



**REPORT TO  
THE MINISTER OF FINANCE**

**REQUESTS FOR TARIFF RELIEF BY  
DOUBLETEX  
REGARDING  
UNBLEACHED OR BLEACHED WOVEN FABRICS**

**OCTOBER 24, 1996**

**DOUBLETEX**

**REQUEST NOS.: TR-95-057  
AND TR-95-058**

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## **INTRODUCTION**

On July 14, 1994, the Canadian International Trade Tribunal (the Tribunal) received terms of reference<sup>1</sup> from the Minister of Finance (the Minister) pursuant to section 19 of the *Canadian International Trade Tribunal Act*.<sup>2</sup> 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 October 23, 1995, the Tribunal received two requests from Doubletex of Montréal, Quebec, for the permanent removal of the customs duty on importations of fabrics woven from single yarns of textured or non-textured polyester filaments (Request No. TR-95-057) and of plain woven fabrics composed of polyester or viscose filaments or staple fibres mixed in the warp or the weft with linen (Request No. TR-95-058) for use by textile converters only to produce dyed and finished fabrics (the subject fabrics). On June 19, 1996, following a discussion with the Canadian Textiles Institute (CTI), the President of Doubletex informed the Tribunal that Doubletex was ready to restrict its requests to the subject fabrics for apparel end uses only, weighing not more than 300 g/m<sup>2</sup>.

On May 27, 1996, the Tribunal, being satisfied that the requests were properly documented, issued a notice of commencement of investigation, which was widely distributed and published in the June 8, 1996, edition of the *Canada Gazette*, Part I.<sup>3</sup>

As part of the investigation, the Tribunal's research staff sent questionnaires to 10 firms identified by the CTI as potential domestic producers of fabrics identical to or substitutable for the subject fabrics. Questionnaires were also sent to importers and users of the subject fabrics and to 15 apparel manufacturers that purchase the finished fabrics from Doubletex. A letter was sent to the Department of National Revenue (Revenue Canada) requesting information on the tariff classification of the subject fabrics, and samples were provided for laboratory analysis. Letters were also sent to a number of government departments for information and advice.

Because the domestic textile industry did not oppose the requests for tariff relief, an abbreviated staff investigation report, summarizing the information received from Revenue Canada, Doubletex, the CTI and four importers of finished fabrics, was provided to the parties that had filed notices of appearance for this investigation. These parties are Doubletex, the CTI, Budmark Textiles International Inc. (Budmark), Contempratex International Ltd. (Contempratex), Flamcan Inc. (Flamcan) and Jo-Eltex Int'l Inc. (Jo-Eltex).

## **PRODUCT INFORMATION**

Doubletex describes the subject fabrics as follows: fabrics woven from single yarns of textured or non-textured polyester filaments, unbleached, bleached or prepared for dyeing only, of yarns with a twist

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1. On March 20 and July 24, 1996, the Minister of Finance revised the terms of reference.

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

3. Vol. 130, No. 23 at 1636.

of 1,050 turns/metre or more in the warp and/or the weft (TR-95-057), and plain woven fabrics composed of polyester or viscose filaments or staple fibres mixed in the warp or the weft with linen, unbleached, bleached or prepared for dyeing only, of yarns with a twist of 1,050 turns/metre or more in the warp and/or the weft (TR-95-058), for use by textile converters only to produce dyed and finished fabrics.

Revenue Canada analyzed the samples of the subject fabrics provided by Doubletex and concluded that, on the basis of its laboratory analysis, the subject fabrics are classified under tariff item Nos. 5407.51.00, 5407.61.90 and 5407.71.00 (TR-95-057) and 5515.11.00, 5516.21.00 and 5516.91.00 (TR-95-058) of Schedule I to the *Customs Tariff*.<sup>4</sup>

Under these tariff items, the subject fabrics are dutiable at 19.0 percent *ad valorem* under the MFN tariff and the GPT; at 20.2 percent *ad valorem* under the BPT; at 5.0 percent *ad valorem* under the US tariff; and at 17.5 percent *ad valorem* under the Mexico tariff.

In 1995, total imports of fabrics, as published by Statistics Canada, classified under the six tariff items were reported at 454,203 metres, with an estimated value of about \$3 million. These import figures included fabrics other than the subject fabrics.

## **REPRESENTATIONS**

### **User of the Subject Fabrics**

Doubletex is Canada's largest, non-integrated fabric converter. Doubletex produces dyed, high-twist fabrics from greige fabrics imported from around the world at its two plants in Montréal and Toronto, Ontario.

Doubletex states that, for some time now, it has been unable to source domestically any greige fabrics made from high-twist yarns because most of the domestic input is not commercially available and is usually finished by the weavers themselves.<sup>5</sup>

Doubletex states that considerable investments were made in dyeing and finishing machinery, and more investments will be made in the future. It adds that the new capacity will be devoted to the high-twist fashion fabric market because there is a great potential in that area.

Finally, according to Doubletex, tariff relief on the subject fabrics would assist its growth and enable it to serve its customers with fashionable fabrics at very competitive prices.

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

5. Research staff discussions (record of three plant visits on the public case file) with principals of Doubletex, Montreal Fast Print Ltd. and Dominion Industrial Fabrics Company revealed that, while Doubletex finishes the subject fabrics, a significant volume of imported and domestically woven greige fabrics made from high-twist yarns is also contracted out to commissioned converters.

**Domestic Textile Producers**

Consoltex Inc. (Consoltex) states that it is a major manufacturer of woven fabrics. It weaves, dyes, finishes and sells fabrics made from high-twist yarns. Consoltex weaves its greige fabrics at two plants located in Sherbrooke and Cowansville, Quebec, while it finishes the greige fabrics at a third plant in Cowansville. The three plants employ 482 people.

