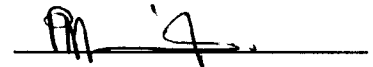


Report No. 159

Investigation into the alleged dumping of stainless steel tubes and pipes originating in or imported from Chinese Taipei: Preliminary determination

The International Trade Administration Commission herewith presents its **Report No. 159: INVESTIGATION INTO THE ALLEGED DUMPING OF STAINLESS STEEL TUBES AND PIPES ORIGINATING IN OR IMPORTED FROM CHINESE TAIPEI: PRELIMINARY DETERMINATION**



Ms Nomonde Maimela
CHIEF COMMISSIONER

PRETORIA

08/03/ 2006

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

INVESTIGATION INTO THE ALLEGED DUMPING OF STAINLESS STEEL TUBES AND PIPES ORIGINATING IN OR IMPORTED FROM CHINESE TAIPEI: PRELIMINARY DETERMINATION

SYNOPSIS

The investigation was initiated through Notice No.890 in *Government Gazette* No. 27641 on 10 June 2005 after the Commission considered that there was *prima facie* proof of dumping and material injury of the subject products originating in or imported from Chinese Taipei and that the material injury suffered by the SACU industry was causally linked to the dumped imports.

Barloworld Stainless, claiming that the dumped imports from Chinese Taipei were causing it material injury, lodged the application on behalf of the Southern African Customs Union (SACU) industry. Barloworld Stainless is a manufacturer of the subject product in the SACU. Other SACU producers as supplied by the South African Stainless Steel Development Association (SASSDA) provided support for the application.

The investigation was also initiated against the People's Republic of China (PRC), India and Malaysia. No exporters from these countries responded to the Commission's exporter questionnaire. In order to expedite proceedings, the Commission decided to split the investigation between cooperating and non-cooperating exporters in terms of section 32.3 of the Anti-Dumping Regulations.

The government representative of Chinese Taipei was advised accordingly in terms of Article 5.5 of the Anti-Dumping Agreement.

Exporters and importers questionnaires were sent to various known interested parties, including the government representative of Chinese Taipei. The deadline for comments was 22 July 2005. Extensions were granted on request, upon good cause shown, until 05 August 2005.

Complete responses were received from three exporters in Chinese Taipei. These three exporters, namely, Ta Chen, Yeun Chyang Industrial and Froch Enterprises were the only known manufacturers of the subject product in Chinese Taipei. The information submitted was verified from 22 to 29 November 2005.

Responses to the importers questionnaire were received from NDE, Stalcor, Eurosteel and IMF. The information submitted was verified from 27 September to 6 October 2005.

On 22 February 2006 the Commission considered the information submitted and made a preliminary determination that the subject product originating in or imported from Chinese Taipei was not dumped in the SACU. The Commission therefore decided to recommend to the Minister of Trade and Industry that the investigation into the alleged dumping of stainless steel tubes and pipes originating in or imported from Chinese Taipei be terminated.

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 2002 (Act 71 of 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 Anti-Dumping Regulations (ADR).

1.2 APPLICANT

Barloworld Stainless, a manufacturer of stainless steel tubes and pipes in the SACU, lodged the application.

Other SACU producers as supplied by the South African Stainless Steel Development Association (SASSDA), indicated their support for the application.

1.3 ALLEGATIONS BY THE APPLICANT

The Applicant alleged that imports of the subject product, originating in or imported from Chinese Taipei are being dumped on the SACU market, thereby causing material injury to the SACU industry. The basis of the alleged dumping was that the goods were being exported to SACU at prices less than the normal value in the country of origin.

The Applicant further alleged that as a result of the dumping of the subject product from Chinese Taipei, the SACU industry was suffering material injury in the form of:

- Price undercutting
- Price depression
- Price suppression
- Decrease in total sales volume
- Decrease in total sales value
- Decrease in profits and profitability
- Decrease in output
- Decrease in market share
- Decrease in productivity
- Decrease in capacity and capacity utilization
- Decrease in return on investment
- Decrease in cash flow
- Decrease in employment
- Decrease in SACU total wages
- Decrease in wages
- Negative growth in a growing market

1.4 INVESTIGATION PROCESS

The investigation was also initiated against the People's Republic of China (PRC), India and Malaysia. No exporters from these countries responded to the Commission's exporter questionnaire. In order to expedite proceedings, the Commission decided to split the investigation between cooperating and non-cooperating exporters in terms of section 32.3 of the Anti-Dumping Regulations.

