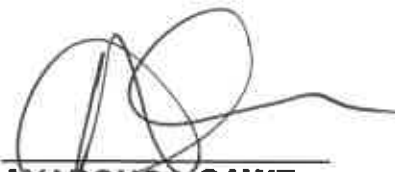


Report No. 707

INVESTIGATION INTO THE ALLEGED DUMPING OF WINDSCREENS FOR VEHICLES CLASSIFIABLE UNDER TARIFF SUBHEADING 7007.21.20 ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA TO BE USED IN THE SOUTHERN AFRICAN CUSTOMS UNION MARKET AS REPLACEMENT GLASS IN THE AFTERMARKET: PRELIMINARY DETERMINATION

The International Trade Administration Commission of South Africa herewith presents its
**Report No. 707: INVESTIGATION INTO THE ALLEGED DUMPING OF WINDSCREENS
FOR VEHICLES CLASSIFIABLE UNDER TARIFF SUBHEADING 7007.21.20
ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA TO BE
USED IN THE SOUTHERN AFRICAN CUSTOMS UNION MARKET AS REPLACEMENT
GLASS IN THE AFTERMARKET: PRELIMINARY DETERMINATION**



**AYABONGA CAWE
CHIEF COMMISSIONER**

PRETORIA

30/01/2023

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 707

INVESTIGATION INTO THE ALLEGED DUMPING OF WINDSCREENS FOR VEHICLES CLASSIFIABLE UNDER TARIFF SUBHEADING 7007.21.20 ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA TO BE USED IN THE SOUTHERN AFRICAN CUSTOMS UNION MARKET AS REPLACEMENT GLASS IN THE AFTERMARKET

SYNOPSIS

Shatterprufe, a division of PG Group (Proprietary) Limited ("the Applicant") submitted an application to the Commission to investigate the alleged dumping of windscreens for vehicles originating in or imported from the People's Republic of China ("China") to be used in the Southern African Customs Union ("SACU") market as replacement glass in the aftermarket ("ARG"). The investigation was initiated through Notice No. 1161, published in *Government Gazette* No.47061 on 22 July 2022.

The investigation was initiated after the Commission considered that the Applicant submitted *prima facie* information to indicate that the subject product was being imported at dumped prices and causing material injury and a threat of material injury to the SACU industry.

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

All non-confidential submissions made by interested parties are contained in the Commission's public file for this investigation and are available for perusal.

The Commission made a preliminary determination that the subject product originating in or imported from China is being dumped onto the SACU market causing material injury and a threat of material injury to the SACU industry.

The Commission therefore decided to request the Commissioner for the South African Revenue Service ("SARS") to impose the following provisional measures on imports of the subject product for a period of 6 months:

Tariff subheading	Manufacturer/exporter	Rate of provisional payment
HS 7007.21.20	Dongguan Kong Wan Automobile Glass Limited	18.36%
	BSG Auto Glass Co., Ltd	19.45%
	All the other manufacturers and exporters (excluding Dongguan Kong Wan Automobile Glass Limited and BSG Auto Glass Co., Ltd)	26.67%

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 2002 (Act 71 of 2002) (the "ITA Act") and the International Trade Administration Commission Anti-Dumping Regulations ("ADR") read with the World Trade Organisation ("WTO") 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 Shatterprufe, a division of PG Group (Proprietary) Limited ("the Applicant") one of four main manufacturers in the SACU industry.

1.3 ACCEPTANCE OF APPLICATION

The application was accepted by the Commission as being properly documented in accordance with ADR 21 on 23 June 2022.

1.4 ALLEGATIONS BY THE APPLICANT

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

The Applicant further alleged that as a result of the dumping of the subject product from China it was suffering material injury in the form of:

- (i) Price suppression;
- (ii) Price depression;
- (iii) Declining sales volume;
- (iv) Declining market share;
- (v) Declining profits and losses;
- (vi) Production decline;

- (vii) Declining productivity;
- (viii) Declining return on Investment;
- (ix) Declining utilisation of production capacity;
- (x) Impact on cash flow;
- (xi) Impact on inventory levels; and
- (xii) Slowdown in growth.

1.5 INVESTIGATION PROCESS

A properly documented application was submitted by the Applicant on 13 May 2022. The information submitted by Shatterprufe was verified on 31 May 2022. The verification report was sent to Shatterprufe on 03 June 2022. The information requested during verification submitted on 01 June 2022.

The Commission initiated an investigation into the alleged dumping of windscreens for vehicles to be used in the SACU market as replacement glass in the aftermarket originating in or imported from China, pursuant to Notice No. 1164 of 2022, which was published in *Government Gazette* No. 47061 on 22 July 2022.

Prior to the initiation of the investigation, the trade representatives of the countries concerned were 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.

1.6 INVESTIGATION PERIODS

The investigation period for dumping is from 1 January 2019 to 31 December 2021. The injury investigation involves evaluation of data for the period 1 January 2019 to 31 December 2021.

1.7 PARTIES CONCERNED

1.7.1 SACU Industry

The SACU industry consists of four manufacturers of the subject product, the Applicant being one of four main manufacturers in the SACU industry.

1.7.2 Responses by Foreign Manufacturers/Exporters/Importers

Interested Parties Responses

Importers	Deficient
Windscreen Distributors (Pty) Ltd	Yes
Grandmark (Pty) Ltd	Yes
Wholesale Motor Glass (Pty) Ltd	Yes
Commercial Auto Glass	Yes

On 14 September 2022, Windscreen Distributors (Pty) Ltd ("Windscreen Distributors") submitted its response to the Commission's importers questionnaire and a deficiency letter was sent on 03 October 2022. On 05 October 2022, a request for extension was received from Windscreen Distributors. This request was rejected. ADR 31.2 does not provide for extension of time to address deficiencies. On 10 October 2022, a response was received to the Commission's deficiency letter. The updated response from Windscreen Distributors was found to be deficient.

On 01 November 2022, Windscreen Distributors was advised that the response was regarded as deficient and that the Commission may decide not to take its information into consideration for purposes of the preliminary determination.

The Commission made a preliminary decision not to consider Windscreen Distributors' information for purposes of its preliminary determination.

On 12 September 2022, Commercial Auto Glass submitted its response to the Commission's importers questionnaire and a deficiency letter was sent on 3 October 2022. On 10 October 2022, a response was received to the Commission's deficiency letter. Verification of Commercial Auto Glass's information was conducted on 20 October 2022. During verification, it was found that the allocation methodology used to calculate the cost elements in the cost build-up was incorrect. The selected sample invoices could not be verified and tied back to sales provided in its response.

Furthermore, the importer acknowledged that it miscalculated the information and thus provided incorrect sales information. The importer requested that it be granted an opportunity to submit this information. The importer was informed that its

information would be presented to the Commission for its consideration. The importer was further informed that the Commission may decide not to take the response into consideration for the purposes of its preliminary determination.

The Commission made a preliminary decision not to consider Commercial Auto Glass's information for purposes of its preliminary determination as the information in its questionnaire response could not be verified.

On 12 September 2022, Wholesale Motor Glass (Pty) Ltd ("Wholesale Motor Glass") submitted its response to the Commission's importers questionnaire and a deficiency letter was sent on 04 October 2022. On 11 October 2022, a response was received to the Commission's deficiency letter. The updated response from Wholesale Motor Glass was found to be deficient.

On 09 November 2022, Wholesale Motor Glass was advised that the response was regarded as deficient and that the Commission may decide not to take its information into consideration for purposes of the preliminary determination.

The Commission made a preliminary decision not to consider Wholesale Motor Glass' information for purposes of its preliminary determination.

On 12 September 2022, Grandmark (Pty) Ltd ("Grandmark") submitted its response to the Commission's Importer's questionnaire and a deficiency letter was sent on 04 October 2022. On 10 October 2022, a response was received to the Commission's deficiency letter and the Importer had addressed all deficiencies raised. Verification of Grandmark's information was conducted on 25 October 2022.

During verification, the cost built-up, which was submitted in the response, could not be verified by the investigators. The importer was requested to explain how the bank charges and insurance costs were allocated to the first shipment in the cost build-up.

The importer requested an hour to go through its information and attempt to establish how the allocation was calculated. The request was granted and after an hour the importer requested an additional hour. As a result of failure to provide the information requested during verification and failure to explain the information

provided in the importer's response, the verification was terminated.

The importer was informed prior to verification that all documentation relating to import transactions as well as the calculations of the landed cost during the period of investigation should be readily available during verification.

The importer was also informed that the decision to end the verification will be presented to the Commission for its consideration and it may decide not to take the response into consideration for the purposes of Commission's preliminary determination.

The Commission made a preliminary decision not to consider Grandmark's information for purposes of its preliminary determination.

Exporters	Deficient
Apex Motor Glass Company Limited	Yes
Fuyao Glass Industry Group Co. Ltd	Yes
Dongguan Kong Wan Automobile Glass Limited	No
BSG Auto Glass Co. Limited (BSG)	No
Dongguan Benson Automobile Glass Co., Ltd	Yes
Xinyi Automobile Glass (Shenzhen) Co., Ltd	Yes

On 30 August 2022, Apex Motor Glass Company Limited submitted its response to the Commission's exporter's questionnaire. A deficiency letter was sent on 09 September 2022. On 16 September 2022, an updated response was received to the Commission's deficiency letter. The updated response was scrutinised and it was found to be deficient as the exporter did not provide a non-confidential version of its response.

