



Ottawa, Tuesday, August 14, 2001

Preliminary Injury Inquiry No. PI-2001-001

IN THE MATTER OF a preliminary injury inquiry, under subsection 34(2) of the *Special Import Measures Act*, respecting:

**THE DUMPING OF LEATHER FOOTWEAR WITH METAL TOE CAPS,
ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA, EXCLUDING WATERPROOF FOOTWEAR SUBJECT TO THE
FINDING MADE BY THE CANADIAN INTERNATIONAL TRADE TRIBUNAL
IN INQUIRY NO. NQ-2000-004**

PRELIMINARY DETERMINATION OF INJURY

The Canadian International Trade Tribunal, under the provisions of subsection 34(2) of the *Special Import Measures Act*, has conducted a preliminary injury inquiry into whether the evidence discloses a reasonable indication that the dumping of leather footwear with metal toe caps, originating in or exported from the People's Republic of China, excluding waterproof footwear subject to the finding made by the Canadian International Trade Tribunal in Inquiry No. NQ-2000-004, has caused injury or retardation or is threatening to cause injury to the domestic industry.

This preliminary injury inquiry is pursuant to the notification, on June 15, 2001, by the Canada Customs and Revenue Agency, that an investigation had been initiated into the alleged injurious dumping of the above-mentioned goods.

Pursuant to subsection 37.1(1) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby determines that the evidence discloses a reasonable indication that the dumping of the above-mentioned goods has caused injury to the domestic industry.

The Canadian International Trade Tribunal finds that the question of whether there should be more than one class of goods merits further consideration. The Canadian International Trade Tribunal, therefore, requests the Canada Customs and Revenue Agency to collect information on the dumping of leather boots with metal toe caps, leather shoes with metal toe caps, and leather boots and leather shoes with metal toe caps combined.

Zdenek Kvarda
Zdenek Kvarda
Presiding Member

Patricia M. Close
Patricia M. Close
Member

James A. Ogilvy
James A. Ogilvy
Member

Michel P. Granger
Michel P. Granger
Secretary

The statement of reasons will be issued within 15 days.

Date of Determination: August 14, 2001
Date of Reasons: August 29, 2001

Tribunal Members: Zdenek Kvarda, Presiding Member
Patricia M. Close, Member
James A. Ogilvy, Member

Director of Research: Réal Roy

Research Manager: John Gibberd

Researcher: Joël Joyal

Counsel for the Tribunal: Marie-France Dagenais

Registrar Officer: Pierrette Hébert

Participants:

G.P. (Patt) MacPherson
Naila Elfar
for Shoe Manufacturers' Association of Canada

Richard S. Gottlieb
Darrel H. Pearson
Peter Collins
for Retail Council of Canada

Gregory Kanargelidis
Robert Kreklewich
for Canadian Association of Importers and Exporters Inc.
A.M. Footwear Inc. (Grand Imports Inc.)
CanRun Shoes Imports Ltd.
Shoe Blitz Inc.
H.H. Brown Canada Ltd.
ISECO Safety Shoes, A Division of Industrial Safety
Equipment Co. Ltd.
Jones Fair
Kodiak Group Inc.
Linear Canada Footwear
Payless Shoesource Canada Inc.
M.B. Marketing
Wolverine Canada Inc.

Angela Kakridonis
for Hush Puppies Canada Ltd.



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FINDING MADE BY THE CANADIAN INTERNATIONAL TRADE TRIBUNAL
IN INQUIRY NO. NQ-2000-004**

TRIBUNAL: Zdenek Kvarda, Presiding Member
Patricia M. Close, Member
James A. Ogilvy, Member

STATEMENT OF REASONS

BACKGROUND

On August 14, 2001, pursuant to subsection 37.1(1) of the *Special Import Measures Act*,¹ the Canadian International Trade Tribunal (the Tribunal) issued a preliminary determination of injury² relating to the dumping of leather footwear with metal toe caps (safety leather footwear), originating in or exported from the People's Republic of China, excluding waterproof footwear subject to the finding made by the Tribunal in Inquiry No. NQ-2000-004.

The Tribunal's decision was subsequent to the initiation, on June 15, 2001, by the Canada Customs and Revenue Agency (CCRA), of an investigation into the alleged dumping of the above-mentioned goods. The investigation was initiated following a complaint filed by the Shoe Manufacturers' Association of Canada (SMAC) on May 18, 2001.

CCRA'S DECISION

The CCRA conducted a margin of dumping analysis based on the normal values estimated by SMAC and the export price information declared on Customs documentation for the period from April 1, 2000 to May 31, 2001. The analysis indicated that 93.8 percent of the goods appeared to have been dumped, with margins of dumping ranging from 0.2 percent to 98.3 percent, expressed as a percentage of normal value. The estimated weighted average margin of dumping was 33.3 percent.

