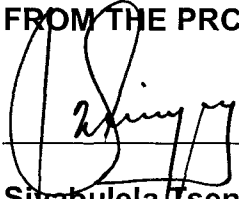


Report No. 259

Investigation into the alleged dumping of extruded aluminium profiles originating in or imported from the People's Republic of China: Preliminary determination

The International Trade Administration Commission of South Africa herewith presents its **Report No. 259: INVESTIGATION INTO THE ALLEGED DUMPING OF EXTRUDED ALUMINIUM PROFILES ORIGINATING IN OR IMPORTED FROM THE PRC: PRELIMINARY SUBMISSION**



Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA
23 / 01 / 2008

1. APPLICATION AND PROCEDURE

- 1.1 This investigation is conducted in accordance with the International Trade Administration Act, 2002 (Act 71 of 2002) (The "ITA Act"), the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement) and the International Trade Administration Commission Anti-Dumping Regulations (ADR).
- 1.2 The application was lodged by International Trade Services on behalf of the Association of Aluminium Extruders, (the Applicant), being an industrial organization for the major producers of aluminium extruders in the SACU. Wispeco and Hulett-Hydro Extrusions are producers of 39% and 47% of the SACU production respectively.
- 1.3 On 27 July 2007, the Commission accepted the application as being properly documented and that the Applicant submitted a *prima facie* case of dumping and material injury. The Commission decided to initiate an investigation into the alleged dumping of extruded aluminum profiles originating or imported from the People's Republic of China (PRC).
- 1.4 The investigation was initiated through Notice No. 961 in Government Gazette No. 30144 on 10 August 2007.
- 1.5 The information submitted by the importers and the exporters was verified.
- 1.6 The investigation period for dumping is from 1 January 2006 to 31 December 2006. The injury investigation involves evaluation of data for the period 1 January 2004 to 31 December 2006.

1.7 The SACU Industry consists of the following producers which are members of the Association of Aluminium Extruders:

- *Hulett-Hydro Extrusions*
- *Wispeco*
- *AGI (Profal)*
- *Lafarge Macsteel*

1.8 The following exporters/manufacturers responded to the Commission's questionnaires:

- (a) Guangdong Yongxing Aluminium Profiles Manufacturing Co., Ltd
- (b) Classic Emas (Sarawak) Sdn. Bhd. and Classic Emas (Zhaoqing)
- (c) Guangdong Jianmei Aluminum Profile Factory Ltd., and JMA (HK) Company Ltd
- (d) Guang Cheng Aluminium Co., Ltd
- (e) Guang Ya Aluminium Co., Ltd
- (f) Guangdong Huachang Aluminium Factory Co
- (g) Guangdong Galuminium Group

Information submitted by Guangdong Yongxing Aluminium Profiles Manufacturing Co., Ltd., Classic Emas (Sarawak). Sdn. Bhd and Classic Emas (Zhaoqing), Guangdong Jianmei Aluminum Profile Factory, Ltd. and JMA (HK) Company Ltd, Guang Cheng Aluminum Co., Ltd. and Guang Ya Aluminium Co., Ltd. was verified from 8 November to 25 November 2007. Information submitted by Guangdong Huachang Aluminium Factory Co. and Guangdong Galuminium Group was deficient and was therefore not considered for the purposes of the preliminary determination.

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

- YS Distributors (Pty) Ltd
- Ceiling and Partition Warehouse (Pty) Ltd
- Parrot Products (Pty) Ltd
- Henderson Sliding Door Gear (Pty) Ltd
- Phoenix Aluminium
- Star Aluminium

Importers were not verified for the purposes of the preliminary determination.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is described as extruded aluminium alloy bars, rods, profiles and tubes “in mill finish” or optionally finished in powder coating or aluminium anodizing.

2.1.2 Country of origin/export

The subject product is exported from the PRC.

2.1.3 Tariff classification

The subject product is classifiable as follows:

Table 2.1.3: Tariff classification

Tariff subheading	Description	Statistical Unit	Rate of customs Duty		
			General	EU	SADC
76.04	Aluminium Bars, Rods and Profiles				
7604.2	-of aluminium alloys:				
7604.21	=Hollow profiles				
7604.21.15	-of a maximum cross-sectional dimension not exceeding 370mm	kg	5%	1.6%	Free
7604.29	- Other				
7604.29.15	Bars and rods, of a maximum cross-sectional dimension exceeding 7.5 mm but not exceeding 160mm	kg	5%	1.6%	Free
7604.29.65	-profiles, of a maximum cross-sectional dimension not exceeding 370mm	kg	5%	1.6%	Free
7608	Aluminium Tubes and Pipes				
7608.20	- of aluminium alloys	kg	Free	Free	Free

2.1.4 Other applicable duties and rebates

There are currently no other applicable duties and rebates on extruded aluminium profiles

2.1.5 Negligibility test

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

Table 2.1.5: Negligibility test

Alleged dumped imports	Volume as a percentage of total import volume
PRC	54.03
Other imports	45.97
Total imports	100.00

The Commission made a preliminary determination that the volume of imports of the subject product are above the negligibility level.

