



**REPORT TO  
THE MINISTER OF FINANCE**

**REQUEST FOR TARIFF RELIEF BY  
TRIPLE M FIBERGLASS MFG. LTD.  
REGARDING  
SPACE FABRIC**

**SEPTEMBER 26, 1996**

**TRIPLE M FIBERGLASS MFG. LTD.**

**REQUEST NO.: TR-95-060**

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Tribunal Members:	Anthony T. Eyton, Presiding Member Desmond Hallissey, Member Charles A. Gracey, Member
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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.

On November 15, 1995, the Tribunal received a request from Triple M Fiberglass Mfg. Ltd. (Triple M) of Edmonton, Alberta, for the permanent removal of the customs duty on importations, from all countries, of space fabric, consisting of two decking plies connected by web fibre piles in the vertical plane with a thickness ranging from 0.08 to 1.00 in., the fibres being made from E-type glass fibre yarns, the fibre type being 100 percent of the fabric, the yarns being made from a 9-micron filament at 68 g/1,000 m with a Silane finish for plastic compatibility, for use in the manufacture of double-walled tanks and pipes (the subject fabric). The subject fabric is classified under classification No. 7019.59.90.21 of Schedule I to the *Customs Tariff*.<sup>3</sup>

On April 30, 1996, the Tribunal, being satisfied that the request was properly documented, issued a notice of commencement of investigation, which was widely distributed and published in the May 11, 1996, edition of the *Canada Gazette*, Part I.<sup>4</sup>

As part of the investigation, the Tribunal's research staff sent questionnaires to potential users and importers of the subject fabric. A letter was sent to the Department of National Revenue (Revenue Canada) requesting information on the tariff classification of the subject fabric, and samples were provided for laboratory analysis. Letters were also sent to a number of other government departments requesting information and advice.

A staff investigation report, summarizing the information received from these government departments, Triple M and other firms that responded to the Tribunal's questionnaires, was provided to the parties that had filed notices of appearance for this investigation.

A public hearing was not held for this investigation.

## **PRODUCT INFORMATION**

The textile input covered by this request is space fabric, consisting of two decking plies connected by web fibre piles in the vertical plane with a thickness ranging from 0.08 to 1.00 in., the fibres being made from E-type glass fibre yarns, the fibre type being 100 percent of the fabric, the yarns being made from

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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. R.S.C. 1985, c. 41 (3rd Supp.).
  4. Vol. 130, No. 19 at 1395.

a 9-micron filament at 68 g/1,000 m with a Silane finish for plastic compatibility, for use in the manufacture of double-walled tanks and pipes.

Revenue Canada confirmed that the subject fabric is classified under classification No. 7019.59.90.21. This classification number covers glass and glassware, other woven fabrics and not coated or dipped reinforcing fabric. Revenue Canada suggested the following product description in the event that tariff relief is granted:

Glass fabric, of Heading No. 70.19, woven from yarns of borosilicate glass, consisting of two horizontal woven plies connected by vertical piles for use in the manufacture of double-walled tanks and pipes.

### **REPRESENTATIONS**

In its request, Triple M alleged that there is no substitute for the subject fabric, since it is made by a patented process and is proprietary. There are only two companies in the world that make the subject fabric, Vorwerk in Germany and Parabeam in the Netherlands. Triple M has requested permanent relief under the MFN tariff on importations of the subject fabric from Germany. Triple M alleges that it uses the subject fabric on a year-round production schedule and requests tariff relief for the full production period. According to Triple M, tariff relief on the subject fabric would allow it to continue to employ 80 people in Edmonton. It would also allow Triple M to expand into the US and Mexican markets, as the industry grows, and retain and hire additional workers. As this is a relatively new product on the world market, tariff relief would allow Triple M to remain competitive and be able to expand as necessary. Triple M further alleges that the foregoing could only have a positive effect on the Canadian economy.

Diamond Aircraft Industries (Diamond), a manufacturer of small airplanes located in London, Ontario, which uses the subject fabric in its manufacturing operations, supported the request, alleging that there is no Canadian producer of identical or substitutable fabrics. Diamond purchases the subject fabric from a supplier in Germany.

