

**REPORT NO. 408**

**INVESTIGATION INTO THE ALLEGED DUMPING OF FULLY THREADED  
SCREWS WITH HEXAGON HEADS, EXCLUDING THOSE OF STAINLESS STEEL  
ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA:  
FINAL DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 408: INVESTIGATION INTO THE ALLEGED DUMPING OF FULLY THREADED SCREWS WITH HEXAGON HEADS, EXCLUDING THOSE OF STAINLESS STEEL ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC): FINAL DETERMINATION**



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**PRETORIA**

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

## **INVESTIGATION INTO THE ALLEGED DUMPING OF FULLY THREADED SCREWS WITH HEXAGON HEADS, EXCLUDING THOSE OF STAINLESS STEEL ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC): FINAL DETERMINATION**

### **SYNOPSIS**

On 18 November 2011, the International Trade Administration Commission of South Africa (the Commission) initiated an investigation into the alleged dumping of fully threaded screws with hexagon heads, excluding those of stainless steel, originating in or imported from the People's Republic of China. Notice of initiation of the investigation was published in Notice No. 808 of 2011 of *Government Gazette* No.34751 dated 18 November 2011.

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

After considering all interested parties' comments, the Commission made a preliminary determination that the subject product was being dumped on the SACU market, causing material injury to the SACU industry.

As the Commission considered that the SACU industry would continue to suffer material injury during the course of the investigation if provisional payments were not imposed, it decided to request the Commissioner for South African Revenue Service (SARS) to impose provisional payments for a period of twenty-six weeks.

Comments submitted by interested parties were considered by the Commission prior to making its final determination and recommendation to the Minister of Trade and Industry.

Based on the details as contained in the Commission's preliminary report, the comments received, and the verified exporters' information, the Commission made a final determination before "essential facts" that it was considering that the subject product was being dumped on the SACU market and that, as a result, the SACU industry was suffering material injury.

The Commission therefore indicated that it was considering making a final determination to recommend to the Minister of Trade and Industry that definitive anti-dumping duties be imposed on the subject products originating in or imported from the PRC.

The Commission sent out letters to all interested parties, informing them in terms of Section 37 of the International Trade Administration Anti-Dumping Regulations and Article 6.9 of the Anti-Dumping Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, of the "essential facts" which were being considered by the Commission. The Commission invited comments from interested parties on these "essential facts" being considered by the Commission.

After considering all parties' comments received, the Commission made a final determination, that the subject product was being dumped on the SACU market and that the SACU industry was suffering material injury as a result.

The Commission, therefore, decided to recommend to the Minister of Trade and Industry that definitive anti-dumping duties be imposed on the subject product originating in or imported from the PRC.

## **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, (the ITA Act 71 of 2001) 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 Manufacturers Association (SAFMA) on behalf of the producers of the subject product in SACU.

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

The application was accepted by the Commission as being properly documented in accordance with Section 21 of the Commission's Anti-Dumping Regulations (ADR 21) on 08 November 2011.

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

The applicant alleged that imports of the subject products, originating in or imported from the PRC were being dumped into 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 their 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 suppression
- Price depression
- Price undercutting

- Decline in output
- Decline in market share
- Decline in productivity
- Decline in capacity utilisation
- Increase in inventory levels
- Decline in sales value
- Decline in sales volume
- Decline in growth
- Decline in return on investment
- Decline in cash flow
- Decline in profit

## **1.5 INVESTIGATION PROCESS**

The Commission initiated an investigation into the alleged dumping of fully threaded screws with hexagon heads, excluding those of stainless steel originating in or imported from the PRC pursuant to Notice No. 808 of 2011 which was published in *Government Gazette* No. 34751 on 18 November 2011.

Prior to 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 South African Fasteners Manufacturers Association was verified on 28 and 29 September 2011.

## **1.6 INVESTIGATION PERIOD**

The investigation period for dumping is from 1 July 2010 to 30 June 2011. The injury investigation involved evaluation of data for the period 1 July 2008 to 30 June 2011.

## **1.7 PARTIES CONCERNED**

### **1.7.1 SACU industry**

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

- CBC Fasteners (Pty) Ltd.
- Transvaal Pressed Nuts, Bolts and Rivets (Pty) Ltd.
- Daltron Forge CC.
- S. A. Bolt Manufacturers Company (Pty) Ltd.
- Bolt Corporation (Pty) Ltd.

CBC Fasteners (Pty) Ltd and Transvaal Pressed Nuts, Bolts and Rivets (Pty) Ltd., submitted the information contained in this report.

### **1.7.2 Exporter/foreign producer**

The following foreign manufacturers/exporters rectified their deficiencies and their responses were verified after the preliminary determination:

- Ningbo Xingyi Fasteners Co., Ltd.
- Ningbo Jinding Fastening Piece Company Limited.
- Zhejiang Zhapu Industrial Co., Ltd.
- Wenzhou Zhongsheng Hardware Co., Ltd.
- Shanghai Wisechain Fasteners Ltd & Zhejiang Laibao Precision Technology co., Ltd.
- Shanghai Prime Machinery Co., Ltd & Shanghai Biao Wu High Tensile Fasteners Co., Ltd.

### **1.7.3 Importers**

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

- National Socket Screws.
- Bearing Man Group (Pty) Ltd.

The following importer's response was deficient:

- Boltfast (Pty) Ltd.

- 1.8** The Commission took all comments received from interested parties into account in making its final determination. All submissions made by interested parties are contained in the Commission's public file for this investigation. It should be noted that this report does not purport to present all comments received and considered by the Commission. However, some salient and pivotal comments received from interested parties and the Commission's considerations of these comments are specifically included in this report.



## 2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

### 2.1 IMPORTED PRODUCTS

#### 2.1.1 Description

The imported product is described as fully threaded screws with hexagon heads (including cap screws) of iron or steel, with or without threads, (excluding dome nuts, nuts with bob-metallic inserts, nuts of stainless steel, nuts identifiable for use solely or principally on aircraft, and collared nuts) of a thread diameter of 6mm or more, but not exceeding 36mm (excluding self locking nuts of a thread diameter exceeding 10mm) and a length of 10mm or more but not exceeding 400mm, whether or not with their nuts and washers.

#### 2.1.2 Tariff classification, other applicable duties and rebates

**Table 2.1.2: Tariff classification**

Sub-heading	Description	Statistical Unit	Rate of duty			
			General	EU	EFTA	SADC
7318.15.39	Screws, bolts, nuts, coach screws, screws hooks, rivets, cotters, cotter-pins, washer (including spring washers) and similar articles of iron or steel: - Other screws, fully threaded with hexagon heads (excluding those of stainless steel).	kg	10%	1.3%	5%	Free

### **Summarised comments by interested parties**

Various interested parties stated that the imports information was based on the old tariff structure.

### **Commission's consideration**

The Commission considered the changes in the tariff classification for the subject products in all phases of the investigation as the tariff sub-heading specific to threaded screws was only in existence for six months of the investigation period. Therefore, the old tariff sub-heading in which the screws were classified was also utilised for the trend analysis.

#### **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 dumped imports as a percentage of the total imports:

**Table 2.1.3: Negligibility test**

	<b>Import volumes (Kg) 1/07/2010 - 30/06/2011</b>	<b>Volume as % of total imports</b>
The PRC	8 285 368	72%
Imports from other countries	3 282 172	28%
Total imports	11 567 540	100%

The import statistics indicated that the volume of dumped imports from the PRC accounted for 72 per cent of the total imports of the like product during the period of investigation for dumping.

