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"A Descriptive Examination Of The Textile Industry
In North Carolina from 1970 to 1987"

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Introduction

Over the past seventeen years, the textile industry in the United States has experienced many changes which have been a result of a combination of economic, governmental, and international factors. North Carolina is the home to over 1200 of the nation's estimated 6000 textile companies which have been tremendously affected by the metamorphosis of this industry. The reliance of North Carolina's economic stability on this industry merits a serious study.

The first issue that one must address is "What were the effects of this period on North Carolina textiles?" North Carolina's textile industry was characterized by greater reductions in profits, lower productivity rates, increased declines in employment, shrinking market shares, and an overall reduction in sales in certain market segments than in any other recent period in history.

In order to imagine the significance of the events during this period, one must have a working knowledge of the movement of the textile industry from the North to the South and the development of this industry in North

Carolina. The economic conditions and government policies, prevalent during this period, relative to the textile industry, should be examined on a national level since they directly affect North Carolina's industry. The import situation, which also relates to the two previously mentioned factors, is an issue itself that will be discussed. An overview of the North Carolina textile industry from 1970 to 1987 will be presented while focusing on several dominant companies which have operating facilities in North Carolina. From an accumulation of these separate examinations as well as other indications, a general outlook for the North Carolina textile industry will be formulated. At this time, there seems to be a favorable outlook according to public opinion. However, this assessment of the future outlook for the textile industry can only be determined accurately by proceeding with this study.

Historical Perspective

Although the lack of certain dated records prohibit an exact determination of the first textile mill in North Carolina, it can be estimated that it was 1790. However, the development, in any noticeable measure, did not

substantially reveal itself until about the year 1880.[1] From the beginning in 1790 til 1900 it was a struggle of gradually increasing intensity and extension.

It has also been estimated that manufacturing development throughout the South might have been at about the same pace as in New England except for the combined influence of the invention of the cotton gin, the institution of slavery, and the checking of immigration. As cotton and slavery advanced, the population of free white textile workers resorted to mountain farming, thus, many of the white industrial workers of 1800 became the poor mountain farmers in 1850 and the owners of factories who operated with free white labor in 1800 became the cotton planters operating with black slave labor.[2] When slavery was abolished, the white people who had once abandoned the factories, for agriculture went back to supplying the labor for manufacturers as their fathers had done.

Even prior to the Civil War, it was evident that the South was well on their way toward economic self-sufficiency as part of a national impulse to break away from colonial commerce with England. It was documented that on March 4, 1775, in Chowan County, N.C. that a community met to encourage manufacturers in that county

through incentives. The chairman of the committee offered ten pounds sterling to the first producer in a certain time of fulled woolen cloth. Although the objectives of many offers such as this were political as well as industrial, the effect was still the same. The textile industry in North Carolina was vital to the accomplishment of colonial objectives.[3]

Most of the manufacturing was domestic rather than commercial in the early revolutionary periods. A typical cotton planter employed only a few white workers to instruct his negroes in spinning and weaving to manufacture a small amount of cotton and woolen cloth each week. A few plants may have approached a commercial character. In 1790, it was related that a "gentleman of great mechanical knowledge and instructed in most of the branches of cotton manufactures in Europe, has already fixed, completed, and now at work on the high hills of useful implements for manufacturing every necessary article in cotton", was in business in North Carolina.[4]

The history of the mills in the thirty years following 1810 are not clear. It can be established that there was little localization of the industry; there was frequent moving from one water power source to another with machinery being hauled about. During this period,

mill-building for the production of cotton cloth and twine coincided with the depressed conditions in the markets for raw cotton. For many planters and merchants, this provided the readiest means of diversification. Twenty mills were recorded as being built in North Carolina during the late 1820s and early 1830s, when cotton prices fell below twenty cents a pound. As prices for cotton fell below ten cents a pound in the late 1830s and early 1840s, a second period of mill-building occurred. At this time, the textile industry in North Carolina alone grew to forty-eight thousand spindles, even so the concentration was still in New England.[5]

Although textile manufacture was cut back somewhat during the 1850s due to a rise in cotton prices which redirected investment back into slaves, land, and rail transportation, a certain stability had developed. By 1860, North Carolina had 39 cotton mills, 41,384 spindles, 761 looms, and 1,764 workers-producing goods worth \$1,046,000.[6] In spite of the destruction and disorganization brought on by the Civil War, the manufacture of textiles in the South continued. By 1870 the industry had almost recovered to its pre-war levels. Between 1870 and 1880, sixteen new mills were built and the average number of workers per mill rose by fifty

percent. Total production rose from \$1.345 million to \$2.554 million. By 1890, there were forty-nine mills owned by the same planter families- Shenk, Fries, Holt, Linberger, Morehead, Odell, Leak, Battle, Patterson, Cameron, and Murchison - who had owned mills before the war. [7]

In the late 1870's and early 1880's, two obstacles for the textile industry were identified. An expansion of the industrial labor force into textiles would require enormous capital outlays which was not readily available within the still small-scale industry. Also, the availability of monies from the agricultural proletariat did not necessarily guarantee the availability of a sufficiently large and capable labor force for textile industrialization.