2.2 SACU PRODUCT

2.2.1 Description

The subject product is described as extruded aluminium bars, rods and profiles, mill finished or optionally finished in powder coating or aluminium anodizing

2.3 LIKE PRODUCTS ANALYSIS

The Commission determined that the SACU product and the imported products are “like products” for the purposes of comparison, in terms of Article 2.6 of the Anti-Dumping Agreement.

3. INDUSTRY STANDING

The application is lodged by the *Association of Aluminium Extruders (a sub-association under AFSA)*, being an industrial organization for the major producers of aluminium extrusions in the SACU.

Table 3.1: Industry standing

Producer	Production volume-Support Application	Production volume-Oppose application	Production volume-Neutral
1. Hulett's			
2. Wispeco	39%		
2. AGI (Profal)	47%		
3. Lafarge	9%		
(Macsteel)	5%		
Total SACU	100%		

During the course of the investigation it was found that Wispeco, one of the applicants, imported more than 10% of the total imports from the PRC, during the period of investigation. This fact was not disclosed by Wispeco in its application.

However the Commission decided not to exclude Wispeco as a SACU producer as contemplated in ADR 7.2(b).

The Commission decided that the Application can be regarded as being made "by or on behalf of the domestic industry" and, therefore, is eligible for initiation under the above provisions of the Anti-Dumping Agreement.

4. DUMPING

4.1 METHODOLOGY IN THIS INVESTIGATION

Type of economy

The Record of Understanding between ITAC and the Bureau of Fair Trade for Imports and Exports (BOFT) of the Ministry of Commerce of the PRC provides that the PRC will be treated as a market economy. However, individual companies that responded will be evaluated as to whether domestic selling prices are set in the normal course of trade. In the process, information was provided with regard to competition, marketing, advertising, input cost of main raw materials and whether these are supplied at arms length, ownership of the companies, source of long-term finance and human resource policies.

4.1.1. Setting domestic selling price in the ordinary course of trade

4.1.1.1 Marketing and competition

It is alleged that there are more than 200 aluminium extruders in the Foshan area, and more than 300 in the whole of the PRC. Competition is therefore at a high level. The companies do internet and newspaper advertising, and sell to distributors and large end-users

4.1.1.2 Input costs of main raw materials

The input cost of the main raw material was scrutinised and compared to the supplier's invoices. Invoices from different

suppliers of billets were verified, and prices are at competitive rates in arms length transactions.

4.1.1.3 Company ownership

The company shareholders were all private individuals and not government officials.

4.1.1.4 Long-term financing

The companies are financed through share capital and shareholder funds

4.1.1.5 Staff complement and human resources policies

The companies have staff complements that vary between 120 and 430. Labour is not unionised. However a minimum wage rate is set by Government. Recruitment is done through a government employment agency. Staff is appointed for a probation period, after which an employment contract is entered into. Dismissals are done in accordance with legislation.

After considering the response to the above factors of the individual exporters, the Commission made a preliminary determination that the domestic selling prices of the exporters verified are set in the normal course of trade. It should be noted that all the exporters verified are operating in the same city and therefore are subject to the same trading environment.

4.2 Guangdong Yongxing Aluminium Profiles Manufacturing Co

4.2.1 Normal Value

The normal value was calculated using Guangdong Yongxing Aluminium Profile Manufacturing Co. Ltd sales in the domestic market. Sales were found to be profitable. The verified weighted average normal value was calculated.

Adjustments to normal value

No adjustments were claimed to the domestic selling price.

4.2.2 Export price

A record of all export sales to SACU during the POI was provided on a transaction by transaction basis. Export sales are invoiced in US Dollar values and converted into RMB on the date of the invoice. The average rate for the period was calculated to be US\$ 1 = RMB 7.997. Export prices were reflected as CIF. The weighted average export price for aluminium extrusions was calculated.

Adjustments to the export price

The following adjustments, which were verified, were made to the invoiced export price, to calculate the ex-factory price.