1. R.S.C. 1985, c. S-15 [hereinafter SIMA].
2. Subsection 2(1) of SIMA defines "injury" as "material injury to a domestic industry".

SUBMISSIONS

Domestic Industry

The complaint filed with the CCRA by SMAC was supported by six Canadian producers of safety leather footwear that are members of SMAC. The six producers are G.A. Boulet Inc., Canada West Shoe Manufacturing Company, L.P. Royer Inc., S.T.C. Footwear, Tatra Shoe Manufacturing Inc. and Terra Footwear Ltd.

Three other Canadian companies either have ceased production of safety leather footwear in the recent past or are in the process of ceasing production. They are Greb International and Company Ltd., Kaufman Footwear - Div. of William H. Kaufman Inc. and H.H. Brown Canada Ltd. (H.H. Brown). The CCRA also identified three companies that may produce safety leather footwear. They are Chaussures Vercorp Inc., Dayton Shoe Company and Pol-Ar-Tik (Hichaud, Inc.).

SMAC also filed a submission with the Tribunal in these proceedings, in reply to submissions from exporters, importers and others opposing the complaint.

Exporters, Importers and Others

The Tribunal received three submissions from exporters, importers and others. The Retail Council of Canada filed a submission opposing the complaint on behalf of Canadian Tire Corporation Limited, Wal-Mart Canada Inc., Sears Canada Inc., Zellers Ltd. and Mark's Work Warehouse. Counsel for the Canadian Association of Importers and Exporters Inc., A.M. Footwear Inc. (Grand Imports Inc.), CanRun Shoes Imports Ltd., Shoe Blitz Inc., H.H. Brown, ISECO Safety Shoes Co. Ltd., A Division of Industrial Safety Equipment Co. Ltd., Jones Fair, Kodiak Group Inc. (formerly Greb International and Company Ltd.), Linear Canada Footwear, M.B. Marketing and Wolverine Canada Inc. also filed a submission opposing the complaint. Finally, Hush Puppies Canada Ltd. filed a submission requesting that footwear that it imports from China be excluded or, alternatively, that a separate class of goods be created for those goods.

ANALYSIS

In their submissions, exporters, importers and others requested that more than one class of goods be considered in the investigation. Because the information on record at this time does not allow the Tribunal to come to a conclusion on the creation of separate classes of goods, the Tribunal considers that the goods at issue in the preliminary injury inquiry consist of one class of goods. Nevertheless, upon reviewing the evidence, the Tribunal finds that there is merit in giving further consideration to having separate classes of goods for leather boots with metal toe caps and for leather shoes with metal toe caps. Consequently, the Tribunal is requesting the CCRA to collect information on the dumping of leather boots with metal toe caps, of leather shoes with metal toe caps and of leather boots and leather shoes with metal toe caps combined.

Parties opposed to the complaint argued that the focus of the investigation should be on the six continuing producers, i.e. the six complainants. These parties submitted that the six continuing producers appear to be healthy and that they have provided no indication of lost sales, declining production or declining employment. As well, the opposing parties indicated that, although the six continuing producers have increased capacity substantially since 1998, their overall capacity utilization rate has not changed much since 1998. These parties also noted that the industry's loss in market share was due to the three departing producers and submitted that this departure was unrelated to the subject goods.

The Tribunal finds that the evidence discloses a reasonable indication that the dumping of the subject goods has caused injury to the domestic industry. The Tribunal notes that the sales of the subject goods almost doubled in volume from 1998 to 2000, while their market share increased from 27 percent to 46 percent. In the same period, the volume of sales and market share of non-subject imports declined. The Tribunal further notes that the six continuing producers have captured only a small share of the departing producers' sales. It considers a likely reason that the continuing producers have not gained a larger share of those sales is the availability of lower-cost safety leather footwear from China. The Tribunal notes that, if the continuing producers had captured a larger portion of the sales of the departing producers, their market share and capacity utilization rate would have increased significantly.

H.H. Brown's decision to shut down domestic production by the end of 2001 because, according to H.H. Brown, it could not compete with the low labour costs in China, is indicative to the Tribunal that the company was experiencing strong price pressures from imports of safety leather footwear from China.

Finally, exporters, importers and others requested exclusions in their submissions. The Tribunal is of the opinion that it does not have sufficient information at this time to decide whether exclusions should be granted. It notes that all the information necessary to make such decisions is usually available only after a hearing is completed.

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