

REPORT NO. 594

**SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON PVC RIGID
ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA
(PRC) AND REPUBLIC OF CHINA (CHINESE TAIPEI): FINAL DETERMINATION**

The International Trade Administration Commission of South Africa (the Commission) hereby presents its **Report No. 594: SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON PVC RIGID ORIGINATING IN OR IMPORTED FROM THE PRC AND CHINESE TAIPEI: FINAL DETERMINATION**


Mr Meluleki Nziemande
CHIEF COMMISSIONER

PRETORIA

..22./...11.../ 2018

LIST OF TABLES

Table 1: Periods of Investigation.....	8
Table 2.12 Tariff Classification.....	10
Table 4.1.4 Dumping Calculation - PRC	15
Table 4.2.4 Dumping Calculation - Chinese Taipei.....	17
Table 5.3.1 Import Volumes.....	19
Table 5.3.2.1 (a) Price Undercutting - PRC	20
Table 5.3.2.1(b) Price Undercutting - Chinese Taipei	21
Table 5.3.2.2 Price Depression.....	22
Table 5.3.2.3 Price Suppression.....	23
Table 5.4.1 Sales Volumes and Value	24
Table 5.4.2 Profits.....	25
Table 5.4.3 Output	26
Table 5.4.4 Market Share	27
Table 5.4.5 Productivity	28
Table 5.4.6 Return on Investment.....	29
Table 5.4.7 Capacity Utilisation	30
Table 5.4.9 Margin of dumping.....	31
Table 5.4.10 Cash Flow	31
Table 5.4.11 Inventory	32
Table 5.4.12 Employment.....	33
Table 5.4.13 Wages and Salaries.....	33
Table 5.4.14 Ability to Raise Capital	34
Table 5.4.15 Growth	35
Table 7 Duties.....	38

LIST OF ACRONYMS

ADR	Anti-Dumping Regulations
BOFT	Bureau of Fair Trade
FOB	Free on Board
ITAC	International Trade Administration Commission of South Africa
KG	Kilogram
POI	Period of Investigation
PRC	People's Republic of China
PVC	Polymers of Vinyl Chloride
ROC	Republic of China
ROI	Return on Investment
SA	South Africa
SACU	Southern African Customs Union
SARS	South African Revenue Services
WTO	World Trade Organisation

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON PVC RIGID ORIGINATING IN OR IMPORTED FROM THE PRC AND CHINESE TAIPEI: FINAL DETERMINATION

SYNOPSIS

On 21 July 2017 the Commission notified the SACU industry, through Notice No. 546 of 2017 in Government Gazette No. 40998, that unless a substantiated request is made by the SACU industry indicating that the expiry of the anti-dumping duties on the subject product would likely lead to the continuation or recurrence of dumping and material injury, the relevant anti-dumping duties will expire on 09 May 2018.

Arengo 190 (Pty) Ltd (the Applicant), the major producer of the subject product in the SACU, lodged the application, supported by Dispark Industries. In its application, the Applicant alleged that the expiry of the relevant anti-dumping duties would likely lead to the recurrence of dumping and material injury to the SACU industry.

The sunset review investigation (the investigation) was initiated after the Commission considered that there was *prima facie* evidence to show that the expiry of the anti-dumping duties would likely lead to the recurrence of dumping and material injury to the SACU industry.

On initiation of the investigation, all known interested parties were notified of the investigation. No responses/comments were received by the Commission on the initiation of the investigation.

The Commission sent out essential facts letters to all known interested parties, informing them of the "essential facts" which were being considered by the Commission, and invited comments on those "essential facts" for the Commission's consideration prior to making a final determination.

Comments to the “essential facts” were received from the Applicant. The Applicant indicated that it is in agreement with the “essential facts” which were being considered by the Commission.

After considering all the information supplied by the Applicant and comments to the “essential facts”, the Commission made a final determination that the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of dumping and material injury to the SACU industry.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties on the subject product from the PRC and Chinese Taipei be maintained.

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

The investigation was conducted in accordance with the ITA Act, 2002, the Commission's Anti-Dumping Regulations and with due regard to the WTO Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994.

1.2 APPLICANT

Arengo 190 (Pty) Ltd, the major producer of the subject product in the SACU, lodged the application.

1.3 ALLEGATIONS BY THE APPLICANT

The applicant alleged that the expiry of the anti-dumping duties on the subject product would likely lead to the recurrence of dumping and material injury to the SACU industry.

