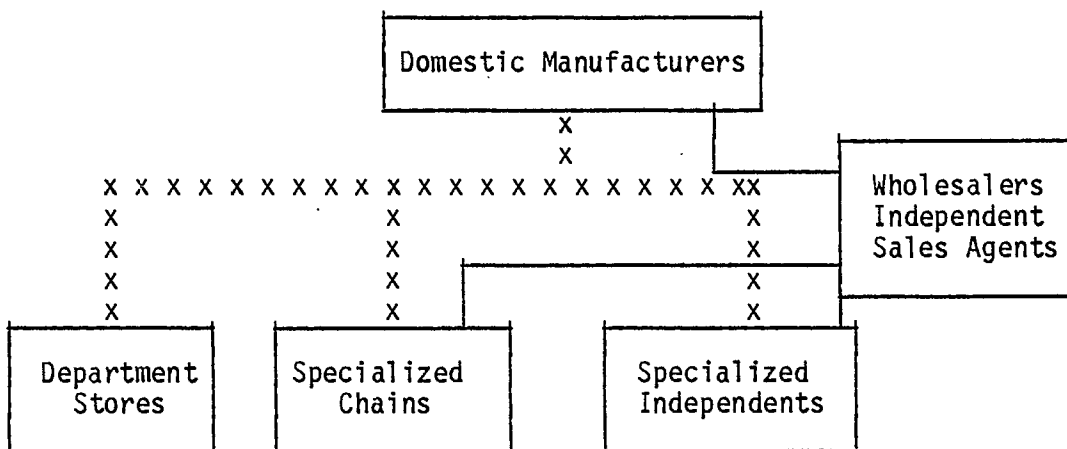
- ° The duty remission order will benefit importer/wholesalers who deal in shirts and possess quota entitlements by encouraging them to negotiate special arrangements with manufacturers. Other importer/wholesalers who have quota entitlements but have no contacts with manufacturers may be at a disadvantage.