The Commission made a final determination that the imports from the PRC are above the negligibility level.

**2.1.4 Country of origin/export**

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

**2.1.5 Application/end use**

The imported product is used by various industries in joining materials.

**2.1.6 Production process**

Raw steel coils go through the steel preparation process which includes an acid clean and an addition of phosphate coating to allow for easier forging. Once cleaned, the main forging of the steel into a bolt by a forging machine takes place. The pieces of cut off coil effectively move through a few stages of continuous forging or shaping into the bolt on the same machine. The heads of the bolt are cut into a hexagonal shape and threads are rolled on the bolt on the same forging machines. If required by the grade requirement, the bolt will then move through a heat treatment furnace, and thereafter, if further required, the product is plated for corrosion protection.

**2.2 SACU PRODUCT**

**2.2.1 Description**

The SACU product is described as hexagon fully threaded screws with hexagon heads (including cap screws) of iron or steel, with or without threads, (excluding dome nuts, nuts with bob-metallic inserts, nuts of stainless steel, nuts identifiable for use solely or principally on aircraft, and collared nuts) of a thread diameter of 6mm or more, but not exceeding 36mm (excluding self locking nuts of a thread diameter exceeding 10mm) and a length of 10mm or more but not exceeding 400mm, whether or not with their nuts and washers.

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

The SACU product is used by various industries in joining materials.

#### **2.2.3 Tariff classification**

The SACU products are classified under tariff sub-heading 7318.15.39. The imports statistics from 2008/09 and 2009/10 were based on the old tariff structure, tariff sub-heading 7318.15.90. This tariff sub-heading was inclusive of other stainless steel products. The 2010/11 imports consist of the old tariff sub-heading until December 2010 and the new sub-heading which was introduced on 1 January 2011, tariff sub-heading 7318.15.39 reflecting only the subject product.

#### **2.2.4 Production process**

Raw steel coils go through the steel preparation process which includes an acid clean and an addition of phosphate coating to allow for easier forging. Once cleaned, the main forging of the steel into a bolt by a forging machine takes place. The pieces of cut off coil effectively move through a few stages of continuous forging or shaping into the bolt on the same machine. The heads of the bolt are cut into a hexagonal shape and threads are rolled on the bolt on the same forging machines. If required by the grade requirement, the bolt will then move through a heat treatment furnace, and thereafter, if further required, the product is plated for corrosion protection.

### **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 used the following criteria:

	<b>1 Imported product</b>	<b>2 SACU product</b>
<b>Raw materials</b>	Hot rolled rods of iron with a thickness not exceeding 14mm.	Hot rolled rods of iron with a thickness not exceeding 14mm.
<b>Physical appearance</b>	Fully threaded screws with hexagon heads (including cap screws) of iron or steel, with or without threads, (excluding dome nuts, nuts with bob-metallic inserts, nuts of stainless steel, nuts identifiable for use solely or principally on aircraft and collared nuts) of a thread diameter of 6mm or more, but not exceeding 36mm (excluding self locking nuts of a thread diameter exceeding 10mm) and a length of 10mm or more but not exceeding 400mm, whether or not with their nuts and washers.	Fully threaded screws with hexagon heads (including cap screws) of iron or steel, with or without threads, (excluding dome nuts, nuts with bob-metallic inserts, nuts of stainless steel, nuts identifiable for use solely or principally on aircraft and collared nuts) of a thread diameter of 6mm or more, but not exceeding 36mm (excluding self locking nuts of a thread diameter exceeding 10mm) and a length of 10mm or more but not exceeding 400mm, whether or not with their nuts and washers.
<b>Tariff classification</b>	7318.15.39	7318.15.39
<b>Production process</b>	Raw steel coils go through the steel preparation process which includes an acid clean and an addition of phosphate coating to allow for easier forging. Once cleaned, the main forging of the steel into a bolt by a forging machine takes place. The pieces of cut off coil effectively move through a few stages of continuous forging or shaping into the bolt on the same machine. The heads of the bolt are cut into hexagonal shape and threads are rolled on the bolt on the same forging machines. If required by the grade requirement, the bolt will then move through a heat treatment furnace, and thereafter if further required, the product is plated for corrosion protection.	Raw steel coils go through the steel preparation process which includes an acid clean and an addition of phosphate coating to allow for easier forging. Once cleaned, the main forging of the steel into a bolt by a forging machine takes place. The pieces of cut off coil effectively move through a few stages of continuous forging or shaping into the bolt on the same machine. The heads of the bolt are cut into hexagonal shape and threads are rolled on the bolt on the same forging machines. If required by the grade requirement, the bolt will then move through a heat treatment furnace, and thereafter if further required, the product is plated for corrosion protection.
<b>Application or end use</b>	Subject goods are used in most industries for joining materials, i.e. mining, construction, agriculture, utilities, process industries, automotive industry, general engineering and the do-it-yourself market.	Subject goods are used in most industries for joining materials, i.e. mining, construction, agriculture, utilities, process industries, automotive industry, general engineering and the do-it-yourself market.
<b>Substitutability</b>	Full substitution.	Full substitution.

**Summarised comments from interested parties**

Interested parties commented that screws with technical standard of DIN961 should be disregarded for dumping margin purposes as it is used in the automotive industry and has different technical specifications. It was also submitted that the applicant manufactures DIN961 in small quantities.

**Commission's consideration**

The Commission considered that the applicant manufactures DIN961, which is classifiable under the same tariff sub-heading and therefore forms part of the subject product and cannot be excluded for the purpose of this investigation. The Commission therefore concluded that DIN961 falls within the scope of this investigation.

**Summarised comments from interested parties**

It was stated that SAFMA only submitted a normal value and an export price for mild plain steel with no adjustments, and therefore the investigation should have been limited to products of mild steel plain.

**Commission's consideration**

The Commission considered that mild steel plain screws are representative of the subject product produced and sold, by the applicant. During verification these steel types and coatings were found to be used and representative of the types utilised by the responding exporters as well. The Commission therefore made a final determination not to limit the scope of the investigation to mild steel plain products.

**Summarised comments from interested parties**

It was further stated that SAFMA's application was for fully threaded screws with hexagon heads in mild steel and high tensile steel, from 6mm to 36mm inclusive and in lengths from 10mm to 400mm, hence anything smaller than 6mm diameter or larger than 36mm diameter and anything shorter than

10mm or longer than 400mm should be excluded from payment of anti-dumping duties. Further, any product outside this scope is not produced in South Africa.

**Commission's consideration**

The Commission made a final determination to define the product as fully threaded screws with hexagon heads, excluding those of stainless steel with a thread diameter of 6mm or more but not exceeding 36mm and a length of 10mm or more but not exceeding 400mm.

After considering all the above factors, the Commission made a final determination that the SACU product and the imported product are "like products", for purposes of comparison in this investigation, in terms of the ADR.

### **3. SACU INDUSTRY**

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#### **3.1 INDUSTRY STANDING**

The Applicant's output represents more than 50 per cent of the total SACU output.

The Commission made a final determination that the application can be regarded as being made "by or on behalf of the domestic industry".