In order to provide large amounts of capital for expansion, both local and external sources were utilized. If North Carolina was to compete in national markets, it was necessary to acquire the latest in textile machinery. After the Civil War, southern entrepreneurs were skeptical about investments by northern-owned capital. They were convinced that industrialization had to be indigenous in origin, or at least appear that way. The great majority of cotton mills in the South were built

from "the combined capital of many of little means." [8]

A major promotional effort by the Chambers of Commerce, newspapers and industrial "evangelists" publicized the benefits of small communities pooling their profits and savings to organize cotton mills. Investments were presented as a wider campaign for the improvement of the South. A typical strategy was for local entrepreneurs to raise as much capital as possible locally, providing at least enough for a mill, and the other basic infrastructural requirements, and then to appeal to Northern textile machinery manufacturers to provide machinery in return for a share in the stock of the newly formed company. Commission agents in New York often provided the additional capital needed in return for stocks or for being granted the mill's agency contract.[9]

In North Carolina, the rapidly expanding tobacco industry also provided capital for textile industrialization in a number of ways. For instance, in Durham, North Carolina, the first textile mill, the Durham Cotton Manufacturing Company, was created in 1884 with a capital stock of \$130,000 which came from Julian Carr's interests in a tobacco company. In another instance, in 1900, the Hanes Brothers sold their tobacco

company in Forsyth County to invest in hosiery and knitting mills.[10]

The formation of a textile working class was another major obstacle to industrialization. Workers viewed cotton mill labor as temporary work while agriculture was between seasons. The fear of disrupting the agricultural labor force by creating competition for jobs and the need to keep labor costs down in order to be able to compete in northern markets ruled out the use of wage increases to stabilize the labor force.

In order to build a stable labor force, the benefits of textiles mills were publicized using many of the themes developed by New South propagandists since the Civil War. The campaign to extend textile production after 1880 was presented as an element of social betterment to rehabilitate the "poor white" and protect him from the competition of cheap black labor. The mill community was soon viewed as a "family". The building of a textile labor force also was aided by the widely publicized idea "that textile industrialization was a part of a larger plan of industrial and agricultural diversification in the New South's economic war against the North. . . "[11] Once workers were drawn into the textile mills on a permanent basis, the owners recognized

the need to keep them there while also reducing the threat of unionization. Social and geographical isolation of mill communities made this possible.

Mills were located in very rural areas while company housing was provided for families in which every member, including children, worked in the mills. Mill owners also maintained control over the political, economic, and spiritual lives of employees through provision and control of school, churches, recreational facilities, medical facilities, and virtually all aspects of mill village life. Textile industrialization continued to follow this pattern of rural isolation into the twentieth century.

During the 1920s and 1930s the difference between the rates of labor exploitation in the Carolina Piedmont and in New England was the crucial factor in the relocation of the cotton textile industry to the South. By 1939 there were 19.3 million cotton spindles in the southern states of which 6.5 million were in North Carolina alone as compared to 9.7 million in the whole of New England.[12] Relocation permitted a significant increase in surplus value through increases in work hours, exploitation of women and children, reduced wage levels, and increases in worker productivity. The

following chart is a comparison of North Carolina to Massachusetts which reveals the value added in 1919 and 1939.[13]

Table 1
Cotton Goods Manufacturing: North Carolina and
Massachusetts, 1919-1939

	(a) Establish- ments	(b) Wage Earners	b/a	Labor Cost	Product Value	Value Added
1919						
N.C.	311	67,297	216	49.1	318.4	131.6
Mass.	191	122,499	641	109.9	596.7	237.0
1939						
N.C.	341	109,795	322	74.9	324.3	165.4
Mass.	121	37,923	313	31.6	99.3	51.5

