Report No. 96

Investigation into the alleged dumping of steel wheels originating in or imported from Brazil, the People’s Republic of China, Chinese Taipei and Turkey: Preliminary determination
The International Trade Administration Commission of South Africa herewith presents its Report No. 96: INVESTIGATION INTO THE ALLEGED DUMPING OF STEEL WHEELS ORIGINATING IN OR IMPORTED FROM BRAZIL, THE PEOPLES REPUBLIC OF CHINA, CHINESE TAIPEI AND TURKEY: PRELIMINARY DETERMINATION

Ms N.P. MAIMELA
CHIEF COMMISSIONER

PRETORIA
17 February 2005
INTERNATIONAL TRADE ADMINISTRATION COMMISSION

INVESTIGATION INTO THE ALLEGED DUMPING OF STEEL WHEELS ORIGINATING IN OR IMPORTED FROM BRAZIL, THE PEOPLE'S REPUBLIC OF CHINA, CHINESE TAIPEI AND TURKEY: PRELIMINARY DETERMINATION

SYNOPSIS

On 28 May 2004, the International Trade Administration Commission of South Africa (the Commission) formally initiated an investigation into the alleged dumping of steel wheels originating in or imported from Brazil, the People's Republic of China, Chinese Taipei and Turkey. Notice of the initiation of the investigation was published in Notice No. 852 of Government Gazette No. 26374 dated 28 May 2004.

The application was lodged by CLS Consulting Services (Pty) Ltd, on behalf of Guestro Wheels (Pty) Ltd, being the only manufacturer of the subject product in the SACU, which claimed that dumped imports were causing it material injury.

The investigation was initiated after the Commission considered that there was sufficient evidence to show that the subject product was being imported at dumped prices, causing material injury to the SACU industry.

On initiation of the investigation, the known producers and exporters of the subject products in Brazil, the People's Republic of China, Chinese Taipei and Turkey were sent foreign manufacturers/exporters questionnaires to complete. Importers of the subject product were also sent questionnaires to complete.
After considering all parties' comments, the Commission made a preliminary determination that the subject product was being dumped on the SACU market and the SACU industry is suffering material injury. The Commission however made a preliminary determination that factors other than dumping sufficiently detracted from the causal link between the dumping and the material injury.

The Commission, therefore, decided to recommend to the Minister of Trade and Industry that the investigation into the alleged dumping of steel wheels originating in or imported from Brazil, the People's Republic of China, Chinese Taipei and Turkey, be terminated.
1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is 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 APPLICANT

The application was lodged by CLS Consulting Services (Pty) Ltd (CLS), on behalf of Guestro Wheels (Pty) Ltd (the Applicant), being the only manufacturer of the subject product in the SACU.

1.3 DATE OF ACCEPTANCE OF APPLICATION

The application was accepted by the Commission as being properly documented in accordance with Article 5.2 of the Anti-Dumping Agreement on 19 May 2004. The trade representatives of the countries concerned were advised accordingly.

1.4 ALLEGATIONS BY THE APPLICANT

The Applicant alleged that imports of the subject product, originating in or imported from Brazil, the People’s Republic of China, Chinese Taipei and Turkey were being dumped on the SACU market, thereby causing material injury and/or a threat of material injury to the SACU industry. The basis of the alleged dumping was that the goods were being exported to the SACU at prices less than the normal values in the countries of origin.
The Applicant alleged that as a result of the dumping of the product from Brazil, the People's Republic of China, Chinese Taipei and Turkey, the SACU industry was suffering material injury in the form of:

- price undercutting;
- price suppression;
- decline in sales;
- decline in output;
- decline in utilisation of production capacity;
- decline in market share;
- decrease in profits;
- decline in productivity;
- decline in return on investment;
- negative effect on employment;
- negative effect on cash flow; and a
- negative effect on the company's growth.

The Applicant further alleged that the exporters have substantial unused and expanding capacity to target the SACU market with alleged dumped prices, there is a significant increase in the alleged dumped imports, the exporters will continue to undercut its prices and therefore cause price depression and price suppression of the SACU prices, the exporters have substantial inventories ready to export and the state of the economies in the countries or origin is conducive to exports, thereby causing a threat of material injury to the SACU industry.

1.5 INVESTIGATION PROCESS

The Commission formally initiated an investigation into the alleged dumping of steel wheels originating in or imported from Brazil, the Peoples Republic of China, Chinese Taipei and Turkey pursuant to Notice No. 852 which was published in Government Gazette No. 26374 on 28 May 2004.
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 Applicant, the importers and the exporters was verified.


1.6 INVESTIGATION PERIOD

The investigation period for dumping is from 1 April 2003 to 31 March 2004. The injury investigation involves evaluation of data for the period 1 April 2000 to 31 March 2004. As the Applicant originally only submitted information up to November 2003, this information was extrapolated to a full year. The Commission requested the Applicant, after initiation, to update the information and provide actual information for the period up to 31 March 2004. This information was provided by the Applicant and subsequently verified and made available to all interested parties.

1.7 PARTIES CONCERNED

1.7.1 SACU industry

The SACU industry consists of only one producer of the subject product, namely Guesto Wheels, who submitted the information contained in this report.
The Applicant stated that there are no other primary producers of steel wheels in the SACU region. The Applicant stated that it is aware of the existence of two companies that may assemble wheel rims from imported components (wheel rims and discs) for apparent use in specialized markets.

1.7.2 Exporters/Foreign Manufacturers

The following exporters responded to the Commission’s exporters questionnaire:

Turkey:
- Hayes-Lemmerz-Ind Jantas Jant San ve Tic. A.S. (Jantas)

Brazil:
- Maxion Componentes Estruturais (Maxion)
- Borlem S/A Empreendimentos Industriais (Borlem)
- Mangels Industria E Vcomerico Ltda (Mangels)

Peoples Republic of China:
- Ningbo Yingdahuang Auto Parts Company Limited (Ningbo)

All the information submitted by the exporters was verified. The information submitted by Jantas, Maxion and Mangels was considered to be deficient by the Commission on the deadline for addressing deficiencies.

Webber Wentzel Bowens (WWB) acts on behalf of Jantas, Maxion and Borlem.

1.7.3 Importers

The following SACU importers responded to the Commission’s questionnaires:

- Dunlop Tyres International (Dunlop);
- Maxiprest Tyres (Pty) Ltd (Maxiprest);
- Sandton Wheel Engineering (Pty) Ltd. (Trentyre);
- Malas Car Sales and Spares (Pty) Ltd (Malas);
- Conron Wheels and Allied CC (Conron);
- Auto Truck Engineering (Pty) Ltd (Auto Truck Engineering); and
- Maxcor Motor Sales CC (Maxcor).

All the information submitted by the importers was verified.
2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is described as:

Steel wheels for the fitment with pneumatic tyres consisting of a disc and a rim designed to be mounted with both tube and tubeless pneumatic tyres in all wheel diameter sizes.

SARS indicated that it would be able to administer anti-dumping duties on: “Steel wheels (including unassembled wheel rims and wheel discs, whether or not presented together).”

2.1.2 Tariff classification

The subject product is classifiable as follows:

<table>
<thead>
<tr>
<th>Tariff</th>
<th>Description</th>
<th>Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>8708.70</td>
<td>Road wheels and parts of accessories thereof.</td>
<td></td>
</tr>
<tr>
<td>8708.70.90</td>
<td>- Other</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Free</td>
</tr>
</tbody>
</table>
SARS indicated that the provision under 8708.70 will not cover caravan or trailer wheels and if it is the intention that those wheels should also pay the anti-dumping duty, the Commission should consider a similar provision for tariff subheading 8716.90, which reads as follows:

<table>
<thead>
<tr>
<th>Tariff</th>
<th>Description</th>
<th>Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>8716</td>
<td>Trailers and Semi-trailers; other vehicles, not</td>
<td></td>
</tr>
<tr>
<td></td>
<td>mechanically propelled; parts thereof</td>
<td></td>
</tr>
<tr>
<td>8716.90</td>
<td>Parts</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Free</td>
</tr>
</tbody>
</table>

The Commission confirmed that the investigation was only initiated on tariff subheading 8708.70.90 and, therefore, if it decides to recommend to the Minister of Trade and Industry that anti-dumping duties be imposed, that it will only be imposed on this tariff subheading.

2.1.3 Possible tariff loopholes

The Applicant stated that industry sources alerted them that wheels used for the local trailer and after markets are entering South Africa under the tariff heading of Agricultural wheels (tariff heading 8708.10.10), which attracts a zero duty instead of the 20 per cent import duty under the correct tariff subheading and that the imports of wheels classified as Agricultural wheels exceeds the estimated demand in the South African agricultural market for these wheels, by far.

The Commission indicated that this is a customs violation and it should be dealt with by SARS and not by the Commission.
2.1.4 Other applicable duties and rebates

The following rebate provisions exist in terms whereof the subject product can be imported with rebate of the duty:

<table>
<thead>
<tr>
<th>Rebate/Drawback Item</th>
<th>Tariff heading</th>
<th>Description</th>
<th>Extent of rebate</th>
</tr>
</thead>
<tbody>
<tr>
<td>317.09</td>
<td>87.08</td>
<td>Parts and accessories of shuttle cars</td>
<td>Full duty</td>
</tr>
<tr>
<td>517.02</td>
<td>00.00</td>
<td>Parts (including fasteners) and materials, used in the assembly or manufacture of motor vehicles</td>
<td>Full duty</td>
</tr>
</tbody>
</table>

2.1.5 Import Statistics

Article 5.8 of the Anti-Dumping Agreement provide as follows:

"There shall be immediate termination in cases where the authorities determine that ........... the volume of dumped imports, actual or potential, is negligible. The volume of dumped imports shall normally be regarded as negligible if the volume of dumped imports from a particular country is found to account for less than 3 per cent of imports of the like product in the importing Member, unless countries which individually account for less than 3 per cent of the imports of the like product in the importing Member collectively account for more than 7 per cent of imports of the like product in the importing Member."

The import statistics indicated that the volume of alleged dumped imports account for 82.6 per cent of the total imports of the like product during the period of investigation for dumping.

2.1.6 Country of origin/export

The subject product originates in and is exported from Brazil, the People’s Republic of China, Chinese Taipei and Turkey.
2.1.7 Application/end use

The imported subject product is used for the following applications:

- Motor vehicles (Sedans);
- Light Commercials (LCV);
- Light Trailer applications;
- Heavy Commercial Trucks (HCV);
- Medium Commercial Trucks (MCV);
- Heavy Trailer applications;
- Medium Trailer applications;
- Agricultural applications (Tractor and Irrigation Systems);
- Mining applications; and
- Earthmover applications.

2.1.8 Production process

The rim is the outer rounded section to which the tyre is fitted. The rim is formed by joining the two ends of strips of material by means of a butt welding operation, which is followed by a series of rolling operations in which the steel is cold formed into the required profile to accommodate a pneumatic tyre.

The disc is a press formed piece of steel in which the required profile is shaped and the required number of ventilation and stud holes is punched. The ventilation holes are required to provide sufficient flow of air to the brakes to allow for cooling, whilst the stud holes are required for attachment to the hub of the vehicle.

The disc is attached to the rim by means of a sophisticated CO² or submerged arc-welding process.
2.2 SACU PRODUCT

2.2.1 Description

The SACU industry produces steel wheels for the fitment with pneumatic tyres consisting of a disc and a rim designed to be mounted with both tube and tubeless pneumatic tyres in all wheel diameter sizes.

2.2.2 Application/end use

The SACU product is used for the following applications:
- Motor vehicles (Sedans);
- Light Commercials (LCV);
- Light Trailer applications;
- Heavy Commercial Trucks (HCV);
- Medium Commercial Trucks (MCV);
- Heavy Trailer applications;
- Medium Trailer applications;
- Agricultural applications (Tractor and Irrigation Systems);
- Mining applications; and
- Earthmover applications.

2.2.3 Tariff classification

The SACU product is classifiable under tariff subheading 8708.70.90.

2.2.4 Production process

The rim is the outer rounded section to which the tyre is fitted. The rim is formed by joining the two ends of strips of material by means of a butt welding operation, which is followed by a series of rolling operations in which the steel is cold formed into the required profile to accommodate a pneumatic tyre.
The disc is a press formed piece of steel in which the required profile is shaped and the required number of ventilation and stud holes is punched. The ventilation holes are required to provide sufficient flow of air to the brakes to allow for cooling, whilst the stud holes are required for attachment to the hub of the vehicle.

The disc is attached to the rim by means of a sophisticated CO\textsuperscript{2} or submerged arc-welding process.

2.3 LIKE PRODUCTS

2.3.1 General

In order to establish the existence and extent of injury to the SACU industry, it is necessary to determine at the outset whether the products produced by the SACU industry are like products to those originating in or imported from Brazil, the People's Republic of China, Chinese Taipei and Turkey.

Footnote 9 to Article 3 of the Anti-Dumping Agreement provide as follows:

"Under this Agreement the term "injury" shall, unless otherwise specified, be taken to mean material injury to a domestic industry, threat of material injury to a domestic industry or material retardation of the establishment of such an industry and shall be interpreted in accordance with the provisions of this Article."[own underlining].

Article 4.1 of the Anti-Dumping Agreement provide as follows:

"For the purposes of this Agreement, the term "domestic industry" shall be interpreted as referring to the domestic producers as a whole of the like products..."[own underlining].

Article 2.6 of the Anti-Dumping Agreement provide as follows:

"Throughout this Agreement the term 'like product' ('produit similaire') shall be interpreted to mean a product which is identical, i.e. alike in all respects to the product
under consideration, or in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of the product under consideration."[own underlining].

2.3.2 Analysis

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

(1) raw material used;
(2) physical appearance and characteristics;
(3) tariff classification;
(4) method of manufacturing;
(5) customer demand and end use; and
(6) substitutability of the product with the product under investigation.

(1) Raw materials

Steel is the raw materials for both the imported and the SACU product.

The Commission found that the raw materials for the imported and the SACU products are comparable.

(2) Physical appearance and characteristics

The imported product has the same in appearance and fitment specifications as the SACU product, as they are produced to international specifications, designed to fit certain type axles/brake hubs.

There may be certain slight differences such as the number and size of ventilation holes, colour finish, material thickness and steel specification. The Applicant stated that it may also be that certain tolerances are minimized by certain foreign manufacturers to reduce the import costs which compromise on quality of the product.
The Commission found that the imported and the SACU products have similar physical appearance and characteristics.

(3) Tariff classification

The Commission found that the SACU products and those imported are classifiable under the same six digit tariff subheading.

(4) Method of manufacturing

The Commission found that the imported and the SACU products are manufactured using the same method.

(5) Customer demand and end-use

Both the SACU product and the imported product are used for the fitment with pneumatic tyres.

(6) Substitutability of the imported product and the product under investigation

The imported product and the SACU product are direct substitutes.

Comments by WWB

In its exporters questionnaire, WWB, on behalf of Maxion, quoted Article 2.6 of the Anti-Dumping Agreement, as well as ADR1 that defines like product as follows:

"Like product means-

a product which is identical, i.e. alike in all respects to the product under consideration; or in the absence of such a product, another which, although not alike in all respects, has characteristics closely resembling those of the product under consideration."
It further stated that tubeless steel wheels are made of steel sheets and comprise two main parts welded to each, namely, the disk and the rim. It stated that the following features are of significance in describing a steel wheel:

- rim size (rim width and diameter);
- offset and half dual spacing respectively;
- type of tyre-size, model (tube or tubeless), load index, ply rating, speed symbol, inflation pressure provided, maximum wheel load, maximum speed, single or dual tyres; and
- intended use (type of vehicle, conditions of use), axle and brake dimensions, connecting dimensions such as center hole diameter, pitch circle diameter (PCD), number of stud holes, type of stud holes.

It further stated that the rim serve as the seat of the tyre. The wheel disc serves as the connection between the rim and the wheel hub. The part, which attaches the hub flange or the brake drum respectively, is called the plane surface. The shape of the disc is influenced, inter alia, by the form of the rim, axle connection, brake contour, fixing of the hubcap, and the requirement for high loading capacity along with low wheel weight.

It further stated that the description of the steel wheels illustrates that there are certain key parameters which must be set out and which must be taken into account in the manufacture of a steel wheel and they conclude therefore that one type of steel wheel with its unique set of manufacturing specifications cannot be substituted with another type of steel wheel with a different set of manufacturing specifications. It is argued by WWB that steel wheels have different sizes and other different properties as determined by, inter alia, the axle for which they are designed to fit. It was stated that different sizes of wheels are not like and are not substitutable.

It stated that not all imported steel wheels are like products to and compete with the wheels manufactured by the Applicant and that not all imported steel wheels are like products to and compete with the wheels manufactured by the Applicant. They state
that it is only those imported wheels which are identical in all material respects to the steel wheels manufactured by the Applicant that are like products to the Applicants steel wheel and with which the Applicants steel wheels compete.

It stated that in order for the Applicant to sustain its claim that imported steel wheels are causing its injury, the Applicant must show which of the imported steel wheels produced by it are affected by the imported steel wheels. It is only those wheels of the Applicant that are like products to the imported steel wheels that are affected. The Applicant's injury information does not distinguish between the various types of steel wheels produced by the Applicant and is unable to demonstrate the cause of its alleged injury.

It was stated that to the extent that the Applicant has not demonstrated which of its range of steel wheels is allegedly being injured by the allegedly dumped steel wheels, the Applicant has not made out a prima facie case upon which the Commission could initiate the investigation.

Maxion stated that they sell the 9 x 22.5 wheel in Brazil, which is the wheel allegedly being dumped by Maxion in SACU. There is however, a 9 x 22.5 size wheel which Maxion sells to a single Brazilian customer, but this wheel is not a like product to the one exported to SACU.
According to Maxion, they stated that the differences between the two products is as follows:

<table>
<thead>
<tr>
<th>Physical characteristics</th>
<th>SACU</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheel to be used with</td>
<td>Drum brake</td>
<td>Disc brake</td>
</tr>
<tr>
<td>External valve</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Load capacity</td>
<td>3 750kg</td>
<td>4 000kg</td>
</tr>
<tr>
<td>Steel thickness</td>
<td>13.5 mm</td>
<td>14.5 mm</td>
</tr>
<tr>
<td>Internal disc face</td>
<td>Not machined</td>
<td>Machined</td>
</tr>
<tr>
<td>Customer</td>
<td>Not limited to specific customer</td>
<td>Designed and manufactured specifically for the customer in Brazil and bears this company's trade mark</td>
</tr>
<tr>
<td>Rim profile</td>
<td>Different from the wheel sold to the OEM wheel sold in Brazil</td>
<td>Different from SACU wheel</td>
</tr>
<tr>
<td>Market</td>
<td>Aftermarket and trailer manufacturers</td>
<td>Original Equipment Manufacturers</td>
</tr>
<tr>
<td>Substitutability</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Tooling</td>
<td>Different to tooling used in the manufacture of the wheel sold in Brazil</td>
<td>Different to tooling used in the manufacture of the wheel exported to SACU</td>
</tr>
</tbody>
</table>

Maxion is therefore of the opinion that the Applicant did no possess adequate or accurate information to determine normal value for them.

Comments made by the Applicant

CLS stated that the Respondent curiously started its argument in the introductory part of the memorandum by referring to the provisions of Article 2.6 of the Anti-Dumping Agreement, which pertains to the requirement of like products. The Respondent apparently argues that where a unique manufacturing process is followed in the manufacturing of a steel wheel, it cannot be substituted with another type of steel wheel produced differently. It is further stated that steel wheels have different sizes and other different properties, as determined by inter alia the axle for which they are designed to fit. The allegation is further made that different sizes of steel wheels are
not like and are not substitutable. Without much ado, the Applicant fully supports this last contention and thought that it is self explanatory that different sizes of steel wheel are not interchangeable in their application. It is however other criteria that are applied to determine the likeness of products as set out hereinafter and which will indicate the egregious premise on which the Respondent relies.

The Respondent further went to great lengths to discuss and placed emphasis on the apparent differences in production processes applied in the manufacturing of its wheel rims. It is however apparent from the description that the Respondents production processes compare in all material aspects to that of the Applicant, as well as that of the other Respondents involved in this investigation.

If account is taken of the statutory criteria to determine "like products" the manufacturing method is but one of the criteria to be taken into account and the end use of the product, as set out hereinafter are generally regarded as the most conclusive factors.

CLS stated that attention should further be drawn to the fact that Article 2.6 of the Anti-Dumping Agreement does not require complete likeliness in all material respects. Subject goods that have characteristics closely resembling that of the product under consideration, will be regarded as a like product for purposes of an investigation. Gustav Brink ibid page 29 refers in this regard to the determination of the former Board of Trade and Tariffs in Unmodified Starch (Belgium, Denmark, France, Germany, Netherlands, Switzerland, Thailand) where it is determined that the criteria to be considered in the determination of like product, are:

- Physical characteristics
- Raw material used
- Method of manufacture
- Tariff classification
- End-use and substitutability; and
- Price.
Application of these criteria to the imported product from the Respondent, has on investigation by the Applicant reflected similar physical characteristic; use of the same raw materials; followed more or less similar methods of manufacturing; can be classified under the same tariff classification; and have a end-use and substitutability to that of the domestically produced subject goods.

The Board in the past on several occasions allowed for adjustments where products are not exactly similar but still pursued investigations where the products compete with domestic products and complied with the criteria as set out above.

Brink ibid p. 32 states that the end-use of a product is to be regarded as the most important factor and that Board will normally be prepared to find that products that compete directly against each other are like products, even if there were significant differences between the products.

The Applicant agrees that steel wheels indeed have different sizes and different properties in order to cater for the wide range of applications in so far as axle and wheel sizes are concerned. The Applicant therefore indeed manufactures most of this wide variety of products in order to comply with the South African markets requirements. The Respondents products compete directly with the Applicant on the SACU market and the notion that only products that are identical in all material respects finds no support in the provisions of the Anti-Dumping Agreement as well as in the determinations of the Board of Trade and Tariffs in the past.

Section 1 of the Anti-Dumping Regulations clearly defines like products as

"products [that] need not to be similar in all material aspects, but it would be sufficient if it has characteristics close to resembling those of the product under consideration."

CLS further states that the Respondents further contention is that import duties are to be imposed on all steel wheels as defined in the definition of subject goods and all steel wheels imported under said customs code can be classified as subject goods in
the application. Imports of the whole range of steel wheels cause injury to the Applicant as the applicant produces these ranges of steel wheel products.

CLS stated that reference also need to be made to the fact that in terms of Section 8.6 of the Anti-Dumping Regulations, which provides that where a large number of producers, exporters, importers or types of products are involved, the investigation may be limited to a reasonable number of types of product by using samples that are statistically valid on the basis of information available to the Commission, at the time of selection. These matters were carefully taken into consideration by the investigating authorities.

To summarize, it is submitted by CLS that the notion by the Respondent that the initiation of the investigation on the basis of the unlikeliness of the products concerned, has no substance. It is inherent in the initiation of any investigation that the end use of the product be regarded as the decisive guidance when determining the likelihood of subject goods. To this end the Applicant states that it has clearly indicated that substantial exports of the subject goods from the Respondents at dumped prices are the cause of material injury to the Applicant.

**Comments made by WWB**

In its letter dated 27 October 2004, WWB stated that it is clear from the ADR that if products are not identical of alike in all respects, their characteristics should closely resemble each other and that the Applicant conceded that the decisive criterion in the like product enquiry is whether the products being compared are substitutable in their application. It was further stated that it was admitted by the Applicant that products that are not substitutable in their application couldn't be like products and accordingly, the only products that could cause injury to the Applicant are those which are substitutable with the Applicant's products. They repeated their contention that to the extent that the Applicant has not demonstrated which of its steel wheels is allegedly being injured by the allegedly dumped steel wheels; the Applicant did not make out a *prima facie* case upon which the Commission could initiate the investigation.
The Commission noted that there might be differences between the products exported to SACU and those sold by the exporters on their domestic markets, but indicated that these should be addressed by adjustments in calculating the dumping margin.

After considering all the above factors and the comments received, the Commission was satisfied that the SACU product and the imported product are “like products” for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement.
3. SACU INDUSTRY

3.1 INDUSTRY STANDING

Article 5.4 of the Anti-Dumping Agreement provide as follows:

"An investigation shall not be initiated pursuant to paragraph 1 unless the authorities have determined, on the basis of an examination of the degree of support for, or opposition to, the application expressed by domestic producers of the like product, that the application has been made by or on behalf of the domestic industry. The application shall be considered to have been made "by or on behalf of the domestic industry" if it is supported by those domestic producers whose collective output constitutes more than 50 per cent of the total production of the like product produced by that portion of the domestic industry expressing either support for or opposition to the application. However, no investigation shall be initiated when domestic producers expressly supporting the application account for less than 25 per cent of total production of the like product produced by the domestic industry".

ADR 7.3 provides as follows:

"An application shall be regarded as brought by or on behalf of the SACU industry if-
(a) at least 25 per cent of the SACU producers by domestic production volume support the application, and
(b) of those producers that express an opinion on the application, at east 50 per cent by domestic production volume support such application."

The Applicant is the only manufacturer of the product in the SACU. The application is therefore supported by 100 per cent of the SACU industry.

The Applicant stated that there are no other primary producers of steel wheels in the SACU region. They stated that they are aware of the existence of two companies that may assemble wheel rims from imported components (wheel rims and discs) for apparent use in specialized markets.
The Commission decided that the application can be regarded as being made "by or on behalf of the domestic industry" under the above provisions of the Anti-Dumping Agreement.
4. DUMPING

4.1 DUMPING

Section 1 of the ITA Act, provides a definition of the term "dumping". The Act provides as follows:

"dumping" means the introduction of goods into the commerce of the Republic or the Common Customs Area at an export price contemplated in section 32(2)(a) that is less than the normal value, as defined in section 32 (2), of those goods;"

4.2 NORMAL VALUE

Normal values are determined in accordance with section 32(2)(b) of the ITA Act. This section provides as follows:

"normal value", in respect of any goods, means-

(i) the comparable price paid or payable in the ordinary course of trade for like goods intended for consumption in the exporting country or country of origin; or

(ii) in the absence of information on a price contemplated in subparagraph (i), either

   (aa) the constructed cost of production of the goods in the country of origin when destined for domestic consumption, plus a reasonable addition for selling, general and administrative costs and profit; or

   (bb) the highest comparable price of the like product when exported to an appropriate third or surrogate country as long as that price is representative;"

Section 32(4) of the ITA Act further provides as follows:

"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, 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."
Comments received from WWB

WWB stated in its response to the initiation of the investigation that in the absence of any evidence on the normal value, the Applicant could not have determined that any dumping was taking place and that therefore, there was no *prima facie* case upon which the Commission could initiate the investigation. Accordingly, they submitted that the Commission erred by initiating the investigation and that the information presented to the Commission, which the Commission used to initiate the investigation did not comply with the requirements set out in Articles 5.2 and 5.3 of the Anti-Dumping Agreement and/or the requirements set out in ADR 28.

