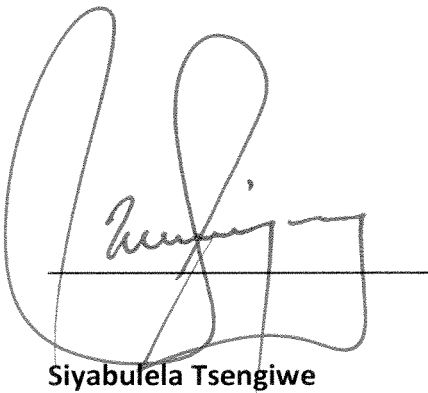


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**REPORT NO. 400**

**INVESTIGATION INTO THE ALLEGED DUMPING OF SCREW STUDDING (RODS  
THREADED THROUGHOUT) OF STAINLESS STEEL AND STEEL (COMMONLY  
KNOWN AS THREADED RODS) ORIGINATING IN OR IMPORTED FROM THE  
PEOPLE'S REPUBLIC OF CHINA (PRC): PRELIMINARY DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its  
**Report No. 400: INVESTIGATION INTO THE ALLEGED DUMPING OF SCREW STUDDING  
(RODS THREADED THROUGHOUT) OF STAINLESS STEEL AND STEEL (COMMONLY KNOWN  
AS THREADED RODS) ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF  
CHINA (PRC): PRELIMINARY DETERMINATION**

A handwritten signature in black ink, appearing to read 'Siyabulela Tsengiwe', is written over a horizontal line. The signature is stylized with large loops and a long horizontal stroke extending to the right.

**Siyabulela Tsengiwe**  
**CHIEF COMMISSIONER**

**PRETORIA**

26 / 06 / 2012

## **INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SA**

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### **INVESTIGATION INTO THE ALLEGED DUMPING OF SCREW STUDDING (RODS THREADED THROUGHOUT) OF STAINLESS STEEL AND STEEL (COMMONLY KNOWN AS THREADED RODS) ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC): PRELIMINARY DETERMINATION**

#### **SYNOPSIS**

On 23 September 2011, the International Trade Administration Commission of South Africa (the Commission) initiated an investigation into the alleged dumping of screw studding (rods threaded throughout) of stainless steel and steel (commonly known as threaded rods) originating in or imported from the People's Republic of China (PRC). Notice of the initiation of the investigation was published in Notice No. 647 of *Government Gazette* No. 34612 dated 23 September 2011.

The Application was lodged on behalf of the Southern African Customs Union (SACU) industry by the South African Fasteners Association (SAFMA) (the Applicant), which claimed that dumped imports were causing it material injury.

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

On initiation of the investigation, the known producers/exporters of the subject product in the PRC were sent foreign manufacturers/exporters questionnaires to complete. Importers of the subject product were also sent questionnaires to complete.

The Commission took all comments received from interested parties into account in making

its preliminary determination. All submissions made by interested parties are contained in the Commission's public file for this investigation and are available for perusal. It should be noted that this report does not purport to present all comments received and considered by the Commission. However, some of the salient comments received from interested parties and the Commission's consideration of these comments are specifically included in this report.

After considering all interested parties' comments, the Commission made a preliminary determination that the SACU industry is experiencing material injury and a threat of material injury, but that the subject product originating in or imported from the PRC was not being dumped on the SACU market.

The Commission therefore made a preliminary determination to terminate the investigation.

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## **1. APPLICATION AND PROCEDURE**

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### **1.1 LEGAL FRAMEWORK**

This investigation is conducted in accordance with the International Trade Administration Commission Act, 2002 (Act 71 of 2002) (the “ITA Act”), (the ITA Act) and the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR) read with the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement).

### **1.2 APPLICANT**

The application was lodged by the South African Fasteners Association (SAFMA) on behalf of the producers of the subject product in SACU. Three companies participated in the investigation and provided material injury information, namely T & I Chalmers Engineering (Pty) Ltd (“Chalmers”), Tel-Screw Products (Pty) Ltd (“Tel-Screw”) and Transvaal Pressed Nuts Bolts & Rivets (Pty) Ltd (“TP”).

### **1.3 DATE OF ACCEPTANCE OF APPLICATION**

The application was accepted by the Commission as being properly documented in accordance with ADR 21 on 13 September 2011.

### **1.4 ALLEGATIONS BY THE APPLICANT**

The Applicant alleged that the subject products, originating in or imported from the PRC, were 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 the SACU at prices less than the normal value in the country of origin.

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

- price undercutting
- price suppression
- price depression
- decline in output
- decline in revenue (sales value)
- stagnated market share
- decline in profit
- decline in return on investments; and
- decline in employment.

## **1.5 INVESTIGATION PROCESS**

The Commission initiated an investigation into the alleged dumping of screw studding (rods threaded throughout) of stainless steel and steel (commonly known as threaded rods) originating in or imported from the PRC pursuant to Notice No. 647 which was published in *Government Gazette* No. 34612 on 23 September 2011.