1.4 PARTIES CONCERNED

1.4.1 SACU industry

The SACU industry consists of two known manufacturers of the subject product:

- The Applicant, which provided the material injury information in this report, representing more than 50 percent of the SACU industry by production volumes; and
- Dispark Industries, which supported the application, representing less than 50 percent of the SACU industry by production volumes.

1.4.2 SACU Importers

The SACU importers of the subject product known to the Applicant are:

- Master-Charge CC;
- Vision Trading CC;
- Pentaplas (Pty) Ltd; and

- HX Production Limited / HZ Pack Film Limited (South Africa Agent).

1.4.3 Foreign manufacturers/exporters

The foreign manufacturers and/or exporters of the subject product known to the Applicant are:

PRC:

- Shanghai Kingsign International Trade Co. Ltd;
- Haotian Plastic Product Limited;
- Zibo Zhongnan Pharmaceutical Packaging Materials Co. Ltd; and
- Shaanxi Longstar New Material Technology Co. Ltd;

Chinese Taipei:

- Allen Plastic Industries Co. Ltd;
- Plastics Enterprise Co. Ltd;
- HX Production Limited / HZ Pack Film Limited; and
- Tongyu Plastics Co Ltd.

1.5 PERIODS OF INVESTIGATION

The following table shows the POI:

Table 1: Periods of Investigation

PERIODS OF INVESTIGATION		
DUMPING PERIOD	MATERIAL INJURY PERIOD	
01 Jul. 16 - 30 Jun. 17	CURRENT INJURY	
	01 Jul. 14 -30 Jun. 17	ESTIMATED INJURY
		01 Jul. 17 - 30 Jun. 18

1.6 INVESTIGATION PROCESS

Diagram 1 shows the main stages of the investigation.

Diagram 1: Chronology of events

Investigation phases	
09 Nov 2017	Receipt of application by the Commission
28 Feb 2018	Verification of the Applicant's information
10 Apr 2018	Merit determination and acceptance of the application as being properly documented
26 Apr 2018	Publication of the Initiation Notice No. 218 of the investigation
02 May 2018	Initiation packs issued to all known Interested parties, informing them of the Initiation of the investigation
08 Jun 2018	Due date for responses/comments by interested parties to the Initiation notice
21 Aug 2018	"Essential facts" being considered disclosed to Interested parties
04 September 2018	Due date for comments to the "essential facts"
13 Nov 2018	Final determination by the Commission

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCT

2.1.1 Description

The imported products are described as plates, sheets, film, foil and strip polymers of vinyl chloride (PVC) non-cellular and not reinforced, laminated, supported or similarly combined with other materials and having a plasticizer content not exceeding 6 per cent, normally referred to as rigid PVC sheets and foils.

2.1.2 Tariff classification, other applicable duties and rebates

Table 2.1.2: Tariff classification

Tariff line	Description	Unit	Customs duty				Anti-dumping duties	
			General	EU	EFTA	SADC	PRC	Chinese Taipei
3920	Other plates, sheets, film and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials:							
3920.4	- Of polymers of vinyl chloride:							
3920.43	- Containing by mass not less than 6 percent of plasticizers	Kg	10%	Free	Free	Free		
3920.49	- Other	Kg	10%	Free	Free	Free	32.7%	22.6%

2.1.3 Country of origin/export

The subject product originates in and is imported from the PRC and Chinese Taipei.

2.1.4 Application/end-use

The imported product is used for thermoforming rigid general blister packaging for, inter alia, cell phone accessories, toys, as well as food trays for retail stores.

2.1.5 Production process

The raw material is pre-mixed in batch format according to a specified formula. The batches are sent through an extruder at 175°C to achieve melt flow. A T-die, attached to the extruder, is used to achieve gauge thickness requirement control. The material is then passed through in-line cooling rollers and wound upon cardboard or plastic cores in different thicknesses and widths for direct use on vacuum thermoforming machines to produce customer specific packaging products.

2.2 SACU PRODUCT

2.2.1 Description

The imported product is described as plates, sheets, film, foil and strip polymers of vinyl chloride (PVC) non-cellular and not reinforced, laminated, supported or similarly combined with other materials and having a plasticizer content not exceeding 6 per cent, normally referred to as rigid PVC sheets and foils.