Comments received from CLS

CLS, in response to the above, stated that it is also significant that the Respondent quoted freely from the provisions of the Anti-Dumping Agreement incorporated in Article VI of GATT 1994, as well as to the Sections 26 and 28 of the Anti-Dumping Regulations. The subsequent argument apparently is that due to the fact that steel wheel rims imported from Brazil and specifically from the Respondent, cannot be regarded as a like product of the subject goods produced by the Applicant as well as some other factors, the application fails to establish a *prima facie* case upon which the Commission could initiate the investigation. In so far as reference to the provisions of the Anti-Dumping Agreement is concerned, and specifically Article 5.2 of the Anti-Dumping Agreement, which, in addition to the over arching provisions contained in the introductory part of the Agreement, set out further requirements for the initiation of an anti-dumping investigation. They stated that it is important to note that it is not required from the Applicant to submit information sufficient to make a preliminary or final determination of injury. More over, the Applicant only needs to provide such information as is “reasonably available” to it with respect to the relevant factors. (See Edwin Vermulst et al WTO Disputes page 180 and reference to WTO Panel Decisions therein. See also Cliff Stevenson “The Global Anti-Dumping Handbook” p51 which requires that a complaint must contain the best information available to the complainant at the time when the complaint is
lodged to satisfy the requirements for initiation of an investigation.)

CLS also made reference to the provisions of Article 5.3 of the Anti-Dumping Agreement in this regard and that note can be taken of the WTO Panel decision in *Guatemala-Cement II Panel Decision* on paragraph 8.31 where it is stated that:

"It is the sufficiency of the evidence and not the adequacy thereof and accuracy per se, which represents a legal standard to be applied in the case of the determination whether to initiate an investigation."

It was stated by CLS that the Respondent also refers to Article 5.8 of the Anti-Dumping Agreement, which relates to the obligation of authorities that are satisfied that there is not sufficient evidence of either dumping or all of in to terminate the investigation promptly in support of its application.

CLS stated that reference needs in this regard be made to *Vermulst* ibid page 190, which states that that the provisions of Article 5.8 only imply pre-initiation. (See also reference to the *Guatemala-Cement II Panel* on paragraph 8.74 therein.) This in fact implies that in view of the fact that an investigation has already been initiated, that the application for termination brought by the respondent is fatally flawed.

The Applicant finally also refers to the Anti-Dumping Regulations applicable to SACU and published under Government Notice 3197 of 2003. The provisions hereof, it is submitted, is to be regarded as the determinative provision in analysis of the question whether the Applicant has established a sufficient basis to proceed with the investigation.

Analysis of Section 28(2) specifically requires that account be taken of the following criteria in this regard:

- The identity of the Applicant;
- A detailed description of the product under investigation including the tariff sub-heading applicable to the product;
• The country(s) under investigation;
• The basis of the allegation of dumping;
• Summary of the factors on which the allegation of injury is based;
• Address to which representations by the interested parties should be directed;
• Time frame for responses by interested parties.

The Applicant is of the opinion that the application clearly contains all the necessary information in a format sufficient enough to warrant initiation of the investigation as required.

CLS stated that the Respondent also refers to the provisions of Section 26 of the Anti-Dumping Regulations and that it submitted that it is clear from the data and information submitted that all the relevant elements required proof of injury, which includes substantial levels of price undercutting. The Applicant sufficiently adequately demonstrated the presence of these elements, which information and data were properly verified by the Commission. The Applicant firstly contests the value of the price obtained on a steel wheel on the basis of an incorrect reference to the wheel size and apparent physical differences between the SACU wheel and the apparent similar wheel produced by Maxion. The reference to the “9x22” wheel rim is an inadvertent typing error, and the prices obtained by Applicant indeed refers to a “9x22,5” wheel rim. The Applicant however once again wishes to draw attention to the fact that an average steel wheel price was determined for Brazil based on the prices obtained from the various producers, which negate the Respondent’s submissions in this regard. The Respondent conspicuously fails to note what the alleged price differences are between the two wheel sizes. Evidence will also indicate that the Applicant also produces a 9 x 22.5 inch wheel and if account is taken of the criteria to determine like products as discussed before, it is clear that the end use of the imported and domestically produced subject goods are exactly the same and the products compete in all material aspects with each other. It is submitted that the Commission was correct in accepting
the prices on these wheels as *prima facie* proof of domestic prices in Brazil. The Applicant acknowledges that the 22.5 x 9 wheel currently produced does not have an external valve suitable for disc brakes. The features of an outside valve do however not affect the likeness of the product with the domestically produced product. The wheel rim with an external valve can also be used with disc brakes, which implies that it has the exact same end-use as the domestically produced subject goods.

CLS stated that the Memo further alleges the steel wheel rim purchased from Borlem, is not produced by the Turkish producer. The Applicant wishes to advise that reference to 1 x 22.5 x 19 wheel is incorrect and the wheel size purchased was a SBE19.50 x 7.50 wheel. The Applicant apologizes for the inadvertent oversight in this regard. The majority of imports from Turkey is in fact 22.5 x 19 wheel rims, which compete with the domestic product. The Applicant wishes to draw attention to the fact that it has the specific wheel rim in its possession, which was readily available for inspection by the Commission. Relevant freight documents as well as invoices were submitted as prove of the purchase of the said wheel rim. Importers of subject goods from the Turkish producer concerned that disclosed their imports clearly import 22.5 x 19 wheels from Turkey and this size is fact represents the majority of imports into SACU.

CLS stated that the Respondent contests the inclusion of Rodabem and Borlem on the basis that no prices, normal values, etc. were obtained from these producers. The Applicant to this end has already submitted that for purposes of the initiation of an anti-dumping investigation only *prima facie* proof of normal value is required and prices need not to be obtained for each and every producer. The Applicant has adequately complied with these evidentiary requirements (See *Brink* ibid p37 –43).

CLS stated that in summary, the Respondent submits that no evidence of normal value was submitted to determine that anti-dumping was taking place. The contents of the application however speak for itself and the Applicant has adequately acquainted itself with the requirements to establish on a *prima facie*
basis, that dumping was indeed taking place. The Respondent is required to refute these allegations by substantiating facts and not to merely make allegations that are totally unsupported and based on speculation and conjecture. The Applicant further wishes to draw the attention to the provisions of Section 23 of the Anti-Dumping Regulations, which requires only that such information as is reasonably available on the price for the like products sold in the country of origin or of export, are to be submitted as the normal value standard for initiation purposes.

The Commission noted that the Applicant's reference to the steel wheel from Brazil was wrong. It further noted that the Applicant calculated a normal value per kilogram, and compared that to the export price per kilogram.

The Commission, therefore, confirmed its decision that the Applicant submitted prima facie evidence of dumping and further indicated that it is not necessary for the Applicant to show that all the manufacturers in a country are exporting the subject product at dumped prices in order to establish a prima facie case of dumping.

4.3 EXPORT PRICE

Export prices are determined in accordance with section 32(1) of the ITA Act which provides as follows:

"export price" subject to subsections (3) and (5) means the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to the sale;"

Section 32(5) of the ITA Act further provides as follows:

"(5) The Commission must, despite the definition of "export price" set out in subsection (2), when evaluating an application concerning dumping that meets the criteria set out in subsection (6), determine the export price for the goods in question on the basis of the price at which the imported goods are first resold to an independent buyer, if applicable, or on any
reasonable basis.
(6) Subsection (5) applies to any investigation of dumping if, in respect of the goods concerned -
(a) there is no export price as contemplated in the definition of dumping;
(b) there appears to be an association or compensatory arrangement in respect of the export price between the exporter of foreign manufacturer concerned and the importer or the third party concerned; or
(c) the export price actually paid or payable is unreliable for any other reason."

The Applicant stated that the official import statistics represent a distorted value of the subject goods, imported into the SACU region and that this distortion originates from the fact that the relevant tariff subheading 8708.70.90 reports on the imports of road wheels and parts of accessories thereof and is, therefore, not limited to steel wheels, the product under investigation.

In order to provide the Commission with an indication on the prevailing prices for imported steel wheels in the domestic market, the Applicant approached clients over some time to obtain quotes and although no definitive prices were obtained, it was established that the products under investigation are being imported at price substantially lower than that of the Applicant.

Pursuant to the fact that the Applicant feels that the official import statistics represent a distorted picture, the Applicant adjusted the export price as follows to allow for a proper comparison of prices on a per kilogram steel wheels price basis, taking the following into account:

a) There are two main wheel groups determined by the materials used namely steel and aluminium;
b) The Applicant only competes in the steel wheel group;
c) The Applicant is the sole supplier of locally produced steel wheels to the original equipment manufacturers;
d) The Applicant supplies the SACU steel wheel markets and competes with imports of subject goods in this sector, as it is the only manufacturer of steel wheels in SACU, except for a few very small assemblers accounting
for an insignificant volume.

The Applicant applied the following methodology in determining the export price and the calculation of an anti-dumping duty:

a) Wheels sold on the foreign manufacturer's domestic market:
   1) Retail purchase transactions on steel wheel rims by substantiating invoices and/or supported quotes, were obtained on various sizes of wheels, which fall within the scope of subject goods.
   2) A per kilogram average weight for the wheel rims purchased or on which prices were obtained, were determined.
   3) A per kilogram average price for the specific wheel rims concerned in the various respondent countries, were determined.
   4) Based on the above information, the determined average per kilogram wheel rim price serves as basis for the domestic price in the country of origin, after the adjustments were made.

b) Wheels imported into SACU:
   The Applicant stated that account needs to be taken of the following premise and assumptions made in determining a per kilogram import price for the subject goods.

   1) The Applicant stated that in the absence of any other reliable source of imports into SACU, they had to rely on the official Customs and Excise import statistics, imported under tariff heading 8708.70.90, which is reported in tons and not in number of wheels imported.
   2) As the above mentioned tariff subheading includes both aluminium and steel wheels, it is necessary to eliminate the aluminium content from the imported products. In order to do this, the Applicant made the following assumptions:
   3) The market for steel and aluminium products are, based in accordance to market information obtained, on a 50:50 split between steel and
aluminium in terms of volume of wheels;

4) Whereas kilogram is the unit of measurement for imported products, it is necessary to determine a per kilogram price for steel wheel rims exported to SACU;

5) pursuant to the above-noted and in order to establish a proper basis for comparison, the Applicant also had to convert its production of wheel rims from a unit basis to a per kilogram one and subsequently determine the per kilogram selling cost;

6) the fact that aluminium steel wheels represent a higher valued product than steel wheel rims, the value of imported product into SACU needed to be apportioned on a weighted average basis to cater for these differences.

Based on the above premises, the Applicant developed a model, that allowed for the conversion of the imported goods as reflected in the official statistics for the investigation periods, into volumes on a per kilogram bases and values by country for specifically steel wheels. This model enables the Applicant to determine the kilograms imported as well as the import values. This model allows for the differentiation based on type wheel rims (steel versus aluminium) as well as the individual import values of said. A detailed description of the model is found in paragraph 5.3.1 of this report.

WWB made comments on the model used and these are included in section 7 of this report.

The Commission considered the comments received from WWB and decided to use the model as described in this paragraph and paragraph 5.3.1 for purposes of the preliminary determination, in the absence of an alternative method to calculate the import volumes and values for steel wheels.
4.4 ADJUSTMENTS

Article 2.4 of the Anti-Dumping Agreement provides as follows:

"A fair comparison shall be made between the export price and the normal value. This comparison shall be made at the same level of trade, normally at the ex-factory level, and in respect of sales made at as nearly as possible the same time. Due allowance shall be made in each case, on its merits, for differences which affect price comparability, including differences in conditions and terms of sale, taxation, levels of trade, quantities, physical characteristics, and any other differences which are also demonstrated to affect price comparability. In the cases referred to in paragraph 3, allowances for costs, including duties and taxes, incurred between importation and resale, and for profits accruing, should also be made. If in these cases price comparability has been affected, the authorities shall establish the normal value at a level of trade equivalent to the level of trade of the constructed export price, or shall make due allowance as warranted under this paragraph.

The authorities shall indicate to the parties in question what information is necessary to ensure a fair comparison and shall not impose an unreasonable burden of proof on those parties."

Both the Anti-Dumping Agreement and the ITA Act provide that due allowance shall be made in each case for differences in conditions and terms of sale, in taxation and for differences affecting price comparability. The Commission considers that for an adjustment to be allowed, quantifiable and verifiable evidence has to be submitted, and it must further be demonstrated that these differences actually affected price comparability at the time of setting the prices.

4.5 COMPARISON OF EXPORT PRICE WITH NORMAL VALUE

The margin of dumping is calculated by subtracting the export price from the normal value of the product (after all adjustments have been made). The margin is then expressed as a percentage of the export price. If the margin is less than two percent, it is regarded as de minimis in terms of the Anti-Dumping Agreement and no anti-dumping duty will be imposed.
4.6 DEFICIENT INFORMATION SUBMITTED BY EXPORTERS

4.6.1 WWB's clients

Deficiency letters were sent to WWB in respect of the information submitted by their clients, Maxion and Jantas. A letter was received from WWB requesting further extensions to address the deficiencies and indicating that its clients will not be able to submit all the information requested before the deadline to address deficiencies. WWB was informed that no extension can be granted to the seven days to address the deficiencies. The Commission decided that:

- The exporter should be requested to supply all the information relating to all the exports of the subject product to the Commission during verification, regardless of whether the exporter deems these products to be like products to those manufactured by the Applicant;
- That the domestic sales information relating to all the products should be submitted during verification;
- Cost build-ups of all products should be submitted during verification;
- Export sales of all products, exported to SACU but not sold on the domestic market, should be submitted during the verification.

It was indicated to the exporters that if this information is not available during the verification, the Commission may decide not to take the information into account.

Comments received from WWB

WWB stated that the obligation to provide all of the information required in terms of the initiation notice, places an extremely onerous and unreasonable burden of proof on their client.

WWB stated that only a few products exported are also manufactured by the Applicant. It stated that the remaining products exported by their clients constitute less than 1 per cent of its exports to SACU. It stated that it is of the opinion that in
light of the insignificant quantities of such products, it would be an unreasonable burden of proof on their clients to compile and provide the information requested in terms of this paragraph, in respect of these products.

WWB stated that the cost and price build-up provided, accounts for more than 85 per cent of all products exported to SACU.

WWB further stated that to compile a bill of material per product for all products exported by their client to the SACU, imposes an extremely unreasonable burden of proof on their client and is not justified, in light of the expensive and time consuming exercise of compiling the information, and the fact that this information is already available in the cost and price build-ups and is readily verifiable.

They further stated that it is impossible for them to compile all the information required by the deadline and that the reason for this is the nature and availability of the information.

WWB referred to Paragraph 13 of Article 6 of the Anti-Dumping Agreement that provides that the authorities shall take due account of any difficulties experienced by interested parties, in particular small companies, in supplying information requested, and shall provide any assistance practicable.

Further correspondence was received from WWB stating that their clients have substantially complied with the requirements of the Commission, and have provided all relevant information to the Commission within the deadlines set by the Commission. Their clients are, therefore, of the opinion that there is no basis on which the Commission can disregard or fail to verify the information provided.

The Promotion of Administrative Justice Act, 2000 has been enacted to give effect to this right, and provides for judicial review of administrative action on a number of grounds, including unreasonableness.
It was also stated that to disregard or fail to verify the information provided would also be contrary to the Anti-Dumping Agreement, and, in particular, the provisions of Article 2.2.1.1, Article 6.8 and Annex II.

WWB stated that their clients complied with these paragraphs and have provided information that is verifiable and can be used in the investigation without undue difficulties, and has supplied this information in a timely fashion, in a medium requested by the Commission, and this information should be taken into account by the Commission.

On 11 August 2004 the Commission decided that the information provided was deficient and that it will not take the information into account for purposes of the preliminary determination. The Commission decided that if the deficiencies were addressed within two weeks after the publication of the preliminary determination, it would consider taking the information into account for purposes of its final determination.

On 12 August 2004 a letter was sent to WWB stating that as the information submitted by the exporters are deficient, the Commission will not take the information submitted by these exporters into consideration for purposes of its preliminary determination in accordance of the ADR. It was indicated that it would consider taking the information into consideration for purposes of its final determination.

On 2 September 2004 a letter was received from WWB stating that the decision whether or not to take into account the information submitted for the purposes of the preliminary determination is of crucial importance. It stated that if pursuant to a preliminary determination, provisional duties are imposed, the damage to their client may be irreparable and may not be remedied by a final determination.

WWB again submitted their comments that the information provided are for the majority of wheels exported to SACU. WWB stated that its clients contend that
they have substantially complied with the requirements of the Commission and have provided the required information by providing a constructed normal value that is comparable to the export price in respect of more significant export sales to SACU. It was stated that it places an unreasonable burden on its clients and that it is contrary to the provisions of the Anti-Dumping Agreement, but that its clients will make such information available to the Commission at the commencement of the verification exercise.

4.6.2 Mangels

A deficiency letter was sent to Mangels in Brazil. A second letter was sent to Mangels indicating that they did not respond to the deficiency letter and the information will not be taken into account for purposes of the preliminary determination, but that the information can be taken into account for purposes of the final determination, provided that the information can be verified.

4.6.3 Commission decision

The Commission decided that the information submitted by Jantas, Maxion and Mangels was deficient as the deficiencies were not addressed before the deadline to address deficiencies. The Commission, therefore, decided that this information will not be taken into consideration for purposes of the Commission's preliminary determination.

The Commission, therefore, decided to use the "best information" available to calculate the dumping margins for the three exporters and the dumping margin for the other exporters in these countries.

The Commission decided that the "best information" available is the verified information received from the three exporters.
The Commission decided that the information submitted by Maxion and Mangels will be taken into consideration for purposes of its final determination. The Commission, however, decided that the information submitted by Jantas will only be taken into consideration for purposes of its final determination, if the sales to original equipment manufacturers on the Turkish market are submitted before the deadline for comments on the preliminary report.

4.7 METHODOLOGY IN THIS INVESTIGATION FOR BORLEM IN BRAZIL

4.7.1 Normal Value

Type of economy

Brazil is considered to be a country with a free market economy and therefore the definition of section 32(2)(b) of the ITA Act applies.

Calculation of normal value

Borlem exported only one size wheel, 22.5x9.00, to SACU during the period of investigation. There were no sales of this specific wheel on the domestic market in Brazil.

After considering all the comments received from interested parties, including the comments received on the verification report (non-confidential versions of which are available on the public file), the Commission decided to use a constructed normal value.

The Commission noted the comments submitted by WWB with regard to the profit margin, but decided to apply the profit margin applicable to the 22.5 x 8.25 model, when sold on the domestic market in Brazil, to the 22.5 x 9.00 model, as this represented a high volume of domestic sales and this model is the closest in size to the 22.5 x 9.00 model.
4.7.2 Export price

Export price is defined in section 32(2)(a) of the ITA Act as the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to the sale under consideration.

Calculation of export price

The Commission decided to use the actual export sales to SACU to calculate the export price during the period of investigation.

Adjustments to the export price

The Commission made the following adjustments to the export prices, as verified by the investigators, for purposes of calculating the ex-factory export prices:

(i) Internal transport

An adjustment was made for the internal transport charges from the manufacturer to the port in Brazil, included in the invoice price.

(ii) Port handling charge

An adjustment was made for the port handling charges included in the invoice price.

(iii) Commission

An adjustment was made for commission paid to a commission agent in SACU.
(iv) Packaging

An adjustment was made for the packaging cost.

4.7.3 Margin of dumping

A dumping margin, expressed as a percentage of the fob export price, was calculated to be 37.3 per cent.

4.8 METHODOLOGY IN THIS INVESTIGATION FOR MAXION IN BRAZIL

4.8.1 Normal value

Type of economy

Brazil is considered to be a country with a free market economy and therefore the definition of section 32(2)(b) of the ITA Act applies.

Calculation of normal value

The Commission noted all the comments received from interested parties and the difficulties experienced during the verification of the information. All comments not specifically included in this report, are available on the public file.

The Commission noted that Maxion exported a range of wheels, rims and discs to SACU during the period of investigation.

The Commission decided not to use the export sales to third countries to calculate the normal values but to use the actual domestic sales for the products sold on the domestic market in Brazil, and to calculate constructed normal values for those not sold on the domestic market in Brazil.
The Commission noted and approved Maxion’s request that the domestic sales of the 22.5x9.00 wheels to one specific original equipment manufacturer be excluded from the normal value calculations, as numerous differences exist between this wheel and the 22.5x9.00 wheel exported to SACU. After excluding these sales from the normal value calculation, the domestic sales of this wheel represented less than 5 per cent of the volume of this wheel exported to SACU. The Commission, therefore, decided to calculate a constructed normal value for this product.

**Actual domestic sales in Brazil**

The Commission used the actual invoiced sales to calculate the normal values for those products sold on the domestic market in Brazil, other than the 22.5x9.00 wheels.

**Adjustments to the actual domestic sales values**

The following adjustments to the normal value were claimed by Maxion and were allowed by the Commission as it was shown that there was a difference in costs, which was demonstrated to have affected price comparability at the time of setting the prices:

(i) *Cost of payment terms*

An adjustment was made for the cost of payment terms. The Commission calculated this adjustment based on the standard payment terms and the interest rate applicable for short-term borrowings.

(ii) *Taxes*

An adjustment was made for the taxes paid for goods sold on the domestic market, i.e. ICMS and PIS/COFINS.
The Commission decided not to allow the following adjustment as it considered that it did not affect the price comparability at the time of setting the prices:

(i) Saving due to advance export finance

An adjustment was claimed for the saving due to more favourable finance costs. As this saving was not factored at the time of price setting but only calculated during the verification, the Commission found that this saving could not have affected the price comparability at the time of setting the prices.

Constructed normal values

The Commission noted WWB's comments on the profit margin to be applied in calculating the constructed normal values.

The Commission decided to use the profit margin realized on the 22.5x8.25 steel wheel sold on the domestic market, as the profit margin for all products not sold on the domestic market, as it was found that sales of the 22.5x8.25 steel wheel represent a very high volume of the total sales on the domestic market of the product under investigation.

4.8.2 Export price

Export price is defined in section 32(2)(a) of the ITA Act as the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to the sale under consideration.

Calculation of export price

The Commission decided to use the actual export sales to SACU to calculate the
export prices during the period of investigation.

**Adjustments to the export price**

The Commission made the following adjustments to the export prices, as verified by the investigators, for purposes of calculating the ex-factory export prices:

(i) *Internal transport*

An adjustment was made for the transport charges from Maxion to the port, included in the invoiced price.

(ii) *Terminal handling*

An adjustment was made for the terminal handling included in the invoiced price.

(iii) *Cost of payment terms*

An adjustment was made for the standard payment terms given to one of the importers in SACU. The Commission used the interest rate applicable to the export finance, as opposed to the commercial rate of finance.

(iv) *CIF charges*

Adjustments were made to the sales, when made on a CIF basis, for the CIF charges included in these invoiced prices.

4.8.3 **Margin of dumping**

A dumping margin, expressed as a percentage of the fob export price, was calculated to be 40.0 per cent.
4.9 METHODOLOGY IN THIS INVESTIGATION FOR MANGELES IN BRAZIL

4.9.1 Normal value

Type of economy

Brazil is considered to be a country with a free market economy and therefore the definition of section 32(2)(b) of the ITA Act applies.

Calculation of normal value

All comments received from interested parties were considered by the Commission.

The Commission decided not to use the export sales to third countries to calculate the normal values, but to use the actual domestic sales to wholesalers for the products sold on the domestic market in Brazil. For those not sold on the domestic market in Brazil, the Commission decided to calculate constructed normal values.

Actual domestic sales in Brazil

The Commission used the actual invoiced sales to calculate the normal values.

Adjustments to the actual domestic sales values

The following adjustments to the normal value were claimed by Mangels and were allowed by the Commission as it was shown that there was a difference in costs, which was demonstrated to have affected price comparability at the time of setting the prices:
(i) **Cost of payment terms**

An adjustment was made for the standard payment terms applicable to a specific wholesaler on the Brazilian domestic market at the interest rate applicable to Mangels.

(ii) **Delivery expense**

An adjustment was made for the transport and delivery expenses to the sales invoiced on a delivered basis.

The Commission decided not to allow the following adjustment as it considered that it did not affect the price comparability at the time of setting the prices:

(i) **Packaging**

The Commission found that there was no difference in the packaging cost for the product sold on the domestic market in Brazil and that exported to SACU.

**Constructed normal values**

The Commission decided to use the weighted average profit margin realized on the domestic wholesale market for all triangular steel wheels to wholesalers, as the profit margin for purposes of calculating the constructed normal values.

4.9.2 **Export price**

Export price is defined in section 32(2)(a) of the ITA Act as the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to the sale under consideration.
Calculation of export price

The Commission decided to use the actual export sales to SACU to calculate the export price during the period of investigation.

Adjustments to the export price

The Commission made the following adjustments to the export price, as verified by the investigators, for purposes of calculating the ex-factory export prices:

(i)  *Internal transport*

An adjustment was made for the transport charges from Mangels to the port in Brazil.

(ii)  *Harbour charges*

An adjustment was made for the harbour charges applicable when exporting the product.

4.9.3 Margin of dumping

A dumping margin, expressed as a percentage of the FOB export price, was calculated to be 6.7 per cent.
4.10 METHODOLOGY IN THIS INVESTIGATION FOR ALL OTHER EXPORTERS FROM BRAZIL

4.10.1 Normal value

Type of economy

Brazil is considered to be a country with a free market economy and therefore the definition of section 32(2)(b) of the ITA Act applies.

Calculation of normal value

It is the Commission's policy to calculate the normal value for non-cooperating exporters based on the highest normal value for the subject product in the same country without any adjustments.

The Commission decided to calculate the normal value based on the highest normal value, being that calculated for Borlem for the 22.5x9.00 wheel.

4.10.2 Export price

It is the Commission's policy to use the lowest export price for the exported product from the same exporting country, after all adjustments, to calculate the export price for all non-cooperating exporters.

The Commission decided to calculate the export price based on the information submitted by Maxion. The Commission decided to make all the adjustments, as made to the export price for Maxion.

4.10.3 Margin of dumping

The margin of dumping for all non-cooperating exporters in Brazil was calculated to
be 42.4 per cent, when expressed as a percentage of the export price.

4.11 METHODOLOGY USED FOR ALL EXPORTERS IN CHINESE TAIPEI

4.11.1 Normal value

No exporter from Chinese Taipei responded to the Commissions questionnaire. The Commission, therefore, decided to use the "best information available" to calculate the normal value for all exporters from Chinese Taipei. The Commission regarded the information submitted by the Applicant as the "best information available".

Based on this information, the Commission calculated an ex-factory normal value of TWD 51.43 per kilogram.

4.11.2 Export price

As none of the manufacturers/exporters of the subject product in the Chinese Taipei responded fully to the Commissions questionnaire and none of the SACU importers of the subject product from the Chinese Taipei responded, the Commission decided to use the "best information available" to calculate the export price for all exporters from Chinese Taipei. The Commission regarded the information submitted by the Applicant as the "best information available".

The Commission, therefore, decided to use the import statistics obtained from South African Revenue Service (SARS), and applying the model as submitted by the Applicant.

Based on this information, the Commission calculated an export price of TWD 46.55.
4.11.3 Margin of dumping

The margin of dumping for all exporters in Chinese Taipei was calculated to be 10.5 per cent, when expressed as a percentage of the export price.

4.12 METHODOLOGY IN THIS INVESTIGATION FOR NINGBO YINGDAHUANG AUTO PARTS CO. LTD IN THE PEOPLE'S REPUBLIC OF CHINA

4.12.1 Normal Value

Type of economy

The People's Republic of China is considered to be a country where price are influenced by Government intervention and therefore the definition of Section 32(4) of the ITA Act applies.