(i) Internal transport and container handling charges

Cost of Internal transport from the factory to the port and container handling charges were verified on a transaction-by-

transaction basis

(ii) Sea Freight

Sea freight charged by an independent freight agent was verified.

4.2.3 Margin of dumping

The margin of dumping was calculated by deducting the ex-factory export price from the normal value. The margin of dumping was found to be negative.

4.3 CLASSIC EMAS (ZHAOQING)

4.3.1 Normal Value

The normal value was calculated using Classic Emas (Zhaoqing) sales in the domestic market. Sales were found to be profitable. The verified weighted average normal value was calculated.

Adjustments to Normal value

No adjustments were claimed in respect of domestic sales.

4.3.2 Export price

Export sales are invoiced by the factory in the PRC to their Malaysian sister company at transfer prices. The Malaysian company invoices the importers in SACU. The goods are moved directly from the PRC to SACU. The total export sales to SACU were reconciled to the total of the database for SACU export

sales. The average export-selling price was calculated from the database. The average exchange rate for the period was calculated to be US\$ 1 = RMB 7.997. The export transactions also showed the basis of export as being CIF. Payment terms were cash against documents.

Adjustments to the export price

The following adjustments, which were verified, were made to the invoiced export price, to calculate the ex-factory export price.

(i) Insurance

Marine insurance costs were verified.

(ii) Internal transport, container handling charges and freight

Internal transport, container handling charges and freight were verified on a transaction-by-transaction basis.

(iii) Selling, general and administrative expenses

As invoicing took place in Malaysia and the Malaysian Company incurred certain expenses which are recovered in its selling price to SACU. The selling, general and administration expenses were apportioned between the PRC Company and the Malaysian company and based on the sales volume. The Malaysian portion of expenses was deducted from the invoice price.

(iv) Cost of payment terms

Payments terms were verified on a transaction by transaction basis.

4.3.3 Margin of dumping

The margin of dumping was calculated for aluminium extrusions by deducting the ex-factory export price from the normal value. The margin of dumping was found to be negative.

**4.4 GUANGDONG JIANMEI ALUMINUM PROFILE FACTORY LTD.,
AND JMA (HK) COMPANY LTD**

4.4.1 Normal Value

The normal value was calculated using the sales of Guangdong Jianmei Aluminum Profile Factory Ltd and JMA (HK) Company Ltd in the domestic market. Sales were found to be profitable. The verified weighted average normal value was calculated.

Adjustments to normal value

No adjustments were claimed to the domestic selling price.

4.4.2 Export price

Export sales are invoiced by the factory in the PRC to JMA in Hong Kong at transfer prices. JMA (HK) invoices the importers in SACU. The goods are moved directly from the PRC to SACU. It was found that the product exported to

SACU was all in mill finish. The total export sales to SACU were reconciled to the total of the database for SACU export sales. The weighted average export selling price was calculated from the database. Export sales are invoiced in US Dollar and converted into RMB on the date of the invoice. The average exchange rate for the period was calculated to be US\$ 1 = RMB 7.997.

Adjustments to the export price

The following adjustments, which were verified, were made to the invoiced export price, to calculate the ex-factory export price.

(i) *Internal transport and container handling charges*

Internal transport and container handling charges were verified on a transaction-by-transaction basis.

(ii) *Sea Freight and insurance*

The export transactions were all shown to be on an FOB basis except two transactions, which were on a CIF basis. Sea freight and insurance were deducted in the case of the CIF transactions

(iii) *Selling, general, administration expenses and profit*

Export sales are invoiced by the factory in the PRC to JMA in Hong Kong at transfer prices. JMA (HK) invoices the importers in SACU. The goods are moved directly from the PRC to SACU. Certain expenses were incurred by the Hong Kong company which was recovered in the selling price to SACU, and apportioned to the

export sales based on sales values. The invoice price was reduced in respect of this expense.

4.4.3 Margin of dumping

The margin of dumping was calculated by deducting the ex-factory export price from the normal value. The margin of dumping was found to be negative.

4.5 GUANG CHENG ALUMINIUM CO., LTD

4.5.1 Normal Value

Sales of like products were found to have taken place on the domestic market in the ordinary course of trade during the period of investigation. The weighted average price of invoiced sales was calculated and found to be profitable.

Adjustments to the domestic price

The following adjustments, which were verified, were claimed by the exporter and allowed by the Commission to be deducted from the domestic selling price.

(I) *Cost of payment terms*

Cost of payment terms in respect of domestic sales were calculated and verified.

