

## **REPORT NO. 497**

**SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON STAINLESS STEEL  
SINKS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF  
CHINA AND MALAYSIA: FINAL DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 497: SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON STAINLESS STEEL SINKS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND MALAYSIA: FINAL DETERMINATION**



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**29/05/2015**

# **INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

## **REPORT NO. 497**

### **SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON STAINLESS STEEL SINKS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA) AND MALAYSIA: FINAL DETERMINATION**

#### **SYNOPSIS**

On 28 June 2013, the International Trade Administration Commission of South Africa (the Commission) notified the interested parties through notice No. 664 in the *Government Gazette* No. 36592, that unless a substantiated request is made indicating that the expiry of the anti-dumping duties on imports of stainless steel sinks originating in or imported from China and Malaysia would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duties on stainless steel sinks originating in or imported from China and Malaysia would expire on 05 November 2014.

On 19 September 2014, the Commission initiated a sunset review of the anti-dumping duties on stainless steel sinks originating in or imported from China and Malaysia through Notice No.814 published in the *Government Gazette* No. 37999.

The application was lodged by Franke Kitchen Systems (Pty) Ltd (the Applicant). The Applicant is one of two producers of stainless steel sinks in the Southern African Customs Union (SACU). A letter of support was received from PABAR (Pty) Ltd, the second producer, producing less than one per cent of all stainless steel sinks produced in SACU.

The investigation was initiated after the Commission considered that the expiry of the anti-dumping duties on imports of stainless steel sinks originating in or imported from China and Malaysia 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 Malaysia were sent foreign manufacturers/exporters questionnaires to complete. Importers of the subject product were also sent questionnaires to complete.

After considering all interested parties' comments, the Commission made a final determination that the expiry of the anti-dumping duties on stainless steel sinks originating in or imported from China and Malaysia 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 and amended.

Since no individual Chinese or Malaysian manufacturer subject to the anti-dumping duties submitted a properly documented response, the Commission made a final determination that imports manufactured by these manufacturers should be subject to the residual dumping duties and no individual dumping duties should be maintained for these manufacturers.



## **1. APPLICATION AND PROCEDURE**

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### **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 Franke Kitchen Systems (Pty) Ltd, the major producer of stainless steel sinks in the SACU.

### **1.3 INVESTIGATION PROCESS**

On 28 June 2013, the Commission notified the SACU industry through notice No. 664 in the Government Gazette No. 36592, 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 Malaysia 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 Malaysia would expire on 05 November 2014.

A response to the review questionnaire was received from the Applicant on 30 April 2014. After all the deficiencies were addressed, an updated application was received on 24 June 2014.

The information submitted by the Applicant was verified on 15 July 2014. A verification report was sent on 16 July 2014. Further deficiencies were addressed and the application was resubmitted on 13 August 2014. Notice of initiation of the investigation was published in the *Government Gazette* on 19 September 2014. Due date for submission of responses to the Applicant's review questionnaire was 29 October 2014.

## **1.4 INVESTIGATION PERIOD**

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

## **1.5 PARTIES CONCERNED**

### **1.5.1 SACU industry**

The application was lodged by Franke Kitchen Systems (Pty) Ltd (the Applicant). The Applicant is one of two producers of stainless steel sinks in the Southern African Customs Union (SACU). A letter of support was received from PABAR (Pty) Ltd, the second producer, producing less than one per cent of stainless steel sinks produced 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**

One exporter from China, Rhine Sinkwares responded to the publication by submitting their final response after two deficiency letters, on 15 December 2014. On 8 January 2015 it was informed that its response was still deficient. The Commission made a final determination not to take its information into account.

### **1.5.3 Importers**

One importer, Kwikot (Pty) Ltd (Kwikot) responded to the importer’s questionnaire. Kwikot responded to the publication by submitting its final response after the deficiency letter, on 1 December 2014. On 8 December 2014 it was informed that its response was still deficient. The Commission made a final determination not to take their information into account.

Another importer, submitted a letter, but could not be treated as an interested party as it did not import any subject products from China or Malaysia during the period of investigation for dumping.

## **1.6 Comments**

After considering all the information available, the Commission issued essential facts letters that it was considering making a final determination that the expiry of the anti-dumping duties on stainless steel sinks originating in or imported from China and Malaysia 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 Rhine Sinkwares and the Embassy of China.

