

**REPORT TO
THE MINISTER OF FINANCE**

**REQUEST FOR TARIFF RELIEF BY
ALBANY INTERNATIONAL CANADA INC.
REGARDING
PERLON MONOFILAMENTS**

December 8, 1999

ALBANY INTERNATIONAL CANADA INC.

REQUEST NO.: TR-99-002

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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, on June 16, 1999, the Tribunal received a request from Albany International Canada Inc. (Albany) of Cowansville, Quebec, for the removal, for an indeterminate period of time, of the customs duty on the importation from all countries of monofilaments, solely of nylon, for use in the manufacture of paper-making machine felts (the subject yarn). As part of its request, Albany sought tariff relief retroactive to June 11, 1999.

On September 20, 1999, 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 October 2, 1999, edition of the *Canada Gazette*.

As part of the investigation, the Tribunal's research staff sent questionnaires to potential producers of yarn identical to or substitutable for the subject yarn. A request for information was also sent to potential importers of the subject yarn. A letter was sent to the Department of National Revenue (Revenue Canada) (now Canada Customs and Revenue Agency) requesting information on the tariff classification of the subject yarn, 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 potential producers of yarn identical to or substitutable for the subject yarn did not oppose the request.

A public hearing was not held for this investigation.

PRODUCT INFORMATION

The subject yarn is described as a Perlon³ monofilament and is imported from Germany. According to Albany, the subject yarn has mechanical and thermal resistance because of the use of stabilisers in the production of the yarn. It is these properties that allow it to be suitable for manufacturing paper-making machine felts.

Revenue Canada has indicated that the subject yarn is classified under classification No. 5404.10.90.31 of the *Customs Tariff*⁴ and is presently dutiable at 10.0 percent *ad valorem* under the MFN tariff and at 5.0 percent *ad valorem* under the GPT and is free under the US tariff, the Mexico tariff, the Chile tariff, the Least Developed Country tariff and the Canada-Israel Agreement tariff.

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1. On March 20 and July 24, 1996, on November 26, 1997, and on August 19, 1999, the Minister of Finance revised the terms of reference.
 2. R.S.C. 1985, c. 47 (4th Supp.).
 3. According to Albany, Perlon, made by Bayer AG, in Germany, has special characteristics, such as a high molecular weight, a heat stabiliser, a unique finish proprietary to Bayer, and quality and consistency.
 4. R.S.C. 1985 (3d Supp.), c. 41.

REPRESENTATIONS

Requester

Albany is a manufacturer of paper-making machine felts and fabrics, serving the pulp and paper industry in Canada and across the world. Albany has three manufacturing plants in Canada: one in Perth, Ontario, and two in Cowansville. The plant located in Perth manufactures fabrics for the forming section of paper-making machines. One plant in Cowansville makes the press section of paper-making machines, and the other plant produces fabrics for the dryer section of these machines and for selected equipment in the pulping area.

Albany submitted that there is no Canadian producer of an identical or similar product and that it has not been approached by any producers of yarn with any product comparable to Perlon. It also stated that a similar product is available from sources in Europe and the United States. However, according to Albany, Perlon is different from that product because of the following:

- it has a high molecular weight;
- it has a heat stabiliser required in the monofilaments used in the manufacture of paper-making felts;
- it has a unique spin finish (proprietary to Bayer), which results in less damage and less dust, and produces a quality product; and
- it is a consistently high-quality product.

Because Bayer and Albany have developed into research and development partners, the end product is better suited to Albany's needs.

Finally, Albany submitted that Bayer ships the subject yarn directly to the plant in Cowansville, with the result that Albany has a continuous supply of Perlon.

OTHER INFORMATION

The Department of Foreign Affairs and International Trade (DFAIT) informed the Tribunal that Canada maintains a quota restraint on other man-made filaments imported from Taiwan. Accordingly, this coverage includes monofilaments of classification No. 5404.10.90.31. The bilateral agreement between the Government of Canada and the Taiwan Textile Federation has been in place since 1979.

DFAIT also indicated that it will consider requests for ex-quota entry on textile inputs where a recommendation has been made by the Tribunal to remove customs duties on the basis of non-availability. Ex-quota treatment will be granted only in cases where it can be demonstrated that there is an extra charge for using products under quota or where goods are not otherwise available in Canada.

Revenue Canada has indicated that there would be no additional costs, over and above those already incurred by it, to administer the tariff relief requested on the subject yarn.

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 an imported yarn for a domestic yarn and the ability of domestic producers to serve the Canadian downstream industries. Consequently, the Tribunal's decision to recommend tariff relief is based on the extent to which it considers that such tariff relief would provide net economic gains for Canada.

Albany claimed that there is no domestic production of yarns identical to or substitutable for the subject yarn. This claim was not contested by any domestic yarn producer. Therefore, other than the corresponding duty revenues forgone by the government, the Tribunal does not believe that there will be any direct costs associated with the removal of the customs duty on the importation of the subject yarn.

On the basis of the information available to the Tribunal, granting tariff relief would result in yearly benefits to Albany in excess of \$100,000. In addition, tariff relief will allow Albany to remain competitive with offshore competitors and increase production and employment levels in Canada.

In summary, the Tribunal finds that the granting of duty relief would provide net economic gains to Canada.

With respect to Albany's request for retroactive tariff relief, the Tribunal has stated, in previous cases, that it will not consider recommending such relief other than in exceptional circumstances. Albany has provided no evidence to justify such a request. The Tribunal, therefore, is not persuaded that the current circumstances are so exceptional as to warrant a recommendation for retroactive relief.

RECOMMENDATION

The Tribunal hereby recommends to the Minister that tariff relief be granted, for an indeterminate period of time, on importations from all countries, of monofilaments solely of nylon, of subheading No. 5404.10, for use in the manufacture of paper-making machine felts.

Arthur B. Trudeau

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Presiding Member