Prior to the initiation of the investigation, the trade representative of the country concerned was notified of the Commission's intention to investigate, in terms of ADR 27.1. All known interested parties were informed and requested to respond to the questionnaires and the non-confidential version of the application.

The information submitted by Chalmers was verified on 21 June 2011; TP's information was verified on 22 June 2011 and information submitted by Tel-Screw was verified on 23 June 2011 and again on 12 July 2011. An updated application incorporating verified information was received on 1 July 2011.

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## **1.6 PRELIMINARY DETERMINATION**

The Commission made a preliminary determination that the subject product originating in or imported from the PRC is not being dumped on the SACU market and that the investigation, therefore, be terminated.

## **1.7 INVESTIGATION PERIOD**

The investigation period for dumping is from 1 January 2010 to 31 December 2010. The injury investigation involves evaluation of data for the period 1 January 2008 to 31 December 2010.

Taking into account that three companies submitted information and the variety of products concerned, the Commission, in its merit consideration, decided not to request the Applicant to update the information contained in the Application. The Commission also took into account that the three companies providing the material injury information have different financial year ends, which made the compiling of the information in the acceptable format even more difficult. For purposes of its preliminary determination the Commission confirmed its merit decision not to request the Applicant to update its material injury information.

## **1.8 PARTIES CONCERNED**

### **1.8.1 SACU industry**

The SACU industry consists of the following manufacturers of the subject product:

- (a) T & I Chalmers Engineering (Pty) Ltd ("Chalmers")
- (b) Tel-Screw Products (Pty) Ltd ("Tel-Screw")
- (c) Transvaal Pressed Nuts Bolts & Rivets (Pty) Ltd ("TP")

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These three companies, represented by SAFMA, submitted the information contained in this report.

#### **1.8.2 Foreign Manufacturers/Exporters**

The following manufacturers/exporters responded in full to the Commission's exporter's questionnaire:

- (a) Jiaxing Brothers ("Brothers") and Shanghai Wisechain ("Wisechain"); and
- (b) Tong Ming Enterprises ("Tong Ming").

The following foreign manufacturers'/ exporters' responses were regarded to be deficient for purposes of the Commission's preliminary determination:

- (a) Jiaxing Brothers ("Brothers") and Shanghai Wisechain ("Wisechain"); and
- (b) Wenzhou Zhongsheng ("Wenzhou").

Brothers and Wisechain submitted a single combined response as Brothers is a producer and Wisechain is the exporter of the products produced by Brothers. As a properly documented response addressing the deficiencies identified by the Commission was received from Brothers and Wisechain prior to the investigating team conducting the verification of the information submitted by Tong Ming in the PRC, and in order to save on expenses, it was decided to verify this response, in order to enable the Commission to take this information into account for its final determination.

The Commission made a preliminary determination not to take the information submitted by Brothers and Wisechain into account for purposes of the preliminary determination.



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### 1.7.3 Importers

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

- (a) Bearing Man Group ("BMG")
- (b) National Socket Screws ("NSS")
- (c) Boltfast Pty Ltd ("Boltfast")
- (d) Fowkes Bros (Pty) Ltd ("Fowkes")

The following importers' responses were regarded to be deficient for purposes of the Commission's preliminary determination:

- (a) Bearing Man Group ("BMG")
- (b) National Socket Screws ("NSS")
- (c) Boltfast Pty Ltd ("Boltfast")
- (d) Fowkes Bros (Pty) Ltd ("Fowkes")

The Commission made a preliminary determination not to take the information submitted by these importers into account for purposes of the preliminary determination. The Commission, however, indicated that should the deficiencies be addressed within the timelines as outlined in the Regulations, their information may be taken into account for purposes of the final determination.

## 2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

### 2.1 IMPORTED PRODUCTS

#### 2.1.1 Description

The subject product is described as screw studding (rods threaded throughout) of stainless steel and steel (commonly known as threaded rods).

#### 2.1.2 Tariff classification

The subject product is classifiable as follows:

Heading	Tariff subheading	Description	Statistical Unit	Rate of customs duty			
				General	EU	EFTA	SADC
7318		Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter-pins, washers (including spring washers) and similar articles, of iron or steel					
	7318.1	- Threaded articles:					
	7318.15	-- Other screws and bolts, whether or not with their nuts or washers					
	7318.15.35	---Other screws and bolts(including bolt ends, screw studs and screw studding, of stainless steel (excluding those that are fully threaded with hexagon heads)	Kg	10%	1.3%	5%	Free
	7318.15.41	--- Bolt ends, screw studs and screw studding (excluding those of stainless steel and those identified for aircraft)	Kg	10%	1.3%	5%	Free

The products under investigation were classified under tariff subheading 7318.15.90 during the period of investigation. On 1 January 2011 SARS amended the tariff structure of threaded rods to tariff subheadings 7318.15.35 and 7318.15.41 as

indicated above. The Commission took into account all comments made regarding the tariff subheadings and obtained information from SARS regarding the products imported under the different tariff subheadings.