PART VI
APPENDIX

TABLE 15
DISTRIBUTION STRUCTURE
Tailored Collar Shirts

Most frequent distribution: xx
 Less frequent distribution: _____

1. Canadian-Made Shirts



2. Imported Shirts

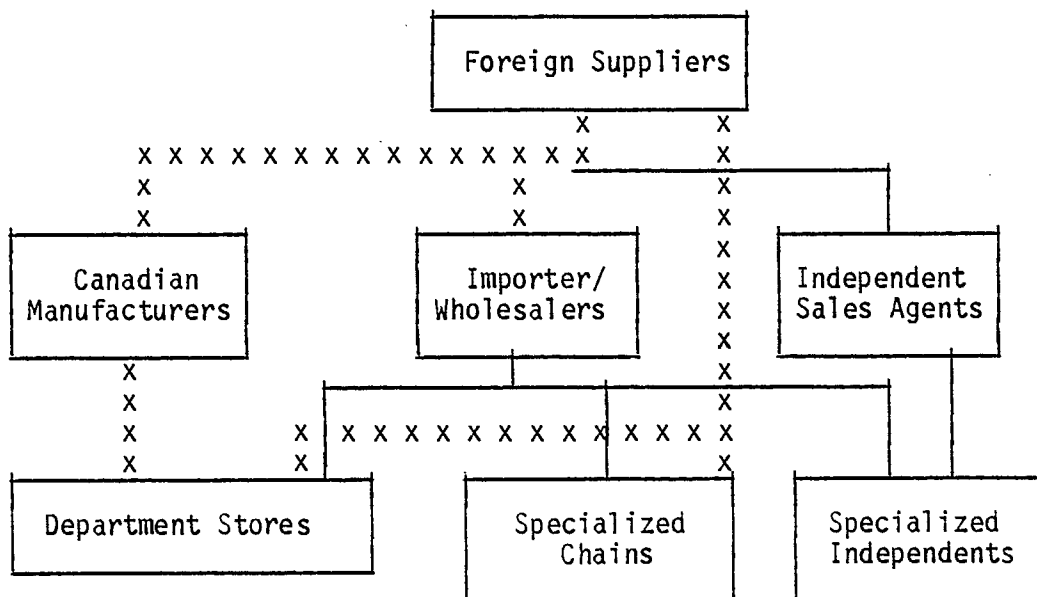


TABLE 16
SECTOR EVOLUTION
MEN'S AND BOYS' TAILORED COLLAR SHIRTS

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Manufacturers	39	45	39	34	32	30
Contractors	13	17	13	10	8	7
Employees	4,600	4,900	4,400	4,200	4,000	3,800
	Units (000)					
Domestic Shipments(1)	14,810	12,860	11,339	10,974	11,546	10,297
Less Exports	191	102	134	103	198	146
Net Domestic Shipments	14,619	12,578	11,205	10,871	11,348	10,151
Imports	11,806	14,123	14,457	18,349	23,209	25,926
Of Which Low Cost	(11,023)	(13,557)	(13,939)	(17,730)	(21,692)	(23,759)
Apparant Canadian Market	26,425	26,701	25,662	29,220	34,557	36,077
	Per cent					
Market Shares:						
Domestic Shipments	55	47	44	37	33	28
Imports	45	53	56	63	67	72
Of Which Low Cost	(42)	(51)	(54)	(61)	(63)	(66)
	Manufacturing Activity					
Man-Hours Paid*	6,616	6,483	5,846	5,632	5,430	n.a.
Wages and Salaries**	\$36,425	\$37,647	\$34,865	\$32,266	\$35,797	n.a.
Value Added**	\$94,812	\$97,693	\$85,013	\$75,166	\$79,906	n.a.
Value Added Per Man-Hour Paid	\$ 14.33	\$ 15.07	\$ 14.54	\$ 13.34	\$ 14.71	n.a.

(1) This data does not include shipments by contractors for government (federal, provincial or municipal) accounts. Data for 1986 is preliminary and subject to change when census data is available in 1988.

* Hours
** \$ 000

TABLE 17

**ESTIMATED PERSONAL EXPENDITURES
TAILORED COLLAR SHIRTS**

(\$000 unless stated otherwise)

	<u>Estimated Retail Value - Apparent Canadian Market</u>	<u>Units AMC</u> (000)	<u>Estimated Retail Value Domestic</u>	<u>Units Domestic</u> (000)	<u>Average Retail Unit Value Domestic</u>	<u>Per cent Increase</u>
1981	\$392,566	26,425	238,680	14,619	\$16.32	--
1982	\$395,300	26,701	211,244	12,578	\$16.79	+ 2.8
1983	\$377,705	25,662	191,821	11,205	\$17.11	+ 1.9
1984	\$463,216	29,220	186,412	10,871	\$17.14	- 0 -
1985	\$574,979	34,557	215,993	11,348	\$19.03	+ 11
1986	\$650,108	36,077	220,835	10,151	\$21.27	+ 11.8

	<u>Estimated Retail Value Imports</u>	<u>Units Imports</u> (000)	<u>Average Retail Unit Value Imports</u>	<u>Percent Increase</u>
1981	\$153,886	11,806	\$13.03	--
1982	\$184,056	14,123	\$13.03	-0-
1983	\$185,884	14,517	\$12.85	(- 1.4)
1984	\$276,804	18,349	\$15.08	+17
1985	\$358,986	23,209	\$15.46	+ 2.5
1986	\$429,273	25,926	\$16.55	+ 7

	<u>Population</u>	<u>Percent Growth</u>	<u>Men & Boys</u>	<u>Tailored Collar Shirts Value Per Capita Consumption</u>	<u>Tailored Collar Shirts - Units Per Capita Consumption</u>
1981	24,441,900	--	11,298,838	\$34.74	2.3
1982	24,723,200	+1	11,428,876	\$34.58	2.3
1983	24,964,300	+1	11,540,330	\$32.73	2.2
1984	25,209,400	+1	11,653,633	\$39.75	2.5
1985	25,446,200	+1	11,763,100	\$44.64	2.7

	<u>Tailored Collar Shirts Imports - Units Per Capita Consumption</u>	<u>Tailored Collar Shirts Domestic - Units Per Capita Consumption</u>
1981	1.0	1.3
1982	1.2	1.1
1983	1.2	1.0
1984	1.6	.9
1985	2.0	.7

TABLE 18

COMPARISON

CANADA - UNITED STATES

Production Costs per dozen and Indices of Production Costs
Men's Dress Shirts 65% Polyester/35% Cotton

<u>Total Costs:</u>	<u>Canada</u>		<u>United States</u>	
	<u>Best Firms</u>	<u>Typical Firms</u>	<u>Best Firms</u>	<u>Typical Firms</u>
Per Dozen	\$98.67	\$107.72	\$87.71	\$97.70
Indices	1.096	1.201	1.00	1.089
Cost less Cdn. Duties on Textile Components				
Per dozen	\$91.21	\$100.59	\$87.71	\$97.70
Indices	1.017	1.121	1.00	1.089

CANADA - UNITED STATES

Cost Structure Men's Dress Shirts
(Per cent of Total Cost)

	<u>Direct Labour & Fringe Benefits</u>		<u>Manufacturing Overhead</u>		<u>Raw Material & Other Accessories</u>		<u>Selling Gen. & Admin</u>	
	<u>Canada</u>	<u>U.S.A.</u>	<u>Canada</u>	<u>U.S.A.</u>	<u>Canada</u>	<u>U.S.A.</u>	<u>Canada</u>	<u>U.S.A.</u>
Best Firms	27.3	32.5	7.4	8.1	42.8	38.2	22.5	21.3
Typical Firms	30.1	34.9	8.3	8.8	39.1	35.0	22.5	21.3

Source: Report by Kurt Salmon Associates-Canada Ltd.