Ningbo Yingdahuang Auto Parts Co Ltd responded to the Commission's questionnaire and requested that the Commission consider them to be a company operating under market conditions.

Market economy status of Ningbo Yingdahuang Auto Parts Co Ltd

The following information was submitted by Ningbo Yingdahuang Auto Parts Co Ltd in its response to the Commission's questionnaire:

1. Shareholding and Board of Directors

Ningbo Yingdahuang Auto Parts Co Ltd is a foreign-joint venture between a Chinese company, Ningbo Yingdahuang Machinery Co. Ltd (Machinery), and an American company, International Manufacturing Inc. (International). Ningbo Yingdahuang Auto Parts Co Ltd was established in June 2003. A copy of the Certificate of Approval for the Establishment of enterprises with
foreign investment in the People's Republic of China was submitted. International is the major shareholder of the company.

The Board of Directors, their function and their voting rights are as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>Representing</th>
<th>Function</th>
<th>Voting right</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Li Jianping</td>
<td>Machinery</td>
<td>Chairman of the Board of Directors</td>
<td>1/3</td>
</tr>
<tr>
<td>Mr Li Shuiliang</td>
<td>Machinery</td>
<td>Director</td>
<td>1/3</td>
</tr>
<tr>
<td>Mr Jean Baron</td>
<td>International</td>
<td>Vice Chairman of the Board of Directors</td>
<td>1/3</td>
</tr>
</tbody>
</table>

Ningbo Yingdahuang Auto Parts Co Ltd indicated that in accordance with Section Four of the Articles of Association of its company, the Board of Directors is responsible for all of the important issues of the company and any issue shall be approved by at least two of the three directors. The Articles of Association was submitted.

2. **Raw materials and other cost components for production**

The main raw material for the manufacturing of steel wheels is steel. Ningbo Yingdahuang Auto Parts Co Ltd purchased its steel from one company that is not Government controlled.

Ningbo Yingdahuang Auto Parts Co Ltd indicated that it is free to determine which supplier and at what price to buy any of its raw materials and that there is no Government interference in this process.

Ningbo Yingdahuang Auto Parts Co Ltd indicated that it would request at least three companies to supply it with quotations and specifications. Based on these quotations it will decide from which company to source its raw materials.
Ningbo Yingdahuang Auto Parts Co Ltd indicated that it purchases its raw materials in the People’s Republic of China and does not pay any attention to the international market, but that it believes that the Chinese domestic market and the international market are closely related, especially in the steel market.

The Yin Zhou District Ningbo City Power Supply Bureau supplies the electricity, which is a Government utility.

3. **Finance and investment**

The paid-in capital is from investors. Ningbo Yingdahuang Auto Parts Co Ltd had no loans during the period of investigation. It indicated that it would in future go to the commercial banks in China for loans, if necessary.

Ningbo Yingdahuang Auto Parts Co Ltd indicated that it could freely repatriate profits from trading activities. It submitted that if the company wants to repatriate any capital invested, it needs to get prior approval from the Chinese Government. It submitted that to get prior approval from the Government, it needs to submit its Articles of Association and a profit and loss to indicate that the company made profit. An extract from the “Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures” was submitted.

Ningbo Yingdahuang Auto Parts Co Ltd submitted that there are no limitations to the amount that may be invested, the amount that may be invested in the industry or the amount that a foreign enterprise may invest in their industry or company.

Ningbo Yingdahuang Auto Parts Co Ltd indicated that there are no incentives or assistance available to them in respect of investments.
4. *Intellectual property rights and legal requirements*

Ningbo Yingdahuang Auto Parts Co Ltd stated that it never had any contractual links with any company, authority or government with regard to research and development, production, sales, licensing, technical and patent agreements.

Ningbo Yingdahuang Auto Parts Co Ltd submitted that there are no specialized techniques involved to manufacture this product and the foreign company only invested in the People’s Republic of China.

Ningbo Yingdahuang Auto Parts Co Ltd indicated that it is free to make its own determinations regarding the production, domestic sales and exports of the subject product. It stated that there are no limitations on the export of the product.

Ningbo Yingdahuang Auto Parts Co Ltd stated that before 1 July 2004, Chinese companies dealing with imports and exports should have been authorized by government. It indicated that the right to import and export is not based on the characteristics of the company and that it was possible for any company to obtain authorization to import and export, based on the following:

- The company should have its own name and organization facility;
- The company should have a clear business scope;
- The company should have the necessary working space, capital and professional staff for the aim of importing and exporting;
- The company should have enough import and export business scale through an agent or have the necessary resources; and
- The company should meet the other requirements specified in other relevant laws or regulations.
Ningbo Yingdahuang Auto Parts Co Ltd stated that from 1 July 2004, with the execution of the revised Chinese Trade Law, any company and even natural persons are entitled to import and export if they are legally registered.

5. Labour

Ningbo Yingdahuang Auto Parts Co Ltd stated that only a small percentage of the labour force came from Machinery. Ningbo Yingdahuang Auto Parts Co Ltd hires unskilled workers in the village close to the factory.

The following recruitment process is followed:

- Employment Advertisement: The Department of Human Resources publishes an employment advertisement in the newspaper or other media
- Collecting Employee Materials: The candidates sent their CVs and an application form to the Department of Human Resources
- Selection: The Department of Human Resources selects the suitable candidates for interviews according to the requirements of the post to be filled.
- Interview: Interviews will be conducted and an on-spot examination and evaluation will be done.
- Decision: The Department of Human Resources and the department where the vacancy is will make a preliminary decision on the candidates and report to the general manager, which will make the final decision.
- Employment: A labour contract will be signed when appointing the person. A standard labour contract is provided by the Government, but specific terms, i.e. term of probation, salary, leave, etc. is negotiated.

A copy of a labour contract was submitted.
No persons under the age of 16 are employed. There is no labour union represented in the company. The employee will indicate its expected salary when applying for the position. The negotiations will be done in accordance with the Government Regulations.

The following procedure is followed when dismissing an employee:

- The company can give an employee 30 days notice.
- If an employee steals something small, they are educated and they will pay a fine.
- If an employee steals something big, they are prosecuted and will be dismissed immediately.
- When an employee did something wrong, the manager will decide if that person will be dismissed and the employee will receive 30 days notice.
- When an employee gets 30 days notice and he deems this to be unfair, he can discuss it with the manager and if no agreement is reached, he can go to labour arbitration or sue the company and go to the civil court.

6. **Production facilities, production and investment**

Ningbo Yingdahuang Auto Parts Co Ltd indicated that it determines its production volumes according to market demand. When receiving an order from their clients, it would arrange the production schedule in the workshop to produce these wheels.

The machines were purchased and a table with the depreciation of the capital goods was submitted.
7. **Sales**

Ningbo Yingdahuang Auto Parts Co Ltd doesn't have any price list with its name on. All prices are negotiated with the customers. Ningbo Yingdahuang Auto Parts Co Ltd only had one export transaction to SACU during the period of investigation and only one other export transaction to Mexico during the period of investigation. There were no domestic sales in the People’s Republic of China during the period of investigation.

8. **Financial statements**

The financial year of Ningbo Yingdahuang Auto Parts Co Ltd is January to December. As the company was only established during June 2003, the profit and loss statement for this financial year did not have any entries. An independent auditor has audited the financial statements of the company and the financial statements were registered at the local tax collection bureau.

9. **Accounting principles and practice**

All accounting records are kept in Chinese and in Renminbi.

Ningbo indicated that the general accounting principles and practices are as follows:

- Accuracy;
- Relevant;
- Comparability;
- Consistency;
- Going concern;
- In time record keeping;
- Realize the income and expenses on accrual basis;
• Income and relevant charges are taken into account together;
• Prudence principle;
• Historical cost principle;
• Separation of general income and income from capital;
• Financial report reflects a general and important financial status and operation result.

Ningbo Yingdahuang Auto Parts Co Ltd indicated that the Minister of Finance sets the rules that the company has to comply with. It stated that the most important one is the "Enterprise Accounting Standards". An extract from this law was submitted.

10. Foreign currency transactions

Ningbo Yingdahuang Auto Parts Co Ltd indicated that the State Foreign Currency Administrative Bureau and the commercial banks release the rate of exchange to be used. It indicated that this rate changes with the market supply and demand.

Ningbo Yingdahuang Auto Parts Co Ltd has a foreign currency account in dollars. If the balance is over the predetermined limit, the amount exceeding this limit should be sold to the bank within 10 working days.

As indicated above, Ningbo Yingdahuang Auto Parts Co Ltd stated that there is no limitation to the amount of profit that can be repatriated to the USA.

Based on the information submitted, the Commission decided that it considers Ningbo Yingdahuang Auto Parts Co Ltd to be a company operating under market conditions.
Normal value calculation

Ningbo Yingdahuang Auto Parts Co Ltd did not sell any steel wheels on the Chinese domestic market during the period of investigation. Therefore, Section 32(2)(b)(ii) of the ITA applies.

The Commission decided not to use the exports to third countries to calculate the normal value, but to calculate a constructed normal value. The Commission used the cost of production of the exported product as the basis for this calculation.

Calculation of Selling, General and Administrative cost (SG&A)

The Commission decided that the SG&A should be calculated by using the actual SG&A of the product exported as a percentage of the production cost of the exported product. The Commission calculated the weighted average SG&A as a percentage of the production cost and added this to the cost of production.

Calculation of profit margin

The Commission decided that the profit should be determined by calculating the difference between the total cost of the product and the ex-factory invoiced price of the company (for the products exported to SACU). This profit margin was added to the total cost of the product.

4.12.2 Export prices

Export price is defined in section 32(2)(a) of the ITA Act as the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to the sale under consideration.
Calculation of export price

The Commission decided to use the actual export sales to SACU to calculate the export price during the period of investigation.

Adjustments to the export price

The Commission made the following adjustments to the export price for purposes of calculating the ex-factory export prices:

(i) Delivery charges

An adjustment was made for the delivery charges from the factory to the port. The cost of two 40ft containers was used and allocated to the different products.

(ii) Payment terms

An adjustment was made for the standard payment terms as indicated on the invoice. The interest rate for the foreign currency account, as issued by the Bank of China, was used to calculate the adjustment.

(iii) LC cost

As the payment was made by letter of credit, an adjustment was made for the letter of credit costs. The letter of credit cost was allocated to the different products.
The following adjustment, claimed by Ningbo Yingdahuang Auto Parts Co Ltd, to increase the export price, was not allowed by the Commission:

(i) Waste recovery

Ningbo Yingdahuang Auto Parts Co Ltd claimed an adjustment to the export price, to increase the export price, for the waste recovery. The amount received for waste sold was allocated to the different products.

The Commission decided not to make the adjustment to the export price as it considered that the waste recovery was already included in the calculation of the constructed normal value.

4.12.3 Margin of dumping

The margin of dumping for Ningbo Yingdahuang Auto Parts Co Ltd, expressed as a percentage of the fob export price, was calculated to be 2.5 per cent.

4.13 METHODOLOGY IN THIS INVESTIGATION FOR ALL OTHER EXPORTERS FROM THE PEOPLE’S REPUBLIC OF CHINA

4.13.1 Normal value

The People’s Republic of China is considered to be a country where price is influenced by Government intervention and therefore the definition of Section 32(4) of the ITA Act applies.

It is the Commission’s policy to calculate the normal value for non-cooperating exporters based on the highest normal value for the subject product in the same country without any adjustments. As the People’s Republic of China is considered to be a country where price is influenced by Government intervention, the Commission decided to calculate the normal value based on the information
submitted by the Applicant.

The Applicant submitted that Chinese Taipei be used as a third country for the People’s Republic of China. The Applicant alleged that Chinese Taipei has a manufacturing industry, of the subject goods, at a similar level of development to that of the People’s Republic of China.

4.13.2 Export price

The Commission decided to use the export of Ningbo Yingdahuang Auto Parts Co Ltd to SACU to determine the export price for all other non-cooperating exporters from the People’s Republic of China.

Adjustments to the export price

The Commission made the following adjustments to the export price, as calculated for Ningbo Yingdahuang Auto Parts Co Ltd, for purposes of calculating the ex-factory export prices:

(i) Delivery charges
(ii) Payment terms
(iii) LC cost

4.13.3 Margin of dumping

The margin of dumping for all non-cooperating exporters from the People’s Republic of China, expressed as a percentage of the fob export price, was calculated to be 56.0 per cent.
4.14 METHODOLOGY IN THIS INVESTIGATION FOR JANTAS IN TURKEY

4.14.1 Normal Value

Type of economy

Turkey is considered to be a country with a free market economy and therefore the definition of section 32 (2)(b)(i) of the ITA Act applies.

Calculation of normal value

The Commission considered all comments received from interested parties, included those made by WWB on the verification report, copies of which are available on the public file.

Jantas only submitted the domestic sales in Turkey on the aftermarket and not the sales to original equipment manufacturers. It stated that the wheels exported to SACU is only for the aftermarket and not to original equipment manufacturers. The Commission requested that Jantas submit all its sales to original equipment manufacturers on the Turkish domestic market, as these products are all subject to this investigation.

The Commission decided to use the actual domestic sales for the products exported to SACU and sold on the domestic market in Turkey, and to do a constructed normal value for all the products exported to SACU but not sold on the Turkish domestic market. The Commission, therefore, decided not to use the export sales to third countries to determine the normal value for products not sold on the domestic market in Turkey, as it considered that these export sales might be at dumped prices.

The Commission decided to exclude the sales, of which more than 20 per cent by volume, were made at a loss on the Turkish domestic market, from the normal
value calculation, in accordance with Section 8.2 of the Anti-Dumping Regulations.

The Commission decided to take the sales to the related party into consideration to calculate the normal value, as it considered these sales to be as arms length transactions.

**Actual domestic sales in Turkey**

The Commission used the actual invoiced sales to calculate the normal values.

**Adjustments to the actual domestic sales values**

The following adjustments to the normal value were claimed by Jantas and were allowed by the Commission as it was shown that there was a difference in costs, which was demonstrated to have affected price comparability at the time of setting the prices:

(i) **Delivery charges**

An adjustment was made for the transportation cost for the domestic sales. The total transportation cost on the aftermarket was allocated to the products based on the number of units.

(ii) **Cost of payment terms**

An adjustment was made for the standard payment terms. This adjustment was based on a average Turkish Lira interest rate for the period of investigation.

(iii) **Discounts and rebates**

An adjustment was made for the volume rebates and discounts given to
customers. The Commission, however, decided not to allow the adjustment, claimed as part of the adjustment for discounts and rebates, for the advertisement cost paid to the related party.

(iv) Paint cost

An adjustment was made for the difference in paint cost between the sales in Turkey and the exports to SACU of the 22.5x9.00 wheel. The total paint cost of both the wheels exported and sold on the domestic market in Turkey was calculated and the adjustment was based on the difference in the cost.

**Constructed normal values**

The constructed normal values were calculated in accordance with Section 8.10 of the Anti-Dumping Regulations.

The Commission calculated the constructed normal values based on the cost of production of the exported products.

*Calculation of SG&A costs*

The Commission decided that the SG&A cost should be based on the average SG&A of the company for the 2003/2004 period. This SG&A cost was added to the cost of production to determine the total cost of the products.

*Calculation of the profit margin*

The Commission decided to calculate the profit margin based on the average profit of the company for the 2003/2004 period. This profit was added to the total cost of the products to determine the constructed normal values.
4.14.2 Export prices

Export price is defined in section 32(2)(a) of the ITA Act as the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to the sale under consideration.

Calculation of export price

The Commission decided to use the actual export sales to SACU to calculate the export price during the period of investigation.

Adjustments to the export price

The Commission made the following adjustments to the export price for purposes of calculating the ex-factory export prices:

(i) Delivery charges

An adjustment was made for all the delivery charges from Jantas to the port. The adjustment is based on the number of units of a specific wheel size that can be fitted into a 40ft container. The freight cost of one 40ft container was used to calculate the delivery charges per unit.

(ii) Cost of payment terms

An adjustment was made for the standard payment terms as indicated on the invoice. The adjustment was based on an average US dollar interest rate for the period of investigation.

(iii) Letter of credit charges

An adjustment was made for the letter of credit charges on sales paid by
letter of credit.

(iv) Customs brokerage

An adjustment was made for the customs brokerage payable on each export transaction.

4.14.3 Margin of dumping

A dumping margin, expressed as a percentage of the fob export price, was calculated to be 9.2 per cent.

4.15 METHODOLOGY IN THIS INVESTIGATION FOR ALL OTHER EXPORTERS IN TURKEY

4.15.1 Normal value

Type of economy

Turkey is considered to be a country with a free market economy and therefore the definition of section 32(2)(b) of the ITA Act applies.

Calculation of normal value

It is the Commission’s policy to calculate the normal value for non-cooperating exporters based on the highest normal value for the subject product in the same country without any adjustments.

The Commission decided to calculate the normal value for non-cooperating exporters in Turkey based on products sold on the domestic market in Turkey by Jantas. The Commission decided not to make any adjustments to these selling prices.
4.15.2 Export price

It is the Commission's policy to use the lowest export price for the exported product from the same exporting country, after all adjustments, to calculate the export price for all non-cooperating exporters.

The Commission decided to use the export prices of Jantas for the products sold on the domestic market in Turkey and exported to SACU to calculate the export price for all non-cooperating exporters in Turkey.

The Commission decided to make the following adjustments, as calculated for Jantas, to the export price:

- Delivery charges
- Cost of payment terms
- LC Charges
- Customs brokerage

4.15.3 Margin of dumping

The margin of dumping for all non-cooperating exporters in Turkey was calculated to be 29.8 per cent, when expressed as a percentage of the fob export price.
CONCLUSION - DUMPING

For purposes of its preliminary determination, the Commission considered all the comments from interested parties and found that the subject product originating in Brazil, the People’s Republic of China, Chinese Taipei and Turkey was being dumped into the SACU market with the following margins:

<table>
<thead>
<tr>
<th>Exporter</th>
<th>Country of origin</th>
<th>Dumping margin expressed as a percentage of the fob export price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borlem</td>
<td>Brazil</td>
<td>39.3%</td>
</tr>
<tr>
<td>Maxion</td>
<td>Brazil</td>
<td>40.0%</td>
</tr>
<tr>
<td>Mangeis</td>
<td>Brazil</td>
<td>6.7%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>Brazil</td>
<td>42.4%</td>
</tr>
<tr>
<td>All exporters</td>
<td>Chinese Taipei</td>
<td>10.5%</td>
</tr>
<tr>
<td>Ningbo Yingdahuang Auto Parts Co Ltd</td>
<td>People’s Republic of China</td>
<td>2.5%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>People’s Republic of China</td>
<td>56.0%</td>
</tr>
<tr>
<td>Jantas</td>
<td>Turkey</td>
<td>9.2%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>Turkey</td>
<td>29.8%</td>
</tr>
</tbody>
</table>
5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY FOR THE PURPOSE OF DETERMINATION OF INJURY

Article 3 of the Anti-Dumping Agreement is entitled "Determination of injury". Footnote 9 of Article 3 of the Anti-Dumping Agreement to the word "injury" provides as follows:

"Under this agreement the term "injury" shall, unless otherwise specified, be taken to mean material injury to a domestic industry, threat of material injury to a domestic industry or material retardation of the establishment of such an industry and shall be interpreted in accordance with the provisions of this Article.".

5.2 GENERAL

Article 3.1 of the Anti-Dumping Agreement provides as follows:

"A determination of injury for purposes of Article VI of GATT 1994 shall be based on positive evidence and involve an objective examination of both:

(a) the volume of the dumped imports and the effects of the dumped imports on the prices in the domestic market for the like products, and

(b) the consequent impact of these imports on domestic producers of such products".

Article 4.1 of the Anti-Dumping Agreement further provide as follows:

"For purposes of this Agreement, the term "domestic industry" shall be interpreted as referring to the domestic industry as a whole of the like products or to those of them whose collective output of the products constitutes a major proportion of the total domestic production of those products,...".

The following injury analysis relates to the Applicant, which constitutes 100 per cent of the total domestic production of the subject product. 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.

WWB stated that they would like to draw the Commission's attention to the fact that the Applicant was permitted to amend its application a month after initiation, without notice to all interested parties.

The Commission noted the comments from WWB and confirmed that the Applicant was requested by the Commission to update its extrapolated figures for the period 1 April 2003 to 31 March 2004 with the actual information. The information submitted by the Applicant was distributed to all interested parties to comment on. The Commission, therefore, decided that this updated information will be taken into consideration for purposes of its preliminary and final determinations.

WWB states that the injury information does not distinguish between three types of markets, namely:

- the export market;
- the original equipment market; and
- the aftermarket and replacement market (parts and accessories market).

WWB stated that the Applicant recognised these distinctions in the market, but does not deal with it in its injury analysis and that the injury analysis is fundamentally flawed for this reason alone.

It was stated by WWB that the imports, particularly from Brazil and Turkey are wholly and mainly imported for the aftermarket and accordingly it is this market that is relevant to the alleged injury suffered by the Applicant. In addition to this they feel it is important to distinguish between the Applicant's export market and aftermarket as the Applicant has been affected by the appreciation of the Rand in the export market and the aftermarket and the export business. The impact of the
allegedly dumped imports on the Applicant cannot be ascertained if the injury information does not distinguish between these various markets. Without such a distinction, it is not possible to attribute the cause of the alleged injury to the Applicant to the dumped imports.

WWB stated that the difference between the OEM market and the aftermarket is as follows:

- the number of products of the OEM market is narrow and the number of OEM products are relatively few which enables the OEM to exercise market power;
- the aftermarket is often categorised by a wide range of products;
- their respective customers are largely different;
- their respective distribution channels are distinguishable;
- more stringent technical requirements and standards set in the OEM sector; and
- scale of production and distribution.

CLS stated that WWB argues that whereas there is a distinction between certain market types, the Applicant should have distinguished between those market types, in so far as determination of injury is concerned.

The Applicant wishes to draw attention to the provisions of Section 13.1 of the Anti-Dumping Regulations stating that in determining material injury to the SACU industry, the Commission shall consider whether it has been a significant depression and/or suppression of SACU’s industry’s prices. Reference in this regard is obviously made to the industry as a whole and whereas all the steel products produced by the Applicant are prone to injury due to the imports of dumped products into SACU, the Applicant has suffered severe injury in so far as all the market sectors are concerned which manifested in price suppression, price depression and price undercutting on all or on certain of the subject goods. Other factors associated with sustained injury, has also been proven in the application.
It would make no sense to the Applicant to delineate market along lines of distinct sectors as suggested by WWB in apparent following of decisions by the European Commission. Analysis of the aforementioned decisions applies specifically to the situation in the European Union with distinct producers and production facilities for the several sectors that accommodate such distinction. The provisions of Article 6.3 of the ADA is clear that where factors such as production of the like product, such as producers’ profits and sales cannot be separately identified, consideration of a broader group of product is allowed. In this instance all products are produced at the same facilities and products produced regardless of the sector is homogenous, which renders it impossible to distinguish between market sectors.

Malas stated that if one studies the scant information in the non-confidential application, it is difficult to understand the severe negative impact on the Applicant’s profitability, taking cognizance of its domestic sales, costs and price movements. It submitted that the turnabout in the Applicant’s overall performance is attributable to distinct negative developments in its export business. It stated that firstly the Rand led to lower sales volumes and lower prices. It stated that it believes that exports to the USA in particular decreased significantly. It stated that the Applicant is also faced with an anti-dumping duty in Australia and had to give an undertaking that it will desist from dumping. It stated that it reiterates that it believes that these negative developments are the sole reason for the fact that its operations became unprofitable.

It requested that the Commission to request the Applicant to provide injury information for each market segment separately to enable Malas to understand the case against it. It further stated that the Applicant should divide these segments into the various categories, i.e. trailer and caravan, light commercial and commercial vehicles.

The Applicant is of the opinion that a substantiated case was made out that the Applicant is suffering injury in all relevant sectors, as evidenced by the injury data submitted.
The Commission decided that it will not request the Applicant to split the injury information between the original equipment market and aftermarket, as the products imported are both for the original equipment market and the aftermarket. Therefore, the Commission decided that the injury information should be considered as one market.

5.3 IMPORT VOLUMES AND EFFECT ON PRICES

5.3.1 Import volumes

With reference to Article 3.1(a) of the Anti-Dumping Agreement, Article 3.2 of the Anti-Dumping Agreement provides as follows:

"With regard to the volume of the dumped imports, the investigating authorities shall consider whether there has been a significant increase in dumped imports, either in absolute terms or relative to production or consumption in the importing Member."

In any dumping investigation, the Commission normally uses audited import statistics from SARS to determine the volume of the subject product entering the SACU from the countries under investigation and other countries. It considers these statistics to be the most reliable.

The Applicant stated that it was obliged to make certain assumptions and apply a specific methodology to calculate import values and volumes in order to lend the necessary integrity to the import statistics for purposes of this investigation. The Applicant stated that the available import statistics are distorted by the fact that it includes products other than steel wheels under the applicable tariff heading and that the volumes and values of steel wheels being imported from the respondent countries are not readily available or accessible due to confidentiality restraints.

The Applicant developed a methodology that calculates a value and volume for steel wheels under various assumptions for the respective variables, which in turn
influences the result. This model submitted by the Applicant is well documented in application and available on the public file for inspection by interested parties.

WWB indicated that it does not agree that the model used by the Applicant is accurate and enables it to determine the export price of the imported steel wheels. WWB submitted that the Applicant did not have objective information to enable it to determine the export price of imported steel wheels from the import statistics and that they did not provide documentary evidence in support of its assumptions. The complete comments submitted by WWB are included in section 7 of this report.

In response to the comments from WWB, the Applicant submitted comments to indicate that it acted consistently with the requirements and provisions of the Anti-Dumping Regulations. The complete comments submitted by the Applicant are included in section 8 of this report.

WWB, in response, stated that the Applicant has not substantiated its model or its assumptions and that the Applicant, being the complainant in this investigation bears the burden of proof in respect of all the allegations it makes, including proof of its alleged injury and the Commission can only initiate an investigation when the Applicant has provided *prima facie* evidence that the alleged dumping of steel wheels has caused the Applicant material injury. They contend that in failing to provide *prima facie* evidence of injury and by failing to produce evidence substantiating its assumptions in respect of its model, the Applicant did not discharge its onus.