(ii) Domestic delivery charges

Most domestic sales are on a delivered basis. The total cost of delivery per the financial statements was divided by the tonnage of the domestic sales to obtain the delivery cost per kilogram. The value of this adjustment was verified.

4.5.2 Export price

Export sales are invoiced by the factory in the PRC to Guang Ya Industries in Hong Kong at transfer prices. Guang Ya invoices the importer in SACU. The goods are moved directly from the PRC to SACU. It was found that the product exported to SACU was to a large extent in mill finish. The total export sales to SACU were reconciled to the total of the database for SACU export sales. The weighted average export-selling price was calculated from the database for both anodised finish and mill finish.

Adjustments to the export price

The following adjustments, which were verified, were made to the export price.

(i) Payment terms

Cost of payment terms were indicated and calculated per transaction.

(ii) Insurance

Insurance was verified on a transaction-by-transaction basis.

(iii) Terminal handling charges and sea freight

The clearing agent charged for the above and this was verified on a transaction-by-transaction basis.

(iv) Selling, general and administration expenses

As invoicing took place in Hong Kong and the Hong Kong Company incurred certain expenses which are recovered in its selling price to SACU, an adjustment was made to calculate the ex-factory price in the PRC. The total SG&A expenses of the Hong Kong company was apportioned on the basis of the ratio between the SACU sales and total sales which were all for exports.

4.5.3 Margin of dumping

The margin of dumping was calculated by deducting the ex-factory export price from the normal value. The margin of dumping was found to be negative for both anodised and mill finish.

4.6 GUANG YA ALUMINIUM CO., LTD

4.6.1 Normal Value

The normal value was calculated using Guang Cheng Aluminium Co. Ltd sales in the domestic market. Sales were found to be profitable. A

verified weighted average normal value was calculated for both mill finish and anodised finish.

Adjustments to the domestic price

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

(i) *Cost of payment terms*

Payment terms in respect of domestic sales were verified on a transaction-by-transaction basis.

(ii) *Domestic delivery charges*

Most domestic sales are on a delivered basis. The total cost of delivery per the financial statements was divided by the tonnage of the domestic sales to obtain the delivery cost per kilogram.

4.6.2 Export price

Export sales are invoiced by the factory in the PRC to Guang Ya Industries in Hong Kong at transfer prices. The Hong Kong Company invoices the importer in SACU. The goods are moved directly from the PRC to SACU. It was found that the product exported to SACU was all in mill finish. The total export sales to SACU were reconciled to the total of the database for SACU export sales. The average export-selling price was calculated from the database.

Adjustments to the export price

The following adjustments, which were verified, were made to the export price.

(iii) *Payment terms*

Cost of payment terms were indicated and verified on a transaction-by-transaction basis.

(ii) *Insurance*

Insurance was verified on a transaction-by-transaction basis.

(iii) *Terminal handling charges and sea freight*

The clearing agent charged for the above and this was calculated and verified on a transaction-by-transaction basis

(iv) *Selling, general and administration expenses*

As invoicing took place in Hong Kong and the Hong Kong Company incurred certain expenses which are recovered in its selling price to SACU. An adjustment was made to calculate the ex-factory price in the PRC. The total SG&A expenses of the Hong Kong company were apportioned on the basis of the ratio between the SACU sales and total sales which were all for exports.

4.6.3 Margin of dumping

The margin of dumping was calculated by deducting the ex-factory export price from the normal value. The margin of dumping was found to be negative.

4.7 FOR ALL OTHER EXPORTERS FROM THE PRC

4.7.1 Normal Value

The following normal value was applied to exporters that did not cooperate in the investigation based on facts available as supplied by the applicant based on a quotation obtained in the PRC for the price of aluminium on the Shanghai Metal Exchange (SME), plus a conversion factor from billet to extrusions. The price was indicated to be R23.27 per kilogram.

4.7.2 Export price

The following export price was applied to exporters that did not cooperate in the investigation based on facts available as supplied by the applicant based on the import statistics supplied by the South African Revenue Service (SARS). The export price was indicated to be R 21.08 per kilogram

4.7.3 Margin of dumping

The following margin of dumping was calculated:

Table 4.6.4

All other exporters in the PRC	Margin of dumping
Aluminium extrusions	10.38%

4.8 SUMMARY - DUMPING

The following margins were calculated;

Exporter	Country of origin	Dumping margin expressed as a percentage of the fob export price
Guangdong Yongxing	PRC	negative
Classic Emas	PRC	negative
Guangdong Jianmei and JMA	PRC	negative
Guang Cheng	PRC	<i>negative</i>
Guang Ya	PRC	negative
All other exporters	PRC	10.38%

The Commission made a preliminary determination that the subject product originating in or imported from the PRC is not being dumped into the SACU market by the exporters verified, but being dumped by the exporters who did not cooperate in the investigation.