2.2.2 Application/end use

Used for thermoforming rigid general blister packaging for, inter alia, cell phone accessories, toys, as well as food trays for retail stores.

2.2.3 Tariff classification

The subject product is classifiable under tariff sub-heading 3920.49.

2.2.4 Production process

The raw material is pre-mixed in batch format according to a specified formula. The batches are sent through an extruder at 175°C to achieve melt flow. A T-die, attached to the extruder, is used to achieve gauge thickness requirement control. The material is then passed through in-line cooling rollers and wound upon cardboard or plastic cores in different thicknesses and widths for direct use on vacuum thermoforming machines to produce customer specific products.

2.3 LIKE PRODUCT ANALYSIS

In the original investigation, the Commission found that the SACU product and the imported product from the PRC and Chinese Taipei are “like products”, for purpose of comparison, in terms of Regulation 1 of the ADR.

3. SACU INDUSTRY

3.1 INDUSTRY STANDING

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

- The Applicant, represents more than 50 percent of the SACU industry by production volumes; and
- Dispark Industries, which supported the application, represents less than 50 percent of the SACU industry by production volumes.

The Commission made a final determination that the application can be regarded as being made “by or on behalf of the domestic industry” in terms of Regulation 7 of the ADR.

4. CONTINUATION OR RECCURANCE OF DUMPING

4.1 PRC

4.1.1 Methodology in this Investigation for the PRC

The Record of Understanding between ITAC and the BOFT for Imports and Exports 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. Where domestic selling price information in the PRC is not available, SACU industries are allowed to use alternative methods permitted by the WTO in the determination of a normal value for the PRC.

Since no producer or exporter of the subject product from the PRC responded, the Commission determined recurrence or continuation of dumping based on facts available. The facts available in this case consist of the information supplied by the Applicant and considered by the Commission for its merit determination.

4.1.2 Normal value

The Commission used the price quotation provided by the Applicant for purposes of determining the normal value. From the price quotation, the normal value was calculated to be ¥11.81 per kilogram. No adjustments were made to the normal value, as the price in the price quotation was indicated to be at an ex-factory level.

4.1.3 Export price

For purposes of determining the export price, the Commission used the FOB prices contained in the official import statistics from SARS, for the POI for dumping. From the statistics, the FOB export price was calculated to be R21.70 per kilogram.

The Commission made a final determination to adjust the FOB export price by 10 percent for inland transport cost from the factory to the harbour in the PRC. The 10 percent adjustment was used and accepted by the Commission in the first sunset review. Therefore, the Commission calculated the ex-factory export price to be R19.53 per kilogram, which equates to ¥9.78 per kilogram when converted to Yuan, using average exchange rate of R1=¥0.500546 (average exchange rate obtained from Oanda for the POI for dumping).

4.1.4 Margin of dumping

The margin of dumping for the PRC was calculated by comparing the ex-factory normal value and ex-factory export price as follows:

Table 4.1.4: Dumping calculation (PRC)

	Calculation
Ex-factory normal value	¥11.81
Less ex-factory export price	(¥9.78)
Margin of dumping	¥2.03
Margin of dumping as a percentage of the export price	20.76%

4.2 CHINESE TAIPEI

4.2.1 Methodology in this Investigation for the Chinese Taipei

Since no producer or exporter of the subject product from Chinese Taipei, the Commission determined recurrence or continuation of dumping based on facts available. The facts available in this case consist of the information supplied by the Applicant and considered by the Commission for its merit determination.

4.2.2 Normal value

The Commission used the price quotation provided by the Applicant for purposes of determining the normal value. From the price quotation, the normal value was calculated to be NT\$61.23 per kilogram. No adjustments were made to the normal value, as the price in the price quotation was indicated at an ex-factory level.

4.2.3 Export price

For purposes of determining the export price, the Commission used the FOB prices contained in the official import statistics from SARS, for the period of investigation for dumping. From the statistics, the FOB export price was calculated to be R24.91 per kilogram.

The Commission made a final determination to adjust the FOB export price by 10 percent for inland transport cost from the factory to the harbour in Chinese Taipei. The 10 percent adjustment was used and accepted by the Commission in the first sunset review. Therefore, the Commission calculated the ex-factory export price to be R22.42 per kilogram, which equates to NT\$51.31 per kilogram when converted to the New Taiwan Dollar, using average exchange rate of R1=NT\$2.288782 (average exchange rate obtained from Oanda for the POI for dumping).