On 29 November 2022, Apex Motor Glass Company Limited was advised that the response was regarded as deficient and that the Commission may decide not to take its information into consideration for purposes of the preliminary determination.

The Commission made a preliminary decision not to consider Apex Motor Glass Company Limited's information for purposes of its preliminary determination.

On 12 September 2022, Fuyao Glass Industry Group Co. Ltd ("Fuyao Glass")

submitted its response to the Commission's exporter's questionnaire. A deficiency letter was sent on 14 October 2022. On 08 October 2022, the Commission received a request for an extension from Fuyao Glass. The Commission did not provide this extension as ADR 31.2 does not provide for extension on deficiencies. On 21 October 2022, a response was received to the Commission's deficiency letter. The updated response was scrutinised and it was found to be deficient as the exporter did not provide English transcripts for information relating to its financial statements provided in Chinese.

On 10 November 2022, Fuyao Glass was advised that the response was regarded as deficient and that the Commission may decide not to take its information into consideration for purposes of the preliminary determination.

The Commission made a preliminary decision not to consider Fuyao Glass's information for purposes of its preliminary determination.

On 14 September 2022, Dongguan Kong Wan Automobile Glass Limited ("Dongguan Kong Wan") submitted its response to the Commission's exporter's questionnaire. A deficiency letter was sent on 05 October 2022. On 11 October 2022, a response was received to the Commission's deficiency letter. Verification of Dongguan Kong Wan's information was conducted from 29 November to 02 December 2022.

The Commission made a preliminary decision to take Dongguan Kong Wan's information into consideration for purposes of its preliminary determination.

On 14 September 2022, BSG Auto Glass Co. Limited ("BSG") submitted its response to the Commission's exporter's questionnaire. A deficiency letter was sent on 05 October 2022. On 11 October 2022 a response was received to the Commission's deficiency letter. Verification of BSG's information was conducted on 05 and 06 December 2022.

The Commission made a preliminary decision to take BSG's information into consideration for purposes of its preliminary determination.

On 14 September 2022, Dongguan Benson Automobile Glass Co., Ltd ("Benson") submitted its response to the Commission's exporter's questionnaire. A deficiency letter was sent on 07 October 2022. On 14 October 2022, an updated response was received to the Commission's deficiency letter. Verification of Benson's information was conducted from 14 to 17 November 2022. During verification investigators could not reconcile Benson's total production costs to the management accounts provided in its response to the Commission's exporter questionnaire. Benson indicated that the set of management accounts it was presenting to the investigators was different to those provided in its response.

Benson was advised that it is not the Commission's practice to accept any new information during verification, but to verify information submitted in a party's response to ascertain the accuracy of such information.

On 08 December 2022, Benson was advised that the information would be presented to the Commission for its deliberation, upon which it may decide not to take the response by Benson into consideration for the purposes of Commission's preliminary determination.

The Commission made a preliminary decision not to consider Benson's information for purposes of its preliminary determination.

On 14 September 2022, Xinyi Automobile Glass (Shenzhen) Co., Ltd ("Xinyi") submitted its response to the Commission's exporter's questionnaire and a deficiency letter was sent on 13 October 2022. An updated response to the Commission's deficiency letter was received on 21 October 2022. Verification of Xinyi's information was conducted from 21 to 24 November 2022.

During verification, the investigators were able to reconcile the total cost to financial statements. Cost elements were selected from the cost built-up to reconcile them to monthly management accounts. Xinyi indicated that the amounts of the cost elements were based on allocations and could not provide and reconcile the allocations. The exporter acknowledged that the information provided to investigators for allocations of cost elements was incorrect and requested that it be

granted an opportunity to update the information. Furthermore, it was found that new management accounts were provided during verification.

The investigation team did not accede the request as it is not the Commission's practice to accept new information during verification, but to verify information submitted in a party's response to ascertain the accuracy of such information.

A decision was taken to terminate the verification and Xinyi was informed that the decision to end the verification will be presented to the Commission for its deliberation, upon which it may decide not to take the response by Xinyi into consideration for the purposes of Commission's preliminary determination.

The Commission made a preliminary decision not to consider Xinyi's information for purposes of its preliminary determination.

1.8 PRELIMINARY DETERMINATION

The Commission made a preliminary determination that:

- the subject product originating in or imported from China is being dumped onto the SACU market;
- the SACU industry experienced material injury and a threat of material injury during the POI; and
- there is a causal link between the dumped imports of the subject product originating in or imported from China, and the material injury and threat of material suffered by the SACU industry.

The Commission therefore decided to request the Commissioner for SARS to impose the following provisional measures on imports of the subject product for a period of 6 months as follows:

Country	Tariff subheading	Manufacturer/exporter	Rate of provisional payment
PRC	HS 7007.21.20	Dongguan Kong Wan Automobile Glass Limited	18.36%
		BSG Auto Glass Co., Ltd	19.45%
		All the other manufacturers and exporters (excluding Dongguan Kong Wan Automobile Glass Limited and BSG Auto Glass Co., Ltd)	26.67%

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product of this application is laminated safety glass suitable for the incorporation in vehicles, generally referred to as windscreens for vehicles, to be used in the SACU ARG market.

2.1.2 Country of origin/export

The subject product originates in and is exported from China.

2.1.3 Possible tariff loopholes

The Applicant indicated that it is possible that the subject product could be imported under HS tariff subheading 7007.11 as toughened (tempered) safety glass, suitable for the incorporation in vehicles, which attracts a 15 percent ad valorem ordinary customs duty to circumvent the payment of 30 percent ad valorem ordinary customs duty on the subject product.

The Applicant further indicated that it is also possible that subject product that should be classified as per the tariff subheading 7007.21.20 can be imported under HS Tariff subheading 8708.22 as parts and accessories of the motor vehicles of headings 87.01 to 87.05 to circumvent the payment of duty.

2.1.4 Tariff classification

The subject product is currently classifiable as follows:

Table 2.1.4

HS Tariff subheading	Description	Statistical unit	Rate of duty					
			General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
70.07	Safety glass, consisting of toughened (tempered) or laminated glass:							
7007.2	- Laminated safety glass:							
7007.21	-- Of size and shape suitable for the incorporation in vehicles, aircraft, spacecraft or vessels:							
7007.21.20	--- Windscreens for vehicles	kg	30%	15%	15%	free	30%	24%

2.1.5 Negligibility test

The following table shows the alleged dumped imports as a percentage of the total imports.

Table 2.1.5: Import Volumes

Aftermarket Replacement Glass (ARG) Alleged dumped Import Volume (Kg)	2019		2020		2021	
	Volumes	%	Volumes	%	Volumes	%
	2019	2019	2020	2020	2021	2021
Alleged dumped imports	6 786 783	90.54%	6 539 507	89.34%	7 951 097	91.21%
Other imports	709 373	9.46%	780 094	10.66%	766 378	8.79%
Total	7 496 157	100%	7 319 601	100%	8 717 475	100%

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

2.2 SACU PRODUCT

The SACU product is described as laminated safety glass suitable for the incorporation in vehicles, generally referred to as windscreens for vehicles, to be used in the SACU ARG market.

2.3 LIKE PRODUCT ANALYSIS

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

Table 2.3 like product determination

	Imported product	SACU product
Raw materials	Raw glass, poly-vinyl butyral and ceramic paste. Various add-ons such as trims, mirror bosses, brackets, rubber spaces and locators.	Raw glass, poly-vinyl butyral and ceramic paste. Various add-ons such as trims, mirror bosses, brackets, rubber spaces and locators.
Production process	<p>Vehicle windscreens are manufactured from laminated glass, by combining two or more glass sheets bonded with one or more layers of PVB, EVA or TPU interlayers and subjected to heat and pressure, in order to ensure perfect adhesion between the constituent elements.</p> <p>The windscreen manufacture process comprises of the following steps:</p> <p><u>Cutting:</u> The glass is cut, the edges are grinded and drilled. It is then washed and dried.</p> <p><u>Printing:</u> An enamel border is printed on the glass, as well as the logo and the glazing typology.</p> <p><u>Forming:</u> Laminated windshields: The two sheets of glass are put on a skeleton (pairing) and then heated in a furnace at 600°C. Forming is done by gravity and pressing if necessary. The glass is then cooled and separated.</p> <p><u>Lamination:</u> After washing and drying, a cover of polymer interlayer is inserted between the two sheets of glass in a clean room.</p> <p><u>Autoclaving:</u> The glass system is degassed at 140°C for a definitive adhesion of the glass and the interlayer.</p>	<p>Vehicle windscreens are manufactured from laminated glass, by combining two or more glass sheets bonded with one or more layers of PVB, EVA or TPU interlayers and subjected to heat and pressure, in order to ensure perfect adhesion between the constituent elements.</p> <p>The windscreen manufacture process comprises of the following steps:</p> <p><u>Cutting:</u> The glass is cut, the edges are grinded and drilled. It is then washed and dried.</p> <p><u>Printing:</u> An enamel border is printed on the glass, as well as the logo and the glazing typology.</p> <p><u>Forming:</u> Laminated windshields: The two sheets of glass are put on a skeleton (pairing) and then heated in a furnace at 600°C. Forming is done by gravity and pressing if necessary. The glass is then cooled and separated.</p> <p><u>Lamination:</u> After washing and drying, a cover of polymer interlayer is inserted between the two sheets of glass in a clean room.</p> <p><u>Autoclaving:</u> The glass system is degassed at 140°C for a definitive adhesion of the glass and the interlayer.</p>

