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Important Financial Reports Show Textile Industry Prosperity—Belie Need for Import Quotas

SPEECH

OF

HON. JOSEPH D. TYDINGS

OF MARYLAND

IN THE SENATE OF THE UNITED STATES

Wednesday, April 10, 1968

Mr. TYDINGS. Mr. President, on March 27, I joined a bipartisan group of 34 Senators who believed that the textile quota amendment to H.R. 15414, the Excise Tax Extension Act, was unnecessary. We stated then that a unilateral textile quota would bring foreign reaction against U.S. exports and would thus impair the balance of payments; that it would damage the climate for U.S. businesses with operations abroad; that it would damage the delicate international economic negotiations in progress. We also pointed out that the economic indicators for the textile industry showed that new special import protection for the industry is unwarranted.

Today I submit for the RECORD two documents which strongly substantiate the argument that the economic case for protection of the textile industry is weak. On the basis of the information I am about to present I would suggest further that additional import protection could actually interrupt some important economic forces that are making the industry much more competitive and profitable. On the basis of these data, I strongly urge the House-Senate conferees to remove the textile amendment from the House-passed bill.

These documents are, first, the April 1968 monthly letter of Goodbody & Co., entitled "The Textile Industry: Material Improvement in Prospect." Second is a special progress report on textiles by the investment research department of E. F. Hutton & Co. Both Goodbody and E. F. Hutton are major brokerage firms.

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Both companies' reports recommend the purchase of selected textile company stocks on the basis of their analysis of short- and long-term economic forces at work in the industry.

Goodbody concludes that:

The industry has learned to live with such problems as growing imports and rising wages. The emergence of large integrated mills staffed with professional managements has greatly strengthened the textile industry's financial position and enhanced the investment attractiveness of the group. Selected textile issues, we believe, now offer attractive buying opportunities.

The outlook is for some increase in imports this year, especially synthetics. However, we believe that the U.S. textile industry's ability to meet competition through quality, service, new technology, and highly efficient facilities will go far to stem the inroads made by imports.

The Hutton report confidently forecasts the future of the industry as follows:

Assuming reasonably favorable economic conditions, we believe the industry can show a year-to-year gain of at least 12% in sales over the estimated $18.8 billion figure of 1967: This would produce full year sales of around $21 billion. Meanwhile, the absence of new plant start-up costs, the vastly improved operating efficiency now beginning to make itself felt at the mill level and the higher selling prices now in effect should enable most companies to record considerably larger increases in profits, with or without a tax increase.

The Goodbody letter underlines the new technological developments, the result of a recent textile industry emphasis on increased research and development expenditures. This new emphasis has vastly contributed to a more vital industry. Among these developments are: durable press and soil release processes; new fabric bonding techniques; new knit stitching techniques; a new process for interlocking fibers without weaving them, and stretch fabrics.

These new processes, plus increasing consumer textile consumption as a percentage of disposable income, have resulted in greatly increased sales this year. The Hutton report indicates that:

The unexpectedly heavy demand for carpets, permanent press sheets, pillow cases, tablecloths, drapes and thermal blankets is largely responsible for the boom in household fabrics, while the steady increase in orders for auto upholstery and carpeting and tire cord has helped sales in the industrial area.

In regard to prices, Hutton says:

With demand for many products in a sharp uptrend and no significant additions to capacity likely in the near future, the outlook is favorable for a generally strong price structure for the industry during the remainder of 1968." Hutton concludes that the combination of "higher sales, better prices, absence of plant startup costs, and increased operating efficiency should enable the industry as a whole to record a year-to-year gain of at least 15% in after-tax profits over the estimated $530 million figure of 1967 despite the possibility of a tax increase.

I ask unanimous consent that the material be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AN INDUSTRY SURVEY: THE TEXTILE INDUSTRY MATERIAL IMPROVEMENT IN PROSPECT

(By Goodbody & Co., 55 Broad Street, New York, N.Y.)

After a year which saw a slowdown in the general economy and a severe profit squeeze for most textile companies, it appears that a turnaround has taken place in the textile industry and that the improvement from the low point reached in the first half of 1967 will continue this year. Apparently, the industry has learned to live with such problems as growing imports and rising wages. The emergence of large integrated mills, staffed with professional managements, has