COMMISSION

COMMISSION RECOMMENDATION

of 20 September 1976

addressed to Member States concerning the tights and stockings subsector of the textile industry

(76/772/EEC)

I

1. The Commission of the European Communities has been made aware of disturbances existing in the tights and stockings subsector of the Community's textile industry, in particular by governmental notes and representations by trade federations.

2. The tights and stockings sector employed about 50 000 people in 1975, compared with 78 000 in 1971. Recent modernization of plant has resulted in a considerable increase in productivity, which has created overcapacity, estimated in 1975 at 45 % for the entire Community.

Consumption of tights and stockings, which has risen sharply up to 1969, remained stable between 1970 and 1975. Unit costs have fallen sharply as a result of the progressive simplification of the product, the increased productivity of machinery and the fall in its unit value.

In addition, access to the machinery market has become progressively easier as a result of the very extensive financial facilities available for the purchase of new machinery.

As a result, despite a continuous fall in prices, production and production capacity have continued to increase.

3. The Community industry in this subsector is characterized, on the one hand, by the existence of major manufacturing groups with a developed industrial structure, and on the other hand, by the appearance in recent years of numerous small-scale firms concentrated in specific zones of the Community. The activity of these small undertakings, which is constantly growing, now represents a substantial production capacity (15 % of Community production, of which 90 % is exported). Their output is distributed at prices prejudicial to the survival of other Community firms. In particular, the absence of a market structure has enabled certain traders to set these small firms in increasingly fierce competition with one another, with a view to obtaining ever lower prices.

A further disturbing element must be noted, namely the existence of an outward processing traffic, a practice which enables firms in certain Member States to get their products manufactured in non-member countries with labour costs lower than the Community average.

4. In the light of the abovementioned considerations, it seems that unless appropriate remedial steps are taken, an excess of supply at extremely low prices will continue to exist, resulting in new disturbances likely to lead to factory closures.

The Commission has noted with interest that, following a report prepared under its auspices, initial independent action has already been undertaken in the small-scale production centre of Castelgoffredo (Lombardy), with the creation of an Association of Tight and Stocking Manufacturers. One of the priority objectives of this association is to guarantee normal marketing by the creation of suitable mechanisms which will reduce the seasonal fluctuations of supply and demand and raise particularly low prices. The Commission would however point out that any agreement of this type must be notified if it is to be eligible for exemption under Article 85 (3).

Regarding outward processing traffic, the Commission would also point out that, under Article 6 of the Council Directive of 18 December 1975 concerning the harmonization of provisions laid down by law, regulation or administrative action in respect of outward processing [1], the competent authorities of the Member States may refuse to grant the benefit of outward processing arrangements when to do so would be likely to cause serious damage to the essential interests of Community processors.

Finally, it seems clear that new investments which would increase production capacity in this subsector would not be justified.

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[1] OJ No L 24, 30. 1. 1976, p. 58.

5. In order that the Commission may follow the development of the market situation, it is necessary that it should be sent by the Member States, by the 10th of each month, statistics regarding intra-Community trade in tights during the previous month.

6. The Commission is conscious of the fact that its recommendation may be insufficient to eliminate the disturbances occurring in this subsector; it nevertheless considers that the measures recommended constitute the first step towards regularizing the situation. It has the intention of following closely the evolution of production, consumption and trade, and reserves the right to take any possible initiatives within the framework of the provisions of the Treaty establishing the EEC.

II

Having regard to the foregoing considerations, the Commission of the European Communities accordingly recommends to the Member States that they should:

1. not encourage any increase in production capacity in the tights and stockings subsector;

2. not encourage for the products concerned, the contracting out of work to non-member countries whose labour costs are below the Community average;

3. communicate to the Commission during the first 10 days of each month statistics regarding intra-Community trade in tights (NIMEXE [1] statistical subdivisions 60.04-31 and 60.04-33 during the previous month), indicating quantities, additional units and value.

Done at Brussels, 20 September 1976.

For the Commission

C. GUAZZARONI

Member of the Commission

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[1] Regulation (EEC) No 3218/75 of 9 December 1975 (OJ No L 331, 24. 12. 1975, p. 310).