



Ottawa, Monday, February 17, 2003

Preliminary Injury Inquiry No. PI-2002-003

IN THE MATTER OF a preliminary injury inquiry, under subsection 34(2) of the *Special Import Measures Act*, respecting:

**THE DUMPING OF CERTAIN CARBON STEEL PIPE NIPPLES, THREADED
COUPLINGS AND ADAPTOR FITTINGS, ORIGINATING IN OR EXPORTED
FROM THE PEOPLE'S REPUBLIC OF CHINA**

PRELIMINARY DETERMINATION OF INJURY

The Canadian International Trade Tribunal, under the provisions of subsection 34(2) of the *Special Import Measures Act*, has conducted a preliminary injury inquiry into whether there is evidence that discloses a reasonable indication that the dumping of carbon steel pipe nipples, threaded couplings and adaptor fittings, in nominal diameters up to and including 6 inches or the metric equivalents, originating in or exported from the People's Republic of China, has caused injury or retardation or is threatening to cause injury.

This preliminary injury inquiry is pursuant to the notification, on December 18, 2002, by the Commissioner of the Canada Customs and Revenue Agency, that an investigation had been initiated into the alleged injurious dumping of the above-mentioned goods.

Pursuant to subsection 37.1(1) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby determines that there is evidence that discloses a reasonable indication that:

1. the dumping of the above-mentioned pipe nipples has caused injury;
2. the dumping of the above-mentioned threaded couplings has caused injury; and
3. the dumping of the above-mentioned adaptor fittings has caused injury.

Pierre Gosselin
Pierre Gosselin
Presiding Member

Zdenek Kvarda
Zdenek Kvarda
Member

Ellen Fry
Ellen Fry
Member

Michel P. Granger
Michel P. Granger
Secretary

The statement of reasons will be issued within 15 days.

Date of Determination: February 17, 2003
Date of Reasons: March 3, 2003

Tribunal Members: Pierre Gosselin, Presiding Member
Zdenek Kvarda, Member
Ellen Fry, Member

Director of Research: Sandy Greig

Research Manager: Don Shires

Statistician: Marie-Josée Monette

Counsel for the Tribunal: Reagan Walker
Roger Nassrallah

Registrar Officer: Karine Turgeon

Participants: Victoria Bazan
for Canvil, A Division of Mueller Canada, Ltd.

Paul M. Lalonde
Eric J. Jiang
for Beijing Beier Plumbing Manufacturing Ltd.



Ottawa, Monday, March 3, 2003

Preliminary Injury Inquiry No. PI-2002-003

IN THE MATTER OF a preliminary injury inquiry, under subsection 34(2) of the *Special Import Measures Act*, respecting:

**THE DUMPING OF CERTAIN CARBON STEEL PIPE NIPPLES, THREADED
COUPLINGS AND ADAPTOR FITTINGS, ORIGINATING IN OR EXPORTED
FROM THE PEOPLE'S REPUBLIC OF CHINA**

TRIBUNAL: PIERRE GOSSELIN, Presiding Member
ZDENEK KVARDA, Member
ELLEN FRY, Member

STATEMENT OF REASONS

BACKGROUND

On February 17, 2003, pursuant to subsection 37.1(1) of the *Special Import Measures Act*,¹ the Canadian International Trade Tribunal (the Tribunal) issued a preliminary determination of injury relating to the dumping of carbon steel pipe nipples, threaded couplings and adaptor fittings, in nominal diameters up to and including 6 inches or the metric equivalents, originating in or exported from the People's Republic of China (China).

The Tribunal's decision completed its preliminary injury inquiry. This inquiry commenced following the initiation, on December 18, 2002, by the Commissioner of the Canada Customs and Revenue Agency (the Commissioner), of an investigation into the alleged dumping of the above-mentioned goods. The complaint was filed by Canvil, A Division of Mueller Canada, Ltd. (Canvil), on October 11, 2002. The complaint was supported by CapProducts of Canada Limited (CapProducts).

COMMISSIONER'S DECISION

The Canada Customs and Revenue Agency (CCRA) conducted an analysis of the margins of dumping for each of the three classes of goods, based on constructed normal values and export price information provided by Canvil, and on actual import data from customs documentation for the period from January 1, 2002, to September 30, 2002, inclusive. For pipe nipples, the estimated margins of dumping ranged from 31.48 percent to 125.06 percent, and the estimated weighted average margin of dumping was 67.37 percent, expressed as a percentage of the export price. For threaded couplings, the estimated margins of dumping ranged from 3.05 percent to 73.87 percent, and the estimated weighted average margin of dumping was 29.28 percent, expressed as a percentage of the export price. For adaptor fittings, the estimated margins of dumping ranged from 35.68 percent to 83.67 percent, and the estimated weighted average margin of dumping was 45.58 percent, expressed as a percentage of the export price.

