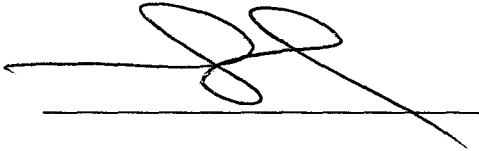


Report No. 182

Investigation into the alleged dumping of tyres originating in or imported from the People's Republic of China (PRC): Preliminary determination

The International Trade Administration Commission of South Africa herewith presents its amended **Report No. 182: INVESTIGATION INTO THE ALLEGED DUMPING OF TYRES ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA: PRELIMINARY DETERMINATION**

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Itumeleng Masege
ACTING CHIEF COMMISSIONER

PRETORIA

05 October 2006

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 the South African Tyre Manufacturers Association (SATMC), (the Applicant), the industrial organization representing the manufacturers of the like product in the SACU.
- 1.3 On 19 October 2005, 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 tyres originating in or imported from the People's Republic of China (PRC).
- 1.4 The investigation was initiated through Notice No. 1913 in Government Gazette No. 28150 on 28 October 2005.
- 1.5 The information submitted by the importers and the exporters was verified.
- 1.6 The investigation period for dumping is from 1 January 2004 to 31 March 2005. The injury investigation involves evaluation of data for the period 1 January 2002 to 31 March 2005.
- 1.7 The SACU Industry consist of the following producers which are members of the SATMC:
 - (i) Dunlop Tyres (Pty) Ltd
 - (ii) Bridgestone SA (Pty) Ltd

- (iii) Continental Tyres SA (Pty) Ltd
- (iv) Goodyear Tyre and Rubber Holdings (Pty) Ltd

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

- (a) Triangle Tyre
- (b) Shandong Chengshan Tyre
- (c) GITI Tire
- (d) Aeolus Tyre
- (e) Shandong Linglong Tyre
- (f) Kenda Tyre
- (g) Nanjing Kumho

Information submitted by Triangle Tyre, Shandong Chengshan Tyre, GITI Tire and Aeolus Tyre was verified from 17 April to 29 April 2006. Information submitted by Shandong Linglong could not be verified since their exports took place outside the period of investigation. Information by Kenda and Nanjing Kumho 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:

- (a) Continental Worldwide Development (Pty) Ltd
- (b) Tubestone
- (c) Malas Car Sales and Spares
- (d) Whalinger
- (e) A1 Wheel and Tyre
- (f) Top Trailers
- (g) Lombard Tyre
- (g) Prideshef 1116 CC
- (h) Natric Motors

Information submitted by Prideshelf 1116 CC and Natric Motors was deficient and was therefore not taken into account for preliminary determination purposes. The information submitted by the other importers was verified from 16 February to 03 March 2006.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is described as new pneumatic tyres of rubber of a kind used on motor cars (HS Code 4011.10.00), of a kind used on buses or lorries (HS Code 4011.20) with a load index not exceeding 121 (4011.20.15) and with a load index exceeding 121 (HS Code 4011.20.25).

2.1.2 Country of origin/export

The subject product is exported from the PRC.

2.1.3 Possible tariff loopholes

The Applicant indicated that tyres can be imported mounted on rims and declared as “wheels” under HS Code 8708.70.90 “other”.

2.1.4 Other applicable duties and rebates

The following table shows the duties applicable to the subject products:

Table 2.1.4: Applicable duties

Tariff subheading	Description	Duty		
		General	EU	SADC
4011.10	Of a kind used on motor cars	30	15	Free
4011.20.15	With a load index not exceeding 121	25	15	Free
4011.20.25	With a load index exceeding 121	25	15	Free

No rebates are applicable on the subject product.

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

Unit = Tyres	2002	2003	2004	2005*
The PRC				
- Passenger	545	34,882	176,965	628,044
- Light truck	46,737	115,494	132,452	166,492
- Heavy truck	7,254	22,721	81,289	110,316
Alleged Dumped imports %				
-Passenger	0.05%	2.13%	10.11%	25.49%
- Light truck	8.24%	17.75%	19.48%	19.84%
- Heavy truck	2.71%	8.45%	24.79%	26.52%
Total alleged dumped imports	54,536	173,097	390,706	904,852
Imports from other countries				
- Passenger	1,094,689	1,603,702	1,573,984	1,835,628
- Light truck	520,757	535,304	547,650	672,748
- Heavy truck	260,227	246,276	246,569	305,496

Imports from other countries%				
- Passenger	99.95%	97.87%	89.89%	74.51%
- Light truck	91.76%	82.25%	80.52%	80.16%
- Heavy truck	97.29%	91.55%	75.21%	73.47%
Total imports	1,930,209	2,558,379	2,758,909	3,718,724
Alleged Dumped imports as % of total imports	2,82%	6,77%	14,16%	24.33%

*2005 was extrapolated based on the first quarter

The information in the table above indicates that the volume of alleged dumped imports extrapolated based on the first quarter of 2005 from the PRC accounted for 25,49 percent for passenger tyres, 19,84 percent for light truck tyres and 26.52 percent for heavy truck tyres. The total alleged dumped imports accounted for 24,33 percent, while imports from other countries accounted for 74,51 percent for passenger tyres, 80,16 percent for light truck tyres and 73,47 percent for heavy truck tyres.