*Values and Costs in millions

It is not the intent of this study to overlook that there were other crucial factors in the relocation of the cotton textile industry to the South. Cheapness of transportation of raw cotton grown locally, nearness to markets for finished goods, economy of power, and even the degree of humidity were all competitive advantages for the South.[14] During the early relocation to the South, 1859-99, New England mills were forced to cut production in response to the depression following the Panic of 1893 while southern mills continued to operate at full capacity. This was largely due to the stable foreign markets for the cheap coarse cotton cloth

produced in southern mills and the ability to "squeeze" their labor with little influence from government legislature or unionized workers.[15] Also the development and marketing of ring spinning and the automatic battery loom in the 1890s probably pressured a relocation. New England mill owners were not able to exploit "cheap labor" or unskilled workers which could operate the new machinery with little difficulty. Unless the northern manufacturers relocated, they were unable to match the southern states' new levels of productivity provided by the new machinery.

By the end of the 1930s the Carolina Piedmont region had replaced New England as the center of American cotton textile production. This illustrates the developing relationship between the North Carolina economy and the competitive growth process in a once-labor-intensive industry.

The following half of a century for the textile industry in North Carolina proved to be a series of ups and downs. The cotton textile industry fell behind in the years to come in its ability to compete with newer, more capital intensive industries for investment capital. As we proceed with this study, we will see how the textile industry, once labor intensive, became a capital

intensive industry itself. At this point in this examination our attention will divert to three major factors, beginning in the early 1970s, which have impacted the textile industry in North Carolina.

Economic Conditions Affecting The Textile Industry

In order to understand the condition of the textile industry from 1970 to 1987, the economic factors affecting the past and present characteristics of the industry must be taken into consideration. The first major event was the 1973-1974 recession which in some ways hit the industry harder than the recent 1980s recession. During the time of the 1973 recession, the industry was much more labor intensive than it is now. At this same time, the textile industry, which is one of the country's top ten consumers of energy, was faced with enormous fuel bills when the price of oil was at a record high.[16] Coinciding with this recession was a sudden shift away from double knits which many companies had already heavily invested in. Overall spending on apparel and other textile products was low. With increasing operating costs and lower sales, earnings were logically down also. In 1975, profit in the industry declined

sixty-nine percent and the industry recorded an all-time low of one percent of sales that year.[17]

The textile industry was not hit hard by prevailing economic conditions in the United States again until the early 1980s. According to a Kurt Salmon Associates Inc. survey of the textile industry, the recession was a major cause of poor performance which is evidenced by a 37% decline in operating earnings in 1982 from 1981. The forty-eight companies covered in the KSA Textiles Profile suffered a 9.3% drop in sales in 1982 versus fiscal 1981. Comparatively, net profits for the industry dropped to 1.5% of sales in 1982, excluding extraordinary items totalling \$129 million. This poor performance was also suffered by textile customers-apparel manufacturers, home, and industrial users. Different market segments were affected in varying degrees with the fabric producers being hit the hardest in part due to vulnerability to import competition. Yarn spinners and home manufacturers suffered the smallest sales declines in 1982 and as we will later investigate, continued to suffer the least up until 1987.[18]

Import Situation: 1970-1987

By the end of the 1970s, American textile makers found themselves faced with shrinking domestic sales largely because of rising imports. As Table 2 in Appendix A indicates, U.S. imports of textile and apparel products have been on the rise for the majority of the years since 1974.[19] Between the years of 1974 and 1978 there was a steady increase in the amount of imported textiles flooding into U.S. domestic markets. Then in 1979 through 1981 there was a sharp increase of almost five billion dollars of textiles each year. The accepted explanation for this surge of imports will be discussed in the following overview of the policies of the major sources of U.S. imports and the United States trade policy.

The phenomenal growth in textile and apparel imports from developing countries to the United States since 1974 is generally regarded as a result of the competitive advantage of low-cost labor maintained in these countries.[20] Labor costs can be from thirty to forty percent lower in the major overseas textile sources than in the United States.[21] However, the view that

increasing imports are due to low labor costs alone is too simplistic. There are other factors which may play as crucial a role in the stimulation of exports of developing countries. "Export-led growth" strategies which developing countries have adopted in the 1970s and 1980s are promoted with the intention of generating trade surpluses which can be used to finance overall national development. National governments of developing countries who are major textile sources have provided a variety of incentives including direct subsidies, tax breaks, soft loans, exemptions from custom duties on imported raw materials and manufacturing equipment, and export subsidies. For example, in 1979 China shifted its industrial development emphasis from heavy industry to light and textile industries. The textile industry is being given priority access to raw materials, a huge amount of investment capital has been channeled into textile sectors, and a considerable amount of foreign exchange has been allocated to importing textile and apparel production equipment. The government of Korea designated textiles as a priority sector in 1981 to increase export earnings. This has been accomplished through the availability of government loans at low interest rates and other benefits to the industry. An

announcement was made in 1987 by the Korean government that a new promotional plan would make Korea "the number 1 textile exporter in the world by the end of the century." [22]

