

**REPORT NO.602**

**SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON GARDEN PICKS,  
SPADES AND SHOVELS, RAKES AND FORKS ORIGINATING IN OR  
IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC): FINAL  
DETERMINATION**

The International Trade Administration Commission of South Africa (the Commission) hereby presents its **Report No.602: SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON GARDEN PICKS, SPADES AND SHOVELS, RAKES AND FORKS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC): FINAL DETERMINATION**



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**22/05/2019**

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## **LIST OF ACRONYMS**

<b>ADR</b>	<b>Anti-Dumping Regulations</b>
<b>BOFT</b>	<b>Bureau of Fair Trade</b>
<b>FOB</b>	<b>Free on Board</b>
<b>ITAC</b>	<b>International Trade Administration Commission of South Africa</b>
<b>Kg</b>	<b>Kilogram</b>
<b>POI</b>	<b>Period of Investigation</b>
<b>PRC</b>	<b>People's Republic of China</b>
<b>ROI</b>	<b>Return on Investment</b>
<b>SA</b>	<b>South Africa</b>
<b>SACU</b>	<b>Southern African Customs Union</b>
<b>SARS</b>	<b>South African Revenue Service</b>
<b>WTO</b>	<b>World Trade Organisation</b>

## **1. APPLICATION AND PROCEDURE**

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- 1.1** The investigation was conducted in accordance with the International Trade Administration Act (ITA ACT), 2002, the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR) and with due regard to the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994.
  
- 1.2** On 21 July 2017 the Commission notified the SACU Industry through Notice No 546 in Government Gazette No.40998 that unless a substantiated request is made by the SACU industry, indicating that the expiry of the anti-dumping duties on the subject products originating or produced in the PRC would likely lead to the continuation or recurrence of dumping and material injury, the relevant anti-dumping duties on the subject products originating in or imported from the PRC will expire on 17 October 2018.
  
- 1.3** On 17 April 2018, a sunset review application questionnaire was received from Ussher Inventions (Pty) Ltd t/a Lasher Tools (the Applicant), the major producer of the subject products in the SACU, supported by Ottimo Products CC and Sawell CC.
  
- 1.4** The investigation was initiated through notice No. 601 of 2018 published in Government Gazette No. 41928 on 28 September 2018 (the Initiation Notice).
  
- 1.5** The Initiation Notice, non-confidential version of the application and the exporters' and importers' questionnaires were sent to all known interested parties.

**1.6** The investigation period for dumping was from 01 July 2016 to 30 June 2017.

Information with regard to material injury involved evaluation of data for the period 01 July 2014 to 30 June 2017 together with estimates of the magnitude of injury for each indicator of injury should the anti-dumping duties expire.

**1.7** No response to the Commission's questionnaire was received from the exporters and/or manufacturers of the subject products from PRC.

**1.8** A response was received from Exploit Tools, an importer of the subject products. Exploit Tools' response was found to be deficient. They were notified of the deficiencies and given 7 days to address the identified deficiencies.

**1.9** A response to deficiencies was received from Exploit Tools on the deadline date and the response was still deficient. The following deficiencies were identified:

- Jam Trading Limited was indicated to be a subsidiary of Exploit Tools, however did not appear on the company's group structure provided.
- Copies of documentation relevant to each imported shipment were not provided.
- The estimates of the size of the market in values were not provided as required by the Commission's questionnaire.
- An annexure relating to a certified copy of an agreement between Exploit Tools and its supplier was declared in the affidavit, however was not attached in the response. A non-confidential disclaimer was not provided in this regard.

**1.10** The Commission's essential facts letters were sent to interested parties and comments were received from the Applicant and Exploit Tools. The Applicant indicated that it is in agreement with the essential facts which the Commission was considering to rely upon for its proposed recommendation.