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY - MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to Hulett Hydro Extrusions (PTY) LTD and Wispeco (PTY) LTD the two largest producers represented by the *Association of Aluminium Extruders (a sub-association under AFSA)*, being an industrial organization for the major producers of aluminium extrusions in the SACU. Their joint production volume represents 86 per cent of the total SACU production.

The Commission decided that this constitutes “a major proportion” of the total domestic production, in accordance with Article 4.1 of the Anti-Dumping Agreement.

5.2 IMPORT VOLUMES AND EFFECT ON PRICES

5.2.1 Import volumes

The following table shows the volume of the alleged dumped imports of extruded aluminium profiles:

Table 5.2.1: Import volumes

	2004	2005	2006	7 months of 2007	Annualised
The PRC (kg)	988 713	1 702 902	2 300 529	1 370 804	2 349 950
Alleged Dumped imports %	34.89	43.40	54.03	53.04	53.04
Total alleged dumped imports	988 713	1 702 902	2 300 529	1 370 804	2 349 950
Imports from other countries	1 845 050	2 220 905	1 957 493	1 213 637	2 080 521
Imports from other countries%	65.11	56.6	45.97	46.96	46.96
Total imports	2 833 763	3 923 807	4 258 022	2 584 441	4 430 471
Alleged Dumped imports as % of total imports	34.89	43.40	54.03	53.04	53.04

The information in the table above indicates that the volume of alleged dumped imports, when comparing 2004 to 2006, from the PRC increased by 20% compared with imports from other countries. The imports from China are at significant levels expressed as a percentage of total imports. Based on the first seven months of 2007, the imports from the PRC are projected to increase by 2% in the year of 2007, but decrease by 1% to 53% of total imports

5.2.2 Effect on Domestic Prices

5.2.2.1 Price undercutting

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

Based on information obtained from the importers, a factor of 8.33% was added to the CIF prices of which 5 % was in respect of duty and 3.33% handling charges to calculate the average landed cost.

The following table compares the Applicant's ex-factory prices with the average landed cost of extruded aluminium profiles originating in or imported from the PRC:

Table 5.2.2.1: Price undercutting

	2004	2005	2006
SACU selling price	100	101	121
Landed price for PRC	100	102	143
Price undercutting margin:			
PRC	100	98	53
Undercutting %:	22.0%	24.0%	24.4%

*The information in this table was indexed due to confidentiality using 2004 as the base year.

The table reflects that the SACU industry is suffering substantial levels of price undercutting from imports from the PRC.

5.2.2.2 Price depression

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

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

Table 5.2.2.2: Price depression

Average selling price per unit ex-factory	2004	2005	2006
Wispeco	100	102	124
Hulleys	100	100	118
Average	100	101	121

The information in this table was indexed due to confidentiality using 2004 as the base year.

The table reflects no price depression.

5.2.2.3 Price suppression

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

To determine price suppression, a comparison is made of the percentage increase in cost with the percentage increase in selling price (if any), and whether or not the selling prices have increased by at least the same margin at which the cost of production increased.

The following table shows the Applicant's cost of production and its actual selling prices for extruded aluminium profiles:

Table 5.2.2.3: Price suppression

(Rand/kg)	2004	2005	2006
Cost of production:			
Wispeco	100	108	158
Hullels	100	107	150
% Variance from base year:			
Wispeco		8%	58%
Hullels		7%	50%
Selling Price:			
Wispeco	100	102	124
Hullels	100	100	118
Cost as % of selling price:			
Wispeco	100%	106%	128%
Hullels	100%	107 %	127%
% Variance from base year:			
Wispeco		6%	28%
Hullels		7%	27%

***The information in this table was indexed due to confidentiality using 2004 as the base year.**

The table reflects that selling prices are being suppressed

5.2.3 Consequent Impact of the dumped imports on the Industry

5.2.3.1 Actual and potential decline in sales

The following table shows the Applicant's sales volume of extruded aluminium profiles:

Table 5.2.3.1.1: sales volumes

Sales volume (tons)	2004	2005	2006
Wispeco	100	118	135
Hullels	100	109	128
Combined	100	114	131

The information in this table was indexed due to confidentiality using 2004 as the base year.

