

**REPORT NO. 297**

**INVESTIGATION INTO ALLEGED DUMPING OF STAINLESS STEEL KITCHEN  
SINKS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF  
CHINA AND DUMPING AND SUBSIDISATION OF STAINLESS STEEL KITCHEN  
SINKS ORIGINATING IN OR IMPORTED FROM MALAYSIA: PRELIMINARY  
DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its  
**Report No. 297: INVESTIGATION INTO ALLEGED DUMPING OF STAINLESS STEEL  
KITCHEN SINKS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC  
OF CHINA AND DUMPING AND SUBSIDISATION OF STAINLESS STEEL KITCHEN  
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DETERMINATION**



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CHIEF COMMISSIONER

PRETORIA

16 / 03 / 2009

## **1. APPLICATION AND PROCEDURE**

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### **1.1 APPLICANT**

The application was lodged by Jan Heukelman, an International Trade Consultant, on behalf of Franke Kitchen Systems South Africa (Pty) Ltd (the Applicant), being the major producer of the SACU like product.

### **1.2 DATE OF ACCEPTANCE**

The application was accepted by the Commission as being properly documented in accordance with Section 22 of the Anti Dumping and Countervailing Regulations on 24 June 2008. The trade representatives of the People's Republic of China (PRC) and Malaysia were advised accordingly.

### **1.3 ALLEGATIONS BY THE APPLICANT**

The Applicant alleged that imports of stainless steel kitchen sinks, originating in or imported from the PRC and Malaysia are being dumped on the SACU market and that this is causing material injury to the SACU industry. The basis of the alleged dumping is that the goods are being exported to SACU at prices less than the normal value in the country of origin. The Applicant also alleged that imports of the subject product, originating in or imported from Malaysia are being exported to the SACU at subsidised prices. The basis of the alleged subsidisation is that the manufacturers of the subject product in Malaysia are benefiting from countervailable subsidies. The Applicant further alleged that as a result of the dumping and subsidisation of the subject product from the PRC and Malaysia, the SACU industry is suffering material injury in the form of:

- Price undercutting
- Price suppression
- Decrease in sales volume
- Decline in profits
- Decrease in output
- Decrease in market share
- Decrease in productivity
- Decrease in return on investment
- Decrease in utilisation of capacity
- Negative cash flow
- Increase in inventories

- Negative growth
- Inability to raise capital

#### **1.4 INVESTIGATION PROCESS**

The Commission initiated an investigation into the alleged dumping and subsidisation of stainless steel kitchen sinks originating in or imported from the PRC and Malaysia. A notice of initiation of the investigation was published in Notice No.907 of 2008 of *Government Gazette* No.31272 dated 25 July 2008.

Prior to the initiation of the investigation, the trade representatives of the countries concerned were notified of the Commission's intention to investigate, in terms of Article 5.5 of the Anti-Dumping Agreement. All known interested parties were informed and requested to respond to the questionnaires and the non-confidential version of the application. The information submitted by the importers and the exporter was verified.

The Commission subsequently terminated the investigation on alleged subsidisation against the PRC on 30 January 2009 through Notice no 89 of 2009 of *Government Gazette* no 31813, after receiving a request on 17 October 2008 to terminate the subsidy investigation against the PRC. The Commission did not make a preliminary determination on the alleged subsidised imports from the PRC.

The importers information was verified on 29-31 October 2008 and the exporter's information was verified on 24 November-05 December 2008. All the verified information was considered by the Commission for preliminary determination.

The Commission made a preliminary determination that stainless steel kitchen sinks originating in or imported from the PRC and Malaysia were being dumped on the SACU market and that this was causing material injury to the SACU industry. The Commission also determined that the subsidised stainless steel kitchen sinks were exported from Malaysia and causing material injury to SACU producers. Therefore, the Commission made a preliminary determination that provisional payments be imposed.

#### **1.5 INVESTIGATION PERIOD**

The investigation period for dumping and subsidisation is from 1 January 2007 to 31 December 2007. The injury investigation involved the evaluation of data from 1 January 2005 to 31 December 2007.

## **1.6 PARTIES CONCERNED**

1.6.1 The SACU industry consists of two producers of the like product, namely Franke Kitchen Systems (Pty) Ltd and PABAR. The Applicant and PABAR account for 88 per cent and 12 per cent of production respectively.

### **1.6.2 IMPORTERS**

- Neumann Sanitary (Pty) Ltd.
- Kwikot (Pty) Ltd.
- CAM Africa cc.

### **1.6.3 CO- OPERATING EXPORTERS**

- Zhuhai Dali Metals( Zhuhai Dali) ( PRC)
- Taijing Chaunger Metal Products Company Ltd. (Taijing)( PRC)
- Rhine Sinkwares (PRC)
- Central Aluminium Manufactory SDN BHD (CAM)( Malaysia)

1.6.4 Government of Malaysia

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

### **2.1 IMPORTED PRODUCTS**

#### **2.1.1 Description**

The subject product is described as stainless steel kitchen sinks, either single bowl or double bowl, manufactured in a wide variety of ranges.

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

The subject product is manufactured in the PRC and Malaysia and imported from the PRC and Malaysia.

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

The Applicant stated that it is not aware of any tariff loopholes that may exist.

#### **2.1.4 Other applicable duties and rebates**

The following rates of ordinary duty regarding the subject product exist:

**Table 2.1.4: Other applicable duties**

Tariff subheading	Description	RATES OF DUTY			
		General	EU	EFTA	SADC
<b>7324.10</b>	Sanitary ware and parts thereof, of iron or steel: <b>Sinks and wash basins, of stainless steel</b>	<b>20%</b>	<b>7.6%</b>	<b>20%</b>	<b>Free</b>

#### **2.1.5 Negligibility test**

The following table shows the alleged dumped imports as a percentage of the total imports:

**Table 2.1.5: Import volumes**

<b>Alleged dumped imports</b>	<b>Imports 2007</b>	<b>Volume as % of total imports</b>
<b>PRC</b>	<b>673 571</b>	<b>63%</b>
<b>Malaysia</b>	<b>154 843</b>	<b>14%</b>
<b>Other imports</b>	<b>245 245</b>	<b>23%</b>
<b>Total Imports</b>	<b>1 073 659</b>	<b>100%</b>

The Commission made a preliminary determination that imports from the subject countries are above the negligibility level.