The information in the table indicates that the volume of the total alleged dumped imports increased from 2,82 percent of total imports in 2002 to 24,33 percent in 2005.

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 new pneumatic tyres of rubber of a kind used on motor cars (HS Code 4011.10.00), of a kind used on buses or lorries (HS Code 4011.20) with a load index not exceeding 121 (4011.20.15) and with a load index exceeding 121 (HS Code 4011.20.25).

2.3 LIKE PRODUCTS ANALYSIS

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

Table 2.3: Like product determination

	<i>Imported product</i>	<i>SACU product</i>
Raw materials	Natural rubber, sythetic rubber, sulphur compounds, carbon black, silics, fabric (poyester, nylon), steel wire, phenolic wire, oils, petroleum waxes, pigments (zinc oxide, titanium dioxide) fatty acids and inert materials are used in the production of both	Natural rubber, sythetic rubber, sulphur compounds, carbon black, silics, fabric (poyester, nylon), steel wire, phenolic wire, oils, petroleum waxes, pigments (zinc oxide, titanium dioxide) fatty acids and inert materials are used in the production of both
Physical appearance	same	same
Tariff classification	Same tariff subheading 4011.10, 4011.20 and 4011.20.25	Same tariff subheading 4011.10, 4011.20 and 4011.20.25
Production process	Same production process	Same production process
Application or end use	Both are fitted to vehicles for passenger cars, light deliveries and heavy loads (cars, bakkies, trucks and buses)	Both are fitted to vehicles for passenger cars, light deliveries and heavy loads (cars, bakkies, trucks and buses)
Substitutability	Are direct substitutes to the extent that tyres produced around the world are usable on vehicles	Are direct substitutes to the extent that tyres produced around the world are usable on vehicles

Taking the above into consideration, the Commission made a preliminary determination the SACU products and the imported products are "like products", for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement.

3. INDUSTRY STANDING

The Applicant (SATMC) is the only manufacturer of the product in the SACU. The application is therefore supported by 100 per cent of the SACU industry.

The Commission decided that the application could be regarded as being made "by or on behalf of the domestic industry".

4. DUMPING

4.1 METHODOLOGY IN THIS INVESTIGATION FOR AEOLUS IN THE PRC

Market economy status of Aeolus

4.1.1 Normal value

The following information was submitted by Aeolus in its response to the Commission's questionnaire:

a. Shareholding and Board of Directors

The company provided a list of its major shareholders together with a list of its Board of Directors. The company is listed on the Shanghai stock exchange.

b. Raw materials and other cost components for production

The major raw material (natural rubber, synthetic latex, carbon black and tyre cord) supplier's invoices were provided. A copy of their purchasing policy was also provided. Purchases were from more than one supplier at competitive prices.

c. Finance and investment

Investment in the company is substantial.

d. Intellectual property rights and legal requirements

The company promotes its own brands.

e. *Labour*

Labour is not unionised. There is, however, an employment policy in place to ensure fair treatment of employees.

f. *Production facilities, production and investment*

A factory visit was undertaken and the production process was observed. It was noticed that the company had invested in the most modern technology sourced from various countries around the world.

g. *Sales*

Sales were found to be of original equipment to motor assembly plants as well as to the replacement market.

h. *Financial statements*

An audited annual report including a balance sheet and income statements for the investigation period were provided.

i. *Accounting principles and practice*

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

j. *Foreign currency transactions*

All foreign currency transactions were concluded in US Dollars and converted to the Chinese currency at the ruling exchange rate.

Based on the information submitted, the Commission decided for purposes of its preliminary determination that it considers Aeolus to be a company operating under market economy conditions and therefore the definition of section 32 (2)(b)(i) of the ITA Act applies.

Calculation of normal value

Aeolus Tyre Company Limited

Only heavy truck and bus radial ply tyres (TBR) were exported to SACU during the period of investigation (POI). Three models were exported, being 12R22.5 16 ply, 315/80 22.5 and 295/80 22.5.

As none of these models were sold domestically, sales of the TBR model most closely resembling the models exported, being 11.00 R20 18 ply were applied and adjusted for differences in costs due to differences in physical characteristics to calculate the domestic selling price. The cost difference was found to be a maximum of 12.5 per cent. Sales of like product 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 to distributors was calculated and found to be profitable.

Adjustments to the normal value

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

(i) Cost of payment terms

Payment terms were calculated on a transaction by transaction basis. Most transactions were for cash while others were on credit for up to three months. At an interest rate (based on the average rate obtained from different banks),

the cost was verified.

This adjustment will decrease the normal value.