	<p><u>Final Inspection:</u> All glass units are inspected, excess vinyl trimmed off and packed.</p> <p><u>Pre-assembly of added values:</u> Various components (rain & light sensors, profiles...) are glued on the glazing according to the customer's requirements.</p>	<p><u>Final Inspection:</u> All glass units are inspected, excess vinyl trimmed off and packed.</p> <p><u>Pre-assembly of added values:</u> Various components (rain & light sensors, profiles...) are glued on the glazing according to the customer's requirements.</p>
Physical appearance	<p>Clear or tinted glass of various thicknesses is produced by the float process. The technical characteristics and appearance are a uniform thickness and bright polished surfaces, without the need for further polishing. For example, a float glass sheet of 2mm and another 2mm glass sheet thickness are then used in the cutting to size for the lamination and manufacture of the windscreens.</p> <p>The composition of glass is normally as follows:</p> <p>Silica (SiO₂) 72% IronOxide(Fe₂O₃) 0.09% Alumina (AL₂O₃) 0.3% Magnesium Oxide 4.5% Sodium Oxide 13.7% Potassium Oxide 0.5% Sulphur Trioxide 0.25% Calcium Oxide (CaO) 8.8%</p> <p>Polyvinyl butyral is a clear, colourless, amorphous thermoplastic obtained by condensation reaction of polyvinyl alcohol and butyraldehyde. The resin is known for its excellent flexibility, film-forming and good adhesion properties as well as outstanding UV resistance.</p> <p>Ethylene-vinyl acetate, also known as poly (ethylene-</p>	<p>Clear or tinted glass of various thicknesses is produced by the float process. The technical characteristics and appearance are a uniform thickness and bright polished surfaces, without the need for further polishing. For example, a float glass sheet of 2mm and another 2mm glass sheet thickness are then used in the cutting to size for the lamination and manufacture of the windscreens.</p> <p>The composition of glass is normally as follows:</p> <p>Silica (SiO₂) 72% IronOxide(Fe₂O₃) 0.09% Alumina (AL₂O₃) 0.3% Magnesium Oxide 4.5% Sodium Oxide 13.7% Potassium Oxide 0.5% Sulphur Trioxide 0.25% Calcium Oxide (CaO) 8.8%</p> <p>Polyvinyl butyral is a clear, colourless, amorphous thermoplastic obtained by condensation reaction of polyvinyl alcohol and butyraldehyde. The resin is known for its excellent flexibility, film-forming and good adhesion properties as well as outstanding UV resistance.</p> <p>Ethylene-vinyl acetate, also known as poly (ethylene-</p>

	<p>vinyl acetate), is the copolymer of ethylene and vinyl acetate. The weight percent of vinyl acetate usually varies from 10 to 40, with the remainder being ethylene.</p> <p>Thermoplastic polyurethane is a class of polyurethane plastics with many properties, including elasticity, transparency, and resistance to oil, grease, and abrasion. Technically, they are thermoplastic elastomers consisting of linear segmented block copolymers composed of hard and soft segments.</p> <p>As an example, a laminated windscreen would consist of a 2mm thick float glass sheet, a 0.76mm interlayer film and another glass sheet of 2mm glass thickness. Based on the thickness of these glass sheets and inner layer, it would present a final product that would present was windscreen of 4.76mm laminated glass. As the thickness of the glass sheets and the film(s) vary, so will the thickness of the manufactured laminated glass product.</p>	<p>vinyl acetate), is the copolymer of ethylene and vinyl acetate. The weight percent of vinyl acetate usually varies from 10 to 40, with the remainder being ethylene.</p> <p>Thermoplastic polyurethane is a class of polyurethane plastics with many properties, including elasticity; transparency, and resistance to oil, grease, and abrasion. Technically, they are thermoplastic elastomers consisting of linear segmented block copolymers composed of hard and soft segments.</p> <p>As an example, a laminated windscreen would consist of a 2mm thick float glass sheet, a 0.76mm interlayer film and another glass sheet of 2mm glass thickness. Based on the thickness of these glass sheets and inner layer, it would present a final product that would present was windscreen of 4.76mm laminated glass. As the thickness of the glass sheets and the film(s) vary, so will the thickness of the manufactured laminated glass product.</p>
Tariff classification	7007.21.20	7007.21.20
Application or end use	<p>Windscreens for vehicles are used as components in the primary production process of motor vehicles, serving part of original equipment. Windscreens for vehicles are also used in the ARG market, when OE windscreens are damaged and need to be replaced.</p>	<p>Windscreens for vehicles are used as components in the primary production process of motor vehicles, serving part of original equipment. Windscreens for vehicles are also used in the ARG market, when OE windscreens are damaged and need to be replaced.</p>
Substitutability	<p>The SACU windscreen products are fully substitutable with the subject products imported from China.</p>	<p>The SACU windscreen products are fully substitutable with the Subject products imported from China.</p>

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

3. SACU INDUSTRY

3.1 INDUSTRY STANDING

The application was submitted by Shatterprufe, a division of PG Group (Proprietary) Limited ("the Applicant"), one of four main manufacturers in the SACU industry, representing the majority of production in the SACU.

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

4. DUMPING

4.1 METHODOLOGY IN THIS INVESTIGATION FOR CHINA

GENERAL

Volumes on the domestic market

Section 8.3 of the ADR provides that:

“Domestic sales of the like product shall normally be considered a sufficient volume to determine a normal value if such sales constitute five per cent or more of the sales volume of the product to the SACU. Sales representing less than 5 per cent of export sales to the SACU may nevertheless be deemed sufficient where such sales are of sufficient magnitude to provide a proper comparison.”

Commission’s consideration

In light of the above, the Commission made a preliminary determination that sales representing less than 5 per cent of export sales to the SACU be considered not a sufficient volume to determine a normal value. The Commission further made a preliminary determination to use the constructed normal value method in such instances.

Reasonable Profit

When constructing a normal value, the normal value is based on the constructed cost of production of the goods in the country of origin when destined for domestic consumption, plus a reasonable addition for selling, general and administrative costs and for profit.

A reasonable profit in terms of the provisions of Article 2 of the Anti-Dumping Agreement states the following:

“The amounts for administrative, selling and general costs and for profits shall be based on actual data pertaining to production and sales in the ordinary course of trade of the like product by the

exporter or producer under investigation. When such amounts cannot be determined on this basis, the amounts may be determined on the basis of:

- (i) the actual amounts incurred and realized by the exporter or producer in question in respect of production and sales in the domestic market of the country of origin of the same general category of products;
- (ii) the weighted average of the actual amounts incurred and realized by other exporters or producers subject to investigation in respect of production and sales of the like product in the domestic market of the country of origin;
- (iii) any other reasonable method, provided that the amount for profit so established shall not exceed the profit normally realized by other exporters or producers on sales of products of the same general category in the domestic market of the country of origin."

To determine a reasonable profit, the Commission used the operating profit (operating revenue less operating costs) as provided in each producer's cost build-up. The Commission's decision to use operating profit instead of net operating profits or EBIT is supported by the reasoning that this latter profit methodology contains other non-operating income and non-operating expenditure. Operating profit is a company's operating revenue less operating cost.

4.2 METHODOLOGY IN THIS INVESTIGATION FOR DONGGUAN KONG WAN

4.2.1 Calculation of the normal value

The Commission accepted the information submitted by Dongguan Kong Wan in its response to the Commission's questionnaire for purposes of its preliminary determination. During the period 1 January 2021 to 31 December 2021, Dongguan Kong Wan sold the subject product in its domestic market. The sales laminated windscreens sold in the ARG market did not constitute more than 5 per cent of the volume of exports and as such, the normal value was constructed. The constructed normal value is calculated based on the actual production costs and adding the selling, general and administrative expenses. Delivery expenses were excluded from this calculation to get to a net-ex factory constructed normal value. A reasonable profit was then added to this total production cost.

To determine a reasonable profit, investigating officials used the operating profit as provided in Dongguan Kong Wan's cost build up and financial statements.

No adjustments were taken into consideration as the normal value was constructed.

4.2.2 Calculation of export price

The Commission accepted the information submitted by Dongguan Kong Wan in its response to the Commission's questionnaire for purposes of its preliminary determination. During the period of investigation, Dongguan Kong Wan sold the subject product to the SACU market.

In its response, the exporter stated that its related party, Peaceful City (International) Limited ("PC"), situated in Hong Kong, was responsible for the distribution of the product under investigation to the SACU, as well as other third countries. During verification, upon further investigation, the exporter stated that it sells the product under investigation to its related distributor PC. PC then sells this product to importers of the subject product. PC adds its own profit margin to the cost it acquires the product from Dongguan Kong Wan.