4.2.4 Margin of dumping

The margin of dumping for Chinese Taipei was calculated by comparing the ex-factory normal value and ex-factory export price as follows:

Table 4.2.4: Dumping calculation (Chinese Taipei)

	Calculation
Ex-factory Normal value	NT\$ 61.23
Less ex-factory Export price	(NT\$ 51.31)
Margin of dumping	NT\$ 9.92
Margin of dumping as a percentage of the export price	19.33%

4.3 SUMMARY- DUMPING

After considering all the factors above, the Commission made a final determination that the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of dumping.

5. CONTINUATION OR RECURRENCE OF MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION

The following injury analysis relates to the verified information of the Applicant, which represents more than 50 per cent of the SACU industry by production volumes.

The Commission made a final determination that the Applicant's production constitutes "a major proportion" of the total domestic production, in accordance with Regulation 7 of the ADR.

5.2 CUMULATIVE ASSESMENT

There are two countries involved in this sunset review investigation; therefore the effect of the imports from these two countries is cumulatively assessed.

5.3 IMPORT VOLUMES AND EFFECT ON PRICES

5.3.1 Import volumes

The following table shows the volume of the allegedly dumped imports of the subject product as obtained from SARS and estimates should anti-dumping duties expire:

Table 5.3.1: Import volumes

Unit of measurement (kg)	2014/15	2015/16	2016/17	Estimate if duties expire
Alleged dumped Imports:	632 968	948 934	767 189	4 851 219
<i>PRC</i>	<i>395 507</i>	<i>636 623</i>	<i>526 448</i>	<i>1 771 349</i>
<i>Chinese Taipei</i>	<i>237 461</i>	<i>312 311</i>	<i>240 741</i>	<i>3 079 870</i>
Other imports	6 641 189	4 876 625	4 176 902	3 986 980
Total Imports	7 274 158	5 825 559	4 944 091	8 838 199
Alleged dumped Imports as a % of total imports	8.70%	16.29%	15.52%	54.89%
<i>PRC</i>	<i>5.44%</i>	<i>10.93%</i>	<i>10.65%</i>	<i>20.04%</i>
<i>Chinese Taipei</i>	<i>3.26%</i>	<i>5.36%</i>	<i>4.87%</i>	<i>34.85%</i>
Other net imports as a % of total imports	91.30%	83.71%	84.48%	45.11%
Total Imports	100%	100%	100%	100%

Table 5.3.1 indicates that the alleged dumped imports from the PRC and Chinese Taipei increased by 21.21 percent during the period of investigation, while imports from other countries decreased by 37.11 percent during the same period of investigation. Table 5.3.1 also shows that on year-year basis, the alleged dumped imports decreased at the end of 2016/2017 period; however the volumes recorded at end of this period are still high than volumes recorded in 2014/15 period, indicating an overall increase over the period of investigation.

The Applicant estimated that imports from the PRC and Chinese Taipei will increase and that other imports will decrease should the anti-dumping duties be removed.

5.3.2 Effect on Domestic Prices

5.3.2.1 Price Undercutting

Price undercutting is the extent to which the price of the imported product is lower than the price of the like product produced by the SACU industry.

PRC

For the PRC, the landed cost was calculated to be R32.05 per kilogram; being the sum of R21.70 FOB export price, 10 percent general customs duty (calculated based on FOB export price), 32.7 per cent anti-dumping duty (calculated based on FOB export price) and 5 per cent clearing, transport and insurance costs (calculated based on FOB export price). The clearing, transport and insurance cost were determined based on a price quotation provided by the applicant, indicating landing costs charged by the Clearing Agent.

The price undercutting was calculated by comparing the applicant's ex-factory selling price and landed cost of imported product as follows:

Table 5.3.2.1(a): Price undercutting (PRC)

R/Kg	2016/17	Estimates if duty expires
Ex-factory selling price	25.72	26.12
Landed cost	32.05	25.14
Price undercutting	(6.33)	0.98
Undercutting percentage	-25%	3.75%

Table 5.3.2.1(a) indicates that in 2017, the landed cost for the subject product from the PRC was 25 per cent higher than the applicant's ex-factory selling price; an indication that the imports of the subject product from the PRC do not undercut the SACU produced subject product. However, the same table indicates that should the anti-dumping duties be removed, it is estimated by the Applicant that the imports of the subject product from the PRC will undercut the Applicant's selling prices by 3.75 per cent.