The Commission decided that it will use the model, as submitted by the Applicant, to determine the import volumes for steel wheels under tariff subheading 8708.70.90.
The following table shows the volume of the dumped imports of the subject product since 2000, using the model as submitted by the Applicant:

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tons</td>
<td>Tons</td>
<td>Tons</td>
<td>Tons</td>
</tr>
<tr>
<td>Dumped imports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>1102</td>
<td>606</td>
<td>642</td>
<td>2956</td>
</tr>
<tr>
<td>The PRC</td>
<td>46</td>
<td>42</td>
<td>292</td>
<td>1123</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>649</td>
<td>511</td>
<td>463</td>
<td>1272</td>
</tr>
<tr>
<td>Turkey</td>
<td>28</td>
<td>104</td>
<td>52</td>
<td>1600</td>
</tr>
<tr>
<td>Imports from other</td>
<td>1899</td>
<td>1459</td>
<td>1458</td>
<td>1464</td>
</tr>
<tr>
<td>countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total imports</td>
<td>3724</td>
<td>2722</td>
<td>2906</td>
<td>8415</td>
</tr>
<tr>
<td>Imports from Brazil as % of total imports</td>
<td>29.6%</td>
<td>22.3%</td>
<td>22.1%</td>
<td>35.1%</td>
</tr>
<tr>
<td>Imports from the PRC as % of total imports</td>
<td>1.2%</td>
<td>1.5%</td>
<td>10.0%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Imports from Chinese Taipei as % of total imports</td>
<td>17.4%</td>
<td>18.8%</td>
<td>15.9%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Imports from Turkey as % of total imports</td>
<td>0.8%</td>
<td>3.8%</td>
<td>1.8%</td>
<td>19.0%</td>
</tr>
</tbody>
</table>

The information in the table above indicates that the volume of the dumped imports from Brazil increased from less than 30 per cent of total imports to more than 35 per cent of total imports over the period of investigation for the purposes of determining material injury. The imports from the People’s Republic of China increased with more than 12 per cent of total imports over the period. The same increasing trend is also true for dumped imports from Chinese Taipei and Turkey.
5.3.2 Effect on Domestic Prices

With reference to Article 3.1(a) of the Anti-Dumping Agreement, Article 3.2 of the Anti-Dumping Agreement further provides as follows:

"With regard to the effect of the dumped imports on the prices, the investigating authorities shall consider whether there has been a significant price undercutting by the dumped imports as compared with the price of a like product of the importing Member, or whether the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases, which otherwise would have occurred, to a significant degree. No one or several of these factors can necessarily give decisive guidance."

Price undercutting

Price undercutting is the extent to which the price of the imported product is lower than the price of the like product produced by the SACU industry, as measured at the appropriate point of comparison.

In its response to the exporters questionnaire WWB stated that the Applicant has indicated that it determined price undercutting using the exporter's ex-factory level prices. They submit that this is an inappropriate method for determining price undercutting. They further submitted that the appropriate price to be used in the calculation of price undercutting is the in-store cost of the imported product. It was also stated that the manner in which the Applicant has determined the export price relies on the import statistics and the model used by the Applicant to determine the volume and value of steel wheels, and they are of the opinion that the model used is flawed.

Based on the information submitted by the Applicant it stated that the trend indicates and substantiates the degree of underselling experienced in the SACU market and that the importers continue to peg their prices well below those of the applicant in a move to gain an increased share at the SACU market. The
Applicant stated that the unlikeliness that domestic importers will import the subject product at higher prices than the domestic selling prices and the fact that subject goods are being sold at dumped prices from these producers, should be conclusive proof of the fact that subject goods are subject to substantial underselling.

The Commission noted the comments submitted by WWB and the Applicant and decided that the most appropriate level at which to compare prices is the ex-factory price of the SACU product and the landed cost of the imported product, as it considers this to be the appropriate level to compare the prices.

The Commission calculated the Applicant’s average ex-factory selling price for each of the different wheel sizes sold during the period of investigation and this was compared to the landed cost of each of the products exported during the period of investigation, using the information as submitted by the importers. As no exporter or importer from Chinese Taipei responded to the Commission’s questionnaires, the Commission used the “best information available” to calculate the price undercutting from Chinese Taipei, being that submitted by the Applicant.

On comparing these prices, the Commission found that the price of the imported product was undercutting the Applicant’s selling prices by the following margins:

<table>
<thead>
<tr>
<th>Country</th>
<th>Price undercutting as a percentage of the Applicant’s ex-factory price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>38.5%</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>27.8%</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>27.3%</td>
</tr>
<tr>
<td>Turkey</td>
<td>30.5%</td>
</tr>
</tbody>
</table>
Price depression

Price depression occurs when the domestic industry experiences a decrease in its selling prices over time.

The table below shows the domestic industry’s domestic selling price:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Price per kg</td>
<td>100</td>
<td>93</td>
<td>91</td>
<td>112</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The information in the table indicates that the Applicants’ ex-factory selling price, per kilogram, increased from April 2000 to March 2004, which indicates that no price depression took place. The Applicant, however, stated that individual wheel prices were decreased.

The Applicant stated that trading conditions have become more difficult and pressure form customers for higher stock levels, more incentives and longer payment terms are increasing.

In its response to the exporters questionnaire WWB stated that there is an increase in the Applicant’s ex-factory selling price, which contradicts the Applicant’s claim of price depression and that it is noteworthy that although the Applicant alleges that it is suffering price depression, it concedes that its prices did not decrease on average over the past 12 months. It stated that in the media the Applicant’s difficulties have been attributed to the strengthening of the Rand.

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. To determine price suppression, a comparison is made of the percentage increase in cost with the
percentage increase in selling price (if any), and whether or not the selling prices have increased by at least the same margin at which the cost of production increased.

The following table shows the Applicant's average costs of production and its average selling prices for the subject product:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of production</td>
<td>100</td>
<td>98</td>
<td>103</td>
<td>124</td>
</tr>
<tr>
<td>Selling price</td>
<td>100</td>
<td>93</td>
<td>91</td>
<td>112</td>
</tr>
<tr>
<td>Cost as a % of selling price</td>
<td>100</td>
<td>105</td>
<td>113</td>
<td>111</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The information in the table above shows that the cost as a percentage of selling prices increased from 2000/2001 to 2003/2004. As a result, the Applicant experienced price suppression since its 2000 financial year.

The Applicant stated that the substantial suppression of prices is particular pronounced in the financial period starting April 2003, despite the necessary cuts taken in the labour force and introduction of other cost saving factors to maintain a presence in the market. The Applicant stated that the substantial and surging increases in exports clearly correlate with the degree of price suppression experienced by them, who were unable to increase prices in line with cost increments.

The Applicant stated that trading conditions have become more difficult and pressures from customers for higher stock levels, more incentives and longer payment terms are increasing.

WWB stated that in the media the Applicant’s difficulties have been attributed to the strengthening of the Rand.
5.3.3 Consequent Impact of The Dumped Imports on The Industry

With reference to Article 3.1(b), Article 3.4 of the Anti-Dumping Agreement provides the following:

"The examination of the impact of the dumped imports on the domestic industry concerned shall include an evaluation of all relevant economic factors and indices having a bearing on the state of the industry, including actual and potential decline in sales, profits, output, market share, productivity, return on investments, or utilization of capacity; factors affecting domestic prices; the magnitude of the margin of dumping; actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital or investments. This list is not exhaustive, nor can one or several or these factors necessarily give decisive guidance."

5.3.3.1 Actual and potential decline in sales

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume (ton)</td>
<td>100</td>
<td>109</td>
<td>132</td>
<td>96</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The sales volume of the Applicant decreased from the 2000/2001 year to the 2002/2003 year, and there was a further decrease in 2003/2004.

The Applicant stated that the significant volumes of imports priced at dumped prices, caused it to significantly decrease volume, due to lost sales.

The Applicant stated that the product generally is not of a cyclical nature, but fluctuations will generally follow the motor industry. These are linked to general economic cycles and interest fluctuations.
5.3.3.2 Profit

The following table shows the Applicant’s profit margins:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit margin (%)</td>
<td>100</td>
<td>69</td>
<td>64</td>
<td>(98)</td>
</tr>
<tr>
<td>Net profit per unit</td>
<td>100</td>
<td>72</td>
<td>72</td>
<td>(120)</td>
</tr>
<tr>
<td>Rand in kg</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The Applicant’s net profit decreased since 2000/2001 to a loss in the last financial year.

The Applicant stated that in order to compete with the subject imports, they suffered substantial loss of revenue. The Applicant is of the opinion that this problem, created by the volume and pricing of the subject imports, reached a critical point at the beginning of 2003, and from that point, a profit making business has changed to a loss making business despite measures to reduce costs and optimise capacity utilisation.

5.3.3.3 Output

The following table outlines the Applicant’s actual production volume of the subject product:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production for SACU consumption (excluding exports)</td>
<td>100</td>
<td>109</td>
<td>132</td>
<td>96</td>
</tr>
<tr>
<td>Total Production</td>
<td>100</td>
<td>88</td>
<td>96</td>
<td>74</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The Applicant’s production for SACU consumption decreased from 2000/2001 to 2003/2004. The table indicates that the total production, including the production.
for exports, decreased by 26 index points over the period of investigation and the production for SACU consumption decreased by 4 index points over the period of investigation.

The Applicant stated that the decline in production followed a decline in market demand, caused by an influx of cheaper imports. The Applicant also stated that the current level of production for the SACU market is lower than the previous period.

WWB stated that it appears that the Applicant's exports declined more rapidly than its production for the SACU market due to the appreciation of the Rand.

5.3.3.4 Market share

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- domestic sales</td>
<td>100</td>
<td>108</td>
<td>110</td>
<td>76</td>
</tr>
<tr>
<td>- dumped imports</td>
<td>100</td>
<td>68</td>
<td>66</td>
<td>302</td>
</tr>
<tr>
<td>- other imports</td>
<td>100</td>
<td>75</td>
<td>64</td>
<td>61</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The Applicant's market share decreased from 2000/2001 to 2003/2004 while the dumped imports increased for the same period.

WWB stated that the information is dependent on the import statistics that they believe are unreliable and that the Applicant has not demonstrated that the imported steel wheels have caused it to suffer injury during the injury period.
5.3.3.5 Productivity

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total production volume tons</td>
<td>100</td>
<td>88</td>
<td>96</td>
<td>74</td>
</tr>
<tr>
<td>Number of employees (manufacturing only)</td>
<td>100</td>
<td>93</td>
<td>104</td>
<td>87</td>
</tr>
<tr>
<td>Unit/employee tons</td>
<td>100</td>
<td>95</td>
<td>92</td>
<td>85</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

Total production volume decline from the 2000/2001 financial year to the 2003/2004 financial year. The number of employees in the production process declined over the period of investigation.

The Applicant stated the decline in productivity bears testimony to the degree of pressures under which it is and the need for urgent relief. The Applicant further stated that due to the effect of the economies of scale in the manufacturing process, the lower production volume has a negative effect on the units per employee ratio. The Applicant also stated that unless relief is obtained, it has no alternative but to reduce headcount in line with lower volumes with serious consequences for the local economies in which it operates.

WWB stated that the Applicant has failed to distinguish between the different markets and therefore the information contained in this table does not provide evidence of injury.

5.3.3.6 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.
The following table provides the Applicant's profit after interest and tax expressed as a percentage of its net value of assets:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit (Rand)</td>
<td>100</td>
<td>64</td>
<td>68</td>
<td>(88)</td>
</tr>
<tr>
<td>Net assets (Rand)</td>
<td>100</td>
<td>104</td>
<td>115</td>
<td>103</td>
</tr>
<tr>
<td>Return on net assets</td>
<td>100</td>
<td>61</td>
<td>60</td>
<td>(86)</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

Return on net assets declined from 2000/2001 to 2003/2004. The Applicant stated that the substantial decline in return on investment experience is significant and substantiates the degree of injury experienced by it.

WWB stated that the Applicant has failed to distinguish between the different markets and therefore the information contained in this table does not provide evidence of injury.

5.3.3.7 Utilisation of production capacity

The following table provides the Applicant's capacity and production for the subject product based on 3 shifts per day in a 5-day week:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity (tons)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Production</td>
<td>100</td>
<td>88</td>
<td>96</td>
<td>74</td>
</tr>
<tr>
<td>Utilisation</td>
<td>100</td>
<td>88</td>
<td>96</td>
<td>74</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The Applicant stated that total plant capacity couldn’t be increased without significant additional investment, which is not justifiable with the current capacity utilisation.
The Applicant stated that the decline in capacity utilisation is evidence of the severe injury inflicted on it due to the imports and that it also necessitated the reduction of shifts. It stated that this in turn had a very negative effect on the workforce and adversely affected productivity.

WWB stated that the Applicant has failed to distinguish between the different markets and therefore the information contained in this table does not provide evidence of injury. The exporters repeated their contention that the import statistics are fatally flawed and the model used by the Applicant to interpret these statistics is flawed and does not remedy the situation.

5.3.3.8 Factors affecting domestic prices

There are no other known factors that could affect the domestic prices negatively.

5.3.3.9 The magnitude of the margin of dumping

The following dumping margins were calculated:

<table>
<thead>
<tr>
<th>Exporter</th>
<th>Country of origin</th>
<th>Dumping margin expressed as a percentage of the fob export price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borilem</td>
<td>Brazil</td>
<td>39.3%</td>
</tr>
<tr>
<td>Maxion</td>
<td>Brazil</td>
<td>40.0%</td>
</tr>
<tr>
<td>Mangels</td>
<td>Brazil</td>
<td>6.7%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>Brazil</td>
<td>42.4%</td>
</tr>
<tr>
<td>All exporters</td>
<td>Chinese Taipei</td>
<td>10.5%</td>
</tr>
<tr>
<td>Ningbo Yingdahuang Auto Parts Co Ltd</td>
<td>People's Republic of China</td>
<td>2.5%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>People's Republic of China</td>
<td>56.0%</td>
</tr>
<tr>
<td>Jantas</td>
<td>Turkey</td>
<td>9.2%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>Turkey</td>
<td>29.8%</td>
</tr>
</tbody>
</table>
5.3.3.10 Actual and potential negative effects on cash flow

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow: incoming</td>
<td>100</td>
<td>74</td>
<td>108</td>
<td>(84)</td>
</tr>
<tr>
<td>Cash flow: outgoing</td>
<td>100</td>
<td>79</td>
<td>355</td>
<td>198</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>100</td>
<td>73</td>
<td>76</td>
<td>(121)</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The Applicant stated that the above table reflects the serious negative effect on cash flow in the current period. The Applicant stated that a capital restructure was effected which reduced the negative cash flow, but is not reflected above.

5.3.3.11 Inventories

The Applicant provided its inventory level figures listed in the table below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholding Volume</td>
<td>100</td>
<td>109</td>
<td>121</td>
<td>76</td>
</tr>
<tr>
<td>Stockholding Value</td>
<td>100</td>
<td>126</td>
<td>152</td>
<td>108</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The Applicant stated that against the background of increased dumped imports, its only viable option was to idle its plant and work down its inventories. It further stated that reducing inventories always carry a degree of inefficiency in that one has to carry all stock lines and optimum stock level management is difficult overall. It stated that stock levels are higher in real terms as they cannot effectively be reduced in line with reduced demand.
5.3.3.12 Employment

The following table shows the Applicant's employment level:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct labour units: production</td>
<td>100</td>
<td>93</td>
<td>105</td>
<td>88</td>
</tr>
<tr>
<td>Indirect labour units: production</td>
<td>100</td>
<td>92</td>
<td>94</td>
<td>87</td>
</tr>
<tr>
<td>Total labour units</td>
<td>100</td>
<td>93</td>
<td>104</td>
<td>87</td>
</tr>
<tr>
<td>Labour units: Administrative and selling</td>
<td>100</td>
<td>101</td>
<td>106</td>
<td>81</td>
</tr>
<tr>
<td>Total employment units</td>
<td>100</td>
<td>93</td>
<td>104</td>
<td>87</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

There was a decline in total employment from 100 index points in 2000/2001 to 87 index points in 2003/2004.

The Applicant stated that although there was a reduction in head count, further cuts are presently in progress. It stated that the dumped imports had severely impacted on the Port Elizabeth plant, which faces possible closure. The Applicant stated that the plant in isolation has reduced headcount of 15 per cent, which is evident from the above table.

The Applicant also stated that productivity levels deteriorated and drastic action is required to bring headcount in line with current volumes should imports be allowed to continue at current rates.
5.3.3.13 Wages

The following table provides the Applicant’s wages per employee:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total wages:</strong>&lt;br&gt;Production</td>
<td>100</td>
<td>94</td>
<td>119</td>
<td>117</td>
</tr>
<tr>
<td><strong>Total Salaries and Wages</strong></td>
<td>100</td>
<td>95</td>
<td>121</td>
<td>124</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The Applicant stated that wages of production employees are determined in terms of statutory wage agreements.

5.3.3.14 Growth

The following table indicates the growth of the SACU market index as provided by the Applicant:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of the SACU market</strong></td>
<td>100</td>
<td>101</td>
<td>120</td>
<td>126</td>
</tr>
<tr>
<td><strong>Applicant’s sales volume</strong>&lt;br&gt;(excluding exports)</td>
<td>100</td>
<td>109</td>
<td>132</td>
<td>96</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The table indicates that the Applicants sales growth was less than the growth of the SACU market.

The Applicant stated that although some fully built up units including wheels are being imported into SACU contrary to the situation in the past, they have no reason to believe that the market for steel wheels has declined. It stated that the increase in locally manufactured vehicles for the export market should increase the demand for steel wheels, which have not realised due to the effect of imports.
5.3.3.15 Ability to raise capital or investments

The following table indicates the Applicants capital expenditure information:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Capex</td>
<td>100</td>
<td>78</td>
<td>374</td>
<td>194</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2000/2001 as the base year.

The Applicant stated that the company has plans to significantly upgrade the existing facilities, but the serious decline in volume of sales, due to the imports, and the exchange rate impact on export business, the abovementioned capital investment program has been put on hold. It stated that in the event that business conditions improve to the extent that the investment is once again economically viable, then the funds for this upgrade would have been financed within the Dorbyl Group.

5.4 Further information submitted by Applicant

The Applicant stated that the application has come about due to a very serious situation that faces its company and which threatens its very existence and livelihood of its workforce and the Applicant feels it necessary to summarise some of the key points contained in the application and some additional background.

Guestro Wheels is part of the Dorbyl Group and has factories in Port Elizabeth, Heidelberg and Rosslyn. The company was established in 1962 and is the sole primary manufacturer of steel wheels in South Africa. Employment in the group numbers around 860 people and a further 1 000 are estimated to be involved in upstream and downstream activities. However, the company is now in crisis and faces the very real prospect of closing down due to continued imports of the subject product at dumped prices into the SACU market. Earlier 200 employees in the group had to be retrenched and unless urgent measures are taken to counteract the attack on its business, a total closure is inevitable.
The Applicant stated that the problem in a nutshell is that wheels are being imported into South Africa at prices below its variable cost and that they have lost substantial volume due to these imports. The substantiated assessment is that these imported wheels are entering South Africa at prices below the domestic prices for the countries of origin. The Applicant stated that their factories have reduced both production and shifts significantly and they are now in a loss making situation, which cannot be sustained.

The Port Elizabeth division is the one most impacted by the dumping as it is the one supplying the after market for steel wheels, which is the sector being most affected by the imported product.

The Applicant stated that the injury being caused by the dumping activity is of such magnitude that they are at risk of having to close the operation down in the very near future. It stated that this would create a disastrous situation for the economy in general and specifically that of the Eastern Cape Region and a major setback of local content in South Africa of a product which is strategic in nature and for which know how and technology has been built up over a 40 year period.

The Applicant stated that it has also taken up this matter with local government in the Eastern Government and has the understanding that they are concerned about its situation and are prepared to offer support where possible.

5.5 CONCLUSION - MATERIAL INJURY

After considering all relevant factors and taking all comments, including those included in sections 7 and 8 of this report, into account, the Commission made a preliminary determination that the Applicant was suffering material injury in that:

- the dumped imports had increased significantly;
- there was price undercutting;
- it experienced price suppression;
- its output declined;
- its sales declined;
- its profits decreased;
- its market share declined;
- its utilisation of production capacity declined;
- its productivity declined;
- there was a negative effect on its cash flow;
- its return on investment declined;
- its employment declined; and
- there was a negative effect on its growth.

5.6 THREAT OF MATERIAL INJURY

Article 3.7 of the Anti-Dumping Agreement provides the following:

"A determination of threat of material injury shall be based on facts and not merely on allegation, conjecture or remote possibility. The change in circumstances, which would create a situation in which the dumping would cause injury, must be clearly foreseen and imminent. In making a determination regarding the existence of threat of material injury, the authorities should consider, inter alia, such factors as:

1. a significant rate of increase of dumped imports into the domestic market indicating the likelihood of substantially increased importation;

2. sufficient freely disposable, or imminent substantial increase in, capacity of the exporter indicating the likelihood of substantially increased dumped exports to the importing Member's market, taking into account the availability of other export markets to absorb any additional exports;

3. whether imports are entering at prices that will have a significant depressing or suppressing effect on domestic prices, and would likely increase demand for further imports; and

4. inventories of the product being investigated."
5.6.1 Freely disposable capacity of the exporters

The Applicant stated that the SACU industry is threatened with material injury by reason of the subject imports and that there is a substantial unused and expanding capacity in each of the exporter's countries targeting the SACU market, selling increased volumes at dumped prices. The Applicant is also of the opinion that global supply of steel wheel rims is under threat due to oversupply.

WWB stated that the Applicant makes these allegations but produces no evidence to substantiate such allegations. They advised the Commission that their clients do not have "substantial and unused capacity" as alleged by the Applicant and feels that the statement is therefore not based on facts and constitute mere allegations and conjecture.

The following table indicates the capacity utilization of the exporters who responded to the exporter's questionnaire:

<table>
<thead>
<tr>
<th>Country:</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borlem</td>
<td>100</td>
<td>97</td>
</tr>
<tr>
<td>Maxion</td>
<td>100</td>
<td>105</td>
</tr>
<tr>
<td>Mangels</td>
<td>100</td>
<td>145</td>
</tr>
<tr>
<td>The PRC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ningbo</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Turkey:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jantas</td>
<td>100</td>
<td>106</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2002 as the base year.
5.6.2 Significant increase of alleged dumped imports

Imports increased from the 2000/2001 year to the 2003/2004 year, as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1 102</td>
<td>606</td>
<td>642</td>
<td>2 956</td>
</tr>
<tr>
<td>PRC</td>
<td>46</td>
<td>42</td>
<td>292</td>
<td>1 123</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>649</td>
<td>511</td>
<td>463</td>
<td>1 272</td>
</tr>
<tr>
<td>Turkey</td>
<td>28</td>
<td>104</td>
<td>52</td>
<td>1 600</td>
</tr>
</tbody>
</table>

The Applicant stated that the increase in the dumped products during the past three years bears testimony to the available capacities. The Applicant also stated that foreign producers in the exporting countries have aggressively marketed their products in SA, offering cut-rate prices, thus taking business from it. The Applicant stated that given the success of imports at gaining market share at the expense of itself, and the excess capacities and inventories still present in the market, foreign respondent producers are likely to continue their current sales strategy, increasing imports and penetrating the SACU market.

WWB stated that the Applicant produces no evidence to substantiate its allegation and its statement is, therefore, not based on facts and constitutes mere allegation and conjecture and it is based on import statistics that have been demonstrated to be unreliable.

5.6.3 Prices of imports which will have a significant depressing or suppressing effect on domestic prices

The Applicant stated that imports of the product under investigation pushed SACU prices down over the period of investigation and that this accounts for the substantial underselling and reduced market share experienced despite efforts to meet the exporter’s competitive pricing. The Applicant expects that because of the fact that importers often lock into fixed prices for a given volume, that the current
low prices with its subsequent depressing and suppressing effects will hold or drop even further through 2004. The Applicant further stated that there is no evidence that the decreasing price trend will be reversed, as foreign producers will continue to offer prices below domestic selling prices in order to obtain market share. The Applicant submitted that while subject import price suppression and depression ruined its profits, an even more serious problem for it is that the domestic industry cannot afford to lower its prices further, and that the trend of suppression and depression effect on prices will continue. It feels that import pricing thus far indicates that exporters intend to keep dumping until they are forced to exit the market.

The Applicant stated that the imports of the product under investigation are being sold in the SACU market at prices substantially below normal value. The injurious effect of these sales has been severe and the Applicant anticipates even more injury in the future, if dumping is allowed to continue, and that this is imminent.

5.6.4 Inventories of subject product

The Applicant stated that it believes that the exporters have substantial inventories available, which they are prepared to liquidate on the export market.

WWB stated that the exporters do not have substantial inventories which they are prepared to liquidate into the export market as alleged by the Applicant and that the exporter’s inventories have not increased to any significant extent during the period of the investigation.
The following table was compiled from the actual information received from the exporters who responded to the Commission's exporters questionnaire:

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2003</th>
<th>Jan – March 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>100</td>
<td>198</td>
<td>235</td>
</tr>
<tr>
<td>Borlem</td>
<td>100</td>
<td>106</td>
<td>75</td>
</tr>
<tr>
<td>Maxion</td>
<td>100</td>
<td>84</td>
<td>108</td>
</tr>
<tr>
<td>The PRC</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Ningbo</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Turkey:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jantas</td>
<td>100</td>
<td>129</td>
<td>142</td>
</tr>
</tbody>
</table>

This table was indexed due to confidentiality using 2002 as the base year.

5.6.5 State of the economy of the country of origin

The Applicant stated that the imports of the product under investigation are being sold in the SACU market at prices substantially below normal value. The injurious effect of these sales has been severe and the Applicant anticipates even more injury in the future, if dumping is allowed to continue, and that this is imminent.

The Applicant commented as follows on the economies of Brazil, the People's Republic of China, Chinese Taipei and Turkey:

Brazil

The Brazilian economy in general is under pressure, although it appears to be on recovery. In as far as hot rolled coil sheet is concerned, the Brazilian steel industry produced 1 680 000 metric tons of hot rolled coil in 1998 and 1 764 000 tons in 2001. Maxion Componentes, a manufacturer of wheels and chassis and an exporter of the product under investigation to SACU, experienced a slump in the domestic market, which was offset by new business and exports. During the same
period the production of buses, trucks and light commercial vehicles increased by 3.0 per cent, 11.6 per cent and 16.8 per cent respectively over the previous year. Exports reached R$53 million.

**The People’s Republic of China**

An OEDC Report indicated that China would in the foreseeable future, account for 8 – 12 per cent of world GDP and 20 per cent of world trade. China experienced a real GDP growth of 7.7 per cent in 2000. China’s hot rolled steel production increased from 5 751 000 metric tones in 1998 to 10 067 000 metric tones in 2001.

**Chinese Taipei**

The Chinese Taipei economy is expected to keep on growing at approximately 2.5 per cent per annum. The Chinese Taipei steel industry is closely associated with the manufacturing of wheel rims. To this end the production of hot rolled steel utilized in the wheel rim manufacturing industry, increased from 3 792 000 metric tones in 1998 to 4 081 000 metric tones in 2001.

**Turkey**

An OECD report indicated that interest rates declined and increasing confidence should help to maintain GDP growth, which increased to 5 per cent in 2003. Hot rolled coiled production in 1998 amounted to 80 000 tons but declined to 70 000 tons in 2001, primarily because of production problems.

**5.7 CONCLUSION - THREAT OF MATERIAL INJURY**

The Commission considered all the information and comments submitted by interested parties and made a preliminary determination that there is not sufficient evidence of a threat of injury to the SACU industry.
6. CAUSAL LINK

6.1 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 of the subject products.

Article 3.5 of the Anti-Dumping Agreement provide the following:

"It must be demonstrated that the dumped imports are, through the effects of dumping, causing injury within the meaning of this Agreement. The demonstration of a causal relationship between the dumped imports and the injury to the domestic industry shall be based on an examination of all relevant evidence before the authorities."

6.2 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 since the commencement of injury, with a corresponding increase in the market share of the dumped product.

The information with regard to market share table in paragraph 5.3.3.4 of this submission shows the Applicant’s market share decreased in the last financial year. The dumped imports decreased from the 2001 to the 2003 financial years, but then it increased significantly in the 2004 financial year.