Adjustments to the export price

The following adjustments were claimed by the exporter in order to arrive at the ex-factory export price:

(a) Inland delivery and port charges

The exporter claimed adjustments on the export price for inland delivery and port charges. The adjustments were verified and found to be correct.

The Commission made a preliminary determination to allow the inland delivery and port charges adjustments as they were demonstrated to have affected the price comparability at the time of the setting of prices.

(b) Cost of payment terms

Dongguan Kong Wan reported cost of payment terms in its response between PC and the first independent buyer. The exporter indicated that it is not their company's practice to indicate payment terms on the invoice. The exporter explained that it calculates the payment terms in days by calculating the difference between the invoice date and bank notice date. The exporter explained that there is no company policy in place with regards to payment terms.

Commission's consideration

The Commission made a preliminary determination not to allow the cost of payment terms adjustment as this cost was not substantiated with documentary proof. Dongguan Kong Wan could not demonstrate that this affected price comparability at the time of setting prices.

4.2.3 Dumping Margin

The following margin of dumping was calculated:

Producer	Dumping margin %
Dongguan Kong Wan	18.36%

The Commission made a preliminary determination that the subject product originating in or imported from China and manufactured by Dongguan Kong Wan was being dumped onto the SACU market during the period of investigation.

4.3 METHODOLOGY IN THIS INVESTIGATION FOR BSG

4.3.1 Calculation of the normal value

The Commission accepted information submitted by BSG in its response to the Commission's questionnaire for purposes of its preliminary determination. During the period 1 January 2021 to 31 December 2021, BSG did not sell the product subject in its domestic market. As such, the normal value was constructed. The constructed normal value is calculated based on the actual production costs and adding the selling, general and administrative expenses. Delivery expenses were

excluded from this calculation to get to a net-ex factory constructed normal value. A reasonable profit was then added to this total production cost.

To determine a reasonable profit, the Commission used the operating profit as provided in BSG's cost build up and financial statements.

No adjustments were taken into consideration as the normal value was constructed.

4.3.2 Calculation of export price

The Commission accepted the information submitted by BSG in its response to the Commission's questionnaire for purposes of its preliminary determination. During the period of investigation, BSG sold the subject product to the SACU market.

Adjustments to the export price

The following adjustments were claimed by the exporter in order to arrive at the ex-factory export price:

(a) Inland delivery and port charges

During verification, it was found that BSG incurred inland freight and port charges. The Commission made a preliminary determination to allow the inland delivery and port charges adjustments as they were demonstrated to have affected price comparability at the time of setting the price.

(b) Cost of payment terms

For purpose of determining the cost of payment terms, the BSG explained that it calculates the payment terms in days by calculating the difference between the invoice date and bank notice date. BSG also explained that there is no company policy in place with regards to payment terms and that payment terms are not indicated on the invoice.

Commission's consideration

The Commission made a preliminary determination not to allow the cost of payment terms adjustment terms adjustment as this cost was not substantiated with documentary proof. BSG could not demonstrate that this affected price comparability at the time of setting prices.

(c) Bank charges

BSG indicated that bank charges claimed by it represent the charges incurred by the company. It stated also that it calculates this adjustment by calculating the difference between the invoice amount and payment amount received by it.

Commission's consideration

The Commission made a preliminary determination not to allow the adjustment as BSG could not demonstrate that this affected price comparability at the time of setting prices.

4.3.3 Dumping Margin

The following margin of dumping was calculated:

Producer	Dumping margin %
BSG	19.45%

The Commission made a preliminary determination that the subject product originating in or imported from China and manufactured by BSG was being dumped onto the SACU market during the period of investigation.

4.3.4 METHODOLOGY IN THIS INVESTIGATION FOR ALL OTHER MANUFACTURERS/EXPORTERS FROM CHINA (RESIDUAL DUMPING MARGIN).

It is the general policy of the Commission to impose separate anti-dumping duties on specific exporters that responded to the questionnaire, and in addition, a residual duty against the country in question, to cater for other any manufactures of the subject product who might also have exported the subject product to the SACU, but did not participate in the investigation.

On this basis, the Commission made a preliminary determination to calculate a residual dumping margin using the highest verified normal value and the lowest verified adjusted export price for each the subject product.

Normal value

The Commission made a preliminary determination to use the highest verified normal value to calculate the residual dumping margin.

Export price

The Commission made a preliminary determination to use the lowest verified adjusted export price to calculate the residual dumping margin.

Dumping Margin

Producers/Exporters	Dumping margin %
All the other manufacturers and exporters (excluding Dongguan Kong Wan Automobile Glass Limited and BSG Auto Glass Co., Ltd)	26.67%

4.4 SUMMARY – DUMPING

For the purpose of its preliminary determination, the Commission found that the subject product originating in or imported from China is being dumped onto the SACU market as the following dumping margins were calculated:

Producer	Provisional payment
Dongguan Kong Wan Automobile Glass Limited	18.36%
BSG Auto Glass Co., Ltd	19.45%
All the other manufacturers and exporters (excluding Dongguan Kong Wan Automobile Glass Limited and BSG Auto Glass Co., Ltd)	26.67%

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to the Applicant who constitutes more than 50 percent of the total domestic production of the subject product.

The Commission made a preliminary determination that this 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 allegedly dumped imports in kg, for the subject product:

Table 5.2.1: Import volumes

Aftermarket Replacement Glass (ARG)						
	Import Volume (Kg)		Import Volume (Kg)		Import Volume (Kg)	
	Volumes	%	Volumes	%	Volumes	%
	2019	2019	2020	2020	2021	2021
Alleged dumped imports	6 786 783	90.54%	6 539 507	89.34%	7 951 097	91.21%
Other imports	709 373	9.46%	780 094	10.66%	766 378	8.79%
Total	7 496 157	100%	7 319 601	100%	8 717 475	100%

The information in the table indicates that imports from China for the subject product increased over the period 2019 to 2021, with imports reaching their highest import market share of 91.21 percent in 2021.

5.2.2 Effect on Domestic Prices

5.2.2.1 Price depression

Price depression takes place where the Applicant industry's ex-factory selling price decreases during the investigation period.

The table below showed the Applicant industry's ex-factory selling price per kg:

Table 5.2.2.1: Price depression

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Ex-factory selling price (R/kg)	100	93	95

*The information above was indexed using 2019 as base year

The Applicant stated that the selling price for the ARG subject product decreased from 2019 to 2020, as a result of pressure from the dumped Chinese products on the SACU industry in an attempt to regain lost market share by the SACU Industry. However, due to increasing costs since 2019, the Applicant could not continue to depress its selling price and did slightly increase its selling price in 2021, to recover cost, but to a level that was still below the 2019 price level.

Commission's consideration

From the above information, the Commission noted that it is clear that the Applicant experienced price depression over the period 2019 to 2021.

5.2.2.2 Price undercutting

The following table compares the Applicant ex-factory prices with the landed cost of the imported product:

Table 5.2.2.2: Price undercutting

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Ex-factory selling Price	100	93	95
Alleged Dumped products:			
Import price (fob)	25.82	27.43	25.80
Import Price (landed(R/kg))	36.04	38.14	36.01
Price undercutting(R/kg)	Yes	Yes	Yes
Price undercutting %	[CONFIDENTIAL] (between 50 and 65 index points)	[CONFIDENTIAL] (between 45 and 60 index points)	[CONFIDENTIAL] (between 45 and 60 index points)

*The information above was indexed using 2019 as base year

The information in the above table shows that the Applicant was experiencing price undercutting over the investigation period due to depressed selling prices.

The Applicant stated that when comparing 2021-imported price from China with the unsuppressed selling price, an even greater price undercutting situation is clearly evident, which emphasized the extent of the material injury and further threat thereof, due to the dumped imports from China, into a much clearer context.

Commission's consideration

The Commission noted that the Applicant has experienced price undercutting during the period of investigation.

5.2.2.3 Price suppression

Price suppression is the extent to which increase in the cost of production of the product concerned, cannot be recovered in selling prices.

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

Table 5.2.2.3: Price Suppression

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Ex-factory selling price (R/kg)	100	93	95
Cost of production (R/kg)	100	113	115
Gross Profit	100	60	61
Gross Profit %	100	64	64
Cost of production % selling price (%)	100	121	121

*The information above was indexed using 2019 as base year

The Applicant stated that there was an increase in price suppression for the ARG subject product over the period 2019 to 2021, causing it to suffer material injury. This is evident in that the cost to price ratio increased year-on-year from 2019 to 2021. The Applicant also stated that the cost of production as a percentage of the selling prices for the ARG subject product represents a very prominent increasing trend, with the cost to price ratio, especially over the period May to September 2021, being the most prominent.

Commission's consideration

The price suppression experienced by the Applicant increased by 21 index points from 2019 to 2021. The table above indicates that production cost increased from 2019 to 2021.