Cartels, which are illegal in the United States, are another factor which stimulates exports of developing countries into the United States. In Japan, government-sanctioned cartels have been implemented in the textile and fiber sectors to enable these industries which are burdened by excess capacity to survive recessionary periods. Cartels are generally implemented in conjunction with import sanctions. Cartels also provide a "dumping ground" of export markets since they permit producers to maintain relatively high prices in their protected domestic markets while disposing of surpluses overseas at much lower prices. [23]

While low labor costs still remain a major factor in the increase of imports into the United States, export-led growth strategies and cartels of developing countries play a significant role also. From 1974 to 1981, the United States' share of total developing country exports of textiles and apparel showed little variation and averaged about 26.5 percent. However, there was a sharp increase after 1981, increasing from 26.3 percent in 1981

to 40.8 percent by 1985. Now in 1987 the United States receives the largest share of developing country exports which is 58.9%. It also imports more apparel from developing country exporters than all other nations combined. The European Economic Community imports 22.7% of the developing country exports in 1987. This latter figure was once larger but due to a substantially more restrictive regime in 1983, the United States has absorbed a far higher proportion of developing country exports than the European Economic Community.[24]

While there is no single cause behind the import surge beginning in 1983, the sharp appreciation of the dollar which began in 1981 can be pinpointed as one of the factors involved. While the dollar reached a peak in the first quarter of 1985, and has fallen since, import growth has continued, growing by 21 percent in real volume in 1986. These increases do not fit nicely with the exchange rate explanation. Furthermore, price effects of the strengthening dollar should not give rise to increased import volume under binding import quotas under the Multifiber Arrangement which will be discussed in detail in this study.

The reality of the surge of imports from developing countries is evidenced by the textile trade deficit

statistics. The U.S. textile trade deficit was a disaster in 1982 and continued in the same pattern through 1987. In 1982, it was an estimated \$7.4 billion, or 30% above the previous level in 1981.[25] This huge increase carried over into 1983 when according to the American Textile Manufacturers Institute, the textile and apparel trade deficit reached \$9.4 billion which represented over ten percent of the country's total trade deficit.[26] Despite the apparent slowdown in the growth of the nation's overall trade deficit, the textile and apparel trade deficit soared 17% to a record-breaking \$24.8 billion while exports from the same industry only totalled \$4 billion for the year. At present, the textile and apparel trade deficit is 14.5 percent of the nation's overall trade deficit. Textile and apparel imports, measured in square yards, in 1987, hit a new peak of 13 million square yards, a 2.3 percent increase over 1986. These figures are further evidence that while the same developing countries flooding the United States with imports, they are also protecting their own textile markets by restricting the amount of imports into their own countries. The effect of these drastic increases are felt by the domestic companies and the average American worker. According to Robert Laidlaw, president of the

American Textile Manufacturer's Institute, a select group of countries which include the People's Republic of China, Mexico, India, Egypt, and Turkey have increased their shipments of textiles by 358 million square yards, which represents 36,000 lost job opportunities for U.S. workers.[27] Relating this loss of jobs for textile workers closer to the realm of this study, in the first six months of 1986, more than 3000 textile jobs were lost in North Carolina. From 1980 to 1986, at least 48,000 textile jobs were lost in the State.[28] Of course, all of these jobs were not lost due only to the direct surge of imports into the United States. This import panademic has indirectly forced United States textile owners to invest in automated equipment and become a capital intensive industry rather than the labor intensive industry of the past century.

After interviewing representatives of three national textile companies who have plants in North Carolina and surveying twelve others, there was sufficient evidence to indicate that foreign imports are the most prevalent problem facing the long-range strategy of those companies. The larger companies have dealt with the import situation in order to remain profitable through various recovery means but for the smaller companies it has been difficult

to even survive. Some of the small, family-owned textile companies in North Carolina have gone out of business due to insufficient capital to implement a recovery plan as the larger companies have done. Out of fifteen textile companies who responded to a survey, one had liquidated in the past five years. It is difficult to determine the exact number who are no longer in business due to the size and closely-held characteristics of textile companies in North Carolina. Regardless of these figures, it is apparent that imports have and still are the major issue facing North Carolinian as well as American textile companies. The surge of imports into the United States has changed the industry or better yet, the industry has adapted in order to survive in this environment. A closer examination of the adaptations of the industry will be discussed in a later section of this study. In the interest of brevity in dealing with a discussion on the import situation, which is a monumental undertaking, this study will now reflect upon a third major factor in the condition of the textile industry: the role of government trade policy and import restrictions.