The Applicant stated that the import figures into SACU are substantial and on the increase. It stated that the condition of the SACU industry has deteriorated since 2000, when imports started to increase. The Applicant stated that the situation is worse since 2003 and the Applicant is losing money due to injurious increased
imports. The Applicant also stated that they are operating at low levels of capacity and are losing money due to injurious increased imports.

Comments from WWB

WWB stated that it wishes to emphasise that, due to the extremely small volume of exports by Borlem to South Africa during the investigation period, such exports could not possibly have had any effect (negative or otherwise) on the Applicant, and thus could not have caused the Applicant any injury.

6.3 EFFECT OF DUMPED IMPORTS ON PRICES

It has already been shown in section 5 of this report there was price undercutting and price suppression. The SACU industry was unable to increase its prices in line with the increase in costs, as the imported product is undercutting its prices.

The Applicant stated that they had to reduce prices on selected high volume products although the overall average prices have not declined. The Applicant feels it is getting pressure from its distributors to reduce prices, and improve terms of sales.

Although the Applicant did not suffer any price depression from 2000/2001 to 2003/2004, it suffered price suppression.

6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Although the Applicant’s sales increased since 2000, it experienced a decline in sales since 2003 to a level lower than in the 2001 financial year. In line with this the Applicant’s net profit margin declined from 2000/2001 to a loss situation in 2003/2004. The Applicant’s output increased slightly from 2001/2002 to 2002/2003 and then it decreased in 2003/2004 to its lowest level since 2000/2001. The Applicant’s productivity and return on investment declined every year from

The Commission noted that the majority of the decrease in utilisation of capacity, output and productivity can be attributed to the decline in production for exports.

The Applicant's net cash flow declined slightly over the material injury period. The Applicant already experienced a decline in employment and a further reduction of around 7 per cent is indicated. The Applicant experienced no growth and plans to upgrade the existing facilities have been put on hold.

### 6.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

Article 3.5 of the Anti-Dumping Agreement provide the following:

"The authorities shall also examine any known factors other than the dumped imports which at the same time are injuring the domestic industry, and the injuries caused by these other factors must not be attributed to the dumped imports. Factors which may be relevant in this respect include, inter alia, the volume and prices of imports not sold at dumping prices, contraction in demand or changes in the patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry'.

### 6.5.1 The volume and price of imports not sold at dumping prices

The following table shows the volume and price of dumped imports and imports from other countries:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dumped imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td>1 825</td>
<td>1 263</td>
<td>1 449</td>
<td>6 951</td>
</tr>
<tr>
<td><strong>Price/kg</strong></td>
<td>4.45</td>
<td>5.78</td>
<td>7.30</td>
<td>4.55</td>
</tr>
<tr>
<td><strong>Imports from other countries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td>1 899</td>
<td>1 459</td>
<td>1 457</td>
<td>1 464</td>
</tr>
<tr>
<td><strong>Price/kg</strong></td>
<td>8.68</td>
<td>12.27</td>
<td>15.99</td>
<td>6.55</td>
</tr>
</tbody>
</table>
The average unit price of the dumped imports was R4.55 per kilogram in the period 2003/2004, compared to the average unit price of the imports from other countries for the same period of R6.55 per kilogram.

The Applicant stated that it is unlikely that any imported steel wheel rims are not being sold at dumped prices as the various exporters compete with each other for the domestic SACU market.

WWB stated that the Applicant's table is substantially based on the import statistics, which have repeatedly been shown as unreliable. In addition, the Applicant's table does not distinguish between the various markets and accordingly the Applicant is unable to show that its alleged injury is caused by allegedly dumped exports. It was also stated that the Applicant conveniently relies on the import statistics when it suits it but, when they do not, seeks refuge in the fact that the import statistics are unreliable.

6.5.2 Competition between domestic producers

The Applicant is the only manufacturer of the subject product in SACU.

6.5.3 Developments in technology

The Applicant stated that they have, over the past three years, developed a range of alloy look-alike wheels called bead seat wheels. These wheels are cosmetically similar to alloy wheels, but are made from steel and sell at 70 per cent of the normal selling price of an alloy wheel. It stated that it has invested in excess of R1 million in developing these wheels, which have been well received in the local market.
6.5.4 Contraction in demand or changes in the patterns of consumption

The Applicant stated that the local aftermarket shows a substantial reduction for passenger and commercial wheels respectively and that this contraction is due to the influx of the dumped product into the SACU market and not necessarily to a change in consumption patterns.

The Applicant stated that steel wheels do not have a high replacement market and tend to move in conjunction with what is developing in the motor industry. The replacement of motor vehicles and heavy trucks is, according to the Applicant, influenced by local inflation and interest rates. The Applicant found that with high interest rates, the local market tends to delay capital purchases until interest rates drop. With the interest rates falling, the Applicant has not experienced the increase in volumes expected because of the high level of imports entering their market at dumped prices.

There are no other known factors that may affect sales volumes and prices.

6.5.5 Export performance

The Applicant’s export sales over the last three years were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/2001</td>
<td>100</td>
</tr>
<tr>
<td>2001/2002</td>
<td>78</td>
</tr>
<tr>
<td>2002/2003</td>
<td>88</td>
</tr>
<tr>
<td>2003/2004</td>
<td>67</td>
</tr>
</tbody>
</table>

This table is indexed due to confidentiality using 2000/2001 as the base year.

The information indicates that the Applicant’s exports decreased by 33 index points from 2000/2001 to 2003/2004.
6.5.6 Trade restrictive practices

There are no trade restrictive practices regarding trade of the product in SACU.

6.5.7 Productivity of the domestic industry

The Applicant stated that it has recognized the need to continuously upgrade facilities and has, as a result, allocated Capex in the 2004/2005 budget for Capital Expenditure for this purpose. It is only prepared to implement this if trading conditions improve and imports are reduced significantly.

The Applicant recently signed a Technical Assistance Agreement with a leading Japanese Wheel Manufacturer called CMW in an attempt to improve productivity.

The Applicant stated that the influx of dumped imports is an obstacle in order to implement this as it is trading under adverse conditions on its own domestic market.

6.6 COMMENTS BY WWB ON CAUSAL LINK

In its response to the exporters questionnaire WWB, on behalf of Maxion, Jantas and Borlem stated the following:

In order to contextualise the importation of steel wheels by the SACU importers, it is useful to have an understanding of the state of the automotive sector in which the key players, namely, the exporters, importers and the Applicant operate. There are a number of key industry factors that either serve as constraints or provide opportunities for players in this sector and these factors are discussed below.

The Applicant has indicated that it is the sole primary producer of steel wheels in the SACU. Accordingly, its customers were traditionally dependant on the Applicant for steel wheels supplies. It is common knowledge that for a long time
and until about the middle of 2002, the Rand had been depreciating against the US Dollar and that such depreciation accelerated sharply from about year 2000. The Applicant took advantage of such Rand weakness and aggressively grew its export sales; apparently to such a degree that it could no longer adequately service the SACU steel wheel purchasers, particularly the aftermarket segment of the market.

The prices for the steel wheels exported by the Applicant are denominated in US Dollars and therefore the weaker the Rand the higher the income and the better the profits. In addition, the weaker the Rand the more the exporter is able to export its steel wheels. The stronger the Rand, the lesser the income and the lower the profits. The export sales also provided the Applicant with large volumes within a narrow range of products and hence better operational and/or production efficiencies. The aforesaid assertions that the weakened Rand in the 2001 to early 2002 period facilitated export opportunities for Dorbyl whilst the strengthening Rand in later years did the opposite, are evident from the following quoted sections of Dorbyl's Annual Reports and Interim Profit Statements / Group Results. These quotes show the emphasis and drive that Dorbyl places on its automotive component exports.

- In Dorbyl's Interim Profit Statement for the six months ended 30 September 2000 the following is stated under the heading "Prospects":

  "However, the weakened Rand provides an improved export competitiveness and the Group will continue to pursue vigorously all export opportunities".

- In its Interim Group Results for the six months ended 30 September 2001, Dorbyl states the following under comments relating to its Automotive Manufacturing segment:

  "Exports have notably declined over the period, due to slow down of the American economy in particular. Numerous other export opportunities have however been successfully realized and the major part of the group's capital expenditure will be in
In Dorbyl's 2001 Annual Report under the heading “Executive Review”, the following is stated:

"The Group's stated strategy of increasing offshore sales and exports has progressed during the year under review. Dorbyl Automotive Technologies succeeded in growing exports despite difficult world economic conditions, increasing its exports by 54%.”

In Dorbyl's 2002 Annual Report, in the section entitled “Executive Review”, it is stated that:

“...significant capex is expected, at least for the next two years, to optimize the export thrust. The medium term commitment is still to achieve a minimum of 50% of sales via exports.”

In Dorbyl's Group Results for the year ended 31 March 2003, under the section relating to the divisional review of Dorbyl’s Automotive Manufacturing division, the following is stated:

“The division consists of Dorbyl Automotive Technologies (Guesto) and Dorbyl Transport Products. The Automotive division achieved much improved results, largely from high export activity at good margins due to the weak Rand for the major part of the year. Capital expenditure amounted to R66 million, mainly in support of that export growth which is now threatened as a result of the strong Rand”.

In Dorbyl's Interim Group Results for the six months ended 30 September 2003, under the section relating to the divisional review of Dorbyl Automotive Technologies, the following is stated:

“The much improved results of last year, achieved largely from high export activity at good margins, could not be sustained in the environment of the strengthened Rand. Volume and margins have deteriorated and, while there was some improvement in local activity, it was insufficient to offset the adverse effects of the strong Rand. Capital expenditure has however continued, on a selective basis, in the expectation that the
Rand will not maintain current levels in the long term, thereby restoring the division's ability to export at satisfactory margins.

The Applicant's export strategy was at the expense of the SACU aftermarket that had to find alternative suppliers of steel wheels outside SACU.

In the latter part of 2002 when the Rand started appreciating against the US dollar, the SACU steel wheel purchasers benefited from the cheaper import prices and in contrast, the Applicant's prices became increasingly uncompetitive both internationally and within the SACU market. The Applicant has admitted in the application and in various other publications (including its annual reports) that it has lost significant volumes in its export sales and that such decline in exports has directly affected its profitability.

The Commission is referred to the comments made by the Chairman of Dorbyl Limited (Dorbyl), in the Chairman's report contained in the annual financial results for the year ended 31 March 2003, which provides as follows:

"...Significantly higher profits at Automotive Manufacturing (up to 141% on previous year) and ..., served to minimize the income reduction resulting from disposals. Though profits were significantly enhanced by the weaker Rand in the earlier part of the financial year, the strengthening Rand in the latter few months impacted results in both divisions adversely. In the case of Automotive Technologies, not only are export prices lower in Rand terms, but the weak Rand earlier in the year caused substantial cost increases in raw materials, particular steel, which have not reduced to any extent since. Export margins are accordingly being squeezed by both cost pressures and Rand price realizations.

... OPERATIONAL REVIEW AND OUTLOOK ...

Dorbyl Automotive Technologies is largely dependent on certain key factors, each of which applies constraints, or, when favourable, provides opportunities:

(1) The most critical is the Rand/Dollar exchange rate, which has a direct and central impact on profitability. The South African cost base has been negatively affected by significant cost increases over the last year, especially basic raw materials (steel). When this coincides with a stronger Rand, the negative impact on export margins and earnings is immediate. To the extent that the Rand remains strong, all manufactured exports will
suffer... While in the medium term export prospects are considered sound, they will be poor until the Rand weakens from current levels.

(ii) The higher real interest rates in South Africa not only affect the Rand value but also slow the GDP growth rate. This has a negative effect on local sales of motor vehicles. The next year is therefore unlikely to show any significant vehicle market growth until there is a general economic improvement and local interest rates reduce.

(iii) The international car markets are clearly subject to the state of the world economy, and there is an expectation of a reduction in car sales in most markets. This will affect automotive component exports from South Africa as well as restrain growth in vehicle exports. With cost and pricing pressures being extreme, even margin maintenance on exports cannot be achieved in the short term.

While future prospects in this sector appear to be positive, short term profitability will decline due to the expected economic environment and a strong Rand/Dollar rate.

Divisional Review

Dorbyl Automotive Technologies

The much improved results of last year, achieved largely from high export activity at good margins, could not be sustained in the environment of a strengthened Rand. Volume and margins have deteriorated and, while there was some improvement in local activity it was sufficient to offset the adverse effects of the strong Rand. Capital expenditure has however continued, on a selective basis, in the expectation that the Rand will not be maintained current levels in the long term, thereby restoring the division's ability to export at satisfactory margins.

However, significant cost containment has taken place in the period and retrenchments were unavoidable. In particular, it was necessary to close the Commercial Wheel plant in Port Elizabeth at a cost of R6.5 million, which was charged to exceptional items."

With regard to the closure of the Applicant's Port Elizabeth plant, the Commission is referred to the application where the Applicant attempts to blame imported steel wheels for such closure.

A report by the African Automotive Industry dated 1 July 2004 under the heading "Rapid growth as South African automotive component industry becomes a global player" states as follows:
"In 2002 the component industry headed for new record export levels and stimulated by the Motor Industry Development Programme continued with the rationalisation of production and continuing capital investment to align it with international requirements.

Although the industry may not return to year 2000 levels of profitability until 2003 or 2004, and OEMs are continually squeezing supplier margins, the extension of the MIDP to 2012 is providing an improved basis for longer term strategic planning and growth. Component makers are moving to take advantage of developing export opportunities such as the US African Growth and opportunity Act (AGOA) that is opening up the American market to their products.

Reduced local content trend

...at the same time South African OEMs are building a larger proportion of higher specification and more technologically sophisticated vehicles, with each model introduction creating new challenges for local content suppliers.

The fall in the value of the Rand during 2002 has helped the export competitiveness of component makers, but is a mixed blessing for the many dependent on importing material and sub-components. Managing currency risk has become vital.

The HIV/Aids issue and the vulnerability of their trained workers is another critical concern for component makers, as they seek to control payroll costs and meet higher international quality and continuity of supply requirements from OEMs.

Suppliers of direct and indirect raw materials as well as finished components have to prepare to meet environmental standards such as ISO 14001. A significant industry milestone reached in 2002 was Toyota South Africa qualifying for ISO TS16949 as the OEM pressurised their suppliers to deliver zero defects and products that meet the toughest recycling and environmental requirements around the world."

An article in the Engineering News dated 3 February 2003 stated that:

"towards the latter half of last year, the South African steel producer signalled that it will increase its prices to the auto sector by as much as 22% as from January."

Responding to this statement, Dorbyl responded by stating that its wheel business will have to accept an increase on hot-rolled coil prices, which it will pass on to the
The automotive component manufacturers stated that the rising steel prices could shut down domestic operations.

In the Business Day Online the Applicant confirmed that the key factors that have significantly impacted the Applicant’s sales volumes and hence its profitability are the Rand/US dollar exchange rate, the steel prices, motor vehicle sales and pressure by OEM’s on component manufacturers for lower prices and better quality. Another factor referred to is HIV/AIDS, which is said to have increased “payroll” costs.

Other factors adversely impacting the Applicant’s sales volumes and profitability include:

- Anti-dumping duties imposed against the Applicant in Australia;
- The need for the manufactures to cope with South African’s OEM’s, which are said to be building a larger proportion of higher specification and more technologically sophisticated vehicles.

The sole reason put forward by the Applicant for reasons for its belief that the alleged unfair trade practice is the cause of the alleged material injury or threat thereof is the substantial increase of the import figures into SACU, and they are of the opinion that the import statistics are unreliable.

The alleged trade practice is not the cause of the alleged material injury of the Applicant. The reasons for the cause of the Applicant’s alleged injury are set out below.

The Applicant stated the following, which WWB alleged is the main reason for the cause of the Applicant’s alleged injury:

"The selling price has been negatively impacted by the stronger Rand particularly for the local aftermarket and export business. The Applicant had to lower selling prices into the local aftermarket to remain competitive with inputs while export prices have generated lower revenue in Rand terms as our exports are sold in either US Dollar or Euro."
The price of the imported product is directly affected by the exchange rate which has shown a Rand strengthening of over 50% over the past 18 months."

Another cause for the alleged injury suffered by the Applicant is the increase in the market share of imports other than those that are the subject of this investigation.

The rise in steel prices has also affected the competitiveness of the Applicant and is responsible for the alleged injury suffered by the Applicant.

The finding of dumping against the Applicant in Australia also added to the Applicant's difficulties in the export market.

The Group Executive Review in the Dorbyl Annual Report for the year ending March 2004 (which falls within the investigation period) contains no reference to the alleged unfair trade practice. The factors affecting Dorbyl Automotive Technologies of which the Applicant forms part are stated to be as follows:

"The external value of the Rand has been the dominating influence over the last year. Given the restructuring of the Group, and the consequent focus on automotive exports and the offshore businesses, the stronger Rand has adversely impacted overall profitability very significantly.

While there are many opinions as to the future levels of the Rand's value, it is very clear that at the current levels it is very difficult to compete locally against imports and that manufacturing value-adding will continue to decline, with the potential consequence of further job losses.

In respect to DAT (Dorbyl Automotive Technologies), the following factors are key determinants of opportunities or threats:

- The most important is the Rand exchange rate. The strengthening over the last financial year has translated what were profitable exports at R8.50/US$ into loss-making contracts at R6.50/US. In addition, cheaper imports have been very disruptive to the business locally in both the OEM and the aftermarket;
- The pressures on profitability in the international automotive sector have not been conducive to increases in selling prices and even overseas component suppliers are threatening to stop supply to the industry, as many are selling Original Equipment components below cost;
- The reduction in South African interest rates has facilitated growth in local vehicle sales, but this includes a large increase in the imported vehicle market share. Vehicle exports have
shown little growth, having been affected by both the strong Rand and soft international demand;

- Vehicle build in South Africa has therefore increased slowly, but is projected to increase a slightly faster rate due to both local demand and new export contracts;
- However, if inflation-based interest increases are effected in the second half of calendar 2004, local demand will be impacted negatively.

At current Rand exchange rates, an improvement in DAT's profitability can only result from a reduction of heads and costs, coupled with productivity and efficiency improvements. A weakening of the Rand to R8/US$, is needed for this division to return to a satisfactory level of profitability. In summary, there are good growth fundamentals in both divisions, but the results in Rand are being held hostage by the exchange rate.

While South Africa's trade account has weakened substantially, this has been offset by large international institutional inflows, searching for higher returns. While the South African interest rate structure is largely determined by the inflation targeting parameters, and international interest rates continue to stay low, it seems the Rand is likely to remain relatively strong. As this will continue to be negative for South African based value-added manufacturing and exports, it is likely to further exacerbate the trade account. Unless this lead at some point to the Rand weakening to the US Dollar, the Group will have to manage its business to an optimum under the circumstances.

Divisional Review
The division (DAT) reflected an adverse financial performance when compared to the results achieved in the previous year. As reported previously, export earnings have been eroded by the considerable strengthening of the local currency. This erosion exceeded local gains resulting from improved productivity at all manufacturing sites.

The export drive in the USA and Europe has continued at volumes similar to those supplied in the previous year. The Rand value of these exports has declined from 24.3% of total sales in the previous period to 21.2% in the year under review. To recover profitability and retain a foothold in these export markets a more direct route to market is being negotiated for future supply.

Prospects
In addition, to alleviate export-orientated losses, major restructuring has been carried out at the wheels plant in Port Elizabeth and Heidelberg. However, short term profitability will continue to be affected significantly by the strong Rand, increases in labour costs and the exceptionally high level of steel price increases now being experienced, which is symptomatic of the position experienced in the automotive components industry worldwide.
The Applicant stated that it is world renowned for producing good quality steel wheels and that its quality standards compare favourably with other leading manufacturers worldwide. The Applicant is also claiming that it works on a three months' delivery period for new bulk orders and that it obtains from its customers a six monthly forecast which is firmed up monthly and which then enables it to deliver monthly in accordance with customer requirements. WWB stated that they understand from players in the industry that there are a number of quality problems with the Applicant's steel wheels. These include incorrect colour of steel wheels (e.g. off-white instead of white) and wheels with an irregular shape. We also understand that the Applicant always has a backlog of orders and has generally not been able to deliver timeously to its customers.

WWB stated that when the Applicant's export sales were high, the local market was starved of steel wheels and local consumers of steel wheels had to look elsewhere for the supply of such wheels. The refocus by the Applicant on the domestic market is precisely because of its loss of sales on the export market. In addition, a substantial portion of imports into the SACU comprises products that are sold in the SACU region at non-dumped prices. They state that to the extent that the Applicant says it cannot compete with such imports, it clearly demonstrates that the Applicant's problems lie elsewhere and the Applicant is merely using this anti-dumping application as a means of achieving what it could not achieve in the market place through fair competition.

WWB, in response to the comments from the Applicant below, stated that the Applicant bears the onus of providing the Commission with sufficient information to establish a prima facie case that dumping is causing material injury to the SACU industry. They submitted that an important way in which the Applicant could demonstrate a clear link between the allegedly dumped steel wheels and the injury it allegedly suffered was by showing in each segment of the market in which the allegedly dumped imports were being sold the Applicant had suffered injury which could only be attributed to the presence of the allegedly dumped imports in that market segment. They again submitted that failure to indicate the market
segments in which it is active and in which it allegedly suffered injury has prevented the Applicant from establishing the link between the allegedly dumped imports and the injury it suffered.

WWB also stated that it is notable that the Applicant does not deny that certain extraneous factors such as the strengthening of the Rand relative to the US Dollar have in fact caused it injury and attempts to down play the effects of the strengthening Rand on its business. They reiterated their assertion that the strengthening Rand has lead to a substantial drop in the Applicant’s profitability and evidence of this has been provided by the Applicant itself in the form of statements made by its officers in various publications.

6.7 COMMENTS MADE BY THE APPLICANT

The Applicant stated that the Applicant at all times were able to and willing to service the SACU steel wheel purchases if account is taken of the under utilization of production capacities. Substantiated evidence to that effect was submitted which include proof of the reduction of shifts work as a measure to address the declining demand over a period of time. It was however clear that preference was given to dumped goods by domestic steel wheel purchasers, to the detriment of the Applicant.

The Respondent further alleges that the effect of fluctuations in the rand / dollar exchange rate and specifically the strengthening of the rand and abstracts from financial reports in so far as the Dorbyl Group is concerned, specifically the automotive manufacturing divisions, is out of context. The argument is further flawed if account is taken of the fact that the Dorbyl Group comprises of several business divisions and sub-divisions, which falls under Dorbyl Automotive Technologies. Applicants export market is now relatively small in comparison to the domestic market and although the weakening of the US $ against the Rand did effect all industries involved in exports, this was not determined to be a conclusive factor in the decision by the Commission to initiate proceedings.
Conclusive proof has been submitted as part of this application of several offers for sale at substantially discounted prices being declined by domestic purchasers due to the presence of dumped imports even before the so-called spur in exports by Guestro as alleged. It should be noted that efforts to export lately were done as a means to keep production running due to the decline in demand brought about by the influx of dumped subject goods into SACU.

It should once again be reiterated that Dorbyl Automotive Technologies include some other business divisions and to impute their situation on Applicant is wrong. The injury suffered by the Applicant, being a private company, speaks for itself and all injurious factors have been adequately proved, justifying the initiation the investigation.

The Applicant stated that the Respondent once again endeavours to place the blame for the injurious situation endured by the Applicant over the past few years to other factors such as the weakening or strengthening of the Rand, imports of other products and the rise in steel prices. It is in this regard significant that most of the producers have also endured the strengthening of their monetary units against the dollar, and have also suffered the effects of the increase in steel price, which are universal and should also have been restricted in exports, due to the presence the above-noted factors. However, if analysis of the current situation is made, it is clear that the SACU market has been inundated with cheap dumped imports of steel wheels pouring into the country and which cause serious injury to the domestic industry. This is once again evidenced by all the data submitted by the Applicant, which warrant that the initiation of an anti-dumping investigation.

The Applicant further submits that the level of exports by the noted exporters will be determined beyond reasonable doubt during the verification by the Commission. To this end the Commission has already verified all data submitted by the Applicant and determined it to be acceptable and sufficient to justify the initiation of the anti-dumping investigation.
6.8 COMMENTS FROM IMPORTERS AND OTHER INTERESTED PARTIES

The following comments were received from importers:

Maxiprest:

Maxiprest stated that the reasons for importing the product are as follows:

- Superior steel and product certification;
- Superior paint specifications;
- Based on Rand/US$ at under R9.00 for $1 – a more competitive price;
- More reliable availability and supply in wheel product range;
- Better stock levels.

Maxiprest stated that for the period December 2002 to March 2003 it received about 6720 wheels from the Applicant, which had been ordered for delivery latest June 2001. It stated that the reason for the delays in supply were because of production delays from the Applicant. It stated that this 5-month delay in delivery occurred at the same time as the strengthening of the Rand against the US$. It stated that the end result of this was that an imported wheel imported by its competitors was landing at 7 per cent lower than the Applicant's price. It stated that this resulted in them being uncompetitive in the open market and causing it to sell below its own cost to remain competitive and sustain and service its customer base.

Maxiprest stated that the above was addressed at formal meetings with the Applicant where it tried to reach an arrangement with the Applicant to enable Maxiprest to support the Applicant and remain competitive in the wheel industry. However, it stated that the Applicant were unable to match or even come within 10 per cent of the then imported price. It stated that the result was that it had no option other than to import its own wheels. It stated that its first imports arrived in South Africa during August 2003. It stated that these imports were motivated by
poor supply from the Applicant and also a more competitive imported price.

An e-mail from Dorbyl Automotive Technologies to the Applicant, after the initiation of the investigation, was submitted to the Commission indicating its concerns that the Applicant are not able to service the market adequately and on schedule. Maxiprest further submitted two memos to its questionnaire. This information is available on the public file.

**Dunlop:**

Dunlop stated that it imported the subject product because of the inability of the South African sole manufacturer, the Applicant, to reliably supply Dunlop of its required quantities, together with the Applicant’s poor service.

Dunlop stated that it has had a business relationship with the Applicant as far as the purchasing of wheel rims for resale.

**Conron:**

Conron stated that approximately 50 per cent of the wheels it uses were not available on the local market or manufactured locally and it was forced to seek suppliers from other countries such as Turkey.

It stated that it further imports the subject product as a result of poor service by the local supplier.

Conron stated that an import duty of 20 per cent is applicable on all road wheels and feels that it is not necessary as a large amount of these wheels are not manufactured locally.

Conron stated that due to Jantas not been allowed to supply the South African market until the anti-dumping investigation is finalized, the following is happening:
- Trailer wheels not manufactured locally can not be supplied for trailers presently under construction.
- The wheel size specified by Anglo American for their underground machinery cannot be supplied, as their standard is Jantas wheels. It stated that this standard has been enforced on Anglo Mines for safety reasons.

Conron stated that up to 1997 it supported the Applicant. It stated that there were however two incidents that did not help to improve relations between the Applicant and itself. It stated that efforts have been made over the past few years to improve the situation.

The Applicant, however, stated that the wheel sizes noted are indeed not locally produced by it and have special application and do not form part of the same tariff heading under which the subject goods are classified.