### **2.1.3 Negligibility test**

The volume of dumped imports into SACU shall be considered negligible if it accounts for less than 3% of total imports of the subject product during the period of investigation for dumping. The following table shows the alleged dumped imports as a percentage of the total imports:

**Table 2.1.3: Import volumes**

	<b>Import volumes (POI) – Kg</b>	<b>Volume as a percentage of total import volume</b>
Alleged dumped imports: PRC	27,658,662	62.7%
Total imports	44,181,462	100%

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

### **2.1.5 Country of origin/export**

The subject product originates in and is exported from the PRC.

### **2.1.6 Application/end use**

The imported product is designed for clamping/fastening or interference-fit and is used in the building, mining, construction and agricultural industry.

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### **2.1.7 Production process**

The steel merchant or threaded rod manufacturer purchases wire rod/bar from steel mills. The steel is cut to size, normally 1 or 3 meter lengths. Steel rod is fed into Thread rolling machines by hand or automated bar feeders. Threaded rods are counted and bundled for black stock or sent to Electro-galvanisers for plating. Threaded rods are then bundled and counted and put into stock.

## **2.2 SACU PRODUCT**

### **2.2.1 Description**

The SACU product is described as screw studding (rods threaded throughout) of stainless steel and steel (commonly known as threaded rods).

### **2.2.2 Application/end use**

The SACU product is used for designed for clamping/fastening or interference-fit type and is used in the building, mining, construction and agricultural industry.

### 2.2.3 Tariff classification

The SACU product is classifiable under the following tariff subheadings:

Heading	Tariff subheading	Description	Statistical Unit	Rate of customs duty			
				General	EU	EFTA	SADC
7318		Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter-pins, washers (including spring washers) and similar articles, of iron or steel					
	7318.1	- Threaded articles:					
	7318.15	-- Other screws and bolts, whether or not with their nuts or washers					
	7318.15.35	---Other screws and bolts(including bolt ends, screw studs and screw studding, of stainless steel (excluding those that are fully threaded with hexagon heads)	Kg	10%	1.3%	5%	Free
	7318.15.41	--- Bolt ends, screw studs and screw studding (excluding those of stainless steel and those identified for aircraft)	Kg	10%	1.3%	5%	Free

### 2.2.4 Production process

The steel merchant or threaded rod manufacturer purchases wire rod/bar from steel mills. The steel is cut to size, normally 1 or 3 meter lengths. Steel rod is fed into Thread rolling machines by hand or automated bar feeders. Threaded rods are counted and bundled for black stock or sent to Electro-galvanisers for plating. Threaded rods are then bundled and counted and put into stock.

## 2.3 LIKE PRODUCTS

### 2.3.1 General

In order to establish the existence and extent of injury to the SACU industry, it is

necessary to determine at the outset whether the products produced by the SACU industry are like products to those originating in or imported from the PRC.

### 2.3.2 Analysis

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

	<b>Imported product</b>	<b>SACU product</b>
<b>Raw materials</b>	Steel and stainless steel	Steel and stainless steel
<b>Physical appearance</b>	The products are threaded through the whole length. It is supplied as black, mild steel, galvanized or EN8 (European Standard) threaded steel rods or stainless steel threaded rods.	The products are threaded through the whole length. It is supplied as black, mild steel, galvanized or EN8 (European Standard) threaded steel rods or stainless steel threaded rods.
<b>Tariff classification</b>	7318.15.35 & 7318.15.41 (prior to 1 January 2011 the products were classified under tariff subheading 7318.15.90)	7318.15.35 & 7318.15.41 (prior to 1 January 2011 the products were classified under tariff subheading 7318.15.90)
<b>Production process</b>	Wire rod/bar is purchased from steel mills. The steel is cut to size normally 1 or 3 meter lengths. Steel rod is fed into thread rolling machine by hand or an automated bar feeder. Threaded rods are counted and bundled for black stock or sent to Electro-galvanisers for plating.	Wire rod/bar is purchased from steel mills. The steel is cut to size normally 1 or 3 meter lengths. Steel rod is fed into thread rolling machine by hand or an automated bar feeder. Threaded rods are counted and bundled for black stock or sent to Electro-galvanisers for plating.
<b>Substitutability</b>	The imported product and the SACU product are direct substitutes.	The imported product and the SACU product are direct substitutes.
<b>Application or end use</b>	The imported subject product is designed for clamping/fastening or interference-fit type and is used in the building, mining, construction and agricultural industry.	The imported subject product is designed for clamping/fastening or interference-fit type and is used in the building, mining, construction and agricultural industry.

After considering all the above factors, the Commission was satisfied that the SACU product and the imported product are “like products”, for purposes of comparison in this investigation, in terms of the ADR.

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### **3. SACU INDUSTRY**

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#### **3.1 INDUSTRY STANDING**

The application was lodged by the South African Fasteners Manufacturers Association (SAFMA), on behalf of the SACU industry.

The Commission decided that the application can be regarded as being made “by or on behalf of the domestic industry”.

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## **4. 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 the ADR and no anti-dumping duty will be imposed.