### **Comments from Exploit Tools**

*Exploit Tools commented that:*

- *It responded to the deficiency letter in detail and rectified the indicated deficiencies.*
- *The information furnished by Exploit Tools incorporated the information by the Chinese supplier.*

### **Commission's consideration**

- *The response submitted was still deficient in that:*
  - *It was not submitted in a required format and an electronic response was not submitted.*
  - *A corrected and updated questionnaire response was not provided;*
  - *Only documents addressing those specific deficiencies were received.*
  - *A non-confidential version of the response was not provided.*
  - *An affidavit stating reasons why information is considered confidential by nature was not provided.*

**1.11** The Commission took into account all relevant comments received in making its final determination.

**1.12** It should be noted that this report does not purport to present all comments received and considered by the Commission. However, some salient and pivotal comments received from interested parties and the Commission's consideration of these comments is specifically included in this report.

**1.13** All non-confidential submissions made by interested parties are contained in the Commission's non-confidential file for this investigation.

After considering all the information supplied by the Applicant and the comments on the Essential Facts, the Commission made a final determination that the expiry of the anti-dumping duties on the subject products originating in or

imported from the PRC would likely lead to the continuation of dumping and recurrence of material injury to the SACU industry.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties on the subject products from the PRC be increased.



## 2 PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

### 2.1 IMPORTED PRODUCT

#### 2.1.1 Description

The imported products are spades & shovels, rakes, forks and picks.

#### 2.1.2 Tariff classification, applicable duties and rebates

Table 2.1.2: Tariff classification

Tariff line	Description	Unit	Customs duty (ad valorem)					Anti-dumping duties	
			General	EU	EFTA	MERCUSOR	SACU	PRC	
8201.01	Hand tools, the following: Spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry:								
8201.10	- Spades and shovels:								
82.01.10.10	-- Of a maximum blade width of more than 200 mm but not exceeding 320 mm	Kg	20%	free	20%	18%	free	158.1c/kg	
8201.30	---Mattocks, picks, hoes and rakes:								
8201.30.03	-- Mattocks; picks	Kg	20%	free	20%	18%	free	369.2c/kg	
8201.30.90	-- Other	Kg	free	free	free	free	free	262.7c/kg	
8201.90	- Other hand tools of a kind used in agriculture, horticulture or forestry:								
8201.90.20	-- Other forks, with a prong length exceeding 150 mm	Kg	20%	free	20%	18%	free	480c/kg	

#### 2.1.3 Country of origin or export

The subject products originate in or are imported from the PRC.

#### **2.1.4 Application/end-use**

- Spade and shovel – Moving or mixing sand, stone & cement, and digging soil.
- Fork - Digging soil, moving hay and fodder, agricultural preparation, sifting ballast.
- Pick - Digging holes and trenches.
- Rake - Soil aeration and clearing.

#### **2.1.5 Production process**

- Spade and shovels - Rolled sheet is profile blanked, blade and shaft hot formed to shape, blade is heat-treated (for spade), steel tube is pressed and welded to socket (garden range) or wood shaft is affixed to socket, grip is formed and fitted to shaft and the product painted for protection and finish.
- Fork - Fork head is either forged from bar or square bar is bent and welded to form fork tines, tubular steel or wood shaft is fitted to the head, the product is coated with varnish and/or paint.
- Pick - Bar is cropped to billet, billet is heated, eye is forged, and shanks are rolled, or hammer forged, product is heat-treated, protective coating is applied.
- Rake - Tines of rake are blanked or welded, socket or shaft is welded to head, protective coating is applied.

## **2.2 SACU PRODUCT**

### **2.2.1 Description**

The SACU products are spades & shovels, rakes, forks and picks.

### **2.2.2 Application/end use**

- Spade and shovel – Moving or mixing sand, stone & cement, and digging soil.
- Fork - Digging soil, moving hay and fodder, agricultural preparation, sifting ballast.

- Pick - Digging holes and trenches.
- Rake - Soil aeration and clearing.

### **2.2.3 Tariff classification**

The subject products are classifiable under tariff sub-headings 8201.10.10, 8201.90.20, 8201.30.03 and 8201.30.90.

### **2.2.4 Production process**

- Spade and shovels - Rolled sheet is profile blanked, blade and shaft hot formed to shape, blade is heat-treated (for spade), steel tube is pressed and welded to socket (garden range) or wood shaft is affixed to socket, grip is formed and fitted to shaft and the product painted for protection and finish.
- Fork - Fork head is either forged from bar or square bar is bent and welded to form fork tines, tubular steel or wood shaft is fitted to the head, the product is coated with varnish and/or paint.
- Pick - Bar is cropped to billet, billet is heated, eye is forged, and shanks are rolled, or hammer forged, product is heat-treated, protective coating is applied.
- Rake - Tines of rake are blanked or welded, socket or shaft is welded to head, protective coating is applied.

