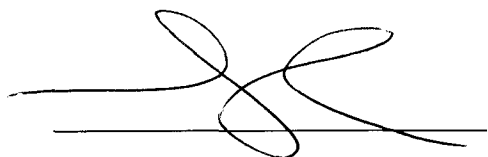


## **Report No. 251**

# **Sunset review of the anti-dumping duties on picks, shovels and spades, rakes and forks originating in or imported from the People's Republic of China: Final determination**

The International Trade Administration Commission of South Africa herewith presents its  
**Report No. 251 SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON PICKS, SHOVELS  
AND SPADES RAKES AND FORKS ORIGINATING IN OR IMPORTED FROM THE  
PEOPLE'S REPUBLIC OF CHINA (PRC): FINAL DETERMINATION**

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the left.

**Itumeleng Masege**  
**ACTING CHIEF COMMISSIONER**

**PRETORIA**  
20/09/ 2007

## **1. APPLICATION AND PROCEDURE**

- 1.1 This investigation was conducted in accordance with the International Trade Administration Commission Act, 2002, (the ITA Act), the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement) and the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR).
- 1.2 In accordance with the provisions in Article 11.3 of the World Trade Organization Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, any definitive anti-dumping duty shall be terminated on a date not later than five years from its imposition, unless the authorities determine, in a review initiated before that date, on their own initiative or upon a duly substantiated request made by or on behalf of the domestic industry within a reasonable period of time prior to that date, that the expiry of the duty would likely lead to continuation or recurrence of dumping and injury.
- 1.3 On 26 May 2006 the International Trade Administration Commission of South Africa (the Commission) notified the interested parties through Notice No. 673 of 2006 in *Government Gazette* No. 28847, that unless a substantiated request is made indicating that the expiry of the anti-dumping duties against imports of picks, shovels, spades, rakes and forks (hand tools) originating in or imported from the People's Republic of China (PRC) would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duties on hand tools originating in or imported from the PRC would expire on 8 March 2007. The trade representatives of the countries concerned were advised accordingly.
- 1.4 The SACU application was lodged by Ussher Inventions trading as Lasher Tools (the Applicant), being the major manufacturer of the subject product in the SACU.
- 1.5 The application was accepted by the Commission as being properly documented in accordance with Article 5.2 of the Anti-Dumping Agreement on 23 February 2007.
- 1.6 The Commission formally initiated a sunset review of the anti-dumping duties on Picks, Shovels and Spades, Rakes and Forks originating in or imported from the PRC pursuant to Notice No. 245 which was published in *Government Gazette* No. 29688 on 7 March 2007.
- 1.7 The investigation period for dumping was from 1 July 2005 to 30 June 2006 and an estimate for 2007 should the dumping duty expire. The injury investigation involved evaluation of data for the period 1 July 2003 to 30 June 2006 and an estimate for 2007 should the dumping duty expire.
- 1.8 The SACU industry consists of the following manufacturers:

- (a) Ottimo Products;
- (b) Idea Tools; and
- (c) Lasher Tools

- 1.9 No exporters responded to the Commission's exporters questionnaire.
- 1.10 Two responses were received from importers, namely Webco (Pty) Ltd (Webco) and Tien Hui Development (Pty) Ltd (Tien Hu) on 16 April 2007. Deficiency letters were sent on 17 April 2007 and the deadline for responses was 24 April 2007. No response was received from Tien Hu. Webco responded, but the non-confidential version did not contain all the information, and on 3 May 2007 a letter was sent to Webco informing them that their information was deficient and that the Commission might not take it into account.
- 1.11 The Commission decided not to take the information submitted by Webco (Pty) Ltd and Tien Hui into consideration in accordance with the Anti-Dumping Regulations, as the response was deficient at the deadline set out in the deficiency letters.
- 1.12 After considering all parties' comments, the Commission, for purposes of its final decision, decided that the expiry of the anti-dumping duty is likely to lead to the continuation or recurrence of dumping from the PRC and the expiry of the anti-dumping duty is likely to lead to the continuation or recurrence of material injury.
- 1.13 The Commission sent out letters to all interested parties, informing them in terms of Section 43 of the International Trade Administration Anti-Dumping Regulations and Article 6.9 of the Anti-Dumping Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade of the "essential facts" which were being considered by the Commission. The Commission invited comments from interested parties on these "essential facts" being considered by the Commission.
- 1.14 After considering all parties' comments in respect of the final decision and the "essential facts" letters, the Commission made a final determination that the expiry of the anti-dumping duty is likely to lead to the continuation or recurrence of dumping of picks, shovels, spades, rakes and forks originating in or imported from the PRC and that the expiry of the anti-dumping duty is likely to lead to the continuation or recurrence of material injury.
- 1.15 The Commission, therefore, decided to recommended to the Minister of Trade and Industry that the anti-dumping duties on picks, shovels, spades, rakes and forks originating in or imported from the PRC be maintained.

