REPORT NO. 504

SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON CLEAR FLOAT AND DRAWN GLASS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND INDIA: FINAL DETERMINATION

The International Trade Administration Commission of South Africa herewith presents its **Report No. 504: SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON CLEAR FLOAT AND DRAWN GLASS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND INDIA: FINAL DETERMINATION**

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CHIEF COMMISSIONER

PRETORIA
16/07/**2015**

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 504

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SYNOPSIS

On 20 June 2014, the Commission notified the SACU industry through notice No. 450 in the Government Gazette No. 37740, that unless a substantiated request is made by it indicating that the expiry of the anti-dumping duties on the subject product originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duties on the subject product originating in or imported from China and India would expire on 25 March 2015.

On 20 February 2015, the Commission initiated a sunset review of the anti-dumping duties on clear float and drawn glass originating in or imported from China and India through Notice No.151 published in the *Government Gazette* No. 38478.

The application was lodged by PFG Building Glass (the Applicant). The Applicant is the only producer of clear float glass in the Southern African Customs Union (SACU).

The investigation was initiated after the Commission considered that the expiry of the anti-dumping duties on imports of clear float and drawn glass originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and injury.

On initiation of the investigation, the known producers/exporters of the subject product in China and India were sent foreign manufacturers/exporters questionnaires to complete. Importers of the subject product were also sent questionnaires to complete. No properly documented responses were received from any interested party.

After considering all interested parties' comments, the Commission made a final determination that the expiry of the anti-dumping duties on clear float and drawn glass originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and material injury.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties be maintained.

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation was conducted in accordance with the International Trade Administration Act, 2002 (ITA Act), and the International Trade Administration Commission Anti-Dumping Regulations (ADR), read with the World Trade Organization Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (ADA).

1.2 APPLICANT

The application was lodged by PFG Building Glass, the only producer of float glass in the SACU.

1.3 INVESTIGATION PROCESS

On 20 June 2014, the Commission notified the SACU industry through notice No. 450 in the Government Gazette No. 37740, that unless a substantiated request is made by it indicating that the expiry of the anti-dumping duties on the subject product originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duties on the subject product originating in or imported from China and India would expire on 25 March 2015.

A response to the review questionnaire was received from the Applicant on 15 July 2014. After all the deficiencies were addressed, an updated application was received on 10 December 2014.

The information submitted by the Applicant was verified on 13 January 2015. A verification report was sent on 19 January 2015. Further deficiencies were addressed and the application was resubmitted on 21 January 2015. Notice of initiation of the investigation was published in the *Government Gazette* on 20 February 2015. Due date for submission of responses to the Applicant's review questionnaire was 1 April 2015.

1.4 INVESTIGATION PERIOD

The investigation period for dumping is from 01 April 2013 to 31 March 2014, and the injury investigation involves evaluation of data for the period of 1 April 2011 to 31 March 2014, as well as an estimate should the duties expire.

1.5 PARTIES CONCERNED

1.5.1 SACU industry

The application was lodged by PFG Building Glass (the Applicant). The Applicant is the only producer of clear float glass in SACU.

The Commission decided that the application could be regarded as being made "by or on behalf of the domestic industry" under the provisions of the Anti-Dumping Regulations.

1.5.2 Foreign Manufacturers/Exporters

No properly documented responses from any manufacturer in China or India were received.

1.5.3 Importers

A deficient response was received from Southern Key Trading (Pty) Ltd, an importer of tempered glass originating in China. A letter was sent on 10 April 2015 requesting clarity on the product which it imported, but no response was received. Southern Key Trading responded to the essential facts letter stating that the import was done as a once-off purchase for 'self-use' in the development of a property and no re-sale statistics could be provided.

The Commission made a final determination not to take their information into account.

1.6 Comments

After considering all the information available, the Commission issued essential facts letters stating that it was considering making a final determination that the expiry of the anti-dumping duties on clear float and drawn glass originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and to the recurrence of material injury. Responses to the Commission's essential facts letter were received from the Applicant and Southern Key Trading.

Southern Key Trading responded to the essential facts letter stating that the import was done as a once-off purchase for 'self-use' in the development of a property and no re-sale statistics could be provided.