The Commission accepted the Applicant's assertion that it expects that in an attempt to capture the SACU market share, the exporters from the PRC will reduce their selling prices to close or below the level of the selling price of SACU Industry in 2018, which would result in price undercutting.

Chinese Taipei

For Chinese Taipei, the landed cost was calculated to be R34.32 per kilogram; being the sum of R24.91 FOB export price, 10 per cent general customs duty (calculated based on FOB export price), 22.6 per cent anti-dumping duty (calculated based on FOB export price) and 4 per cent clearing, transport and insurance costs (calculated based on FOB export price). The clearing, transport and insurance cost were determined based on a price quotation provided by the applicant, indicating landing costs charged by the Clearing Agent.

The price undercutting was calculated by comparing the applicant's ex-factory selling price and landed cost of imported product as follows:

Table 5.3.2.1(b): Price undercutting (Chinese Taipei)

R/Kg	2016/17	Estimates if duty expires
Ex-factory selling price	25.72	26.12
Landed cost	34.32	28.69
Price undercutting	(8.6)	(2.57)
Undercutting percentage	-33.44%	-9.84%

Table 5.3.2.1(b) above indicates that in 2017, the landed cost for the subject product from Chinese Taipei was 33.44 per cent higher than the applicant's ex-factory selling price; an indication that the imports of the subject product from Chinese Taipei do not undercut the SACU produced subject product. The Applicant estimated that this trend will continue should the duties be removed, as indicated in the table that the landed cost for the subject product from Chinese Taipei will still be 9.84 per cent higher than the Applicant's ex-factory selling price.

The Commission accepted the Applicant's assertion that it expects that in an attempt to capture the SACU market share, the exporters from Chinese Taipei will reduce their selling prices to close or below the level of the selling price of SACU Industry in 2018.

5.3.2.2 Price depression

Price depression occurs when the SACU industry's ex-factory selling price decreases during the investigation period.

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

Table 5.3.2.2: Price depression

R/Kg	2014/15	2015/16	2016/17	Estimate if duties expire
Ex-factory selling prices	100	100	102	104

The figures in the table are indexed due to confidentiality using 2014/15 as base year.

Table 5.3.2.2 indicates the Applicant's selling prices remained constant during the POI and only started to increase slightly by 2 percentage points at the end of the POI; an indication that the Applicant's selling prices were not depressed over the POI. The table also shows that the Applicant estimated that the increase in its ex-factory selling prices will continue even if the duties were removed.

The Commission considered that if the anti-dumping duties are removed, the SACU industry would need to increase its selling prices, however, due to imports that are already low priced and estimated increase in production costs, such increment on selling prices might not be sufficient to retain the Applicants' current profit margins.

5.3.2.3 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. It takes place when the cost-to-price ratio of the SACU industry increases or when the SACU industry sells at a loss during the period of investigation or part thereof.

The following table shows the Applicant's production costs and its actual selling prices for the subject product, and estimates should duties expire:

Table 5.3.2.3: Price suppression

R/Kg	2014/15	2015/16	2016/17	Estimates if duties expire
Ex-factory selling prices	100	100	102	104
Production cost	100	94	99	114
Cost as a % of selling price	100	100	100	120

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.3.2.3 indicates that production cost as a percentage of selling price remained constant throughout the POI; an indication that the Applicant did not suffer price suppression; however, the Applicant estimated that should the duties be removed its selling prices will be suppressed as presented in Table 5.3.2.3 above.

The Commission considered that if the anti-dumping duties are removed, the SACU industry's financial situation might worsen as the SACU industry's estimated selling prices might not be sufficient, pushing the selling prices to suppressed levels, as seen in Table 5.3.2.3 above.

5.4 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON SACU INDUSTRY

5.4.1 Actual and potential decline in sales

The following table shows the SACU's sales situation:

Table 5.4.1: The Applicant's sales

	2014/15	2015/16	2016/17	Estimate if duties expire
Sales volumes (Kg)	100	107	105	53
Sales values (R)	100	108	107	55

The figures in the table are indexed due to confidentiality using 2014/15 as a base year

Table 5.4.1 indicates that sales volumes increased by 7 index points from the base year to 2015/16, and immediately the volumes slightly decreased by 2 index points at the end of the POI. However the volumes recorded at end of the POI are still higher than volumes recorded in 2014/15 (base year), indicating an overall increase of 5 index points over the POI. The Applicant, as presented in Table 5.4.1 above, estimated that should the duties be removed, sales volumes will continue to decrease to their lowest point (53 index points) since the base year.