The application was submitted on 22 February 2005. Information submitted by the Applicant was verified on 12 April 2005. An updated application was received on 25 April 2005.

On 01 June 2005 the Commission accepted the application as being properly documented in accordance with Article 5.2 of the Anti-Dumping Agreement

(substantive evidence). The government representatives of the country subject to the investigation was advised accordingly as required by Article 5.5 of the Anti-Dumping Agreement.

The investigation was initiated through Notice No.890 in Government Gazette No. 27641 on 10 June 2005. The investigation was initiated after the Commission considered that there was *prima facie* proof of dumping of the subject products originating in or imported from Chinese Taipei which was causing material injury to the SACU industry.

Exporter and importer questionnaires were sent to various known interested parties, including the government representative of the country subject to the investigation. The deadline for comments was 22 July 2005. Extensions were granted upon good cause shown on request until 05 August 2005.

Four importers (NDE, Stalcor, Eurosteel and IMF) responded fully to the Commission's importer questionnaire and their information was verified on the 27 September – 06 October 2005.

Responses to the Commission's exporter questionnaire were also received from all the manufacturers of the subject product in Chinese Taipei, and their information was verified on 22 – 29 November 2005.

1.5 INVESTIGATION PERIOD

The investigation period for the alleged dumping is 1 October 2003 to 30 September 2004. The injury investigation involved the evaluation of information for the period 1 October 2002 to 30 September 2004.

1.6 PARTIES CONCERNED

1.6.1 SACU industry

Barloworld Stainless, a manufacturer of stainless steel tubes and pipes in the SACU, lodged the application.

Other SACU producers as supplied by SASSDA, provided support for the application.

1.6.2 Exporters/Foreign Manufacturers

The following exporters/manufacturers were identified as interested parties:

- (a) Ta Chen
- (b) Yeun Chyang Industrial
- (c) Jaung Yuann Enterprises (now known as Froch Enrerprises)

Responses to the Commission's exporter questionnaire were received from all of the manufacturers of the subject product in Chinese Taipei.

1.6.3 Importers

The following SACU importers were identified as interested parties:

- (a) Natal Stainless Steel
- (b) BTA Pipe Supplies
- (c) Stalcor
- (d) Jacksons Metals
- (e) Petro Pulp Stainless Steel cc
- (f) Kendo International
- (g) Steelway SA
- (h) Cat Alloys cc
- (i) International Metal Factoring cc
- (j) Macsteel
- (k) Energy Metals
- (l) Eurosteel

(m) NDE

(n) Steelmor

The importers that fully responded to the Commission's importer questionnaire are: NDE, Stalcor, International Metal Factoring cc, and Eurosteel.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is described as "Welded stainless steel tubes and pipes of circular cross-section with an outside diameter of 12mm to 21,34mm and from 114mm to 160mm with a wall thickness of ...1mm or more but not exceeding ...6mm classified under tariff subheading 7306.40" originating in or imported from Chinese Taipei.

2.1.2 Country of origin/export

The subject product is exported from Chinese Taipei.

2.1.3 Main raw materials

The raw material is stainless steel coils.

2.1.4 Technical characteristics

Welded, austenitic, stainless steel tubes and pipes of circular cross-section manufactured to the required specifications with an outside diameter of 12mm to 21,34mm and from 114mm to 160mm with a wall thickness of ...1mm or more but not exceeding ...6mm classified under tariff subheading 7306.40" originating in or imported from Chinese Taipei.

2.1.5 Application/end use

The welded stainless steel tubes are used for conveyance, structural or ornamental applications.

The product is used in a wide variety of applications for structural, architectural and decorative uses through to food and beverage and as general service in all types of mining, industrial, medical and petrochemical equipment.