## **2.3 LIKE PRODUCT ANALYSIS**

In the original investigation, the Commission decided that the SACU products and the imported products are "like products", for purposes of comparison in terms of Section 1 of the Anti-Dumping Regulations.

### **3 SACU INDUSTRY**

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#### **3.1 INDUSTRY STANDING**

The SACU industry consists of three known manufacturers of the subject products:

- The Applicant, which provided the material injury information in this report, represents more than 50 percent of the SACU industry by production volumes; and
- Ottimo Products CC and Sawell CC, which supported the application, represent less than 50 percent of the SACU industry by production volumes.

The Commission made a final determination that the application can be regarded as being made “by or on behalf of the domestic industry” in terms of Regulation 7 of the ADR.

## 4 CONTINUATION OR RECCURANCE OF DUMPING

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### 4.1 Methodology In this investigation for the PRC

The Record of Understanding between ITAC and the Bureau of Fair Trade for Imports and Exports of the Ministry of Commerce of the PRC provides that the PRC will be treated as a market economy for purposes of anti-dumping investigations. Where domestic selling price information in the PRC is not available, SACU industries are allowed to use alternative methods permitted by the WTO in the determination of a normal value for the PRC.

### 4.2 Normal value

The information used to determine the normal value is that submitted by the Applicant. To determine the normal value, an invoice from a manufacturer of the subject products in the PRC was used.

The normal values per kilogram were converted from Chinese Yuan (¥) to South African Rand (R) using the average exchange rate of ¥1=R1.999887 (average exchange rate obtained from Oanda for the period of investigation for dumping) and are as follows:

**Table 4.2: Normal value**

R/kg	Shovels and spades	Rakes	Picks	Forks
Normal value	57.48	51.86	39.86	59.08

### ***Comments from Exploit Tools***

*Exploit Tools commented that:*

- It is concerned about the motive to use the invoice provided by the Applicant to determine Normal Value.*
- The information supplied by the Applicant is distorted.*
- Exploit Tools' supplier does not sell the subject products in China; however the price charged by another supplier in China does not indicate dumping.*

### **Commission's consideration**

- *The Applicant is required to provide "prima facie" information indicating that dumping will continue or recur for initiation purposes.*
- *Exploit Tools did not indicate what way the information supplied by the Applicant is distorted other than submitting its preferred information.*
- *However the submitted price list and quotations from different suppliers fall outside the POI for dumping.*
- *Exporters or manufacturers from the PRC did not participate in the investigation.*

### **4.3 Export price**

No response to the Commission's questionnaire was received from the PRC manufacturers. A deficient response was received from Exploit Tools, an importer of the subject products.

#### **4.3.1 Shovels and spades, picks and forks**

To determine the export price, import statistics from the SARS for the period of investigation for dumping was used. The ex-factory export prices after taking into account adjustments for inland freight in the PRC were determined to be as follows:

**Table 4.3.1: Export price after adjustment**

<b>R/kg</b>	<b>Shovels and spades</b>	<b>Picks</b>	<b>Forks</b>
<b>FOB- factory Export price</b>	9.86	8.52	12.70
<b>Adjustments (inland freight)</b>	0.34	1.62	0.31
<b>Ex-factory export price</b>	9.52	6.91	12.39

#### **4.3.2 Export price - Rakes**

To determine the export price for rakes, a price quotation obtained from a manufacturer of the subject product in the PRC was used. The Applicant used this price as it is of the view that the SARS FOB prices regarding HS 8201.30.90 might also cover certain hoes, due to the nature of the tariff description "Other" and therefore the quotation supplies a more realistic price reference:

Based on the quotation, the ex-factory export price for rakes was determined to be ¥12.90/unit. The ex-factory export price was from units converted to kilograms using the Applicant's weights and was determined to be ¥8.60/kg.