The Commission considered that if the anti-dumping duties are removed, sales volumes will be lost due to dumped imports (which are expected to increase to capture the SACU industry) and selling prices would need to increase in order for the SACU Industry to realise sustainable profits.

5.4.2 Profit

The following table shows the SACU industry's profit situation:

Table 5.4.2: The Applicant's profits

	2014/15	2015/16	2016/17	Estimates if duties expire
Total gross profit (R)	100	168	260	Negative
Total net Profit (R)	100	97	78	Negative
Gross profit per Kg	100	157	247	Negative
Net profit per Kg	100	90	74	Negative
Gross profit margin (%)	100	156	242	Negative
Net profit margin (%)	100	90	73	Negative

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.2 indicates that the total gross profit and gross profit per kilogram both increased throughout the POI, with an overall increase of 160 index points from the base year to the end 2016/2017 for total gross profit. However, total net profits and net profits per kilogram show declining trends throughout the POI, with an overall decline of 22 index points from the base year to the end of 2016/17 for total net profits. As indicated in Table 5.4.2 above, the Applicant estimated that should the duties be removed the Applicant will incur losses in both gross and net profits in 2018.

The Commission accepted the Applicant's assertion that it will have sell its subject product at suppressed selling prices in an attempt to compete with the cheap imports which are expected to flood the market should the duties be removed. According to the Applicant, this attempt might result to the Applicant battling to remain profitable going forward, as indicated in Table 5.4.2 above.

5.4.3 Production volume

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

Table 5.4.3: The Applicant's output

Kg	2014/15	2015/16	2016/17	Estimates if duties expire
Production volumes	100	111	99	52

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.3 indicates that production volumes increased by 11 index points from the base year to 2015/16, and immediately the volumes decreased by 12 index points at the end of the POI, resulting to an overall slight decrease of 1 index points over the POI. The Applicant, as presented in Table 5.4.3 above, estimated that should the duties be removed, production volumes will continue to decrease to their lowest point (52 index points) since the base year.

The Commission considered that should the anti-dumping duties expire, it is estimated that the SACU Industry would be forced to cut back on production to keep inventory at reasonable levels as a result of estimated loss of sales to cheap imports.

5.4.4 SACU market share

The following table shows the market share based on sales of the subject products:

Table 5.4.4: Market share

	2014/15	2015/16	2016/17	Estimate if duties expire
The Applicant's market share	100	129	147	47
Dispark Industries' market share	100	123	123	39
Alleged dumped imports' market share	100	180	169	678
<i>PRC</i>	100	194	186	397
<i>Chinese Taipei</i>	100	158	141	1147
Other imports' market share	100	88	88	53
Total market share	100	100	100	100

The figures in the table are indexed due to confidentiality using 2014/15 as base year.

Table 5.4.4 above shows that the Applicant's market share increased on year-to-year basis, with an overall increase of 47 index points over the POI, while that of the alleged dumped imports from the PRC and Chinese Taipei increased with an overall 69 index points over the same period. Table 5.4.4 also shows that other SACU producers' market share increased by 23 indexed points over the POI, while that of other imports from other countries declined by 12 index points over the same period.

The Commission considered that, as presented in Table 5.4.4, if the duties are removed, it is likely that the PRC and Chinese Taipei will reduce their import prices so as to gain a greater market share, forcing the Applicant's market share to drop by 100 index points, therefore causing the SACU industry to suffer material injury.

5.4.5 Productivity

The following table shows the Applicant's production, employment and productivity per employee for the subject product:

Table 5.4.5: The Applicant's productivity

Kg	2014/15	2015/16	2016/17	Estimates if duties expire
Production volumes	100	111	99	52
Number of employees in the production process	100	100	100	73
Production volumes per employee	100	112	99	72

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.5 above indicates that the productivity levels increased by 12 index points from the base year to 2015/16, and immediately decreased by 13 index points at the end of the POI, resulting to an overall slight decrease of 1 index point over the POI. The Applicant, as presented in Table 5.4.5 above, estimated that should the duties be removed, productivity levels will continue to decrease to its lowest point (72 index points) since the base year.