The Commission made a preliminary determination that the sales made below costs should not be excluded from the calculation of the weighted average normal value, if such sales are less than 20 per cent of the total sales.

### **4.1 METHODOLOGY IN THIS INVESTIGATION FOR TONG MING**

#### **4.1.1 Normal Value**

##### **Sales in the ordinary course of trade**

The following information, submitted by Tong Ming, was considered by the Commission in making a determination whether sales by Tong Ming were made in the ordinary course of trade during the period of investigation:

##### **a. Shareholding and Board of Directors**

Tong Ming provided a list of members of the Board of Shareholders. The shareholders exert their rights to vote in shareholders meetings in accordance with the proportion of their capital contribution. The shareholders are representing their own interests. The Board of Directors is accountable to the Board of shareholders and represents the interest of the company and all shareholders.

##### **b. Raw materials and other cost components for production**

Information on the physical and financial flow of raw materials and other cost



components for production was provided. The major raw material suppliers' invoices were provided and verified. Proof of payment was verified. Purchases of raw materials were from more than one supplier at competitive prices.

**c. Labour**

Tong Ming stated that the workers are employed from the labour market, and trained before starting work. The workers apply for a position and the general manager approves the application. The first interview is conducted by HR, and followed by another interview by the employing department. The General Manager approves the appointment and an employment contract is signed.

The employing department also requests for the dismissal of an employee, where after discussions will take place between the employee and the employer and the general manager then approves the final decision to either dismiss the employee or not. HR then pays compensation to the dismissed employee.

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

Tong Ming stated that its production capacity cannot be increased without additional machinery, equipment and buildings. It was also stated that there are no further plans to increase the production capacity at present.

**e. Sales**

Sales are done on the domestic market as well as the export market. The domestic customers include sales to the end-users and traders. Sales to SACU are made to Traders. The difference in the level of trade does not affect the pricing. During verification it was found that some threaded rods sales were made at a loss on the domestic market. The volume of the non-profitable sales did not exceed 20 percent of each model and were therefore not excluded from the calculation of the weighted average normal value.

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**f. Financial statements**

Tong Ming submitted audited financial statements for the years 2008, 2009 and 2010.

**g. Accounting principles and practice**

As far as could be ascertained, the company complied with generally accepted accounting principles (GAAP).

**h. Foreign currency transactions**

Export sales are invoiced in US Dollars and converted to the Chinese currency at the ruling exchange rate.

The non-confidential version of this information is available on the public file.

Based on the information submitted, the Commission, for purposes of its preliminary determination, considered the sales of Tong Ming to be made in the ordinary course of trade.

**Calculation of normal value**

Tong Ming only produces stainless steel threaded rods and sold these on the domestic market in the PRC during the period of investigation. Tong Ming sold Austenitic 304 and 316 stainless steel threaded rods. The actual invoiced sales were used to calculate the normal value. During verification it was found that some threaded rods sales were made at a loss on the domestic market. The volume of the non-profitable sales did not exceed 20 percent of each model and were therefore not excluded from the calculation of the weighted average normal value.

The actual sales of the subject product were used to calculate the normal values for each of the models of these products.

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## Adjustments

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

(i) *Cost of payment terms*

An adjustment for the standard cost of payment terms on the PRC domestic market was made. The standard payment terms on the invoices to the customers were used to calculate this adjustment. The adjustment for payment terms was made on a transaction to transaction basis.

(ii) *Delivery charges*

An adjustment was made for the delivery charges included in the invoice amount. The adjustment for delivery charges was made on a transaction to transaction basis.

### 4.1.2 Export price

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

To enable a proper comparison with the normal value, the export price should be at the ex-factory level and at the same level of trade.

The Commission used the actual export sales to SACU during the POI to calculate

the export price. A weighted average export price was calculated for each of the following different types of threaded rods exported to SACU during the POI:

- 304 stainless steel
- 316 stainless steel

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

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

(i) *Cost of payment terms*

The standard payment terms on the invoices to the customers were used to calculate this adjustment. The adjustment for payment terms were made on a transaction to transaction basis.

(ii) *Freight costs*

The ocean freight cost was calculated by weight of the specific transaction divided by the total net weight of the invoice, multiplied by the total freight of the invoice.

(iii) *Inland Delivery charges*

Inland delivery charges were calculated on a transaction by transaction basis using the actual charges paid for each transaction and allocating the charges according to the weight of each transaction.

(iv) *Insurance*

Insurance was calculated on a transaction by transaction basis, by allocating the total value in US Dollar paid to each transaction.

(v) *Port charges*

Port charges were calculated on a transaction by transaction basis, according to the weight of each transaction.

#### 4.1.3 Margin of dumping

The following margins of dumping were calculated for Tong Ming:

RMB per kg	304 Stainless Steel	316 Stainless Steel
Dumping margin as a % of export price	(3.54%)	(12.07%)
Weighted average dumping margin as a % of ex-factory price	(4.52%)	

A negative margin of dumping of 4.52 per cent, when expressed as a percentage of the ex-factory price, was calculated for Tong Ming.