The export price was converted from Chinese Yuan (¥) to South African Rand (R) using the average exchange rate of ¥1=R1.999887 (average exchange rate obtained from Oanda for the period of investigation for dumping). Therefore the ex-factory export price was determined to be R17.20.

#### 4.4 Margin of dumping

The margins of dumping were determined to be as follows:

**Table 4.4: Margins of Dumping**

	<b>Spades and shovels</b>	<b>Rakes</b>	<b>Forks</b>	<b>Picks</b>
Margin of dumping as a % of the export price	<b>503.8%</b>	<b>201.5%</b>	<b>376.50%</b>	<b>476.80%</b>

Since no manufacturer or exporter of the subject products from the PRC responded, the Commission determined the likelihood of the continuation of dumping based on facts available. The facts available in this case are the information supplied by the Applicant.

#### 4.5 SUMMARY- DUMPING

After considering all the factors above, the Commission made a final determination that the expiry of the anti-dumping duties on the subject products originating in or imported from the PRC would likely lead to the continuation of dumping.

## 5 CONTINUATION OR RECURRENCE OF MATERIAL INJURY

### 5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION

The information in this section relates to the verified information of the Applicant, which represents more than 50 per cent of the SACU industry by production volumes.

The Commission made a final determination that the Applicant's production constitutes "a major proportion" of the total domestic production, in accordance with Regulation 7 of the ADR.

### 5.2 IMPORT VOLUMES AND EFFECT ON PRICES

#### 5.2.1 Import volumes

The following table shows the volume of the allegedly dumped imports of the subject product as obtained from SARS and estimates should anti-dumping duties expire:

**Table 5.2.1: Import volumes**

<b>Kg</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Estimates if duties expire</b>
<b>Alleged dumped Imports:</b>				
Shovels and spades	250 072	296 278	252 034	1 071 053
Rakes	62 176	69 686	49 778	286 401
Forks	43 128	50 994	82 360	207 318
Picks	367 767	378 116	296 200	594 772
<b>Other Imports:</b>				
Shovels and spades	7 355	4 971	13 247	13 247
Rakes	142 541	76 256	106 876	107 004
Forks	51 801	59 746	38 018	38 018
Picks	48 872	81 721	270 231	270 231
<b>Total imports:</b>				
Shovels and spades	257 427	301 249	265 281	1 084 300
Rakes	204 717	145 942	156 654	393 405
Forks	94 929	110 744	120 378	245 337
Picks	416 639	459 836	566 431	865 003
<b>Alleged dumped imports as a % of total imports</b>				



<b>Kg</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Estimates if duties expire</b>
Shovels and spades	97%	98%	95%	99%
Rakes	30%	48%	32%	73%
Forks	45%	46%	68%	85%
Picks	88%	82%	52%	69%
<b>Other net imports as a % of total Imports:</b>				
Shovels and spades	3%	2%	5%	1%
Rakes	70%	52%	68%	27%
Forks	55%	54%	32%	15%
Picks	12%	18%	48%	31%

Table 5.21 above indicates that alleged dumped imports as a percentage of total imports for shovels and spades decreased slightly from 97% to 95%, while those for picks decreased from 88% to 52% during the period when duties were in place. It is estimated that these will increase to 99% and 85% respectively if the duties are removed. Alleged dumped imports as a percentage of total imports for rakes increased slightly from 30% to 32%, while those for forks increased from 45% to 68% during the period when duties were in place. It is estimated that these will increase to 73% and 85% respectively if the duties are removed.

The Commission considered that the proportion of imports from the PRC will increase should the anti-dumping duties be removed.

### **5.3 Effect on Domestic Prices**

#### **5.3.1 Price Undercutting**

The price undercutting was calculated by comparing the Applicant's ex-factory selling price and landed cost of imported product.

The landed cost for the subject products was lower than the Applicant's ex-factory selling prices and the Applicant estimated that should the anti-dumping duties be removed the imports of the subject products will further undercut the Applicant's selling prices.