## **2.2 SACU PRODUCT**

### **2.2.1 Description**

The SACU product is described as stainless steel kitchen sinks, either single or double bowl, manufactured in a wide variety of ranges.

## **2.3 LIKE PRODUCTS ANALYSIS**

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

**Table 2.3: Like product determination**

	<b>Imported product</b>	<b>SACU product</b>
<b>Raw materials</b>	Various grades of stainless steel, with a bright-annealed finish. Material thickness on lower end products is 0.5mm and 0.9mm on larger medium range. Product bowl size is approximately 460mm (L) x 350mm (W) x 140mm (D). Consumables used during the processing are welding electrodes, welding gas, grinding belts, polishing mops, polish, cleaning solvent and rags.	Grade 304 and 202 stainless steel, with a bright-annealed finish. Material thickness on lower end products is 0.5mm and 0.9 on larger medium range. Product grade bowl size is approximately 400 to 460mm (L) x 350mm to 420mm (W) x 120 to 180mm (D). Consumables used during the processing are welding electrodes, welding gas, grinding belts, polishing mops, polish, cleaning solvent and rags

<b>Physical appearance</b>	Stainless steel sink with a bright-annealed and /or polished finish	Stainless steel sink with a bright-annealed and /or polished finish
<b>Tariff classification</b>	7324.10	7324.10
<b>Production process</b>	<p>The production process employed for the single and double sinks is a one-piece process i.e.:</p> <ul style="list-style-type: none"> <li>- The blanks are cut and a protective coating applied.</li> <li>- The blank is then drawn into the sink form during two pressing operations.</li> <li>- The sink pressing is trimmed and corners notched.</li> <li>- The sides and return are bent on the long and short sides.</li> <li>- The outlet is punched.</li> <li>- The sink corners are automatically welded.</li> <li>- The final product is cleaned/inspected and packed.</li> </ul>	<p>The production process employed for the single and double sinks is a one-piece process i.e.:</p> <ul style="list-style-type: none"> <li>- The blanks are cut and a protective coating applied.</li> <li>- The blank is then drawn into the sink form during two pressing operations.</li> <li>- The sink pressing is trimmed and corners notched.</li> <li>- The sides and return are bent on the long and short sides.</li> <li>- The outlet is punched.</li> <li>- The sink corners are automatically welded.</li> <li>- The final product is cleaned/inspected and packed.</li> </ul>
<b>Application or end use</b>	The product is fitted in kitchens and used for washing up.	The product is fitted in kitchens and used for washing up.
<b>Substitutability</b>	The imported product and the SACU product are direct substitutes.	The imported product and the SACU product are direct substitutes.



The Commission made a preliminary determination that the SACU product and the imported products are “like products”, for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement and Footnote 46 to Article 15.1 of the SCM Agreement.

### 3. INDUSTRY STANDING

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The table below details the SACU manufacturers of the like product as well as those supporting the application:

Industry Standing	(Total domestic production of like goods for the 12 months preceding the lodging of the petition)			
Manufacturer	Production volume-Support application	Percentage supporting application	Production volume opposing application	Production volume-neutral
Franke Kitchen Systems	-	88%	-	-
PABAR	-	12%	-	-
Total SACU	-	100%	-	-

The Commission decided that the application can be regarded as being made “by or on behalf of the domestic industry” and, therefore, was eligible for initiation under ADR 7.3 and Countervailing Regulation 7.3.

## **DUMPING**

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

#### **Normal Value for the Chinese Companies**

In terms of the Record of Understanding between ITAC and the Bureau of Fair Trade for Import and Export (BOFT) of the Ministry of Commerce of the PRC, after initiation of an anti-dumping investigation, Chinese exporters would be given the opportunity to provide information on domestic selling prices and cost of production of the subject product. The three companies provided information in respect of competition, process of marketing and advertising, input cost of the main raw materials, whether the materials are supplied at arms length, ownership of companies, and human resource policies. This information was verified.

#### **1. Ownership**

The three co-operating companies verified are privately owned.

#### **2. Input cost of the main raw material**

During the verification it was found that the sourcing of the main raw material in the three companies is based on the cost, quality and lead times. The raw material is sourced from different suppliers. The invoices from the suppliers of the main raw materials were provided by the companies.

#### **3. Competition, advertising and marketing**

The companies advertise the product offering on the internet. One company verified is located in Shunde District where there are more than 100 producers of stainless steel kitchen sinks

#### **4. Human Resources**

The minimum wage is set by the government. However, the actual wages can be negotiated with each prospective employee. The workers are allowed to be members of a labour union. Vacancies are advertised in the labour market, or through word of mouth, depending on the company. The dismissal of employees is in accordance with the PRC labour laws and regulations.

The Commission made a preliminary determination that the sales of the three companies were made in the ordinary course of trade.

#### **4.1 Taijing Chaunger Metal Products Company Ltd. ( Taijing)**

##### **4.1.1 Normal value**

Taijing exported seven comparable models of stainless steel kitchen sinks to SACU during the period of investigation. The normal value for one comparable model was determined based on the sales in the domestic market during the period of investigation. The model was sold ex-factory. Taijing also provided a third country sale to Qatar of a comparable model. However the volumes were found not comparable to SACU export volumes. The normal value for the other six comparable models was determined based on a constructed cost of production plus a reasonable addition for selling, general and administrative costs and for profit, as these six models were not sold on the Chinese domestic market.

##### **4.1.2 Export price**

The export price was determined based on the comparable sales made to SACU during the period of investigation. Taijing exported seven models of stainless steel kitchen sinks to SACU.