## **4. DUMPING**

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### **Summarised comments from interested parties**

Interested parties stated that the Commission applied facts available to the normal value, on the basis of the 2007 half-year financial statement of Superior Fastening Technology Ltd (SFT) provided by the applicant.

### **Commission's consideration**

The Commission considered that the information by SFT was not the only information provided by the applicant, it was just a basis for a constructed normal value. The applicant also provided Chinese steel prices for the period of investigation along with other updated cost elements obtained from SEIFSA.

#### **4.1 The PRC**

The Record of understanding between ITAC and the Bureau of Fair Trade for Imports and Exports (BOFT) of the Ministry of Commerce of the PRC provides that the PRC will be treated as a market economy for purposes of anti-dumping investigations. For purposes of initiation where domestic selling price information in the PRC is not available, SACU industries are allowed to use alternative methods permitted by the WTO in determination of a normal value for the PRC. However, individual companies that respond will be evaluated as to whether domestic selling prices are set in the ordinary course of trade.

The following companies rectified their deficiencies after the preliminary determination and therefore their information was considered for determination of individual dumping margins in the final determination:

- Zhejiang Zhapu Industrial Co., Ltd.

- Ningbo Xingyi Fasteners Co., Ltd.
- Shanghai Biao Wu High Tensile Fasteners Co., Ltd. & Shanghai Prime Machinery Co., Ltd.
- Wenzhou Zhongsheng Hardware Co., Ltd
- Ningbo Jinding Fastening Piece Co., Ltd.
- Zhejiang Laibao Precision Technology Co., Ltd., and Shanghai Wisechain Fasteners Ltd.

Information with regard to competition, marketing, advertising, input cost of main raw materials and whether it is supplied at arms length, ownership of the companies, and human resource policies for these exporters was also evaluated.

## **4.2 Zhejiang Zhapu Industrial Co., Ltd**

### **4.2.1 Normal Value**

The manufacturer/exporter divided all its sales models according to the respective coating/finishing for both domestic and export sales. The exporter produces 5 basic models and all models are also standardized by different specifications. Out of the 5 models, 4 were exported to the SACU market.

Domestic sales were all done in the exporter's currency, Chinese Yuan Renminbi (¥) and the respective volume was in kilograms.

Some sales of the four models were sold below cost during the period of investigation. The Commission made a final determination to disregard all sales above 20% by volume, of a particular product type or model that took place at prices below cost, and the normal value was based on the remaining sales, in accordance with ADR8.2.

With regard to one model, the remaining domestic sales accounted for less than 1% by volume of export sales to SACU, and therefore failed to meet the 5% rule in terms of ADR 8.3.

The Commission made a final determination to disregard domestic sales of the one model that failed to meet ADR8.3 and consider using a constructed normal value also as exports to a third country do not meet ADR8.3.

The normal value for this model was constructed based on average cost of production of the model, plus selling, general and administrative costs and a reasonable profit. The profit percentage was based on the overall company gross profit for the year ended 31 December 2010 obtained from the company's financial statements.

For the other three models, the normal value was based on actual verified sales of the subject product in the exporter's domestic market.

#### **4.2.2 Domestic sales adjustments**

The exporter claimed the following adjustments which were verified:

##### **(a) Payment terms**

The exporter claimed adjustments for payment terms for sales made in the domestic market. Payment terms were not offered on all domestic sales.

##### **(b) Transport costs/Delivery charges**

The exporter delivered some of the goods sold to customers, while other goods were collected by the customers. The delivery costs for the different models were stated in the invoices.

**(c) Packaging Costs**

The exporter packages all goods sold in the domestic market in boxes. The packaging costs for the different models are the same since all sales are packaged in the same packaging.

The Commission made a final determination to allow the adjustment of normal value for payment terms, transport costs/delivery charges and packaging costs.

**4.2.3 Export price**

The export price is based on actual verified export sales to the SACU market. Four models were exported to the SACU market. Export sales to the SACU market are invoiced in US Dollar and converted into RMB on the date of invoice. The export transactions were shown all to be on an FOB basis.

**4.2.4 Adjustments to export price**

The exporter claimed the following adjustments to the export price:

**(a) Inland freight**

The export sales were made on an FOB basis. The goods were transported by sea from the factory to the port in Shanghai.

**(b) Payment terms**

The exporter claimed adjustments for payment terms for sales made on exports to SACU. Payment terms were not offered on all export sales. Sales subject to payment terms varied and a US\$ LIBOR interest rate was used. The Commission made a final determination to use the same interest rate as that used for normal value purposes, as the LIBOR rate is not an actual interest rates from a bank, but a bench mark rate.

**(c) Packaging**

The exporter packages all goods sold in the SACU market in boxes and wooden pallets.

The Commission made a final determination to allow the adjustment of the export price for inland freight, payment terms, and packaging.

**4.2.5 Dumping margin**

The weighted average dumping margin was found to be -9.84 per cent when expressed as a percentage of the ex-factory export price.

**4.3 Ningbo Xingyi Fasteners Co., Ltd**

**4.3.1 Normal value**

The normal value was based on actual verified sales of the subject product in the exporter's domestic market. The exporter divided all its sales models according to the respective coating/finishing for both domestic and export sales. The exporter produces 5 basic models, and of these models 4 were exported to the SACU. All 5 models are also standardized by different specifications.

Domestic sales were all done in the exporter's currency, Chinese Yuan Renminbi (¥). The domestic sales value included Value-Added Tax (VAT) of 17 per cent which was deducted so as to arrive at a VAT exclusive price. The domestic sales models comparable to the SACU exported models are presented for normal value determination.

Domestic sales of one model were made below cost. However those sold below cost amounted to 8% by volume. Therefore the Commission considered all sales of this model for normal value determination as the sales below cost are less than 20 per cent as per ADR8.2.

The normal value is based on all sales of the four models.

#### **4.3.2 Domestic sales adjustments**

The exporter claimed the following adjustments:

##### **(a) Transport costs/Delivery terms**

The exporter delivered all the goods sold to customers. The delivery terms were stated in the invoices.

##### **(b) Packaging**

The exporter packages all goods sold in the domestic market in boxes and covers the boxes in plastic.

The Commission made a final determination to allow adjustment of normal value for transport costs/delivery charges and packaging costs.

#### **4.3.3 Export price**

The export price is based on actual verified export sales to the SACU market. Four models were exported to the SACU market. Export sales are invoiced in US Dollar and converted into RMB on the date of invoice. Export transactions were shown to be either on a CIF or an FOB basis.

#### **4.3.4 Adjustments to export price**

The exporter claimed the following adjustments to the export price:

##### **(a) Inland freight**

Export sales had inland transport costs included in them. The inland costs were calculated based on transport cost information obtained from the company's accounting records. The goods were transported by road from the factory to the port in Ningbo.

**(b) Payment terms**

The exporter did not claim an adjustment for payment terms for sales made on exports to SACU; however it was found that certain payments were not made in line with the terms stated on the invoice. It was found that SACU importers paid late, thus resulting in payment terms being afforded to them. Payment terms were calculated based on invoice date and time of payment at a verified bank rate for the period.

**(c) Packaging**

The exporter packages all goods sold in the SACU market in boxes and wooden pallets.

**(d) Sea insurance**

The sea insurance cost was calculated based on the insurance costs of the goods obtained from the company's records.