## **2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES**

### **2.1 IMPORTED PRODUCTS**

#### **2.1.1 Description**

The subject product is described as:

**Table 2.1.1: Description**

<b>Common name</b>	<b>Scientific name</b>
Shovel	Round or square mouth shovel
Spade	Digging spade
Fork	Digging fork, 3/4/5/6/8 or 10 prongs
Pick	Chisel and diamond pick
Rake	Steel rake

#### **2.1.2 Country of origin/export**

The subject product is exported from the PRC.

#### **2.1.3 Possible tariff loopholes**

The Applicant made comments on possible tariff loopholes, and these can be viewed on the public file.

### **2.2 SACU PRODUCT**

#### **2.2.1 Description**

The SACU product is described as:

<b>Common name</b>	<b>Scientific name</b>
Shovel	Round or square mouth shovel
Spade	Digging spade
Fork	Digging fork, 3/4/5/6/8 or 10 prongs
Pick	Chisel and diamond pick
Rake	Steel rake

### **2.3 LIKE PRODUCTS ANALYSIS**

In determining the likeness of products, the Commission used the following criteria:

**Table 2.3: Like product determination**

	<b>Imported product</b>	<b>SACU product</b>
<b>Raw materials</b>		
Spades and Shovels	Carbon or mild steel blade, steel tube or wood shaft with metal or plastic grip	Carbon or mild steel blade, steel tube or wood shaft with metal or plastic grip
Forks	Carbon steel tines welded to tubular shaft, with plastic or steel grip	Carbon steel tines welded to tubular shaft, with plastic or steel grip
Picks	Forged carbon steel eye and shanks	Forged carbon steel eye and shanks
Rakes	Mild steel head with steel or wood shaft	Mild steel head with steel or wood shaft
<b>Tariff classification</b>		
Spades and Shovels	8201.10	8201.10
Forks	8201.20	8201.20
Picks	8201.30	8201.30
Rakes	8201.30	8201.30
<b>Production process</b>		
Spades and Shovels	Rolled sheet is profile blanked. Blade and shaft hot formed to shape. 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.	Rolled sheet is profile blanked. Blade and shaft hot formed to shape. 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.
Forks	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 vanish and/ or paint.	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 vanish and/ or paint.
Picks	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.	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.
Rakes	Tines of rake are blanked or welded. Socket or shaft is welded to head. Protective coating is applied.	Tines of rake are blanked or welded. Socket or shaft is welded to head. Protective coating is applied.
<b>Application or end use</b>		
Shovels	Moving and/ or mixing sand and stone.	Moving and/ or mixing sand and stone.
Spades	Mixing cement, digging soil.	Mixing cement, digging soil.
Forks	Digging soil, moving hay and fodder, agricultural preparation, sifting lobali.	Digging soil, moving hay and fodder, agricultural preparation, sifting lobali.
Picks	Digging holes and trenches.	Digging holes and trenches.
Rakes	Soil aeration and clearing	Soil aeration and clearing

<b>Substitutability</b>		
Spades and Shovels	These products are substitutable	These products are substitutable
Forks	These products are substitutable	These products are substitutable
Picks	These products are substitutable	These products are substitutable
Rakes	These products are substitutable	These products are substitutable

After considering all the above factors and the comments received, the Commission was satisfied that the SACU product and the imported product were “like products” for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement. All comments received were taken into account and is available on the public file.