Government Role

The role of government in any industry is a difficult issue to address. In the United States, the ideology of "free trade" has existed since the founding of this nation. Although this ideology is coincidental with the concepts of liberty and freedom, it also clashes with the "protectionist" trade ideology of many of our trading partners. While the United States has some trade policies and restrictions, they are inconsistent with the policies of their principal trading partners. The most liberal trade regimes are those of the United States and the European Economic Community which regulate imports pursuant to the international Multifiber Arrangement. Most other markets are heavily protected, and in many markets, textile and apparel imports are banned altogether.[29]

The Multifiber Arrangement, passed in 1974 and renewed three times, has provided the framework for negotiating quotas with some twenty-four countries.[30] One of the problems within this agreement is that it does not include some of the most threatening exporting countries. Absent from the list is the People's Republic

of China, which grew seventy-three percent in textile and apparel exports in 1983 alone. Although textile executives and lobbyists argue that China should be subject to special import restrictions, federal policy has remained the same. It is interesting to note that Japan, which is one of the leading exporters of textiles to the United States, has elected to restrict textile and apparel imports outside the framework of the Multifiber Arrangement. Domestic producers in these countries can rely on a certain level of protection for their markets.

Each country in the Multifiber Arrangement is allowed to formulate its own textile and apparel import regime, with certain specifications. Despite the system of global trade regulation, world exports of textiles from developing countries have increased at a rapid pace. In 1974, the first year of MFA, world exports from developing countries were \$9.72 billion. By 1985, that figure had grown to \$35.4 billion. Over 90% of this growth represents shipments to the United States and the European Economic Community in particular.[31]

Many textile executives feel that the Multifiber Arrangement has not worked for their industry in the United States. While the U.S. government has taken so-called "protectionist" measures, other trading countries

have taken further action to protect their domestic markets. Also the United States has openly disregarded import controls under the MFA which has spawned a "disapportionate and extremely disruptive flow of imports into the U.S." according to William Klopman, Burlington Industries former chairman and Chief executive officer.[32] An example of ineffective implementation of the MFA involves Thailand which overshipped its quota in 1984 and 1985. Instead of holding the excess goods, the United States released them early and invoked no penalties to Thailand.

An alternative to the Multifiber Arrangement is legislation. In 1985, Congress passed a Textile and Apparel Trade Enforcement Act which the President vetoed. The measure would have rolled back garment and fabric imports from major producing nations such as Hong Kong, Taiwan, and Korea, to 1980 levels as well as grant one percent increases in each of the years after 1984.[33] The Textile and Apparel Trade Act of 1987 which has not been enacted at this time, provided global quotas for imports from all countries and contained no rollbacks.[34]

How the United States government should react to the import problem facing the textile industry is debatable.

Eleven companies out of fifteen in North Carolina that responded to a survey indicated that the government of the United States had a major role in determining the situation in the textile industry. Two of those companies felt that the government needs to enforce the present trade agreements, while one of these also felt that severe restrictions on imports would drive up the prices in our domestic markets in the long run. Nine out of the eleven indicated that government commitments to foreign countries need to be lowered, that enforcement of present trade regulations is necessary, and that even further restrictions should follow. According to Lawrence Leak president of Lawrence Knitting Mills, in Charlotte, North Carolina, the "government needs to further limit imports, force other countries to allow textiles to be imported or else not allow their textiles to be imported." [35]

The present and some previous Administrations have chosen not to enforce some of the existing trade restrictions or to enact the Textile bills presented over the past few years. It can be speculated that one of the reasons for this is to keep the level of inflation down in this country. The Administration claims that the import problem is under control but the facts and statistics presented earlier are contradictory to this

claim. In order to further see how the economic conditions, imports, and government policy are affecting the textile industry in North Carolina, a brief overview of this industry will be given.

Overview of North Carolina Textile Industry: 1970-1987

As it has already been stated, there are approximately twelve hundred textile companies in North Carolina. Many of these are relatively small; owned and operated by families or partnerships. The larger companies, Burlington Industries, Westpoint Pepperell, J. P. Stevens, Milliken and Fieldcrest Cannon, to name a few, each specialize in certain products or target markets. There are many smaller companies who specialize, Kimbrell Parkdale, for instance, who specializes in combed cotton yarn for high quality shirts and sheets; Dixie Yarns, who specialize in cotton thread and carpet yarn markets: Cone Mills, who focus on yarns for apparel and decorator and decorator fabrics; Macfield who specialize in yarns for industrial and home uses; and Glen Raven Mills who manufacture combed yarns, nylon yarns, and polyester yarns for industrial fabrics, luggage, and sportswear. Every company does not compete head on with every other textile

manufacturer-only those who specialize in the type of textile product.