The Applicant stated that it was in agreement with the facts that would be considered by the Commission for making a final determination.

1.7 Final determination

The Commission made a final determination that the expiry of the anti-dumping duties on clear float and drawn glass originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and material injury. The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties be maintained.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 Product

2.1.1 Description

The subject product is described as clear drawn and float glass of 3mm to 6mm thickness. Although drawn glass is not manufactured in the SACU, the Applicant stated that the product is a direct substitute for the SACU manufactured product, i.e. clear float glass.

2.1.2 Like product

In the original investigation the Commission found that the SACU product and the imported product are "like products" for purposes of comparison in terms of Article 2.6 of the Anti-dumping Agreement.

2.1.3 Tariff classification

The subject product is classifiable as follows:

Drawn glass - Tariff heading: 70.04
Clear float glass - Tariff heading: 70.05

Tariff subheading	Description	Referred to as	Unit of measurement	# Rate of customs duty ('general')	Rebate provision description
70.04.90.90	*Drawn glass and blown glass, in sheets-other*	*3 to 6 mm*	*m^2*	*10%*	*None*
70.05.29.17	*Of a thickness exceeding 2,5mm but not exceeding 3mm (excluding optical glass)*	*3mm*	*m^2*	*10%*	*None*
70.05.29.23	*Of a thickness exceeding 3mm but not exceeding 4mm (excluding optical glass)*	*4mm*	*m^2*	*10%*	*None*
70.05.29.25	*Of a thickness exceeding 4mm but not exceeding 5mm (excluding optical glass)*	*5mm*	*m^2*	*10%*	*None*

Tariff subheading	Description	Referred to as	Unit of measurement	# Rate of customs duty ('general')	Rebate provision description
70.05.29.35	*Of a thickness exceeding 5mm but not exceeding 6mm (excluding optical glass)*	*6mm*	*m^2*	*10%*	*None*

2.1.4 Other applicable duties

The following anti-dumping duties are applicable:

Tariff Heading/ Subheading	Description	Imported from or Originating In	Rate of Anti-Dumping Duty
7004.90.90	Drawn glass and blown glass, in sheets, whether or not having an absorbent or reflecting layer, but not otherwise worked, of a thickness exceeding 2,5 mm but not exceeding 6 mm (excluding optical glass)	China	562c/m^2
7004.90.90	Drawn glass and blown glass, in sheets, whether or not having an absorbent or reflecting layer, but not otherwise worked, of a thickness exceeding 2,5 mm but not exceeding 6 mm (excluding optical glass)	India	587c/m^2
7005.29.17	Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 2,5 mm but not exceeding 3 mm (excluding optical glass)	India	720c/m^2
7005.29.17	Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 2,5 mm but not exceeding 6 mm (excluding optical glass), (excluding that manufactured by Dalian Float Glass Co. Ltd.)	China	802c/m^2
7005.29.23	Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 3 mm but not exceeding 4 mm (excluding optical glass).	China	802c/m^2
7005.29.23	Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 3 mm but not exceeding 4 mm (excluding optical glass).	India	886c/m^2
7005.29.25	Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 4 mm but not exceeding 5 mm (excluding optical glass).	China	802c/m^2
7005.29.35	Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 5 mm but not exceeding 6 mm (excluding optical glass).	India	1 387c/m^2
7005.29.35	Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 5 mm but not exceeding 6 mm (excluding optical glass).	China	802c/m^2

3. INDUSTRY STANDING

The Applicant is the only producer of clear float glass in the SACU.

The Commission made a final determination that the application can be regarded as being made "by or on behalf of the domestic industry" in terms of Section 7 of the Anti-Dumping Regulations.

4. CONTINUATION OR RECURRENCE OF DUMPING

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 f.o.b. export price. If the margin is less than two percent, it is regarded as *de minimis* in terms of ADR 12.3 and no anti-dumping duty will be imposed.

In determining the likelihood of continuation or recurrence of dumping, the Commission made a final determination to use the best information available, being that provided by the Applicant, as no properly documented responses were received from manufacturers in China or India.