5.3 Consequent Impact of the dumped imports on the Industry

5.3.1 Actual and potential decline in sales

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

Table 5.3.1: Sales volume

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Sales volume (Kg)	100	75	90

*The information above was indexed using 2019 as base year

The Applicant stated that there was a decreasing trend for the subject product over the period of investigation, indicating that it is suffering material injury. It

also stated that it decreased its selling prices in 2020, which was done to regain lost SACU market share, and this was neither sufficient nor sustainable to prevent the decreasing sales volume trend. As profitability declined and costs were increasing, the Applicant was forced to increase its price in 2021, albeit with a small margin from the 2020 price but far lower than what was required. It also stated that its sales volume of the subject product decreased by 10 index points, from 100 in 2019 to 90 in 2021.

Commission's consideration

Sales volume of the Applicant decreased by 10 index points over the period from 2019 to 2021.

5.3.2 Profit

The following table shows the Applicants' profit margins for the subject products:

Table 5.3.2: Profit

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Kg Sold	100	75	90
Total Gross profit (R)	100	45	55
Total Net Profit	100	28	32
Total Gross profit per kg (R/kg)	100	60	61
Total Net Profit per kg (R/kg)	100	37	36

**The information above was indexed using 2019 as base year*

The Applicant indicated that its net profit (Rand/kg) for the ARG subject product showed a year-on-year reduction over the period of investigation from 100 index points in 2019 to 37 index points in 2020 and to a further decrease to 36 index points in 2021. This year-on-year reduction presents as a decreasing profit trend, with a net profit (Rand/kg) margin reduction of 64 index points occurring from 2019 to 2021, which clearly indicates that the Applicant is suffering material injury. It stated that the gross profit (Rand/kg) and value shows a decreasing trend over the period of investigation, clearly indicating material injury.

5.3.3 Output

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

Table 5.3.3: Output

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Kg	100	67	92

*The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that the dumped imports from China have placed the SACU industry under constant pressure and as result of the loss in sales volume that occurred over the period of investigation, it was forced to reduce its production for the subject product to prevent stock build-up (volume and value) as far as possible.

It also pointed out that production decreased from 100 index points in 2019 to 67 index points in 2020, followed by an increase in 2021 to 92 index points, but the volume still remained below that of 2019.

5.3.4 Market share

The following table shows the SACU Industry market share for the subject product.

Table 5.3.4: Market share

Aftermarket Replacement Glass (ARG)	Kg	2019	%	2020	%	2021	%
Applicant	kg	100	100	75	83	90	84
Estimate of other SACU Producers	kg	-	0	-	0	-	0
Total SACU Manufacturer:		100	100	75	83	90	84
Alleged dumped imports	kg	6 786 783	100	6 539 507	107	7 951 097	109
Other Imports	kg	709 373	100	780 094	122	766 378	100
Total Imports	kg	7 496 157	100	7 319 601	108	8 717 475	108
Total Market	kg	100	100	90	100	108	100

*The information above was indexed using 2019 as a base year

The Applicant indicated that a decreasing trend exists for ARG subject product of the total SACU market share, based on its sales volume. The Applicant's SACU sales volume market share decreased from 100 index points in 2019 to 83 index points in 2020 and in 2021 it slightly increased to 84 index points.

Commission's consideration

The Commission noted that the Applicant's market share decreased in 2019 from 100 index points to 84 index points in 2021.

5.3.5 Productivity

Using the production and employment figures sourced from the Applicant, productivity in respect of the subject product is as follows:

Table 5.3.5: Productivity

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Total production volume (kg)	100	67	92
Number of employees (Production) (units)	100	84	96
Kg per employee	100	80	95

*The information above was indexed using 2019 as base year

The Applicant stated that its productivity experienced a decrease from 2019 of 100 index points to 80 index points in 2020, before increasing in 2021 to 95 index points per employee, but remained below the 2019 level. This presents a decreasing productivity trend for the period of investigation. The reduction in production employment for the period 2019 to 2020, ensured that the productivity did not decline below 71 index points. Direct production employees for the ARG product category decreased from 100 index points in 2019 to 84 index points in 2020 and then increased to 96 index points in 2021 when production increased slightly.

5.3.6 Return on investment

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets. The following table provides the Applicants' profit after interest and tax expressed as a percentage of its net value of assets:

Table 5.3.6: Return on Investment – Rand

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Net profit (R)	100	28	32
Total Investment (R)	100	104	108
Net assets (product concerned)	100	115	143
Return on Total Investment (%)	100	27	30
Return on net assets (%)	100	24	22

***The information above was indexed using 2019 as base year**

The Applicant indicated that its return on investment on the subject product is based on the profit. It indicated that the return on net assets as a percentage shows a decrease from 100 index points in 2019 to 24 index points in 2020, with the further decrease in 2021 occurring to 22 index points for the return on net assets.

Commission's consideration

The Commission noted that the return on investment on the subject product decreased significantly from 2019 to 2021 by 78 index points.

5.3.7 Utilisation of production capacity

The following table provides the Applicants' capacity and production for the subject product.

Table 5.3.7: Utilisation of production capacity

	2019	2020	2021
Total Installed Capacity (kg)	100	114	126
Actual Production (kg) (Including non-SACU & OEM)	100	78	96
Capacity utilisation %	100	68	76

***The information above was indexed using 2019 as base year**

The information in the table indicates that the Applicant's capacity utilisation increased from 100 index points in 2019 to 114 index points in 2020, followed by further increase in 2021 to 126 index points. However, capacity utilisation

showed a decreasing trend over the period of investigation, from 100 index points in 2019, to 68 index points in 2020, before increasing in 2021 to 76 index points, but still remaining below the 2019 level, indicating that it is experiencing material injury.

5.3.8 Factors affecting domestic prices

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

5.3.9 Actual and potential negative effects on cash flow

The following table reflects the Applicant's cash flow situation with regard to the product under investigation.

Table 5.3.9: Cash flow situation

Aftermarket Replacement Glass	2019	2020	2021
Cash flow: incoming (R)	100	75	88
Cash flow: outgoing (R)	100	69	117
Net cash flow (R)	100	94	6

*The information above was indexed using 2019 as base year

The information in the table shows that the Applicant's net cash flow declined over the investigation period. Net cash flow indicates a year on-year decline, which is indicative of a declining trend over the period 2019 to 2021. It stated that this is because of the price depression and price suppression it experienced over the investigation period.

5.3.10 Inventories

Table 5.3.10: Inventories

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Volume (kg)	100	81	124
Value (R)	100	94	151
Value per unit	100	117	122

*The information above was indexed using 2019 as base year, due to confidentiality

The Applicant indicated that total subject product inventory volume experienced an increasing trend for the period of investigation. The inventory volume decreased from 100 index points in 2019 to 81 index points in 2020, followed by an increase in 2021 to 124 index points. The Applicant's total subject product inventory value also experienced a similar increasing trend for the POI.

The Applicant stated that for the recent 12-month period, an increasing trend also exists, with volume increasing on a month-to-month basis, with January to August 2021 being the most prominent. It indicated further that the increasing monthly inventory trends are indicative of the fact that it is suffering material injury as produced product cannot be sold in SACU, notwithstanding the cutback in production as a result of the dumped imports from China.

5.3.11 Employment

The following table provides the Applicants' employment figures for the subject product

Table 5.3.11: Employment

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Direct labour (units) : production	100	84	96
Indirect labour (units) : production	100	87	97
Total labour (units) : production	100	84	97

***The information above was indexed using 2019 as base year**

The Applicant stated that the decreasing employment trends (based on allocation) that occurred over the period of investigation are indicative of the material injury it suffered. It stated that the dumped imports from China that took up its sales volumes forced it to manage employment cycles and not appoint new personnel, which impacted on the changes that occurred.

5.3.12 Wages and salaries

The following table provides the Applicant's wages paid:

Table 5.3.12: Wages & Salaries

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Direct Wages: Production	100	85	100
Indirect Wages: Production	100	84	90
Total wages: Production	100	84	96
Wages per employee Direct	100	102	104
Wages per employee Indirect	100	97	93

*The information above was Indexed using 2019 as base year

The Applicant indicated that it experienced an increasing trend for direct production wages over the period of investigation, whilst a decreasing trend applies to indirect production wages, with the wages per employee for direct and indirect workers following the same trends. It stated that the decreasing trends are indicative of it suffering material injury.

5.3.13 Growth

The following table indicates the growth of the SACU market as provided by the Applicant:

Table 5.3.13: Growth (kg)

Aftermarket Replacement Glass (ARG)	2019	2020	2021	2019/2021 % Change
Applicant Sales	100	75	90	(10)
Alleged dumped imports	6 786 783	6 539 507	7 951 097	17.16%
Other imports	709 373	780 094	766 378	8.04%
Total imports	7 496 157	7 319 601	8 717 475	16.29%
Total SACU Market	100	90	108	(9)

*The information above was Indexed using 2019 as base year

The Applicant stated that it experienced negative growth of 10 index points over the period of investigation. It also stated that imports from China of the subject product experienced substantial growth of 17.16 percent over the period of investigation. It stated that imports from China decreased from 6,786,783kg In

2019 to 6,539,507kg in 2020 and in 2021 the volume increased to 7,951,097kg. Imports from other countries that hold the minority import volume market realised a smaller positive growth for the period of investigation.