##### **Adjustments to export price**

Taijing claimed for the following adjustment for each model which was verified:

##### **Inland Transport and Insurance**

This adjustment includes the cost of transport and insurance from the factory to the harbour.

##### **4.1.3 Margin of dumping**

A separate dumping margin was calculated for each of the respective models by deducting the adjusted export price from the constructed/ ex-factory normal value for each model. The respective margins were then weighted to the export volumes applicable to each model to establish a weighted average margin of dumping. The margin of dumping for Taijing was found to be negative.

#### **4.2 Zhuhai Dali Metal Product Co. Ltd. ( Zhuhai Dali)**

##### **4.2.1 Normal value**

Zhuhai Dali Metals exported 17 models of stainless steel kitchen sinks to SACU during the period of investigation. There were no sales of the comparable models in the domestic market during the period of investigation. In order to determine the normal

value, the company provided third country sales of the comparable ten models. The normal value of the other seven models was determined based on a constructed selling price.

### **Third country Sales**

Zhuhai Dali provided third country sales for each of the comparable models to SACU. The selling price for each model before considering the adjustments was determined.

The third country selection for normal value determination per each model was done based on the following criteria:

- Volumes exported to the third country were compared to the volumes exported to SACU.
- The customers in the third country were compared to the customers in SACU.
- Each third country selected should have a domestic manufacturer of stainless steel kitchen sinks.

Only two models met the third country selection criteria model out of the 10 models. The appropriate third countries were considered to be Australia and Greece respectively. For the remaining 8 models which did not meet the third country selection criteria, the normal value was constructed.

Zhuhai Dali claimed the following adjustments for the two models which met the third country selection criteria which were verified:

### **Inland delivery**

These are costs incurred in transporting the goods from the factory to the harbour.

### **Packaging costs**

The packaging costs included costs for packing box, packing labour costs, foam for protection and plastic bag.

### **Accessories**

The cost for accessories includes extras such as rubber mat, waste, cutting boards and drain services.

### **Port charges**

The port charges include the cost of loading the goods onto the ship.

The adjustment on accessories affects only the third country sales and not the exports to SACU because the customers in these countries require that the sink should have the in-built accessories. This is therefore an adjustment for physical differences between the goods exported to SACU and those exported to the third countries.

#### **4.2.2 Export price**

The export price was determined based on comparable sales made to SACU during the period of investigation. Zhuhai Dali exported 17 comparable models to SACU. The models were exported during the period of investigation and the price for each model before considering the adjustments was determined.

##### **Adjustments to export price**

Zhuhai Dali claimed the following adjustments for each model which were verified:

##### **Inland delivery**

These are costs incurred in transporting the goods from the factory to the harbour.

##### **Packaging costs**

The packaging costs included costs for packing box, packing labour costs, foam for protection and plastic bag.

##### **Port charges**

The port charges include the cost of loading the goods onto the ship.

#### **4.2.3 Margin of dumping**

A separate dumping margin was calculated for each of the respective models by deducting the adjusted export price from the constructed/ex-factory normal value for each model. The respective margins were then weighted to the export volumes applicable to each model to establish a weighted average margin of dumping. The margin of dumping for Zhuhai was found to be 20.72 percent.

### **4.3 Rhine Sinkwares Manufacturing Ltd**

#### **4.3.1 Normal value**

The exporter manufactured and sold different models to different countries, including SACU. The exporter did not sell the subject product in its domestic market during the period of investigation. It was found that only 11 of the models manufactured by the

exporter were sold to SACU during the period of investigation. For purposes of the dumping margin calculation, the normal value was constructed based on the exporter's cost and price build-up.

#### **4.3.2 Export price**

The export price was based on the actual sales of the 11 models exported to SACU during the period of investigation.

##### **Adjustments to the export price**

The following adjustments were made to the export prices which were verified:

##### **Domestic/ inland delivery**

The exporter incurred an expense for transporting the export goods from its factory to the harbour.

##### **International freight**

The exporter incurred an expense for international freight in goods intended for export.

##### **Cost of payment terms**

The exporter incurred an expense for terms of payment.

#### **4.3.3 Margin of dumping**

A separate dumping margin was calculated for each of the respective models by deducting the adjusted export price from the constructed normal value for each model. The respective margins were then weighted to the export volumes applicable to each model to establish a weighted average margin of dumping. The margin of dumping for Rhine was found to be 10.94 percent.

#### **4.4 Residual margin of dumping- PRC**

The residual dumping for the non-cooperating exporters in the PRC was determined in terms of Section 32(4) of the ITA Act which states that if the Commission, when evaluating an application concerning dumping, concludes that the normal value of the goods in question is as a result of government intervention in the exporting country or country of origin, and not determined according to free market principles. The Commission may apply to those goods a normal value of the goods, established in respect of a third or surrogate country. In this instance there were exporters in the PRC who did not co-operate with the investigation, therefore it could not be determined

whether the setting of prices in the domestic market is done according to free market principles. The normal value for these non-co operating exporters was determined based on third country information. In this instance; Malaysia, which was also the country selected by the applicant in determining the normal value for initiation purposes. The normal value was calculated using the verified average domestic selling price ex-factory of the co-operating exporter in Malaysia. This was compared to the average export price from the PRC, as sourced from the import statistics provided by SARS. The residual margin of dumping was calculated to be 62.41 percent.

## **4.5 METHODOLOGY USED IN THIS INVESTIGATION FOR MALAYSIA**

### **4.5.1 Normal Value**

Central Aluminium Manufactory SDN BHD (CAM) sold 10 comparable models stainless steel sinks in its domestic market during the period of investigation. The sale of nine models was made through a related company. Only one model was sold through an independent buyer. The normal value for the nine models was determined based on a constructed cost of production plus a reasonable addition for selling, general and administrative costs and for profit. The normal value for a single model sold to an independent buyer was determined based on the actual sale taking into consideration the adjustments.