### 5.3.2 Price depression

The table below shows the SACU industry's domestic ex-factory selling prices indexed:

**Table 5.3.2: Price depression**

R/Kg	2014/15	2015/16	2016/17	Estimate if duties expire
<b>Ex-factory selling prices</b>				
Spade and shovels	100	103	107	134
Rakes	100	106	115	115
Forks	100	97	99	109
Picks	100	96	96	115

The figures in the table are indexed due to confidentiality using 2014/15 as base year.

Table 5.3.2 indicates that the Applicant's selling prices increased during the investigation period and the Applicant estimated the ex-factory selling prices to increase if the duties were removed.

The Commission considered that if the anti-dumping duties are removed, the SACU industry would need to increase its selling prices in an effort to retain the profit margins, although it may not be able to sustain that for long.

### 5.3.3 Price suppression

The following table compares the Applicant's production costs and its actual selling prices for the subject products, and estimates should duties expire:

**Table 5.3.3: Price suppression**

R/unit	2014/15	2015/16	2016/17	Estimates if duties expire
<b>Applicant's ex-factory selling price:</b>				
Spades and shovels	100	103	107	134
Rakes	100	106	115	115
Forks	100	97	99	109
Picks	100	96	96	115

<b>Production cost per unit:</b>				
Spades and shovels	100	87	86	118
Rakes	100	94	112	113
Forks	100	79	82	102
Picks	100	87	82	107
<b>Cost as a percentage of selling price:</b>				
Spades and shovels	100	97	102	99
Rakes	100	95	96	94
Forks	100	90	102	101
Picks	100	106	111	113

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.3.3 indicates that production cost as a percentage of selling price shows that the Applicant did not suffer price suppression.

The Applicant indicated that if the anti-dumping duties are removed, as imports from the PRC increase, the Applicant's production volumes would have to be reduced to prevent unnecessary inventory increases.

## **5.4 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON SACU INDUSTRY**

### **5.4.1 Actual and potential decline in sales**

The following table shows the SACU's sales situation:

**Table 5.4.1: The Applicant's sales**

<b>Sales volumes (units)</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Estimates if duties expire</b>
Spades and shovels	100	101	120	78
Rakes	100	102	104	68
Forks	100	94	105	68
Picks	100	102	114	74

The figures in the table are indexed due to confidentiality using 2014/15 as a base year

Table 5.4.1 above indicates that the Applicant's sales volumes for spades & shovels, rakes, picks and forks increased by 19.82%, 4.05%, 4.80% and 13.92% respectively during the period when duties were in place.

The Applicant estimated that if duties are removed the Applicant's sales volumes for the subject products will decrease.

The Commission considered that if the anti-dumping duties are removed, the Applicant's sales are likely to decline given that imports are also undercutting the Applicant's prices.

#### 5.4.2 Profit

The following table shows the SACU industry's profit situation:

**Table 5.4.2: The Applicant's profits**

	2014/15	2015/16	2016/17	Estimates if duties expire
<b>Total Gross profit (R)</b>				
Spades and shovels	100	113	136	124
Rakes	100	118	122	92
Forks	100	113	100	79
Picks	100	85	84	78
<b>Net Profit/loss (R)</b>				
Spades and shovels	100	123	103	84
Rakes	100	133	157	102
Forks	100	148	96	68
Picks	100	62	32	24

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.2 above indicates that the Applicant's net profit for shovels & spades and rakes increased respectively during the period when duties were in place, while forks and picks decreased respectively during the same period. It is estimated that if the duties are removed, the Applicant's net profits for the subject products will decrease.

The Commission considered the Applicant's submission that it will have to sell its subject products at suppressed selling prices in an attempt to compete with the cheap imports should the duties be removed.

### 5.4.3 Production volume

The following table outlines the SACU industry's domestic production volume of the subject products:

**Table 5.4.3: The Applicant's output**

Units	2014/15	2015/16	2016/17	Estimates if duties expire
<b>Applicant's production volumes</b>				
Spades and shovels	100	115	145	80
Rakes	100	108	105	61
Forks	100	106	129	69
Picks	100	122	145	83

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.3 indicates that production volumes for the subject products increased during the period when duties were in place and the Applicant estimated that should the duties be removed, production volumes will decrease.

