



Ottawa, Friday, August 29, 2003

**Expiry No. LE-2003-002**

IN THE MATTER OF a request, under subsection 76.03(2) of the *Special Import Measures Act*, for a review of the order made by the Canadian International Trade Tribunal on June 22, 1999, in Review No. RR-98-005, continuing, without amendment, its finding made on June 22, 1994, in Inquiry No. NQ-93-005, concerning:

**12-GAUGE SHOTSHELLS ORIGINATING IN OR EXPORTED FROM THE  
CZECH REPUBLIC AND THE REPUBLIC OF HUNGARY**

**ORDER**

On July 2, 2003, the Canadian International Trade Tribunal issued a notice of expiry requesting views on whether the June 22, 1999, order should be reviewed. The Tribunal has decided, pursuant to subsection 76.03(5) of the *Special Import Measures Act*, that a review is not warranted.

James A. Ogilvy  
James A. Ogilvy  
Presiding Member

Pierre Gosselin  
Pierre Gosselin  
Member

Meriel V.M. Bradford  
Meriel V.M. Bradford  
Member

Michel P. Granger  
Michel P. Granger  
Secretary

The statement of reasons will be issued within 15 days.



Ottawa, Monday, September 15, 2003

**Expiry No. LE-2003-002**

IN THE MATTER OF a request, under subsection 76.03(2) of the *Special Import Measures Act*, for a review of the order made by the Canadian International Trade Tribunal on June 22, 1999, in Review No. RR-98-005, continuing, without amendment, its finding made on June 22, 1994, in Inquiry No. NQ-93-005, concerning:

**12-GAUGE SHOTSHELLS ORIGINATING IN OR EXPORTED FROM THE  
CZECH REPUBLIC AND THE REPUBLIC OF HUNGARY**

**STATEMENT OF REASONS**

**BACKGROUND**

On July 2, 2003, the Canadian International Trade Tribunal (the Tribunal) gave notice that its order made on June 22, 1999, in Review No. RR-98-005, continuing, without amendment, its finding made on June 22, 1994, in Inquiry No. NQ-93-005, concerning 12-gauge shotshells originating in or exported from the Czech Republic and the Republic of Hungary, was scheduled to expire on June 21, 2004.

Persons or governments requesting or opposing the initiation of an expiry review were invited to file submissions containing relevant information, opinions and arguments on all relevant factors, including: the likelihood of continued or resumed dumping of the goods; the likely volume and price ranges of dumped imports if dumping were to continue or resume; the domestic industry's recent performance, including trends in production, sales, market share and profits; the likelihood of injury to the domestic industry if the order was allowed to expire, having regard to anticipated effects of a continuation or resumption of dumped imports on the industry's future performance; any other developments affecting, or likely to affect, the performance of the domestic industry; changes in circumstances, domestically or internationally, including changes in the supply of or demand for the goods, and changes in trends in, and sources of, imports into Canada; and any other matter that is relevant.

The goods under consideration are 12-gauge shotshells. They are available in various shot sizes and loads, usually containing between 24 g and 53 g (between 7/8 oz. and 1 7/8 oz.) of lead or steel, depending on the hunting or shooting requirements. Larger shot sizes are used for hunting migratory birds and small game, while smaller shot sizes are used for hunting small birds and for trap and skeet shooting.

In general, there are two types of 12-gauge shotshells: promotional and first-line. Promotional shotshells usually contain 32 g (1 1/8 oz.) of shot, have a shorter base, are available in a wider range of shot sizes and are sold under private brand names. First-line shotshells generally contain 36 g (1 1/4 oz.) of shot, have a longer base, are sold under national brand names such as Winchester, Remington, Federal, Imperial or Challenger and are featured in major advertising campaigns.

At the time of the 1998 review, there were three Canadian manufacturers, i.e. Société d'expansion commerciale Libec Inc. (Libec) in Sainte-Justine-de-Newton, Quebec, which held a very significant share of

total domestic production, and two other smaller manufacturers, Superior Canadian Munitions Ltd., in Edmonton, Alberta, and Les Cartouches Tony Inc., in Montréal, Quebec.

In the original 1993 inquiry, the exporters from the subject countries were Sellier & Bellot a.s., in Vlašim, Czech Republic, and Nike-Fiocchi Ltd. (Nike-Fiocchi), in Füzfögyártelep, Republic of Hungary.

The Tribunal received two submissions in response to the notice of expiry: Libec requested an expiry review and Nike-Fiocchi made representation concerning normal values, but did not request or oppose the initiation of a review.

## ANALYSIS

For the Tribunal to initiate an expiry review, the party requesting the review must satisfy the Tribunal that a review is warranted.<sup>1</sup> In its notice of expiry, the Tribunal requested the parties to provide information regarding several factors that it would take into account in deciding whether an expiry review is warranted.