TABLE 19

Average Wholesale Price Indices Adjusted for
Exchange Rate Fluctuations

	<u>China</u>	<u>Hong Kong</u>	<u>Korea S.</u>	<u>Taiwan</u>
1981	1.00	1.00	1.00	1.00
1982	97.7	94.9	90.9	98.4
1983	93.1	84.8	82.1	106.9
1984	79.5	97.0	106.4	132.3
1985	83.2	99.9	105.5	149.2

**EXAMPLE OF BUYING DYNAMICS
TAILORED COLLAR SHIRTS**

- ° In developing their sales programs, major retailers of tailored collar shirts identify the particular retail market niches (quality, price, style) where their major sales efforts will occur (such as off-price promotions) and decide on the quantities and prices which the niches will sustain.
- ° Buyers then "shop" the Canadian and international markets to identify acceptable suppliers (domestic or foreign) based on the targetted market niches (quality, price, style) and on delivery lead times (3 months domestic; 6 months imports).
- ° Ultimately, the list of potential suppliers is narrowed down by the merchandise managers on the basis of which supplier might provide the best contribution to "bottom line" based on past experience.
- ° One or two companies are approached by retailers and the following negotiations might take place:
 - Sketches of the shirts as conceptualized by the retailer are shown to a manufacturer. In this example, the manufacturer is Canadian.
 - The initial quantities are discussed (i.e., 2,000 dozens). (In this example, it makes no difference to the retailer whether or not the products are imported or produced in Canada.) A delivery lead time of six months is requested by the retailer.
 - The retailer indicates that a mark-up of 55 per cent is required on a retail price of \$24.95 per unit. The manufacturer's price therefore should not exceed \$16.09.
 - The manufacturer is asked to supply a 10 per cent mark down allowance off the projected retail price.
 - The manufacturer is asked for a 5 per cent discount off the ex-factory price for payment within 10 days.
 - The manufacturer is asked for a 4 per cent advertising allowance off the ex-factory price.
 - The retailer insists on these discounts in the knowledge that the manufacturer is a large importer and is entitled to duty remission benefits.
- ° The manufacturer considers the retailer's proposal and indicates that the offer would be acceptable on the condition of a guaranteed rebuy of 2,000 dozens. After extensive negotiating, the retailer agrees.

- ° The following is an example of the margin considerations which the manufacturer took into account:

<u>Domestic Shirt</u>	<u>Imported Shirt</u>
Fabric: \$ 3.00	Purchase Price: \$ 3.20
Labour and Overhead: 7.50	Duty .80
Total Cost 10.50	Quota charges: 2.50*
	Freight & Administrative Charges 1.00
Selling: \$ 12.14	Landed cost: 7.50
($\$16.09$ less a total discount of $\$3.95$)	Selling: \$ 12.14
Margin: \$ 1.64 (<u>16% over cost</u>)	Margin: \$ 4.64 (<u>62% over cost</u>)

- ° The manufacturer decided to supply the retailer with 2,000 dozen of Canadian shirts and the remaining 2,000 dozens imports for a combined impact of:

<u>Domestic</u>	<u>Imported</u>
Total Cost: \$252,000	\$180,000
Total Selling: 291,360	291,360
Total Combined Selling: \$582,720	
Total Combined Cost: 432,000	
Margin: \$150,720 (<u>35% over cost</u>)	

- ° On the combined marketing program, the manufacturer's margin is 35 per cent which could not have been sustained by domestic production alone. Imports contributed significantly to the margin but, had the manufacture not been entitled to the benefits of duty remission, the landed cost of the imported shirts would have been higher. The manufacturer has met the retailer's profit objective and has developed a good relationship which is likely to lead to repeat business.

*Importers eligible for duty remission would probably pay a higher quota charge.