It should be noted that PFG did not obtain separate dumping information for drawn glass as was the case in the original anti-dumping application and previous sunset reviews. The Applicant stated that the only reason why there is a dumping duty on drawn glass is because the anti-dumping duty on float glass can be circumvented by importing float glass and declare it as drawn glass. The Commission therefore decided to accept this approach and accept that the normal values and export price of drawn glass and float glass are deemed to be the same.

The Applicant stated that while prices and statistics for the subject product are sometimes quoted per ton/kilogram or square meter or per square foot, it is more practical, in matters such as the current application, to express quantities and prices on a per ton basis, as this allows the various thicknesses of the product to be dealt with simultaneously as prices are often, within relatively small variances, proportional to the thickness of the subject product. Consequently, if prices are available for one, or two, of the subject product thicknesses, average prices per ton can be derived that will be representative of the price for all thicknesses of the subject product. The conversion tables used are as follows:

Conversion tables square feet to square metres/square metres to square feet	
1 square foot =	0.0929 square metres
1 square metre =	10.7643 square feet
Conversion table square metres of subject product to tons	
Subject product thickness	**Square metres (m^2) per ton**
3mm	139.04
4mm	103.38
5mm	81.94
6mm	67.98

The exchange rates used in the compilation of this application are based on average exchange rates for the period 1 April 2013 to 31 March 2014 and are as follows:

Country	Currency	Rand
CHINA	1 RMB	1.6418
INDIA	1 IRB	0.1673
USA	1 US$	10.1052

*Exchange rates were obtained from OANDA.com

4.1 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM CHINA

4.1.1 Normal Value

In determining the normal value for China, the Commission used the price quotations submitted by the Applicant.

Adjustments

The Commission made a final determination not to allow the adjustments claimed for which no substantiation could be provided.

4.1.2 Export Price

In calculating the export price for China, as no properly documented responses were received from manufacturers in China, the Commission made a final determination to use the best information available, being that provided by the Applicant.

In calculating the export price for China, the Commission used the quote obtained from an exporter in China that exported to South Africa during the period of investigation. The Commission decided to allow an adjustment of 5 per cent to calculate the price in January 2014.

Adjustments

The Commission made a final determination not to allow the adjustments claimed for which no substantiation could be provided.

4.2 Margin of Dumping

The following dumping margins were therefore calculated for clear float glass:

China – clear float glass	Margin of Dumping as % of net export price
3mm	268.1%
4mm	237.0%
5mm	291.2%
6mm	278.3%

The following dumping margin was calculated for drawn glass from China:

Hs Code: 7004.9	Margin of Dumping as % of net export price
3mm – 6mm	268.0%

The Commission noted that the dumping margin calculated is abnormally high, due to the fact that the adjustments to calculate the normal value to ex-factory level could not be substantiated by the Applicant and could therefore not be allowed. The Commission was however of the view that this is acceptable information in making a determination on the likelihood of continuation or recurrence of dumping.

4.3 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM INDIA

4.3.1 Normal Value

In determining the normal value for India, and as no properly documented responses were received from any exporters in India, the Commission made a final determination to use the best information available, being that provided by the Applicant.

The Applicant obtained a price quotation for flat glass in India. The prices were obtained from retailers in India in Indian Rupee and VAT was not included.

Adjustments

The Commission made a final determination not to allow the unsubstantiated adjustments made by the Applicant.

4.3.2 Export Price

In calculating the export price for India, as no properly documented responses were received from manufacturers in India, the Commission made a final determination to use the best information available, being that provided by the Applicant.

The Applicant obtained a price quotation for flat glass in India. The prices were obtained from retailers in India in Indian Rupee and VAT was not included.

Adjustments

The Commission made a final determination not to make any unsubstantiated adjustments to the export price. The Commission decided to allow the adjustment for ocean freight as this could be substantiated.

4.4 Margin of Dumping

The dumping margins for India were calculated as follows:

India – clear float glass	Margin of Dumping as % of net export price
3mm	505.4%
4mm	378.4%
6mm	218.7%

India – drawn glass	Margin of Dumping as % of net export price
3mm – 6mm	335.2%

The Commission noted that the dumping margin calculated is abnormally high, due to the fact that the adjustments to calculate the normal value to ex-factory level could not be substantiated by the Applicant and could therefore not be allowed. The Commission was however of the view that this is acceptable information in making a determination on the likelihood of continuation or recurrence of dumping.