5.3.14 Ability to raise capital or investments

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

Table 5.4.14: Ability to raise capital or investments

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Total capital/Investment in the subject product	100	104	108
Capital expenditure during year on subject product	100	240	192

***The Information above was Indexed using 2019 as base year**

The Applicant indicated that its capital expenditure for windscreens presents an increasing trend for the period of investigation. It also stated that a significant investment was made in capacity and capability expansion at the Ga-Rankuwa plant to allow for the business to supply a new business platform launched in July 2021. This investment resulted in improved local content levels for the industry in South Africa. Funding was secured via loans at a Group level from banking institutions.

The Applicant further stated that capital intensive operations cannot be sustained given the levels of injury it has suffered over a prolonged period. The recent investments it made although initially funded by bank loans, have to be partially serviced by the other Group divisions as it is not generating cash. The consequence of not receiving any assistance would be that it will no longer be able to continue in a manner where it cannot fund its own capital investment requirements which may lead to the business ultimately closing down.

5.4.16 SUMMARY – MATERIAL INJURY

Commission's Consideration

Based on the information above, it is evident that the Applicant is experiencing volume injury in terms of a decline in sales volume and output decreased over the period of investigation. The information also indicates that the Applicant is experiencing price undercutting, price depression and price suppression. Net profit and cash flow also declined over the same period of investigation.

The table also reflects that the Applicant's market share declined over the period 2019 to 2021, whereas the volume of imports from China increased over the same period. Productivity, employment, capacity utilisation also decreased, and inventories increased over the period 2019 to 2021.

The Commission made a preliminary determination that the SACU industry is experiencing material injury.

6. THREAT OF MATERIAL INJURY

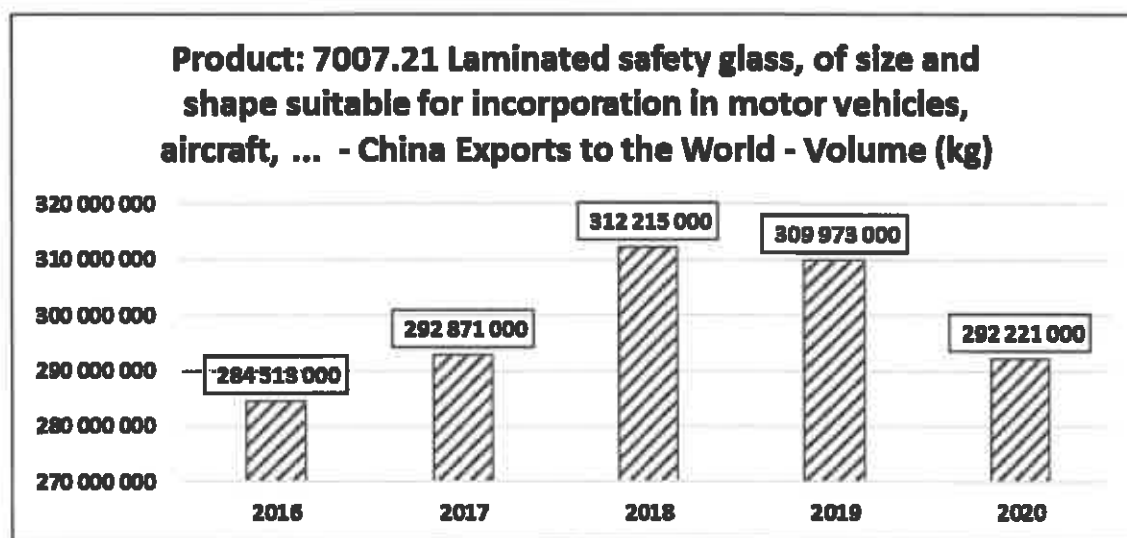
6.1 Freely disposable capacity of the exporters

The Applicant provided the following information in substantiating the above:

The Applicant stated the actual capacity of factories in China are not known but in light of the contracting global automotive market, global exports from China of automotive glass as per the International Trade Centre, Trade statistics for international business development (“**Trade Map Data**”), suggests that there is substantial disposable capacity in China. The Trade Map Data does not however, provide information to the same level as “windscreens for vehicles”, but does to the level of HS “7007.21 Laminated safety glass, of size and shape suitable for the incorporation in motor vehicles, aircraft ...”.

The Applicant stated that from the Trade Map Data below until 2020, there was an export volume increase from 2016 to 2018 of 27,702,000kg (9.74 percent), with the reduction from 2018 to 2020 being 19,994,000kg (6.40 percent), indicating the existence of freely disposable capacity.

HS 7007.21 Laminated safety glass, of size and shape suitable for the incorporation in motor vehicles, aircraft...



Source: <https://www.trademap.org/index.aspx>

There are numerous automotive glass operations, specialising a variety of products such as laminated glass, many of which has large safety glass manufacturing capacities, capable of producing as much as 1,600,000 square meters annually.

The Applicant further stated that it is known that there are at least 71 laminated glass windscreen manufacturers and suppliers in China, any number of which is capable of supplying the products to the SACU market. It also stated that the Chinese laminated windscreen glass industry's production capacity is well in excess of its domestic market needs and exports are the logical option to channel its trade surplus and prevent unnecessary stock build up, with the African continent and especially the SACU offering lucrative export opportunities.

Although the Applicant does not have detailed information on the current conditions in China, the worldwide supply catch-up on the float glass demand post the COVID-19 crisis, has reached normality and this will result in an oversupply in the downstream value added laminated automotive glass products, due to the fall out of manufacturers having optimised production volumes and now sit with immediate surplus product.

6.2 Significant Increase of dumped Imports

The Applicant stated that as long as import prices of the subject product is offered at prices that undercut the domestically produced SACU product selling price, the demand for the imported Chinese product will continue to increase.

The Applicant also stated that imports from China of the subject product experienced an increasing trend over the period of investigation, with the increase from 2019 of 6,786,783kg to 7,951,097kg in 2021, presenting a growth of 17.16 percent. Imports from other countries experienced a positive growth from 2019 to 2021 of only 8.04 percent. The imports from China for the period of investigation represent 90.41 percent of the total import market. The average Chinese import price (R/kg) during the period of investigation undercutting margin of the other countries' import price was 86.20 percent.

It stated that a real threat exists in that the subject product imports from China will increase even further in the remainder from 2022 onwards, if there is no definitive action taken against the dumped subject product from China into the SACU market.

In light of the above, the Applicant stated that it expects that the SACU industry will be faced with a bigger onslaught from China, which would further increase the material injury suffered by Shatterprufe to a level that could severely impair and even lead to the closure of the laminated windscreens plants for vehicles in SACU.

It provided the following information to substantiate this analysis:

Aftermarket Replacement Glass (ARG)						
	Import Volume (Kg)		Volumes		%	
	2019	2020	2021	2019	2020	2021
Alleged dumped imports	6 786 783	6 539 507	7 951 097	90.54%	89.34%	91.21%
Other imports	709 373	780 094	766 378	9.46%	10.66%	8.79%
Total	7 496 157	7 319 601	8 717 475	100%	100%	100%

Commission's consideration

The Commission considered that it is evident from the information provided by the Applicant that there is an increase of the alleged dumped imports over the investigation period.

6.3 Prices of Imports which will have a significant depressing or suppressing effect on domestic prices

The Applicant indicated that price depression in 2020 compared to 2019, as well as in 2021, compared to 2019 did impact on its profitability, causing it to suffer material injury. With the increase in the dumped imports from China, the SACU industry is faced with the threat of further material injury that will be suffered, should no action be taken to prevent the further dumped imports from China.

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Ex-factory selling price (R/kg)	100	93	95

*The information above was indexed using 2019 as base year

The Applicant also stated that its cost to price ratio was very high throughout the period of investigation, with an increasing price suppression trend that existed for the period 2019 to 2021. The dumped Chinese imports of the subject product were exerting pressure on it to also sell at suppressed prices during the period of investigation.

Aftermarket Replacement Glass (ARG)	2019	2020	2021
Ex-factory selling Price	100	93	95
Alleged Dumped products:			
Import price (fob)	25.82	27.43	25.80
Import Price (landed(R/kg))	36.04	38.14	36.01
Price undercutting(R/kg)	Yes	Yes	Yes
Price undercutting %	[CONFIDENTIAL] (between 50 and 65 index points)	[CONFIDENTIAL] (between 45 and 60 index points)	[CONFIDENTIAL] (between 45 and 60 index points)

*The information above was indexed using 2019 as base year

The increase in dumped imports from China over the 2019 to 2021 period caused the SACU industry to suffer material injury, with the real threat of further import increases causing a continuation of material injury.

6.4 Exporter's inventories of the subject product

The Applicant indicated that a float glass plant cannot be stopped and has started to cater for an increase or decrease in demand. It also stated that this will continue to operate and if there is a global slowdown, or if markets are closed through the implementation of a trade remedy mechanism, inventories will increase while products are also sold at lower prices on the export market and sometimes below cost of production to recover the cost of production.

The Applicant stated that a similar situation exists concerning laminated automotive glass products such as windscreens, which is a downstream valued added float glass product, as many of the float glass manufacturers also have lamination and automotive operations. The fact that the subject product is being exported from China to South Africa at dumped prices substantiates the likelihood that significant inventories exist in China and that these factories are trying to recover invested cost in the value-added laminated products, especially when there is over-supply in the market.