Verified adjustments for a single model sold to an independent buyer are as follows:

#### **Packaging**

The exporter incurred an expense for packaging of goods intended for its domestic market sales.

#### **Payment terms**

The exporter allowed a payment term to its domestic customers,

#### **Delivery charges**

The exporter claimed an adjustment for delivery.



**Sound proof**

The exporter claimed an adjustment for a sound proof rubber mat pasted underneath a sink to prevent noise when water pours into an empty sink for certain of its domestically sold sink models.

**Advertisement**

The exporter claimed an adjustment for advertisement. It claimed that it used magazines and other local publications to promote its products.

**Cost of holding stock**

The exporter claimed an amount for holding stock.

**4.5.2 Export price**

The export price was determined based on the comparable sales made to SACU during the period of investigation.

The following adjustments were made to the export price:

**Ocean freight**

The exporter incurred an expense for ocean freight on products intended for export to SACU.

**Insurance**

The exporter incurred an expense for insurance.

**Inland transport**

The exporter incurred an expense for transporting the products intended for export from its factory to the harbour.

**4.5.3 Margin of dumping**

A separate dumping margin was calculated for each of the respective models by deducting the adjusted export price from the constructed normal/ ex- factory (one model sold to an independent buyer) value for each model. The respective margins were then weighted to the export volumes applicable to each model to establish a weighted average margin of dumping. The margin of dumping for CAM was found to be 11.06 percent.

#### 4.6 Residual margin of dumping

As there were manufacturers in Malaysia who did not respond to the Commission's exporter questionnaire, a residual dumping margin was calculated. The normal value was calculated using the verified weighted average domestic selling price ex-factory of the co-operating exporter in Malaysia. This was compared to the average export price as sourced from the import statistics provided by SARS. The residual dumping margin was calculated to be 95.86 percent.

#### 4.7 SUMMARY - DUMPING

COUNTRY	NAME OF EXPORTER	RATE OF DUMPING
PRC	Taijing Chaunger Metal Products Company Ltd.	negative
	Zhuhai Dali Metal Product Co Ltd.	20.72%
	Rhine Sinkware Manufacturing Ltd.	10.94%
	Non-cooperating exporters	62.41%
Malaysia	Central Aluminium Manufactory SDN BHD	11.06%
	Non-cooperating exporters	95.84%

## **5. SUBSIDIES: MALAYSIA**

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The Applicant submitted that the manufacturers of the stainless steel kitchen sinks in Malaysia benefited from the following subsidy programmes during the period of investigation:

- Pioneer status
- Import duty exemption and sales tax exemptions
- Export credit refinancing program
- Industrial building allowance
- Double deduction for the promotion of exports and Investment Tax Allowance

The investigation was confined to establishing the existence of the subsidy programmes (i.e. the financial contribution by the government); whether the subsidy programmes are specific to the stainless steel kitchen sink industry; the determination of the value of the subsidy; and whether the subsidy can be regarded as countervailable. The exporter that co-operated with the investigation is Central Aluminium Manufactory SDN BHD which exported the subject product to SACU during the period of investigation. During the verification Central Aluminium Manufactory SDN BHD provided information on the following programmes:

### **5.1 Import duty Exemption**

This programme is legislated under the Customs Act of 1967 Section 14(2) which incorporates all the amendments up to 01 January 2006. The programme is administered by the Royal Malaysian Customs. This programme allows any person to be exempted from paying the custom duties on the raw material and components that are utilised in the production process whether the finished goods are meant for domestic or export consumption. A company is required to make an application and the licence is issued upon approval.

In terms of Section 14(2) of the Customs Act of 1967 this programme is not limited to a particular company or industry.

Central Aluminium Manufactory SDN BHD imported under this programme during the period of investigation and was exempted from the import duties to a value which equates to 0.03% of the sales value during the period of investigation.

## **5.2 Sales Tax Exemption**

The programme is legislated under Section 10 of the Sales Tax Act of 1972 which incorporate all the amendments up to 01 January 2006. The programme is administered by the Royal Malaysian Customs. This programme allows any person to be exempted from paying sales tax on raw materials that are utilised in the production process regardless of whether the finished goods are meant for domestic or export consumption. A company is required to make an application and the licence is issued upon approval.

In terms of Section 10 of the Sales Tax Act of 1972 this programme is not limited to certain industries or companies.

Central Aluminium Manufactory SDN BHD bought different components under this programme during the period of investigation and was exempted from sales tax which equates to 0.14% of the sales value during the period of investigation.

## **5.3 Double deduction for the promotion of exports**

This programme is legislated under Section 41 of the Promotion of Investment Act of 1986 which incorporates all the amendments up to 1 January 2006. The eligibility to the program is prescribed under Rule (4)2 of the Income Tax (Promotion of exports) Rules 1986. The programme is administered by the Inland Revenue Board of Malaysia. The programme is applicable to all residents who seek opportunities or to create demand for Malaysian manufactured exports.

Section 41 (a) of the Promotion of Investment Act of 1986 stipulates that the Minister of Finance may make rules prescribing deductions in respect of outgoings and expenses incurred for the promotion of exports from Malaysia.

Central Aluminium Manufactory SDN BHD was allowed to claim during the period of investigation. The benefit was determined to be 0.36 percent based on exports by CAM during the period of investigation.

The total value of the combined benefit was determined to be 0.53 percent which is de minimis and therefore not countervailable. The Government of Malaysia provided the information on the following subsidy programmes during the verification:

#### **Pioneer status**

The programme is legislated under Sections 5 to 25 of the Promotion of Investment Act 1986. The programme is administered by the Inland Revenue Board of Malaysia. The programme is offered to new companies that intend to participate in promoted activity or produce a promoted product that is of national or strategic importance to Malaysia. The list of promoted activities or products is published by the government. Under this programme the company benefits from a partial tax relief for a period of five years. The tax relief may be extended at the discretion of the Minister.

