



**REPORT TO
THE MINISTER OF FINANCE**

**REQUEST FOR TARIFF RELIEF BY
LANDES CANADA INC.
REGARDING
BONDED FIBRE FABRICS**

OCTOBER 4, 1995

LANDES CANADA INC.

REQUEST NO.: TR-95-003

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Tribunal Members: Raynald Guay, Presiding Member
Lise Bergeron, Member
Lyle M. Russell, Member

Research Director: Réal Roy

Research Manager: Daryl Poirier

Counsel for the Tribunal: David M. Attwater

Registration and
Distribution Officer: Claudette Friesen

Address all communications to:

The Secretary
Canadian International Trade Tribunal
Standard Life Centre
333 Laurier Avenue West
15th Floor
Ottawa, Ontario
K1A 0G7

INTRODUCTION

On July 14, 1994, the Canadian International Trade Tribunal (the Tribunal) received terms of reference from the Minister of Finance (the Minister) pursuant to section 19 of the *Canadian International Trade Tribunal Act*.¹ 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.

Pursuant to the Minister's reference, on May 3, 1995, the Tribunal received a request from Landes Canada Inc. (Landes) of Granby, Quebec, for the immediate and permanent removal of the customs duty on importations, from all countries, of bonded fibre fabrics, impregnated or saturated with binders, primarily of polyester latex composite, with a sueded look (ground or buffed) surface, uniform and suitable to accept solvent based inks without distortion, for use in the production of labels to be affixed on the outside of garments (the subject fabrics).

On July 12, 1995, the Tribunal, being satisfied that the request was properly documented, issued a notice of commencement of investigation, which was widely distributed and published in Part I of the July 22, 1995, edition of the Canada Gazette.²

As part of the investigation, the Tribunal's research staff sent questionnaires to 22 potential domestic producers of fabrics identical to or substitutable for the subject fabrics, to the only other known domestic manufacturer of labels to be affixed on the outside of garments and to 7 potential importers of the subject fabrics. Information on the tariff classification of the subject fabrics was requested from the Department of National Revenue (Revenue Canada), and samples were provided for laboratory analysis. The Department of Industry was asked to provide a list of the known domestic producers of nonwoven fabrics and to provide any other comments that might be of assistance to the Tribunal. The Department of Foreign Affairs and International Trade was also requested to provide information and advice.

A staff investigation report was not necessary in this case, nor was a public hearing held.

PRODUCT INFORMATION

The subject fabrics are described by Landes as having the following compositions:

- (1) 45 percent by weight of polyamide, polyester and polypropylene staple fibres and 55 percent by weight of acrylonitrile butadiene (ACN) latex, weighing 602 g/m²;
- (2) 34 percent by weight of polyamide, polyester and polypropylene staple fibres and 66 percent by weight of ACN latex and natural latex, weighing 403 g/m²; and
- (3) 50 percent by weight of polyamide and polyester staple fibres and 50 percent by weight of ACN latex, weighing 230 g/m².

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

2. Vol. 129, No. 29 at 2364.

In the production process, a fibre web consisting of staple fibres is produced through a carding machine, then needle-punched with a needle loom to the desired weight and thickness. The needle-punched web is impregnated with a rubber latex, then split and buffed on one surface or both surfaces.

The subject fabrics are used by Landes to produce labels to be affixed on the outside of garments. The subject fabrics must be suitable to accept solvent based inks without distortion, and the labels must be able to withstand many different washing processes, i.e. enzymes, acids, bleaches, stone, indigo, dyes, etc. After processing, the labels must retain a presentable, marketable brand identification suitable for the retail market.

TARIFF CLASSIFICATION

Landes indicated that the subject fabrics are classified for customs purposes under classification No. 5603.00.99.99 of Schedule I to the *Customs Tariff*.³

Revenue Canada informed the Tribunal that the subject fabrics are classified under classification Nos. 5603.00.99.91 and 5603.00.99.93. Revenue Canada was of the opinion that the subject fabrics do not have a “sueded look,” as neither side of the nonwovens has the characteristic velvet-like nap finish of suede leather. It also advised that the subject fabrics are dutiable at 20.3 percent ad valorem under the MFN tariff; at 7.4 percent ad valorem under the U.S. tariff; and at 19.8 percent ad valorem under the Mexico tariff.

REPRESENTATIONS

None of the domestic producers of nonwoven fabrics or of coated fabrics opposed Landes’ request for tariff relief. Consoltex Inc., however, stated that its position was contingent upon confirmation by Revenue Canada of the description of the subject fabrics, as submitted by Landes.

Landes’ only domestic competitor and major importers of fabrics similar to the subject fabrics either supported or were indifferent to the request for tariff relief.

Revenue Canada indicated that there would be no additional costs, over and above those already incurred by it, to administer the tariff relief should it be granted.

The Department of Foreign Affairs and International Trade advised that Canada does not maintain quota restraints on bonded fibre fabrics classified under classification No. 5603.00.99.99.

The Department of Industry provided a report on the nonwovens industry in Canada.

ANALYSIS

On the basis of the responses from domestic producers, neither the subject fabrics nor substitutable fabrics are manufactured in Canada. As well, Revenue Canada confirmed that the subject fabrics are nonwoven fabrics impregnated with a rubber binder. Domestic producers, therefore, did not oppose the

3. R.S.C. 1985, c. 41 (3rd Supp.).

request for tariff relief and neither did the other parties identified as having a potential interest in this investigation.

In the circumstances, the Tribunal concludes that, other than the tariff revenues foregone by the government, there will be no direct commercial costs of granting the tariff relief. At the same time, the benefit to Landes would amount to between \$100,000 and \$200,000 per annum in savings on customs duties. In summary, the Tribunal concludes that the net economic benefits of granting the tariff relief in this case will be positive.

With regard to Landes' request for retroactive tariff relief, the Tribunal does not believe that there are any extraordinary competitive circumstances warranting such a recommendation.

RECOMMENDATION

In light of the foregoing, the Tribunal hereby recommends to the Minister that the customs duty on importations of nonwoven fabrics impregnated with a rubber binder and imported under tariff item No. 5603.00.99, for use in the production of labels, badges and similar articles to be affixed on the outside of garments, be permanently removed.

Raynald Guay _____
Raynald Guay
Presiding Member

Lise Bergeron _____
Lise Bergeron
Member

Lyle M. Russell _____
Lyle M. Russell
Member