The following table shows the Applicant's sales value of extruded aluminium profiles:

Table 5.2.3.1.2: sales value

R'000	2004	2005	2006
Wispeco	100	114	158
Hullels	100	92	130
Combined	100	103	144

The information in this table was indexed due to confidentiality using 2004 as the base year.

The Applicant stated that despite the apparent increase in sales volumes and values Wispeco, still lost significant market share as a result of the significant increase in the size of the total market.

The Applicant also indicated that the annual sales increases have on average remained stable despite the economic growth in the SACU region. The Applicant further stated that the trend was expected to continue in the following year and that the estimates were based on the conservative view that imports will increase as indicated by the trend established under import volumes.

5.3.3.2 Profit

The following table shows the Applicant's profit situation for extruded aluminium profiles:

Table 5.3.3.2: Profit

In R '000	2004	2005	2006
Gross profit:			
Wispeco	100	86	83
Hullels	100	103	109
Combined	100	94	96
Net Profit:			
Wispeco	100	86	56
Hullels	100	76	63
Combined	100	82	59

The information in this table was indexed due to confidentiality using 2004 as the base year.

The Applicant stated that it expects that imports at the trends currently experienced will further erode profits in future and would render it impossible to compete in the SACU market. The ultimate effect on profits is difficult to determine and is likely to be from a combination of loss of volume from market share loss, loss of sales revenue and an inability to recover increased production costs and higher marketing costs.

The Applicant stated that profit figures will no doubt be affected (and has already been affected) by an unstable market situation, prone and susceptible to imports at various price levels under the normal market price. It further indicated that the clearest effect is from price depression as it will not be able to immediately change its costs if the achievable revenue for the products are to be reduced suddenly. It should be noted that profitability would probably be reduced by more than just the pure price depression effect only.

It was found that the market grew by 7000 tons in 2006 as where the imports from the PRC were only 2003 tons, and therefore the profit could not have been affected solely by the imports from the PRC.

5.3.3.3 Actual and potential decline in output

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

Table 5.3.3.3: Output

(tons)	2004	2005	2006
Wispeco	100	120	127
Hullets	100	101	113
Combined	100	111	120

The information in this table was indexed due to confidentiality using 2004 as the base year.

The Applicant indicated that despite growth in output, it still lost market share owing to a significant growth in the total SACU market. The Applicant indicated that the annual production has on average remained stable despite the significant economic growth in the SACU region. It further stated that the trend is expected to continue in the following year and that the estimates were once again based on the conservative view that imports will increase as indicated by the trend displayed by import volumes.

It was noted that output increased by 8.5% while the SACU market grew by 15.5% in 2006.

5.3.3.4 Actual and potential decline in market share

The following table shows the market share for extruded aluminium profiles:

Table 5.3.3.4: Market share

Market share (in tons)	2004	2005	2006
Wispeco sales	100	118	135
Hulett's sales	100	109	128
Total	100	114	132
Other SACU producers	100	114	138
Total SACU	100	114	133
Alleged dumped imports PRC	100	172	232
Other imports	100	120	106
Total SACU market	100	116	134
Percentage share held by:			
Applicant: Wispeco	100	102	101
Hulett's	100	94	96
Other SACU producers	100	98	103
Total SACU	100	98	99
Alleged dumped imports: PRC	100	155	174
Other imports	100	104	79

The information in this table was indexed due to confidentiality using 2004 as the base year.

The Applicant stated that growth in market share of the alleged dumped imported product is significant as reflected in the table above and that if the trend was to be allowed to continue, the imported products would continue to gain market share at an accelerated rate. However, it should be mentioned that the gain in market share is from a small base.

The Applicant went on to indicate that although the dumped imports gained significant market share in volume terms, an analysis of the market share in value indicate that it remained more or less stable. It further indicated that this is as a direct result of the low prices at which the alleged dumped product is entering the market.

However, it should be noted that no dumping was found by the Commission in those instances where the Chinese exporters cooperated.

5.3.3.5 Productivity

Using the production and employment figures sourced from the Applicant, its productivity in respect of extruded aluminium profiles was as follows.

Table 5.3.3.5: Productivity

Subject product	2004	2005	2006
Units per employee (tons):			
Wispeco	100	120	127
Hulett	100	101	113
Combined	100	111	120
Number of employees (Combined)	100	105	115
Units per employee	100	105	104
Total capital employed	100	120	183
Production volume: Capital ratio	100	109	152

The information in this table was indexed due to confidentiality using 2004 as the base year.

The table reflects an increase in productivity.

