

latimes.com/business/la-fi-la-garment9-2009oct09,0,586387.story

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APPAREL

L.A.'s garment industry goes from riches to rags

Weak consumer spending and a lack of financing are the latest blows to the once-thriving industry, which is also coping with new environmental regulations and consumer safety rules.

By Alana Semuels

October 9, 2009

The reality television show "Project Runway" this season is putting the spotlight on Los Angeles, where designers toil in a loft downtown, competing to win \$100,000 to start their own clothing line.

The local industry could use the boost. L.A.'s once-flourishing garment design and manufacturing industry is shedding jobs as quickly as a mohair sweater loses its fur.

Weak U.S. consumer spending is generating less demand for the services of the people who stitch, cut and sew clothing in Los Angeles County. Garment manufacturers are finding it tough to get credit. Some, like

American Apparel Inc., are dismissing employees whose papers aren't in order as the government keeps a closer eye on workers' immigration status. New environmental regulations are requiring textile mills to reduce their emissions, while makers of children's clothing are finding it costlier to comply with federal consumer safety requirements.

"It's a pretty lengthy list of headaches out there for apparel companies," said Jack Kyser, founding economist of the Kyser Center for Economic Research at the Los Angeles County Economic Development Corp. "These are several bottles of aspirin-worthy problems."



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As recently as a decade ago, downtown L.A.'s apparel industry was thriving. At the peak in 1996, more than 119,000 textile and apparel workers toiled in the Los Angeles County industry, the nation's largest.

But trade agreements that lifted tariffs on foreign-made apparel encouraged U.S. manufacturers to shift production to Mexico and Central America, where wages are significantly cheaper. Meanwhile, China has become a low-cost, mass-production juggernaut, with industrial cities dedicated to a single product such as socks.

Textile and apparel employment in Los Angeles County has slipped to about 58,000 workers currently, according to the California Employment Development Department. The industry has lost 6,000 jobs in the last three years.

Garment contractor Luis Diaz, owner of Luis Diaz Designs, has operated in the Merchant's Exchange Building in downtown Los Angeles since 2004. On a recent morning, in an airy room where spools of brightly colored fabric line the walls, a few workers sat stitching lace bathing suits and leather bracelets. The workroom is less crowded than it was a year ago, when Diaz employed a dozen workers.

"Now, it's really tough," said Diaz, who also designs his own lines of silk-and-leather suits and pink polka-dot purses. "I do the jobs of four people -- I answer the phone, I train the workers, I supervise."

This month, he couldn't afford his \$2,000 rent, so he asked his landlord for a \$300 reduction. Even with the discount, Diaz won't be able to pay his rent until mid-month, although he usually pays at the beginning of the month.

Diaz pointed across the alley to an empty factory space. Another garment manufacturer was there until a few months ago, he said, when it closed up shop.

Tight credit has squeezed many apparel firms. Even before CIT Group Inc., which provides short-term financing to small and mid-size businesses, hovered on the brink of bankruptcy, some small manufacturers found it difficult to come up with money to sustain them until they were paid by retailers.

"The credit crunch affects everybody," said Ilse Metchek, executive director of the California Fashion Assn. "Where does a company get their credit? Where does a retailer get theirs?"

Retailers are playing it safe by placing smaller orders from fewer companies while clothing sales are weak, Metchek said.

Meanwhile, government regulations are mounting. A plan approved last year by California regulators to cut the state's carbon emissions could raise compliance costs for textile mills, which employ 8,300 people in Los Angeles County, Kyser said.

Last year, Congress passed the Consumer Product Safety Improvement Act, which requires children's clothing manufacturers to pay for their garments to be tested for lead content. Children's apparel companies said this had added expense and confusion at an already difficult time.

"There are so many different regulations, you need a score card to understand them," said Brian Thaler, president of the Textile Assn. of Los Angeles.

Edie Marrs produces Geomio and Minawear, two lines of natural-fiber clothing and accessories. Amid all the uncertainty about the Consumer Product Safety Improvement Act, Marrs said, she canceled a children's line she had planned. Then the economy took a tumble, and sales of adult clothing slowed as well.

Business is down 80% from two years ago, when she had five workers on her payroll, Marrs said. Now she has no employees and runs her business out of her home.

"It's been devastating for the business," she said about the recession. "On the other hand, I'm still in business, which is more than I can say for my competitors."

Despite all the pressures they face in Los Angeles, Marrs and others say they stay because they can keep close watch over production and turn garments around faster than they could overseas. That's advantageous if retailers need to restock shelves quickly with hot-selling merchandise.

And Los Angeles continues to crank out design talent. There are 19 schools that graduate would-be designers every year, Metchek said, including the Fashion Institute of Design and Merchandising, which is hosting "Project Runway."

Those young, creative designers and small shops are the local industry's future.

The companies that succeed in Los Angeles will be those that find new niches, as apparel firms have done for decades, said Brian Weitman, owner of STC-QST, an L.A. company that supplies inner garment construction products such as zippers and buttons.

"The only constant is change," he said. "You change or you die."

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