2.1.6 Tariff classification

The subject product is classifiable as follows:

Table 2.1.6

Tariff subheading	Description	Duty		
		General	EU	SADC
73.06	Other Tubes, Pipes and Hollow Profiles (for example, Open Seam or Welded, Riveted or Similarly Closed) of Iron or Steel:			
7306.40	- Other, welded, of circular cross-section, of stainless steel	10%	3.3%	Free

2.1.7 Other applicable duties and rebates

Similar products are subject to the following revised anti-dumping duties which were re-imposed on 18 June 2004:

Table 2.1.7

Tariff subheading	Description	Imported from or originating in	Duty
7306.40	Tubes and pipes welded of circular cross section, of stainless steel, with an outside diameter of 21,34mm or more but not exceeding 114,3mm and a wall thickness of 2mm or more but not exceeding 6mm.	Malaysia	20%
		Chinese Taipei (excluding that manufactured by Ta Chen Stainless Pipe Co, Ltd)	41,8%
		South Korea	47,6%

2.1.8 Production process

The tube is manufactured from annealed stainless steel and welded with no addition of filler metal. The tube is then cut to length. Pressure, helium leak

and eddy current tests are done on the tube if required.

2.1.9 Import Statistics

The import statistics, as contained in paragraph 5.3.1 of this report, indicated that the volume of alleged dumped imports for 2004 from Chinese Taipei accounted for 46.6 percent. The total alleged dumped imports accounted for 82.8 percent, while other imports accounted for 17.2 percent of the total imports of the like product for the period under investigation.

2.2 SACU PRODUCT

2.2.1 Description

2.2.2 The subject product is described as "Welded stainless steel tubes and pipes of circular cross-section with an outside diameter of 12mm to 21,34mm and from 114mm to 160mm with a wall thickness of ...1mm or more but not exceeding ...6mm classified under tariff subheading 7306.40".

2.2.3 Main raw materials

The raw material is stainless steel coils.

2.2.4 Application/end use

The welded stainless steel tubes are used for conveyance, structural or ornamental applications.

The product is used in a wide variety of applications for structural, architectural and decorative uses through to food and beverage and automotive exhaust duty as well as general service in all types of mining,

industrial, medical and petrochemical equipment.

2.2.4 Tariff classification

The SACU product is classifiable under tariff subheading 7306.40.

2.2.5 Production process

The tube is manufactured from annealed stainless steel and welded with no addition of filler metal. The tube is then cut to length. Pressure, helium leak and eddy current tests are done on the tube if required.

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 whether the products produced by the SACU industry are like products to those originating in or imported from Chinese Taipei.

2.3.2 Analysis

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

- (a) raw material used;
- (b) physical appearance and characteristics;
- (c) tariff classification;
- (d) method of manufacturing;
- (e) customer demand and end use; and
- (f) any other factor proved to the satisfaction of the Commission to be relevant.

(a) Raw material

The raw materials for both the imported and the domestic products are similar, being stainless steel coils.

(b) Physical appearance and characteristics

The imported and the locally produced products are similar in physical appearance and characteristics.

(c) Tariff classification

The products produced domestically and those imported are classifiable under the same six-digit tariff subheading.

(d) Method of manufacturing

The production process used for the SACU product is similar to the one used for the imported product.

(e) Customer demand and end use

The demand and the end use of the products sold domestically and those imported are the same for purposes of comparison.

(f) Any other factor proved to the satisfaction of the Commission to be relevant

The Commission considered all comments that were submitted by interested parties regarding dumping. These comments are available in the public file.

The Commission made a preliminary determination that the SACU products

and the imported products were “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

The information was obtained from Barloworld Stainless, a manufacturer of stainless steel tubes and pipes in the SACU market. Other SACU producers as supplied by SASSDA, have provided support for the application.

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

4. DUMPING

4.1 Methodology in this investigation

Chinese Taipei 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.

4.2 Ta Chen

4.2.1 Normal Value

Like products to those exported to the SACU were sold in the domestic market in Chinese Taipei in the ordinary course of trade. Invoiced sales values to distributors were used as the basis for determining the normal value. The domestic selling price was calculated by dividing the total sales value by the total sales volume in kilograms of the product under investigation.