5.3.3.6 Return on investment

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

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

Table 5.3.3.6: Return on investment

R000s	2004	2005	2006
Net profit:			
Wispeco	100	86	56
Hulett's	100	75	63
Combined	100	82	59
Net assets (total):			
Wispeco	100	148	222
Hulett's	100	122	165
Combined	100	139	202
Return on net assets (total):			
Wispeco	100	58	25
Hulett's	100	62	38
Combined	100	59	29

The information in this table was indexed due to confidentiality using 2004 as the base year.

The table above indicates that the Applicant return on investment in respect of the subject product declined substantially since 2004. The decrease in the return on investment is alleged to be a direct result of the increase in the alleged dumped imports. However, substantial additional investment in capacity took place.

5.3.3.7 Utilisation of production capacity

The following table provides the Applicant's capacity and production for extruded aluminium profiles:

Table 5.3.3.7: Production capacity

	2004	2005	2006
Capacity	100	110	129
Production volume	100	112	122
capacity utilization	100	101	93

The information in this table was indexed due to confidentiality using 2004 as the base year

The table reflects that capacity was increased by 28.86%.

5.3.3.8 Inventories

The following table provides the Applicant's inventories for extruded aluminium profiles:

Table 5.3.3.8: Inventories

Tons	2004	2005	2006
Volume:			
Wispeco	100	103	100
Huletts	100	132	190
Combined	100	128	177

The information in this table was indexed due to confidentiality using 2004 as the base year

The table indicates that inventories generally increased.

5.3.3.9 Employment

The following table provides the Applicant's employment figures for extruded aluminium profiles:

Table 5.3.3.9: Employment

	2004	2005	2006
Labour units: production:			
Wispeco	100	118	126
Huletts	100	98	109
Combined	100	105	151

The information in this table was indexed due to confidentiality using 2004 as the base year

The Applicant stated that employment increased in line with capacity increases and that if it managed to retain market share, it could have employed additional workers.

5.3.3.10 Wages

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

Table 5.3.3.10: Wages

R'000s	2004	2005	2006
Total wages & salaries:			
Production:			
Wispeco	100	120	137
Hulets	100	109	139
Combined	100	113	138

The information in this table was indexed due to confidentiality using 2004 as the base year

The Applicant indicated that wage rates are negotiated centrally with the trade unions and cannot decrease to prevent injury.

5.3.3.11 Growth

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

Table 5.3.3.11: Growth (value)

	2004	2005	2006
Size of the SACU market	100	109	153
% growth from base year		9	53

The information in this table was indexed due to confidentiality using 2004 as the base year

The Applicant stated that the SACU market increased since 2005

5.3.3.12 Ability to raise capital or investment

The Applicant indicated that both companies are able to raise additional capital through their own balance sheet by borrowing, or for major capital investment from their parent shareholders. However, it further stated that this will not be forthcoming if the price depression/suppression continues to impact on the profitability of the business. It also has reserve capacity.

5.4 CONCLUSION - MATERIAL INJURY

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

- Price undercutting
- Price suppression
- Decrease in profit
- Decrease in market share
- Decrease in return on investment
- Increase in inventories
- Decrease in output and capacity utilization

6. CAUSAL LINK

6.1 GENERAL

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

6.2 VOLUME OF IMPORTS AND MARKET SHARE

An indication of causality is the extent to which the market share of the domestic industry has decreased 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:

6.2.1: Market share

Table 6.2: Market share

	2004	2005	2006
Percentage market share held by:			
Applicant: Wispeco	100	102	101
Hulett	100	94	96
Other SACU producers	100	98	103
Total SACU	100	98	99
Alleged dumped imports: PRC	100	149	174
Other imports	100	104	79

The information in this table was indexed due to confidentiality using 2004 as the base year.

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The information in the table above indicates that the alleged dumped imports gained market share significantly but from a small base. The market share of the SACU industry showed a decline over the corresponding period. The market share of the alleged dumped imports has been projected to be less than 5% for 2007.

The table indicates that the market share of imports from other countries decreased and the volumes are also relatively small.

Although the market share of Wispeco decreased, the market share of Hulett increased marginally.

6.3 EFFECT OF DUMPED IMPORTS ON PRICES

Price undercutting was demonstrated in table 5.2.2.1 in respect of 2006. Table 5.2.2.3 demonstrated no price suppression.

The Applicant stated that imports from the PRC increased significantly at prices that undercut the prices of the domestic industry by a substantial margin and that this led to the exporters being able to greatly increase their share of the market.

According to the applicant, the adverse effects of these imports are compounded if account is taken of the fact that the SACU industry is not operating at full capacity.