The programme is not limited or specific to the stainless steel kitchen industry. It can be availed to any company that is participating in a promoted activity or product. Central Aluminium Manufactory SDN BHD did not benefit from this programme. The company commenced its operation in 1975.

#### **Export credit refinancing program**

The granting authority in this programme is the Ministry of Finance and is administered by the Export and Import Bank of Malaysia (Exim Bank). The program was introduced in 1977 by Bank Negara Malaysia and was taken over by Exim Bank on 01 January 1998. The aim of the programme is to promote exports and international trade from Malaysia by providing pre-shipment and post shipment financing. The operational procedure of the program is governed by the ECR Guideline.

This programme is available to any manufacturing and export trading companies which were incorporated in Malaysia and are involved in export activities. Central Aluminium Manufactory SDN BHD did not benefit from this programme.

#### **Industrial building allowance**

This programme is legislated under paragraphs 12,16,63,64,65,66,67 and paragraph 37C of Schedule 3 of the Income Tax of 1967 incorporating all amendments up to 1 January

2006. The authority responsible for the administration of this programme is the Inland Revenue Board of Malaysia. Under this programme companies get an allowance for normal wear and tear. The eligibility to this program depends on whether the company has incurred qualifying building expenditure in the construction or purchase of the building. The building has to be utilised to operate a business. At the end of the basis period for a year of assessment the individual or person benefiting from the allowance must be the owner of the building. The programme is not limited to a certain industry. All the companies can apply as long as they meet the criteria stipulated in Schedule 3 of the Income Tax Act of 1967. Central Aluminium Manufactory SDN BHD did not benefit from this programme.

#### **Investment Tax Allowance**

The programme is legislated under Section 26-29 of the Promotion of Investments Act 1986 incorporating all the amendments up to 1 January 2006. The Inland Revenue Board of Malaysia is responsible for administering this programme. Under this programme any company with an intention of participating in a promoted activity or in the production of a product which is of national or strategic importance to Malaysia can make an application. The list of promoted activities and products are determined by the Minister of Trade and Industry and are published in a government gazette. The allowance is considered based on the qualifying capital expenditure incurred on industrial buildings, plant machinery directly used for the purpose of the promoted activities or the production of a promoted product. Central Aluminium Manufactory SDN BHD did not benefit from this programme.

#### **Residual Subsidy Margin**

As there were manufacturers in Malaysia who did not respond to the Commission's exporter questionnaire on subsidies, a residual subsidy margin was determined based on facts available, in this case the information provided by the applicant for initiation purposes. The applicant alleged that if a company had access to all the subsidy programmes, the benefit could be 35 percent. The residual margin of subsidy therefore is 35 per cent.

## **SUMMARY – SUBSIDIES**

The Commission made a preliminary determination that the following subsidy programmes are not applicable to Central Aluminium Manufactory SDN BHD:

- Investment Tax Allowance
- Industrial building allowance
- Export credit refinancing
- Pioneer status

The information verified at the co-operating exporter indicates the following:

- The benefit received by the co-operating exporter on Double Deduction for the promotion of exports, Sales Tax and Import Duty Exemption is below the de minimis level.
- The residual margin of subsidy applicable to the non-cooperating exporters was determined to be 35 per cent.

Based on the information supplied, the Commission made a preliminary determination that stainless steel kitchen sinks originating in or imported from the co-operating exporter in Malaysia are subsidised at a de minimis level, and that those subject products imported from the non-cooperating exporters in Malaysia are subsidised at 35 per cent.

## 6. MATERIAL INJURY

### 6.1.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis was provided by the Applicant, Franke Kitchen Systems SA (Pty) Ltd. constituting 88 percent of the total domestic production of stainless steel kitchen sinks in SACU.

## 6.2 IMPORT VOLUMES AND EFFECT ON PRICES

### 6.2.1 Import volumes

The following table shows the volume of the allegedly dumped and subsidised imports of the subject product (from South African Revenue Services) since 2005:

**Table 6.1.1: Import volumes**

Country	2005	Country imports as a % of total imports	2006	Country imports as a % of total imports	2007	Country imports as a % of total imports
PRC	199129	32.21%	481354	50.60%	673571	62.73%
Malaysia	138552	22.41%	192492	20.23%	154843	14.42%
Total Alleged dumped & subsidised imports	337 681	54.63%	673 846	70.85%	828 414	77%
Other Countries	280485	45.37%	277304	29.15%	245245	23%
Total imports	618166	100%	951150	100%	1073659	100%

The information in the table above indicates that the alleged dumped imports from the PRC have been on an upward trend since 2005. The imports from Malaysia have decreased since 2006. The volume of imports from the PRC and Malaysia accounted for 77 per cent of the total imports in 2007.

### 6.2.2 Effect on Domestic Prices

#### 6.2.2.1 Price undercutting

Price undercutting is the extent to which the price of the imported product is lower than the price of the SACU product. The following table compares the SACU industry's ex-factory prices with the landed cost of the imported product. The landed cost of the imported product from the PRC in 2007 is based on the



average landed cost of the three importers who co-operated in the investigation. The Commission determined that the Applicant experienced price undercutting as result of the imports from the PRC during the period of investigation.

**Table 6.2.2.1(a): Price undercutting (PRC)**

R/Kg (PRC)	2007
Applicant's ex-factory selling price	100
Landed cost of imported product	76
Price undercutting	24

The information in this table was indexed due to confidentiality using the applicant's price as base and 2007 as base year.

The landed cost of the imported product from the Malaysia in 2007 is based on the average landed cost of the importer who co-operated with the investigation. The Commission determined that the Applicant experienced price undercutting as a result of imports from Malaysia during the period of investigation.

**Table 6.2.2.1(b): Price undercutting (Malaysia)**

R/Kg (MALAYSIA)	2007
Applicant's ex-factory selling price	100
Landed cost of imported product	61
Price undercutting	39

The information in this table was indexed due to confidentiality using the applicant's price as base and 2007 as base year.