**Maxcor:**

Maxcor stated that it was formed in 1997 and commenced trading during that year. It stated that as the owner has a driving passion for motor vehicles, a sound knowledge and vast experience of the motor industry at large, he decided to venture into the wholesale trade of tyres and related products. It stated that this enterprise is primarily concerned with wholesale of pneumatic tyres and tubes as well as rims (which forms approximately 7 per cent of its turnover). It stated that accessories such as car mats, wheel caps, lock nuts, valves and bolts and nuts form part of its secondary trade. It stated that through his endeavours he strived to maintain competitive prices without compromising on quality. It stated that over the years he has established loyal support from the lower end of the retailing customers in Gauteng and a few neighbouring provinces. It stated that his excellent entrepreneurial skills enabled him to maintain and steadily grow his clientele with a preferred class of service.
Maxcor stated that although being a small enterprise, it is continuously making an effort to grow its business in a tough climate. It stated that during its cause of trading it has enquired telephonically from the applicant about business trading which did not prove successful. It stated that it was informed by the applicant that business trade in their products could be conducted with a company called Smith Wheels. It stated that due to the applicant not involving itself in business trade with tail enders, it felt that they poorly represented themselves and portrayed a lack of interest to Maxcor. However, it stated that the applicant’s employees visited its business premises for the purposes of examining its products sold from other suppliers.

It stated that Smith Wheels were the sole buyers and distributors of the applicant’s product. It stated that upon trade enquiries with Smith Wheels it was found that they were less cost effective with their terms and conditions of sales, and have since closed down. It stated that upon closure, the applicant began using its own logistic distribution system that is also poorly represented in the market. It stated that the applicant is interested in bulk orders only, which does not suit Maxcor as it caters more for the retail and fitment markets who buy small quantities.

Maxcor stated that it wishes to highlight the fact that applicant exports many of its products, and is the official supplier of original equipment to major motor manufacturers in South Africa. It stated that as favourable foreign currencies attract export sales due to a weaker South African Rand, it holds less value in the eyes of the exporter. It stated that due to the applicant’s focus on the export market for sales, a vacuum has been created within South Africa for these and related products. It stated that this contributed to its reason for importing these products, which in its opinion, has a minimal impact to the injury of the applicant. It stated that as its exporter has given the agency to Malas in South Africa it no longer imports from them. It stated that it noticed that sales in these products are showing a downward trend. It stated that it attributes this to government’s attempts to regulate the taxi industry with a 25-seater coach as opposed to the present 15-seater minibus taxis.
Maxcor stated that as an afterthought, how is it possible for Chinese manufacturers to import raw steel from South African producers, than manufacture quality steel wheels in their own country and export them to South Africa, all related and relevant costs are paid by the importer and yet it is still cheaper than buying from our local suppliers who buy and manufacture the steel locally. It stated that surely it indicates our production costs, our labour costs and related manufacturing costs are exorbitant. It stated that thus the applicant feels injured as a result of the abovementioned factors.

In response to these comments, the Applicant submitted that the Respondent failed to submit any arguments, which justified the imports of subject goods at dumped prices, causing injury to the Applicant. The argument that the Applicant in the past focused on the export market is wrong if account is taken of the information provided in its application. The Applicant further submitted that not only the imports by the Respondent but also the effect of imports by several other respondents are to be taken into account to determine the injury suffered by the Applicant, due to the import of dumped products. The Applicant submits that no information was presented by the Respondent that justifies the imports of products at dumped prices and that the Respondent clearly admits that subject goods are being imported at dumped prices into SACU.

The Applicant further denies the unsubstantiated allegation that its logistical distribution system is poorly represented in this market. The Applicant is prepared to supply subject goods in small quantities, even less than imported minimum quantities.

**Auto Truck Engineering:**

Auto Truck Engineering stated that it imported the products for the following reasons:
• Superior steel and product certification
• Superior paint specifications
• More compatible pricing, based on a favourable Rand/dollar exchange
• More reliable availability and supply in wheel product range
• Better stock levels.

Auto Truck stated that the Applicant, still to date, do not manufacture a disc brake wheel for the market. It stated that Jantas manufactures a variety of disc brake / valve protected wheels. It stated that this is not a launch of a new wheel, this wheel has been available for the last three years from Jantas and other manufacturers for the European market. It stated that the industry feels that the 20 per cent duty on these specific wheels is totally unacceptable. It stated that a tariff code heading on these wheels needs to be addressed.

Auto Truck stated that the local manufacturer does not have an aluminium wheel product range and does not manufacture any sizes of aluminium wheels at any of their plants in South Africa. It stated that it believes that all classification aluminium tubeless truck wheels, which operate on the road and are utilised for specific payload applications, should be zero duty rated and should fall under a new tariff code heading or sub-classification heading.

Auto Truck submitted the following factors which have caused the import of tubeless wheels into South Africa:

• uncompetitive pricing verses imported Rand / US$ prices.
• their pricing structures to distributors are quoted and duplicated to end users as well.
• purchasing in volume warrants a better price versus imported wheels where pricing is the same irregardless of quantity.
• minimum orders need to be accumulated for certain sizes to be produced. This leaves a huge lag time for production.
• inconsistent stock levels of less popular wheels.
• no stock levels in the not so popular type wheels.
- lead time to manufacture is unrealistic.
- continuous change in pricing into the market.

Auto Truck attached a letter from the Applicant enquiring from its company to supply their two most popular wheels which are in question in this application. It stated that this seems very strange and needs some verification in this application as it is totally contradictory as to what is happening. It stated that from looking at this, the Applicant at this point in time, were exporting a majority of their production in wheels, because the Rand/US$ exchange rate was more in their favour to export it. It stated that at this point in time they left the local market totally neglected with stock and product availability. It stated that its assumption is that they could have supplemented their local market with wheels. It stated that it finds this instance totally hypocritical to what they are trying to achieve with this dumping duty action.

It stated that its opinion is that the Applicant is a monopoly in this country and if this dumping duty is implemented, they will become and “autocratic” monopoly and to the detriment of the end user of wheels and ultimately the broader South African.

In response to these comments, the Applicant stated that the non-confidential version of the application does contain a substantial amount of information usually classified as confidential and is therefore specifically significant in so far as the determination for the presence of dumping and injury is concerned.

The Applicant stated that it will in the most instances draw attention to relevant indicators to prove that dumping was indeed taking place through imports from the Respondent and Respondent’s agents into SACU. To this end note can be taken of the following observations:

- It is important to note that the production process used for imported subject goods is similar to the domestic process and in fact is with little variance
The Respondent acknowledges that other than for slight differences such as the number and size of the ventilation holes, colour finish, material thickness and steel specifications, the physical appearance and characteristics of the domestic and imported product are more or less similar. It is hence clear that the imported product is a like product for purposes of the anti-dumping investigation of the domestically produced product. The observation by the Respondent producer and importer are that the imported product competes directly with the domestically produced product for market share and possess characteristics that is like, or in absence of like are most similar to the product produced by the Applicant.

The document attached to the questionnaire response under the letterhead of the Respondent importer, serves as clear proof of the existence of dumping in so far as imports of the subject goods are concerned. The importer acknowledges the imports of subject goods at prices below that of the domestically sold product and without any allowance for adjustments, it is already apparent that subject goods are being imported into SACU at substantially dumped prices. The further allegation that the Applicant has on several occasions endeavoured to meet the requirements of the Respondent in so far as pricing is concerned, are substantiated by the Respondent. The Applicant, even when granting considerable discounts, is unable to meet the prices of dumped subject goods.

Analysis of invoices of imports and pricing pertaining thereto, clearly support the above contention. It is also significant that in the light of the allegations by Brazilian producers, that the size 22.5 x 9 is heavy duty tubeless wheel that represents one of the most common wheel sizes imported into SACU by the 2nd Respondent, which in turn correlates with the exact wheel size produced by the Brazilian producers and which compete on the domestic market with the Applicant’s products.
Insight into data not classified as confidential allows the Applicant a clear and lucid picture of the level and degree of dumping that is taking place. It is further submitted that the methodology applied, which was not contested by the Exporter Respondent or the Importer Respondent represents a valid basis for comparison to determine the anti-dumping margins as well as imports into SACU.

**Tretyre:**

Tretyre stated that it imported the subject product as the local manufacturer cannot supply the demand, does not manufacture the complete range, has inventory availability and product quality problems.

It stated that it is in some instances required to supply tyre and steel wheel assemblies to the highest quality standards and cannot rely on the Applicant for an acceptable quality product and on time delivery or consistent pricing. In response to these comments, the Applicant submitted that due to deficiency in so far as the non-confidential version of the questionnaire response is concerned, that the Commission reject the response.

**Malas:**

Malas stated that it imports both white epoxy-coated steel rims and a chrome coated steel wheel. It stated that the Applicant does not manufacture the chrome coated wheels and requested the Commission to indicate whether these chrome coated wheels are included in the investigation. It was indicated that all the steel wheels imported under the applicable tariff subheading are subject products.

Malas stated that in assessing the product under investigation it is important to take into consideration that these products are used in a variety of applications (from trailers to heavy commercial trucks) by three distinctly different market segments – aftermarket, original equipment manufacturers and exports. It stated that although the Applicant stated this fact in its application, it largely ignores it in
the injury section. It stated that it is common practice to distinguish between market segments. It stated that in the past the Commission frequently requested that in the case of distinct market segmentation, injury information is provided for each segment separately.

Malas stated that owing to the said segmentation and the huge difference in the products subject to this investigation, it is impossible for Malas, who operates in one market segment and only trades in one specific product range, to answer or sensibly defend the case against it. It stated that, therefore, it should like to provide the Commission with some background information from its perspective.

Malas stated that it only operates in the replacement market. It stated that the Applicant's target markets have predominantly been the OEM and the export market. It stated that it believes that owing to a contraction in demand for OEM products and a contraction in demand for the Applicant's products on the export market (owing to the strengthening of the Rand), the Applicant decided to venture into the domestic replacement market in 2002/2003. It stated that imports traditionally supplied this market. It stated that the Applicant entered this distinct market segment by appointing a few distributors in the industry to sell its white steel wheels. Malas was one of the appointed distributors. It stated that the Applicant's entry into the replacement market may explain the increase in its sales volume from 2001/2002 to 2002/2003. It stated that it probably also explains the decrease in its ex-factory selling prices from 2001/2002 to 2002/2003. It stated that it is common knowledge that the prices in the OEM market are higher than those in the replacement market. It stated that because of the Applicant's own lack of commitment and supply constraints it was unable to successfully penetrate this market.

Malas stated that some of the problems it experienced were the following:

- Stock problems and availability which led to a delay in deliveries
- Guesto was not prepared to pack products under Malas' own label. In this
regard it should be taken into consideration that in order to be competitive in the replacement market Malas identified having your own brand identity as a key factor.

- Guestro also did not differentiate between retailers and wholesalers in their pricing strategy. This meant that the price Malas paid for the product and the price Guestro was selling to Malas’ customers was exactly the same.

Malas stated that in order to stay competitive in this highly volatile market, it had no option but to expand its supply options. It stated that it is of the opinion that owing to the fact that the Applicant traditionally supplied the OEM market, which is normally stable in nature, the Applicant was not sufficiently prepared to enter the volatile replacement market where aggressive marketing of your products is required.

Malas stated that the fact that the Applicant is now seeking to capture market share, not by adapting its strategies to suit the specific requirements of the replacement market, but by applying for blanket protection instead against the traditional players in the market.

Malas stated that if one studies the scant information in the non-confidential application, it is difficult to understand the severe negative impact on the Applicant’s profitability, taking cognizance of its domestic sales, costs and price movements. It submitted that the turnabout in the Applicant's overall performance is attributable to distinct negative developments in its export business. It stated that firstly the Rand led to lower sales volumes and lower prices. It stated that it believes that exports to the USA in particular decreased significantly. It stated that the Applicant is also faced with an anti-dumping duty in Australia and had to give an undertaking that it will desist from dumping. It stated that it reiterates that it believes that these negative developments are the sole reason for the fact that its operations became unprofitable.

It requested that the Commission to request the Applicant to provide injury
information for each market segment separately to enable Malas to understand the case against it. It further stated that the Applicant should divide these segments into the various categories, i.e. trailer and caravan, light commercial and commercial vehicles.

In response to these comments, the Applicant submitted that the white epoxy-coated steel rims imported from the People’s Republic of China are “like product” to the locally produced wheel and subject to investigation.

The Applicant however submits that the chrome coated wheel for fitment to either 4x2 or 4x4 bakkies from China, should also be regarded as “like product” considering the end-use of the product. The chrome coated product comprises a steel wheel covered in chrome, which has the same physical characteristics as a steel wheel; use similar raw materials; are subject to similar method of manufacturing; are classified under the exact similar tariff classification; and have exactly the same end-use and substitutability of the domestically produced product concerned. Presence of these criteria, rendered it obviously a like product of the domestic product and the Applicant submits that it be treated as such.

The Applicant further submitted that the argument that a distinction be drawn between the specific market segments on the basis of the independency of these market sectors has been refused by the Commission. The Applicant wishes to refer to the provisions of Section 13.1 of the Anti-Dumping Regulations stating that in determining material injury to the SACU industry, the Commission shall consider whether there has been a significant depression and/or suppression of SACU’s industry prices. Reference in this regard is obviously made to the industry as a whole and whereas all steel wheel products produced by the Applicant are prone to injury, due to the imports of dumped product into SACU, the Applicant suffered injury in so far as all the market sectors are concerned. This clearly manifested in a price suppression, price depression and price undercutting on all or on certain of the subject goods suffered by the Applicant. The Applicant has also proven the presence of all other factors associated with sustained injury in its application.
The Applicant further submitted that it will make no sense to delineate market along the lines of destined sectors as suggested by the Respondent. The provisions of Article 6.3 of the Anti-Dumping Agreement are clear that where factors such as production of the like product, production, profits and sales cannot be separately identified, consideration of the broader group of products is allowed. In this investigation, all products are produced at the same facilities as a product regardless of the sector concerned, which renders it further difficult to distinguish between the various market sectors as proposed.

The Applicant stated that the Respondent further argues that due to the factors such as the decline in the OEM market and the strengthening of the Rand, the Applicant started venturing into the replacement market. The Applicant refutes this allegation. The Applicant has always directly or indirectly maintained an interest in the replacement market, but increased its marketing efforts to establish additional markets when it started to become apparent that imports are serious jeopardizing the Applicant's market standing. In order to secure economic survival, the Applicant started aggressive marketing campaigns to sell its products to all consumers regardless of the respective market sector. The Applicant submits that the notion that the Applicant was not prepared to enter the replacement market, is incorrect as the Applicant welcomed all opportunities for business as can be expected from a prudent business.

The Applicant submitted that it is entitled to protection on the products applied for in view of the substantial amounts of imports entering into the domestic SACU market at hugely dumped prices. The Applicant rejects the notion that a weakening export market as well as strengthening of the Rand was a primary cause of any injury sustained, as the continuous increase in the number of dumped imports is a primary cause of the Applicants predicament.

The Applicant lastly submitted that no justification exists for the exclusion of chrome-coated wheels as substantiated above or for the provision of injury
information for each separate market segment as requested by the Respondent.

Henred Fruehauf (Henred):

Henred stated that Route (Pty) Ltd is the holding company for several companies which include Henred Fruehauf (Pty) Ltd and SA Truck Bodies (Pty) Ltd. Both companies manufacture heavy-duty trailers for use in the South African and sub-Saharan African countries. We also have 22 depots through which we supply a limited amount of wheel rims to fleet owners.

Henred stated that both SA Truck Bodies and Henred have been dealing with Guestro for many years and that they continued buying from them under trying circumstances until recently. SA Truck Bodies purchased directly from Guestro whilst Henred purchased wheelrims indirectly from Guestro in terms of a purchase partnership agreement with Maxiprest tyres. They stated that the main reasons for their continued purchases from them were that they are committed to local industry in circumstances where these suppliers are competitive and also because local supply is easier to administrate than imports. They stated that they continued buying from Guestro during a period when competitors like Trentyre were importing from Brazil at better prices than the prices they paid to Guestro.

It was stated the during the period following the rapid decline of the Rand in December 2001 they faced major price increases from Guestro which were driven by the export prices they could demand for their products as well as unjustified increases in the steel price from ISCOR. They stated that it should be noted that both Guestro and ISCOR held monopolistic positions in the market at the time. They stated that during the many occasions when they approached Guestro on excessive pricing policies their standard response was that they were charging international prices for their products. Trentyre and other importers of wheel rims decided to return to purchasing from Guestro because it was cheaper to do so in light of the weaker rand and this, combined by Guestro’s export drive led to serious shortages in the local market and Guestro’s regular customers suffered as a result. They stated that their status as a supplier moved from mediocre to very poor. They
stated that because of the abuse of their dominant status as sole manufacturer of steel rims in the South African market and their poor service levels Guestro became very unpopular amongst the local market and many of their customers started looking outside South Africa for a reliable source of supply.

Henred stated that towards the end of 2002 the Rand started to strengthen against foreign currencies. During their own investigations into the import market they found that international suppliers priced their products within a narrow band and that Guestro fell out of this price band by an unacceptable margin. It was stated that to aggravate the situation Guestro introduced a 13 per cent price increase in January 2003 which was driven by a steel price increase from ISCOR and that during negotiations with Guestro they pointed out that they could buy far cheaper from international wheelrim manufacturers and provided them with international prices in an attempt to get them to reduce prices to international levels which would allow Henred to stay competitive whilst continuing to support the local market. It was stated by Henred that Guestro then pointed out that they could not sell at these levels on a profitable basis. During a meeting between SA Truck Bodies, Maxiprest, Henred Fruehauf and Guestro which was held on 6th April 2003 Henred offered to continue to support Guestro by offering to pay a pre-negotiated price and then to subsidize some exchange rate fluctuations and that this would allow them to continue to supply to the local market and in return they would expect them to support Henred with the same margins and period when the rand weakened again. It was stated that when they declined Henred's offer Henred was forced to find alternative sources of supply and they decided to start importing rims from Brazil.

Henred stated that during the period that they have now been doing business with the international wheel rim suppliers they have become accustomed to excellent customer care and service levels and that with Guestro they were forced into long lead-time forecasts and orders but did not receive any of the benefits of long-term planning. They stated that SA Truck Bodies had a standing order from Guestro to supply 1000 rims per month and that these wheel rims were ordered to be delivered on the first day of each month. Henred stated that it was never delivered
on time or in the correct order quantities and that on a number of occasions the wheel rims were only ready on the last day of the month in which it was due. Henred stated that SA Truck Bodies were then given the choice to either accept delivery on the last day or lose the consignment to other customers and that this held negative cash-flow implications since they were effectively forced into paying for the wheel rims a month earlier than planned. They stated that their production lines regularly stood as a result of broken promises from Guesto with no, or unacceptable excuses for the delays and that as a result of the arrogance of Guesto's personnel and their poor service levels they do not see their way clear to return to Guesto even if punitive duties are imposed on international manufacturers in the market.

Henred stated that as a direct result of the anti-dumping claim the Brazilian and Turkish suppliers have effectively stopped supplying South African customers in anticipation of the outcome of the investigation and that this caused substantial financial losses to them. They stated that Guesto cannot supply local demand and on recent enquiry indicated lead times of three months and in addition Guesto have warned them that ISCOR will push their January 2005 prices up by 47 per cent. It was stated that Guesto did send out a few letters to selected customers to assure them of their intention to fight the increase but their track record on fighting increases has not been good in the past. They stated that market speculation is that Guesto will pass a 25 per cent increase early in the new year and if this is the case an alternative source is imperative from a pricing point of view to ensure the continued existence of our company and other local users of rims. Henred enquired from one of the Chinese suppliers with whom they have formed a relationship as to why they did not assist the DTI in their investigations. Henred was informed that they had in fact prepared their submission but that they were told by the Chinese authorities to hold back their responses in anticipation of a Chinese trade delegation that would visit South Africa. After a few months the authorities informed them that the issues around the dumping claim had been resolved. Henred is waiting for a letter from them that explains the events in more detail.
Henred as a trailer manufacturer stated that they face the same problems as Guesto in that the strong Rand is deteriorating their export income and they also face major competition from international trailer and axle manufacturers. They stated that they use the strong Rand to allow them to buy competitively to keep them competitive in the export and local markets. They stated that they chose to find their own solutions to a global problem and that they do not attempt to abuse the regulatory process to protect our position in the market. It was stated that Guesto already benefits from high duties (20 per cent), very expensive shipping and clearing costs and an established infrastructure. They stated that their export income is augmented by the MIDP program but they still cannot compete. They asked if Guesto really need further protection and, if so, why should the local market suffer as a result? They are of the opinion that we need competition from international players to keep Guesto in check and that they honestly can not afford any further punitive duties to be imposed on this already expensive product. They stated that wheels make up a large proportion of our trailer cost and that they are already finding it difficult to be competitive as a result of the very high steel price increases and current rate of exchange. They stated that if they were forced to pay more duties on the rims it would worsen their position further.

They stated that they understand that the period that was reviewed in order to determine the extent (if any) of dumping ended on 31 April 2004 and that since this period the prices of Maxion wheel rims increased by 56.6 per cent during the course of this year. Henred also obtained several prices from Chinese manufacturers. They stated that it appears that international prices are driven by demand and supply as well as international steel prices and that the world demand for wheel rims is very high at the moment and many wheel manufacturers are producing at full capacity. This is, in Henred’s opinion one of the reasons for the escalating wheel rim prices.

Henred is of the opinion that the main reason why Guesto has lost its market share was their extremely arrogant attitude to the local market, pathetic service levels and long lead-times. Henred stated that they are as of today quoting lead times of three months that could easily become five months given their track
record. They stated that another issue that led to their pricing problem was that Guestro could not contain their input cost and this factor led to international suppliers becoming competitive at a stage when the Rand was still relatively weak against the US Dollar. They stated that the final obstacle was the strengthening Rand that led to international competitors becoming very competitive and that it should be noted that international manufacturers such as Maxion have similar problems to Guestro in that their own currency appreciated to the US dollar at a similar rate to our own, but that Maxion managed to absorb the reduced income that this dilemma brought about through negotiating better deals with their steel mills. They stated that this situation could not last and prices obtained from Brazil and from China show that the playing field has been leveled due the normal workings of demand and supply and that factors that may have influenced the Commission to allow punitive duties therefore no longer exist. Henred stated that by awarding punitive duties the Commission will in fact be putting international manufacturers in an uncompetitive position if compared to Guestro and that this is in contradiction with world trends where duties are reducing. They stated that the Reserve Bank allows the Rand to appreciate without interference in order to find its rightful place in the international currency markets and that they believe that the same principle should apply to local manufacturers competing in an international market. They stated that they need the benefits that a strong Rand brings to import inexpensively in order to offset the losses that we make in the export market as a result of the strong currency. Henred stated that the effects of punitive duties will be significant as it will not only affect the financial position of local purchasers of steel rims but employment levels in the market and the economy as a whole. They requested that the Commission do not grant Guestro the anti-dumping award that they requested.
6.9 CONCLUSION ON CAUSAL LINK

The Commission, in making its finding on causal link, took the following into account:

Applicant's export performance

The Commission noted that the Applicant's export sales decreased by 33 index points from 2000/2001 to 2003/2004. The Commission also noted WWB's comments regarding the Applicant's export strategy, which was considered to be at the expense of the SACU aftermarket, leaving them no choice but to find alternative suppliers outside SACU. WWB also stated that when the Applicant's export sales were high, the local market was starved of product. The refocus by the Applicant on the domestic market, it is claimed, was because of its loss of sales on the export market.

Poor service to domestic customers

The Commission noted comments received from importers of the subject product. Comments included issues regarding long delays in delivery, poor supply, some products not manufactured by the Applicant, pricing structures, purchasing volume discrimination, inconsistent stock levels, continuous change in pricing into the market and unavailability of brand identity.

After considering all relevant factors and all the comments received from interested parties, the Commission decided that there are other factors than dumping, that sufficiently detracted from the causal link between the dumping and the material injury.
7. INFORMATION PRESENTED TO THE COMMISSION DURING ITS ORAL HEARING BY WWB

On 17 November 2004, WWB on behalf of its clients, Jantas, Borlem and Maxion addressed the Commission during an oral hearing on the following:

7.1 Irregular initiation of the investigation
7.1.1 Import statistics, export price and injury

In terms of the government notice published on 28 May 2004 in Government Gazette, the export prices were determined based on the official import statistics obtained from SARS. The Applicant states in the application that the statistics represents a distorted value of subject goods as it includes value added parts, accessories and aluminium wheels, all of which are not subject to the investigation. The Applicant proceeded to use this information as a basis for calculating the export price of steel wheels by making certain assumptions from which it devised a model to determine the export prices of steel wheels and certain injury information.

WWB does not agree that the model used by the Applicant is accurate and enables it to determine the export price of the imported steel wheels. They submitted that the applicant was not possessed on any objective information to enable it to determine the export price of imported steel wheels from the import statistics and that the applicant did not provide documentary evidence in support of its assumptions.

In constructing its model, the applicant has assumed that:

- Steel wheels represent 50 per cent of the total number of wheels produced worldwide and that the market in South Africa follows a similar trend. The
applicant does not produce any evidence to support this assumption.

- Aluminum wheels imported into SACU are for the passenger car market and are not fitted onto the commercial range of vehicles. The applicant does not produce any evidence to support this assumption.

- The average aluminium passenger wheel mass (excluding accessories) is 6 kilogram per wheel. The applicant does not produce any evidence to support this assumption.

- 70 per cent of the total imports of steel wheels are for the commercial and 30 per cent or the passenger range of vehicles. The applicant does not produce any evidence to support this assumption.

- The average steel wheel mass is 27.33 kilograms per wheel. The applicant does not produce any evidence to support this assumption. It is their understanding that this figure may vary from company to company and can therefore not be estimated with any degree of certainty for the entire SACU market and/or imports. The range of steel wheels exported to SACU is not the same as the range of steel wheels produced by the Applicant. If the average mass of the imported steel wheels is different to the average mass of the applicant’s steel wheel then the applicant’s figures relating to volume of imports and price per kilogram are inaccurate.

- The average price of an aluminium wheel is R700 and the average price of a steel wheel is R325. The applicant does not produce any evidence to support this assumption. It was understood that the average price of an aluminium wheel varies from one company to another and in the absence of a thorough scientific study this figure is impossible to estimate; and

- The average aluminium wheel mass is 6 kilograms per wheel. The applicant does not produce any evidence to support this assumption.

The applicant’s assumption for its model are not substantiated by relevant evidence and can therefore not be considered sufficient to justify the use of the model by the applicant as a basis upon which to interpret the import statistics. The import statistics were used by the applicant to calculate the export price and substantiate its allegation of injury. Accordingly, the Commission ought not to have
accepted the applicant’s submissions in respect of dumping and injury and therefore ought not to have initiated this investigation since the applicant has not made out a *prima facie* case.

**Like product**

Steel wheels have different sizes and other different properties as determined by, inter alia, the axle for which it is designed to fit. Different sizes of steel wheels are not like and are not substitutable and the applicant concedes this point in a letter dated 19 August 2004.

It is only those imported wheels which are identical in all material respects to the steel wheels manufactured by the applicant which are like products to the applicant’s steel wheels and with which the applicant’s steel wheels compete.

The applicant’s injury information does not distinguish between the various types of steel wheels produced by the applicant and accordingly the applicant is unable to demonstrate the cause of its alleged injury.

To the extent that the applicant has not demonstrated which of its range of steel wheels is allegedly being injured by the allegedly dumped steel wheels, the applicant has not made out a *prima facie* case upon which the Commission could initiate the investigation.