**(e) Sea Freight**

The exporter calculated sea freight adjustment based on sales value to SACU instead of sales volume to SACU. This was re-calculated during verification based on the goods container volume obtained from customs documents, and subtracting the volume of a standard empty container, also obtained from the customs documents.

**(f) VAT rebate**

The exporter claimed an adjustment for a VAT rebate. This is a rebate that the Chinese government gives to exporters that export goods that were manufactured using domestic materials.

**Summarised comments from interested parties**

The exporter commented that the Commission should allow VAT rebate as an adjustment. It submitted that the issues are not whether VAT was

part of all their information, but that the VAT rebate is a further subsidy which is “payable on top of everything else”. They further stated that the only basis the Commission could act against this subsidy by launching a countervailing investigation. The exporter cited Commission's bias against them for not allowing the adjustment.

#### **Commission's consideration**

The Commission made a final determination not to allow the VAT rebate as an adjustment as it did not affect price comparability at the time of setting of prices.

The Commission made a final determination to allow adjustment for inland freight, payment terms, packaging, sea insurance, and sea freight.

#### **4.3.5 Dumping margin**

The weighted average dumping margin was found to be -8.90 per cent when expressed as a percentage of the ex-factory export price.

#### **4.4 Shanghai Biao Wu High Tensile Fasteners Co., Ltd. & Shanghai Prime Machinery Co., Ltd.**

Shanghai Biao Wu High Tensile Fasteners Co., Ltd (Biao), the manufacturer of the subject is wholly owned by Shanghai Prime Machinery Co., Ltd (Prime). Biao only sells in the domestic market, while Prime only exports to export markets.

##### **4.4.1 Normal value**

The normal value is based on Biao's actual verified sales of the subject product in the exporter's domestic market. It divided all its sales models according to the respective coating/finishing for both domestic and export sales. The exporter produces 5 basic models. All 5 models are also standardized by different specifications. Out of 5 models, 3 were



exported to the SACU market.

Biao is the manufacturer and also responsible for all sales in the domestic market. Biao also buys the subject product from other Chinese producers to sell in its domestic market. In order to do the ordinary course of trade test, only sales manufactured by the producer concerned may be considered. The Commission made a final determination to exclude all sales of goods manufactured by other companies and sold by Biao for normal value determination.

The domestic sales models comparable to the SACU exported models are used for normal value determination.

The Commission made a final determination to disregard all sales above 20 per cent by volume, of a particular product type or model that took place at prices below cost, and the normal value was based on the remaining sales, in accordance with ADR8.2.

#### **4.4.2 Domestic sales adjustments**

The exporter claimed the following adjustments:

##### **(a) Payment terms**

The exporter claimed adjustments for payment terms for sales made in the domestic market. Payment terms were not offered on all domestic sales.

##### **(b) Transport costs/Delivery charges**

The exporter delivered some of the goods sold to customers, while other goods were collected by the customers. The delivery terms were stated in the invoices.

**(c) Packaging**

The exporter packages all goods sold in the domestic and export markets in boxes. The boxes are branded as per client specifications. The packaging cost was obtained from the company's accounting system. The accounting system of the company records the actual packaging cost per metric ton (MT) for each sale of the product.

The Commission made a final determination to adjust the normal value for payment terms, delivery charges/transport costs and packaging.

**4.4.3 Export price**

As stated Prime wholly owns Biao, the manufacturer of the subject product and is responsible for all export sales. Prime also bought the subject product from other manufacturers to sell on the export markets. Since Biao is the manufacturing arm of Prime, the export sales manufactured by Biao and exported by Prime are presented for export price determination. The export price is based on actual verified export sales to the SACU market. Three models were exported to the SACU market. Export sales are invoiced in US Dollar and converted into RMB on the date of invoice using a verified exchange rate for the period. Export transactions were shown be on a CIF and an FOB basis.

The Commission made a final determination to exclude products bought by Prime from other suppliers in the PRC as they were not manufactured by Biao. The export sales models comparable to those sold in the Chinese market are used for export price determination.

**4.4.5 Export sales adjustments**

The exporter claimed the following adjustments:

**(a) Payment terms**

The exporter claimed adjustments for payment terms for sales made on exports to SACU. Payment terms were not offered on all export sales.

**(b) Inland freight**

The export sales that were made on an FOB and a CIF basis included inland freight. Inland freight was estimated. However, the actual inland freight value was provided during verification, and verified with sample invoices.

**(c) Sea Freight**

Some of the export sales were made on a CIF basis. The sea freight value was estimated, however the actual sea freight value was provided during verification, which was verified with sample invoices.

**(d) Marine insurance**

The insurance charges incurred on all CIF sales or sales were verified.

**(e) Packaging**

The exporter packages all goods sold in the SACU market in boxes and wooden pallets. The packaging costs were obtained from the exporter's accounting system.

**(f) Port Charges**

These charges were verified according to invoices provided. These are charges for container loading and other port related charges.

The Commission made a final determination to allow adjustments for payment terms, inland freight, sea freight, marine insurance, packaging, and port charges.

#### **4.4.6 Dumping margin**

The weighted average dumping margin was found to be 0.08 per cent when expressed as a percentage of the ex-factory export price. The margin is below 2 per cent and therefore is *de minimis*.

#### **4.5 Wenzhou Zhongsheng Hardware Co., Ltd**

##### **4.5.1 Normal value**

It was found that the manufacturer/exporter did not sell the subject product in its domestic market as it is, but that it was included in a set of other products and sold as a set box. The domestic selling price provided on the sales schedule in the questionnaire is not the actual selling price of the subject product, but a total selling price of the set box sold in the domestic market. The exporter exported the same set boxes to other foreign countries, except SACU, as the SACU customer requested only set screws.

The exporter explained that it could not determine the price and volume of the set screw sold in its domestic market as the content of the set box differs in quantities, for example one set may have two screws and the other have one screw. Export sales to other third countries were also sold in set boxes, similar to those sold in the domestic market. The Commission made a final determination to not take these sales into account for purposes of determining normal value as they are not comparable to the product exported to SACU.

The normal value is therefore constructed based on the exporter's verified cost build-up plus SG&A and a reasonable profit. A reasonable profit is based on the company's gross profit margin obtained from the company's December 2010 financial statements.

#### **4.5.2 Export price**

The export price is based on actual verified export sales of the subject product to the SACU market. Export sales were in US Dollars, this was converted to Chinese RMB using a verified exchange rate on the date of the transaction obtained from the Bank of China. All exports to SACU were found to be made at a FOB basis.

#### **4.5.3 Adjustments to export price**

The exporter claimed the following adjustments to the export price:

##### **(a) Payments terms**

The exporter incurred an expense for payment terms as it allowed its importer to pay a deposit for the goods and further payment settled at a later date.

##### **(b) Delivery charge**

The exporter incurred an expense for transporting the exported product from the factory to the harbour.

##### **(c) Packaging**

The exported product is packed in plastic bags and then placed in boxes.

##### **(d) Bank fee**

The exporter incurred an expense for a foreign transaction at the bank and this was charged per transaction.

##### **(e) Other adjustments**

Other adjustments relate to handling costs, declaration costs and ship reservation costs.

The Commission made a final determination to allow adjustments for payment terms, delivery charge packaging, bank fee and other adjustments.

#### **4.5.4 Margin of dumping**

The weighted average dumping margin was found to be -31.9 per cent when expressed as a percentage of the ex-factory export price.