### **3. INDUSTRY STANDING**

The Applicant manufacturers the following percentages of the SACU products:

Spades & Shovel	-	85%
Forks	-	95%
Picks	-	100%
Rakes	-	90%

The Commission decided that the application can be regarded as being made “by or on behalf of the domestic industry” and, therefore, is eligible for initiation under the provisions of the Anti-Dumping Agreement. All comments received were taken into account and is available on the public file.



## **4. DUMPING**

### **4.1 METHODOLOGY IN THIS INVESTIGATION FOR THE PRC**

#### **4.1.1 Normal Value**

##### **Type of economy**

The definition of section 32 (2)(b)(i) of the ITA Act applies.

The Applicant stated that with the exception of picks, the Chinese products are not identical products to the SACU products as China uses a shovel, fork or rake head with wood shaft and no grip, whereas South Africa uses an all steel product with a grip. It stated that although it believes that the prices are not set in the ordinary course of trade in the Chinese hand tools industry, the prices indicate that the products were exported at dumped prices. The Applicant stated that it could not secure the prices for the like product as these products were not sold in the ordinary course of business as the Chinese do not commonly have gardens. For purposes of the dumping margin calculation, the Applicant constructed the normal value from its cost build-ups, as it was of the opinion that the costs incurred in the production of both the imported and the SACU products are similar.

The constructed normal values were calculated to be as follows:

<b>Currency</b>	<b>Shovels &amp; spades</b>	<b>Forks</b>	<b>Picks</b>	<b>Rakes</b>
CNY/Kg	13.01	14.82	12.16	16.00
ZAR/Kg	15.09	17.19	14.10	18.56

The normal values were converted from Chinese Yen to South African Rand using 1CNY = ZAR 0.8621 which was the average exchange rate for the period.

#### **4.1.2 Export price**

##### **Calculation of export price**

The export prices were derived from the import statistics obtained from SARS. The following export prices for the subject products were calculated:

Product	Spades & shovels	Picks	Forks	Rakes
Export price/ Kg	7.00	7.89	7.84	24.02

#### 4.1.3 Margin of dumping

The following dumping margin was calculated:

**Table 4.3.1: Margin of dumping calculated**

Product	Spades & shovels	Picks	Forks	Rakes
Normal value	15.09	17.19	14.10	18.56
Export price	7.00	7.89	7.84	14.86
Dumping margin Rand per kilogram	8.09	9.30	6.26	3.70
Dumping margin % per kilogram	115%	118%	79.8%	24.89%

The Commission made a final determination that the expiry of the duty is likely to lead to the continuation or recurrence of dumping. All comments received were taken into account and are available on the public file.

## 5. MATERIAL INJURY

### 5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to Lasher, the Applicant, which constitutes the following percentages of the total domestic production of the subject product.

Spades & Shovels	-	85%
Forks	-	95%
Picks	-	100%
Rakes	-	90%

The Commission decided that this constitutes “a major proportion” of the total domestic production, in accordance with Article 4.1 of the Anti-Dumping Agreement.