#### 6.2.2.2 Price depression

Price depression takes place when the SACU industry's ex-factory selling price decreases during the investigation period.

**Table 6.2.2.2: Price depression**

R/kg	2005	2006	2007
Ex-factory price/kilogram	100	100	108

The information in this table was indexed due to confidentiality using 2005 as the base year.

The above table indicates that the Applicant did not experience any price depression. The Applicant stated that the price increase was a result of an increase in stainless steel prices.

### 6.2.2.3 Price suppression

Price suppression is the extent to which increases in the cost of production of the product concerned cannot be recovered in selling prices.

**Table 6.2.2.3: Price suppression**

R/kg	2005	2006	2007
App's ex-factory selling price	100	100	108
Cost of production	100	115	161
Cost as a percentage of selling price	100	114	151

The information in this table was indexed due to confidentiality using 2005 as the base year.

The Applicant stated that in the above regard it should be taken into consideration that its manufacturing cost increased significantly over the investigation period whilst at the same time selling prices increased at a much lower rate. It stated that price suppression is clearly evident from the decrease in its gross margins over the period of investigation.

## 6.3 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY

### 6.3.1 Actual and potential decline in sales

The following table shows the Applicant's SACU sales volume of the subject product:.

**Table 6.3.1: Actual and potential decline in sales**

Kg	2005	2006	2007
Total SACU sales volume	100	105	91

The information in this table was indexed due to confidentiality using 2005 as the base year.

The information in the table above indicates that the Applicant experienced a in sales volume during the period of investigation. The Applicant stated that maintaining current price levels will not be feasible in the future and it will lose significant sales volume to the imported product as a consequence.

The Applicant stated that the general trend indicated above (in absolute and real terms) fully supports its view that imports of subject goods would have a serious impact on sales especially in light of the fact that it has already lost significant sales to the alleged dumped products.

### 6.3.2 Profit

The following table shows the Applicant's profit situation:

**Table 6.3.2: Profit**

Rands	2005	2006	2007
Sales Value	100	105	101
Production cost	100	133	144
Gross profit	100	78	58
Net profit (Total)	100	112	44

The information in this table was indexed due to confidentiality using 2005 as the base year.

The information in the above table indicates that the Applicant's net profit decreased over 2005 to 2007.

### 6.3.3 Output

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

**Table 6.3.3: Output**

	2005	2006	2007
Total production(in kilograms)	100	116	89

The information in this table was indexed due to confidentiality using 2005 as the base year.

The above table indicates that the Applicant's output decreased from 2005 to 2007.

### 6.3.4 Market growth and relative market share

The following table shows the market share for the subject product:

**Table 6.3.4: Market growth and relative market share**

(Kg)	2005	Market share %	2006	Market share %	2007	Market Share %
Applicant	100	100	105	87	91	78
Other: Local	100	100	105	100	99	86
<b>Total SACU</b>	<b>100</b>	<b>100</b>	<b>105</b>	<b>89</b>	<b>81</b>	<b>79</b>
PRC	100	100	242	190	338	280
Malaysia	100	100	140	114	112	86
<b>Alleged</b>	<b>100</b>	<b>100</b>	<b>200</b>	<b>159</b>	<b>245</b>	<b>200</b>

<b>dumped &amp; subsidised</b>						
Other imports	100	100	99	85	87	85
Total imports	<b>100</b>	<b>100</b>	<b>154</b>	<b>127</b>	<b>174</b>	<b>150</b>
Total SACU	100	100	120	100	116	100

The information in this table was indexed due to confidentiality using 2005 as the base year.

Information in the above table shows a decrease in the market share of SACU producers. The market share of the alleged dumped and subsidised imports increased from 2005 to 2007.

The Applicant stated that it is clear from the information that the alleged dumped imports managed to increase their market share in volume significantly from 2005 to 2007. It stated that at the same time its market share in volume decreased substantially.

#### 6.3.5 Productivity

Using the production and employment figures sourced from the Applicant, its productivity in respect of the subject product is as follows:

**Table 6.3.5: Productivity**

	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total production (kg's)	100	116	89
No. of employees(manufacturing)	100	116	108
Units per employee	100	100	83

The information in this table was indexed due to confidentiality using 2005 as the base year.

The table above indicates that productivity decreased during 2005 to 2007. The Applicant stated that at the beginning of 2006 it started to phase-out its two-piece production line and concentrated solely on its mono bloc and one-piece lines.

#### 6.3.6 Return on investment

The following table shows the Applicant's return on investment:

**Table 6.3.6: Return on investment**

	2005	2006	2007
Net profit (Total company)	100	106	-25
Shareholder's funds	100	130	123
Return on investment	100	81	-20

The information in this table was indexed due to confidentiality using 2005 as the base year.

The information in the table above indicates that the return on investment has been decreasing and in 2007 there was a negative return on investment. The Applicant stated that the information indicates that the shareholders invested substantial amounts of money in it as a business unit. It stated that at the same time imports from the countries concerned increased significantly eroding any potential benefits shareholders expected on their investment.

#### **6.3.7 Utilisation of production capacity**

The following table provides the SACU industry's capacity and production of the subject product:

**Table 6.3.7: Utilisation of production capacity**

kg	2005	2006	2007
Capacity	100	100	100
Actual production	100	116	89
Capacity utilisation %	100	115	88

The information in this table was indexed due to confidentiality using 2005 as the base year.

The table above indicates that the Applicant's capacity utilisation decreased 12 from 2005 to 2007. This gives an indication that the applicant was not operating at full capacity in 2007.

The Applicant stated that only sinks are manufactured on the available machines. It stated that it is not operating at full capacity and therefore spare capacity is available to cater for any increase in demand for the product concerned.

#### **6.3.8 Factors affecting domestic prices**

Factors affecting domestic prices are price undercutting and price suppression.