4.5 FINAL DETERMINATION: DUMPING

The Commission made a final determination that the expiry of the duties would likely lead to the continuation or recurrence of dumping of the subject product originating in or imported from China and India.

5. CONTINUATION OR RECURRENCE OF MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to PFG Building Glass. As their production volume represents 100 per cent of the total SACU production, the Commission decided that this constitutes "a major proportion" of the total domestic production, in accordance with the Anti-Dumping Regulations.

5.2 IMPORT VOLUMES AND THE EFFECT ON PRICES

5.2.1 Import volumes and value

The following table shows the volume of allegedly dumped imports of the subject product obtained from SARS:

Table 5.2.1: Import volumes:

Country	2011/2012	2012/2013	2013/2014	Estimates if duties expire
Alleged dumped imports (Tons): China India	 88 Zero	 113 Zero	 15 956 Zero	 24 130 1 900
Other imports (Kg)	27 641	27 765	22 121	22 121
Total Imports:	27 729	27 878	38 078	48 152
Alleged imports as a % of total imports: China India	 0.32% 0.00%	 0.41% 0.00%	 41.90% 0.00%	 50.11% 3.95%
Other imports as a % of total imports	99.68%	99.59%	58.09%	45.94%
Total %	100%	100%	100%	100%

The Applicant stated that the SARS import statistics do not provide a useable basis for trend analysis concerning subject product originating in China and India, owing to the existence of the current anti-dumping duties and seemingly erroneous listing of some imports from China. That said, it is typical, when dumping recurs following the removal of anti-dumping measures, that imports from the party/ies involved in dumping increase almost exponentially. In the absence of anti-dumping measures the volume of dumped imports from China and India is expected to initially increase to 12 000 tons representing the expected loss by volume of sales to the dumped imports experienced by the applicant, as well as by importers of non-dumped imports. The price of dumped imports from China and India are also likely to decline by a further 10%, as those exporters try to rapidly gain market share. In this regard, when dumping recurs, exporters can be expected to lower their prices significantly below their export prices prior to the removal of the duties, in order to take market share from local producers in the target market as well as from existing exporters to that market.

5.2.2 Effect on Domestic Prices

5.2.2.1 Price undercutting

Price undercutting is the extent to which the price of the imported product is lower than the price of the SACU product.

No price undercutting took place during the period of investigation.

The Applicant stated that this was estimated based on the import prices which were based on the quotes received from China and India that should the anti-dumping duties be revoked, the SACU industry's selling prices, if not reduced, would be undercut by the imported product causing material injury. It should also be noted that when dumping recurs, exporters can be expected to lower their prices below the prices prior to the removal of the duties, in order to take market share from local producers in the target market as well as from existing exporters to that market.

The Applicant also indicated that the price undercutting by dumped imports is by definition material injury and that this itself is a clear indicator of severe material injury as the reduced selling price is not the result of market forces or normal competition, but is the direct result of injurious dumping, an unfair and highly deleterious trading practice.

5.2.2.2 Price depression

The table below shows the domestic industry's domestic selling price for the period April 2011 - March 2014 and an estimate in the event of the duties expiring:

Table 5.2.2.2 Price depression

	2011/2012	2012/2013	2013/2014	Estimate if duty expires
Applicant ex-factory price	100	100	112	95

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the 2013/2014 figures reflect data with the anti-dumping duties in place against subject product imports from China and India and also takes into account the continuing soft market conditions arising from the ongoing global economic downturn. The Estimate column, assuming that the anti-dumping duties are no longer applicable, illustrates the large magnitude of price depression that will be experienced, as the SACU subject product producer is forced to reduce its selling price to compete with the dumped prices from China and India if the anti-dumping duties are revoked.

5.2.2.3 Price suppression

Price suppression takes place where the cost-to-price-ratio of the SACU industry increases.