The Commission considered that should the anti-dumping duties be removed, the dumped imports would replace the Applicant's sales volumes and will likely force the Applicant to cut back on production to reduce inventory levels.

### 5.4.4 SACU market share

The following table shows the market share based on sales of the subject products:

**Table 5.4.4: Market share**

units	2014/15	2015/16	2016/17	Estimates if duties expire
<b>Total SACU market*:</b>				
Spades and shovels	100	103	118	118
Rakes	100	96	97	97
Forks	100	99	109	109
Picks	100	105	122	122
<b>Applicant's share as a % of total market*</b>				
Spades and shovels	100	98	102	66
Rakes	100	107	107	70

units	2014/15	2015/16	2016/17	Estimates if duties expire
Forks	100	95	96	62
Picks	100	97	93	61
<b>Other SACU sales as a % of total market</b>				
Spades and shovels	100	97	86	86
Rakes	100	104	104	104
Forks	100	101	92	92
Picks				
<b>Alleged dumped imports as a % of total market</b>				
Spades and shovels	100	115	86	366
Rakes	100	137	77	444
Forks	100	119	175	440
Picks	100	98	66	133
<b>Other imports as % of total market</b>				
Spades and shovels	100	67	152	152
Rakes	100	51	78	78
Forks	100	116	67	67
Picks	100	159	454	454
<b>Total market</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The figures in the table are indexed due to confidentiality using 2014/15 as base year.

Table 5.4.4 above shows that the Applicant's market share for spades & shovels and rakes increased during the period when duties were in place, while the market share for forks and picks declined during the same period.

The Commission considered that should the duties be removed, importers would revert to the importation of the alleged dumped imports which will cause the Applicant's sales volumes to decrease.

#### 5.4.5 Productivity

The following table shows the Applicant's productivity per employee for the subject products:

**Table 5.4.5: Productivity**

	2014/15	2015/16	2016/17	Estimates if duties expire
Spades and shovels	100	128	159	123
Rakes	100	108	105	61
Forks	100	114	129	95
Picks	100	131	145	133

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.5 above indicates that the productivity levels for the subject products increased during the period when duties were in place and the Applicant estimated that should the duties be removed, productivity levels for rakes and forks will decrease to 61 and 95 index points.

The Commission considered the Applicant's submission that if the anti-dumping duties are removed, productivity will decline as a result of a decline in production and employment levels.

#### 5.4.6 Return on Investment

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets.

**Table 5.4.6: Return on Investment (subject products)**

(R)	2014/15	2015/16	2016/17	Estimates if duties expire
<b>Applicant's net profit/loss</b>				
Spades and shovels	100	123	103	84
Rakes	100	133	157	102
Forks	100	148	96	68
Picks	100	62	32	24
<b>Applicant's net assets</b>				
Spades and shovels	100	67	64	75
Rakes	100	86	76	61
Forks	100	88	75	63

(R)	2014/15	2015/16	2016/17	Estimates If duties expire
Picks	100	78	57	219
<b>Return on Investment:</b>				
Spades and shovels	100	183	161	112
Rakes	100	156	206	168
Forks	100	169	128	109
Picks	100	79	56	11

The figures in the table are indexed due to confidentiality using 2014/15 as base year

The Commission considered the Applicant's submission that if the duties are removed, the return on investment for the subject products would decrease and that this would be as a result of the estimated declining sales volume, value and profit.

#### 5.4.7 Utilisation of production capacity

The following table provides the SACU industry's production capacity utilisation for the subject product:

**Table 5.4.7: Production capacity**

units	2014/15	2015/16	2016/17	Estimate If duties expire
<b>Applicant's capacity</b>				
Spades and shovels	100	100	100	100
Rakes	100	100	100	100
Forks	100	100	100	100
Picks	100	100	100	100
<b>Applicant's actual production</b>				
Spades and shovels	100	115	145	80
Rakes	100	108	105	61
Forks	100	106	129	70
Picks	100	122	145	83
<b>Applicant's capacity utilisation %</b>				



Spades and shovels	100	115	145	81
Rakes	100	108	105	61
Forks	100	106	129	70
Picks	100	123	145	83

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.7 indicates that the Applicant's capacity utilisation for the subject products increased during the period when duties were in place and the Applicant estimated that should the duties be removed, capacity utilisation will decrease to 2014/15 levels.

