



**REPORT TO
THE MINISTER OF FINANCE**

**REQUESTS FOR TARIFF RELIEF BY
MAJESTIC INDUSTRIES (CANADA) LTD. AND
CAULFEILD APPAREL GROUP LTD.
REGARDING
YARN-DYED, WOVEN TERRY FABRIC AND/OR
JACQUARD WOVEN TERRY FABRIC**

JUNE 27, 1996

**MAJESTIC INDUSTRIES (CANADA) LTD.
AND CAULFEILD APPAREL GROUP LTD.**

**REQUEST NOS.: TR-95-053
AND TR-95-059**

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INTRODUCTION

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.

Pursuant to the Minister's reference, the Tribunal received, on October 4, 1995, a request (TR-95-053) from Majestic Industries (Canada) Ltd. (Majestic) of Montréal, Quebec, for the permanent removal of the customs duty on importations of woven terry fabric, warp pile, yarn-dyed, of yarns of different colours, containing 85 percent or more by weight of cotton, for use in the manufacture of bathrobes; and, on November 8, 1995, a request (TR-95-059) from Caulfeild Apparel Group Ltd. (Caulfeild) of Downsview, Ontario, for the permanent removal of the customs duty on importations of Jacquard woven terry fabric, certified by the exporter that the fabric was woven on a Jacquard loom, containing 85 percent or more by weight of cotton, for use in the manufacture of bathrobes (the subject fabrics).

On March 1, 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 March 9, 1996, edition of the Canada Gazette, Part I.³

As part of the investigation, the Tribunal's research staff sent requests for information to potential domestic producers of fabrics identical to or substitutable for the subject fabrics. Requests for information were also sent to potential users and to a number of 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. Letters were also sent to a number of other government departments requesting information and advice.

A staff investigation report was not necessary for the purposes of this investigation since the domestic producers of woven terry fabrics, namely, The Cambridge Towel Corporation and C.S. Brooks Corporation, and the Canadian Textiles Institute (CTI) did not oppose the requests. The Tribunal did not hold a public hearing.

PRODUCT INFORMATION

In Request No. TR-95-053, Majestic describes the subject fabrics as yarn-dyed woven terry fabrics, of yarns of different colours, containing 85 percent or more by weight of cotton. Majestic uses the subject fabrics, primarily sourced from Brazil, in the manufacture of men's bathrobes. The production process for the bathrobes is performed at Majestic's own facilities, where operations such as cutting, sewing and finishing are performed. The bathrobes are then distributed to retail customers.

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

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

3. Vol. 130, No. 10 at 718.

In Request No. TR-95-059, Caulfeild describes the subject fabrics as Jacquard woven terry fabrics, containing 85 percent or more by weight of cotton. Caulfeild buys the subject fabrics, mainly from Brazil and Turkey, for use in the manufacture of men's and women's bathrobes. In contrast to Majestic, Caulfeild contracts out operations such as cutting, sewing and finishing. The bathrobes are then distributed to retail customers.

Revenue Canada confirmed that the subject fabrics are classified for customs purposes under classification No. 5802.19.00.10 of Schedule I to the *Customs Tariff*.⁴ As a result of its analysis of the samples submitted by Majestic and Caulfeild, Revenue Canada confirmed that the subject fabrics covered by Request No. TR-95-053 are of different coloured yarns of cotton fibres and that the subject fabrics covered by Request No. TR-95-059 have been produced on a Jacquard loom.

Having considered the CTI's comments on the wording for a new tariff code that would combine both requests, Revenue Canada suggested the following product description in the event that tariff relief is granted:

The following woven terry fabrics, warp pile, solely of cotton or containing 85 percent or more by weight of cotton mixed solely with polyester staple fibres, of Sub-heading No. 5802.19, for use in the manufacture of bathrobes:

Of yarns of different colours;

Dyed, certified by the exporter to be Jacquard woven fabrics woven on Jacquard looms.

REPRESENTATIONS

None of the potential domestic producers of fabrics identical to or substitutable for the subject fabrics, to whom the Tribunal's questionnaire was sent or that provided submissions to the Tribunal, opposed the requests for tariff relief. Major importers and potential users of the subject fabrics, that provided submissions to the Tribunal, either supported or were indifferent to the requests for tariff relief.

In a letter dated April 12, 1996, the CTI indicated that it did not oppose the requests for tariff relief. On May 15, 1996, the CTI notified the Tribunal that the proposed wording for a new tariff code was generally acceptable and made some suggestions with respect to the enforcement of the provision.

The Department of Foreign Affairs and International Trade advised that Canada maintains quota restraints on woven cotton fabric, finished, imported from the People's Republic of China and cotton fabric imported from Hong Kong and Taiwan (subcategories 32.1-greige and 32.2-finished).

ANALYSIS

The 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 doing so, to take into account all relevant

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

factors, including the substitutability of imported textile inputs for domestic textile inputs and the ability of domestic producers to serve the Canadian downstream industries.

On the basis of the information provided by Majestic and Caulfeild and the responses from domestic producers of woven terry fabrics, identical or substitutable fabrics are not manufactured in Canada. Domestic producers, therefore, did not oppose the requests 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 commercial costs of granting tariff relief on the subject fabrics. At the same time, the benefits to Majestic and Caulfeild would amount to significant yearly savings on customs duties. In summary, the Tribunal concludes that the net economic benefits of granting tariff relief will be positive.

RECOMMENDATION

In light of the foregoing, the Tribunal hereby recommends to the Minister that the customs duty be removed for an indeterminate period of time on importations of certain woven terry fabrics described by Revenue Canada as follows:

The following woven terry fabrics, warp pile, solely of cotton or containing 85 percent or more by weight of cotton mixed solely with polyester staple fibres, of Sub-heading No. 5802.19, for use in the manufacture of bathrobes:

Of yarns of different colours;

Dyed, certified by the exporter to be Jacquard woven fabrics woven on Jacquard looms.

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