



Canadian International  
Trade Tribunal

Tribunal canadien du  
commerce extérieur

CANADIAN  
INTERNATIONAL  
TRADE TRIBUNAL

# Safeguards

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## DECISION ON COMMENCEMENT OF INQUIRY AND REASONS

Safeguard Inquiry No.  
GS-2004-002

Finished Painted Bicycle Frames

*Decision issued  
Thursday, March 24, 2005*

*Reasons issued  
Friday, April 8, 2005*

Canada

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IN THE MATTER OF a global safeguard inquiry, under subsection 26(1) of the *Canadian International Trade Tribunal Act*, respecting:

## FINISHED PAINTED BICYCLE FRAMES

### DECISION TO COMMENCE A GLOBAL SAFEGUARD INQUIRY

On March 3, 2005, pursuant to subsection 23(1) of the *Canadian International Trade Tribunal Act*, the Canadian Bicycle Manufacturers Association submitted a complaint requesting that the Canadian International Trade Tribunal initiate a global safeguard inquiry into the importation of finished painted bicycle frames, assembled or unassembled.

On March 24, 2005, the Canadian International Trade Tribunal determined, pursuant to subsection 25(1) of the *Canadian International Trade Tribunal Act*, that the complaint was properly documented.

The Canadian International Trade Tribunal is satisfied that the conditions listed in subsection 26(1) of the *Canadian International Trade Tribunal Act* are present. Therefore, the Canadian International Trade Tribunal hereby commences an inquiry into the complaint.

Ellen Fry  
Ellen Fry  
Presiding Member

Pierre Gosselin  
Pierre Gosselin  
Member

Richard Lafontaine  
Richard Lafontaine  
Member

Hélène Nadeau  
Hélène Nadeau  
Secretary

The statement of reasons will be issued within 15 days.

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## STATEMENT OF REASONS

### BACKGROUND

1. On February 10, 2005, the Canadian International Trade Tribunal (the Tribunal) decided to commence a global safeguard inquiry into the importation of bicycles, assembled or unassembled, with a wheel diameter greater than 38.1 centimetres or 15 inches, and finished painted bicycle frames, assembled or unassembled (Safeguard Inquiry No. GS-2004-001). In its statement of reasons supporting that decision, the Tribunal noted that the complaint, which led to that inquiry, alleged threat of injury to the domestic producers of bicycles by imported frames. The complaint did not allege injury or threat of injury to the domestic producers of frames by imported frames. Consequently, the Tribunal indicated that, in Safeguard Inquiry No. GS-2004-001, it only had jurisdiction to inquire into the threat of injury to the production of bicycles by imported frames if bicycles were “like or directly competitive goods” in relation to frames.<sup>1</sup>

2. On March 3, 2005, pursuant to subsection 23(1) of the *Canadian International Trade Tribunal Act*,<sup>2</sup> the Canadian Bicycle Manufacturers Association (CBMA), on behalf of its members, Groupe Procycle Inc. (Procycle), including its division, Rocky Mountain Bicycles, and Raleigh Industries of Canada Limited (Raleigh), submitted a complaint to the Tribunal requesting that the Tribunal initiate a global safeguard inquiry into the importation of finished painted bicycle frames, assembled or unassembled (Safeguard Inquiry No. GS-2004-002).

3. The complaint in Safeguard Inquiry No. GS-2004-002 alleges threat of injury to the domestic producers of finished painted bicycle frames by imported finished painted bicycle frames. Based on its examination of the complaint, the Tribunal determined, pursuant to subsection 25(1) of the *CITT Act*, that the complaint was properly documented. A notice of receipt of a properly documented global safeguard complaint was issued on March 24, 2005, and will be published in the April 9, 2005, edition of the *Canada Gazette*, Part I.

4. On March 24, 2005, pursuant to subsection 26(1) of the *CITT Act*, the Tribunal decided to commence an inquiry into the complaint. Pursuant to subsection 26(2), the Tribunal notified the CBMA and other interested parties of its decision to commence an inquiry. In addition, the Tribunal sent a copy of its decision and a copy of the public and confidential complaint and other relevant public information examined by the Tribunal to the Minister of Finance (the Minister).