Consoltex disagrees with Doubletex's contention that identical or substitutable fabrics are not available in Canada. It submits that it produces substantial volumes of identical or substitutable fabrics for home furnishings and apparel end uses.

Consoltex opposes duty-free entry for the subject fabrics for use in home furnishings; however, it does not oppose the requests for tariff relief as submitted by Doubletex, provided the relief is confined to imports of greige fabrics to be finished for apparel end uses, weighing not more than 300 g/m<sup>2</sup>.

The CTI proposes that the Tribunal's recommendation to the Minister clearly indicate that the tariff relief be restricted to imports of greige fabrics made from high-twist yarns, weighing not more than 300 g/m<sup>2</sup> which are intended for further finishing by textile converters for apparel end uses only. Moreover, the term "textile converters" should include integrated producers that weave, dye and finish fabrics for use in the manufacture of apparel.

**Importers of Finished Fabrics**

Four importers of finished fabrics were parties to this investigation and filed only notices of appearance. They are: Budmark, Contempratex, Flamcan and Jo-Eltex. They contend that, if identical or substitutable fabrics are not produced in Canada and the subject fabrics are allowed to enter duty free, then the finished fabrics should be accorded the same treatment.

**Other Parties**

The Tribunal received representations from three domestic fashion apparel manufacturers: Corwik Mfg. Co., Creations Joseph Ribkoff International and Algo Industries Ltd. (Dress Division of Algo Group Inc.). They request that tariff relief be extended to imports of finished fabrics because they are not made in Canada. Moreover, they submit that tariff relief on imports of the finished fabrics would greatly enhance the production of fashion apparel in Canada. Finally, they claim that the value added in Canada as a result of increasing fashion apparel production would be significantly greater than the value added resulting from Doubletex's activities alone.

**ANALYSIS**

The Tribunal considered Doubletex's requests for tariff relief as directed by the Minister's terms of reference concerning the economic impact on domestic textile and downstream producers of reducing or removing a tariff. The Tribunal focused on two issues: (1) whether identical or substitutable fabrics are produced in Canada; and (2) the impact on the domestic industry of granting the tariff relief. In determining

whether or not to recommend tariff relief, a key item for consideration was the extent to which tariff removal would provide net economic gains for Canada.

**Request No. TR-95-057**

The evidence on file clearly indicates that there is no domestic production of fabrics identical to or substitutable for these subject fabrics. Moreover, the Tribunal is convinced that the removal of the customs duty on importations of these subject fabrics weighing not more than 300 g/m<sup>2</sup>, for use by textiles converters only (i.e. integrated mills and commissioned and non-commissioned finishing mills) to produce dyed and finished fabrics for apparel end uses, will not have any adverse consequences on the domestic industry of woven fabrics.

The primary direct benefits of granting the tariff relief, based on the projected level of imports of these subject fabrics, would exceed \$50,000 annually, if these subject fabrics were dutiable under the MFN tariff. Other than the corresponding duty revenues foregone by the government, the Tribunal does not believe that there will be any direct commercial costs of granting the tariff relief. In summary, the Tribunal concludes that the net economic benefits of granting the tariff relief in this case will be positive.

**Request No. TR-95-058**

Again, the evidence on file clearly indicates that there is no domestic production of fabrics identical to or substitutable for these subject fabrics. Moreover, the Tribunal is convinced that the removal of the customs duty on importations of these subject fabrics weighing not more than 300 g/m<sup>2</sup>, for use by textile converters only (i.e. integrated mills and commissioned and non-commissioned finishing mills) to produce dyed and finished fabrics for apparel end uses, will not have any negative consequences on the domestic industry of woven fabrics.

The primary direct benefits of granting the tariff relief, based on the projected level of imports of these subject fabrics, would exceed \$150,000 annually, if these subject fabrics were dutiable under the MFN tariff. Other than the corresponding duty revenues foregone by the government, the Tribunal does not believe that there will be any direct commercial costs of granting the tariff relief. In summary, the Tribunal concludes that the net economic benefits of granting the tariff relief in this case will be positive.

Finally, concerning the requests made by importers and users of finished fabrics to extend the tariff relief to their imports, the Tribunal suggests that any eligible party that wishes to obtain a similar tariff relief on imports of such finished fabrics should, according to the terms of reference, file a properly documented request with the Tribunal. Only after receipt of such a request and the completion of an investigation can the Tribunal determine the merit of granting the tariff relief requested.

**RECOMMENDATION**

In light of the foregoing and the evidence on the record, the Tribunal hereby recommends to the Minister that the current customs duty on importations of the following fabrics made from high-twist yarns (1,050 turns/metre or more in the warp and/or the weft), weighing not more than 300 g/m<sup>2</sup>, for further processing into dyed and finished fabrics for use in the manufacture of apparel\*, be removed for an indeterminate period of time:

- TR-95-057 — greige fabrics woven from textured and non-textured polyester filaments of tariff item Nos. 5407.51.00, 5407.61.90 and 5407.71.00.
- TR-95-058 — greige fabrics woven from blends of polyester and/or viscose filaments or staple fibres of tariff item Nos. 5515.11.00, 5516.21.00 and 5516.91.00.

Arthur B. Trudeau

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Presiding Member

Robert C. Coates, Q.C.

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Member

Lyle M. Russell

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Member

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\* An end use was included in the recommendation as per the amended recommendation to the Minister of Finance issued by the Tribunal on November 5, 1996.