**Normal value**

The applicant has failed to prove normal value for the purposes of initiation of the investigation.

**Maxion steel wheels**

The applicant stated that it determined the normal value in respect of Maxion by
using the 22.5 x 9.00 steel wheel. Maxion sells a 22.5 x 9.00 size steel wheel in Brazil, which is the wheel allegedly dumped by Maxion in SACU. However, the 22.5 x 9.00 size steel wheel which Maxion sells in significant numbers in Brazil is sold to a single customer and is no a like product to the one exported to SACU.

In the absence of a like product in respect of the 22.5 x 9.00 wheel, Maxion submitted a constructed normal value which the Commission should use or the purposes of determining the normal value.

**Borlem steel wheels**

The application cited 4 Brazilian companies as interested parties to this investigation, namely, Mazion, Mangles, Borlem and Rodabem, but attempted to establish the normal value only in respect of Maxion and Mangels. Therefore there is no product description, normal value, export price or dumping margin alleged in respect of Borlem or Rodabem. Borlem and Rodabem should therefore no been included in this investigation.

In the absence of any evidence on the normal value in respect of Maxion and Borlem, the applicant could not have determined that any dumping was taking place. Therefore, there was no *prima facie* case upon which the Commission could initiate an investigation. The information presented to the Commission, which the Commission used to initiate the investigation did not comply with the requirements set out in Articles 5.2 and 5.3 of the Anti-Dumping Agreement and/or the requirements set out in ADR 28.

**Injury**

**Markets**

The applicant’s injury information does not distinguish between three types of markets, namely:
a. the export market;
b. the original equipment manufacturing market (OEM); and

c. the aftermarket or replacement market (parts and accessories market).

The applicant recognized the distinction in these markets, but does not deal with these distinctions in its injury analysis.

The imports, particularly from Brazil and Turkey, are wholly or mainly exported too SACU to the aftermarket and accordingly it is this market, which is relevant to the alleged injury suffered by the applicant. It is important to distinguish the applicant’s export market and aftermarket as the applicant has been affected by the appreciation of the Rand in the export market and aftermarket. The impact of the allegedly dumped imports on the applicant cannot be ascertained if the injury information does not distinguish between these various markets. Without such a distinction, it is not possible to attribute the cause of the alleged injury to the applicant to the alleged dumped imports. It is submitted that the aftermarket and OEM market are two distinct markets and domestic sales into the OEM market cannot be compared with export sales to the aftermarket.

The OEM market and the aftermarket are different as, inter alia:

a. the number of products of the OEM markets is narrow and the number of the OEM products is relatively few which enables the OEM to exercise market power;

b. the aftermarket is often categorised by a wide range of products;

c. their respective customers are largely different;

d. their respective distribution channels are distinguishable;

e. more stringent technical requirements and standards set in the OEM sector; and
f. scale of production and distribution.

Supply of steel wheels in South Africa

It is common knowledge that for a long time and until about the middle of 2002 the Rand had been depreciating against the United States Dollar (the "US dollar"), and that such depreciation accelerated sharply from about year 2000. Guesto took advantage of such Rand weakness and aggressively grew its export sales, apparently to such a degree that it could no longer adequately service the SACU steel wheel purchasers, particularly the aftermarket segment of the market.

The prices for the steel wheels exported by the Applicant are denominated in US Dollars and therefore the weaker the Rand the higher the income and the better the profits. In addition, the weaker the Rand the more the Exporter is able to export its steel wheels. The converse of course is true: the stronger the Rand, the lesser the income and the lower the profits. Export sales provide the Applicant with large volumes within a narrow range of products and hence better operational and/or production efficiencies. The foregoing assertions that the weakened Rand in the 2001 to early 2002 period facilitated export opportunities for Dorbyl whilst the strengthening Rand in later years did the opposite, are evident from the quoted sections of Dorbyl's Annual Reports and Interim Profit Statements / Group Results.

The applicant's export strategy was at the expense of the SACU aftermarket, which had to find alternative suppliers of steel wheels outside SACU. This export strategy was also actively pursued and supported by substantial capital expenditure on the premise that the export sales will continue to grow on the back of the depreciating Rand.

In the latter part of 2002 when the Rand started appreciating against the US dollar, the SACU steel wheel purchasers benefited from the cheaper import prices and in
contrast, the Applicant's prices became increasingly uncompetitive both internationally and within the SACU market.

The Applicant's attempts to blame imported steel wheels for the closure of the Port Elizabeth plant, but the Commission was referred to the Applicant's Chairman's Report contained in the annual financial results for the financial year ended 31 March 2003 of Dorbyl, of which the Applicant is part, however, contradicts the Applicant's aforesaid assertion.

The Applicant confirmed that the key factors that have significantly impacted the Applicant's sales volumes and hence its profitability are the Rand/US dollar exchange rate, the steel prices, motor vehicle sales (local and international) and pressure by OEM's on component manufacturers for lower prices and better quality.

Other factors referred to in the quotations above and in paragraph 4 of the injury memorandum adversely impacting the Applicant's sales volumes and profitability include:

a. HIV/Aids which is said to have increased "payroll" costs;

b. substantial capital expenditure incurred by the Applicant on the promise of growing export sales, which expenditure would increase the Applicants production costs;

c. Anti-dumping duties imposed against the Applicant in Australia; and

d. the pressure exerted by OEM's on the component manufacturers to invest in technological upgrades to meet the technology requirements in respect of the new more technologically sophisticated vehicles as well as international quality standards. This poses an additional burden which the South African component manufacturers, including the Applicant, have to incur notwithstanding the pressure for lower prices also exerted by the OEM's.
WWB's response to applicant's submissions in respect of allegations of material injury – section F of the application

In assessing the application and the allegations made by the Applicant, the Commission is obliged in terms of article 3.5 of the Anti-Dumping Agreement to "examine any known factors other than dumped imports which at the same time are injuring the domestic industry, and the injuries caused by these factors must not be attributed to dumped imports". It was shown in the Exporter's response to the Applicant's allegations in respect of injury that if the Applicant has suffered any injury at all, the cause of such injury was not the steel wheels exported to the SACU but the factors referred to above.

Central to the Applicant's submissions relating to material injury (section F of the Applicant's application), the Applicant's allegations in respect of annual import volumes and values and import prices per unit (F3.1.1 to F3.1.3 of the Applicant's application), Import values per month and Price per unit per month (F3.2.2 and F3.2.3 of the Applicant's application), price undercutting (F4.1 of the Applicant's application), actual and potential decline in market share (F8 of the Applicant's application) and Price undercutting (F4.1 of the Applicant's application), are dependent on the Applicant's submissions on import statistics. As demonstrated above, the import statistics are unreliable and accordingly the Applicant could not have proved the *prima facie* case of injury.

**Price depression**

The table in F4.2.1 shows an increase in the Applicant's ex-factory selling prices in 2003/2004 that contradicts the Applicant's claim of price depression.

The Applicant stated that trading conditions have become more difficult and sought to blame import prices for its difficulties. In the media the Applicant's difficulties have been attributed *inter alia* to the strengthening of the Rand.
Price suppression

The Applicant states that trading conditions have become more difficult and seeks to blame import prices for its difficulties. In the media, the Applicant's difficulties have been attributed to the strengthening of the Rand and not imports.

Potential decline in profit

The Commission is referred to their comments above about the Applicant's cost problems, and factors, which have and continue to impact the Applicant's profitability.

Section G – Threat of material injury

The Applicant alleges that "There is substantial unused and expanding capacity in each of the Respondent countries targeting the SACU market..." The Applicant makes these and other allegations but produces no evidence to substantiate such allegations. Their clients do not have "substantial and unused capacity" as alleged by the Applicant. Therefore its statements were not based on facts and constitute mere allegations and conjecture.

The Applicant alleges, inter alia, that imported goods have caused a reduction in SACU prices. The Applicant's information in respect of allegedly dumped imports into SACU is based on import statistics that have been demonstrated to be unreliable.

The Exporters do not have substantial inventories that they are prepared to liquidate into the export market as alleged by the Applicant. In addition, the Exporters' inventories have not increased to any significant extent during the period of the investigation.

It was stated that the Applicant has accordingly not demonstrated any threat of injury.
Section H – Cause of material injury

The sole reason for the applicant’s belief that the alleged unfair trade practice is the cause of the alleged material injury or threat thereof is the substantial increase of the import figures into SACU.

The alleged trade practice is not the cause of the alleged material injury of the Applicant. The reasons for the cause of the Applicant’s alleged injury are set out below.

One of the main reasons for the cause of the Applicant’s alleged injury is, on the Applicant’s version, contained in H5.4(b) and (c) which provide as follows:

“The selling price has been negatively impacted by the stronger Rand particularly for the local aftermarket and export business. Applicant had to lower selling prices into the local aftermarket to remain competitive with inputs while export prices have generated lower revenue in Rand terms as our exports are sold in either US Dollar or Euro. The price of the imported product is directly affected by the exchange rate which has shown a Rand strengthening of over 50% over the past 18 months.”

Another cause for the alleged injury suffered by the Applicant is the increase in the market share of imports other than those that are the subject of this investigation.

The rise in steel prices has also affected the competitiveness of the Applicant and is responsible for the alleged injury suffered by the Applicant.

The finding of dumping against the Applicant in Australia also added to the Applicant’s difficulties in the export market.

The Group Executive Review in the Dorbyl Annual Report for the year ending March 2004 (which falls within the investigation period) contains no reference to the alleged unfair trade practice. The factors affecting Dorbyl Automotive Technologies of which the Applicant forms part are stated to be as follows:

“The external value of the Rand has been the dominating influence over the last year. Given the
restructuring of the Group, and the consequent focus on automotive exports and the offshore businesses, the stronger Rand has adversely impacted overall profitability very significantly.

While there are many opinions as to the future levels of the Rand's value, it is very clear that at the current levels it is very difficult to compete locally against imports and that manufacturing value-adding will continue to decline, with the potential consequence of further job losses.

In respect to DAT (Dorbyl Automotive Technologies), the following factors are key determinants of opportunities or threats:

- The most important is the Rand exchange rate. The strengthening over the last financial year has translated what were profitable exports at R8.50/US$ into loss-making contracts at R6.50/US. In addition, cheaper imports have been very disruptive to the business locally in both the OEM and the aftermarket;
- The pressures on profitability in the international automotive sector have not been conducive to increases in selling prices and even overseas component suppliers are threatening to stop supply to the industry, as many are selling Original Equipment components below cost;
- The reduction in South African interest rates has facilitated growth in local vehicle sales, but this includes a large increase in the imported vehicle market share. Vehicle exports have shown little growth, having been affected by both the strong Rand and soft international demand;
- Vehicle build in South Africa has therefore increased slowly, but is projected to increase a slightly faster rate due to both local demand and new export contracts;
- However, if inflation-based interest increases are effected in the second half of calendar 2004, local demand will be impacted negatively.

At current Rand exchange rates, an improvement in DAT’s profitability can only result from a reduction of heads and costs, coupled with productivity and efficiency improvements. A weakening of the Rand to R8/US$, is needed for this division to return to a satisfactory level of profitability. In summary, there are good growth fundamentals in both divisions, but the results in Rand are being held hostage by the exchange rate.

While South Africa's trade account has weakened substantially, this has been offset by large international institutional inflows, searching for higher returns. While the South African interest rate structure is largely determined by the inflation targeting parameters, and international interest rates continue to stay low, it seems the Rand is likely to remain relatively strong. As this will continue to be negative for South African based value-added manufacturing and exports, it is likely to further exacerbate the trade account. Unless this lead at some point to the Rand weakening to the US Dollar, the Group will have to manage its business to an optimum under the circumstances.
Divisional Review
The division (DAT) reflected an adverse financial performance when compared to the results achieved in the previous year. As reported previously, export earnings have been eroded by the considerable strengthening of the local currency. This erosion exceeded local gains resulting from improved productivity at all manufacturing sites.

The export drive in the USA and Europe has continued at volumes similar to those supplied in the previous year. The Rand value of these exports has declined from 24.3% of total sales in the previous period to 21.2% in the year under review. To recover profitability and retain a foothold in these export markets a more direct route to market is being negotiated for future supply.

Prospects
In addition, to alleviate export-orientated losses, major restructuring has been carried out at the wheels plant in Port Elizabeth and Heidelberg. However, short term profitability will continue to be affected significantly by the strong Rand, increases in labour costs and the exceptionally high level of steel price increases now being experienced, which is symptomatic of the position experienced in the automotive components industry worldwide.

The Applicant was requested in this section to provide a comparison between actual ex-factory prices and actual landed costs of the imported product over the last three financial years and to indicate what its actual unsuppressed prices ought to have been. The Applicant referred to section F4.1 that is based upon the import statistics and the Applicant's model. As pointed above the imported statistics and the Applicant's model are unreliable.

It was noted that the Applicant could not show any price depression.

The Applicant's table in paragraph H5 is substantially based on the import statistics that have repeatedly shown as unreliable. In addition, the Applicant's table does not distinguish between the various markets and accordingly the Applicant is unable to show that its alleged injury is caused by allegedly dumped exports.

The Applicant states that it is world renowned for producing good quality steel wheels and that its quality standards compare favourably with other leading
manufacturers worldwide. The Applicant is also claiming that it works on a three months' delivery period for new bulk orders and that it obtains from its customers a six monthly forecast which is firmed up monthly and which then enables it to deliver monthly in accordance with customer requirements. We understand from players in the industry that there are a number of quality problems with the Applicant's steel wheels. These include incorrect colour of steel wheels (eg. off-white instead of white) and wheels with an irregular shape. We also understand that the Applicant always has a backlog of orders and has generally not been able to deliver timeously to its customers.

The Applicant is requested to indicate the volume and prices of imports not sold at dumped prices. The Applicant states that it is unable to provide a definite response in view of the difficulties experienced to apply the official import statistics to the subject goods. The Applicant conveniently relies on the import statistics when it suits it but when they do not, seeks refuge in the fact that the import statistics are unreliable.

The Applicant was requested to list other factors that affected its product sales volumes and prices. Although the Applicant provided some of such factors, the Commission is requested to take into account the factors listed below. The fact that when the Applicant's export sales were high, the local market was starved of steel wheels and local consumers of steel wheels had to look elsewhere for the supply of such wheels. The refocus by the Applicant on the domestic market is precisely because of its loss of sales on the export market. In addition, a substantial portion of imports into the SACU comprises products which, according to the Applicant's own version, are sold in the SACU region at non-dumped prices. To the extent that the Applicant says it cannot compete with such imports, it clearly demonstrates that the Applicant's problems lie elsewhere and the Applicant is merely using this anti-dumping application as a means of achieving what it could not achieve in the market place through fair competition.
Conclusion

In conclusion WWB indicated that:

- The Commission had insufficient evidence to initiate this investigation and that their clients have been prejudiced thereby;

- The import statistics do not provide any evidence of the export price of the imported products to prove dumping nor of injury;

- The assumptions underpinning the model used by the Applicant to interpret the import statistics were not substantiated by documentary evidence and amounted to nothing more than mere speculation and conjecture. In light of this, the model therefore did not remedy the defect in the statistics.

The Applicant did not in its injury information distinguish:

- the like products in respect of which they have suffered injury (if any) from its other products; and

- the specific market in respect of which they have suffered injury (if any). The injury information did not in particular distinguish between the Applicant's export market, OEM market and the aftermarket.

WWB stated that accordingly the Applicant did not and could not demonstrate that the cause of its alleged injury is attributable to the alleged dumped imports and that the alleged dumped imports did not cause the Applicant's alleged injury. One of the main causes of the alleged injury suffered by the Applicant was the appreciation of the Rand that affected both its export and SACU markets. The Applicant has neither provided proof of injury nor threat of injury of any of the products under investigation.

WWB stated that the Applicant has failed to provide any evidence of dumping; and it is accordingly submitted that the investigation should be immediately terminated.
in accordance with the provisions of Article 5.8 of the Anti-Dumping Agreement for all the reasons set out in this memorandum.

**Deficient information**

In its letter of 12 August 2004 the Commission indicated that the response of Maxion to the exporter's questionnaire was deficient. As indicated in WWB's letter of 10 September 2004 to the Commission, they contend that their client had substantially complied with the requirements of the Commission in respect of the information requested by the Commission. Notwithstanding such contention however, their client provided all such information as the Commission indicated was outstanding from Maxion. The Commission is requested to have regard to the practical constraints that impacted Maxion's ability to provide the information required by the Commission for the purposes of this investigation. These constraints were recorded in their letter of 2 August 2004 to the Commission.

It was stated that should the Commission not take the deficient information into account, it would be fundamentally unfair and contrary to the Constitution and the Anti-Dumping Agreement.

On 30 December 2004, a letter was received from WWB to supplement the oral representations made on 17 November 2004.

WWB stated that the Applicant has correctly admitted that the import statistics do not provide a true indication of the prices of steel wheels imported into South Africa from the countries under investigation. They stated that the Applicant's problem with the import statistics is that they contain too much information, that is, they include information on products other than steel wheels and as a result, the Applicant faced the problem of trying to distil from the import statistics, information relevant only to steel wheels.

They stated that the Applicant attempted to remedy the above-mentioned problem by making use of certain assumptions to devise a model based on the import
statistics, from which it purported to determine the export prices of steel wheels and certain injury information.

WWB stated that however, not only did the Applicant fail to provide any empirical evidence substantiating its assumptions, but also its application of such assumptions to the export statistics is not methodologically sound.

They stated that the Applicant offers no empirical evidence in support of its assumptions or to show that such assumptions are more appropriate than any other assumptions that could possibly be made. Indeed, the Applicant acknowledges at page 49 of the Application that "changes in the variables used, as well as the application of different assumptions pertaining to the exporters identified in this investigation, may result in different results".

It was stated by WWB that the Applicant offers no empirical or other basis for applying figures relating to an agglomeration of information (relating to steel wheels, aluminium wheels and other related products), to a specific subset of products (steel wheels only). Thus, the Applicant's application of its assumptions is not methodologically sound and the results thereof are, therefore, meaningless.

WWB stated that the Applicant submitted that steel wheels represent 50 per cent of the total number of wheels produced worldwide and then used this assertion to found its assumption that 50 per cent of the total number of wheels exported to South Africa by the countries under investigation, are steel wheels. It was stated that not only does the Applicant fail to cite any empirical evidence in support of this contention, but it also fails to prove that statistics applicable worldwide are directly applicable to imports into the South African market and consequently, that imports of steel wheels to South Africa by the countries under investigation would accord with the worldwide split and that this mode of reasoning is without foundation and not methodologically sound.

They are of the opinion that to the extent that the assumptions made by the Applicant are not empirically founded, they cannot be tested or used by the Commission or the Respondents.
WWB reiterate their submission that, due to the fatal flaws in the import statistics which were used by the Applicant and their use in its Application, the Application is deficient and a *prima facie* case necessary for the initiation of the Investigation has not been made and in addition, the Applicant has failed to show that the export of products by the Respondents has caused it any injury.

WWB stated that it appears from these figures that imports into South Africa from Exempt Countries were substantial and accounted for an increasing proportion of imports over the period 2000 to 2002. The Applicant has not accounted for the effect of the substantial imports from Exempt Countries on its alleged injury.

It was stated by WWB that it is impossible for the Applicant to determine the cause of the injury that it alleges it has suffered as a result of the Respondents' exports, in that the Applicant has failed in its Application to account for or exclude any injury it could have suffered as a consequence of imports from Exempt Countries and that the Applicant has failed to show a causal connection between its alleged injury and the exports of the Respondents.

WWB stated that the Applicant failed to make out a *prima facie* case in respect of injury and accordingly the Commission should not have initiated the Investigation and in addition, the Applicant has failed to show a causal connection between its alleged injury and the exports of the Respondents because it has failed to exclude other probably causes for its alleged injury.

They stated that the failure of the Applicant to take into account the effect of the strengthening Rand on its export business in its assessment of its alleged injury, is canvassed in paragraph 7 of our letter to the Commission dated 25 October 2004.

In addition to their previous submissions in this regard, they wish to draw the Commission's attention to a report that has been prepared by the Bureau for Economic Research as well as the letter from Henred Fruehaf (Proprietary) Limited to the Commission, dated 5 December 2004.

They stated that the report summarised that on the basis of empirical research, that "almost 40% of manufacturers have had to permanently shut down their
export capacity over the past two years" due to the Rand's strengthening against the Dollar. This finding supports what the Applicant has conceded in its Application, as well as with the Respondents' submissions in, inter alia, the injury memorandum submitted to the Commission on 22 July 2004.

Article 3.5 of the Anti-Dumping Agreement provides that "The Authorities shall also examine any known factors other than the dumped imports which at the same time are injuring the domestic industry, and the injuries caused by these other factors must not be attributed to the dumped imports". They requested the Commission again to take this and other factors into account in its consideration of the Applicant's allegation of injury.

It was stated that in its letter dated 23 July 2004 (the "Deficiency Notice"), the Commission indicated that Jantas should provide information on all sales of the subject product in Turkey. The Commission further indicated that if any of this information was excluded, reasons for the exclusions should be given.

WWB stated that in their responses to the Deficiency Notice dated 28 and 30 July 2004, Jantas provided the information required by the Commission in relation to 93.8 per cent of all products exported by it to the SACU, and 99.4 per cent of all such products that are like products and compete with products manufactured by the Applicant. In this regard, they also refer to their letter to the Commission dated 6 August 2004 and that to the extent that Jantas did not provide the Commission with certain information, reasons were provided as required by the Commission in the Deficiency Notice.

WWB stated that subsequently to the above-mentioned letters, Jantas provided all outstanding information requested by the Commission at the verification exercise that took place at Jantas' premises and that the Commission's investigators verified all of this information and thus, all information requested by the Commission has been provided by Jantas and verified by the Commission.

They stated that it would not only be patently unfair to Jantas to disregard the information which it has submitted and which has been verified by the
Commission, but it would also be contrary to the Anti-Dumping Agreement and the Constitution of the Republic of South Africa, 1996 and in addition, in terms of its enabling statute, the Commission does not have the power refuse to consider the information that has been submitted by Jantas, and has been verified.

It was stated that the Commission is a body created in terms of a statute and its powers are accordingly limited to those powers which are granted to it by statute and that the Commission has no powers beyond those powers conferred upon it in terms of its enabling statute, the International Trade Administration Act No. 71 of 2002 (the "Act").

Section 26(4) of the Act provides as follows:

"The Commission may –
(a) require an applicant to provide additional information in respect of the application; or
(b) request further information from any person who makes a representation in terms of subsection (3)(b)." (our emphasis)

It was stated that in terms of section 26(4) of the Act, the Commission has the power to require applicants to provide additional information, and thus to take steps to compel compliance, or punish non-compliance, with such requirement. It was stated that the Commission does not have similar powers with respect to parties other than applicants and the Commission can only request information from such parties and thus it does not have the power to compel compliance or punish non-compliance with its requests, because such measures would amount to requiring the provision of information. It was stated that a party that does not comply with a request in terms of the Act, is not in breach of the Act because the empowering provisions of the Act do not permit of any sanction for not complying with a request.

WWB stated that in terms of section 59 of the Act, the Minister of Trade and Industry has the power to make regulations in terms of the Act, but the Minister
has no power to grant the Commission any powers in terms of such regulations, which exceed those granted to the Commission in terms of the Act.

It was stated that Regulation 31 of the International Trade Administration Commission Anti-Dumping Regulations ("the Regulations") deals with deficiencies and provides as follows:

"31.1. Submissions may be deemed deficient –
   (a) If any relevant information has not been submitted;
   (b) If a proper non-confidential version has not been submitted; or
   (c) In the circumstances contemplated in section 29.5.

31.2. Parties will receive 7 days from the date of the Commission’s deficiency letter to address any deficiencies pointed out by the Commission in terms of subsection 1.

31.3. The Commission will not consider submissions that are deficient after the deadline contemplated in subsection 2 for the purposes of its preliminary finding."

WWB stated that Regulation 31.3 is ambiguous – it could mean that the Commission will disregard all information that is submitted after the relevant deadline, or it could mean that the Commission will disregard all information submitted by a party (including information submitted timeously), as a punitive measure because some of it was not submitted within the relevant deadline.

WWB stated that insofar as Regulation 31.3 purports to give the Commission the power to disregard all information submitted by any party other than an applicant (despite that such information may constitute the best information available), the Regulations are ultra vires. Such a failure to consider the best information available can only be construed as a measure directed at parties whose submissions are deemed deficient, in order to compel their compliance or punish their non-compliance with the Commission's requirement for information. Such a measure is ultra vires the Commission's powers in terms of the Act because the
Commission has the power only to request information from persons other than applicants, it has no power to require compliance with such request.

They are of the opinion that the Commission has no power, in terms of the Regulations or otherwise, to disregard information submitted by parties other than applicants, and is compelled in terms of the Anti-Dumping Agreement to consider such information (we refer in particular to Articles 2.2.1.1 and 6.8 of the Anti-Dumping Agreement, and to paragraphs 3 and 5 of Annex II to the Anti-Dumping Agreement.).

It was stated that this is not a case of recalcitrant or uncooperative parties—full cooperation was provided by the Respondents, including Jantas, to the best of their abilities. All information requested by the Commission was provided by the Respondents and verified by the Commission, and there is therefore no justification for the application of any punitive sanction to any of the Respondents.

It was stated that should the Commission regard itself as bound in terms of Regulation 31.3 to disregard all information submitted by any party other than the Applicant for the purposes of its preliminary finding, notwithstanding that such Regulation is ultra vires, then the Commission may avoid prejudice to such party by proceeding directly to making its final determination without making a preliminary finding. Regulation 31.3 applies only to the Commission's preliminary finding. WWB stated that it does not apply to the Commission's final determination, for the purposes of which the Commission must take into account all information submitted by parties who have remedied any deficiencies in such information, in terms of Regulation 35.5.
8. MEMORANDUM SUBMITTED BY APPLICANT IN RESPONSE TO THE COMMENTS MADE BY WWB

Background

The Respondent submits a comprehensive memorandum in support of its questionnaire response. It is not the Applicant’s intention to respond to each and every allegation therein made due to the repetitious nature thereof, which should not necessarily be construed as an acceptance of all the allegations. The Applicant consequently reserves the right to respond at an opportune time to some of the allegations therein contained.

The Applicant submits that the burden of proving that the Commission has failed to comply with statutory provisions when initiating the anti-dumping investigation vests with the Respondent. It is on analysis of the document filed in support of the Respondent’s questionnaire response clear that other than a large amount of rhetoric, without submission of any substantiated evidence and based on pure speculation and conjecture, which require little comment.

The Commission has, and justifiably so, reached its conclusion to initiate an investigation on the basis of an objective examination of all evidence adduced by the Applicant and not on the basis of rhetoric. In fact, the use of such rhetoric is usually a fair indication of a weak underlying case and the more the rhetoric, generally the weaker the case.

Ad Paragraph 2.2 thereof – “Irregular Initiation of the Investigation”

The Applicant submits that the Commission was well within their rights to have determined that sufficient prima facie evidence have been established to initiate the anti-dumping investigation against amongst others the Respondent.
the Sections 26 and 28 of the Anti-Dumping Regulations. The subsequent argument apparently is that due to the fact that steel wheel rims imported from Brazil and specifically from the Respondent, cannot be regarded as a like product of the subject goods produced by the Applicant as well as some other factors, the application fails to establish a *prima facie* case upon which the Commission could initiate the investigation.