TABLE 20

TAILORED COLLAR SHIRTS - MEN'S AND BOYS' /
CHEMISES À COL FAÇONNÉ - HOMMES ET GARÇONS

IMPORTS / IMPORTATIONS

CONTROL NO. /
NO. DE CONTRÔLE

49

SOURCE/SOURCES	1975	1981	1982	1983	1984	1985	1986	JAN-AUG	JAN-AUG	Restraint Levels/ Niveaux des restrictions 1991
								1986	1987	
RESTRAINED/SOUS RESTRICTION										
'000 garments/vêtements										
Korea, South/Corée du sud	4,370	4,063	4,775	4,400	5,088	5,123	5,346	4,013	3,745	5,046
Hong Kong/Hong-Kong	2,895	1,905	2,507	2,331	2,866	3,026	2,808	2,048	1,929	3,036
Taiwan/Taiwan	2,300	1,750	1,581	2,381	2,723	2,739	2,622	2,041	1,645	2,507
People R China/Rép. pop. Chine	1,314	1,258	1,677	1,541	1,707	1,598	2,365	1,712	1,828	2,349
India/Inde	206	267	612	869	1,708	1,898	2,017	1,463	1,374	2,020
Bangladesh/Bangladesh	-	-	-	16	754	1,500	1,115	915	481	1,403
Malaysia/Malaisie	250	498	784	415	844	1,153	593	712	594	1,381
Mauritius-Dep./Maurice et dép.	-	-	-	-	43	552	874	545	376	922
Turkey/Turquie	neg	-	neg	-	-	92	817	335	1,584	1,327
Viet-Nam/Viêt-Nam	-	-	-	-	-	382	729	561	203	400
Sri Lanka/Sri Lanka	-	357	152	396	420	810	723	463	490	526
Indonesia/Indonésie	-	-	515	815	503	876	459	407	458	881
Singapore/Singapour	64	86	171	246	245	359	378	321	269	593
Thailand/Thaïlande	1	199	220	82	167	425	344	270	169	676
Pakistan/Pakistan	21	84	67	67	45	283	276	184	217	351
Macao/Macao	20	39	37	96	97	132	186	154	68	215
Philippines/Philippines	74	14	16	9	15	33	171	160	111	367
Romania/Roumanie	40	137	130	97	253	85	161	125	267	351
Bulgaria/Bulgarie	54	neg	-	-	28	164	91	59	104	270
Poland/Pologne	25	18	neg	-	-	-	-	-	-	7
Maldives Is./Îles Maldives	-	-	-	-	-	-	-	-	-	821
Korea, North/Corée du nord	-	-	-	-	-	-	-	-	-	-
Total Restrained/ Total, sous restriction	11,634	10,675	13,244	13,761	17,503	21,234	22,479	16,488	15,921	25,449
UNRESTRAINED LOW-COST/ SANS RESTRICTION, À BAS PRIX DE REVIENT										
Cuba/Cuba	-	123	199	170	92	190	624	368	461	-
Cwealth Af. nes/Af Cwealth nda	-	-	-	2	-	-	328	187	-	-
Nepal/Népal	-	-	-	-	1	42	114	72	77	-
Malawi/Malawi	-	-	-	-	-	10	53	23	-	-
Guatemala/Guatemala	1	-	neg	neg	neg	-	46	24	54	-
Hungary/Hongrie	neg	-	-	-	-	-	34	34	-	-
Puerto Rico/Porto Rico	-	-	-	-	-	-	19	18	7	-
Brazil/Brésil	15	3	neg	-	37	161	18	16	17	-
Egyptian A.R./Egypte, R.A.	-	108	-	-	-	-	12	-	39	-
El Salvador/El Salvador	-	-	-	-	20	36	10	10	-	-
Dominican Rep./R. Dominicaine	-	-	-	-	-	-	9	-	34	-
Zimbabwe/Zimbabwe	-	-	-	-	-	-	6	-	-	-
Emirates, U.A./Emirats, A.U.	-	-	-	-	-	-	4	-	67	-
Mexico/Mexique	3	3	3	3	3	5	2	2	4	-
Ecuador/Equateur	neg	4	1	1	1	neg	neg	neg	neg	-
Morocco/Maroc	2	-	1	1	65	4	neg	neg	neg	-
Afghanistan/Afghanistan	1	-	-	-	neg	-	-	-	-	-
Bolivia/Bolivie	-	-	1	-	-	-	-	-	-	-
Colombia/Colombie	-	-	-	-	-	-	1	-	119	-
Jamaica/Jamaïque	-	-	-	-	-	-	-	-	5	-
Peru/Perou	-	-	-	-	-	1	-	-	-	-
Costa Rica/Costa Rica	-	60	108	-	-	-	-	-	-	-
Haiti/Haïti	-	-	-	-	7	-	-	-	-	-
Honduras/Honduras	-	47	-	-	-	-	-	-	-	-
Panama/Panama	-	-	-	-	-	8	-	-	-	-
Total Unrestricted Low-Cost/ Total, sans restriction, à bas prix de revient	22	348	313	178	226	458	1,279	754	885	-