Rhine Sinkwares indicated that it submitted a properly documented response and that the Commission did not inform it of the reasons why its response was not accepted.

Comments received from the Embassy of China stated that it was unreasonable of the Commission to disregard the response of Rhine Sinkwares and that Rhine Sinkwares could not properly defend its interests without disclosure of the reasons for the rejection of its response.

The Commission responded fully to the Embassy of China and Rhine Sinkwares response to the Commission's "Essential facts" letters, indicating that Rhine Sinkwares was afforded ample opportunity to address the deficiencies prior to issuing the essential facts letters.

## **1.7 Final determination**

The Commission made a final determination that the expiry of the anti-dumping duties on stainless steel sinks originating in or imported from China and Malaysia 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 and amended.



Since no individual Chinese or Malaysian manufacturer subject to the anti-dumping duties submitted a properly documented response, the Commission made a final determination that imports manufactured by these manufacturers should be subject to the residual dumping duties and no individual dumping duties should be maintained for these manufacturers.



## 2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

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### 2.1 Product

#### 2.1.1 Description

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

#### 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:

Heading	Sub-Heading	Article Description	Unit	Rates of duty			
				Gen	EU	EFTA	SADC
73.24		<b>Sanitary Ware and Parts Thereof, of Iron or Steel</b>					
	7324.10	Sinks and wash basins, of stainless steel	kg	30%	free	20%	free

#### 2.1.4 Other applicable duties

The following anti-dumping duties are applicable:

<b>Tariff Heading</b>	<b>Description</b>	<b>Imported from or originating in</b>	<b>Rate of Duty</b>
7324.10	Sinks of stainless steel manufactured or produced by Primy Corporation Ltd.	Republic of China (PRC)	20,62%
7324.10	Sinks of stainless steel manufactured or produced by Rhine Sinkwares Manufacturing Ltd.	Republic of China (PRC)	10,84%
7324.10	Sinks of stainless steel (excluding that manufactured or produced by Primy Corporation Ltd., Rhine Sinkwares Manufacturing Ltd. and Taijing Chuanger Metal Products Co. Ltd.)	Republic of China (PRC)	62,41%
7324.10	Sinks of stainless steel manufactured or produced by Central Aluminium Manufactory SDN BHD (Malaysia)	Malaysia	10,74%
7324.10	Sinks of stainless steel (excluding that manufactured or produced by Central Aluminium Manufactory SDN BHD (Malaysia))	Malaysia	95,86%

### **3. INDUSTRY STANDING**

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- 3.1 The Application was lodged by Franke Kitchen Systems (Pty) Ltd on behalf of SACU representing more than 99 per cent of the total SACU production.

The Applicant is one of two producers of stainless steel sinks in SACU. A letter of support was received from PABAR (Pty) Ltd, the second producer, producing less than 1 per cent of all stainless steel sinks produced in 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**

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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.

### **4.1 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM CHINA**

#### **4.1.1 Normal Value**

The normal value for non-cooperating exporters is based on the best information available for the subject product in the country of origin.

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

#### **Adjustments**

The Applicant made an adjustment for distribution costs to the normal value in order to determine the net ex-factory domestic price for China. The Commission made a final determination to allow the adjustment made by the Applicant.

#### **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. The export price was calculated based on import statistics.



## **Adjustments**

The Applicant did not make an adjustment to the fob price, since it did not have the exact cost from factory to harbour.

### **4.2 Margin of Dumping**

The dumping margin for China was calculated as follows:

<b>Country</b>	<b>Margin of dumping</b>
China	586.03%

The dumping margin calculated seems abnormally high. However, it should be borne in mind that the normal value was obtained for one specific type/size sink, whilst the export price is an average of all products imported, as SARS statistics are not available on a per model basis. As no properly documented responses were received from manufacturers in China, the Commission used the best information available as justification for a determination that the expiry of the duties would likely lead to continuation or recurrence of dumping.