5. The Tribunal has decided, pursuant to rule 6.1 of the *Canadian International Trade Tribunal Rules*,<sup>3</sup> to combine the proceedings of Safeguard Inquiry No. GS-2004-002 with those of Safeguard Inquiry No. GS-2004-001. As a result, there will be a single record for the combined proceedings.

### PRODUCT

#### Product Definition and Description

6. The products that are the subject of the complaint are finished painted bicycle frames, assembled or unassembled (the subject goods).

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1. Safeguard Inquiry No. GS-2004-001, para. 21.  
2. R.S.C. 1985 (4th Supp.), c. 47 [*CITT Act*].  
3. S.O.R./91-499.

## Production Process

7. The CBMA submitted that a finished painted bicycle frame generally consists of tubes welded together to create the structure of a bicycle. The finished painted bicycle frame includes the back triangle that consists of backstays and chain stays, which hold the rear wheel.

8. According to the CBMA, finished painted bicycle frames are constructed by welding together the three main tubes, and fitting the fork that connects the front wheel to the frame, as well as attaching the rear triangle. The frame and fork are separately painted and polished, and decals are applied before the parts are joined. Unpainted bicycle frames are normally chemically cleaned, primed and painted with a finish coat and then baked.

9. The members of the CBMA construct their own finished painted bicycle frames, and also import unpainted and finished painted bicycle frames. The CBMA noted that finished painted bicycle frames are generally not sold in Canada.

## Classification of Imports and Tariff Treatment

10. Bicycle frames, unpainted and finished painted, are classified under tariff item No. 8714.91.90 of the schedule to the *Customs Tariff*.<sup>4</sup> The Most-Favoured-Nation (MFN) Tariff rate of customs duty applicable to imports of bicycle frames in 2005 is 5 percent. Bicycle frames enter duty free under all other tariffs.

## DOMESTIC INDUSTRY

11. According to the complaint submitted by the CBMA, the Canadian producers of finished painted bicycle frames include Procycle, Raleigh and Cycles Devinci Inc.

## Position of the CBMA<sup>5</sup>

12. The CBMA alleged that its current members accounted for the majority of the volume and value of domestic production of finished painted bicycle frames every year since 1999 and that these goods are like or directly competitive goods in relation to the subject goods.

13. The CBMA alleged that the subject goods are being imported in such increased quantities and under such conditions as to threaten to cause serious injury to domestic producers of like or directly competitive goods.

14. It also alleged that the threat would be magnified if the Tribunal imposed safeguard protection against imports of bicycles, but not against imports of finished painted bicycle frames. The CBMA submitted that the cost of bicycle assembly represents only a small fraction of the total production costs of bicycles. Should there be protection against imports of bicycles and not of finished painted bicycle frames, assembly in Canada of bicycles using imported finished painted bicycle frames could quickly and easily be established, displacing Canadian production of finished painted bicycle frames.

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4. S.C. 1997, c. 36.

5. This section outlines a number of key submissions made by the CBMA. It is not intended to be exhaustive.

## ANALYSIS

15. Pursuant to subsection 26(1) of the *CITT Act*, the Tribunal shall commence an inquiry into the complaint if it is satisfied that the following conditions are met:

- that the information provided by the complainant and any other information examined by the Tribunal disclose a reasonable indication that the goods that are the subject of the complaint are being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or directly competitive goods;
- that the complaint is made by or on behalf of domestic producers who produce a major proportion of domestic production of the like or directly competitive goods; and
- where an inquiry, in relation to like or directly competitive goods has been completed or terminated by the Tribunal under the *CITT Act* during the 24-month period preceding the date of receipt of the complaint, that the circumstances are sufficiently different to warrant a new inquiry.

### Increased Imports

16. Data obtained by the Tribunal from Statistics Canada show that the value<sup>6</sup> of goods imported under tariff item No. 8714.91.90 increased from approximately \$9.9 million in 2000 to \$12.1 million in 2004, an increase of almost 22 percent. According to the complaint, this increase in value reflects an increase in volume.