TAILORED COLLAR SHIRTS - MEN'S AND BOYS' /
CHEMISES À COL FAÇONNÉ - HOMMES ET GARÇONS

IMPORTS / IMPORATIONS (Continued/Suite)

CONTROL NO. /
NO. DE CONTRÔLE

49

SOURCE/SOURCES	1975	1981	1982	1983	1984	1985	1986	JAN-AUG 1986	JAN-AUG 1987
— '000 garments/vêtements —									
DEVELOPED COUNTRIES/ PAYS INDUSTRIALISÉS									
Cus. Un. S. Afr./Un. Dou. Afr S.	-	2	-	neg	1	332	896	467	1,083
Yugoslavia/Yougoslavie	-	-	-	-	-	191	307	243	150
United States/Etats-Unis	503	573	331	256	224	266	285	170	223
Italy/Italie	79	87	90	99	113	159	228	170	155
Portugal/Portugal	3	neg	12	6	128	252	149	126	65
France/France	92	71	50	71	89	145	143	109	61
United Kingdom/Royaume-Uni	149	4	38	52	21	72	45	33	18
Germany West/Allemagne. o.	12	12	27	8	13	21	36	19	22
Austria/Autriche	1	neg	-	neg	neg	1	28	neg	neg
Japan/Japon	37	7	4	8	7	32	20	13	18
Switzerland/Suisse	2	1	5	10	11	12	10	6	101
Spain/Espagne	2	9	3	5	4	12	8	7	4
Belgium-Luxemb/Belgique-Lux.	1	1	2	1	1	3	4	3	neg
Ireland/Irlande	neg	7	1	1	3	2	3	1	neg
Netherlands/Pays-Bas	2	neg	2	1	1	4	2	1	5
Finland/Finlande	1	2	neg	-	neg	5	2	2	neg
Denmark/Danemark	1	neg	-	-	-	1	1	-	-
Greece/Grèce	-	neg	1	-	neg	-	1	1	-
New Zealand/Nouv.-Zélande	neg	5	neg	neg	1	5	neg	neg	neg
Sweden/Suède	neg	neg	neg	neg	1	neg	neg	neg	neg
Norway/Norvège	-	-	-	-	-	1	-	-	-
Israel/Israël	2	-	-	-	-	1	-	-	-
Australia/Australie	neg	neg	-	-	-	-	-	-	-
Total Developed Countries/ Total. pays industrialisés	887	784	565	518	620	1,516	2,168	1,371	1,906
TOTAL ALL SOURCES/ TOTAL. TOUTES LES SOURCES	12,544	11,806	14,123	14,457	18,349	23,209	25,926	18,612	18,712

Totals may not add due to rounding.
Les totaux peuvent différer quelque peu à cause de chiffres arrondis.