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

The following margin of dumping was calculated:

**Table 6.3.9: Margin of dumping**

Country of origin	Dumping margin as % ex-factory export price
PRC: Taijing Chaunger Metal Products Co. Ltd.	negative
Zhuhai Dali Metal Product Co. Ltd.	20.72%
Rhine Sinkwares Manufacturing Ltd.	10.94%
Malaysia: Central Aluminium Manufactory SDN BHD	11.06%
Residual Dumping Margin PRC	62.41%
Residual Dumping Margin Malaysia	95.84%

#### 6.3.10 Actual and potential negative effects on cash flow

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

**Table 6.3.10: Cash flow situation**

R'000	2005	2006	2007
Net negative cash flow (Company)	100	286	198

The information in this table was indexed due to confidentiality using 2005 as the base year.

The information in the table above indicates that the Applicant has been experiencing a negative cash flow since 2005.

The Applicant stated that if the increase in the market share of the alleged dumped products is taken into consideration, it is evident that not only did it lose direct cash flow as a result of the alleged dumped product, but the potential loss of funds is significant. It stated that if this trend continues, future loss in revenue is inevitable.

#### 6.3.11 Inventories

The following table provides the SACU industry's inventories for the subject product:

**Table 6.3.11: Inventories**

Inventories	2005	2006	2007
Volume-Units	100	250	157
Volume -Kilograms	100	255	151
Value R'000	100	335	238

The information in this table was indexed due to confidentiality using 2005 as the base year.

The information in the table indicates that the Applicant's inventory volumes in kilograms increased from 2005 to 2007.

#### **6.3.12 Employment**

The following table provides the SACU industry's production employment figures:

**Table 6.3.12: Employment**

	2005	2006	2007
Labour units (production)	100	116	108
Indirect Labour units (SGA)	100	102	106

The information in this table was indexed due to confidentiality using 2005 as the base year.

The table above indicates that the Applicant's labour units for production increased during the period. The Applicant stated that if it had managed to retain market share, it could have employed additional workers.

#### **6.3.13 Wages**

The following table provides the SACU industry's wages:

**Table 6.3.13: Wages**

Rands	2005	2006	2007
Total wages (Production)	100	114	128
Total wages (SGA)	100	99	97

The information in this table was indexed due to confidentiality using 2005 as the base year.

The table above shows an increase in wages for production but a decrease for SGA.

#### **6.3.14 Growth**

The Applicant provided the following information with regard to the growth of the SACU market:

**Table 6.3.14: Growth**

	2005	2006	2007
Size of SACU market	100	120	116
Applicant's sales volume	100	105	91

The information in this table was indexed due to confidentiality using 2005 as the base year.

The table above shows that the Applicant experienced a decrease in sales volume in 2007.

**6.3.15 Ability to raise capital or investments**

The Applicant stated that the shareholders already invested significantly in the business unit over the investigation period. It stated that it would not be able to raise additional capital if the current trend in imports continues and shareholders failed to realise expected returns on their investment.

**6.4 SUMMARY - MATERIAL INJURY**

From the information above the Commission made a preliminary determination that the Applicant and therefore the SACU industry is suffering material injury.



## 7. CAUSAL LINK

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### 7.1 GENERAL

In order for the Commission to impose provisional payments it must be satisfied that there is sufficient evidence to indicate that the material injury experienced by the SACU industry is as a result of the dumping and subsidisation of the subject product.

### 7.2 VOLUME OF IMPORTS AND MARKET SHARE

An indication of causality is the extent of the increase of volume and the extent to which the market share of the domestic industry has decreased with a corresponding increase in the market share of the alleged dumped product. The following table compares the market share of the SACU industry with that of the alleged dumped and subsidised imports:

**Table 7.2.1: Market growth and relative market share**

(Kg)	2005	Market share %	2006	Market share %	2007	Market Share %
Applicant	100	100	105	87	91	78
Other: Local	100	100	105	100	99	86
<b>Total SACU</b>	<b>100</b>	<b>100</b>	<b>105</b>	<b>89</b>	<b>81</b>	<b>79</b>
PRC	100	100	242	190	338	280
Malaysia	100	100	140	114	112	86
<b>Alleged dumped &amp; subsidised</b>	<b>100</b>	<b>100</b>	<b>200</b>	<b>159</b>	<b>245</b>	<b>200</b>
Other imports	100	100	99	85	87	85
<b>Total imports</b>	<b>100</b>	<b>100</b>	<b>154</b>	<b>127</b>	<b>174</b>	<b>150</b>
<b>Total SACU</b>	<b>100</b>	<b>100</b>	<b>120</b>	<b>100</b>	<b>116</b>	<b>100</b>

The information in this table was indexed due to confidentiality using 2005 as the base year.

The following table shows the volume of imports:

**Table 7.2.2: Import volumes**

Country	2005	Country imports as a % of total imports	2006	Country imports as a % of total imports	2007	Country imports as a % of total imports
PRC	199129	32.21%	481354	50.60%	673571	62.73%
Malaysia	138552	22.41%	192492	20.23%	154843	14.42%
Total Alleged dumped & subsidised imports	337 681	54.63%	673 846	70.85%	828 414	77%
Other Countries	280485	45.37%	277304	29.15%	245245	23%
Total imports	618166	100%	951150	100%	1073659	100%

The table above shows that the alleged dumped and subsidised imports as a percentage of total imports increased. Imports from the other countries decreased from 2005 to in 2007.

### 7.3 EFFECT OF DUMPED AND SUBSIDISED IMPORTS ON PRICES

The Applicant experienced price undercutting as a result of imports from the PRC and Malaysia as indicated in table 6.2.2.1(a) and table 6.2.2.1(b) of this report. The Applicant did not experience any price depression as indicated in table 6.2.2.2 of this report. The Applicant stated that the price increase was a result of an increase in stainless steel prices.