(ii) Cost of delivery

Delivery charges were allocated on a transaction by transaction basis based on expenses for each month and allocated on the basis of value of the invoices.

This adjustment will decrease the normal value.

(iii) Duty draw back

Duty payable on imported natural rubber is not payable on products manufactured for export. The value of the duty payable in this regard was verified.

This adjustment will decrease the normal value.

(iv) Domestic selling expenses

An adjustment was claimed in respect of domestic selling expenses which includes advertising, promotion, sales commission and storage in other provinces and depots.

This adjustment will decrease the normal value.

(v) Warranty expenses

The warranty expense in respect of truck tyres was verified from the management accounts.

This adjustment will decrease the normal value.

(v) Local taxes

An adjustment was claimed in respect of city construction tax, education and surtax which is levied as a percentage of VAT, and is therefore only applicable to domestic sales.

Normal value after adjustments

The normal value after adjustments was calculated by deducting the total allowable adjustments from the domestic selling price.

4.1.2 Export price

Calculation of export price

A record of all export sales to SACU during the POI was provided on a transaction by transaction basis. The weighted average export price for PBR tyres being that of the three models exported was calculated.

Adjustments to the export price

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

(i) Inland freight

Cost of transport from the factory to the port paid to an independent transporter.

(ii) Handling charges

Cost charged by clearing agent in respect of container handling was verified.

(iii) Insurance

Insurance from factory to harbour was verified.

Export price after adjustments

The ex-factory export price was calculated by deducting the total value of the adjustments from the average fob export price.

4.1.3 Margin of dumping

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

4.2 METHODOLOGY IN THIS INVESTIGATION FOR TRIANGLE IN THE PRC

4.2.1 Normal Value

Market economy status of Triangle

The following information was submitted by Triangle in its response to the Commission's questionnaire:

a. Shareholding and Board of Directors

The company provided a list of its major shareholders together with a list of its Board of Directors.

b. Raw materials and other cost components for production

The major raw material (natural rubber, synthetic latex, carbon black and tyre cord) suppliers' invoices were provided. A copy of the company's purchasing policy was provided. The policy includes purchasing from more than one supplier, taking price and reliability of supply into account.

c. Finance and investment

Investment in the company is substantial.

d. Intellectual property rights and legal requirements

The company promotes its own brands through advertising and promotion.

e. Labour

Labour is not unionised. There is, however, an employment policy in place to ensure fair treatment of employees.

f. Production facilities, production and investment

A factory visit was undertaken and the production process was observed. The capital equipment was modern and sourced from various countries around the world.

g. Sales

Sales were to original equipment manufacturers as well as to the replacement market.

h. Financial statements

An audited annual report including a balance sheet and income statements for the investigation period were provided.

i. Accounting principles and practice

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

j. Foreign currency transactions

All foreign currency transactions were concluded in US Dollars and converted to the Chinese currency at the ruling exchange rate.

Based on the information submitted, the Commission decided, for the purposes of its preliminary determination that it considers Triangle to be a company operating under market economy conditions and therefore the definition of section 32 (2)(b)(i) of the ITA Act applies.

Calculation of normal value

Triangle Tyre Company Limited

Passenger, light truck, heavy truck and bus radial ply tyres (TBR) as well as bias (cross ply) heavy truck tyres were exported to SACU during the period of investigation (POI).

Sales of like product 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 for each group of invoiced sales to distributors 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:

(i) Cost of payment terms

Payment terms were calculated on a transaction by transaction basis. Transactions were on credit for up to three months. At an interest rate (based on the average rate obtained from different banks), the cost was verified.

This adjustment will decrease the normal value.

(ii) Cost of delivery

Delivery charges and storage costs were verified for each model group allocated on the basis of sales value.

This adjustment will decrease the normal value.

(iii) Duty draw back

Duty payable on imported natural rubber is not payable on product manufactured for export. The value of the duty payable in this regard was verified.

This adjustment will decrease the normal value.

(iii) Domestic selling expenses

An adjustment was claimed in respect of domestic selling expenses which includes salaries of domestic sales persons and commission. These were

verified for each model group.

This adjustment will decrease the normal value.

(v) Warranty expenses

The warranty expense was verified from the management accounts.

This adjustment will decrease the normal value.

(vi) Advertising

An adjustment was claimed in respect of advertising in Chinese and is therefore only applicable to domestic sales. It was verified from the management accounts.

The value was found to be 0.47 per cent of domestic sales.

(vii) Excise Tax

Excise tax is 11 per cent is payable on domestic sales of bias tyres.

Normal value after adjustments

The normal value after adjustments was calculated by deducting the total value of the adjustments from the domestic selling price for each of the model groups.

4.2.2 Export price

Calculation of export price

A record of all export sales to SACU during the POI was provided on a

transaction by transaction basis. The weighted average export price for all model groups was calculated.

Adjustments to the export price

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

(i) Inland freight

Cost of transport from the factory to the port paid to an independent transporter and an inspection fee was verified.