#### 4.2 METHODOLOGY FOR ALL OTHER MANUFACTURERS/EXPORTERS FROM THE PRC (RESIDUAL DUMPING MARGIN) PRODUCING STAINLESS THREADED RODS

##### 4.2.1 Normal value

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

The normal value was calculated using the verified normal value for Tong Ming as basis.

#### 4.2.2 Export price

It is the Commission's practice to use SARS statistics for determination of the export price. However, due to the change in tariff classification on 1 January 2012, the Commission was of the opinion that the best information available to calculate the export price was the verified export price for steel threaded rods of Tong Ming to the SACU during the POI.

The following adjustments were made to the export price to calculate an ex-factory export price:

(i) *Freight costs*

The ocean freight cost was calculated by weight of the specific transaction divided by the total net weight of the invoice, multiplied by the total freight of the invoice.

(ii) *Inland Delivery charges*

Inland delivery charges were calculated on a transaction by transaction basis using the actual charges paid for each transaction and allocating the charges according to the weight of each transaction.

(iii) *Insurance*

Insurance was calculated on a transaction by transaction basis, by allocating the total value in US Dollar paid to each transaction.

(iv) *Port charges*

Port charges were calculated on a transaction by transaction basis, according to the weight of each transaction.

#### 4.2.3 Margin of dumping

The following margins of dumping were calculated:

RMB per kg	304 Stainless Steel	316 Stainless Steel
Dumping margin as a % of export price	(1.25%)	3.29%
Weighted average dumping margin as a % of ex-factory price	(0.77%)	

A negative margin of dumping of 0.77 per cent, when expressed as a percentage of the ex-factory price, was calculated for all non-cooperating producers/exporters in the PRC.

#### 4.3 METHODOLOGY FOR ALL OTHER MANUFACTURERS/EXPORTERS FROM THE PRC (RESIDUAL DUMPING MARGIN) PRODUCING GALVANIZED STEEL THREADED RODS

##### 4.3.1 Normal value

It is the Commission's policy to calculate the normal value for non-cooperating exporters based on the highest (verified) normal value for the subject product in the same country without any adjustments. The normal value was calculated using the verified normal value for Brothers as basis.

##### 4.3.2 Export price

It is the Commission's practice to use SARS statistics for determination of export price. However, the best information available to calculate the export price was to use the verified export price for steel threaded rods of Wisechain to the SACU during the POI.

The following adjustments were made to the export price.

(i) *Freight costs*

The adjustment for freight costs were made on a transaction to transaction basis.

(ii) *Inland Delivery charges*

Inland delivery charges were calculated on a transaction by transaction basis using the actual charges paid for each transaction and allocating the charges according to the weight of each transaction.

(iii) *Insurance*

Insurance was calculated on a transaction by transaction basis.

#### 4.3.3 Margin of dumping

The following margins of dumping were calculated:

RMB per kg	EN8 Black	EN8 Galvanised	Mild Black	Mild galvanised
Dumping margin as a % of export price	(6.9%)	(10.7%)	37.1%	(7.4%)
Weighted average dumping margin as a % of ex-factory price	0.78%			

The margin of dumping for all non-cooperating producers/exporters in the PRC was calculated to be 0.78 per cent, when expressed as a percentage of the ex-factory price.



#### 4.4 CONCLUSION - DUMPING

For purposes of its preliminary determination, the Commission considered all the comments from interested parties and found that the subject product originating in the PRC was not being dumped into the SACU market.

The following negative and *de minimis* margins were calculated:

Tariff subheading	Manufacturer/Exporter	Dumping margin expressed as a percentage of the ex-factory price
7318.15.35	Tong Ming	(4.52%)
7318.15.35	All other manufacturers	(0.77%)
7318.15.41	All other manufacturers	0.78%

## **5. MATERIAL INJURY**

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### **5.1 DOMESTIC INDUSTRY FOR THE PURPOSE OF DETERMINATION OF INJURY (MAJOR PROPORTION)**

The following injury analysis relates to T & I Chalmers, Tel-Screw and TP. The Commission decided that this constitutes “a major proportion” of the total domestic production, in accordance with the ADR.

### **5.3 IMPORT VOLUMES AND EFFECT ON PRICES**

#### **5.3.1 Import volumes**

The following table shows the volume of all the imports under tariff subheading 7318.15.90 as obtained from SARS:

<b>Kg</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Alleged dumped imports	10,287,606	7,058,676	10,312,380
Other imports	6,953,218	4,124,055	5,445,527
Total imports	17,240,824	11,182,731	15,757,907
Alleged dumped imports as a percentage of total imports	59.7%	63.1%	65.4%

The information in the table shows that the alleged dumped imports increased from 59.7% to 65.4%.

### 5.3.2 Effect on Domestic Prices

#### Price undercutting

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

The Applicant stated that threaded rods are imported from the PRC at abnormally low prices on a continuous basis, forcing the SACU producers to sell threaded rods at prices which are at unprofitable levels or face a significant reduction in sales volumes resulting in increasing inventories.

