

industry group said yesterday.

New aircraft taxi in to CanJet

HALIFAX - CanJet has taken delivery of the first of some new aircraft designed to help open new markets, chief operating officer Julie Gossen said in a statement yesterday. The 120-passenger Boeing 737-500 is the seventh aircraft to join the company fleet. "This aircraft type, to be followed shortly by similar aircraft, has now been certified for commercial operations by Transport Canada and will join our fleet shortly," she said.

Air Canada plans 145 layoffs

Air Canada, the country's biggest airline, said yesterday it will lay off 145 mechanics, or about 70 per cent of its Calgary maintenance workers, because of slack demand from other carriers and the retirement of its Boeing 737 fleet. The layoffs will take effect April 16, Angela Mah, a spokesperson for the airline, said in an interview. The carrier has been operating under bankruptcy protection for the past year after accumulating more than \$12 billion of debt.

CEO April summit set for Tremblant

The fourth annual CEO Vision Symposium, which provides technology CEOs with an opportunity to meet, network and exchange ideas, will take place in Mont Tremblant April 1-3. Speakers at this year's event, organized by IT and communications firm InterlogiQ Network, will include Harvard professor Das Narayandas and executive coach Gaylene Xanthopoulos.

To obtain more information: www.ceovisionpdg.org

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stage for cheap garments from China and other low-cost producers to flood the market.

Retailers may be able to increase their margins on these inexpensive goods, but likely will still see their bottom lines eroded as giants like Wal-Mart keep slashing prices, forcing others to do the same.

The result, analysts say, will be deflation in the apparel industry.

"Say last year you paid \$100 for those pants and you may pay \$90 for them this year," said retail analyst Maureen Atkinson with the J.C. Williams consulting company in Toronto.

"For the retailer, all of their other costs are going up but only their base price is going down."

Atkinson added that if clothes are 10 per cent cheaper to buy, that doesn't necessarily mean that shoppers will buy 10 per cent more clothes, because their closets are still the same size.

"It's very much an issue for the apparel industry . . . and it's a challenge for retailers."

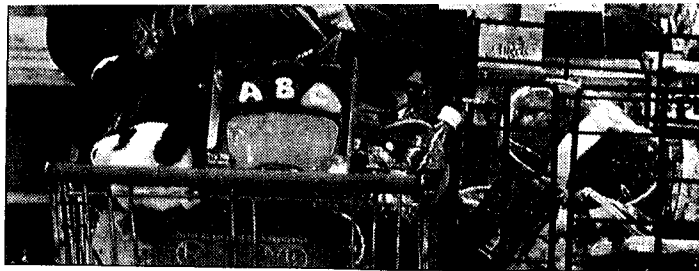
But it's not a challenge that has blind-sided those in the clothing industry. In 1994 Canada negotiated with China to remove quotas on imported clothing and textiles over a 10-year period.

The deal was related to the World Trade Organization's agreement on textiles and clothing under which WTO members would remove all quotas on textiles and apparel by 2005.

Sameer Ahmed, spokesperson for the federal Department of Foreign Affairs and International Trade, said the elimination of the quotas is "not just a China story."

"Although China is the predominant player in this," he said from Ottawa, noting that Chinese textiles and apparel are extremely competitively priced.

To help reduce the shock to the Canadian industry, Ahmed said the quotas have gradually been eliminated over the last 10 years and that the government has supported the move with funds to help affected industries "adjust and remain competitive."



Bargain-hunting at a Wal-Mart store: With trade quotas soon to be hard to beat, analysts say.

But the new status quo is certainly weighing on the minds of clothing retailers.

Canada's largest sporting-goods retailer, Forzani Group Ltd., is moving away from selling casual clothing, citing "too much competition on the casual side."

And during a conference call with analysts last week, Hudson's Bay Co.'s chief executive George Heller, noted the looming changes will squeeze clothing prices.

"The bad news is, starting in 2005, with the quotas coming off, there will be deflation in ap-

"With the quotas coming off, there will be deflation in apparel."

Hudson's Bay CEO George Heller

parel," said Heller, whose company operates the Bay, Zellers and Home Outfitters chains, and derives about 50 per cent of its revenue from clothing sales.

"This is a market reality for everyone and we have responded to this with our sourcing programs, with exclusive brands and basically having a stable of products throughout Hudson's Bay Co. that are unique to us, that deliver great value . . ."

Patricia Baker, an analyst with Merrill Lynch in Montreal, said in a report Friday that despite Heller's optimism her firm still has concerns over the fundamental sales trends - and the increasingly competitive landscape" for HBC.

On the other hand, retail analyst Gilles Benchaya, with Richter Consulting in Montreal, called the elimination of the

quotas "an opportunity" for retailers.

He said he liked the fact that the Bay is promoting its exclusivity by bringing in private label brands that might not have to be discounted when Wal-Mart cuts prices.

But he said the retailers that are going to be most successful once the quotas are fully lifted are the ones that have well-established foreign sources and that make shopping a special experience, such as women's clothiers Boutique Jacob Inc. and lingerie retailer La Senza Corp., and shoe company Aldo.

"Places like Wal-Mart are very difficult to compete against . . . but there's no charm or magic in going to a Wal-Mart," Benchaya said. "It's a pretty sterile environment."

Still, all retailers are going to have to come to terms with the fact that if they drop prices on their newly cheaper imports, they'll probably see revenues will drop.

"It's not a lot of fun," said an analyst who asked not to be named.

"You make less gross profit dollars on the same square footage than you used to make. Unit sales will go up, but probably not enough."

But the same analyst was a bit skeptical that the quotas would actually be lifted in January because the United States, in an election year and preparing to lift quotas as well, has already lost many manufacturing jobs to low-cost countries and angered its electorate.

"You get enough people complaining loudly enough, long enough, you may see sort of loosened quotas come in but not full-blown elimination."