Adjustments to normal value

The following adjustments which were verified, were claimed by the exporter and allowed by the Commission:

Domestic delivery costs

The exporter claimed an adjustment for domestic delivery costs.

Packaging costs

The exporter claimed an adjustment for packaging costs.

Inventory carrying cost

The exporter claimed an adjustment for inventory carrying costs.

Normal value after adjustments

The normal value was calculated by subtracting the adjustments from the domestic selling price.

4.2.2 Export price

Export sales invoices from the exporter to distributors in the SACU were used to calculate the export price. The invoiced export prices were verified. The export price was calculated by dividing the total export value by the total export volume in kilograms of the product under investigation.

Adjustments to export price

The following adjustments which were verified, were made to the export price for the purposes of calculating the ex-factory export price:

Inland freight

The adjustment for inland freight was calculated by dividing the cost by the weight.

Ocean freight and handling costs

The adjustment for inland freight was calculated by dividing the cost by the weight.

Packaging

The adjustment for packaging was calculated by dividing the cost by the weight.

Export insurance

The adjustment for export insurance was calculated by dividing the cost by the weight.

Ex-factory export price

The ex-factory export price was calculated after taking into account the adjustments to the export price.

4.2.3 Margin of dumping

A negative dumping margin was calculated after subtracting the ex-factory export price from the normal value.

4.3 Yeun Chyang Industrial Co. Ltd

4.3.1 Normal value

Like products to those exported to the SACU were sold in the domestic market in Chinese Taipei in the ordinary course of trade. Invoiced sales values to distributors were used as the basis for determining the normal value. The domestic selling price was calculated by dividing the total sales value by the total sales volume in kilograms of the product under investigation.

Adjustments to normal value

The following adjustments which were verified, were claimed by the exporter and allowed by the Commission:

Cost of payment terms

The exporter claimed an adjustment for domestic cost of payment terms.

Domestic delivery costs

The exporter claimed an adjustment for domestic delivery costs.

Packaging costs

The exporter claimed an adjustment for packaging costs.

Normal value after adjustments

The normal value was calculated by subtracting the adjustments from the domestic selling price.

4.3.2 Export price

Export sales invoices from the exporter to distributors in the SACU were used to calculate the export price. The invoiced export price was verified. The export price was calculated by dividing the total export value by the total export volume in kilograms of the product under investigation.

Adjustments to export price

The following adjustments which were verified, were made to the export price for the purposes of calculating the ex-factory export price:

Delivery charges

The adjustment for inland and ocean freight was calculated by dividing the cost by the weight.

Packaging

The adjustment for packaging was calculated by dividing the cost by the weight.

Exporting expenses

The adjustment for exporting expenses, which includes brokerage and export related bank charges, was calculated by dividing the cost by the weight.

Ex-factory export price

The ex-factory export price was calculated after taking into account the adjustments to the export price.

4.3.3 Margin of dumping

A negative dumping margin was calculated after subtracting the ex-factory export price from the normal value.

4.4 Froch Enterprise Co. Ltd

4.4.1 Normal value

Like products to those exported to the SACU were sold in the domestic market in Chinese Taipei in the ordinary course of trade. Invoiced sales values to distributors were used as the basis for determining the normal value. The domestic selling price was calculated by dividing the

total sales value by the total sales volume in kilograms of the product under investigation.

Adjustments to normal value

The following adjustment which were verified, was claimed by the exporter and allowed by the Commission:

Cost of payment terms

The exporter claimed an adjustment for domestic cost of payment terms.

Normal value after adjustment

The normal value was calculated by subtracting the adjustment from the domestic selling price.

4.4.2 Export price

Export sales invoices from the exporter to distributors in the SACU were used to calculate the export price. The invoiced export prices were verified. The export price was calculated by dividing the total export value by the total export volume in kilograms of the product under investigation.

Adjustments to export price

The following adjustments, which were verified, were made to the export price for the purposes of calculating the ex-factory export price:

Cost of payment terms

The adjustment for export cost of payment was calculated by dividing the cost by the weight.

Ocean freight

The adjustment for ocean freight was calculated by dividing the cost by the weight.