#### Price depression

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

The table below shows the SACU industry's domestic selling prices:

Rand/kg	2008	2009	2010
Mild steel/galvanised/black	100	91	89
Stainless steel	100	87	70
EN8	100	91	89
Weighted average selling price	100	86	81

This table was indexed due to confidentiality using 2008 as the base year.

#### 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 between the percentage increase in cost and the percentage increase in selling price (if any), and whether or not the selling prices have increased by at least the same margin at which the cost of production increased.

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

	2008	2009	2010
<b>Mild steel/galvanised/black</b>			
Selling price (R/kg)	100	91	89
Cost of production	100	101	104
Cost as % of selling price	100	111	116
<b>Stainless steel</b>			
Selling price (R/kg)	100	87	70
Cost of production	100	87	69
Cost as % of selling price	100	100	100
<b>EN8</b>			
Selling price (R/kg))	100	91	89
Cost of production	100	108	102
Cost as % of selling price	100	119	117
<b>Average</b>			
SACU industry's weighted average selling price (R/kg)	100	86	81
SACU's weighted average cost of production	100	92	90
SACU's cost as % of selling price	100	107	112

This table was indexed due to confidentiality using 2008 as the base year.

The table above indicates that the selling prices did not increase by at least the same margin as the cost and therefore, the SACU industry experienced price suppression.

### 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:

Kg	2008	2009	2010
Stainless steel	100	69	75
Mild/galvanised/black/EN8	100	92	102
Total of Applicant	100	90	100

This table was indexed due to confidentiality using 2008 as the base year.

The Applicant stated that notwithstanding the substantial depression of the selling prices, the total sales of the SACU threaded rod industry remained more or less static over the period 2008 to 2010, but that the stainless steel rods sales declined over this period.

### 5.3.3.2 Profit

The following table shows the Applicant's profit margins:

		2008	2009	2010
<b>Mild steel/Galvanized/Black/EN8</b>				
Kg's Sold	Kg	100	92	102
Total Gross profit	R	100	66	64
Total Net Profit (EBIT)	R	100	66	43
Total Gross profit per kg	R/kg	100	72	63
Total Net Profit (EBIT) per kg	R/kg	100	72	42

This table was indexed due to confidentiality using 2008 as the base year.

		2008	2009	2010
<b>Stainless Steel</b>				
Kg's Sold	Kg	100	69	75
Total Gross profit	R	100	61	55
Total Net Profit (EBIT)	R	100	70	63
Total Gross profit per kg	R/kg	100	89	73
Total Net Profit (EBIT) per kg	R/kg	100	87	84

This table was indexed due to confidentiality using 2008 as the base year.

The information in the tables above indicates that the Applicant's profits declined for both categories over the period 2008 to 2010.

### 5.3.3.3 Output

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

Kg	2008	2009	2010
Stainless steel	100	69	75
Mild/galvanised/black/EN8	100	92	102
Total Production	100	86	94

**This table was indexed due to confidentiality using 2008 as base year**

The Applicant stated that the total threaded rods production marginally increased over the period 2008 to 2010 as sales also increased slightly, but that the volumes of stainless steel declined over the period 2008 to 2010 as a result of the impact of the alleged dumped imports.

### 5.3.3.4 Market share

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

	2008	2009	2010
<b>Market share percentage based on sales volume</b>			
Applicant	100	140	100
Market share of alleged dumped imports	100	104	109
Market share of other imports	100	90	87
Total SACU Market	100	100	100

**This table was indexed due to confidentiality using 2008 as the base year.**

The Applicant stated that the SACU industry's market share with regard to sales volumes declined in 2010 compared with 2009 and remained the same compared with 2008, while the market share of China steadily increased over the period 2008 to 2010 and imports from other countries declined over the

same period. It was also stated that the SACU industry market share in relation to the Chinese market share is extremely small and therefore the impact of the dumped imports is disastrous and that if the trend of the increased market share continued the SACU industry would eventually be forced out of the market.

#### **5.3.3.5 Productivity**

Using the production and employment figures sourced from the Applicant, its productivity improvement in respect of the subject product was determined to be as follows:

Description	2008	2009	2010
Total production volume	100	91	100
Number of employees	100	90	90
Kg per employee	100	100	111

This table was indexed due to confidentiality using 2008 as base year.

The Applicant indicated that the capacity utilization remained at the same level more or less in 2008 to 2010 (although it declined in 2009) with regard to black/mild/galvanized and EN8. It was stated that capacity utilization was at uneconomical levels causing the SACU industry to suffer material injury. With regard to stainless steel, the capacity utilization decreased over the period 2008 to 2010 causing material injury to the SACU industry.

#### **5.3.3.6 Return on investment**

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets.

The following table provides the Applicant's return on total net assets:

<b>Return on net assets</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Net profit (product concerned)	100	78	49
Net assets (product concerned)	100	108	116
Return on net assets (product concerned)	100	73	41

**This table was indexed due to confidentiality using 2008 as base year.**

The Applicant stated that as indicated in the table, return on investment declined substantially over the period 2008 to 2010 to unaccepted levels as a result of the continued imports of alleged dumped products from the PRC. It was stated that the declining return on investment would also have a devastating impact on the ability of the companies to reinvest and stay competitive in the SACU and global market.