The U.S. textile industry reached a peak in 1973 after a generation of growth. As new textile and apparel industries emerged in the Pacific rim countries and flooded the U.S. markets with their products, the domestic industry suffered a major decline. The period from early 1970 to 1983 was characterized by reduction in sales, high inventory levels, and lower productivity which eventually resulted in lost jobs, divestures of some businesses, and some liquidations for those who could not absorb those losses.

Burlington Industries, J.P. Stevens, and Westpoint Pepperell all compete head to head in various market segments. All three at one time from the period 1970-1987, were major producers of home furnishing products such as towels, sheets, and carpet. Westpoint Pepperell and Burlington also compete heavily in apparel products. The foregoing overview of Burlington Industries resulted from a personal interview with managing officer at the St. Pauls Plant in St. Pauls, North Carolina. Burlington Industries is the only one of the three major textile companies whose corporate office is located in North Carolina. Burlington is the nation's largest and most diversified manufacturer of textiles and related

products for apparel, the home, and industry. The company manufactures and merchandises apparel fabrics, yarns, carpets, rugs, draperies, bedspreads, automotive fabrics, and carpets and industries uses. Burlington operates approximately seventy plants in ten states and twelve plants in foreign countries.

Sales for Burlington Industries in 1986 were \$ 2,778.1 million, which was a .9 % decrease from 1985 sales of \$ 2,802.1 million. Inventories were in good balance with sales activity. There was a general improvement over conditions experienced in 1985 which resulted in less disruption of plant operating schedules and more efficient manufacturing performance, despite low operating rates.

Burlington is the leader in most of the home furnishings markets in which it participates. These markets have been generally less affected by imports than the apparel markets. So the company is continuously introducing new products to improve its position and keep its share of the market. Burlington has established a position in the market with a focused approach on its home products, which has remained at about thirty percent of its total sales between the years of 1982 and 1986. Burlington's apparel products are also a major focus of production, constituting an average of about sixty percent of total sales between 1982 and 1986. Although industrial

fabrics only constitute about eleven percent of 1986's total sales, this a two percent growth from 1982.

During the period from 1970 to 1983, Burlington, J.P. Stevens, and Westpoint Pepperell were severely affected by low price foreign competition imports, which came from labor-intensive industries, in which workers were paid anywhere from a quarter an hour to several dollars an hour. These three textile giants suffered losses in profits in some of the apparel market. Inventory levels built up to huge amounts while operating capacity had to be cut back. This resulted in thousands of lost jobs in North Carolina as has already been mentioned.[36]

Recovery Period: 1983-1987

In order to escape from being taken over by foreign competition, the North Carolina textile industry launched a remarkable recovery plan in 1983 and still going on in 1987. J.P. Stevens, Burlington, and Westpoint Pepperell began as the leaders in this reconstruction effort through huge capital investments in machinery which allowed them to cut labor costs significantly, and through divestments of less profitable businesses, consolidation of plants, and customer service oriented programs.

In 1986, J.P. Stevens completed a three-year restructuring of their company which involved capital expenditures for plant modernizations in 1985 of \$ 45.4 million and \$ 62.2 million in 1986. Over \$ 30 million of these huge capital outlays in 1986 were concentrated in Steven's home fashion textiles such as bathroom and kitchen towels, \$19 million was spent on industrial products, and only about \$ 7 million was spent on the apparel division. These capital investments were used to upgrade machinery and implement new technology. In Wagram, N.C., J.P. Stevens operates a plant which has been called the most modern facility for terry towel production

in the world.[37]