(ii) Handling charges

Cost charged by clearing agent in respect of container handling was verified.

Export price after adjustments

The ex-factory export price for each model was calculated by deducting the total value of the adjustments from the average fob export price.

4.2.3 Margin of dumping

The margin of dumping was calculated for each model group by deducting the ex-factory export price from the normal value. The margin of dumping was found to be negative for the two model groups and *de minimis* for one model group.

4.3 METHODOLOGY IN THIS INVESTIGATION FOR GITI IN THE PRC

4.3.1 Normal Value

Market economy status of GITI

The following information was submitted by GITI in its response to the Commission's questionnaire:

a. *Shareholding and Board of Directors*

The company provided a list of its major shareholders together with a list of its Board of Directors. The major shareholders are based in Singapore.

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

The major raw material (natural rubber, synthetic latex, carbon black and tyre cord) suppliers' invoices were provided. The company's purchasing policy includes price and reliability of supply considerations.

c. *Finance and investment*

Investment was found to be substantial.

d. *Intellectual property rights and legal requirements*

The company promotes its own brand names in various forms including advertising on billboards and public transport.

e. *Labour*

Labour is not unionised.

f. *Production facilities, production and investment*

A factory visit was undertaken and the production process was observed. The capital equipment is modern and sourced from various countries.

g. *Sales*

Sales are to both the original equipment manufacturers and to the replacement market.

h. *Financial statements*

An audited annual report including a balance sheet and income statements for the investigation period were provided.

i. *Accounting principles and practice*

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

j. *Foreign currency transactions*

All foreign currency transactions were concluded in US Dollars and converted to the Chinese currency at the ruling exchange rate.

Based on the information submitted, the Commission decided, for purposes of its preliminary determination that it considers GITI to be a company operating under market conditions and therefore the definition of section 32 (2)(b)(i) of

the ITA Act applies.

Calculation of normal value

GITI Tyre (Anhui) Company Limited

Only passenger car tyres were exported to SACU during the period of investigation (POI).

Sales of like product 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 to distributors was calculated and found to be profitable. Models exported that comprise 85% by volume and 81% by value were identified and the weighted average domestic selling price calculated.

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 were calculated on a transaction by transaction basis. At an interest rate based on the average rate obtained from different banks, the cost was verified.

This adjustment will decrease the normal value.

(ii) *Cost of delivery*

Delivery charges and storage costs were verified and allocated on the basis of

sales value.

This adjustment will decrease the normal value.

(iii) Volume rebates

An adjustment was claimed in respect of rebates which are paid to customers for volumes sales achieved.

This adjustment will decrease the normal value.

(iv) Domestic selling expenses

An adjustment was claimed in respect of domestic selling expenses which includes salaries of domestic sales persons and commission.

This adjustment will decrease the normal value.

(v) Warranty expenses

The warranty expense was verified from the management accounts.

This adjustment will decrease the normal value.

(v) Advertising

An adjustment was claimed in respect of advertising in Chinese and is therefore only applicable to domestic sales. It was verified from the management accounts.

(vii) Packaging

Products sold domestically are packaged. The cost of packaging was verified.

Normal value after adjustments

The normal value after adjustments was calculated by deducting the total unit value of the adjustments from the domestic selling price.

4.3.2 Export price

Calculation of export price

A record of all export sales to SACU during the POI was provided on a transaction by transaction basis. The weighted average export price for those models identified for purposes of comparison was calculated.

Adjustments to the export price

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

(i) Inland freight

Cost of transport from the factory to the port paid to an independent transporter.

(ii) Cost of payment terms

An adjustment was made for exports sold with payment terms from bill of lading date. An interest rate obtained from various banks was used to calculate the unit cost.

Export price after adjustments

The ex-factory export price was calculated by deducting the total unit value of the adjustments from the average fob export price.

4.3.3 Margin of dumping

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

4.4 METHODOLOGY IN THIS INVESTIGATION FOR SHANDONG CHENGSHAN IN THE PRC

4.4.1 Normal Value

Market economy status of Shandong Chengshan

The following information was submitted by Shandong Chenshang in its response to the Commission's questionnaire:

a. Shareholding and Board of Directors

The company provided a list of its major shareholders together with a list of its Board of Directors.

b. Raw materials and other cost components for production

The major raw material supplier's invoices were provided. The company sources the raw material domestically as well as through imports at competitive prices.

c. *Finance and investment*

Total investment was found to be substantial.

d. *Intellectual property rights and legal requirements*

The company promotes its own brands. The company also manufactures other brands for multinational companies for export to other countries.

e. *Labour*

Labour is not unionised.

f. *Production facilities, production and investment*

A factory visit was undertaken and the production process was observed. The most modern technology sourced from various countries around the world was used in the production process.

g. *Sales*

The company sells into both the original equipment and the replacement market.

h. *Financial statements*

An audited annual report including a balance sheet and income statements for the investigation period were provided.

i. *Accounting principles and practice*

As far as could be ascertained, the company complied with generally accepted

accounting principles (GAAP).

j. Foreign currency transactions

All foreign currency transactions were concluded in US Dollars and converted to the Chinese currency at the ruling exchange rate.