The Commission considered that if the anti-dumping duties are removed, productivity will decline as a result of a decline in production and employment levels.

5.4.6 Return on Investment

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

Table 5.4.6: The Applicant's return on Investment

R	2014/15	2015/16	2016/17	Estimates If duties expire
Total net profit	100	97	78	Negative
Total net assets	100	106	124	124
ROI	100	91	63	Negative

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Commission's consideration

The Commission considered that the machines used in the production of the subject product have been fully depreciated and the Applicant had not acquired any new machines for the production of the subject product during the POI. The net assets shown in Table 5.4.6 are based on unverified estimated figures of the value for which the machines can be sold, should the Applicant decide to sell.

In keeping with the Commission's practice of relying on verified/accurate/reliable information, the Commission made a final determination not to rely on this information in its determination of material injury.

The Commission accepted the Applicant's assertion that if the duties are removed, its prices will not be competitive against the dumped imports and therefore not be able to retain a viable profit margin, causing a negative ROI for the subject product.

5.4.7 Utilisation of production capacity

The following table provides the SACU industry's production capacity utilisation for the subject product:

Table 5.4.7: Applicant's production capacity utilisation

Kg	2014/15	2015/16	2016/17	Estimates if duties expire
Production capacity	100	100	100	100
Production volumes	100	112	99	52
Capacity utilisation (%)	100	112	99	52

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.7 above indicates that the Applicant's capacity utilisation increased by 12 index points from the base year to 2015/16, and immediately decreased by 13 index points at the end of the POI, resulting to an overall slight decrease of 1 index point over the POI. The Applicant, as presented in Table 5.4.7 above, estimated that should the duties be removed, capacity utilisation will continue to decrease to its lowest point (52 index points) since the base year.

The Commission considered that the estimated loss of production volumes to increased dumped imports from the PRC and Chinese Taipei would have an additional negative impact on capacity utilisation and that it will decline further, causing the SACU industry to suffer material injury.

5.4.8 Factors affecting domestic prices

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

5.4.9 The magnitude of the margin of dumping

The following margins of dumping were calculated:

Table 5.4.9: Margin of dumping

Tariff heading	Margin of dumping expressed as % of export price : PRC	Margin of dumping expressed as % of export price: Chinese Taipei
3920.49	20.76%	19.33%

5.4.10 Actual and potential negative effects on cash flow estimates

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

Table 5.4.10: The Applicant's cash flow

R	2014/15	2015/16	2016/17	Estimates if duties expire
Incoming cash flow	100	125	137	80
Outgoing cash flow	100	125	137	93
Net cash flow	100	97	78	Negative
SACU debtors' value	100	117	88	28
Debtors: average days outstanding	100	108	81	51

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.10 above indicates a gradual decline in the Applicant's net cash flow on year-to-year basis, with an overall decline of 22 index points over the POI. The Applicant, as presented in the table, estimated that should the duties be removed, net cash flow will decrease further, becoming negative in 2018.

5.4.11 Inventories

The following table reflects the SACU industry's inventory situation:

Table 5.4.11: The Applicant's Inventories

	2014/15	2015/16	2016/17	Estimates if duties expire
Inventory volumes (KG)	100	433	125	143
Inventory values (R)	100	465	135	157

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.11 indicates that inventory volumes increased by 333 index points from the base year to 2015/16, and immediately the volumes drastically decreased by 308 index points at the end of the POI. However the volumes recorded at end of the POI are still higher than the volumes recorded in 2014/15 (base year), indicating an overall increase of 25 index points over the POI. The inventory values followed the same trend over the POI, as indicated in the table. The Applicant, as presented in Table 5.4.11 above, estimated that should the duties be removed, inventory volumes and values will start increasing again in 2018.

The Commission accepted the Applicant's assertion that the SACU industry tries to keep the inventory levels at low volumes; however if the industry does not reduce production these levels will increase substantially, causing the SACU industry to suffer material injury.

5.4.12 Employment

The following table provides the Applicant's employment levels:

Table 5.4.12: The Applicant's employment

	2014/15	2015/16	2016/17	Estimates If duties expire
Number of employees in the production process	100	100	100	73

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.12 indicates that the number of employees directly involved in the production process remained constant throughout the POI. The Applicant, as presented in Table 5.4.12, estimated that should the duties be removed, the number of employees will decline by 27 index points in 2018.