#### **4.6. Ningbo Jinding Fastening Piece Co., Ltd.**

##### **4.6.1 Normal value**

The normal value was based on actual verified sales of the subject product in the exporter's domestic market. The manufacturer/exporter divided all its sales models according to the respective coating/finishing for both domestic and export sales. The exporter produces 3 basic models in its domestic market and all 3 models are also standardized by different specifications.

The Commission made a final determination to disregard all sales above 20 per cent by volume, of a particular product type or model that took place at prices below cost, and the normal value was based on the remaining sales, in accordance with ADR8.2.

##### **4.6.2 Adjustments to the normal value**

The exporter claimed the following adjustments to the normal value:

###### **(a) Delivery**

The delivery cost relates to the expense for transporting the goods from the factory to the customers in the domestic market

###### **(b) Packaging**

Packaging for products destined for domestic markets is in boxes.

**(c) Cost of payment**

It is the company's practice that its domestic market customers pay within specific days after the delivery of the goods. This arrangement is not a formal agreement between the company and its domestic customers, but it could be verified by matching the invoice date and the payment date.

The Commission made a final determination to allow adjustments for delivery, packaging and payment terms.

**4.6.3 Export price**

The export price is based on actual verified export sales of the subject product to the SACU market. Three models were exported to the SACU market. All exports to SACU were found to be made at a FOB basis.

**4.6.4 Adjustments to export price**

The exporter claimed the following adjustment to the export price:

**(a) VAT Rebate**

The exporter claimed an adjustment for a VAT rebate. This is a rebate that the Chinese government gives to exporters that export goods that were manufactured using domestic materials.

**Commission's consideration**

The Commission made a final determination not to allow the VAT rebate as an adjustment as it did not affect price comparability at the time of setting of prices.

**(b) Delivery charges**

The exporter incurred an expense for transporting the goods destined for SACU from the factory to the harbour. The Commission made a final

determination to allow this adjustment.

**(c) Packaging**

The product destined for SACU is packed in boxes and pallets. The Commission made a final determination to allow this adjustment.

The Commission made a final determination to allow adjustments for delivery charges and packaging.

**4.6.5. Margin of dumping**

The weighted average dumping margin was found to be 21.51 per cent when expressed as a percentage of the ex-factory export price.

**4.7 Zhejiang Laibao Precision Technology Co., Ltd., and Shanghai Wisechain Fasteners Ltd.**

All sales transactions relating to Laibao and Wisechain take place through four entities. The manufacturer of the subject product is Zhejiang Laibao Precision Technology Co., Ltd. (Laibao) who sells more than 85 per cent of its products to Haiyan Dayu Fasteners Co., Ltd (Dayu) and the remainder of its sales goes to independent distributors. Dayu and Laibao are related as Dayu owns shares in Laibao and Laibao owns shares in Dayu.

Dayu, the related company sells the subject product destined to the SACU market to Shanghai Wisechain Fasteners Ltd. (Wisechain Fasteners) an unrelated distributor who either export directly to SACU or sells to its related sister company Shanghai Wisechain Trading Ltd. (Wisechain Trading) which also sells the subject product to SACU. In short, Wisechain Trading and Wisechain Fasteners are related companies but not related to Laibao and Dayu (who are related to each



other).

#### **4.7.1 Normal Value**

The normal value is based on actual verified sales of the subject product in the exporter's domestic market. The manufacturer divided all its sales models according to the respective coating/finishing for both domestic and export sales.

For normal value determination, the Commission made a final determination to deem all sales from Laibao to Dayu and those from Laibao to independent distributors as sales sold in the domestic market. This determination was based on the fact that the distributors Laibao sells to are in the domestic market. Laibao does not have any agreement or control to ensure that those goods are indeed exported to foreign markets. Laibao did not provide any supporting evidence to prove that all the goods it manufactured are exported and the goods sold to the distributors were all sold in the domestic currency, to a domestic trader.

The exporter produces 4 basic models in its domestic market. The models are also standardized by specifications. Three models are presented for normal value determination as they are comparable to the SACU exported models.

The Commission made a final determination to disregard all sales above 20 per cent by volume, of a particular product type or model that took place at prices below cost, and the normal value was based on the remaining sales, in accordance with ADR8.2.

The remaining sales by volume were found to be made above cost of production and were also found to be more than the 5 per cent of the exports to SACU (by volume) as required by ADR8.3.

#### **4.7.2. Adjustments to the normal value**

The following adjustment was claimed on domestic sales.

##### **(a) Payment terms**

Laibao allowed specified days payment terms to its customers at an average interest rate for the year.

The Commission made a final determination to allow the adjustment for payment terms.

#### **4.7.3 Export Price**

The export price was based on actual verified export sales of the subject product to the SACU market. Dayu sold the subject product to Wisechain Trading. Wisechain Trading exported some directly to SACU and others were sold to Wisechain Fasteners that exported to SACU,

The Commission made a final determination to base the export price on the sales from Dayu to Wisechain Trading, as Dayu knew at the time of setting prices that the sales to Wisechain Trading were destined for the SACU market. Dayu also prepared the packaging and delivery to SACU on behalf of Wisechain Trading and Wisechain Fasteners and the sales were charged in foreign currency.

There were no export sales adjustments as all costs were incurred by the exporters and not Dayu.

#### **4.7.4 The dumping margin is as follows:**

The weighted average dumping margin was found to be 12.75 per cent when expressed as a percentage of the ex-factory export price.

### **Summarised comments from interested parties**

Comments were received regarding the treatment of sales from Laibao to Dayu as domestic sales and the determination of dumping for this manufacturer. The manufacturer differed with the Commission's consideration to deem its sales to Dayu as domestic sales. It commented that the normal value should be constructed as was the case for Wenzhou Zhongsheng, the other manufacturer/exporter in this investigation. It argued that its sales to Dayu were destined for foreign markets.

### **Commission's consideration**

The Commission considered that Laibao, the manufacturer sold the subject product to traders located in the PRC, including Dayu. The traders then sold to export markets, and in other instances these traders also sold to other domestic traders. The sales by Laibao to Dayu and other traders were sold to traders in the PRC and using the manufacturers' domestic currency, Chinese Yuan.

Upon verification, it was found that Dayu not Laibao charged in foreign currencies and was also responsible for shipping to the foreign markets. The Commission further noted that Laibao's situation is different from that of Wenzhou Zhongsheng, as Zhongsheng did not sell to traders. The Commission therefore made a final determination to deem sales of Laibao to Dayu and other traders as domestic sales.

## **4.8 Residual dumping margin**

The Commission made a final determination to apply a residual dumping margin for all non-cooperating exporters of the subject product.

#### **4.8.1 Normal value**

After considering various options for the normal value of non-cooperating exporters, the Commission made a final determination to consider a normal value obtained from one cooperating exporter/manufacturer. This normal value was verified and is comparable to the normal value that was used for initiation of the investigation.

#### **4.8.2 Export price**

For the export price for non-cooperating exporters the Commission also considered various options. However, it made a final determination to use SARS statistics for the six months period for which the statistics were of the subject product. This is also representative of all exporters' sales from the PRC.

An exchange rate of R1 = RMB 0.9442 obtained from Oanda for the six months period considered is used to convert Rands to RMB's. The FOB export price was determined to be RMB7.94/Kg.