Based on the information submitted, the Commission decided for the purposes of its preliminary determination that it considers Shandong Chengshan to be a company operating under market conditions and therefore the definition of section 32 (2)(b)(i) of the ITA Act applies.

Calculation of normal value

Shandong Chengshan Group Co limited

Passenger, light truck, heavy truck and bus radial ply tyres (TBR) were exported to SACU during the period of investigation (POI).

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 for each group of invoiced sales to distributors 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:

(i) Cost of delivery

Delivery charges in respect of domestic sales were verified from management accounts.

This adjustment will decrease the normal value.

(ii) Domestic selling expenses

An adjustment was claimed in respect of domestic selling expenses which includes salaries of domestic sales persons and commission.

This adjustment will decrease the normal value.

(iii) Warranty expenses

The warranty expense was verified from the management accounts.

This adjustment will decrease the normal value.

Normal value after adjustments

The normal value for each model group was calculated by deducting the total unit value of the adjustment from the weighted average domestic selling price.

4.4.2 Export price

Calculation of export price

A record of all export sales to SACU during the POI was provided on a transaction by transaction basis. The weighted average export price for all

model groups was calculated.

Adjustments to the export price

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

(i) Inland freight and handling charge

Cost of transport from the factory to the port and loading costs to fob was verified.

Export price after adjustments

The ex-factory export price was calculated for each model group by deducting the unit value of the adjustments from the weighted average fob export price.

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 each of the model groups.

METHODOLOGY IN THIS INVESTIGATION FOR ALL OTHER EXPORTERS FROM THE PRC

Residual Dumping Margin

As there are other exporters in the PRC who did not co-operate in the investigation, the Commission decided to calculate a residual dumping margin.

4.5.2 Normal Value

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

4.5.3 Export price

It is the Commission's current practice to use the lowest export price for the exported product from the PRC, after all adjustments, to calculate the export price for all non-cooperating exporters.

4.5.4 Margin of dumping

The following margin of dumping was calculated:

Table 4.5.3

All other exporters in the PRC	Margin of dumping
Passenger	30.2%
Light truck	3.0%
Heavy truck	22.3%

4.6 SUMMARY - DUMPING

The Commission made a preliminary determination that the subject products exported/ or manufactured by other exporters in the PRC, were being dumped into the SACU market with the following margins:

Exporter	Country of origin	Dumping margin expressed as a percentage of the fob export price		
		Passenger	Light truck	Heavy truck
Aeolus	PRC			negative
Triangle	PRC	negative	negative	<i>de minimis</i>
GITI	PRC	<i>de minimis</i>		

Shandong Chengshan	PRC	negative	negative	negative
All other exporters	PRC	30.2%	3.0%	22.3%

Based on the information supplied, the Commission made a preliminary determination that dumping of the subject product originating in or imported from the PRC by other exporters is taking place.

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY - MAJOR PROPORTION OF PRODUCTION

The following injury analysis in this submission relates to the SATMC, the Applicant, representing all four of the manufacturers of the subject product in the SACU.

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

5.2 CUMULATIVE ASSESSMENT

The PRC is the only country subject to this investigation.

5.3 IMPORT VOLUMES AND EFFECT ON PRICES

Basic Data Set

Year	Unit	Subject Imports	Other imports	Applicant's Production *	Inventories *	Applicant's sales volumes *	Domestic consumption
2002	Tyres						
	Passenger	545	1,094,689	95	61	103	4,812,073
	Light truck	46,737	520,757	91	42	102	2,057,289
	Heavy truck	7,254	260,227	94	68	99	717,525
2003	Tyres						
	Passenger	34,882	1,603,702	100	100	100	5,256,207
	Light truck	115,494	535,304	100	100	100	2,115,368
	Heavy truck	22,721	246,276	100	100	100	724,039
2004	Tyres						
	Passenger	176,965	1,573,984	106	100	112	5,806,300
	Light truck	132,452	547,650	100	80	109	2,274,462
	Heavy truck	81,289	246,569	101	103	106	810,836

2005*	Tyres						
Passenger		628,044	1835,628	96	110	96	6,045,664
Light truck		166,492	672,748	103	85	104	2,405,504
Heavy truck		110,316	305,496	121	108	113	962,140

*These figures have been indexed due to confidentiality using 2003 as the base year.

*2005 was extrapolated based on the first quarter.

