



Canadian International
Trade Tribunal

Tribunal canadien du
commerce extérieur

CANADIAN
INTERNATIONAL
TRADE TRIBUNAL

Textiles

RECOMMENDATION

Request No. TR-2008-003

Caskets Vic Royal, a Division of
Victoriaville Funeral Supplies Inc.

(100 Percent Polyester Warp Pile
Fabric, Cut)

*Recommendation issued
Tuesday, May 12, 2009*

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REPORT TO THE MINISTER OF FINANCE

INTRODUCTION

1. On July 14, 1994, the Canadian International Trade Tribunal (the Tribunal) received terms of reference¹ from the Minister of Finance (the Minister) pursuant to section 19 of the *Canadian International Trade Tribunal Act*.² The Minister directed the Tribunal to investigate requests from domestic producers for tariff relief on imported textile inputs for use in their manufacturing operations and to make recommendations in respect of those requests to the Minister.

2. On January 6, 2009, pursuant to the Minister's reference, the Tribunal received a request from Caskets Vic Royal, a Division of Victoriaville Funeral Supplies Inc. (Vic Royal), of Victoriaville, Quebec, for the removal, for an indeterminate period of time, of the customs duty on importations from all countries of polyester warp pile fabric for use in the manufacture of coffin interiors.

3. On March 10, 2009, being satisfied that the request was properly documented, the Tribunal issued a notice of commencement of investigation,³ which was distributed to those who might have an interest. The fabric under investigation is warp pile fabric, cut, solely of polyester, including the ground fabric, brushed, of tariff item No. 6001.92.90 of the schedule to the *Customs Tariff*,⁴ for use in the manufacture of coffin interiors (the subject fabric).

4. As part of the investigation, the Tribunal's research staff sent questionnaires to potential domestic producers of fabrics identical to or substitutable for the subject fabric and a request for information to potential users and importers of the subject fabric. It also requested that the Canada Border Services Agency (CBSA) provide a complete description of the physical characteristics of the fabric sample submitted by Vic Royal, an opinion on whether the requested tariff relief would be administrable and suggested wording to describe the subject fabric should tariff relief be recommended. The CBSA indicated that there would be no additional costs, over and above those that it normally incurs, to administer the tariff relief should it be granted.

5. Letters were also sent to the Department of Foreign Affairs and International Trade and the Department of Industry, requesting information that could assist the Tribunal in its investigation.

6. A staff investigation report was not necessary for the purposes of this investigation, since there was no opposition to the request.⁵

7. On April 9, 2009, the Tribunal indicated that it intended to issue a report to the Minister concerning the request based on the information on the record.

1. The terms of reference were last modified on October 27, 2005.

2. R.S.C. 1985 (4th Supp.), c. 47.

3. C. Gaz. 2009.I.701.

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

5. PGI/DIFCO Performance Fabrics Inc., Matador Converters Co. Ltd., C.V.T. Group Ltd. and Remmus Textiles wrote to the Tribunal that, variously, they either did not object to the request for tariff relief, did not intend to participate in the investigation or were not domestic producers.

8. A public hearing was not held for this investigation.⁶

PRODUCT INFORMATION

9. Vic Royal imports the subject fabric from the Republic of Korea (Korea). It submitted one fabric sample with its request for tariff relief. The sample was a dyed fabric, consisting of a warp knit ground of polyester multifilament yarns, with a brushed knitted-in cut pile of polyester fibres. The fabric weighed 196 g/m².

10. As of January 1, 2009, the subject fabric is classified for customs purposes under tariff item No. 6001.92.90 and is dutiable at 14 percent *ad valorem* under the Most-Favoured-Nation Tariff. It is duty free under the United States Tariff, the Least Developed Country Tariff, the Mexico Tariff, the Canada-Israel Agreement Tariff, the Chile Tariff and the Costa Rica Tariff.

REPRESENTATIONS

Domestic User

Vic Royal

11. Vic Royal has been manufacturing high-end wooden caskets since 1990 at its plant in Victoriaville.
12. Vic Royal claims that there are no identical or substitutable fabrics available from Canadian producers.
13. According to Vic Royal, the subject fabric was specifically developed for the casket industry for use in the manufacture of coffin interiors. It possesses a soft and supple finish and can be easily cut, sewn and attached to a coffin interior. Because of its thickness, the subject fabric lends itself well to the shirring process.
14. Vic Royal submits that, when its U.S. supplier moved its manufacturing plant to Korea in 2006, it had to begin paying duties on imports of the subject fabric, as it no longer qualified for duty-free treatment under the *North America Free Trade Agreement*.⁷
15. As for the anticipated benefits of tariff relief, Vic Royal states that eliminating the customs duty on imports of the subject fabric would enable it to return to its previous duty-free cost structure, which would make its prices for caskets more competitive.

Position of the Textile Industry

16. Domestic fabric producers did not oppose the request for tariff relief.

6. Pursuant to rule 25 of the *Canadian International Trade Tribunal Rules*, S.O.R./91-499, the Tribunal has the authority to proceed by way of written submissions.

7. *North American Free Trade Agreement between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America*, 17 December 1992, 1994 Can. T.S. No. 2 (entered into force 1 January 1994).

ANALYSIS

17. The Minister's terms of reference direct the Tribunal to assess the economic impact on domestic textile and downstream producers of reducing or removing a tariff and, in so doing, to take into account all relevant factors, including the substitutability of an imported fabric for a domestic fabric and the ability of domestic producers to serve the Canadian downstream industries. Consequently, the Tribunal's decision on whether to recommend tariff relief is based on the extent to which it considers that such tariff relief would provide net economic gains for Canada.

18. Vic Royal claimed that there is no domestic production of fabrics identical to or substitutable for the subject fabric. This claim was not contested by any domestic fabric producers. Therefore, other than the corresponding duty revenues forgone by the Government, the Tribunal does not believe that there will be any direct commercial costs associated with the removal of the customs duty on the importation of the subject fabric. On the basis of the information available to the Tribunal, tariff relief would result in yearly benefits to users of the subject fabric in excess of \$35,000. In summary, the Tribunal finds that the tariff relief requested by Vic Royal would provide net economic gains for Canada.

RECOMMENDATION

19. In light of the foregoing, the Tribunal hereby recommends to the Minister that tariff relief be granted as soon as possible, for an indeterminate period of time, on importations from all countries of warp pile fabric, cut, solely of polyester, including the ground fabric, brushed, of tariff item No. 6001.92.90, for use in the manufacture of coffin interiors.

André F. Scott

André F. Scott
Presiding Member

Serge Fréchette

Serge Fréchette
Member

Diane Vincent

Diane Vincent
Member

Hélène Nadeau

Hélène Nadeau
Secretary