In order to bring the FOB export price to an ex-factory level, an adjustment for inland transport costs was made based on verified inland transport costs from PRC.

#### **4.8.3 Dumping margin for all other exporters**

The weighted average dumping margin was found to be 76.37 per cent when expressed as a percentage of the ex-factory export price.

#### **4.9 CONCLUSION - DUMPING**

The Commission made a final determination that the subject product originating in or imported from the PRC was being dumped into the SACU market.

## **5 MATERIAL INJURY**

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### **5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION**

The following injury analysis relates to Transvaal Pressed Nuts and Bolt (Pty) Ltd (TPN), and CBC Fasteners (Pty) Ltd (CBC). The Commission made a final determination that their output constitutes “a major proportion” of the total domestic production, in accordance with the ADR.

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

#### **5.2.1 Import volumes**

The following table shows the volume of all the imports under tariff subheading 7318.15.39 as obtained from SARS:

**Table 5.2.1: Import volumes**

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
dumped imports: PRC (kg)	9 703 502	7 733 632	5 138 791
% of dumped imports: PRC	65%	64%	44%
Other imports (including 2010/11 non-dumped imports from PRC) (kg)	5 153 056	4 339 242	6 428 749
% of other imports	35%	36%	56%
Total imports (kg)	14 856 558	12 072 874	11 567 540
Total import %	100%	100%	100%

Imports from 2008/09 and 2009/10 were based on the old tariff structure, which included other stainless steel products. The 2010/11 imports consists of the old tariff sub-heading until December 2010 and the new sub-heading which commenced on 1 January 2011.

Table 5.2.1 indicates that the dumped imports decreased from 9.7 million kilograms to 5.1 million kilograms and total imports also decreased from 14.8 million kilograms to 11.5 kilograms. The Commission noted that the dumped imports declined in a contracting market.

#### **5.2.2 Effect on Domestic Prices**

##### **5.2.2.1 Price undercutting**

Price undercutting is the extent to which the price of the imported

product is lower than the price of the SACU product. Price undercutting of 55.37% was determined.

The price undercutting is based on FOB information of the two exporters that were found to be dumping, plus sea freight, marine insurance, warfage, cartage obtained from the verified importers and import duties to arrive at a landed cost.

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

#### **5.2.2.2 Price depression**

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

**Table 5.2.2.2 Price depression: Consolidated**

	<b>2008/9</b>	<b>2009/10</b>	<b>2010/11</b>
Applicant's selling price	100	88.10	82.19

Note: this table was indexed due to confidentiality using 2008/9 as base year.

The table above indicates that the applicant's prices dropped throughout the investigation period by about 18 index points during the investigation period. The applicant stated that the low prices at which the fully threaded screws with hexagon heads are being imported from the PRC are the only reason they are experiencing price depression. The Commission noted that the dumped imports from PRC are depressing the applicant's prices.

### 5.2.2.3 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:

**Table 5.2.2.3: Price suppression**

	2008/09	2009/10	2010/11
Ex-factory price	100	88.10	82.19
Unit cost of production	100	98.92	97.14
Gross profit per unit	100	49.59	28.93
Gross profit %	100	56.16	35.16
Cost as a % of selling price	100	112.29	118.18

Note: this table was indexed due to confidentiality using 2008/9 as base year

The table above indicates that the applicant's prices were suppressed during the investigation period. The applicant stated that there were no other factors suppressing its prices. It was due to the price undercutting experienced from the imported product from the PRC. The Commission noted that the price suppression experienced by the SACU industry resulted in declining profits, while the costs of production remained high.

## 5.3 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY

### 5.3.1 Actual and potential decline in sales volume

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

**Table 5.3.1: Sales volume**

	2008/9	2009/10	2010/11
Consolidated sales volume	100	90.13	94.08

Note: this table was indexed due to confidentiality using 2008/9 as base year

Table 5.2.3.1 shows a decrease in sales volume during the investigation period. The applicant stated that the decrease in sales volume is evident owing to the increase in imports. The Commission noted that imports decreased during the period of investigation, in particular the dumped imports from the PRC. However, it also noted that although the dumped imports are showing a declining trend, they still occupy a large part of the SACU market.

### **5.3.2 Actual and potential decline in sales values**

The following table shows the applicant's SACU sales values of the subject product:

**Table 5.3.2: Sales values**

	2008/9	2009/10	2010/11
Consolidated sales value	100	79.82	76.77

Note: this table was indexed due to confidentiality using 2008/9 as base year

It can be observed from the table 5.3.2 that sales decreased from 100 index points to 76.77 index points during the period of investigation. The Commission noted that the applicant had to reduce its selling prices in an effort to maintain presence in the market and compete with the imported products. The information in the table above indicates that the applicant experienced a decrease in sales values.



### 5.3.3 Profit

The following table shows the applicant's profit situation:

**Table 5.3.3: Profit**

	2008/9	2009/10	2010/11
Consolidated gross profit	100	51.04	27.67
Consolidated gross profit per kg	100	49.59	28.93

Note: this table was indexed due to confidentiality using 2008/9 as base year

The gross profit of the applicant significantly dropped from 100 index points to 28.93 index points during the period of investigation. This significant decrease can be linked to the decrease in sales values, decrease in selling prices, high cost of production and a decrease in sales volumes. The information in the table above indicates that the applicant experienced a significant decrease in gross profit levels.

### 5.3.4 Output

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

**Table 5.3.4: Output**

	2008/9	2009/10	2010/11
Consolidated output volume	100	90.71	97.62

Note: this table was indexed due to confidentiality using 2008/9 as base year

The table above shows that the applicant's output declined over the period of investigation. According to the applicant the output decreased as a result of the increase in imports from the PRC. The Commission considered that output declined in line with a decreasing market and also as a result of the dumped imports that still occupy a large part of the SACU market.

### 5.3.5 Market share

#### 5.3.5.1 Market share volume

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

**Table 5.3.5.1: Market share volume**

<b>Market share by Sales volume</b>	<b>2008/9</b>	<b>2009/10</b>	<b>2010/11</b>
<b>Applicant's market share</b>	<b>100</b>	<b>90.12</b>	<b>94.08</b>
Other SACU producers market share	100	106.41	74.68
Dumped import's market share	100	79.70	52.96
Market share of other imports (including 2010/11 non-dumped imports from PRC)	100	84.21	124.76
<b>Total market share</b>	<b>100</b>	<b>85.61</b>	<b>80.55</b>

Note: this table was indexed due to confidentiality using 2008/9 as a base year. Imports from 2008/9 were based on the old tariff structure, which included other stainless steel products. The 2010/11 imports consist of old tariff sub-heading until December 2010 and the new sub-heading which commenced on 1 January 2011.

The information in the table above shows that during the period of investigation, the applicant's market share (volume) decreased. The Commission noted that the market share of dumped imports decreased in line with the declining SACU market which also declined in absolute terms.

#### 5.3.5.2 Market share (Value)

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

**Table 5.2.3.2: market share (value)**

<b>Market Share by sales value</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
<b>Applicant's market share</b>	<b>100</b>	<b>105.45</b>	<b>133.64</b>
Other SACU producer's	100	79.82	80.35
dumped imports	100	74.25	105.58
Other imports	100	82.00	48.29
<b>Total Market share</b>	<b>100</b>	<b>75.46</b>	<b>57.69</b>

Note: This table was indexed due to confidentiality using 2008/9 as a base year.