The following table shows the Applicant's average costs of production and its average selling prices for the subject product for the years since the duty was imposed, and an estimate in the event of the duties expiring:

Table 5.2.2.3 Price suppression

	2011/2012	2012/2013	2013/2014	Estimate if duty expires
Units tons	100	126	136	122
Unit price Rand	100	100	112	95
Unit cost (Production) Rand	100	104	119	122
Gross Profit per unit Rand	100	94	104	72
Production cost as % of selling price	100	105	107	128

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the 2013/2014 data takes into account the continuing soft market conditions arising from the ongoing global economic downturn. The "estimate" column, assuming that the anti-dumping duties are no longer applicable, illustrates the considerable magnitude of price suppression that will be experienced, as the SACU subject product producer is forced to reduce its selling price to compete with the dumped prices from China and India. In this regard, the SACU producer will not be able to recover unavoidable cost increases on important manufacturing inputs, some of which include the electricity price hikes, any raw material increases, and increases in the administered price of liquid and gaseous fuels. The indicated price suppression is direct material injury and is not the result of market forces or normal competition, but is the direct result of injurious dumping - an unfair and highly deleterious trading practice.

The Applicant also stated that the subject product glass from various manufacturers tends to be relatively homogenous. The product from one producer can fairly easily be substituted with product from other producers. Consequently, glass does tend to be very price-elastic between producers, as users do strongly tend to buy from the cheapest supplier. Given these market characteristics, if injuriously dumped product is permitted to enter the SACU market, users will increasingly purchase the injuriously dumped product, increasing the demand for dumped imported product, often rapidly and exponentially. It is important to realize that such imports do not increase the overall market size, but, by unfair and highly deleterious means, simply displace normally priced locally produced and normally priced imported product. The information gathered in order to compile this application provided ample evidence that if anti-dumping duties on the subject product originating in China and/or India are terminated, highly injurious dumping from those sources is likely to recur. Such dumping will lead to rapid increases in imports from those sources, and probably from other suppliers willing to engage in injurious dumping – a probability greatly increased by the ongoing global economic slow-down. In the absence of anti-dumping measures the volume of dumped imports from China and India is expected to initially increase more or less in line with the declining sales of PFG, representing the expected loss by volume of sales to the dumped imports experienced by the applicant. Should such dumping not be curbed it is likely that the volume of imports would rapidly increase further, increasingly eroding the applicant's market share as well as that of exporters that are not prepared to meet the dumped prices.

5.2.3 Economic factors and indices having a bearing on the state of the industry

5.2.3.1 Actual and potential decline in volumes

The following table shows the Applicant's sales volume of the product under investigation in 2011/2012 to 2013/2014, and an estimate in the event of the expiry of the duties:

Table 5.2.3.1 Sales volume and value

Tonnes	**2011/2012**	**2012/2013**	**2013/2014**	**Estimate if duty expires**
Applicant's sales volume	100	126	136	122
Applicant's sales value	100	125	152	116

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the 2013/2014 data takes into account the continuing soft market conditions arising from the ongoing global economic downturn. The 'estimate" column, assuming that the anti-dumping duties are no longer applicable, illustrates the considerable decline in sales volume and value that is likely to be experienced by the SACU producer as, despite reducing selling prices to combat the imported dumped product, the imported dumped product will still significantly undercut the SACU producer's price, leading to the SACU producer losing significant sales by volume and value. The reduced sales volume and value shown in the "estimate" column is the minimum loss expected, based on past experience with injurious dumping.

The Applicant stated that if dumping were to persist for some time the SACU producer's sales volumes and value can be expected to continue to fall rapidly, possibly necessitating the closure of one of the two production lines and resulting in material injury to both lines.

5.2.3.2 Profit

The following table shows the Applicant's profit before interest and tax for the years 2011/2012 to 2013/2014 and an estimate in the event of the expiry of the duties:

Table 5.2.3.2 Profit

	2011/2012	2012/2013	2013/2014	Estimate if duty expires
Units sold	100	126	136	122
Total Gross profit	100	119	114	88
Total Net profit	100	116	131	45

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the estimate, assuming that the anti-dumping duties are no longer applicable, illustrates the precipitous profit decline that is likely to be experienced by the SACU producer as, despite reducing selling prices to combat the imported dumped product, the imported dumped product would still significantly undercut the SACU producer's price, leading to the SACU producer losing significant sales by volume and value, resulting in the plant operating at increasingly uneconomic levels and putting profits under a "double squeeze". If dumping were to persist for some time the SACU producer's decline in profitability can be expected to increase, probably forcing the closure of one production line and eventually both lines, as the indicated levels of profitability are likely to become increasingly uneconomic.