### 7.4 CONSEQUENT IMPACT OF DUMPED AND SUBSIDISED IMPORTS

Material injury indicator	Analysis (2005 – 2007)
Sales volume	decreased
Profit	decreased
Output	decreased
Market share (Alleged dumped)	increased
Market share (Applicant)	decreased
Productivity	decreased
Return on investment	decreased

Utilisation of capacity	decreased
Cash flow	decreased
Inventories	increased
Employment	increased
Wages	increased
Growth	decreased
Ability to raise capital	decreased

## 7.5 FACTORS OTHER THAN THE DUMPING AND SUBSIDISATION CAUSING INJURY

### 7.5.1 Examination of causality under Article 3.5

	2005	2006	2007	2005/2007 (% increase/ decrease)
Prices of imports not sold at alleged dumping and subsidised prices (fob price) (R/Kg)	100	114	133	33%
Volume of imports not sold at alleged dumping and subsidised(Kg)	100	97	87	(15%)

The information in this table was indexed due to confidentiality using 2005 as the base year.

Contraction in demand	The Applicant indicated that it is not applicable.
Changes in the patterns of consumption	Not applicable
Trade-restrictive practices of foreign and domestic producers	There were no trade restrictive practices.
Competition between foreign and domestic producers	There is competition between foreign and domestic producers.
Developments in technology	There are no recent developments in technology that might have detracted from causal link
Export performance of the domestic industry	The Applicant provided that the SACU industry's export performance did not detract from causal link.
Productivity of the domestic industry	The Applicant stated that its productivity is on a par with other foreign manufacturers.

The Commission found that there were no factors other than dumping, which sufficiently detracted from the causal link between dumping and subsidisation and the material injury experienced.

## **7.6 SUMMARY ON CAUSAL LINK**

After considering all the relevant factors and comments by interested parties the Commission made a preliminary determination that there is a causal link between the alleged dumping and subsidisation of the subject product and the material injury suffered by the SACU industry.

## 8. SUMMARY OF FINDINGS

### 8.1 Dumping

The Commission found that the subject product originating in or imported from the PRC and Malaysia and exported by Taijing Chaunger Metal Products Ltd. is not being dumped into the SACU market. The subject product exported by Zhuhai Dali Metal Product Co Ltd. (PRC), Rhine Sinkwares Manufacturing Ltd., Central Aluminium Manufactory SDN BHD (Malaysia) and the non co-operating exporters from both countries is being dumped in the SACU market.

The following dumping margins were calculated:

**Table 8.1**

Country and exporter	Dumping margin
<b>PRC</b>	
Zhuhai Dali Metal Product Co. Ltd.	20.72%
Taijing Chaunger Metal Products	negative
Rhine Sinkwares Manufacturing Ltd	10.94%
Other non-cooperating PRC exporters	62.41%
<b>Malaysia</b>	
Central Aluminium Manufactory SDN BHD	11.06%
Other non-cooperating Malaysian exporters	95.84%

### 8.2 Subsidised Exports

The Commission found that the subject product originating in or imported from Malaysia and exported by Central Aluminium Manufactory SDN BHD is subsidised at a *deminimis* level.

**Table 8.2**

Country and exporter	Subsidy margin
<b>Malaysia</b>	
Central Aluminium Manufactory SDN BHD	0.53%
Other non-cooperating Malaysian exporters	35%

### **8.3 Material injury**

The Commission made a preliminary determination that the SACU industry suffered material injury in the form of price undercutting, price suppression, actual decline in sales volumes, actual decline in profit, actual decline in output, actual decline in market share, actual decline in productivity, actual decline in return on investments, actual decline in capacity utilisation, actual and potential decline in total and net cash flow, increase in inventories, negative growth, inability to raise capital.

### **8.4 Causal link**

The Commission made a preliminary determination that there is a causal link between material injury suffered by the SACU and the dumped and subsidised imports from the PRC and Malaysia.

## 9. PROVISIONAL PAYMENTS

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### 9.1 Amount of duty

The amounts of the provisional payments were concluded to be as follows:

**Table 9.1: Amount of provisional payments**

Country	Rate of provisional payments expressed as% of fob
<b>PRC</b>	
Zhuhai Dali Metal Product Co. Ltd	20.62%
Taijing Chaunger Metal Products	0%
Rhine Sinkwares Manufacturing Ltd.	10.84%
Other PRC exporters	62.41%
<b>Malaysia</b>	
Central Aluminum Manufactory	10.70%
Other Malaysian exporters *	95.84%

**\*This provisional payments reflects both the payments for dumped and subsidised exports**

## 10. DETERMINATION

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The Commission made a preliminary determination that:

- Dumping of the subject product originating in the PRC and exported by Taijing Chaunger Metal Products Co. Ltd. (PRC),) does not occur;
- Dumping of the subject product originating in the PRC and exported Zhuhai Dali Metal Product Co. Ltd and Rhine Sinkwares Manufacturing Ltd. (PRC) does occur at a margin of 20.72% and 10.94% respectively, expressed as a percentage of the ex-factory selling price;
- Dumping of the subject product originating in Malaysia and exported by Central Aluminium Manufactory SDN BHD (Malaysia) does occur at a margin of 11.06% expressed as a percentage of the ex-factory selling price;
- Dumping of the subject product originating in the PRC and Malaysia and exported by non co-operating manufacturers and/or exporters does occur at a residual margin of 62.41percent and 95.84 percent respectively;
- The margin of subsidies from Central Aluminium Manufactory SDN BHD Malaysia is at the *de minimis level*. The residual subsidy margin of the non-cooperating exporters is 35 percent;
- The SACU industry is experiencing material injury; and
- There is a causal link between the dumping, subsidisation of the subject product from Malaysia and the PRC and the material injury suffered by the SACU industry.
- The Commission made a preliminary determination that provisional payments be imposed as per table 9.1 of this report.



- Interested parties will be invited to submit comments on the preliminary determination within the specified time period, which the Commission will consider prior to making its final determination and recommendation to the Minister of Trade and industry.