6.5 State of the economy of the country of origin

The Applicant stated that the income generated by state-owned enterprises accounted for about 40 percent of China's Gross Domestic Product ("GDP") of USD14.4 trillion in 2019, with domestic and foreign private businesses and investment accounting for the remaining 60 percent. As of the end of 2019, the total assets of all China's SOE's, including those operating in the financial sector, reached USD78.08 trillion. Ninety-one (91) of these SOE's belong to the 2020 Fortune Global 500 companies. Direct foreign investment in China, which totalled about USD1.6 trillion as of the end of October 2016, directly and indirectly contributed about one-third of China's GDP and a quarter of jobs there. As of the end of June 2020, Foreign Direct Investment ("FDI") stock in China reached USD2.947 trillion, and China's outgoing FDI stock stood at USD2.128 trillion. Total foreign financial assets owned by China reached USD7.860 trillion, and its foreign financial liabilities USD5.716 trillion, making China the second largest creditor nation after Japan in the world. The Applicant also stated that China is currently the second largest economy in the world by nominal GDP, and an official forecast has indicated that China is set to overtake the United States as the world's biggest economy by 2028, half a decade sooner than expected.

The Applicant indicated that the Chinese Government began its economic reforms in 1978 under the leadership of Deng Xiaoping. It has four of the top ten most competitive financial centres (Shanghai, Hong Kong, Beijing, and Shenzhen) in the 2020 Global Financial Centres Index, more than any other country. China also has three out of the ten world's largest stock exchanges—Shanghai, Hong Kong and Shenzhen by market capitalization and trade volume. As of October 12, 2020, the total market capitalization

of Mainland Chinese stock markets, consists of the Shanghai Stock Exchange and Shenzhen Stock Exchange, topped USD10 trillion, excluding the Hong Kong Stock Exchange, with about USD5.9 trillion. As of the end of June 2020, foreign investors had bought a total of USD440 billion in Chinese stocks, representing about 2.9 percent of the total value, and indicating that foreign investors scooped up a total of USD156.6 billion in the stocks just in the first half of 2020.

The Applicant also pointed out that the total value of China's bond market topped USD15.4 trillion, ranked above that of Japan and the United Kingdom and second only to that of the United States of America with USD40 trillion, as of the beginning of September 2020. As of the end of September 2020, foreign holdings of Chinese bonds reached USD388 billion, or 2.5 percent, of the total value, notwithstanding an increase by 44.66 percent year on year.

The Applicant stated that according to the 2019 Global Wealth Report by Credit Suisse Group, China surpassed the US in the wealth of the top 10 percent of the world's population: China had 100 million wealthy people (each owning a net wealth of over USD110,000) and the US 99 million. At USD 63.8 trillion as of end of 2019, representing a 17-fold increase from USD3.7 trillion in 2001, the total amount of China's household wealth stood behind only that of the US with USD105.6 trillion. The economy, as of 2019, ranked as the second largest in the world by nominal GDP and as of 2017 the largest in the world by purchasing power parity. China has the world's fastest-growing major economy, with growth rates averaging 10 percent over 30 years.

It indicated that as of 2019, China's public sector accounted for 63 percent of total employment. According to the IMF, on a per capita income basis, China ranked 73rd by GDP (Purchasing Power Parity) per capita in 2019. China's GDP was USD14.4 trillion (99 trillion Yuan) in 2019. The country has natural resources with an estimated worth of USD23 trillion, 90 percent of which are coal and rare earth metals. China also has the world's largest total banking sector assets of around USD45.838 trillion (309.41 trillion CNY) with USD42.063 trillion in total deposits and other liabilities. It has the second largest inward foreign direct investment at USD141 billion in 2019 alone,

and the second largest outward foreign direct investment, at USD136.91 billion for 2019 alone, following Japan at USD226.65 billion for the same period. As of 2020, China is home to many of the largest companies in the Fortune Global 500 and 129 are headquartered in China. It has the world's largest foreign-exchange reserves worth USD3.1 trillion, but if the foreign assets of China's state-owned commercial banks are included, the value of China's reserves rises to nearly USD4 trillion.

Currently, China is the world's largest manufacturing economy and exporter of goods. It is also the world's fastest-growing consumer market and second-largest importer of goods. China is a net importer of services products. It is the largest trading nation in the world, plays a prominent role in international trade, and has increasingly engaged in trade organizations and treaties in recent years. China became a member of the World Trade Organization in 2001. It also has free trade agreements with several nations, including ASEAN, Australia, New Zealand, Pakistan, South Korea and Switzerland. The provinces in the coastal regions of China tend to be more industrialized while regions in the hinterland are less developed. As China's economic importance has grown, so has attention to the structure and health of the economy. China's largest trading partners are the US, EU, Japan, Hong Kong, South Korea, India, Taiwan, Australia, Vietnam, China, and Brazil. With 778 million workers, the Chinese labour force is the world's largest as of 2020. It ranks 31st on the Ease of doing business index and 28th on the Global Competitiveness Report. China ranks 14th on the Global Innovation Index and is the only middle-income economy, the only newly industrialized economy, and the only emerging country in the top 30. By the end of July 2020, China's 5G users had already surpassed 88 million, accounting for over 80 percent of users worldwide—far ahead of the previously projected 70 percent share for the whole of 2020. By the end of this year, the number of 5G base stations in China is expected to reach nearly one million, by far the biggest tally globally.

6.6 Give any other information relevant to your allegation that the infliction of material injury is imminent.

The Applicant stated that the global float glass market trends, which is very relevant for this investigation as laminated glass in the form of windscreens for vehicles are

value added products, with float glass being the primary input product and that the changes in the global float glass market have a direct influence on the laminated glass market.

It also stated that a float plant is highly capital intensive, typically costing around EUR70 million to EUR200 million depending on size, location and product complexity. Once operational, a float glass furnace is designed to operate continuously, 365 days per year, throughout its lifetime of between 15 and 18 years. Float lines are normally capable of several "lifetimes" following major repair or upgrade programmes (EUR30 million to EUR50 million). The economics of the continuous-flow float operation require a high capacity utilisation rate. Energy and raw material costs are significant, representing almost two thirds of the production costs. Glass is relatively heavy, making distribution costs significant; they typically represent around 10 percent to 15 percent of total costs. The Applicant further stated that production of float glass worldwide can be considered fairly standardised. Products from reputable producers are, for all practical purposes, homogenous, of comparable quality and are near perfect substitutes. The product can be considered very price elastic between suppliers in the sense that purchasers will tend to buy from the cheapest supplier.

During the 1990's and early 2000's, a large number of new float glass plants were commissioned internationally, including many new plants in the Asian region (particularly Indonesia, Thailand, India and China. Recently additional plants have been established in, inter alia, North Africa, in Saudi Arabia, Malaysia and elsewhere in the Middle East. This created substantial additional new capacity and the global industry has since then been characterised by some excess capacity, especially in Asia.

The global float glass industry has undergone a dramatic transformation over the last decade in response to a rollercoaster of economic fluctuations and a breakdown of barriers to market entry. Looking ahead, these forces will continue to redefine the world of glass, as shifting markets and new players exert their influence.

Flat Glass Market size is estimated to grow from USD92.90 billion in 2016 to USD142.05 billion by 2022, at a compound annual growth rate of 7.30 percent during the forecast period. The base year considered for the study is 2016 and the market size is projected between 2017 and 2022. The increase in the use of flat glass in the construction & infrastructural and automotive applications is expected to drive the market in the coming years.

Now that they mentioned the global float glass market trends, they looked at the laminated glass market.

The global laminated glass market is projected in a study to register a Compound Annual Growth Rate ("CAGR") of more than 5 percent during the forecasted period (2021-2026).

The automotive industry has seen a slowdown in the past three years. According to the International Organization of Motor Vehicle Manufacturers (OICA), automotive production witnessed a 15.8 percent decline from 92,175,805 units in 2019 to 77,621,582 units in 2020. Also, sales of automobiles have declined in 2020 from 90.42 million units in 2019 to 77.97 million units in 2020. The decline is mainly attributed to the reduced production in the major automotive hubs such as United States, China, Japan, and Germany. In 2020, these countries witnessed a decline of 19 percent, 2 percent, 17 percent, and 24 percent respectively compared to 2019.

Due to the COVID-19 pandemic, the automobile production has been halted for a specified period, harming the short-term prospects of automotive glass producers. For instance, automobile production in 2020 has witnessed a decline of 15.8 percent compared to 2019. However, with the restart of automotive production activities, the demand for automotive glass is coming back on track.

Notwithstanding the COVID-19 and decline in the motor industry, there was a sharp increase in imports over the POI for the Subject Product, with decreasing pricing trend for the POI (See Annexure G 2.1 and Annexure G 2.3). Although, the monthly import volumes over the last 12 months present a decreasing trend, the data should be viewed in context. As a result of the January 2021 import volume from China of

1,070,943kg, being 71.22 percent higher than the February to December 2021 average of 625,469kg, the 12-month base value was extremely high. The period of July to December 2021 presents an overall increasing trend to 928,091kg, which is just 13.34 percent lower than the January 2021 import volume from China. These high volumes in the 12-month period is clearly indicative that a much bigger threat of further material injury exists with regard to the imports from China. These strong and real import volume movements are testimony of the export capacity and import impact from China and imminent threat posed by it.