The Applicant further stated that declines in profitability where such declines are occasioned by unfair and harmful trading practices such as injurious dumping, is, by definition, material injury.

5.2.3.3 Output

The following table outlines the Applicant's domestic production volume of the subject product for the years 2011 to 2013 and an estimate in the event of the expiry of the duties:

Table 5.2.3.3 Output

Years	2011/2012	2012/2013	2013/2014	Estimate if duty expires
Applicant's production (Tonnes)	100	110	111	103

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the estimate column, assuming that the anti-dumping duties are no longer applicable, illustrates the large decline in output which inevitably will follow the declining sales volumes set out previously, as it is not viable to increase inventories excessively, or to increase exports into an already oversupplied global market. Consequently, the least deleterious defensive action would be to reduce output. Were injurious dumping to persist for an extended period, the SACU producer's output is likely to decline to the point where the closure of one production line becomes unavoidable, as output can only be adjusted within relatively small margins on a float glass line. The possibility of eventually having to close both lines can also not be ruled out.

The Applicant further stated that output reductions, where such losses are occasioned by unfair and harmful trading practices such as injurious dumping, is, by definition, material injury.

5.2.3.4 Market share

The following table shows the market share for the subject product for the years 2011/2012 to 2013/2014 and an estimate in the event of the expiry of the duties:

Table 5.2.3.4 Market share (Volume)

Market share in volume : Tonnes	**2011/2012**	**2012/2013**	**2013/2014**	**Estimate if duty expires**
Applicant	100	125	152	116
Other SACU producers	Zero	Zero	Zero	Zero
Alleged dumped imports:				
China	302 922	622 061	1 160 981	19 575 354
India	Zero	Zero	Zero	4 297 504
Other imports	66 792 567	58 898 102	64 280 002	64 280 002

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that based on the data in the table above, if the anti-dumping duties are terminated, it is likely that injurious dumping from China and India will recur, forcing it to significantly cut selling prices to well below normal levels in order to be able to sell at least some product. As it will not be possible to match the very low expected dumped prices in the absence of anti-dumping duties, there will inevitably also be a loss of sales by volume on the part of the Applicant – resulting in loss of market share by volume, and because the lower sales will be at a lower than normal price, also a significant loss of market share by value.

The Applicant further stated that the estimate column, assuming that the anti-dumping duties are no longer applicable, illustrates the precipitous decline in market share by volume and by value that is likely to be experienced by it as, despite reducing selling prices to combat the imported dumped product, the imported dumped product will still significantly undercut its price, leading, inevitably, to it losing significant sales (market share) to dumped imports by volume and value. The reduced market share shown is the minimum decline expected. If dumping were to persist for some time the SACU producer's market share can be expected to continue to fall quite rapidly possibly necessitating the closure of one of the two production lines and eventually both lines.

The Applicant stated that a loss of market share, where such loss is occasioned by unfair and harmful trading practices such as injurious dumping, is by definition material injury. Loss of sales value coupled with lower sales volumes, where this phenomenon is the result of dumping typifies the "double squeeze injury" effect – reduced sales at lower prices, leading to major market share losses.

5.2.3.5 Productivity

Using the production and employment figures sourced from the Applicant, its productivity in respect of the subject product was as follows for the years 2011/2012 to 2013/2014, and an estimate is also provided for what the productivity would be in the event of the expiry of the duties:

Table 5.2.3.5 Productivity

Tons	2011/2012	2012/2013	2013/2014	Estimate if duty expires
Total production volume	100	110	111	103
Number of manufacturing employees	100	97	103	92
Units per employees produced	100	113	108	111

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the estimate column, which assuming that the anti-dumping duties are no longer applicable, illustrates the decline in output volumes, as it is not viable to increase inventories excessively, or to increase exports into an already oversupplied global market. It is also likely that, over time, staff will have to be reduced and if dumping were to be prolonged, the closure of one production line may become unavoidable, as output can only be adjusted within relatively small margins on a float glass line.

