



CALIFORNIA FASHION ASSOCIATION

444 South Flower Street, 37th Floor · Los Angeles, CA 90071 · ph. 213.688.6288 · fax 213.688.6290

Email: info@calfashion.org Website: www.californiafashionassociation.org

AS SEEN IN *WWD*

July 3rd, 2013

LA's Manufacturing Challenge

By Marcy Medina

Los Angeles area manufacturers are going to need regulatory relief — and a more global perspective — if they are to take advantage of the growing opportunities to bolster local apparel manufacturing.

This was among the messages delivered at a panel discussion on “The Future of U.S. Manufacturing and Opportunities in Los Angeles” moderated by American Apparel & Footwear Association chief executive officer Kevin Burke at the L.A. Chamber of Commerce last week.

The panel included several participants with manufacturing assets in Southern California, including Marty Bailey, chief manufacturing officer of American Apparel Inc., and Deborah Greaves, secretary and general counsel of True Religion Apparel Inc. They were joined by **Ilse Metchek, president of the California Fashion Association**; Tracy Gray, senior adviser to former L.A. mayor Antonio Villaraigosa; Carlos Valderama, senior vice president of global initiatives for the L.A. Chamber of Commerce, and André Raghu, chief strategy officer of Tradegood.

The vulnerability of L.A.-based companies was dramatized in April when the European Union boosted the tariff on U.S.-made denim to 38 percent from 12 percent. True Religion was forced to move production of a portion of its women's product outside of L.A. and the U.S. in response.

“The orders for these particular goods were placed some time ago at certain prices, and in order to meet those prices for sales in Europe, there was no way that we could ship from Los Angeles. So already jobs have been lost,” she said. “It's distressing.”

Metchek added, “It's not just women's denim, all areas of production are affected. Profits will go up, but jobs are lost. What suffers is the ‘Made in USA’ values.”

In addition to the tariff, manufacturers expressed concern about the extensive regulations in California, from the state's Proposition 65 — a statute regulating toxic chemicals which Gov. Jerry Brown has vowed to reform — to the requirements of the federal Affordable Care Act. The full force of state and federal regulations can make goods produced in California up to 20 percent more expensive than merchandise produced elsewhere.

“Our industry needs exceptions,” said Greaves. “Year after year more regulations on the state and federal level occur, and it doesn't seem to align with this whole government initiative of keeping manufacturing in American and Los Angeles.”

American Apparel's Bailey encouraged the audience to use these burdens to increase efficiency. “We should take a hard look at why we do things this way,” he said. “Look at every aspect of the pipeline in order to improve our costs. In many situations, challenges like increased tariffs can turn into blessings.”

Raghu said the growing pains are a necessary part of the transformation of the U.S. into an export economy. “This has a lot to do with the rebalancing of the global economy. As China is moving faster toward a

consumption economy it's changing things everywhere. We have an opportunity to look at things we thought were blips on the radar but are really critical. As an industry, we have to accept the things that we haven't done."

Tradegood works to facilitate U.S. manufacturing, and Raghu believes it is primed for a resurgence. "There is an understanding even by offshore players that there is value in re-shoring," he said. "Is it really that beneficial to go offshore when you consider the rising wages in China and the huge supply chain? A change won't happen immediately, but the jobs that should be here will come back."

Where will Made in USA product stand in five years? Burke said it was critical for American companies to expand outside of traditional markets, and remained hopeful that trade restrictions would ease in countries like Brazil. "Their protectionist regulations will begin to work against them. Their manufacturing base will drop, and they'll find themselves where the U.S. did 30 years ago," he said.

Metchek also believed that marketing is critical. "As an industry we've done a lousy job marketing the value in 'Made in USA.' Youths don't look at a clothing label to see where it's made. But look at the Apple ad that says 'Designed by Apple in California.' Obviously there is value added to something coming from the United States."

The panel was organized by the L.A. Mayor's office, the Los Angeles Regional Export Council and Tradegood.