### 5.2 IMPORT VOLUMES AND EFFECT ON PRICES

#### Basic Data Set

	2003	2004	2005	2006	2007 estimate	Analysis done from 2003 - 2006
Alleged dumped imports						
PRC						
Shovels	84	4 118	82 647	106 727	Not provided	Increase
Forks	0	0	25 448	48 315		Increase
Picks	0	0	0	29 533		Increase
Rakes	1 200	280	0	1		Decrease
Other countries:						
Shovels	3 192	32 687	57 653	105 231	Not provided	Increase
Forks	12 980	4 217	5 724	51 881		Increase
Picks	154 636	28 157	190 430	81 791		Decrease
Rakes	974	16 809	5 758	13 082		Increase
Total imports:						
Shovels	3 276	36 805	140 300	211 958	Not provided	Increase
Forks	12 980	4 217	31 172	100 196		Increase
Picks	154 636	28 157	190 430	111 324		Decrease
Rakes	2 174	17 089	5 758	13 083		Increase
Alleged dumped imports as % of total imports:						
Shovels	3%	11%	59%	50%	Not provided	Increase
Forks	0%	0%	82%	48%		Increase
Picks	0%	0%	0%	27%		Increase
Rakes	55%	2%	0%	0%		Decrease
Sales volume (units):						
Shovels	100	121	133	146	102 87 105	Increase
Forks	100	127	122	125		Increase
Picks	100	139	139	149		Increase
Rakes	100	155	184	191		Increase

Rakes					134	
Gross profit margin on selling price						
Spades	100	115	119	131	63	Increase
Forks	100	113	125	111	38	Increase
Picks	100	97	100	110	35	Increase
Rakes	100	70	75	73	3	Decrease
Output (Units)						
Spades & shovels	100	109	125	126	75	Increase
Forks	100	167	155	142	99	Increase
Picks	100	149	142	142	100	Increase
Rakes	100	133	143	131	83	Increase
Market share (SACU):						
Shovels	100	108	103	105	74	Increase
Forks	100	102	97	87	62	Decrease
Picks	100	116	102	109	76	Increase
Rakes	100	137	133	130	93	Increase
Productivity (Units/employee)						
Spades & shovels	100	97	98	104	94	Increase
Forks	100	180	131	131	132	Increase
Picks	100	133	123	120	123	Increase
Rakes	100	72	87	95	89	Decrease
Return on total net assets	100	167	186	238	-38	Increase
Utilization capacity (Units)						
Spades & shovels	100	100	100	100	100	Constant
Forks	100	100	100	100	100	Constant
Picks	100	100	100	100	100	Constant
Rakes	100	100	100	100	100	Constant
Capacity utilization %						
Spades & shovels	100%	106%	117%	119%	84%	Increase
Forks	100%	138%	128%	113%	79%	Increase
Picks	100%	126%	108%	102%	71%	Increase
Rakes	100%	118%	129%	111%	79%	Increase
Inventories						
Spades & shovels	100	49	182	199	139	Increase
Forks	100	116	169	138	97	Increase
Picks	100	69	81	91	64	Decrease
Rakes	100	174	353	307	215	Increase
Employment						
Spades & shovels	100	153	168	159	111	Increase
Forks	100	78	100	87	61	Decrease
Picks	100	94	89	86	61	Decrease
Rakes	100	150	133	117	83	Increase
Dumping Margin						
Spades & shovels					115%	
Forks					79.8%	
Picks					118%	
Rakes					24.89%	

The information in this table was indexed due to confidentiality using 2003 as the base year

### 5.3 CONCLUSION - MATERIAL INJURY

The Commission considered all comments regarding “material injury” and these comments are available on the public file.

The Commission made a final determination that the expiry of the duties is likely to lead to recurrence or continuation of material injury.

## **6. SUMMARY OF FINDINGS**

### **6.1 Dumping**

The Commission calculated the following dumping margins.

<b>Products</b>	<b>Dumping margin expressed as a percentage of the fob export price</b>
Spades & shovels	115%
Forks	79.8%
Picks	118%
Rakes	24.89%

The Commission made a final determination that the expiry of the duties is likely lead to the recurrence or continuation of dumping.

### **6.2 Material injury**

The Commission made a final determination that the expiry of the duties is likely to lead to the recurrence or continuation of material injury.

## **7. FINAL DETERMINATION**

The Commission determined that:

- the expiry of the anti-dumping duties would likely lead to the continuation or recurrence of dumping; and
- the expiry of the anti-dumping duties would likely lead to the continuation or recurrence of material injury.

The Commission therefore decided to recommend to the Minister of Trade and Industry that the existing anti-dumping duties on spades and shovels, rakes, forks and picks originating in or imported from the PRC be maintained.