The Applicant further stated that declines in productivity, where such losses are occasioned by unfair and harmful trading practices such as injurious dumping, is, by definition, material injury.

5.2.3.6 Return on investment

The following table shows the Applicant's return on investment on earnings before interest and tax.

Table 5.2.3.6 Return on investment

R'000 Unit	2011/2012	2012/2013	2013/2014	Estimate if duty expires
Net profit (product concerned)	100	116	131	45
Total net profit (all products)	100	111	133	59
Net assets (product concerned)	100	117	138	137
Total net assets (total)	100	112	126	125
Return on net assets (product)%	100	100	96	35
Return on net assets (total)%	100	100	110	50

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the projected sales values and volumes in the absence of anti-dumping duties against subject product imports originating in China and/or India, the profitability of the SACU producer would decline precipitously. Such declines are expected to reduce profitability to below the levels needed to sustain the business.

The Applicant further stated that the data illustrates the precipitous decline in profitability and returns that are likely to be experienced by the SACU producer. This follows from the reduced selling prices needed to partially combat the importation of the dumped product – despite which the imported dumped product would still significantly undercut the SACU producer's price, leading, inevitably, to the SACU producer losing significant sales (market share) to dumped imports by volume and value. This will clearly be an injurious and unsustainable situation which is likely to lead to the closure of one of the two production lines and eventually both lines, if strong action is not taken against the injurious dumping.

The Applicant stated that a loss of profitability and reduced or negative returns, where such occurrences result from unfair and harmful trading practices such as injurious dumping, is by definition material injury.

5.2.3.7 Utilization of production capacity

The following table provides the Applicant's capacity and production for the subject products for the years 2011/2012 to 2013/2014 and an estimate in the event of the expiry of the duties:

Table 5.2.3.7 Production capacity

Tonnes	2011/2012	2012/2013	2013/2014	Estimate if duty expires
Applicant's capacity	100	100	100	100
Actual production	100	110	111	103
Capacity utilisation %	100	110	111	103

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that it operates two float lines at one site. It was also stated that it has been shown that if the anti-dumping duties in place against subject product imports from China and India are terminated, it will lose significant sales and market share by volume. Float glass production is a relatively inflexible process and output can only be varied economically within quite narrow ranges. Furthermore, producing and holding large and increasing quantities of inventory is not economically viable. Consequently, where sales decline, and other outlets cannot be found for product, the only option is to slow production to minimum levels, resulting in the decline in capacity utilization set out in the Estimate column. In a two-line plant, if the slowdown still results in significant excess product, the only viable option is to shut one of the lines.

5.2.3.8 Actual and potential negative effects of cash flow

The following table provides the Applicant`s cash flow for the years 2011/2012 to 2013/2014 and an estimate in the event of the expiry of the duties:

Table 5.2.3.8 Cash flow

	2011/2012	2012/2013	2013/2014	Estimate if the duty expires
Cash flow : incoming	100	110	138	78
Cash flow : outgoing	100	148	111	4
Net cash flow	100	107	140	83

Table indexed due to confidentiality using 2011/2012 as base year

The information in the table above indicates that the Applicant's cash flow increased over the period 2011/2012 to 2013/2014, incoming and outgoing cash flow also increased from 2011/2012 to 2013/2014.

The Applicant stated that the various tables in this section clearly indicate that the cash flow will be significantly and negatively influenced should the anti-dumping duties be terminated. A reduction in cash flow, as indicated in the table, where such reduction is the result of unfair and harmful trading practices such as injurious dumping, is by definition material injury.

5.2.3.9 Inventories

The Applicant provided the following levels of inventories for 2011/2012 to 2013/2014 and an estimate should the duties expire.

Table 5.1.3.9 Inventories

	2011/2012	2012/2013	2013/2014	Estimate if the duty expires
Stock (Tons)	100	93	55	55
Stock (Rands)	100	105	69	74

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that owing to the cost of holding excessive inventories, it is not viable to increase inventories much above normal levels. If dumping has to be combated, plant operations will be slowed to minimum levels.

The Applicant further stated that all efforts are made to stabilize and optimise inventory levels. A negative consequence should anti-dumping duties expire would be that the pressure to increase stock levels is likely to increase. Furthermore the investment in stockholding would increase.

