

REPORT TO THE MINISTER OF FINANCE

REVIEW OF RECOMMENDATION REGARDING WOVEN CUT WARP PILE FABRICS

JANUARY 13, 1999

REVIEW NO.: TA-98-003

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INTRODUCTION

On July 9, 1998, the Canadian International Trade Tribunal (the Tribunal) gave notice that the tariff relief order (Code 4418)¹ made on March 19, 1997, to implement the Tribunal's recommendation to the Minister of Finance (the Minister) in Request No. TR-95-014 (Palliser Furniture Ltd.), concerning "[w]oven, cut warp pile fabrics, of pile yarns solely of acrylic staple fibres, certified by the exporter to be dry spun, or of pile yarns of acrylic staple fibres, certified by the exporter to be dry spun, mixed solely with pile yarns of polyester staple fibres, of a ground fabric of yarns of polyester filaments in the warp and of yarns of cotton and polyester staple fibres in the weft, coated on one side, of subheading No. 5801.35, for use as decorative outer coverings in the manufacture of upholstered furniture" (the subject fabrics), was scheduled to expire on March 19, 1999. Parties requesting or opposing the continuation of tariff relief were asked to file written public submissions containing relevant information, opinions and arguments with the Secretary of the Tribunal not later than August 6, 1998.

The notice of expiry was published in the July 18, 1998, edition of the *Canada Gazette*, Part I.² It was distributed to firms that were parties in the original investigation, to firms identified as importers and users of the subject fabrics, to organizations representing producers, users and importers of textile inputs and to a number of government departments. Four letters/submissions were filed in response to the notice.

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 continuing tariff relief under such conditions will continue to provide net economic gains for Canada.

In its first report to the Minister, dated May 1, 1996, the Tribunal limited its recommendation for tariff relief to a two-year period to allow J.L. de Ball Canada Inc. to commence production of fabrics identical to the subject fabrics. While the latter failed to file any submission with the Tribunal with regard to the notice of expiry, it did, however, inform the Tribunal staff that it did not oppose the continuation of tariff relief.

Of the four firms that did respond to the notice, two importers of the subject fabrics, J. Ennis Fabrics Ltd. and W.H. Bilbrough & Co. Ltd., requested that tariff relief be continued. Montreal Fast Print Ltd. (MFP), a dyer, printer and finisher of fabrics, also requested the continuation of tariff relief, but only for greige, unprocessed fabrics. Finally, Palliser Furniture Ltd., the requester in the original investigation, indicated that, while it was no longer importing the subject fabrics, it did not oppose the continuation of tariff relief. None of these firms provided any information over and above their basic positions concerning whether or not tariff relief should be continued.

In view of the thin rationale provided by MFP for the continuation of tariff relief on fabrics in greige (unfinished) form only, and in consideration of the cost of a full review to all interested parties, additional

1. Code 4418 was replaced on January 1, 1998, by tariff item No. 5801.35.10 of the schedule to the *Customs Tariff*.

2. Vol. 132, No. 29 at 1713.

information and justification concerning MFP's past and future converting activities were requested by the Tribunal on October 2, 1998. MFP did not provide the information requested, nor did it justify its opposition to the continuation of tariff relief on fabrics in finished form.

Statistics Canada data show that the subject fabrics imported free of duty in 1997 amounted to 5,562 kg, valued at \$96,808. The subject fabrics imported free of duty in the first quarter of 1998 amounted to 123,622 kg, valued at \$1,608,937.

Having reviewed the evidence, the Tribunal notes that imports of the subject fabrics have grown exponentially since the Minister granted tariff relief on these fabrics and concludes that tariff relief has provided significant benefits, in the form of duty savings, to parties that obtained tariff relief. While Palliser Furniture Ltd. is no longer drawing any benefits from the Tribunal's original recommendation, a number of manufacturers have been using and are continuing to use the subject fabrics in the manufacture of furniture. Furthermore, the Tribunal did not receive any evidence from domestic textile producers that could allow it to conclude that there would be any costs, other than forgone federal revenues, in recommending that tariff relief be continued for an indeterminate period of time. Therefore, the Tribunal believes that tariff relief will continue to provide net economic gains for Canada.

RECOMMENDATION

In light of the foregoing, the Tribunal hereby recommends to the Minister that tariff relief, as provided by tariff item No. 5801.35.10, be continued, beyond March 19, 1999, for an indeterminate period of time.

Patricia M. Close

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Presiding Member

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