The Commission considered that if the duties are removed, employment levels would come under threat and a reduction in the labour force would be unavoidable.

5.4.13 Wages and Salaries

The following table reflects the Applicant's wages and salaries situation:

Table 5.4.13: The Applicant's wages and salaries

R	2014/15	2015/16	2016/17	Estimates If duties expire
Total wages and salaries: Production	100	117	120	94
Wages and salaries per employee in production	100	117	120	125

The figures in the table are indexed due to confidentiality using 2014/15 as base year

Table 5.4.13 shows a gradual increase in the Applicant's wages and salaries bill on year-to-year basis, with an overall increase of 20 index points over the POI. The wages and salaries per employee followed the same trend over the POI, as indicated in the table. The Applicant, as presented in Table 5.4.13, estimated that should the duties be removed, the wages and salaries bill will decrease by 26 index points in 2018.

5.4.14 Ability to raise capital or investments

The following information shows the situation of the SACU industry with regard to its ability to raise capital or investments:

Table 5.4.14: The Applicant's ability to raise capital and Investment

R	2014/15	2015/16	2016/17	Estimates if duties expire
Capital/investment in subject product	100	106	124	124
Capital expenditure on subject product	100	165	218	144

The figures in the table are indexed due to confidentiality using 2014/15 as base

Commission's consideration

The Commission considered that the machines used in the production of the subject product have been fully depreciated and the Applicant had not made any investment or capital expenditure in the subject product during the POI.

The indexed capital/investment figures shown in table 5.4.14 are based on unverified estimated figures of the value for which the machines can be sold, should the Applicant decide to sell. The indexed capital expenditure figures shown in table 5.4.14 are based on repair and maintenance costs (these costs are not classified as capital expenditure in terms of accounting principles).

In keeping with the Commission's practice to rely on verified/accurate/reliable information, the Commission made a final determination not to rely on this information in its determination of material injury.

5.4.15 Growth

The following table shows the growth for the subject product based on sales volume:

Table 5.4.15: Growth

Kg	2014/15	2015/16	2016/17	Estimates if duties expire
Size of SACU market in volumes	100	83	71	113
The Applicant's sales volumes	100	107	105	53
Other SACU manufacturers' sales volumes	100	102	88	44
Alleged dumped imports volumes	100	150	121	766
Other imports volumes	100	73	63	60

The figures in the table are Indexed due to confidentiality using 2014/15 as base year

Table 5.4.15 shows that the Applicant and alleged dumped imports experienced a growth of 5 index points and 21 index points respectively over the POI, while growth of imports from other countries contracted over the same period. However, the table also shows that the total size of the SACU market shrunk throughout the POI, with an overall drop of 29 index points over the POI.

The Applicant, as shown in Table 5.4.15, estimated that, should the duties be removed, the alleged dumped imports will continue growing substantially in 2018, pushing the total SACU market's growth to its highest pick of 113 index points in the same period. The Applicant's growth and that of other imports are estimated to be at their lowest levels in 2018, should the duties be removed as indicated in the table.

The Commission considered that the estimated increase in import volumes is likely to replace sales volumes of the SACU industry; hence Table 5.4.15 shows that the Applicant will experience a substantial negative growth in 2018, while the total size of the SACU market will grow as a result of the estimated increase in imports from the PRC and Chinese Taipei in the same period.

5.5 SUMMARY - MATERIAL INJURY

After considering all the factors above, the Commission made a final determination that the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of material injury.

6. SUMMARY OF FINDINGS

6.1 Recurrence of Dumping

The Commission made a final determination that the expiry of anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of dumping of the subject product into the SACU market.

6.2 Recurrence of Material Injury

The Commission made a final determination that the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of material injury to the SACU industry.

7. FINAL DETERMINATION

The Commission made a final determination that:

- the expiry of the anti-dumping duties would likely lead to the recurrence of dumping of the subject product originating in or imported from the PRC and Chinese Taipei; and
- the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of material injury to the SACU industry.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties on the subject product from the PRC and Chinese Taipei be maintained as follows:

Table 7: Duties

Tariff subheading	Description	Originating In or Imported from	Rate of duty
3920	Other plates, sheets, film and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials:		
	-Of polymers of vinyl chloride:		
	-Containing by mass not less than 6 percent of plasticiser		
3920.4			
3920.43			
		PRC	32.7%
3920.49	-Other	Chinese Taipei	22.6%