The information in the table above shows that during the investigation period, the applicant's market share (value) and the dumped imports market share increased.

### 5.3.6 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:

**Table 5.3.6.1: Productivity**

Consolidated information	2008/09	2009/10	2010/11
Total production volume	100	90.71	97.62
Number of employees	100	100.67	105.05
Units per employee	100	90.11	92.93

Note: This table was indexed due to confidentiality using 2008/9 as a base year.

The information in the table indicates that the applicant's productivity (units per employee) decreased during the investigation period.

The applicant stated that productivity decreased as a result of the decrease in production volume, and the decrease in production volume is as a direct result of the Chinese imports

The Commission found that the figures for the number of employees used in the productivity analysis relates to all employees in production and not just those involved in the subject product.

### 5.3.7 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:

**Table 5.3.3.6: Return on investment**

Consolidated information (value)	2008/09	2009/10	2010/11
Total net profit	100	23.38	9.68
Total net assets	100	100.82	112.88
Return on net assets	100	23.15	8.56

Note: This table was indexed due to confidentiality using 2008/9 as a base year.

The information in the table indicates that return on assets for all products decreased significantly throughout the investigation period.

#### 5.3.8 Utilisation of production capacity

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

**Table 5.2.3.8: Capacity utilisation**

<b>Consolidated information (all products)</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Consolidated capacity	100	101.47	102.01
Consolidated actual production	100	87.06	90.30
Consolidated capacity utilisation %	100	85.84	88.50

Note: This table was indexed due to confidentiality using 2008/9 as a base year.

The information in the table indicates that the utilization of production capacity decreased.

The applicant stated that production capacity can be increased by implementing extra shifts or allocation of more labour units in order to achieve full capacity, however the dumped imports have curtailed this move. The applicant further stated that it is not possible to provide capacity utilisation for the subject product alone as there are other products which can be manufactured on the same machinery, such as bolts and nuts.

The Commission found that based on the applicant's admission that it is not possible to provide capacity utilisation for the subject product alone as there are other products which can be manufactured on the same machinery.

#### 5.3.9 Factors affecting domestic prices

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

#### 5.3.10 The magnitude of the margin of dumping

The following margin of dumping was calculated:

**Table 5.3.10: Magnitude of the margin of dumping**

Margin of dumping expressed as % of ex-factory export price	
Zhejiang Zhapu Industrial Co., Ltd.	-9.84%
Ningbo Xingyi Fasteners Co., Ltd.	-8.89%
Shanghai Biao Wu High Tensile Fasteners Co., Ltd. & Shanghai Prime Machinery Co., Ltd.	0.08%
Wenzhou Zhongsheng	-31.9%
Ningbo Jinding	21.51%
Laibao and Wise chain	12.75%
All other exporters	76.37%

The dumping margins determined vary from negative to 21.51% for cooperating manufacturers. While some manufacturers/exporters were found not to be dumping, the magnitude of dumping for those found to dumping, including the non-cooperating ones, is significant.

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

The following table provides the applicant's cash flow of the subject product:

**Table 5.2.3.11 Actual and potential negative effects on cash flow**

Consolidated information	2008/09	2009/10	2010/11
Cash flow: incoming	100	64.48	74.46
Cash flow: outgoing	100	86.56	104.57
Net cash flow	100	-69.94	-108.82
Debtors (value)	100	94.73	109.15
Debtors: average days outstanding	100	109.12	119.82

Note: this table was indexed due to confidentiality using 2008/9 as base year

The information in the table shows a significant decrease in the applicant's net cash flow during the period of investigation. The Commission noted the negative impact of the dumped imports on the applicant's cash flow situation.

### 5.3.12 Inventories

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

**Table 5.2.3.12: Inventories**

Subject product	2008/09	2009/10	2010/11
Consolidated inventory volume	100	96.38	112.99
Consolidated inventory value	100	101.47	132.46

Note: this table was indexed due to confidentiality using 2008/9 as base year

The information in the table above indicates that there was an increase in the level of inventories despite reductions in output.

### 5.3.13 Employment

The following table shows the applicant's employment level:

**Table 5.2.3.13: Employment**

	2008/09	2009/10	2010/11
Consolidated total labour units: production	100	100	116.00

Note: this table was indexed due to confidentiality using 2008/9 as base year

The table above indicates that employment increased during the period of investigation.

The Commission noted that the number of employees does not only relating to employees in the production of the subject product but in production of all products produced by the companies.

### 5.3.14 Wages

The following table provides the SACU industry's wages:

**Table 5.2.3.14: Wages**

	2008/09	2009/10	2010/11
Consolidated total wages: production value	100	100.67	125.14

Note: this table was indexed due to confidentiality using 2008/9 as base year

The information in the table above indicates an increase in production wages during the period of investigation.

The applicant stated that, it is a member of SEIFSA and party to wage agreements relevant to the steel and engineering industry.

### 5.3.15 Growth

The following table shows the applicant's growth level:

**Table 5.2.3.15: Growth**

	2008/09	2009/10	2010/11
Applicant's sales volume	100	90.13	94.08
Applicant's growth during POI (%)		-5.92%	
Other SACU sales volume	100	106.41	74.68
Growth of other SACU producers during POI (%)		-25.32%	
Dumped imports	100	79.70	52.96
Growth of dumped imports during POI (%)		-47.04%	
Other imports (including 2010/11 non-dumped imports from PRC)	100	84.21	124.76
Growth of other imports (including 2010/11 non-dumped imports from PRC) (%)		+24.76%	
Size of SACU market	100	85.61	80.55
Growth of SACU market during POI (%)		-19.45%	

Note: this table was indexed due to confidentiality using 2008/9 as a base year. Imports from 2008/09 and 2009/10 were based on the old tariff structure, which included other stainless steel products. The 2010/11 imports consist of the old tariff sub-heading until December 2010 and the new sub-heading which commenced on 1 January 2011.

The SACU market and the dumped imports market share declined during the period of investigation. The applicant's growth levels declined by 6 per cent whilst that of the dumped imports declined by 47 per cent in the same period, during the period of investigation,

The Commission found that although the applicant's growth level declined, it was operating in a declining market.

#### 5.3.16 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:

**Table 5.2.3.16: Ability to raise capital (capital investments on subject product)**

<b>Consolidated information</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Total capital/investment in subject product	100	100.59	107.26
Capital expenditure during the year on the subject product	100	125	275

Note: this table was indexed due to confidentiality using 2008/9 as a base year

The information in the table above shows that investment in the subject product increased during the period of investigation.

The applicant stated that if the current trend in imports continues, SAFMA will not be in a position to invest additional capital in plant and equipment and this will be to the detriment of the whole industry.

#### 5.4 SUMMARY - MATERIAL INJURY

The applicant's prices were undercut by the dumped imports from PRC, thus resulting in low sales values. The applicant also had to reduce its selling prices in order to compete with the dumped imports. This also resulted in reduced gross profit margins as can be observed from the price suppression.

The injury was evident in the other economic factors as the applicant's output decreased, however its inventories increased as a result of the dumped imports occupying a large part of the SACU market although they decreased in a decreasing market.