### **4.3 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM MALAYSIA**

#### **4.3.1 Normal Value**

The normal value for non-cooperating exporters is based on the best information available for the subject product in the country of origin. In determining the normal value for Malaysia, and as no properly documented responses were received from any exporters in Malaysia, the Commission made a final determination to use the best information available, being that provided by the Applicant. The Applicant stated that all avenues were scrutinized to obtain a normal value in Malaysia and the only domestic selling price it could obtain was a price quoted by a wholesaler in Malaysia, Ikea.

### **Adjustments**

To obtain the ex-factory price in Malaysia, the Applicant made adjustments for the wholesale mark-up margin and for distribution costs. The Commission made a final determination to allow the adjustments made by the Applicant.

#### **4.3.2 Export Price**

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

As there were no imports of the subject product since 2010, the average f.o.b. price/kg obtained from the SARS import statistics for 2010 was used, which was then inflated by the Malaysian producer price index rate for the period 2010 to 2013 to obtain the export price for 2013. The Commission made a final determination to allow the export price.

### **Adjustments**

The Commission made a final determination not to make any adjustment to the export price as there was no information provided by the Applicant to substantiate the costs between the harbour and the factory.

#### **4.4 Margin of Dumping**

The dumping margin for Malaysia was calculated as follows:

<b>Country</b>	<b>Margin of dumping</b>
Malaysia	831.68%

The dumping margin calculated seems abnormally high. However, it should be borne in mind that the normal value was obtained for one specific type/size sink, whilst the export price is an average of all products imported,

as SARS statistics are not available on a per model basis. As no properly documented responses were received from manufacturers in Malaysia, the Commission used the best information available as justification for a determination that the expiry of the duties would likely lead to 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 Malaysia.

## 5. CONTINUATION OR RECURRENCE OF MATERIAL INJURY

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### 5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to Franke Kitchen Systems SA (Pty) Ltd. As their production volume represents 99.6 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 dumped imports of the subject product obtained from SARS:

Table 5.2.1: Import volumes:

Country	2011	2012	2013	Estimates if duties expire
<b>Dumped imports (kg):</b>				
China	753 715	549 985	774 438	920 000
Malaysia	Zero	Zero	Zero	64 412
<b>Other imports (Kg)</b>	438 849	321 444	414 613	393 562
<b>Total Imports:</b>	1 192 564	871 429	1 189 051	1 377 974

The Applicant stated that import volumes from China are still very high notwithstanding the anti-dumping duties in place against China. The main reason for these import volumes staying at high levels is because of the low export prices/kg. Notwithstanding the decline of 19% in the Rand against the Chinese Yuan between 2012 and 2013, the Chinese average f.o.b price/kg increased by only 10%.



The Applicant also stated that the market share of imports of stainless sinks from China is anticipated to increase from 103 index points to 122 index points of the SACU import market for the subject product if the anti-dumping duties should expire. Malaysia used to have a market share of more than 10% of the volume of the imports of the subject product to SACU. The last imports were recorded in 2010 and it is anticipated that imports would increase to 5% of total imports should the dumping duties expire.

## 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.

**Table 5.2.2.1 Price undercutting**

R/kg	2011	2012	2013	Estimate if duty expires
Applicant's average net selling price/kg	100	101	110	101
Landed cost: China Actual R prices	100	123	136	140
Landed cost: Malaysia	No imports	No imports	No imports	Positive
Price undercutting: China	100	81	87	66
Price undercutting: Malaysia	None	None	None	Positive

**Table indexed due to confidentiality using 2011 as base year**

The Applicant stated that the price undercutting is substantial if the landed cost/kg which comprises of transport, freight, insurance, wharfage and import duties from China is compared to its average ex-factory price/kg.

The Applicant stated that the annual export prices for China were calculated by taking the average fob price for 2011, 2012 and 2013 and adding freight, wharfage, insurance and the import duty on stainless steel sinks. The costs were based on actual import costs. The cost correlates with cost incurred by the Applicant on imports.

The Applicant further stated that the main reason for these import volumes staying at high levels is because of the low f.o.b export prices/kg. The Rand declined significantly against the Chinese Yuan between 2012 and 2013, whereas the f.o.b average price/kg increased at a lesser rate.

The estimated landed cost price used in the calculation for China in 2014 represents an increase from the actual average price/kg in 2013. This was based on the assumption that the Rand against the Chinese Yuan would stabilize. The imported sink prices/kg originating in China did not increase to the extent that the Rand depreciated against the Chinese Yuan. In 2013 the imported subject product from China measured at landed cost against the Applicant's ex-factory cost/kg showed a price advantage, thus the Applicant would not have been able to increase prices in 2014 without losing further market share, hence the insignificant price increase for the Applicant.