TAILORED COLLAR SHIRTS - MEN'S AND BOYS' /
CHEMISES A COL FAÇONNÉ - HOMMES ET GARÇONS

IMPORTS / IMPORTATIONS

CONTROL NO. /
NO. DE CONTRÔLE 49

SOURCE/SOURCES	1981	1982	1983	1984	1985	1986 JAN-AUG 86	JAN-AUG 87	
RESTRAINED/SOUS RESTRICTION								
	--- '000 dollars ---							
Korea, South/Corée du sud	16,588	19,204	16,958	24,556	25,267	28,075	21,013	20,751
Hong Kong/Hong-Kong	10,263	14,039	13,799	18,465	18,948	19,126	13,435	14,224
Taiwan/Taiwan	7,145	6,621	9,243	13,573	14,886	14,751	11,094	9,844
People R China/Rép. pop. Chine	3,873	5,522	4,852	5,960	6,483	10,175	7,331	8,322
India/Inde	974	2,074	3,146	7,437	9,178	10,713	7,839	7,054
Bangladesh/Bangladesh	-	-	43	1,857	4,302	3,235	2,668	1,540
Malaysia/Malaisie	1,867	2,975	1,758	4,202	6,249	5,981	4,164	3,636
Mauritius-Dép./Maurice et dép.	-	-	-	138	2,679	3,802	2,406	1,640
Turkey/Turquie	-	2	-	-	461	2,672	1,252	6,363
Viet-Nam/Viêt-Nam	-	-	-	-	1,229	2,016	1,521	707
Sri Lanka/Sri Lanka	1,170	510	1,217	1,339	2,896	2,481	1,523	1,803
Indonesia/Indonésie	-	1,459	1,907	1,314	2,784	1,518	1,329	1,556
Singapore/Singapour	389	857	1,036	1,236	1,979	2,018	1,701	1,407
Thailand/Thaïlande	684	787	381	753	2,085	1,655	1,316	938
Pakistan/Pakistan	161	95	114	68	740	939	580	799
Macao/Macao	147	143	364	375	833	1,045	842	424
Philippines/Philippines	61	51	34	62	138	677	632	578
Romania/Roumanie	472	443	341	674	238	507	400	856
Bulgaria/Bulgarie	2	-	-	97	610	334	221	354
Poland/Pologne	67	2	-	-	-	-	-	-
Maldives Is./Iles Maldives	-	-	-	-	-	-	-	-
Korea, North/Corée du nord	-	-	-	-	-	-	-	-
Total Restrained/ Total, sous restriction	43,863	54,785	55,195	82,107	101,984	111,719	81,266	82,796
UNRESTRAINED LOW-COST/ SANS RESTRICTION, A BAS PRIX DE REVIENT								
Cuba/Cuba	304	490	413	224	346	1,569	852	1,257
Cwealth Af. nes/Af Cwealth nda	-	-	8	-	-	965	517	-
Nepal/Népal	-	-	-	6	176	460	272	347
Malawi/Malawi	-	-	-	-	37	247	67	-
Guatemala/Guatemala	-	1	1	neg	-	249	137	242
Hungary/Hongrie	-	-	-	-	-	112	112	-
Puerto Rico/Porto Rico	-	-	-	-	-	255	243	164
Brazil/Brésil	12	7	-	184	661	130	117	46
Egyptian A.R./Egypte, R.A.	272	-	-	-	-	40	-	114
El Salvador/El Salvador	-	-	-	92	181	33	33	-
Dominican Rep./R. Dominicaine	-	-	-	-	-	26	-	133
Zimbabwe/Zimbabwe	-	-	-	-	-	27	-	-
Emirates, U.A./Emirats, A.U.	-	-	-	-	-	14	-	229
Mexico/Mexique	15	12	11	12	14	11	11	13
Ecuador/Equateur	24	6	8	2	1	1	1	1
Morocco/Maroc	-	5	4	195	21	3	3	1
Afghanistan/Afghanistan	-	-	-	3	-	-	-	-
Bolivia/Bolivie	-	5	-	-	-	-	-	-
Colombia/Colombie	-	-	-	-	14	-	-	654
Jamaica/Jamaïque	-	-	-	-	-	-	-	14
Peru/Pérou	-	-	-	-	5	-	-	-
Costa Rica/Costa Rica	143	208	-	-	-	-	-	-
Haiti/Haïti	-	-	-	19	-	-	-	-
Honduras/Honduras	182	-	-	-	-	-	-	-
Panama/Panama	-	-	-	-	35	-	-	-
Total Unrestrained Low-Cost/ Total, sans restriction, à bas prix de revient	952	734	446	738	1,492	4,142	2,365	3,215

TAILORED COLLAR SHIRTS - MEN'S AND BOYS' /
CHEMISES À COL FAÇONNÉ - HOMMES ET GARÇONS

IMPORTS / IMPORTATIONS (Continued/Suite)

CONTROL NO. /
NO. DE CONTRÔLE 49

SOURCE/SOURCES	1981	1982	1983	1984	1985	1986 JAN-AUG 86	JAN-AUG 87	
DEVELOPED COUNTRIES/ PAYS INDUSTRIALISÉS				--- '000 dollars ---				
Cus. Un. S. Afr/Un. Dou. Afr S.	7	-	2	5	944	3,113	1,389	3,237
Yugoslavia/Yougoslavie	-	-	-	-	631	999	781	571
United States/États-Unis	3,274	2,028	1,752	1,998	2,436	2,702	1,629	2,176
Italy/Italie	606	680	1,001	1,801	2,739	5,056	3,564	4,188
Portugal/Portugal	neg	67	32	651	1,380	1,152	937	590
France/France	581	499	830	1,184	2,239	2,655	1,894	1,304
United Kingdom/Royaume-Uni	69	223	438	300	706	913	617	359
Germany West/Allemagne. o.	75	297	74	198	237	527	293	566
Austria/Autriche	neg	-	neg	4	13	97	10	5
Japan/Japon	50	27	57	56	252	343	208	369
Switzerland/Suisse	5	26	60	114	201	311	183	761
Spain/Espagne	44	12	54	61	179	161	136	92
Belgium-Luxemb/Belgique-Lux.	4	10	6	10	54	103	80	9
Ireland/Irlande	27	5	8	31	35	54	18	15
Netherlands/Pays-Bas	1	11	3	4	24	17	9	37
Finland/Finlande	7	1	-	9	118	35	35	11
Denmark/Danemark	1	-	-	-	17	26	-	-
Greece/Grèce	neg	4	-	neg	-	12	12	-
New Zealand/Nouv.-Zélande	71	1	5	16	86	8	3	2
Sweden/Suède	1	1	neg	5	1	2	1	neg
Norway/Norvège	-	-	-	-	11	-	-	-
Israel/Israël	-	-	-	-	25	-	-	-
Australia/Australie	1	-	-	-	-	-	-	-
Total Developed Countries/ Total. pays industrialisés	4,825	3,859	4,322	6,447	12,327	18,287	11,799	14,292
TOTAL ALL SOURCES/ TOTAL. TOUTES LES SOURCES	49,641	59,378	59,963	89,292	115,802	134,148	95,430	100,303