17. The Tribunal notes that tariff item No. 8714.91.90 includes both unpainted and finished painted bicycle frames and parts thereof. Data that are currently available do not indicate what portion of the imports under this tariff item is attributable to the subject goods. However, the CBMA indicated that, in its view, the available data strongly suggest that imports of finished painted bicycle frames have increased. Given that the production of bicycles by domestic producers capable of painting unpainted bicycle frames has decreased, it is unlikely that there has been an increase in the importation of unpainted bicycle frames and their parts. Consequently, it seems logical to assume that imports of finished painted bicycle frames and their parts have increased. Therefore, the Tribunal finds that there is a reasonable indication that there has been an increase in imports of finished painted bicycle frames.

### Injury

18. Based on the information now on the record, the Tribunal finds that domestically produced finished painted bicycle frames constitute like or directly competitive goods in relation to the subject goods.

19. The increase in imports of finished painted bicycle frames would seem to indicate that the volume of bicycles assembled in Canada using imported finished painted bicycle frames will also increase. This would likely result in a decrease of domestically produced finished painted frames used in the domestic production of bicycles.

20. The Tribunal notes that, from 2000 to 2004, when imports under the tariff item encompassing the subject goods increased, the domestic production of finished painted bicycle frames by the CBMA decreased significantly. Although imports of finished painted bicycle frames by the members of the CBMA increased during the same period, the decrease in production greatly exceeded the increase in imports. The Tribunal also notes that data on the record indicate that the domestic production of bicycles decreased

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6. There are no data available from Statistics Canada regarding the volume of imported frames.

significantly over the same period. The evidence currently on the record does not indicate whether, to date, the subject goods have caused serious injury to the domestic production of finished painted bicycle frames.

21. The increasing trend, to date, in imports of finished painted bicycle frames and an associated decrease in domestic production of finished painted bicycle frames may be exacerbated if safeguard measures were imposed only on imports of bicycles. Indeed, the Tribunal notes that the cost to assemble a bicycle represents a relatively small proportion of the total cost to produce a bicycle. Therefore, the imposition of safeguard measures on bicycles could lead to a further increase in the number of bicycles being assembled in Canada using imported finished painted bicycle frames and, hence, an increased impact on domestic production of finished painted bicycle frames.

22. Based on the evidence and information available at this time, the Tribunal is of the view that there is a reasonable indication that the subject goods are being imported in such increased quantities and under such conditions as to threaten to cause serious injury to domestic producers of like or directly competitive goods.

### **Standing**

23. Pursuant to paragraph 26(1)(b) of the *CITT Act*, the Tribunal must be satisfied that the complainant, the CBMA, through its members, Procycle and Raleigh, accounts for a major proportion of domestic production of the like or directly competitive goods. The *CITT Act* does not define what is meant by “major proportion”. Information in the complaint indicates that the volume of domestic finished painted bicycle frames production accounted for by Procycle and Raleigh was over 60 percent during the period from 2000 to 2004.

24. On the basis of this information, the Tribunal is satisfied that the complaint is made by or on behalf of producers that produce a major proportion of domestic production of the like or directly competitive goods.

### **Similar Cases**

25. Paragraph 26(1)(c) of the *CITT Act* provides that, if the Tribunal has completed or terminated an inquiry under this act in relation to like or directly competitive goods, during the 24-month period preceding the date of receipt of the complaint, it has to be satisfied that the circumstances are sufficiently different to warrant a new inquiry.

26. On February 10, 2005, the Tribunal initiated a global safeguard inquiry into the importation of bicycles, assembled or unassembled, with a wheel diameter greater than 38.1 centimetres or 15 inches, and finished painted bicycle frames, assembled or unassembled. This inquiry is currently in progress and has not been completed or terminated. This is the only inquiry that is relevant to a consideration of the condition imposed by paragraph 26(1)(c) of the *CITT Act*.



**CONCLUSION**

27. The Tribunal is satisfied that the conditions listed in subsection 26(1) of the *CITT Act* are present. Therefore, the Tribunal has decided to commence an inquiry into the complaint.

Ellen Fry  
Ellen Fry  
Presiding Member

Pierre Gosselin  
Pierre Gosselin  
Member

Richard Lafontaine  
Richard Lafontaine  
Member