

REPORT TO THE MINISTER OF FINANCE

REVIEW OF RECOMMENDATION REGARDING VINEX FR-9B FABRIC

JUNE 29, 1998

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INTRODUCTION

On November 6, 1997, the Canadian International Trade Tribunal (the Tribunal) gave notice that the tariff relief order (Code 4282)¹ made on July 26, 1995, to implement the Tribunal's recommendation to the Minister of Finance (the Minister) in Request No. TR-94-009 (Équipements Saguenay (1982) Ltée), concerning "woven fabric, containing 83% or more by weight of vinal staple fibres and 13% or more of polynosic staple fibres, of tariff item No. 5512.99.00, for use in the manufacture of protective outerwear worn in high temperature applications in aluminum plants" (the subject fabric), was scheduled to expire on July 25, 1998.² Under the Minister's standing reference, the duty relief provided by tariff item No. 5512.99.10 will cease unless the Tribunal issues a recommendation that tariff relief is still warranted and a tariff relief order is made by the government. Pursuant to subparagraph 19(5) of the Textile Reference Guidelines, parties requesting or opposing the initiation of a review were asked to file with the Secretary of the Tribunal written public submissions containing relevant information, opinions and arguments.

The notice of expiry was published in the November 15, 1997, edition of the *Canada Gazette*, Part I.³ It was distributed to firms that were parties in the original investigation, to firms identified as importers and users of the subject fabric, to organizations representing producers, users and importers of textile inputs and to a number of government departments. Only two firms, Équipements Saguenay (1982) Ltée (Équipements Saguenay) and J.B. Goodhue (1993) Inc. (Goodhue) filed submissions with the Tribunal.

A public hearing was not held for the review.

ANALYSIS

In considering whether tariff relief should be continued, with or without amendment, the Tribunal will look, first, at whether all relevant factors which led it to recommend tariff relief continue to apply and, second, at whether extending tariff relief under such conditions will continue to provide net economic gains for Canada.

In its 1995 recommendation that tariff relief be granted on the subject fabric, a majority of the Tribunal concluded that there was no Canadian fabric that was really substitutable for the subject fabric and, therefore, was of the opinion that the request for tariff relief submitted by Équipements Saguenay was justified. The Tribunal found that tariff relief would help Équipements Saguenay maintain its competitive position in relation to any potential US garment manufacturers that could supply Canadian aluminum plants with protective garments made from the subject fabric. Furthermore, since the Canadian producers would not incur any costs because they do not produce any really substitutable fabrics, and since Équipements Saguenay would be able to improve its financial situation and thus maintain or create other jobs in the production of garments made from the subject fabric, the Tribunal found that the Canadian economy would benefit if such tariff relief were granted for a three-year period. The dissenting member, however, was of the view that tariff relief should not be granted, on the grounds that a Canadian-made substitute appeared to be available and that there was no evidence that failure to remove the customs duty payable would lead to

1. Code 4282 was replaced on January 1, 1998, by tariff item No. 5512.99.10 of the Schedule to the *Customs Tariff*.

2. The expiry date shown in the *Customs Tariff* for tariff item No. 5512.99.10 is July 26, 1998.

3. Vol. 131, No. 46 at 3565.

Équipements Saguenay's production of protective garments for Alcan International Limited being displaced by imports of similar garments made from the subject fabric.

In their submissions, Équipements Saguenay and Goodhue, the requester and a participant respectively in the original investigation, indicated that they continue and will continue to be significant importers and users of the subject fabric in the production of protective garments worn in high temperature applications in aluminum plants. Both firms further indicated that no domestic producer had approached them with a domestic textile input as a substitute for the subject fabric, nor had they actively made inquiries to determine if a substitutable fabric was available from Canadian production because their customers stipulate and require that the subject fabric be used in the production of protective clothing. Équipements Saguenay further indicated that tariff relief enabled it to continue its manufacturing activities for the products manufactured from the subject fabric and to keep stable the employment level relating to this activity. As for Goodhue, it argued that the continuation of tariff relief would help it to maintain its market share and satisfactorily supply the domestic aluminum industry with the precise product which it demands. Extending the tariff relief would provide an overall benefit to Équipements Saguenay and Goodhue of approximately \$130,000 a year.

Having reviewed the evidence, the Tribunal concludes that extending tariff relief will continue to provide economic benefits to Canada by maintaining the competitive position of producers of protective garments worn in high temperature applications in aluminum plants. Furthermore, the Tribunal did not receive any evidence that could allow it to conclude that there would be any costs, other than foregone federal revenues, in recommending that tariff relief be continued for an indeterminate period.

RECOMMENDATION

In light of the foregoing, the Tribunal hereby recommends to the Minister that tariff relief, as provided by tariff item No. 5512.99.10, be extended, beyond July 26, 1998, for an indeterminate period.

Anita Szlazak

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Presiding Member

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