Insurance

The adjustment for insurance was calculated by dividing the cost by the weight.

Ex-factory export price

The ex-factory export price was calculated after taking into account the adjustments to the export price.

4.4.3 Margin of dumping

A negative dumping margin was calculated after subtracting the ex-factory export price from the normal value.

4.5 Residual dumping margin

As there could be other exporters, a residual duty, that is, the duty that will be applicable to all “other exporters” who are not known and/or who did not co-operate during the investigation, was calculated as follows:

4.5.1 Normal value

The highest normal value verified, without any adjustments.

4.5.2 Export price

The lesser of the average export price calculated from the import statistics or the lowest export price of co-operating exporters.

4.5.3 Margin of dumping

The residual dumping margin was calculated to be 0.1 per cent, which the Commission considered to be *de minimus*.

4.6 SUMMARY - DUMPING

The Commission made a preliminary determination that the subject products originating in or imported from Chinese Taipei were not being dumped onto the SACU market.

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY FOR THE PURPOSE OF DETERMINATION OF INJURY

The determination of injury is provided for in Article 3 of the Anti-Dumping Agreement.

5.2 GENERAL

Article 3.1 of the Anti-Dumping Agreement provides for the determination of injury.

Article 4.1 of the Anti-Dumping Agreement further provides for the term domestic industry and injury analysis.

The injury analysis in this report relates to Barloworld Stainless.

5.3 IMPORT VOLUMES AND EFFECT ON PRICES

5.3.1 Import volumes

The investigation was also initiated against the People's Republic of China (PRC), India and Malaysia. No exporters from these countries responded to the Commission's exporter questionnaire. In order to expedite proceedings, the Commission decided to split the investigation between cooperating and non-cooperating exporters in terms of section 32.3 of the Anti-Dumping Regulations.

The following table shows the volume of the alleged dumped imports in kilograms, for the subject product as obtained from SARS:

Table 5.3.1

	2001	2002	2003	2004 Jan - Sept
Chinese Taipei	330,181	402,911	569,120	1,132,740
Allegedly dumped imports %	30,4%	26,6%	30,6%	46,6%
Other alleged dumped imports	230,268	560,334	534,621	881,003
Allegedly dumped imports %	21,2%	36,9%	28,8%	36,2%
Total alleged dumped imports	560,449	963,245	1,103,741	2,013,743
Allegedly dumped imports %	51,57%	63,48%	59,35%	82,8%
Imports from other countries	526,360	554,210	756,002	417,482
Non-dumped imports from other countries %	48,4%	36,5%	40,7%	17,2%
Total imports	1,086,809	1,517,455	1,859,743	2,431,225

The Applicant indicated that the volume of alleged dumped imports for 2004 from Chinese Taipei accounted for 46.6 percent. The total alleged dumped imports accounted for 82.8 percent, while other imports accounted for 17.2 percent of the total imports of the like product for the period under investigation.

The Applicant also indicated that the information in the table indicates that the volume of the alleged dumped imports increased from 51.1 percent in 2001, to 82.8 percent in 2004, when measured against total imports.

5.3.2 Effect on Domestic Prices

Price undercutting

The average landed price of the imported product was undercutting the ex-factory price of the Applicant's product in 2004.

Price depression

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

Table 5.3.2.2

	2002	2003	2004
Ex factory price (R per kg)	100	122	125

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the table it can be seen that the Applicant has not suffered price depression.

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 cost of production and its actual selling prices for the subject product:

Table 5.3.2.3

R/kg	2002	2003	2004
Ex-factory price	100	121	125
Unit cost (total)	100	114	129

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the table it can be seen that the Applicant's unit cost increased at a higher rate than its unit price in 2004. The Applicant therefore suffered price suppression in 2004.

5.3.3 Consequent Impact of the dumped imports on the Industry

5.3.3.1 Actual and potential decline in sales

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

Table 5.3.3.1

Sales Volumes (Tons)	2002	2003	2004
Barloworld Stainless sales volume	100	100	79

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the table it can be seen that sales volume remained constant from 2002 to 2003 but declined significantly in 2004.