5.2.3.10 Employment

The following table shows the Applicant's employment levels for the years 2011 to 2013 and an estimate in the event of the expiry of the duties:

Table5.2.3.10: Employment

	2011/2012	2012/2013	2013/2014	Estimate if the duty expires
Direct production employment	100	100	105	95
Indirect production employment	100	94	100	90
Total production employment	100	97	103	92
SGA employment	100	96	91	86
Total employment	100	96	98	90

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that should dumping recur from China and India, every effort will be made to combat such dumping. However, as indicated throughout this section, it is likely that the SACU producer will face declining sales volumes and declining sales prices. If the situation continues over an extended period, job loses cannot be avoided.

The Applicant further stated that the estimate column, assuming that the anti-dumping duties will no longer be applicable, illustrates the likely decline in employment if injurious dumping recurs from China and India. If dumping were to persist for some time the SACU producer may have to shut one of the two production lines and eventually both lines – obviously with far greater job loses than those indicated in the table.

The Applicant stated that any job losses occasioned by unfair and harmful trading practices, such as injurious dumping, is material injury by definition.

5.2.3.11 Wages

Using the production wages and employment figures sourced from the Applicant, the production wages per employee in respect of the subject products is as follows:

Table 5.2.3.11 Wages

	2011/2012	2012/2013	2013/2014	Estimate if the duty expires
Total wages : Production (Rand)	100	113	121	109
Wages per production employee (Rand)	100	117	118	118

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that if dumping recurs from China and India, necessitating significant retrenchments, the total wage bill will decrease as indicated. It was stated that if dumping recurs from the countries cited, that the SACU producer would suffer significant declines in profitability, it is also likely that wage increases may not be feasible, and in dire circumstances, salaries, wages, and other benefits may have to be reduced.

5.2.3.12 Growth

The Applicant indicated the growth to be as follows:

Table 5.2.3.12 Growth

	2011/2012	2012/2013	2013/2014	Estimate if the duty expires
Size of the SACU market	100	119	136	136
Indexed growth from base year	100	119	136	136
Applicant's sales volume tons	100	126	136	122
Alleged dumped imports	88	113	15 956	26 030
Alleged dumped imports growth %	100	128	18132	29 580
Other imports	27 641	27 765	22 121	22 121
Other imports growth %	100	100	80	80

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant indicated that demand for the subject product closely follows local and global economic cycles – particularly those relating to the construction and transport industries. The length of the cycles varies and prices generally are strongly influenced by input costs - tending to rise in upward economic cycles, with some decline in downward cycles. In times of economic slow-downs, such as the current ongoing global downturn, over (excess) capacity increases rapidly, forcing many plants into "survival" modes, which increases the tendency to international dumping of products in any accessible market. China and India both have substantial excess capacity, even in normal times, and the Chinese flat glass industry, in particular was known to follow an aggressive, government supported, export policy. It is believed that the overcapacity in the countries cited, combined with the current global economic lethargy, greatly increases the likelihood of injurious dumping into the SACU recurring from China and India. Such dumping will inhibit the growth of the SACU producer, by reducing PFG's market share; reducing profitability to unacceptably low levels; reducing returns on investment to levels below the minimum needed to justify ongoing investment or even essential maintenance; and in other ways inhibiting the normal growth of PFG.

The Applicant further stated that the inhibition of growth, where such occurrence result from unfair and harmful trading practices such as injurious dumping, is by definition material injury.

6. SUMMARY OF FINDINGS

6.1 Continuation or recurrence of dumping

The Commission made a final determination that the expiry of the anti-dumping duties would likely lead to the continuation or recurrence of dumping of the subject product originating in or imported from China and India.

6.2 Continuation or recurrence of material injury

The Commission made a final determination that the expiry of the anti-dumping duties would likely lead to the recurrence of material injury to the SACU industry.

7. RECOMMENDATION

The Commission made a final determination that:

- the expiry of the duties would likely lead to the continuation or recurrence of dumping; and

- the expiry of the duties would likely lead to the continuation or recurrence of material injury.

The Commission therefore decided to recommend to the Minister of Trade and Industry that the anti-dumping duties on clear float and drawn glass originating in or imported from China and India be maintained.