Examination under Article 3.2

Growth of Subject Imports

Variable	Unit of Measurement	Year				Change 2002-2005*
		2002	2003	2004	2005*	
Subjects imports/domestic production	%					
Passenger		0	0	2	82	82
Light truck		2	3	4	5	2
Heavy truck		1	3	10	14	13
Subjects imports/domestic consumption	%					
Passenger		0	0	3	10	10
Light truck		2	5	6	7	5
Heavy truck		1	3	10	11	10

Price Effects of Subject Imports

Variable	Unit of Measurement	Year				Change 2002-2005*
		2002	2003	2004	2005*	
Average import price (landed)	R/kg					
Passenger		100	81	85	81	(19)
Light truck		100	124	153	119	19
Heavy truck		100	83	81	93	(7)
Average price of domestic product (ex-factory) (price depression)	R/kg					
Passenger		100	109	101	100	0
Light truck		100	107	96	97	(3)
Heavy truck		100	104	104	92	(8)
Price undercutting						
Passenger		100	163	140	148	48
Light truck		100	88	85	84	(6)
Heavy truck		100	110	107	98	(2)
Cost as % of selling price (Suppression)						
Passenger		100	112	116	119	19
Light truck		100	103	109	110	10
Heavy truck		100	103	101	101	1

The information in this table was indexed due to confidentiality using 2002 as the base year.

5.4 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY

Examination under Article 3.4

Variable	Unit of Measurement	Year				Change 2002-2005*
		2002	2003	2004	2005*	
Sales:						
In value terms	Rands					
Passenger		100	106	110	97	(3)
Light truck		100	105	102	102	2
Heavy truck		100	105	100	111	11
In volumes	Tyres					
Passenger		100	99	109	96	(4)
Light truck		100	98	107	105	5
Heavy truck		100	101	107	121	21
Inventories (quantities)	Tyres					
Passenger		100	163	163	180	80
Light truck		100	236	188	201	101
Heavy truck		100	147	151	159	59
Output (quantities)	Tyres					
Passenger		100	106	112	104	4
Light truck		100	109	109	108	8
Heavy truck		100	106	108	112	12
Market share of Applicant						
Passenger		100	89	90	77	(23)
Light truck		100	96	97	90	(10)
Heavy truck		100	100	95	91	(9)
Market share of alleged dumped imports						
Passenger		negligible	negligible	100	341	241
Light truck		100	241	256	305	205
Heavy truck		100	311	993	1136	1036
Market share of other imports						
Passenger		100	134	119	133	33
Light truck		100	100	95	111	11
Heavy truck		100	94	84	84	(12)
Capacity utilization						
Passenger		100	104	103	99	(1)
Light truck		100	110	112	117	17
Heavy truck		100	99	89	105	5

Employment		100	102	101	100	(0)
Wages (total wage bill, monthly average)		100	117	125	122	22
Productivity (output/worker)		100	105	110	106	6

The information in this table was indexed due to confidentiality using 2002 as the base year. Except for market share of alleged dumped imports where 2004 was used as a base year.

Variable	Unit of Measurement	Year				Change
		2002	2003	2004	2005*	2002-2005*
Profit						
Passenger		100	122	66	57	(43)
Light truck		100	182	70	106	6
Heavy truck		100	445	372	576	476
Cash flow		100	47	70	105	5
Return on investment		100	69	43	44	56
Ability to raise capital (capital expenditure)		100	95	119	74	(26)
Growth in SACU market		100	109	121	126	26
Growth of Applicant		100	97	109	96	(4)
Factors affecting domestic prices (cost of raw material per unit)	The Applicant indicated that prices are affected by cost, and the SACU industry, as the PRC industry must source rubber, steel and carbon black at world prices. It also indicated that there are no significant factors affecting the SACU industry that do not affect the price industry to the same extent.					
Magnitude of the margin of dumping	%	Aeolus	Triangle	Giti	Shandong	Rest of PRC
Passenger		n/a	negative	<i>de minimis</i>	negative	30.2
Light truck		n/a	negative	n/a	negative	3.0
Heavy truck		negative	<i>de minimis</i>	n/a	negative	22.3
Memo item: Price undercutting that would remain even if imports were priced at normal value		n/a	n/a	64%	n/a	
Passenger						12
Light truck						none
Heavy truck						none

The information in this table was indexed due to confidentiality using 2002 as the base year.

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

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 depression
- Price suppression
- Decrease in sales value
- Decrease in profit
- Decrease in market share
- Decrease in return on investment
- Decrease in cash flow
- Increase in inventories
- Decrease in production employment
- Lack of growth
- Decrease in sales volumes
- 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 of the increase of volume and the extent to which the market share of the domestic industry has decreased since the commencement of injury, with a corresponding increase in the market share of the dumped product.

The following table compares the market share of the SACU industry with that of the alleged dumped imports:

Table 6.2.1: Market share

	2002	2003	2004	2005*
Percentage market share held by:				
Applicant:				
Passenger	100	89	90	77
Light truck	100	96	97	90
Heavy truck	100	100	95	91
Alleged dumped imports				
Passenger	negligible	100	462	1574
Light truck	100	241	256	305
Heavy truck	100	311	993	1136

The information in this table was indexed due to confidentiality using 2002 as the base year.