ZCL Composites Inc. (ZCL), an importer and distributor of the subject fabric, and a manufacturing affiliate, ZCL Fiberglass, which utilizes fabrics identical to or substitutable for the subject fabric, support the request for tariff relief on the subject fabric for use in the manufacture of all types of fibre-reinforced plastic components. ZCL indicated that, as an importer and the North American distributor of the subject fabric known as "Parabeam," originating in the Netherlands, it is extremely interested in having the tariff reduced to zero. ZCL alleged that this would provide Canadian manufacturers with a raw material cost benefit that would allow them to compete with other North American companies, resulting in more opportunity for domestic production and additional Canadian jobs. ZCL further indicated that, if tariff relief on the subject fabric is granted, then there will be good potential for all Canadian fibreglass fabricators and manufacturers to expand their market share or to develop new export markets. ZCL further alleged that the potential for additional business would allow these companies to maintain or increase their present complement of labour, thereby having a positive effect on the Canadian economy. According to ZCL, the entire Canadian reinforced composites industry would benefit if the tariff were reduced to zero. It also noted that there are other

applications yet to be discovered for this product. ZCL also stated that to stand by and allow the US reinforced composites industry to enjoy an import advantage would result in lost jobs for Canadians.

The Department of Industry indicated that, to its knowledge, there are no Canadian textile companies which manufacture identical or substitutable fabrics. It also recognized that tariff relief on the subject fabric would help Triple M lower its costs and help it be more competitive on a North American basis.

The Canadian Textiles Institute (CTI) filed a notice of appearance with the Tribunal, but did not make any representations regarding the request.

The Department of Foreign Affairs and International Trade informed the Tribunal that the Government of Canada does not maintain quota restraints on the subject fabric and that it is not subject to any quantitative import restrictions.

### **ANALYSIS**

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 domestically produced textiles for imported textiles, the ability of Canadian textile producers to serve the Canadian downstream industries and a domestic versus foreign price comparison. In determining whether to recommend tariff relief, a key consideration for the Tribunal is the extent to which tariff relief would provide net economic gains for Canada.

In its request, Triple M alleged that there is no domestic production of identical or substitutable fabrics, since the subject fabric is made by a patented process and is proprietary. The Tribunal's investigation confirmed that there are no domestic sources of identical or substitutable fabrics and that there are only two foreign suppliers, one located in Germany and the other in the Netherlands.

Although the request was for tariff relief on the subject fabric for use in the manufacture of double-walled tanks and pipes, the other two manufacturers that import the subject fabric use it for purposes other than those specified in the request.

The potentially largest beneficiary of tariff relief is ZCL. It uses the subject fabric in the manufacture of fibre-reinforced plastic components. ZCL indicated that tariff relief would provide Canadian manufacturers with a raw material cost benefit that would allow them to compete with other North American companies, resulting in the opportunity for more domestic production and additional Canadian jobs. ZCL also anticipated paying significant amounts of duty in 1996.<sup>5</sup>

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5. ZCL did indicate that some of this duty would be subject to a drawback arising from exports to the United States.

On the basis of the available information, the Tribunal is of the opinion that manufacturers of products using the subject fabric would realize significant economic benefits in both Canadian and export markets if tariff relief were granted.

Given the facts of this case as shown in the investigation and the fact that the CTI, although a party to the investigation, did not file a submission or raise any objections, it appears to the Tribunal that the granting of tariff relief for all end uses will provide the greatest economic benefit to users of the subject fabric.

### **RECOMMENDATION**

In view of the above information and evidence before the Tribunal in this matter, the Tribunal hereby recommends to the Minister that the customs duty on importations, from all countries, of:

space fabric, consisting of two decking plies connected by web fibre piles in the vertical plane with a thickness ranging from 0.08 to 1.00 in., the fibres being made from E-type glass fibre yarns, the fibre type being 100 percent of the fabric, the yarns being made from a 9-micron filament at 68 g/1,000 m with a Silane finish for plastic compatibility, classified under classification No. 7019.59.90.21,

be removed for an indeterminate period of time.

Anthony T. Eyton

Anthony T. Eyton  
Presiding Member

Desmond Hallissey

Desmond Hallissey  
Member

Charles A. Gracey

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Member