Totals may not add due to rounding.
Les totaux peuvent différer quelque peu à cause de chiffres arrondis.

TAILORED COLLAR SHIRTS - MEN'S AND BOYS' /
CHEMISES À COL FAÇONNÉ - HOMMES ET GARÇONS

IMPORTS / IMPORTATIONS

CONTROL NO. /
NO. DE CONTRÔLE

49

SOURCE/SOURCES	1981	1982	1983	1984	1985	1986 JAN-AUG 86	JAN-AUG 87	
RESTRAINED/SOUS RESTRICTION								
				--- unit value ---				
Korea, South/Corée du sud	4.08	4.02	3.85	4.83	4.93	5.25	5.24	5.54
Hong Kong/Hong-Kong	5.39	5.60	5.92	6.44	6.26	6.81	6.56	7.37
Taiwan/Taiwan	4.08	4.19	3.88	4.99	5.43	5.63	5.44	5.99
People R China/Rép. pop. Chine	3.08	3.29	3.15	3.49	4.06	4.30	4.28	4.55
India/Inde	3.65	3.39	3.62	4.35	4.84	5.31	5.36	5.13
Bangladesh/Bangladesh	-	-	2.69	2.46	2.87	2.90	2.92	3.20
Malaysia/Malaisie	3.75	3.80	4.23	4.98	5.42	5.99	5.85	6.12
Mauritius-Dép./Maurice et dép.	-	-	-	3.23	4.85	4.35	4.42	4.36
Turkey/Turquie	-	5.00	-	-	4.98	3.27	3.74	3.99
Viet-Nam/Viêt-Nam	-	-	-	-	3.21	2.77	2.71	3.48
Sri Lanka/Sri Lanka	3.28	3.37	3.08	3.19	3.58	3.43	3.29	3.68
Indonesia/Indonésie	-	2.83	2.34	2.62	3.18	3.31	3.27	3.40
Singapore/Singapour	4.53	5.00	4.21	5.06	5.51	5.34	5.30	5.23
Thailand/Thaïlande	3.44	3.58	4.65	4.51	4.90	4.81	4.87	5.56
Pakistan/Pakistan	1.92	1.43	1.71	1.52	2.61	3.41	3.15	3.69
Macao/Macao	3.74	3.89	3.31	3.88	6.31	5.62	5.47	6.20
Philippines/Philippines	4.45	3.08	3.86	4.16	4.19	3.95	3.94	5.20
Romania/Roumanie	3.44	3.40	3.50	2.67	2.79	3.15	3.20	3.20
Bulgaria/Bulgarie	4.93	-	-	3.53	3.71	3.69	3.76	3.41
Poland/Pologne	3.67	3.88	-	-	-	-	-	-
Maldiva Is./Iles Maldiva	-	-	-	-	-	-	-	-
Korea, North/Corée du nord	-	-	-	-	-	-	-	-
Total Restrained/ Total, sous restriction	4.11	4.14	4.01	4.69	4.80	4.97	4.93	5.20
UNRESTRAINED LOW-COST/ SANS RESTRICTION. À BAS PRIX DE REVIENT								
Cuba/Cuba	2.47	2.47	2.42	2.42	1.83	2.51	2.31	2.72
Cwealth Af. nes/Af Cwealth nda	-	-	4.78	-	-	2.34	2.76	-
Nepal/Népal	-	-	-	10.67	4.24	4.05	3.81	4.49
Malawi/Malawi	-	-	-	-	3.80	4.70	2.96	-
Guatemala/Guatemala	-	3.95	6.46	7.45	-	5.36	5.63	4.51
Hungary/Hongrie	-	-	-	-	-	3.33	3.33	-
Puerto Rico/Porto Rico	-	-	-	-	-	13.66	13.90	23.22
Brazil/Bésil	4.67	20.76	-	5.02	4.10	7.16	7.41	2.76
Egyptian A.R./Egypte. R.A.	2.53	-	-	-	-	3.36	-	2.94
El Salvador/El Salvador	-	-	-	4.69	4.96	3.25	3.25	-
Dominican Rep./R. Dominicaine	-	-	-	-	-	2.95	-	3.90
Zimbabwe/Zimbabwe	-	-	-	-	-	4.03	-	-
Emirates. U.A./Emirats. A.U.	-	-	-	-	-	3.15	-	3.39
Mexico/Mexique	4.52	3.77	3.39	3.94	3.00	5.47	5.51	3.53
Ecuador/Equateur	5.91	4.71	5.84	3.76	4.13	3.20	3.24	3.55
Morocco/Maroc	-	4.41	4.03	2.98	5.05	14.11	14.11	8.00
Afghanistan/Afghanistan	-	-	-	7.19	-	-	-	-
Bolivia/Bolivia	-	6.54	-	-	-	-	-	-
Colombia/Colombie	-	-	-	-	11.16	-	-	5.48
Jamaica/Jamaïque	-	-	-	-	-	-	-	2.75
Peru/Pérou	-	-	-	-	8.07	-	-	-
Costa Rica/Costa Rica	2.40	1.93	-	-	-	-	-	-
Haiti/Haïti	-	-	-	2.81	-	-	-	-
Honduras/Honduras	3.85	-	-	-	-	-	-	-
Panama/Panama	-	-	-	-	4.23	-	-	-
Total Unrestrained Low-Cost/ Total, sans restriction, à bas prix de revient	2.74	2.34	2.50	3.27	3.26	3.24	3.14	3.63