The information in the table above indicates that the alleged dumped imports gained market share significantly and that dumped imports' market share growth was especially noticeable in 2005. The market share of the SACU industry showed a decline over the corresponding period.

The following table shows the volume of imports:

Table 6.2.2: Import volumes

	2002	2003	2004	2005*
The PRC				
- Passenger	545	34,882	176,965	628,044
- Light truck	46,737	115,494	132,452	166,492
- Heavy truck	7,254	22,721	81,289	110,316
Alleged dumped imports %				
- Passenger	0.05%	2.13%	10.11%	25.49%
- Light truck	8.24%	17.75%	19.48%	19.84%
- Heavy truck	2.71%	8.45%	24.79%	26.52%
Total alleged dumped imports	54,536	173,097	390,706	904,852
Imports from other countries				
- Passenger	1,094,689	1,603,702	1,573,984	1,835,628
- Light truck	520,757	535,304	547,650	672,748
- Heavy truck	260,227	246,276	246,569	305,496
Imports from other countries%				
- Passenger	99.95%	97.87%	89.89%	74.51%
- Light truck	91.76%	82.25%	80.52%	80.16%
- Heavy truck	97.29%	91.55%	75.21%	73.47%
Total imports	1,930,209	2,558,379	2,758,909	3,718,724
Alleged dumped imports as % of total imports	2,82%	6,77%	14,16%	24,33%

*2005 was extrapolated based on the first quarter

The information in the table above indicates that the volume of alleged dumped imports extrapolated based on the first quarter of 2005 from the PRC accounted for 25,49 percent for passenger tyre, 19,84 percent for light truck tyres and 26.53 percent for heavy truck tyres. The total alleged dumped imports accounted for 24,33 percent, while imports from other countries accounted for 74,51 percent for passenger tyres, 80,16 percent for light truck tyres and 73,47 percent for heavy trucks tyres.

The information in the table indicates that the volume of the alleged dumped imports increased from 2,82 percent of total imports in 2002 to 24,33 percent in 2005.

6.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects of the Applicant:

Table 6.3.1: Price undercutting, price depression and price suppression

Rand/unit	2002	2003	2004	2005*
Price undercutting				
Passenger	100	163	140	148
Light truck	100	88	85	84
Heavy truck	100	110	107	98
Applicant's ex-factory selling price				
Passenger	100	109	101	100
Light truck	100	107	96	97
Heavy truck	100	104	104	92
Cost as a % of selling price				
Passenger	100	112	116	119
Light truck	100	103	109	110
Heavy truck	100	103	101	101

The information in this table was indexed due to confidentiality using 2002 as the base year.

The information in the table above clearly indicates the extent of the price undercutting by the imports from the PRC. The significant current (in 2005) undercutting must be seen in light of the price depression and price suppression already experienced by the SACU industry. The information shows that as regards at least one of the product categories, the price of the imported product is less than half the selling price of the SACU product.

The Applicant indicated that the price depression was sufficiently borne out by the comparison of the prices in 2005 to prices both in 2004 and in the previous years. The Applicant stated that the price suppression was sufficiently borne out by the comparison of the cost as a percentage of price in 2005 to the same ratios in 2003. It is indicated that as regards to truck tyres, where these ratios improved marginally between 2003 and 2005, it should be noted that cost as a percentage of price increased for two manufacturers, remained constant for a third and improved for only one company. However, the cost percentage remained unacceptably high as regards to all three product categories.

It has already been shown that there was price undercutting, price suppression and price depression.

The Commission made a preliminary determination that these material injury indicators can be linked to the alleged dumping.

6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2002 – 2005)
Sales volume	
Passenger	Decrease
Light truck	Increase
Heavy truck	Increase
Profit	
Passenger	Decrease
Light Truck	Constant
Heavy truck	Increase
Output	
Passenger	Decrease
Light truck	Decrease
Heavy truck	Increase
Market share	
Passenger	Decrease
Light truck	Decrease
Heavy truck	Decrease
Productivity	Increase
Return on investment	Decrease
Utilisation of capacity	
Passenger	Decrease
Light truck	Increase
Heavy truck	Increase
Cash flow	Increase
Inventories	

Passenger	Increase
Light truck	Increase
Heavy truck	
Employment	Increase
Wages	Increase
Growth	
Passenger	Increase
Light truck	Increase
Heavy truck	Increase
Ability to raise capital	Decrease