In so far as reference to the provisions of the Anti-Dumping Agreement is concerned, and specifically Article 5.2 of the Anti-Dumping Agreement, which, in addition to the over arching provisions contained in the introductory part of the Agreement, set out further requirements for the initiation of an anti-dumping investigation. It is important to note that it is not required from the Applicant to submit information sufficient to make a preliminary or final determination of injury. Moreover, the Applicant only needs to provide such information as is "reasonably available" to it with respect to the relevant factors. (See Edwin Vermulst *et al* *WTO Disputes* page 180 and reference to WTO Panel Decisions therein. See also Cliff Stevenson "*The Global Anti-Dumping Handbook*" p51 which requires that a complaint must contain the best information available to the complainant at the time when the complaint is lodged to satisfy the requirements for initiation of an investigation.)

Reference is also made to the provisions of Article 5.3 of the Anti-Dumping Agreement in this regard and note can be taken of the WTO Panel decision in *Guatemala-Cement II Panel Decision* on paragraph 8.31 where it is stated that:

"It is the sufficiency of the evidence and not the adequacy thereof and accuracy per se, which represents a legal standard to be applied in the case of the determination whether to initiate an investigation."
The Respondent also refers to Article 5.8 of the Anti-Dumping Agreement, which relates to the obligation of authorities that are satisfied that there is not sufficient evidence of either dumping or all of in to terminate the investigation promptly in support of its application.

Reference needs in this regard be made to *Vermulst* bid page 190, which states that that the provisions of Article 5.8 only implies pre-initiation. (See also reference to the *Guatemala-Cement II Panel* on paragraph 8.74 therein.) This in fact implies that in view of the fact that an investigation has already been initiated, that the application for termination brought by the respondent is fatally flawed.

The Applicant finally also refers to the Anti-Dumping Regulations applicable to SACU and published under Government Notice 3197 of 2003. The provisions hereof it is submitted is to be regarded as the determinative provision in analysis of the question whether the Applicant has established a sufficient basis to proceed with the investigation.

Analysis of Section 28(2) specifically requires that account be taken of the following criteria in this regard:

- The identity of the Applicant;
- A detailed description of the product under investigation including the tariff sub-heading applicable to the product;
- The country(s) under investigation;
- The basis of the allegation of dumping;
- Summary of the factors on which the allegation of injury is based;
- Address to which representations by the interested parties should be directed;
- Time frame for responses by interested parties.
The Application clearly contains all the necessary information in a format sufficient enough to warrant initiation of the investigation as required.

The Respondent also refers to the provisions of Section 26 of the Anti-Dumping Regulations and the Applicant submits that it is clear from the data and information submitted that all the relevant elements required proof of injury, which includes substantial levels of price undercutting. The Applicant sufficiently adequately demonstrated the presence of these elements, which information and data were properly verified by the Commission. The only response of the Respondent in the questionnaire response not certified as confidential is ad E2.2, which indicate export statistics from Brazil. This indicate a substantial increase in tonnages and value.

The Respondent curiously started argument in the introductory part of the memorandum by referring to the provisions of Article 2.6 of the Anti-Dumping Agreement, which pertains to the requirement of “like products”. The Respondent apparently argues that where an unique manufacturing process is followed in the manufacturing of a steel wheel, it cannot be substituted with another type of steel wheel produced differently. It is further stated that steel wheels have different sizes and other different properties, as determined by inter alia the axle for which they are designed to fit. The allegation is further made that “different sizes of steel wheels are not like and are not substitutable.” (See ad paragraph 2.6.6 of the Memorandum). Without much ado, the Applicant fully supports this last contention and thought that it is self explanatory that different sizes of steel wheel are not interchangeable in their application It is however other criteria that is applied to determine the likeness of products as set out hereinafter and which will indicate the egregious premise on which the Respondent relies.

The Respondent further went to great lengths to discuss and placed emphasis on the apparent differences in production processes applied in the manufacturing of its wheel rims. It is however apparent from the description that the Respondent’s production processes compare in all material aspects to that of the Applicant, as
well as that of the other Respondents involved in this investigation.

If account is taken of the statutory criteria to determine "like products" the manufacturing method is but one of the criteria to be taken into account and the end use of the product, as set out hereinafter are generally regarded as the most conclusive factors.

Attention should further be drawn to the fact that Article 2.6 of the Anti-Dumping Agreement, does not require complete likeness in all material respects. Subject goods that have characteristics closely resembling that of the product under consideration, will be regarded as a like product for purposes of an investigation. Gustav Brink ibid page 29 refers in this regard to the determination of the former Board of Trade and Tariffs in "Unmodified Starch (Belgium, Denmark, France, Germany, Netherlands, Switzerland, Thailand)" where it is determined that the criteria to be considered in the determination of like product, are:

- Physical characteristics
- Raw material used
- Method of manufacture
- Tariff classification
- End-use and substitutability; and
- Price.

Application of these criteria to the imported product from the Respondent, has on investigation by the Applicant reflected similar physical characteristic; use of the same raw materials; followed more or less similar methods of manufacturing; can be classified under the same tariff classification; and have a end-use and substitutability to that of the domestically produced subject goods.

The Board in the past on several occasions allowed for adjustments where products are not exactly similar but still pursued investigations where the products compete with domestic products and complied with the criteria as set out above.
Brink *ibid* p. 32 states that the end-use of a product is to be regarded as the most important factor and that Board will normally be prepared to find that products that compete directly against each other are like products, even if there were significant differences between the products.

The Applicant agrees that steel wheels indeed have different sizes and different properties in order to cater for the wide range of applications in so far as axle and wheel sizes are concerned. The Applicant therefore indeed manufactures most of this wide variety of products in order to comply with the South African market’s requirements. The Respondent’s products compete directly with the Applicant on the SACU market and the notion that only products that are identical in all material respects finds no support in the provisions of the Anti-Dumping Agreement as well as in the determinations of the Board of Trade and Tariffs in the past.

Section 1 of the Anti-Dumping Regulations clearly defines “like products” as

“products [that] need not to be similar in all material aspects, but it would be sufficient if it has characteristics close to resembling those of the product under consideration”.

The Respondent’s further contention is that import duties are to be imposed on all steel wheels as defined in the definition of subject goods and all steel wheels imported under said customs code can be classified as subject goods in the application. Imports of the whole range of steel wheels cause injury to the Applicant as these ranges of steel wheel products are produced by the applicant.

Reference also need to be made to the fact that in terms of Section 8.6 of the Anti-Dumping Regulations, which provides that where a large number of producers, exporters, importers or types of products are involved, the investigation may be limited to a reasonable number of types of product by using samples that are statistically valid on the basis of information available to the Commission, at the time of selection. These matters were carefully taken into consideration by the
investigating authorities.

In sum, it is submitted that the notion by the Respondent that the initiation of the investigation on the basis of the unlikeliness of the products concerned, has no substance. It is inherent in initiation of any investigation that the end use of the product be regarded as the decisive guidance when determining the likelihood of subject goods. To this end the Applicant has clearly indicated that substantial exports of subject goods from the Respondent at dumped prices are the cause of material injury to the Applicant.

Ad Paragraph 2.7 – “Import Statistics, Export Price and Injury”

The Respondent submits that due to the fact that import statistics include some other products, the methodology used by the Applicant is flawed and based on subjective assumptions that are incorrect. The Applicant rejects this statement and wish to respond as follows:

The assumption by the Applicant that the steel and aluminium markets are split on a 50:50 basis, is disputed by the Respondent The Respondent however fails to submit conclusive evidence in opposition of the above-noted assumption, other to state that "we understand from some of the players in the industry that steel wheel figures in South Africa are substantially lower than those stated by the Applicant". The Respondent is obviously unable to present any contrary evidence to refute the Applicant's assumption. The Applicant on the other hand made the assumption based on long standing established business experience in the steel wheel industry in South Africa and market researches done and was able to clearly consolidate this assumption with the total import statistics, sales by the Applicant and its experiences in so far as market demand and requirements are concerned.

In so far as the allegation that aluminium wheels imported into SACU are for the passenger car market and are not used on commercial range of vehicles as per reference F3.1.1 of the application. The Applicant is aware of only a few
commercial vehicles that are equipped with aluminium wheels, which represent a negligible percentage of the total domestic commercial steel wheel requirements. The Applicant once again relies on its market experience and knowledge of the SACU steel wheel industry and wishes to iterate that the Respondent did not submit any information indicating otherwise, and once again relied on a mere subjective allegation to contest the assumption. The Applicant is further not aware of any growing tendency for the use of aluminium wheel rims in commercial type vehicles as alleged. This allegation is once again not supported by the Applicant's market research and information.

The average wheel mass of aluminium passenger wheels were determined by the Applicant, based on true weight of the respective wheel rims. Respondent once again fails to provide an alternative weight for aluminium passenger wheels, other to state that the estimated weight is materially different from the figure provided by the Applicant.

The Respondent once again is unable to submit definitive substantiated evidence to refute the assumption of the Applicant that 70 per cent of the total imports of steel wheels are for commercial use and 30 per cent for the passenger range of vehicles. This assumption was once again based on the longstanding experience of Applicant in the domestic SACU market. The Respondent’s allegation is clearly based on hearsay and conjecture.

The Respondent once again contests the average steel wheel mass of 27.33 kg per wheel. The Respondent's allegation is based on hearsay and conjecture. The Applicant wishes to draw attention to the fact that imported products compete with domestically produced subject goods and that use of an average wheel mass of products produced by the Applicant, being representative of the domestically produced subject goods as well as imported subject goods, present a valid base for determining average steel wheel weight.
The Respondent as expected also contests the average prices of R700 and R325 allocated to aluminium wheels and steel wheels respectively. The Respondent, in similar style once again argues that no substantial evidence was produced to refute this and to provide the correct price as alleged. The Respondent apparently refuses to take account of the fact that these prices present an average price and not specific prices, which renders the arguments that prices differs between various products completely invalid.

Ad paragraph 2.7.2.7 of the Respondent's response is once again a repetition of the contents of paragraph 2.7.2.3 and the Respondent without exception fails to refute the allegations herein contained and to present alternatives.

The Respondent in general argues that the Applicant has not provided documentary evidence to support any of the assumptions, other to make hearsay some vague hearsay allegations. The Respondent further has ample opportunity to refute the assumptions made, but failed to do so and consistently contest each and every assumption by declaring it wrong without presenting any contradictory evidence.

The Applicant submits that it acted consistently with the requirements and provisions of the Anti-Dumping Regulations and once again wishes to draw attention to the fact that Respondent is not entitled to the relief claimed after initiation of the investigation. The assumptions made by the Applicant were duly investigated and tested by the Commissions officials at verification and found to be sufficient and in compliance with the provisions of section 23.1 of the ADR. Article 6.3 of the Anti-Dumping Agreement allows that oral information provided also be taken into account in consideration of an application.

Ad Paragraph 2.8 – “Normal Value”

The Applicant firstly contests the value of the price obtained on a steel wheel on the basis of an incorrect reference to the wheel size and apparent physical
differences between the SACU wheel and the apparent similar wheel produced by Maxion. The reference to the “9x 22” wheel rim is an inadvertent typing error, and the prices obtained by Applicant indeed refers to a “9x 22.5” wheel rim. The Applicant however once again wishes to draw attention to the fact that an average steel wheel price was determined for Brazil based on the prices obtained from the various producers, which by enlarge negate the Respondent’s submissions in this regard. The Respondent conspicuously fails to note what the alleged price differences are between the two wheel sizes. Evidence will also indicate that the Applicant also produces a 9 x 22.5 inch wheel and if account is taken of the criteria to determine like products as discussed before, it is clear that the end use of the imported and domestically produced subject goods are exactly the same and the products compete in all material aspects with each other. It is submitted that the Commission was correct and accepting the prices on these wheels as prima facie proof of domestic prices in Brazil. The Applicant acknowledges that the 22.5 x 9 wheel currently produced does not have an external valve suitable for disc brakes. The features of an outside valve does however not effect the likeness of the product with the domestically produced product. The wheel rim with an external valve can also be used with disc brakes, which implies that it has the exact same end-use as the domestically produced subject goods.

The Memo further alleges the steel wheel rim purchased from Borlem Turkey, is not produced by the Turkish producer. The Applicant wishes to advise that reference to 1 x 22.5 x 19 wheel is incorrect and the wheel size purchased was a SBE19.50 x 7.50 wheel. The Applicant apologizes for the inadvertent oversight in this regard. The majority of imports from Turkey are in fact 22.5 x 19 wheel rims, which compete with the domestic product. The Applicant wishes to draw attention to the fact that it has the specific wheel rim in its possession, which was readily available for inspection by the Commission. Relevant freight documents as well as invoices were submitted as prove of the purchase of the said wheel rim. Importers of subject goods from the Turkish producer concerned, that disclosed their imports, clearly import 22.5 x 19 wheels from Turkey and this size in fact represents the majority of imports into SACU.
The Respondent contests the inclusion of Rodabem and Borlem on the basis that no prices, normal values, etc. were obtained from these producers. The Applicant to this end has already submitted that for purposes of the initiation of an anti-dumping investigation only *prima facie* proof of normal value is required and prices need not to be obtained for each and every producer. The Applicant has adequately complied with these evidentiary requirements (See *Brink* ibid p37–43).

In sum, the Respondent submits that no evidence of normal value was submitted to determine that anti-dumping was taking place. The contents of the application however speak for itself and the Applicant has adequately acquainted itself with the requirements to establish on a *prima facie* basis, that dumping was indeed taking place. The Respondent is required to refute these allegations by substantiating facts and not to merely make allegations that is totally unsupported and based on speculation and conjecture once again resort to some. The Applicant further wishes to draw the attention to the provisions of Section 23 of the Anti-Dumping Regulations, which requires only that such information as is reasonably available on the price for the like products sold in the country of origin or of export, are to be submitted as the normal value standard for initiation purposes.

**Ad Paragraph 3 – “Markets”**

The Respondent argues that whereas there is a distinction between certain market types, the Applicant should have distinguished between those market types, in so far as determination of injury is concerned.

The Applicant wishes to draw attention to the provisions of Section 13.1 of the Anti-Dumping Regulations stating that in determining material injury to the SACU industry, the Commission shall consider whether it has been a significant depression and/or suppression of SACU's industries prices. Reference in this regard is obviously made to the industry as a whole and whereas all the steel products produced by the Applicant are prone to injury due to the imports of
dumped products into SACU, the Applicant has suffered severe injury in so far as all the market sectors are concerned which manifested in price suppression, price depression and price undercutting on all or on certain of the subject goods. Other factors associated with sustained injury, has also been proven in the application.

It would make no sense to delineate market along lines of distinct sectors as suggested by the Respondent in apparent following of decisions by the European Commission. Analysis of the aforementioned decisions applies specifically to the situation in the European Union with distinct producers and production facilities for the several sectors that accommodate such distinction. The provisions of Article 6.3 of the ADA is clear that where factors such as production of the like product, such as producers' profits and sales cannot be separately identified, consideration of a broader group of product is allowed. In this instance all products are produced at the same facilities and products produced regardless of the sector is homogenous, which renders it impossible to distinguish between market sectors.

A substantiated case was made out that the Applicant is suffering injury in all relevant sectors, as evidenced by the injury data submitted.

**Ad Paragraph 4 – “Supply of Steel Wheels in South Africa”**

In so far as the evaluation of the domestic steel market is concerned, the Applicant wishes to submit the following:

The Applicant at all times were able to and willing to service the SACU steel wheel purchases if account is taken of the under utilization of production capacities. Substantiated evidence to that effect was submitted which include proof of the reduction of shifts work as a measure to address the declining demand over a period of time. It was however clear that preference was given to dumped goods by domestic steel wheel purchasers, to the detriment of the Applicant.
The Respondent further alleges that the effect of fluctuations in the rand / dollar exchange rate and specifically the strengthening of the rand and abstracts from financial reports in so far as the Dorbyl Group is concerned, specifically the automotive manufacturing divisions, is out of context. The argument is further flawed if account is taken of the fact that the Dorbyl Group comprises several business divisions and sub-divisions, which fall under Dorbyl Transport Technologies. Applicants export market is now relatively small in comparison to the domestic market and although the weakening of the US $ against the Rand did affect all industries involved in exports, this was not determined to be a conclusive factor in the decision by the Commission to initiate proceedings.

Conclusive proof has been submitted as part of this application of several offers for sale at substantially discounted prices being declined by domestic purchasers due to the presence of dumped imports even before the so-called spur in exports by Guestro as alleged. It should be noted that efforts to export lately were done as a means to keep production running due to the decline in demand brought about by the influx of dumped subject goods into SACU.

It should be reiterated that Dorbyl Automotive Technologies include some other business divisions and to impute their situation on the Applicant is wrong. The injury suffered by the Applicant, being a private company, speaks for itself and all injurious factors have been adequately proved, justifying the initiation the investigation.

Ad Paragraph 5 – “Submissions in respect of Allegations of Material Injury Section 5”

The Respondent submits that dumped imports of steel wheels were not the cause of the injury suffered by the Applicant and once again contest the methodology applied to calculate import volumes and values. Respondent once again relies on unsubstantiated allegations in support of its flawed argument.
The Respondent in ad paragraph 5.4 submits that the Applicant was wrong to use an ex-factory level price to determine price undercutting. The Applicant wishes to submit that price undercutting is defined in Section 1 of the Anti-Dumping Regulations the extent to which price of imported product is lower than the price of the like product produced by the SACU industry “as measured at the appropriate point of comparison”. The Applicant submits that the use of a ex-factory price allows for proper comparison on similar level of trade to allow for a proper basis of comparison. The notion that “in store costs” is to be used is incorrect as the Commission’s stated policy called on by the Respondent in support of its argument in fact refers to a “landed cost” and not an “in store” cost as alleged. However, with reference to Brink ibid page 139, the Board in fact has no definite policy in this regard. Brink states on p. 140:

“This shows that the Board has not developed a clearly defined policy on determination of price undercutting.”

The supporting evidence relied on by the Applicant, with supporting documentation of tenders and prices from importers of subject goods clearly indicate and support of the large degree of price undercuttings in so far us imported steel wheels are concerned. The submissions made by some importers which were not subject to confidentiality constraints, also support the argument of price undercutting.

With reference to ad paragraph 4.2, Price Depression, the Applicant wishes to submit that although on average no price depression has been suffered during the past 12 months, adequate proof of price depression has been presented for previous years, which justify the decision and general of price depression being suffered by the Applicant if account is taken of the cumulative effect on the Applicant’s prices over the period of 5 previous years.

In so far as the other elements raised by the Respondent are concerned, and which are general deem to be indicative of injury, the Respondent has once again adduced no new evidence other than speculation and the use of certain factors
and indicators such as the strengthening of the Rand, out of context in which it was published.

**Ad Paragraph 6 – “Section G – Threat of Material Injury”**

The Respondent once again denies the allegations, but is in no position to refute it by means of substantiated evidence able to contradict the submissions made on behalf of the Applicant. The Applicant in turn has submitted substantiated evidence of the potential threat in compliance with the requirements as laid down. To this end, evidence was adduced of the significant rate of increased of dumped imports into SACU and the sufficiently freely available capacities of the exporters concerned. The Applicant further submits substantiated evidence on the fact that products will be entering the SACU markets with significant depressing of suppressing effects on prices. Attention is once again drawn to the Respondent’s response to E2.2 in the questionnaire response, which indicate an increase of 43 per cent of volumes exported from Brazil in 2000 to 2003. This confirms the potential threat to the domestic industry from the Respondent and other respondents.

**Ad Paragraph 7 – “Section 8 – Cause of Material Injury”**

In ad paragraph 7.2, the Respondent once again endeavours to place the blame for the injurious situation endured by the Applicant over the past few years to other factors such as the weakening or strengthening of the Rand, imports of other products and the rise in steel prices. It is in this regard significant that most of the producers have also endured the strengthening of their monetary units against the dollar, and has also suffered the effects the increase in steel price, which are universal and should also have been restricted in exports, due to the presence the above-noted factors. However, if analysis of the current situation is made, it is clear that the SACU market has been inundated with cheap dumped imports of steel wheels pouring into the country and which cause serious injury to the domestic industry. This is once again evidenced by all the data submitted by the
Applicant, which warrant that the initiation of an anti-dumping investigation.

The Applicant further submits that the level of exports by the noted exporters will be determined beyond reasonable doubt during the verification by the Commission. To this end the Commission has already verified all data submitted by the Applicant and determined it to be acceptable and sufficient to justify the initiation of the anti-dumping investigation.

Ad Paragraph 8 – “Conclusion”

All the allegations made by the Respondent have been properly refuted in the aforementioned discussions.

It is clear that other than mere allegations, all of which are unsubstantiated and unrelated conclusions and based quotes taken out of contexts, no substantiated evidence to refute any of the allegations made were submitted. Criticisms reached on the methodology followed by the Applicant are without substance and no alternatives were offered.

The Applicant therefore requests the Commission to proceed with the investigation based on the merits of the application, which was found sufficient to warrant a full investigation.
WWB also stated that the Commission should disregard the Applicant's reply, as the ADR does not contemplate a submission in the nature of the Applicant's reply and requested the Commission to clarify the legal status of the Applicant's reply. They also stated that the investigation was initiated on the basis of the Applicant's application to the Commission and that, accordingly, the onus of providing sufficient evidence to prove a *prima facie* case that the alleged dumping of the steel wheels has caused the alleged injury to the Applicant rests with the Applicant. They contend that the Applicant has failed to discharge the onus and that the investigation was improperly initiated and should accordingly be terminated forthwith. They stated that their clients have demonstrated the existence of other factors that have caused the Applicant to suffer injury and that the Applicant has not denied this.

The Commission decided that the information and comments submitted by the Applicant after the initiation of the investigation will be taken into consideration by the Commission for purposes of its preliminary and final determinations, as all comments and information submitted within the prescribed time-limits will be considered by the Commission.
9. **CONFIDENTIALITY OF INFORMATION**

In response to the questionnaires submitted by the importers and exporters, the Applicant submitted that certifying without discrimination of all numerical data as confidential and due to the fact that it is in numerical format, not subject to summarisation, defies the whole purpose for submitting a non-confidential questionnaire response.

The Applicant stated that it is unable to submit any meaningful comments and wish to advise that numerical data can be summarised in indexed format, which would have allowed a more meaningful analysis of the non-confidential response. To this end the Applicant wishes to draw attention to Gustav F Brink: *Anti-Dumping and Countervailing Investigations in South Africa* on p188:

"In so far as confidentiality is concerned, it is not deemed sufficient to include a blanket statement that all omitted information is confidential on the basis that it would grant other parties a competitive advantage. If the confidential information is not susceptible to summarization, reasons should be supplied in each case."

The Applicant stated that the Respondents in this matter clearly applied a blanket qualification to each and every number incorporated into the questionnaire response and tried to justify this by a further statement that the numerical nature of the data prevents summarization thereof.

The Applicant stated that Article 6.5.1 of the Anti-Dumping Agreement requires that summaries be provided of all confidential information required. These summaries are to be in sufficient detail to permit a reasonable understanding of the substance of the information submitted in confidence. Only in exceptional circumstances may parties indicate that such information is not susceptible of summary and in such event a statement of reasons why summarization is not possible must be provided. The abuse of the confidentiality constraints by the Respondent by certifying without exception all numerical data as confidential and not as an exception was clearly not contemplated by the WTO and defies the
whole purpose and rationale for submitting a non-confidential version of the questionnaire response. It has been proven and is common practice by all WTO members to require that numerical data be submitted to indexed format and the applicant complied with this requirement in accordance to directives received.

The Applicant referred the Commission to Edwin Vermulst and Folkert Graafsma “WTO Disputes Anti-dumping, Subsidies and Safeguard” which states that the requirement pertaining to the fact that confidential summaries should be in sufficient detail to permit a reasonable understanding represents a very important element of the Anti-Dumping Agreement, which reflects the balance struck by the agreement. On the one hand there is the need to protect the confidential reality of certain information, and on the other hand, the need to ensure that all parties have a full opportunity to defend their interests. It is clear that the certifying of confidential information by the Respondent does not allow the Applicant to defend its interest at all.

The Applicant stated that in view of the above-noted, it is unable to submit any meaningful comments on the non-confidential questionnaire response as such. The Applicant stated that its non-confidential version of the application on the other hand, provides indexed data which allowed the Respondents ample opportunity for analysis, as is evident by the memorandum submitted in support of the Respondents’ response.

The Commission noted the Applicant’s request that the exporters and importers index its confidential information. The Commission decided that it accepts the exporters’ and importers’ claims for confidentiality and further noted that it is not meaningful for exporters and importers to index the information submitted for only one year.
10. SUMMARY OF FINDINGS

10.1 Dumping

The Commission found that the subject product originating in or imported from Brazil, the People’s Republic of China, Chinese Taipei and Turkey was dumped into the SACU market with the following margins:

<table>
<thead>
<tr>
<th>Exporter</th>
<th>Country of origin</th>
<th>Dumping margin expressed as a percentage of the fob export price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borlem</td>
<td>Brazil</td>
<td>39.3%</td>
</tr>
<tr>
<td>Maxion</td>
<td>Brazil</td>
<td>40.0%</td>
</tr>
<tr>
<td>Mangels</td>
<td>Brazil</td>
<td>6.7%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>Brazil</td>
<td>42.4%</td>
</tr>
<tr>
<td>All exporters</td>
<td>Chinese Taipei</td>
<td>10.5%</td>
</tr>
<tr>
<td>Ningbo Yingdahuang Auto Parts Co Ltd</td>
<td>People’s Republic of China</td>
<td>2.5%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>People’s Republic of China</td>
<td>56.0%</td>
</tr>
<tr>
<td>Jantas</td>
<td>Turkey</td>
<td>9.2%</td>
</tr>
<tr>
<td>All other exporters</td>
<td>Turkey</td>
<td>29.8%</td>
</tr>
</tbody>
</table>

10.2 Material injury

The Commission decided that it would not request the Applicant to split the injury information between the original equipment market and aftermarket, as the products imported are both for the original equipment market and the aftermarket. Therefore, the Commission decided that the injury information should be considered as one market.

The Commission found that the Applicant suffered material injury in the form of price undercutting, price suppression, the decline in output, sales, profit, market
share, productivity, capacity utilization, negative effect on cash flow, employment return on investment and growth.

10.3 Threat of material injury

The Commission decided that the information submitted by the Applicant and the exporters is not sufficient to find that there is a threat of material injury to the SACU industry.

10.4 Causal link

The Commission considered all the comments received from interested parties and decided that there are other factors than dumping, including the Applicant’s export performance, poor service to domestic customers and the strengthening of the Rand, that sufficiently detracted from the causal link between the dumping and the material injury.

10.5 Confidential information

The Commission noted the Applicant’s request that the exporters and importers index its confidential information. The Commission decided that it accepts the Applicant’s, exporters’ and importers’ claims for confidentiality and further noted that it is not meaningful for exporters and importers to index the information submitted for only one year.
11. **DETERMINATION**

The Commission made a preliminary determination that the subject products originating in or imported from Brazil, the People's Republic of China, Chinese Taipei and Turkey are being dumped on the SACU market and that the SACU industry is suffering material injury.

The Commission however made a preliminary determination that factors other than dumping sufficiently detracted from the causal link between the dumping and the material injury.

The Commission therefore decided to recommend to the Minister of Trade and Industry to terminate the investigation.

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