1. R.S.C. 1985, c. S-15 [hereinafter SIMA].

SUBMISSIONS

Domestic Industry

In its complaint, Canvil submitted that the dumped subject goods have caused and threaten to cause material injury to Canadian producers of pipe nipples, threaded couplings and adaptor fittings. In support of the complaint, Canvil provided evidence to show that it experienced lost sales, price erosion and suppression, reduced profitability, and reduced capacity utilization respecting each of the three classes of goods over the past three years. In addition, the complaint contained reduced sales and production information with respect to CapProducts.

Willett Manufacturing Ltd. filed a submission in support of the complaint, while Canvil filed additional supporting information.

Submissions Opposed to Industry Complaint

No submissions opposing the complaint were received from parties to the proceeding.

ANALYSIS

The Tribunal's mandate with respect to preliminary injury inquiries is set out in subsection 34(2) and section 37.1 of SIMA, which require the Tribunal to determine whether there is evidence that discloses a reasonable indication that the dumping of the subject goods has caused injury or retardation or is threatening to cause injury. "Injury" is defined in SIMA as "material injury to a domestic industry". "Domestic industry" means the domestic producers as a whole of the "like goods" or whose production constitutes a "major proportion" of the domestic production.

The Tribunal notes that, in initiating its investigation, the CCRA defined three classes of subject goods: pipe nipples, threaded couplings and adaptor fittings. The Tribunal finds that the pipe nipples, threaded couplings and adaptor fittings produced by the domestic industry are like goods to the pipe nipples, threaded couplings and adaptor fittings imported from China.

In this context, the Tribunal is of the opinion, based on evidence on the record at this time, that there may be only one class of like goods. For instance, the three classes of like goods have physical characteristics, channels of distribution and manufacturing processes that appear to closely resemble each other. Furthermore, all the like goods have physical characteristics, channels of distribution and manufacturing processes that appear to closely resemble those of each class of the subject goods. In light of this evidence, the Tribunal suggests that the CCRA may wish to reconsider the question of whether there are three classes of subject goods. The Tribunal, in addition, requests the CCRA to collect dumping information on pipe nipples, threaded couplings and adaptor fittings separately, and also on all three products combined. This having been said, the Tribunal has carried out its preliminary assessment of injury on the basis of three classes of subject and like goods.

With respect to the domestic industry, the Tribunal notes that Canvil and CapProducts account for an estimated 69 percent of the domestic production of pipe nipples and 100 percent of the production of adaptor fittings and that Canvil accounts for 100 percent of the domestic production of threaded couplings. Accordingly, the Tribunal finds that Canvil and CapProducts constitute the domestic industry for pipe nipples and adaptor fittings and that Canvil constitutes the domestic industry for threaded couplings.

Turning to the evidence on the record relating to injury, the Tribunal notes that the preliminary import data available show a significant increase in imports from China. The total sales value of imports of the three classes of subject goods combined increased by over 200 percent from fiscal year 2000 to fiscal year 2001 and by an additional 72 percent from fiscal year 2001 to fiscal year 2002. During the same period, the share of the apparent domestic market value held by imports from China increased from 1 percent to 6 percent.

Having considered the significant rise in sales of total imports of pipe nipples, threaded couplings and adaptor fittings, the Tribunal turned to the evidence of injury respecting each of the three classes of goods individually. The available evidence shows that, for each of the three classes of goods, domestic production declined from fiscal year 2000 to fiscal year 2002. In addition, capacity utilization and profit margins declined from fiscal year 1999 to fiscal year 2002.

Respecting pipe nipples, the record includes specific evidence of lost sales, price erosion and price suppression apparently caused by imports of the subject goods. The evidence of lost sales, price erosion and price suppression respecting threaded couplings and adaptor fittings is more general in nature, consisting of correspondence from Canvil's customers and call reports by sales personnel, which indicates that, in general, Canvil was not price competitive with certain pipe fittings imported from China. Given that the marketing of all three product groups is through distributors and large retailers, the loss of sales and the price erosion and suppression would likely be experienced by all three classes of goods. Therefore, although this evidence was not specific to threaded couplings and adaptor fittings, it is the Tribunal's opinion that there is a reasonable indication of injury to the domestic production of threaded couplings and adaptor fittings.

Having regard to the foregoing, the Tribunal finds that there is evidence that discloses a reasonable indication that:

1. the dumping of the above-mentioned pipe nipples has caused injury;
2. the dumping of the above-mentioned threaded couplings has caused injury; and
3. the dumping of the above-mentioned adaptor fittings has caused injury.

Pierre Gosselin
Pierre Gosselin
Presiding Member

Zdenek Kvarda
Zdenek Kvarda
Member

Ellen Fry
Ellen Fry
Member