The Commission considered the Applicant's submission that the Applicant's overall capacity utilisation is at a low level and the potential loss of production volume to the alleged dumped imports would have an additional negative impact on expected utilisation.

#### 5.4.8 Actual and potential negative effects on cash flow estimates

The following table reflects the SACU industry's cash flow situation:

**Table 5.4.8: The Applicant's cash flow**

R	2014/15	2015/16	2016/17	Estimates if duties expire
Incoming cash flow	100	105	109	79
Outgoing cash flow	100	106	115	97
Net cash flow	100	100	81	Negative
SACU debtors' value	100	93	103	103
Debtors: average days outstanding	100	65	65	65

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.8 indicates a decline in the Applicant's net cash flow during the period when duties were in place and the Applicant estimated that should the duties be removed, net cash flow will decrease further to a negative.

#### 5.4.9 Inventories

The following table reflects the SACU industry's inventory situation:

**Table 5.4.9: Inventories**

	2014/2015	2015/2016	2016/2017	Estimates if duties expire
<b>Inventory volumes (units):</b>				
Spades and shovels	100	76	143	53
Rakes	100	131	109	53
Forks	100	101	113	135
Picks	100	77	131	113
<b>Inventory values (R):</b>				
Spades and shovels	100	91	172	146
Rakes	100	27	122	58
Forks	100	100	109	130
Picks	100	77	144	124

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.9 indicates that inventory volumes for the subject products increased during the period when duties were in place and the Applicant estimated that should the duties be removed, inventory for spades and shovels and rakes will decrease further as well as inventory values of rakes.

The Commission considered that if the anti-dumping duties are removed, the Applicant would cut back on production to prevent the increase in the inventory levels.

#### 5.4.10 Employment

The following table provides the Applicant's employment levels:

**Table 5.4.10: The Applicant's employment**

	2014/15	2015/16	2016/17	Estimates if duties expire
<b>Direct labour units (production):</b>				
Spades and shovels	100	90	91	65

Rakes	100	100	100	100
Forks	100	93	100	73
Picks	100	94	100	63

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.10 indicates that the number of employees directly involved in the production process for the subject products remained constant during the period when duties were in place except for spade & shovels which indicate a decline by 91 index point during the same period. The Applicant estimated that should the duties be removed, the number of employees for the subject products will decline except for rakes which will remain constant.

The Commission considered that if the duties are removed, employment levels would come under threat and a reduction in the labour force would be unavoidable.

#### 5.4.11 Wages and Salaries

The following table reflects the Applicant's wages and salaries situation:

**Table 5.4.11: The Applicant's wages and salaries**

(R)	2014/15	2015/16	2016/17	Estimates If duties expres
<b>Applicant's wages and salaries:</b>				
Spade and shovels	100	134	160	173
Rakes	100	112	123	133
Forks	100	106	145	156
Picks	100	130	167	180
<b>Wages and salaries per employee:</b>				
Spade and shovels	100	120	174	248
Rakes	100	112	61	133
Forks	100	94	122	208
Picks	100	130	167	295

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.11 shows a gradual increase in the Applicant's wages and salaries bill on year-to-year basis during the period when duties were in place. The wages and salaries per employee for all the products showed an increase during the period when duties were in place except for rakes which declined by 61 index points over the same period. The Applicant estimated that should the duties be removed, the wages and salaries bill will increase.

#### 5.4.12 Ability to raise capital or investments

The following information shows the situation of the SACU industry with regard to its ability to raise capital or investments:

**Table 5.4.12: The Applicant's ability to raise capital and Investment**

(R)	2014/15	2015/16	2016/17	Estimates if duties expire
<b>Capital Investment In subject products:</b>				
Spades and shovels	100	100	101	101
Rakes	100	100	102	102
Forks	100	102	104	104
Picks	100	100	100	100
<b>Capital expenditure in subject products:</b>				
Spades and shovels	100	-	13	-
Rakes	-	-	100	-
Forks	-	100	10	-
Picks	-	-	-	-

The figures in the table are indexed due to confidentiality using 2014/15 as base

Table 5.4.12 above indicates that the Applicant's capital investment for shovels & spades, rakes, and forks gradually increased during the period when duties were in place, while that of picks remained constant over the same period. The Applicant estimated that there will not be any capital expenditure or investment.