#### **5.2.2.2 Price depression**

The table below shows the domestic industry's domestic selling price for 2011, 2012 and 2013 and an estimate in the event of the duties expiring:

**Table 5.2.2.2 Price depression**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Estimate if duty expires</b>
Applicant ex-factory price	100	101	110	101

**Table indexed due to confidentiality using 2011 as base year**

The Applicant stated that the increase in the producer price index for fabricated metal products between December 2010 and October 2013 was 16.7%. The prices for kitchen sinks increased at a slower rate during this period meaning that prices were depressed in that they could not keep up with inflation.

It stated that this is particularly evident in the negligible increase that took place in 2012. The Applicant also stated that the reason why its prices have



not kept pace with inflation is because cheap imported sinks being brought in at dumped prices have a depressing influence on prices. It has to compete with these prices in order to survive. The Applicant stated that there is a limit to the extent to which it can reduce its prices to meet the effects of dumping over time and still remain viable. This loss of market share leads to an underutilisation of production capacity, which in turn results in under recoveries in the factory, which places pressure on gross profits. Thus the depressing influence of dumped prices reduces the competitiveness of even well-run internationally supported businesses like the Applicant.

During 2012 compared with 2011, the Applicant increased its selling prices by a slight percentage. However, in 2013 compared to 2012 the Applicant increased its prices because of the increase in the costs of electricity and labour during the period of investigation.

#### 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	2013	Estimate if duty expires
Applicant's selling price	100	101	110	101
Cost of sales (Production)	100	99	105	111
Production cost as % of selling price	100	98	96	110

**Table indexed due to confidentiality using 2011 as base year**

The Applicant stated that its manufacturing operations were curtailed in 2011 and 2012 and only were increased in 2013, whilst at the same time selling prices in 2012 compared to 2011 were kept almost constant, and only increased in 2013.

The Applicant further stated that the selling price/kg would decrease significantly in 2014 should dumping duties expire, whereas production cost would increase because of the depreciation of the Rand against all major currencies. The local supplier of stainless steel coils is increasing its prices as a result of the depreciation of the Rand in 2014.

The above table shows that the Applicant's cost as a percentage of its selling price decreased slightly between 2011 and 2013 and therefore there has been no price suppression. If the duty should expire there will be price suppression.

### **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 stainless steel sinks from 2011 to 2013, and an estimate in the event of the expiry of the duties:

**Table 5.2.3.1 (a) Sales volume**

	2011	2012	2013	Estimate if duty expires
Tonnes				
Applicant's sales	100	105	104	97

**Table indexed due to confidentiality using 2011 as base year**

The above table shows that the Applicant's sales volumes decreased slightly from 2012 to 2013. Maintaining current price levels will not be feasible in the future and it will lose significant sales volume to the imported product if the dumping duties are to be removed.



The sales volumes declined in 2013, notwithstanding the dumping duties applicable against China. China was still growing market share and was the major exporting country of the subject product to SACU.

The Applicant stated that it based its estimate at a percentage below the domestic average sales volume levels realized in 2011. This implies that sales would decline between 2013 and 2014 if the anti-dumping duties are removed. The estimate was based on sales volumes of 2011 and a small decline was factored in for the alleged dumped imports of the subject product which will at least constitute a certain percentage of sales volume.

**Table 5.2.3.1 (b) Sales value**

	2011	2012	2013	Estimate if duty expires
Applicant's sales in SACU	100	107	115	107

**Table indexed due to confidentiality using 2011 as base year**

The table above indicates that the Applicant's sales value increased throughout the period of investigation. The Applicant indicated that there was an increase in total domestic sales value and a decline in total sales volumes. According to the Applicant this is indicative of material injury.