6.5 FACTORS OTHER THAN DUMPING CAUSING INJURY

6.5.1 Examination of causality under Article 3.5

Variable	Unit of Measurement	Year				Change 2002-2005
		2002	2003	2004	2005	
Prices of imports not sold at dumping prices (fob price)	Rand/unit					
Passenger		100	87	95	92	(8)
Light truck		100	103	115	116	16
Heavy truck		100	102	103	108	8
Volume of imports not sold at dumping	Tyres					
Passenger		100	146	144	161	61
Light truck		100	103	105	129	29
Heavy truck		100	95	95	98	(2)
Contraction in demand:	The Applicant indicated that the SACU market has grown significantly. It is also indicated that following the increase in demand for UHP (Ultra High Performance) tyres, the SACU industry started producing this product range.					
<ul style="list-style-type: none"> GDP growth rate 	%	3.7	3.0	4.5	4.9	1.2
<ul style="list-style-type: none"> Growth rate for subject product industry 	%	0.00	(2.67)	9.11	(4.21)	(4.21)
Changes in the patterns of consumptions	The Applicant indicated that the SACU market has grown significantly. It is also indicated that following the increase in demand for UHP (Ultra High Performance) tyres, the SACU industry started producing this product range					
Trade-restrictive practices of foreign and domestic producers	The Applicant indicated that it is not aware of any.					
Competition between foreign and domestic producers	The Applicant indicated that it is not aware of any.					
Developments in technology	The Applicant indicated that all four SACU producers have invested and are investing on an ongoing basis to ensure that they can produce the latest and most technologically advanced products for the market.					

Export performance of the domestic industry	The Applicant indicated that the exports have decreased as the South African currency strengthened. It is however indicated that the export market has always been regarded as a market separate from the replacement sales market.
Productivity of the domestic industry	The Applicant indicated that all SACU producers have invested in the latest technology and are producing to world standards with high levels of productivity. The converse is true of the PRC, where the industry is very segmented and most Chinese producers, other than with joint ventures with foreign partners, produce relatively small volumes using outdated equipment.

Some of the information in this table was indexed due to confidentiality using 2002 as the base year.

6.6 SUMMARY ON CAUSAL LINK

The Commission found that although there was an increase in non-dumped imports of the subject products, this did not significantly detract from the causality of injury of the dumped imports from the PRC.

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 Aeolus, Triangle, Giti and Shandong Chengshan were not being dumped onto the SACU. The Commission however also made a preliminary determination that 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:

Exporter	Country of origin	Dumping margin expressed as a percentage of the fob export price
Aeolus Tyre Company Limited Heavy truck	PRC	negative
Triangle Tyre Company Limited Passenger Light truck Heavy truck	PRC	negative negative <i>de minimis</i>
Giti Tyre (Anhui) Company Limited Passenger	PRC	<i>de minimis</i>
Shandong Chengshan Group Company Limited Passenger Light truck Heavy truck	PRC	negative negative negative
All other exporters Passenger Light truck Heavy truck	PRC	30.2% 3.0% 22.3%

7.2 Material injury

The Commission made a preliminary determination that the Applicant suffered material injury in the form of price undercutting, price depression, price suppression, decrease in sales value, decrease in profit, decrease in market share, decrease in return on investment, decrease in cash flow, increase in inventories, decrease in production employment, lack of growth, decrease in sales volumes and decrease in output and capacity utilization.

7.3 Causal link

The Commission found that although there was an increase in non-dumped imports, this did not detract sufficiently from the causality of the alleged dumped imports.

8. PROVISIONAL ANTI-DUMPING DUTIES

8.1 Calculation of duty

In accordance with Article 9.1 of the Anti-Dumping Agreement, the duty should be less than the dumping margin if such lesser duty would be adequate to remove the injury to the domestic industry.

8.2 Price disadvantage

The price disadvantage is the extent to which the price of the imported product (landed cost) is lower than the unsuppressed and undepressed ex-factory selling price of the SACU product.

The Commission applies the lesser duty in cases where both the importer and the exporter co-operated with the investigation. In this investigation, no dumping margins were found at the co-operating exporters.

The Commission considered but did not apply the lesser duty in respect of price disadvantage for the non-co-operating exporters.

8.3 Amount of duty

8.4

The amount of duty was concluded to be the following:

Table 8.3: Amount of duty

PRC	Amount of duty
All exporters (excluding Aeolus, Triangle, Giti and Shandong Chengshan)	
Passenger	16.9%
Light truck	3.0%
Heavy truck	22.3%

9. PRELIMINARY DETERMINATION

The Commission made a preliminary determination that

- The subject products originating in or imported from the PRC and exported by Aeolus, Triangle, Giti and Shandong Chengshan were not being dumped onto the SACU market but that the subject products originating in or imported from the PRC and exported by the other manufacturers or exporters were being dumped onto the SACU market;
- the SACU industry suffered material injury and;
- there was a causal link between the dumping of the subject products and the material injury.

The Commission therefore decided to request the Commissioner for South African Revenue Service to impose provisional payments for 26 weeks on tyres, classifiable under tariff subheading 4011.10, 4011.20.15 and 4011.20.25 in the following amounts:

PRC	Amount of duty
All exporters (excluding Aeolus, Triangle, Giti and Shandong Chengshan)	
Passenger	
Light truck	16.9%
Heavy truck	3.0%
	22.3%

These provisional payments should be the amount required to prevent further injury being experienced by the SACU industry as a result of further imports of tyres from other exporters at prices that constitute dumping during the course of the investigation before the Commission makes its final determination.