Stevens has chosen a focused business strategy to compete with imports through the expansion of the furnishings divisions. In order to accomplish this, they have also divested in the Woolen & Worsted Fabrics Divisions in a leveraged buyout of about \$ 500,000 worth of apparel products. Stevens has executed a total refocusing of the corporation in which the elimination of the finished apparel divisions will occur. Senior management at Stevens feels that the current and future growth prospects for textiles is in the home furnishings businesses. This has been brought about by a social movement in which more people are now staying at home for entertainment and relaxation. This will increase the demand for products to decorate the home. Through this type of market focus, Stevens can be a customer-service oriented company through quality products at a lower price. Stevens was the leader in the development of collection programs which a marketing campaign through the use of designer labels on towels and home products. David Tracey, Vice-Chairman of the Executive Committee of J.P. Stevens was responsible for the implementation of these collection programs. In an interview with Mr. Tracey, I was surprised to learn that J.P. Stevens towels carry the names of designers such as Ralph Lauren, Collier Campbell,

and Amy Vanderbilt. Since foreign competition had captured about eighteen percent of the towel business in America since 1983, Stevens recognized the necessity of a plan to retaliate. Through a quality, brand-name towel focus, the foreign competition will only be able to capture a portion of the cheap towel market. In 1970, the amount of imported towels was not enough to record. In 1987, foreign competition had captured 17-18% of the towel market.[38]

At Burlington Industries, \$1.5 million was invested in just one automated piece of equipment in order to modernize a plant. The yarn winding department is one of the most modern in the world which consists of Mirada winders, purchased from Japan in order to speed production time. The Pronto System is a material handling system used by Burlington to cut down on manhandling through electronic devices.[39] At Fieldcrest Cannon, \$11 million was invested in machinery and improvements for one pillowcase and sheet plant in Concord, North Carolina.[40] Kimbrell of Gastonia, North Carolina, was the first specialized yarnmaker in the U.S. to buy West German open-end spinning technology. By continuously introducing updated versions of the new technology, Kimbrell has cut labor costs by fifty percent.[41]

According to Bob Holroyd, General Manager of the Yarn

Division at Westpoint Pepperell, serving the customer has been Westpoint's key element in a restructuring program. Lead times have been improved which allows the product to be delivered faster than offshore competition. Westpoint has also spent millions of dollars on knitting machines which allow two and one half times the previous production capability.

The American textile industry is now considered by many to be the most efficient in the world. By comparison, Japanese mills are only 74% as productive as American mills and mills in Hong Kong are only 50% as productive. With these advances though, has followed a decline in employment in the textile industry. In 1982, there were 282,900 textile workers in the state and in 1983 there were 228,000. Burlington Industries, for example, reported that it has increased its capacity from \$2.7 billion to \$3.8 billion while reducing its number of employees from a 1973 high of 88,000 to 53,000 in 1982.[42] Although employment has suffered, most of the larger companies who have automated have retrained their workers for the skilled, high-tech labor required for the operation of new machinery. In some instances, the modernizations have created more jobs since the expansion allows more people to work.

For the smaller North Carolina manufacturer, the

modernized equipment has been difficult to obtain. The lack of capital to invest in multi-million dollar robotics and computerized knitting and weaving equipment has forced the smaller manufacturers of yarn to take a decrease in profits in order to survive. Consolidations with other small companies has been one way to survive. Those who have developed a strategy of targeting a niche in the market, investing as much as possible in the latest machinery to make them more productive, and cutting costs to the bone. All of these efforts are in hopes of dominating that niche eventually.

Even the dominant companies are resorting to mergers and takeovers in order to build a domestic textile empire that foreign competition will not stand a chance against. Recently, Burlington Industries merged with Morgan Stanley Financial Corporation to avoid a harsh takeover attempt by Dominion Textiles. In another takeover attempt, Westpoint Pepperell recently has offered to purchase all of J.P. Stevens shares in order to build a major textile empire. Westpoint Pepperell's senior management feels that a "marriage" of J.P. Stevens and Westpoint Pepperell is in order to stop foreign competition from successfully taking over the greater portion of the markets in the United States.[43]

Future Outlook: 1987-2000

After extensive research of the past and present conditions of the textile industry in North Carolina and examination of the major factors affecting the industry, the conclusion of this study involves three elements. First, the general outlook for the textile industry in North Carolina for the next ten to fifteen years is rather favorable; second, huge capital investments in robotics and computerized machinery will continue to take place; and third, mergers of major textile giants will likely occur.

According to ten out of the fifteen companies surveyed, small and large alike, the overall outlook seems to be favorable; although several of these ten did indicate that a positive outlook was dependent on certain factors. These factors involve the passing of the trade bill, the constant checking of imports, and the ability to generate enough capital for further modernization of plants.

To stimulate growth in the textile industry, the enactment of some form of the textile bill would give the industry the support needed for further recovery plans. Present trade regulations need to be enforced as well as

further restrictions with the developing countries.