#### **5.3.3.7 Utilisation of production capacity**

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

<b>Mild/galvanized/black/EN8</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Companies Capacity (Kg)	100	100	100
Companies actual production	100	92	102
Capacity utilisation %	100	100	111

<b>Stainless steel (Kg)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Companies Capacity (Kg)	100	100	100
Companies actual production	100	69	75
Capacity utilisation %	100	69	75

**This table was indexed due to confidentiality using 2008 as base year.**

The Applicant stated that the capacity utilization remained at the same level more or less in 2008 to 2010 (although it declined in 2009) with regard to black/mild/galvanized and EN8, but with regard to stainless steel the capacity



utilization decreased over the period 2008 to 2010 causing material injury to the SACU industry.

#### 5.3.3.8 Factors affecting domestic prices

The Applicant stated that there are no other known factors that could affect the domestic prices negatively.

#### 5.3.3.9 The magnitude of the margin of dumping

The following negative and *de minimis* dumping margins were calculated:

Tariff subheading	Producer	Margin of dumping expressed as a percentage of the ex-factory export price
7318.15.35	Tong Ming	(4.52%)
7318.15.35	All other exporters	(0.77%)
7318.15.41	All exporters	0.78%

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

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

	2008	2009	2010
Cash flow: incoming	100	90	92
Cash flow: Outgoing	100	94	105
Net cash flow	100	58	Negative
Debtors (value)	100	69	78
Debtors average days	100	100	100

This table was indexed due to confidentiality using 2008 as the base year.

The Applicant indicated that it is evident that cash flow (incoming) declined over the period 2008 to 2010 and that therefore, although cash flow appears to be positive it is important to note that as a result of the declining demand for the SACU products (as the alleged dumped imports increase) and declining sales values, the companies cut back in 2008 to 2010 on expenses and re-investment. The Applicant stated that it will have a negative impact in the SACU industry in the long run.

#### 5.3.3.11 Inventories

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

Volume- Kg	2008	2009	2010
Stainless steel	100	81	74
Mild/galvanized/black/EN8	100	79	56
Value - R			
Stainless steel	100	83	78
Mild/galvanized/black/EN8	100	82	56
Value per Kg			
Stainless steel	100	102	105
Mild/galvanized/black/EN8	100	104	99

This table was indexed due to confidentiality using 2008 as the base year.

The Applicant indicated that from the information in the table, it is evident that as a result of the declining sales and the effect on production that the inventory levels are managed by the SACU industry to ensure that inventory levels are not causing them injury.

#### 5.3.3.12 Employment

The following table shows the Applicant's employment level:

Number of employees	2008	2009	2010
Total labour : Production	100	90	90

This table was indexed due to confidentiality using 2008 as base year.

The Applicant indicated that the industry was forced to reduce employment in 2009. However, it indicated that as the companies invested in their employees they would only continue to retrench if sales continue to spiral downwards.

#### 5.3.3.13 Wages

The following table provides the SACU industry's wages:

	2008	2009	2010
Total wages: Production	100	97	91
Wages per employee	100	107	100

This table was indexed due to confidentiality using 2008 as the base year.

The Applicant indicated that the industry has a stable workforce and wages are negotiated at the Metals Industries Bargaining Council between the Steel and Engineering Federation (SEIFSA) and party Trade Union bodies. It indicated that as the workforce will be reduced so would the wage bill after paying out retrenchment packages.

#### 5.3.3.14 Growth

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

	2008	2009	2010
SACU market % growth from previous year	100	66	92
Sales growth % from previous year	100	90	100
Imports from the PRC	100	69	100
Other imports	100	59	78

This table was indexed due to confidentiality using 2008 as the base year.

The Applicant stated that the table indicates that the SACU market has shown growth in 2010 compared with 2009, but that the Chinese import market share increased and that the alleged imports from China are causing the SACU industry to suffer material injury.

#### 5.3.3.14 Ability to raise capital or investments

The Applicant provided the following information with regard to the SACU industry's ability to raise capital or investments:

Rand	2008	2009	2010
Total capital/investment in threaded rods	100	100	100
Capital expenditure during year on threaded rods	100	100	100

This table was indexed due to confidentiality using 2008 as the base year.

The Applicant stated that as a result of the alleged dumped imports and the margins that are under pressure, the SACU industry did slow down. It was stated that if the alleged dumped products continued to flood the SACU market causing the SACU industry further material injury, the SACU industry would not be able, at the estimated levels of profits, to invest further in 2011 and beyond.

## 5.7 CONCLUSION - MATERIAL INJURY

In making a preliminary determination on material injury, the Commission took into account that an industry normally only suffers either "price" or "volume" injury. From the information above, the Commission found that it was not evident that the Applicant is suffering volume injury, given its sales volume and output figures. The Commission, however, found clear evidence that the Applicant was suffering price injury, considering the decline in prices, profits and cash flow. The Commission therefore made a preliminary determination that the Applicant, and therefore the SACU industry, was suffering material injury.