TAILORED COLLAR SHIRTS - MEN'S AND BOYS' /
CHEMISES À COL FAÇONNÉ - HOMMES ET GARÇONS

IMPORTS / IMPORTATIONS (Continued/Suite)

CONTROL NO. /
NO. DE CONTRÔLE 49

SOURCE/SOURCES	1981	1982	1983	1984	1985	1985 JAN-AUG 86	JAN-AUG 87
DEVELOPED COUNTRIES/ PAYS INDUSTRIALISÉS				--- unit value ---			
Cus. Un. S. Afr/Un. Dou. Afr S.	3.88	-	8.93	4.71	2.85	3.48	2.97
Yugoslavia/Yougoslavie	-	-	-	-	3.30	3.26	3.22
United States/États-Unis	5.71	6.13	6.84	8.92	9.14	9.48	9.59
Italy/Italie	6.94	7.34	10.14	15.98	17.27	22.15	20.95
Portugal/Portugal	9.89	5.55	5.15	5.09	5.48	7.72	7.43
France/France	8.14	9.85	11.63	13.36	15.46	18.53	17.44
United Kingdom/Royaume-Uni	15.42	5.88	8.41	13.98	9.76	20.08	18.68
Germany West/Allemagne, o.	6.37	10.90	9.65	14.75	11.08	14.60	15.79
Austria/Autriche	4.54	-	6.60	8.25	17.28	3.54	20.48
Japan/Japon	6.71	5.97	7.38	8.02	7.96	16.73	15.49
Switzerland/Suisse	4.57	5.45	5.95	10.00	16.13	32.67	29.37
Spain/Espagne	5.00	4.40	10.84	13.99	14.84	19.59	19.32
Belgium-Luxemb/Belgique-Lux.	5.85	5.03	8.99	8.28	19.27	28.51	28.80
Ireland/Irlande	3.70	6.67	15.83	10.78	16.67	19.42	26.64
Netherlands/Pays-Bas	4.18	6.00	3.39	3.58	6.18	10.45	9.23
Finland/Finlande	3.36	5.28	-	29.24	23.62	22.10	22.10
Denmark/Danemark	3.62	-	-	-	21.85	23.11	-
Greece/Grèce	4.37	2.81	-	5.21	-	11.00	11.00
New Zealand/Nouv.-Zélande	14.45	12.09	11.43	18.37	18.88	24.55	25.61
Sweden/Suède	3.42	3.44	8.85	4.49	6.45	8.58	8.14
Norway/Norvège	-	-	-	-	15.63	-	-
Israel/Israël	-	-	-	-	21.63	-	-
Australia/Australie	4.05	-	-	-	-	-	-
Total Developed Countries/ Total, pays industrialisés	6.16	6.82	8.35	10.40	8.13	8.44	8.61
TOTAL ALL SOURCES/ TOTAL, TOUTES LES SOURCES	4.20	4.20	4.15	4.87	4.99	5.17	5.13

Totals may not add due to rounding.
Les totaux peuvent différer quelque peu à cause de chiffres arrondis.