After considering all relevant factors and taking all comments into account, the Commission made a final determination that the applicant was suffering injury in the form of:

- Price suppression
- Price depression
- Price undercutting
- Decline in output
- Increase in inventory levels
- Decline in sales value
- Decline in sales volume
- Decline in return on investment
- Decline in cash flow
- Decline in profit

While each injury indicator is analysed, the determination of material injury is based on an overall assessment of all the injury indicators. The Commission concluded that the information analysed indicates that the applicant is suffering material injury.

## **6. CAUSAL LINK**

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### **6.1 GENERAL**

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

### **6.2 VOLUME OF IMPORTS AND MARKET SHARE**

An indication of causality is the extent of the increase in volume and the extent to which the market share of the domestic industry has decreased since the commencement of injury, with a corresponding increase in the market share of the dumped product

The market share table in paragraph 5.2.3.5.1 of this report shows the market share for the subject product since 2008/09. It reveals that the imports from the PRC declined in line with the contracting market. However the table also reveals that the SACU market has declined in absolute terms during the period of investigation. The dumped imports from the PRC still occupy a large part of the SACU market.

The information with regard to the volume of imports table in paragraph 5.2.1 of this report shows that there was a decrease in the dumped imports, after taking into account imports of the verified exporters that were found not to be dumping. The dumped imports decreased from 65 per cent of total imports to 44 per cent of total imports. Notwithstanding the decline, the dumped imports constitute a large part of imports that enter the SACU market in terms of volume.

The Commission therefore found that a causal link existed between the material injury suffered by the SACU industry and the dumped imports as the dumped imports.

### **6.3 EFFECTS OF DUMPED IMPORTS ON PRICES**

It has already been shown in section 5 of this report that there was price undercutting and price suppression. The SACU industry was unable to increase its prices in line with the increase in costs, as the imported product is undercutting its prices by 55.37 per cent.

The applicant stated that there are no other factors suppressing its prices. It is entirely due to the price undercutting experienced from the imported product from the PRC.

The applicant also stated that the low prices at which the subject product is being imported is the reason for their prices being depressed and this is evident from the table in paragraph 5.2.2.2.

The Commission found that the price undercutting, price depression and the price suppression were causally linked to the dumped imports.

### **6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS**

The SACU industry's sales volume and value decreased over the investigation period with a corresponding decrease in output. This decline was accompanied by a decline in the profits of the SACU industry. The inventories increased slightly from 100 to 132.46 index points.

The Commission found that there was a causal link between the dumped imports and the material injury suffered by the SACU industry.

## **6.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY**

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

**Table 6.5: Import volume**

	<b>2008/9</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>Volume (kg)</b>	<b>Volume (kg)</b>	<b>Volume (kg)</b>
Dumped imports	9 703 502	7 733 632	5 138 791
Other imports (including 2010/2011 non-dumped imports from the PRC)	5 153 056	4 339 242	6 428 749
Total imports	14 856 558	12 072 874	11 567 540

The information in the table indicates that other imports increased. This was after taking into account the non-dumped imports from the PRC. The dumped imports decreased. However, they still form a large part of total imports entering the SACU market.

### **6.5.1 Contraction in demand or changes in patterns of consumption**

The applicant indicated that there was an increase in demand for the subject product. However, the Commission found that there was a decrease in demand for the subject product.

### **6.5.2 Trade-restrictive practices of foreign and domestic producers**

There were no such practices uncovered.

### **6.5.3 Developments in technology**

The applicant stated that technology remained the same.

### **6.5.4 Export performance of the domestic industry**

The applicant stated that exports remained stable. Production and sale volumes do not show any extra production that may not have been sold in SACU.

**6.5.5 Productivity of the domestic industry**

The applicant stated that to their knowledge, the productivity of the SACU producers is on a par with that of their counterparts abroad.

**6.6 CONCLUSION ON CAUSAL LINK**

After considering all relevant factors, the Commission found that there was a causal link between the dumped products and the material injury suffered by the applicant. The Commission also found that other factors do not sufficiently detract from the causal link between the dumped imports and the material injury suffered by the SACU industry.

The Commission therefore made a final determination that there is a causal link between the dumping of the subject products and the material injury suffered by the SACU industry.

## **7. SUMMARY OF FINDINGS**

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### **7.1 Dumping**

The Commission found that the subject product originating in or imported from the PRC was dumped into the SACU market with the following margin:

**Table 7.1**

Fully threaded screws with hexagon heads, excluding those of stainless steel with a thread diameter of 6mm or more but not exceeding 36mm and a length of 10mm or more but not exceeding 400mm, classifiable under tariff sub-heading 7318.15.39	Margin of dumping expressed as % of ex-factory export price
Zhejiang Zhapu Industrial Co., Ltd.	-9.84%
Ningbo Xingyi Fasteners Co., Ltd.	-8.89%
Shanghai Biao Wu High Tensile Fasteners Co., Ltd. & Shanghai Prime Machinery Co., Ltd.	0.08%
Wenzhou Zhongsheng	-31.9%
Ningbo Jinding	21.51%
Laibao and Wise chain	12.75%
All other exporters	76.37%

### **7.2 Material injury**

The Commission found that the Applicant suffered material injury in the form of price suppression, price depression, price undercutting, decline in output, sales volumes, sales value, return on investment, cash flow, profit, and an increase in inventories.

### **7.3 Causal link**

The Commission found that there was a causal link between the dumping and the material injury experienced by the SACU industry.

## 8. FINAL ANTI-DUMPING DUTIES

### 8.1 Calculation of duty

The Commission found that all requirements for the imposition of final anti-dumping duties have been fulfilled.

### 8.2 Amount of final anti-dumping duties

The amounts of final anti-dumping duties to be imposed on fully threaded screws with hexagon heads, excluding those of stainless steel with a thread diameter of 6mm or more but not exceeding 36mm and a length of 10mm or more but not exceeding 400mm classifiable under tariff sub-heading 7318.15.39, were concluded to be the following, being the lesser of the price disadvantage or dumping margin:

Table 8.2

Name of manufacturer/exporter in the PRC	Anti-dumping duty as a % of the FOB export price.
Subject product produced and exporter by Zhejiang Zhapu Industrial Co., Ltd.	No duty
Subject product produced and exporter by Ningbo Xingyi Fasteners Co., Ltd	No duty
Subject product produced by Shanghai Biao Wu High Tensile Fasteners Co., Ltd. and exporter by Shanghai Prime Machinery Co., Ltd.	No duty
Subject product produced and exporter by Wenzhou Zhongsheng Hardware Co., Ltd.	No duty
Subject product produced and exported by Ningbo Jinding Fastening Piece Co., Ltd	19.3%
Subject product produced by Zhejiang Laibao Precision Technology Co., Ltd., and exported either by Shanghai Wisechain Fasteners Ltd., and Shanghai Wisechain Trading Ltd.	11.09%
All other exporters/manufacturers	73.93%

## **9. DETERMINATION AND RECOMMENDATION**

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The Commission made a final determination that:

- The subject product originating in or imported from the PRC is being dumped in the SACU market;
- The SACU industry is suffering material injury, and
- There is causal link between the dumped imports from PRC and the material injury suffered by the SACU industry.

The Commission made a final determination to recommend to the Minister of Trade and Industry to impose final anti-dumping duties on fully threaded screws with hexagon heads, excluding those of stainless steel with a thread diameter of 6mm or more but not exceeding 36mm and a length of 10mm or more but not exceeding 400mm, classifiable under tariff sub-heading 7318.15.39 as contained in table 8.2 of this report.