### 5.2.3.2 Profit

The following table shows the Applicant's profit before interest and tax for the years 2011 to 2013 and an estimate in the event of the expiry of the duties in respect of stainless steel sinks:

**Table 5.2.3.2 Profit**

		2011	2012	2013	Estimate if duty expires
SACU sales	Tons	100	105	104	97
Sales value	R	100	107	115	107
Total Gross profit	R	100	107	123	72
Total Net loss (EBIT)	R	100	111	121	131
Total Net loss (EBIT) per unit	R/ton	100	105	116	134

**Table indexed due to confidentiality using 2011 as base year**

The table indicates that the total net loss in 2012 compared to 2011 increased by 11 index points. In 2013, the total net loss compared to 2011 increased by 21 index points.

The Applicant also stated that Columbus Stainless, the domestic stainless steel manufacturer supplying it with stainless steel coils, has increased its prices in 2014, and the prices of electricity and labour are also increasing. Since stainless steel makes up the bulk of total production costs, it is estimated that net losses will increase further in 2014 if the low-price dumped imports carry on injuring the SACU producers.

Should the anti-dumping duties be removed, the net profit situation will be under further pressure by an unstable market situation, prone and susceptible to imports at various price levels below the normal value. The clearest effect is through price depression as the Applicant would not be able to immediately adjust its costs if the achievable revenue for the products is to be reduced suddenly.

#### 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**

<b>Years</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Estimate if duty expires</b>
Applicant's production (Tonnes)	100	97	94	87

**Table indexed due to confidentiality using 2011 as base year**

The table above indicates that there has been a steady decline in the production volume of the subject product and this decline has adversely affected the profitability of the Applicant's operations.

The table also indicates that total production declined by 6 index points between 2011 and 2013. The Applicant stated that the total production volume declined from 2012 to 2013 and it is anticipated that volumes will decline further from 2013 to 2014, should the dumping duties be removed.

The Applicant further stated that annual production has declined during the period of investigation in line with an increase in import sales volumes from China.

#### 5.2.3.4 Market share

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

**Table 5.2.3.4 Market share (Volume)**

Market share in volume : Tonnes	2011	2012	2013	Estimate if duty expires
Applicant	100	105	104	97
Other SACU producers	100	100	67	100
Dumped imports: China Malaysia	100 Zero	73 Zero	103 Zero	122 Positive
Other imports	100	73	94	90
Total SACU market	100	86	101	108

Table indexed due to confidentiality using 2011 as base year

The market share of the dumped Chinese products increased from 2012 to 2013. In the same period the Applicant's market share declined.

The table also indicates that the total production volume declined from 2012 to 2013 and it is anticipated that volumes will decline by at least 7 index points from 2013 to 2014, if the anti-dumping duties are removed.



#### 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 to 2013. 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	2013	Estimate if duty expires
Total production volume	100	97	94	87
Number of employees (Production)	100	81	75	75
Units per employees produced	100	121	125	117

Table indexed due to confidentiality using 2011 as base year

The Applicant stated that productivity in manufacturing increased in 2013 compared to 2011 due to moving staff to other production in the factory. However if the anti-dumping duties are withdrawn and imports flood the market, productivity will decline, due to an anticipated sharp sales decline.

The Applicant also stated that, in the beginning of 2006, it started to phase-out its two-piece production line and concentrated solely on its mono-bloc and one-piece lines which contributed to increases in productivity.

#### 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	2013	Estimate if duty expires
Net loss (product concerned)	100	106	111	120
Total net profit ( all products)	100	105	125	86
Net assets (product concerned)	100	100	109	108
Total net assets	100	106	115	115
Return on net assets( product)%	Negative	Negative	Negative	Negative

Table indexed due to confidentiality using 2011 as base year



The table indicates that the percentage return on net assets for the subject product was negative in all 3 years. The Applicant indicated that if the anti-dumping duties are removed, the net profit for the product concerned would decline below the figures realized in 2011 and net assets will decline according to annual depreciation.

The Applicant also stated that the shareholders invested a substantial amount of capital in it as a business unit. At the same time, imports of the subject product from China where dumping duties are applicable increased and are eroding any potential benefits shareholders expected on their investment. New capacity and new machines were installed before 2011 to be able to cater for the total SACU market and export market.

#### **5.2.3.7 Utilization of production capacity**

The Applicant stated that it is operating at half of its full capacity and that there is enough spare capacity available to cater for any increase in demand for the subject product.