#### 5.4.13 Growth

The following table shows the growth for the subject products based on sales volume:

**Table 5.4.13: Growth**

units	2014/15	2015/16	2016/17	Estimates if duties expire
<b>Size of SACU market:</b>				
Spades and shovels	100	103	118	118
Rakes	100	96	97	97
Forks	100	99	109	109
Picks	100	105	122	122
<b>Applicant's sales volume:</b>				
Spades and shovels	100	101	120	78
Rakes	100	102	104	68
Forks	100	94	105	68
Picks	100	102	114	74
<b>Other SACU producers:</b>				
Spades and shovels	100	100	100	100
Rakes	100	100	102	102
Forks	100	100	100	100
Picks	-	-	-	-
<b>Alleged dumped imports:</b>				
Spades and shovels	100	118	101	431
Rakes	100	131	75	432
Forks	100	118	191	481
Picks	100	103	79	162
<b>Other imports:</b>				
Spades and shovels	100	68	180	180
Rakes	100	49	76	76
Forks	100	115	73	73
Picks	100	167	553	553

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.13 shows that the Applicant and alleged dumped imports of spades & shovels and forks experienced growth during the period when duties were in place and for rakes and picks declined during the same period, while growth of

imports from other countries for spades & shovels increased and for rakes and forks declined over the same period. The Applicant estimated that, should the duties be removed, the alleged dumped imports will continue growing substantially and will benefit from the total SACU market's growth for all subject products except for rakes. The Applicant's growth is estimated to be at its lowest levels, should the duties be removed.

The Commission considered the Applicant's submission that if the anti-dumping duties are removed, the Applicant would show considerable negative growth, as sales will be lost to the alleged dumped imports, causing the Applicant to suffer material injury.

#### **5.4.14 The magnitude of the margin of dumping**

The following margins of dumping were calculated:

**Table 5.4.14: Margin of dumping**

<b>Tariff sub heading</b>	<b>Product description</b>	<b>Margin of dumping expressed as % of export price</b>
8201.10.10	Spades and shovels	503.80%
8201.30.90	Rakes	201.50%
8201.90.20	Forks	376.50%
8201.30.03	Picks	476.80%

#### ***Comments from Exploit Tools***

*Exploit Tools stated that using the limited and incorrect data obviously leads to an incorrect determination of injury and actually protects a local monopoly.*

#### ***Commission's consideration***

*Material injury determination is based solely on the verified information of the applicant. The Anti-Dumping instrument is there to protect the domestic industries against unfair trade.*

## **5.5 SUMMARY - MATERIAL INJURY**

After considering all the factors above, the Commission made a final determination that the expiry of the anti-dumping duties on the subject products originating in or imported from the PRC would likely lead to the recurrence of material injury.

## **6 SUMMARY OF FINDINGS**

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### **6.1 Continuation of Dumping**

The Commission made a final determination that the expiry of anti-dumping duties on the subject product originating in or imported from the PRC would likely lead to the continuation of dumping of the subject products into the SACU market.

### **6.2 Recurrence of Material Injury**

The Commission made a final determination that the expiry of the anti-dumping duties on the subject products originating in or imported from the PRC would likely lead to the recurrence of material injury to the SACU industry.



## 7 FINAL DETERMINATION

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The Commission made a final determination that:

- the expiry of the anti-dumping duties would likely lead to the continuation of dumping of the subject products originating in or imported from the PRC; and
- the expiry of the anti-dumping duties on the subject products originating in or imported from the PRC would likely lead to the recurrence of material injury to the SACU industry.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties on the subject products from the PRC be increased as follows:

**Table 7: Duties**

<b>Tariff sub heading</b>	<b>Product description</b>	<b>Rate of duty (cents per kg)</b>
8201.10.10	Spades and shovels	4 796
8201.30.90	Rakes	3 466
8201.90.20	forks	4 668
8201.30.03	Picks	3 295