## **6. THREAT OF MATERIAL INJURY**

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### **6.1 FREELY DISPOSABLE CAPACITY OF EXPORTERS**

The Applicant provided an email from a Chinese company showing that capacity is available. The Applicant stated that capacity is available as anti-dumping duties imposed by the EU forced the Chinese companies to establish other markets.

### **6.2 SIGNIFICANT INCREASE OF ALLEGED DUMPED IMPORTS**

Imports of the alleged dumping imports under the tariff subheading 7318.15.90 are indicated as follows:

<b>Kg</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Dumped imports	10,287,606	7,058,676	10,312,380

The Applicant stated that it is important to note that the Chinese imports represents a significant portion of the SACU market and if the influx of the alleged dumped products continue the SACU industry will continue to suffer material injury and eventually close down.

### **6.3 PRICES OF IMPORTS WHICH WILL HAVE A SIGNIFICANT DEPRESSING OR SUPPRESSING EFFECT ON DOMESTIC PRICES**

The table below shows the prices of alleged dumped imports:

<b>Rand/kg</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Average selling price	100	82	78

This table was indexed due to confidentiality using 2008 as the base year.

The table below shows the SACU industry's domestic selling prices:

Rand/kg	2008	2009	2010
Average selling price	100	96	80

This table was indexed due to confidentiality using 2008 as the base year.

The Applicant indicated that it is clear that the selling prices of the SACU industry are depressed and suppressed as a result of SACU industry's effort in countering and competing with the low prices as the alleged dumped imports from the PRC.

#### **6.4 EXPORTER'S INVENTORIES OF THE SUBJECT PRODUCT**

The Applicant indicated that the exporters' inventories are not known. It was stated that it is known that the exporters do from time to time experience surplus finished product stock which they attempt to dispose of even quicker.

#### **6.5 OTHER MARKETS THAT CAN ABORB THE FREE CAPACITY OF THE EXPORTER**

The Applicant stated that the SACU industry is not aware of this, but indicated that the USA, Russia and the EU imposed anti-dumping duties on Chinese nuts and bolts. It was stated that this not only indicates that the PRC is exporting major quantities of fasteners at dumped prices to these countries but also that as a result of the dumping duties, the PRC must now explore new markets such as SACU.

#### **6.6 STATE OF THE ECONOMY OF THE COUNTRY OF ORIGIN**

The Applicant indicated that the PRC's economy since the 1970's has changed from a closed, centrally planned system to a more market-orientated one that plays a major role in the global economy and in 2010 the PRC became the world's largest exporter. The Applicant also stated that the PRC generally has implemented reforms in a gradualist fashion and in recent years the PRC has

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renewed its support for state-owned enterprises in sectors it considers important to “economic security”, explicitly looking to foster globally competitive national champions.

## **6.7 SUMMARY ON THREAT OF MATERIAL INJURY**

The Commission made a preliminary determination that a threat of material injury to the Applicant, and therefore the SACU industry, exists.

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## **7. CAUSAL LINK**

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### **7.1 GENERAL**

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

### **7.2 CONCLUSION ON CAUSAL LINK**

As the Commission made a preliminary determination that the subject product imported from the PRC was not dumped onto the SACU market, the Commission decided not to make a preliminary determination on causal link.



## 8. SUMMARY OF FINDINGS

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### 8.1 Dumping

The Commission found that the subject product originating in or imported from the PRC was not dumped into the SACU market. The following negative and *de minimis* dumping margins were calculated:

Tariff subheading	Manufacturer/Exporter	Dumping margin expressed as a percentage of the ex-factory price
7318.15.35	Tong Ming	(4.52%)
7318.15.35	All other manufacturers	(0.77%)
7318.15.41	All other manufacturers	0.78%

### 8.2 Material injury

The Commission found that the Applicant suffered material injury in the form of price depression, price undercutting (stainless steel threaded rods), price suppression, the decline in revenue (sales value), profit, actual and potential decline in output, stagnant market share, decline in return on investments and decline in employment.

### 8.3 Threat of Material injury

The Commission made a preliminary determination that a threat of material injury to the Applicant, and therefore the SACU industry exists.

### 8.4 Causal link

As the Commission made a preliminary determination that the subject product imported from the PRC was not dumped onto the SACU market, the Commission decided not to make a preliminary determination on causal link.

## **9. DETERMINATION**

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The Commission made a preliminary determination that:

- The subject product originating in or imported from the PRC was not being dumped into the SACU market;
- The SACU industry suffered material injury; and
- A threat of material injury to the Applicant, and therefore the SACU industry exists.

As the Commission made a preliminary determination that no dumping is taking place, the Commission did not make a preliminary determination on causal link.

The Commission therefore made a preliminary determination that the investigation be terminated. Interested parties will be invited to submit comments and make representations on the preliminary determination within the specified time periods, which the Commission will consider prior to making its final determination and recommendation to the Minister of Trade and Industry.