5.3.3.2 Profit

The following table shows the Applicant's profit situation:

Table 5.3.3.2

	2002	2003	2004
Gross profit margin (%)	100	114	104
Gross profit per unit (R'000)	100	140	131
Units sold (tons)	100	100	78
Total gross profit (R'000)	100	140	103
Net profit margin (%)	100	155	73
Net profit per unit (R'000)	100	189	91
Units sold (tons)	100	100	78
Net profit (R'000)	100	189	72

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the above table it can be seen that the overall profit situation improved from 2002 to 2003 but declined significantly in 2004.

5.3.3.3 Actual and potential decline in output

The following table shows the actual production volumes over the last three years:

Table 5.3.3.3

Tons	2002	2003	2004
Barloworld's total production of the product concerned	100	98	93
Barloworld's production for SACU consumption	100	111	69

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

The table above shows that while Barloworld's total production decreased, its production for SACU consumption in particular declined significantly.

5.3.3.4 Actual and potential decline in market share

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

Table 5.3.3.4

Rands	2002	2003	2004
Barloworld Stainless market share	100	120	99
Other SACU producers' market share	100	112	87
Total SACU producers market share	100	115	92
Market share of alleged dumped imports by country			
- PRC	-	100	121
- Malaysia	100	79	64
- India	100	40	35
- Chinese Taipei	100	112	172
Total market share of alleged dumped imports	100	104	129
Market share of other imports	100	90	64
TOTAL MARKET	100	114	97

The figures in the table above have been indexed due to confidentiality with 2002 as the base year, except for PRC market share when 2003 was used as the base year.

The table above shows that the market share of the SACU producers decreased while that of the imports from Chinese Taipei and the PRC, increased significantly.

5.3.3.5 Productivity

The Applicant's productivity in respect of the subject product was as follows:

Table 5.3.3.5

	2002	2003	2004
Total production volume – Tons	100	111	70
Number of employees (manufacturing only)	100	115	89
Units per employee	100	97	80

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

The table shows that the Applicant's productivity declined significantly in 2004.

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 assets.

The following table provides the Applicant's return on current value total assets (before interest and tax and ignoring abnormal expenditure):

Table 5.3.3.6

	2002	2003	2004
Net profit (product concerned)	100	190	72
Net assets (product concerned)	100	186	174
Return on net assets (product)	100	102	42

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

The above table shows that the Applicant's return on net assets decreased between 2003 and 2004.

5.3.3.7 Utilisation of production capacity

The following table provides the Applicant's capacity and production for the subject product:

Table 5.3.3.7

Tons	2002	2003	2004
Barloworld capacity (total)	100	109	118
Barloworld actual production/sales (SACU)	100	111	70
Barloworld capacity utilisation % (SACU)	100	100	59
Rest of SACU capacity	100	101	115
Rest of SACU production	100	93	70
Rest of SACU capacity utilisation %	100	92	60

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

The above table clearly indicates that the Applicant as well as the rest of SACU industry increased capacity in 2004. During the same period, however, capacity utilisation decreased significantly for both the Applicant and the rest of the SACU industry.

5.3.3.8 Actual and potential negative effects on cash flow

The table below shows the Applicant's cash flow position over the comparative period:

Table 5.3.3.8

Product specific	2002	2003	2004
Net cash flow R'000	100	7	81
Debtors (value) R'000	100	127	137

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the above table it can be seen that the Applicant's cash flows deteriorated over the period.

5.3.3.9 Inventories

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

Table 5.3.3.9

	2002	2003	2004
Volume - Tons	100	234	185
Value - R'000	100	231	228

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the above table, it can be seen that the Applicant's inventories increased over the period.

The Applicant indicated that the inventories were not subject to fluctuation under normal trading circumstances.

5.3.3.10 Employment

The following table provides the Applicant's employment figures for the subject product:

Table 5.3.3.10

Subject product	2002	2003	2004
Direct labour units: production	100	115	85
Indirect labour units: production	100	116	92
Total labour units: production	100	115	88
Labour units: Selling and Administrative	100	160	120

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the above table it can be seen that the Applicant reduced its employment levels significantly in 2004.