Based on the import volumes for the first 9 months of 2007, there was no substantial increase in the volumes of imports from China.

6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2004 – 2006)
Sales volume	Increase
Net Profit	Decrease
Output	Increase
Market share	Increase
Productivity	Increase
Return on investment	Decrease
Utilisation of capacity	Decrease
Inventories	Increase
Employment	Increase
Wages	Increase
Growth	Increase

6.5 FACTORS OTHER THAN DUMPING CAUSING INJURY

6.6 Examination of causality under Article 3.5

Variable	Unit of Measurement	Year			Change (%)
		2004	2005	2006	2004/2006
Prices of imports not sold at dumping prices (fob price)	Rand/kg	100	103	133	33
Applicant's exports	Tons	100	76	18	(82)
Volume of imports not sold at dumping	Kg	100	196	82	(18)
Contraction in demand or changes in consumption patterns	Not applicable				
Trade-restrictive practices of foreign and domestic	None				
Developments in technology	No recent developments in technology that might have detracted from causal link.				
Any other factors affecting the domestic prices	None				
Comment on the domestic industry's export performance	The SACU industry's export performance did not detract from causal link.				
Productivity of the domestic industry vs exporting countries	According to the applicant, South Africa's productivity performance is below par				
Any strikes, go-slows or lock-outs during the past 12 months	None				
Effect of changing exchange rates on Applicant's production cost, selling price and price of imported product	No significant impact.				
Other factors affecting the Applicant's sales price	None				

The information in this table was indexed due to confidentiality using 2004 as the base year.

6.6 SUMMARY ON CAUSAL LINK

The Commission decided that there is no causal link between the alleged dumped imports and the injury experienced, as 74% of total imports that were verified were found not to be dumped. Based on facts available, the balance of 26% was alleged to be dumped at a margin of 10.38% which, in the Commission's opinion is not sufficient to cause material injury. There is also no indication of a substantial increase of imports subsequent to the period of investigation. It was also noted that Wispeco which represents 47% of the total SACU production was responsible for importing more than 10% of the total imports from the PRC during 2006, thereby contributing to the injury experienced by the SACU industry.

7. SUMMARY OF FINDINGS

7.1 Dumping

The Commission made a preliminary determination that the subject products originating in or imported from the PRC and exported by Guangdong Yongxing, Classic Emas, Jianmei, Guang Cheng and Guang Ya were not being dumped onto the SACU. The Commission however also made a preliminary determination that based on facts available as supplied by the Applicant, the subject product originating or imported from the PRC and exported by other manufacturers or exporters were being dumped onto the SACU market.

The following dumping margins were calculated:

Table 7.1: Dumping margins

Exporter	Dumped margin expressed as a percentage of the fob price export price
Guangdong Yongxing Aluminium Profiles Manufacturing Co	negative
Classic Emas (Zhaoqing)	negative
Guangdong Jianmei Aluminium Profile Factory., Ltd (GJAPF), and JMA (HK) Company Ltd (JMA)	negative
Guang Cheng Aluminium Co., Ltd (GCA)	Mill finish - negative Anodised finish - negative
Guang Ya Aluminium Co., Ltd (GYA)	Negative
All other exporters	10.38%

7.2 Material injury

The Commission made a preliminary determination that the Applicant suffered material injury in the form of price undercutting, price suppression, decrease in net profit, decline in market share, decline in capacity utilisation, and a negative cash flow.

7.3 Causal link

The Commission decided that there is no causal link between the alleged dumped imports and the injury experienced, as 74% of total imports that were verified were found not to be dumped. Based on facts available, the balance of 26% was alleged to be dumped at a margin of 10.38% which, in the Commission's opinion is not sufficient to cause material injury. There is also no indication of a substantial increase of imports subsequent to the period of investigation. It was also noted that Wispeco which represents 47% of the total SACU production was responsible for importing more than 10% of the total imports from the PRC during 2006, thereby contributing to the injury experienced by the SACU industry.

8. RECOMMENDATION

The Commission made a preliminary determination that:

- the subject products are not imported from the PRC at dumped prices by the exporters verified;
- the Applicant is experiencing material injury from the imports from the PRC but no threat of further injury as there is no evidence of a substantial increase of the volume of imports subsequent to the period of investigation; and
- the balance of the imports of 26% of total imports from the PRC, at an alleged dumping margin of 10.38%, is not sufficient to cause material injury.

The Commission therefore decided to recommend the termination of the investigation into the alleged dumping of extruded aluminium profiles originating in or imported from the PRC.