The automotive glass market was valued at USD19 billion in 2020, and it is expected to reach USD23 billion by 2026, registering a CAGR of about 5 percent during the forecast period 2021 to 2026. Asia-Pacific is expected to grow at the highest CAGR during the forecast period. Emerging economics and the strong presence of manufacturers in Japan, China, and India will boost the market in this region. Rapid changes in regulations to make transportation more advancing on the technology front and the ever-increasing population of this region will create more opportunities in the automotive glass market. China is the biggest producer of automobiles in the world. The abundance of economic resources to assemble and manufacture automotive parts in India and China, the presence of established glass manufacturing players, increasing R&D capacities, and the presence of several new production plants in China to cater to the growing needs for electric cars are adding to the global automotive glass market growth in the region.

The Commission made a preliminary determination that the Applicant submitted *prima facie* information that indicated that there is a threat of material injury suffered by the SACU industry.

Commission's consideration

The Commission considered that the information provided by the Applicant indicate that there is an existence of freely disposable capacity from China and that the alleged dumped imports increased by 17.16% over the period of investigation, which indicates that a threat of material injury to the SACU industry exists.

6.7 SUMMARY ON THREAT OF MATERIAL INJURY

The Commission made a preliminary determination that the SACU industry is experiencing a threat of material injury.

7. CAUSAL LINK

7.1 GENERAL

In order for the Commission to impose provisional measures, 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 product.

7.2 VOLUME OF IMPORTS AND MARKET SHARE

An indication of causality is the extent of the increase of volume of the subject imports from China 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 following table compares the market share of the SACU Industry with that of the alleged dumped imports:

Table 7.2.1: Market share

Percentage market share held by:	2019	2020	2021
Applicant	100	83	84
Total Alleged dumped Imports	100	108	108
Total Market	100	100	100

**The information above was indexed using 2019 as base year, due to confidentiality*

The Applicant indicated that a decreasing trend exists for the ARG subject product in terms of the total SACU market share, based on its sales volume, as well as from a market share percentage perspective. The Applicant SACU sales volume market share decreased from 100 index points in 2019 to 83 index points in 2020 and in 2021, it increased to 84 index points, but remained below the 2019 volume.

Commission's consideration

The Commission noted that the Applicant's market share declined by 16 index points for the period 2019 to 2021.

The following table shows the volume of imports:

Table 7.2.2: Import volumes

Aftermarket Replacement Glass (ARG)	2019		2020		2021	
	Volumes	%	Volumes	%	Volumes	%
	2019	2019	2020	2020	2021	2021
Alleged dumped imports	6 786 783	90.54%	6 539 507	89.34%	7 951 097	91.21%
Other imports	709 373	9.46%	780 094	10.66%	766 378	8.79%
Total	7 496 157	100%	7 319 601	100%	8 717 475	100%

The Applicant indicated that the subject product imports ARG market share of China increased over the period 2019 to 2021, with imports reaching their highest import market share of 91.21 percent in 2021.

Imports from China increased from 175,217,699kg in 2019 to 179,372,873kg in 2020, with a further increase following in 2021, to 205,103,841kg. The persistent Chinese Subject Product import volume increases over the POI amounted to a 17.16 percent increase, which caused the SACU industry to suffer material injury. The trend is likely to further continue, posing a definite threat of further material injury, unless remedial action is taken to address the situation.

Commission's consideration

The Commission is of the view that the information in the table above indicates dumped imports increased over the period 2019 to 2021.

7.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects of the Applicant:

Table 7.3.1: Price depression, price suppression and Price undercutting

Aftermarket Replacement Glass	2019	2020	2021
Ex-factory selling price in SACU (Price depression)	100	93	95
Cost of production % selling price (suppression)	100	121	121
Price Undercutting	[CONFIDENTIAL] (between 50 and 65 index points)	[CONFIDENTIAL] (between 45 and 60 index points)	[CONFIDENTIAL] (between 45 and 60 index points)

*The information above was indexed using 2019 as base year

7.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material Injury Indicator	Analysis
	(2019 – 2021)
Price suppression:	Decrease
Price depression:	Decrease
Sales volumes:	Decrease
Market share (Applicant)	Decrease
Profit:	Decrease
Productivity	Decrease
Return on investment	Decrease
Utilisation of production capacity	Decrease
Cash flow	Decrease
Inventory	Increase
Growth	Decrease

7.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

7.5.1 Examination of China under Article 3.5

Variable	Year			Change (%)
	2019	2020	2021	2019/2021
Prices of imports not sold at dumping prices (fob price) (R/kg)	207.47	150.52	215.96	4.09%
Volume of imports not sold at dumping (Kg)	709 373	780 094	766 378	8.04%
Contraction in demand:				
Growth rate for the subject product industry (Kg)	3 578 753	2 677 335	3 221 925	(9.97%)

Changes in the patterns of consumption	The Applicant stated that the SACU total market for the subject product experienced an increasing trend during the period of investigation.
Trade-restrictive practices of foreign and domestic producers	None that Applicant is aware of.
Developments in technology	The Applicant stated that there were no known recent developments in technology that would place it at a disadvantage.
Export performance of the domestic industry	<p>The Applicant stated that it manufactures the subject product to supply the domestic market, but does export to countries outside SACU.</p> <p>It stated that the primary injury material data it supplied in the Application relates only to the information of the SACU market for the ARG subject product segment (not export data). It stated also that the material injury for the ARG product, split from the products for the OE segment, as the ARG market is the market that is targeted by the Chinese imports. Data that could not be split between ARG and OE is the actual installed and utilisation capacity for the product concerned, detail on the employee shift system, inventory and capital and investment, as the data is company based. However, as the ARG market is substantial, the material injury that the ARG product is suffering would be reflected in the trend of these material injury indicators.</p>
Productivity of the domestic industry	The Applicant stated that it believes that its productivity compares favourably with its competitors. However, as a result of the dumped imports its productivity is negatively affected as these imports impact on its production.

Commission's consideration

From the above it is clear that the price of imports not sold at dumped prices increased over the investigation period and is considerably higher than the price of the alleged dumped imports.

7.6 SUMMARY ON CAUSAL LINK

The Commission made a preliminary determination that there is sufficient information to indicate that there is a causal link between the alleged dumping of the subject product, the material injury and a threat of material injury suffered by the SACU industry.

8. SUMMARY OF FINDINGS

8.1 DUMPING

The Commission found that the subject product manufactured by Dongguan Kong Wan and BSG originating in or Imported from China, was exported at dumped prices to the SACU. The following dumping margins were calculated:

The following dumping margins were calculated:

Manufacturer/exporter	Rate of provisional payment
Dongguan Kong Wan Automobile Glass Limited	18.36%
BSG Auto Glass Co., Ltd	19.45%
All the other manufacturers and exporters (excluding Dongguan Kong Wan Automobile Glass Limited and BSG Auto Glass Co., Ltd)	26.67%

The Commission made a preliminary determination that dumping of the subject product originating in or imported from China is taking place.

8.2 MATERIAL INJURY

The Commission made a preliminary determination that the SACU industry is experiencing material injury in the form of:

Material Injury Indicator	Analysis
	(2019 – 2021)
Price suppression:	Decrease
Price depression:	Decrease
Sales volumes:	Decrease
Market share (Applicant)	Decrease
Profit:	Decrease

Productivity	Decrease
Return on investment	Decrease
Utilisation of production capacity	Decrease
Cash flow	Decrease
Inventory	Increase
Growth	Decrease

8.3 THREAT OF MATERIAL INJURY

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

8.4 CAUSAL LINK

The Commission made a preliminary determination that there is a causal link between the dumping and the material injury and threat of material injury experienced by the SACU industry.

9. PROVISIONAL DUTY

9.1 Amount of provisional duty

The amounts of the provisional payments were concluded to be:

Tariff subheading	Manufacturer/exporter	Rate of provisional payment
HS 7007.21.20	Dongguan Kong Wan Automobile Glass Limited	18.36%
	BSG Auto Glass Co., Ltd	19.45%
	All the other manufacturers and exporters (excluding Dongguan Kong Wan Automobile Glass Limited and BSG Auto Glass Co., Ltd)	26.67%

10. PRELIMINARY DETERMINATION

The Commission made a preliminary determination that there is sufficient information to indicate that:

- dumping of the subject product originating in or imported from China is taking place;
- the SACU industry is experiencing material injury and a threat of material injury, caused by the dumped imports of the subject product originating in or imported from China; and
- there is a causal link between the dumped imports of the subject product originating in or imported from China, and the material injury and threat of material suffered by the SACU industry.

The Commission decided to request the Commissioner of SARS to impose the following provisional measures for a period of 6 months on classifiable under tariff subheadings HS 7007.21.20 originating or imported from China:

Tariff subheading	Manufacturer/exporter	Rate of provisional payment
HS 7007.21.20	Dongguan Kong Wan Automobile Glass Limited	18.36%
	BSG Auto Glass Co., Ltd	19.45%
	All the other manufacturers and exporters (excluding Dongguan Kong Wan Automobile Glass Limited and BSG Auto Glass Co., Ltd)	26.67%