5.3.3.11 Wages

The information in table 5.3.3.11 shows the Applicant's total and average wages for the comparative period:

Table 5.3.3.11

Price R'000	2002	2003	2004
Total wages: Production	100	121	105
Total salaries: Production	100	129	145
Wage/Month: Production	100	121	105
Salary/month: Production	100	128	145
Total Salaries & wages: Selling and Administration	100	128	174
Wage and Salaries per month: S&A	100	126	174

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the above table it can be seen that wages increased in 2003 and then decreased in 2004. Salaries increased in both 2003 and 2004.

5.3.3.12 Growth

The Applicant submitted the following information regarding the growth of the SACU industry:

Table 5.3.3.12

Tons	2002	2003	2004
Size of the SACU market	100	101	91
Barloworld sales volume	100	100	79
Rest of SACU producers	100	93	70

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

From the above table it can be seen that the SACU market declined over the period, resulting in a decline in sales volumes for the Applicant as well as for other SACU producers.

5.3.3.13 Ability to raise capital or investment

The Applicant submitted the following information regarding its ability to raise capital or investment:

Table 5.3.3.13

	2002	2003	2004
Total capital/investment in subject product (R'000)	100	186	174
Capital expenditure during year on subject product (R'000)	100	87	0

The figures in the table above have been indexed due to confidentiality with 2002 as the base year

The Applicant stated that the Barloworld group dictates that all investment must exceed the shareholder cost of capital to ensure that shareholder value was not reduced.

The Applicant further indicated that it was not in a position to raise further additional capital at present as the returns would be substandard for the SACU market.

5.3.3.14 Previous Injury

The Applicant substantiated the allegation for previous injury with the under-mentioned extract from the Commission's Report No. 58 whereby anti-dumping duties on similar products were imposed on 18 June 1998 and then re-imposed on 18 June 2004:

Table 5.3.3.14

Tariff subheading	Description	Imported from or originating in	Duty
7306.40	Tubes and pipes welded of circular cross section, of stainless steel, with an outside diameter of 21,34mm or more but not exceeding 114,3mm and a wall thickness of 2mm or more but not exceeding 6mm.	Malaysia	20%
		Chinese Taipei (excluding that manufactured by Ta Chen Stainless Pipe Co, Ltd)	41,8%
		South Korea	47,6%

5.3.3.15 Other injury information

The Applicant indicated that in June 2004 the South African Stainless Steel Development Association (SASSDA) commissioned a research project of which a report was issued, to assess the stainless steel hollowware

manufacturing sectors of the PRC, Chinese Taipei and India in comparison with the South African sector. It indicated that the report contained evidence of various government support mechanisms in the PRC and India which were in conflict with the World Trade Organisation (WTO) regulations. The Applicant believes that this support had contributed to the high level of dumped imports from the PRC and India.

5.4 CONCLUSION – MATERIAL INJURY

The Commission considered all comments that were submitted by interested parties regarding material injury. These comments are available in the public file.

After considering all the relevant factors, the Commission found that the SACU industry was suffering material injury as regards:

- price undercutting
- decline in output
- decline in sales
- decline in market share
- decline in utilisation of production capacity
- decline in return on investments
- negative effects on cash flow
- decline in employment
- decline in wages
- inability to show growth
- inability to raise capital or investments

6. SUMMARY OF FINDINGS

6.1 Dumping

No dumping was found on the products originating in or exported from Chinese Taipei.

6.2 Material injury

There is sufficient evidence that the SACU industry suffered material injury in the form of:

- decline in output
- price undercutting
- price suppression
- decline in sales
- decline in market share
- decline in capacity utilisation
- negative effect on cash flow
- negative effect on employment
- increase in inventory levels

7. DETERMINATION

The Commission made a preliminary determination that the investigation be terminated on the grounds that stainless steel tubes and pipes originating in or imported from Chinese Taipei, were not being dumped onto the SACU market. The Commission, therefore, made a preliminary determination to recommend to the Minister of Trade and Industry that the investigation into the alleged dumping of stainless steel tubes and pipes originating in or imported from Chinese Taipei be terminated.