In its submission, Libec provided little concrete information regarding several of the factors identified in the notice. In particular, two factors that should have elicited essential information were largely ignored by Libec: the “likely volumes and price ranges of dumped imports if dumping was to continue or resume” and the “domestic industry’s recent performance, including trends in production, sales, market share and profits.”

### 1. Likely Volumes and Price Ranges of Dumped Imports

Libec’s assertions with respect to the likely volume of dumped goods entering the Canadian market refer largely to events that took place before the original finding was put in place in 1994. For example, Libec indicates that, in 1993, approximately 6.4 million 12-gauge shotshells were exported to Canada, but does not provide a rationale of why comparable, or any, volumes of dumped goods would enter the Canadian market if the current order were to expire.

As a proxy for activity in the Canadian market, Libec does make reference to sales by the subject countries in one other market, alleging that 21 million Czech 12-gauge shotshells and US\$780,000 worth of Hungarian 12-gauge shotshells were exported to the United States in 2002 – all at dumped prices. Libec does not provide the source of these data, does not support its allegation of dumping and establishes no parallel with the domestic situation. Further, the Tribunal is not persuaded by the assertion that because the distributor, Omnitrade Limited (Omnitrade), continues to have a strong presence in the Canadian market, there would be a resumption of dumping of large volumes of Czech shotshells into Canada, simply because it is alleged that Omnitrade has a general mandate to promote Czech products in Canada.

Therefore, the Tribunal is left with no indication of the potential volume of dumped goods that would enter the Canadian market if the order were allowed to expire.

With respect to the likely price ranges of dumped goods, Libec’s assertions again largely refer to previous periods. Libec provides no current information on the pricing of domestic and imported products in

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1. Subsection 76.03(4) of the *Special Import Measures Act*.

the Canadian market. Likewise, no current prices are submitted for goods in the U.S. market, either for the subject countries or for U.S. producers, which could serve as a proxy for pricing in the Canadian market.

As to the pricing of goods exported from the subject countries to the United States, in the absence of supporting evidence, the Tribunal is not persuaded by Libec's assertion that the exports are at dumped prices. Libec itself notes that there are currently no dumping measures in place in the United States for 12-gauge shotshells from either the Czech Republic or the Republic of Hungary.

In light of the lack of evidence presented by Libec, the Tribunal is unable to ascertain the likely price ranges of dumped goods if dumping were to resume.

## **2. Domestic Industry's Recent Performance**

Libec states that it manufactures both promotional and first-line shotshells, and derives the majority of its total revenues from sales of first-line shotshells; however, no breakout on production and sales is provided for either type of shotshells. In fact, in support of its sales activities, Libec provides only an example of a decrease in volume from 1992 to 1993. There are no data on sales volumes in recent years.

Libec provides no evidence to support its assertion that the Tribunal's conclusion in Inquiry No. NQ-93-005, which was that imports of large quantities of low-priced promotional shotshells from the subject countries would likely have a negative impact on its ability to sell its first-line shotshells, is still valid.

Further, the Tribunal is given no basis on which to make even a preliminary assessment of current domestic and import market shares and any trends that may have developed over time. (The only data in Libec's submission on import volumes refer to 1993, before the imposition of the 1994 finding.) U.S. 12-gauge shotshells appear to have a significant place in the Canadian market, but Libec provides no data on the volumes or market share of those goods in Canada.

Libec provides no current information to support its allegation that, because of the intense competition from the United States (it refers only to a "price war" that took place in 1996), it was forced to drop its prices and that, as a result, its profits decreased. Libec also alleges that its revenues have decreased because demand for 12-gauge shotshells in the Canadian market continues to decline, but again gives no data to support its claim.

In order to assess the current performance of the domestic industry as a first step in considering the likelihood of injury as a result of resumption of dumping, the Tribunal would have needed more comprehensive information on levels and trends of important performance indicators.

Although Libec claims that it would be vulnerable to resumed dumping, the Tribunal notes several other factors in Libec's submission, unrelated to dumping, that could constrain the future performance of the domestic industry.

Libec alleges that the domestic producers have not been able to re-establish prices to levels that prevailed prior to the implementation of anti-dumping measures. Given the absence from the Canadian market of Czech and Hungarian shotshells since the 1994 finding, the Tribunal concludes that there are probably other forces in the marketplace that are suppressing prices. In this regard, the Tribunal is of the view that Libec's reference to the "fierce competition" from U.S. imports, which would suggest a significant

presence in the Canadian market, implies that the problem may be attributable, at least in part, to the exports by U.S. producers to Canada.

Also, Libec asserts that the overall size of the Canadian market for 12-gauge shotshells is shrinking because there are fewer hunters and the new gun control regulations make it more difficult to obtain a firearm licence.

Accordingly, Libec's current difficulties and prospects may be attributable to factors other than dumping.

## CONCLUSION

As Libec has failed to provide sufficient evidence to satisfy the Tribunal that a review is warranted, the Tribunal has decided not to conduct a review.

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Presiding Member

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