It appears that large capital outlays necessary for updating plants with the latest technology will continue to be a major strategy for textile companies. As technology expands, so will the amount of profits poured into investment in machinery. In the future, more funds will be allocated to the research and development of new marketing campaigns like the collection programs as well as customer service improvement processes such as Quick Response programs to meet customer's needs faster.

Mergers and acquisitions will play a major role in restructuring the entire industry. It will become a global market industry in which only the strong will survive. The strong companies will get stronger and the weak will get weaker. At this point, there will be less inter U.S. competition with a shifted emphasis to global competition. The entire industry may become a segmented business-oriented industry in which the dominant companies of each geographic area will target a specific market.

It is the opinion of this researcher that the performance of the textile industry overall will be improved significantly within ten years. This performance, though, may be the result of liquidations of small companies and the loss jobs by many as the

productivity levels is increased through more extensively automated equipment. Many companies may suffer from the huge investments of profits into plant modernizations in the short term, but the long term advantages will be profitable.

As for the North Carolina textile industry, there will remain a select group of relatively small yarn and thread spinners and dyers. These businesses have survived their roughest period and will probably continue to survive as long as they can afford the new technology. As has already been mentioned, it is the larger textile operations who manufacture the finished products for the home and industry who will consolidate and become subjected to a restructured global market by the year 2000.

Footnotes

- [1] Broadus Mitchell, Ph.D., *The Rise of Cotton Mills In The South*. Mass: John Hopkins Press, p. 9.
- [2] Ibid, p. 10.
- [3] Ibid, p. 12.
- [4] Ibid, p. 13.
- [5] Phillip J. Wood, *Southern Capitalism, The Political Economy of North Carolina 1880-1980*. North Carolina: Duke University Press, p. 32.
- [6] Ibid, p. 32.
- [7] Ibid, p. 34.
- [8] Mitchell, p. 233.
- [9] Ibid, p. 34.
- [10] Ibid, p. 36.
- [11] Ibid, p. 39.
- [12] Ibid, p. 59.
- [13] U.S. Bureau of the Census, *Fourteenth Census, 638-39, 1120-21*; U.S. Bureau of the Census, *Sixteenth Census, 424-25, 728-29*.
- [14] Mitchell, p. 67.
- [15] Wood, p. 67.
- [16] Liz Seymour, "Robotics and Textiles," *Business: North Carolina*, p. 10.
- [17] "U.S. Mills Fight Against Recession," *Apparel International*, Sept. 1983, p. 53.
- [18] Ibid, p. 53.
- [19] Alan Wm. Wolff, *The Reality of World Trade in Textiles and Apparel*. Prepared for the Fiber, Fabric, and Apparel Coalition for Trade. 1987, p. 18.
- [20] Ibid, p. 10.
- [21] Seymour, p. 9.
- [22] Wolff, p. 11.
- [23] Wolff, p. 14.
- [24] Ibid, p. 21.
- [25] "Textiles for 1983: Keep your fingers crossed," *Textile World*, Jan. 1983, p. 40.
- [26] Seymour, p. 9.
- [27] "Textile Trade Deficit Soars," *Fieldcrest Cannon Today*, Vol. 2, No. 6, April 29, 1987, p. 1.
- [28] "Textile Vote Draws Criticism of N.C. Leaders," *The Fayetteville Times*, August 7, 1986, p. 11A.
- [29] Wolff, p. 3,4.
- [30] Seymour, p. 9.
- [31] Wolff, p. 6.
- [32] "Klopman on Textiles: We're Not Helpless," *Textile*

- World, January 1986, p. 35.
- [33] "Textile Vote Draws Criticism of N.C. Leaders,"
The Fayetteville Times, Aug. 7, 1986, p. 11A.
- [34] "Textile Legislation Makes A Comeback," Textile World,
March 1987, p. 23.
- [35] Lawrence Knitting Mills, Lawrence Leak, President.
April 1988.
- [36] Burlington Industries Annual Report, 1986.
- [37] Interview with David Tracey, Vice Chairman, and Tom
Gardner, General Manager, J.P. Stevens & Co. Jan.26,
1988.
- [38] Ibid.
- [39] Interview with Ron Deutch, Training Director, Burl-
ington Industries, February 16, 1988.
- [40] "Plant 6 Nears Completion," Fieldcrest Cannon Today,
Vol. 3, No. 3, March 2, 1988, p.1.
- [41] Inspiration and Imitation, " Forbes. Nov. 2, 1987,
p. 64.
- [42] Seymour, p. 11.
- [43] Interview with Bob Holroyd, General Manager of Manu-
facturing-Yarn Division, Westpoint Pepperell, March 25,
1988.

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Appendix A