#### **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 to 2013 and an estimate in the event of the expiry of the duties:

**Table 5.2.3.8 Cash flow**

		<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Estimate if the duty expires</b>
Cash flow : incoming	R'000	100	116	122	99
Cash flow : outgoing	R'000	100	109	117	156
Net cash flow	R'000	100	166	167	375

**Table indexed due to confidentiality using 2011 as base year**

The information in the table above indicates that the Applicant's net cash flow increased over the period 2011 to 2013.

### 5.2.3.9 Inventories

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

**Table 5.1.3.9 Inventories**

	2011	2012	2013	Estimate if the duty expires
Finished Goods units	100	105	67	97
Finished Goods value	100	101	67	96

Table indexed due to confidentiality using 2011 as base year

The Applicant stated that inventories have been increasing in volume and value terms in 2012 compared to 2011, but declined in 2013. The Applicant also stated that it is estimated that if import volumes increase in 2014 should the anti-dumping duties be removed, the stock holding in 2014 will also increase to 2011 levels.

The Applicant further stated that inventories declined towards the end of the year 2013 with clients stocking up for the new-year because of the shut-down of the factory over the festive season.

### 5.2.3.10 Employment

The following table shows the Applicant's employment level 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	2013	Estimate if the duty expires
Direct labour: production	Monthly	Salaries	100	81	75	75
Indirect labour units: production	Monthly	Salaries	100	100	100	100
Total labour units: production			100	82	77	77
Labour units: selling & administration	Monthly	Salaries	100	97	103	103
Total labour units			100	89	89	89

Table indexed due to confidentiality using 2011 as base year

The production staff declined since 2011 due to slack sales volumes. Estimated employment figures for 2014 were kept the same as in 2013, since staff cannot be retrenched due to a decline in sales.

#### 5.2.3.11 Wages

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

**Table 5.2.3.11 Wages**

	2011	2012	2013	Estimate if the duty expires
Total wages : Production	100	100	102	108
Wages per employee	100	112	114	120

Table indexed due to confidentiality using 2011 as base year

The above table shows that the wages per employee increased from 2011 to 2013. The Applicant stated that since 2011 average annual wages in the manufacturing increased by less than the annual average inflation rate.

#### 5.2.3.12 Growth

The Applicant stated that it will show no, or negative growth should the duties be revoked.

**Table 5.2.3.12 Growth**

	2011	2012	2013	Estimate if the duty expires
Size of the SACU market	100	86	101	108
Applicant's sales volume	100	105	104	97
Alleged dumped imports	100	73	103	122
Other imports	100	73	94	90

Table indexed due to confidentiality using 2011 as base year



The information in the above table reflects that the total domestic market for the subject product grew from 2012 to 2013, while the dumped imports grew significantly and that there was a loss in market share in this period.

#### 5.2.3.13 Ability to raise capital or investments

**Table 5.2.3.13 Ability to raise capital or investments**

R '000	2011	2012	2013	Estimate if the duty expires
Total capital/investment in subject product	100	97	96	96
Capital expenditure during year on subject product	100	81	140	64

**Table indexed due to confidentiality using 2011 as base year**

The Applicant stated that total investment decreased with annual depreciation and curtailed annual expenditure to service the machinery.

### 5.3 CONCLUSION – CONTINUATION OR RECURRENCE OF MATERIAL INJURY

After considering all the information available, the Commission made a final determination that the expiry of the anti-dumping duties would likely lead to the recurrence of material injury.



## **6. SUMMARY OF FINDINGS**

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### **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 Malaysia.

### **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

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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.

Since no individual Chinese or Malaysian manufacturer subject to the anti-dumping duties submitted a properly documented response, the Commission made a final determination that imports manufactured by these manufacturers should be subject to the residual dumping duties and no individual dumping duties should be maintained for these manufacturers.

The Commission therefore decided to recommend to the Minister of Trade and Industry that the anti-dumping duties on stainless steel sinks originating in or imported from China and Malaysia be amended as follows:

<b>Tariff Heading</b>	<b>Description</b>	<b>Imported from or originating in</b>	<b>Rate of Duty</b>
7324.10	Sinks of stainless steel (excluding that manufactured or produced by Taijing Chuanger Metal Products Co. Ltd.)	Republic of China (PRC)	62,41%
7324.10	Sinks of stainless steel	Malaysia	95,86%