



Canadian International
Trade Tribunal

Tribunal canadien du
commerce extérieur

CANADIAN
INTERNATIONAL
TRADE TRIBUNAL

Dumping and Subsidizing

ORDER AND REASONS

Expiry Review No. RR-2007-003

Carbon Steel Pipe Nipples and
Adaptor Fittings

*Order and reasons issued
Tuesday, July 15, 2008*

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IN THE MATTER OF an expiry review, under subsection 76.03(3) of the *Special Import Measures Act*, of the finding made by the Canadian International Trade Tribunal on July 16, 2003, in Inquiry No. NQ-2002-004, as amended on June 8, 2007, in Interim Review No. RD-2006-006, concerning:

CARBON STEEL PIPE NIPPLES 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

ORDER

The Canadian International Trade Tribunal, pursuant to subsection 76.03(3) of the *Special Import Measures Act*, has conducted an expiry review of its finding made on July 16, 2003, in Inquiry No. NQ-2002-004, as amended on June 8, 2007, in Interim Review No. RD-2006-006, concerning carbon steel pipe nipples 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.

Pursuant to paragraph 76.03(12)(b) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby continues its finding in respect of the aforementioned goods.

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Ellen Fry
Presiding Member

Serge Fréchette

Serge Fréchette
Member

André F. Scott

André F. Scott
Member

Audrey Chapman

Audrey Chapman
Acting Secretary

Place of Hearing: Ottawa, Ontario
Dates of Hearing: May 20 to 22, 2008

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STATEMENT OF REASONS

1. This is an expiry review, pursuant to subsection 76.03(3) of the *Special Import Measures Act*,¹ of the finding made by the Canadian International Trade Tribunal (the Tribunal) on July 16, 2003, in Inquiry No. NQ-2002-004, as amended on June 8, 2007, in Interim Review No. RD-2006-006, concerning carbon steel pipe nipples 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 subject goods).
2. On September 11, 2007, the Tribunal decided to initiate an expiry review and sent a notice of expiry review to known interested parties.² The Tribunal also sent letters requesting the domestic producers, potential importers and exporters/foreign producers to complete expiry review questionnaires. These questionnaires and the replies thereto formed part of the expiry review record of both the Tribunal and the Canada Border Services Agency (CBSA).
3. On November 1, 2007, the CBSA initiated an expiry review investigation to determine whether the expiry of the finding was likely to result in the continuation or resumption of dumping of the subject goods.
4. On February 28, 2008, the CBSA determined, pursuant to subsection 76.03(7) of *SIMA*, that the expiry of the finding was likely to result in the continuation or resumption of dumping of the subject goods.
5. On February 29, 2008, following the CBSA's determination, the Tribunal proceeded with its expiry review to determine, pursuant to subsection 76.03(10) of *SIMA*, whether the expiry of the finding respecting the subject goods was likely to result in injury or retardation. As part of this process, the Tribunal requested domestic producers, importers and exporters to update their responses to questionnaires submitted to the CBSA to include data for the full year of 2007.
6. The Tribunal held a hearing, with public and *in camera* testimony, in Ottawa, Ontario, from May 20 to 22, 2008.
7. The domestic producers, namely, CANIP Industries Ltd. (CANIP) and CapProducts Ltd. (CapProducts), filed submissions, provided evidence and made arguments in support of the continuation of the finding. Both parties were represented by counsel and presented witnesses at the hearing.
8. Thorndale International Inc. (Thorndale), an importer, filed a submission in support of a continuation of the finding. It was represented by its president who testified at the hearing.
9. The Tribunal invited Ms. Kathryn Bannister, Controller, Canvil, a Division of Mueller Canada, Ltd. (Canvil) and Anvil International Canada (Anvil), and Mr. Dan Milroy, National Business Development/Marketing Manager, Anvil, to testify at the hearing.
10. The Tribunal also invited Mr. Duncan Stacey, President and CEO, Howell Pipe & Supply (Howell), to testify at the hearing and heard testimony from Mr. Éric L'Heureux, Materials Manager, Bélanger-UPT (Bélanger), an importer, who appeared in response to a subpoena from the Tribunal.
11. The record of these proceedings consists of all relevant documents, including the CBSA's expiry review report, statement of reasons, index of background information and related documents; the replies to the expiry review questionnaires; the pre-hearing staff reports prepared for this expiry review; requests for

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

2. C. Gaz. 2007.I.2768.

information and parties' replies in accordance with the Tribunal's directions; submissions, witness statements and exhibits filed by the parties throughout the expiry review; the Tribunal's notice of expiry review; and the Tribunal's finding, statement of reasons and pre-hearing staff reports issued in Inquiry No. NQ-2002-004. All public exhibits were made available to interested parties, while protected exhibits were provided only to counsel who had filed a declaration and undertaking with the Tribunal in respect of protected information.

PRODUCT

Product Definition

12. The subject goods are defined as carbon steel pipe nipples and adaptor fittings (pipe fittings), in nominal diameters up to and including 6 inches or the metric equivalents, originating in or exported from China. The subject goods do not include carbon steel seamless pipe nipples manufactured for high-pressure applications.

Production Process

Pipe Nipples

13. Pipe nipples are manufactured from lengths of steel pipe. The pipe, after being graded according to heat codes, is positioned on cut-off tables, where it is "saw"-cut or "wheel"-cut to specified lengths. Then, appropriate end configurations are machined at each end of the cut pipe. The most common operation is to thread the exterior surface of both ends. The threading operation is achieved on one of three configurations of threading machines, depending on the diameter and length of the pipe. The pipe nipple is then cleaned and a surface coating is applied. This requires going through a "finishing line" process where the product is cleaned in an alkaline solution, then rinsed and coated with oil, or phosphated or electrogalvanized. From there, the product goes to packing, where it is labelled, painted, bar-coded or stamped prior to being packaged.

Adaptor Fittings

14. Adaptor fittings are also manufactured from lengths of steel pipe. After the grading process, the pipe is cut utilizing the same processes as for pipe nipples. The pipe then undergoes a cold-forming operation which involves being pressed through a forming die under high pressure. The next operation is to machine the ends. The normal configuration is to have the large end threaded and the small end serrated. The fittings are then cleaned in a solution, and a surface coating of oil or phosphate is applied, or the fitting may be electrogalvanized using the same processes as for pipe nipples. From there, the product goes to packing, where it is labelled, painted, bar-coded or stamped prior to being packaged.

Product Uses

Pipe Nipples

15. A pipe nipple is the connector between the end of the pipe and the equipment or device to which the pipe is attached. Pipe nipples are used in the plumbing and heating industry and normally direct the flow of liquid or gaseous media. They are also used in various industrial applications in mining, refineries, resource mills and oil exploration. Electrical conduit nipples are used in the building industry to protect electric wiring between electrical devices.

Adaptor Fittings

16. Adaptor fittings consist of combination nipples, hose menders, male adaptors and insert couplings. Combination nipples are used to connect standard pipe to rubber hose, while hose menders are used to join lengths of rubber hose or to repair a damaged rubber hose. Male adaptors are used to connect standard steel pipe to plastic tubing and insert couplings are used to join two pieces of plastic pipe or to repair a damaged pipe. Adaptor fittings are normally used in industrial applications, agricultural irrigation and domestic wells.

17. Demand in Canada for pipe nipples and adaptor fittings is driven in large measure by construction activity.

Marketing and Distribution

18. The market for pipe fittings comprises three main trade levels: (a) master distributors; (b) wholesalers; and (c) retailers. Master distributors are wholesalers that purchase pipe fittings from domestic producers or import certain pipe fittings directly. They distribute them to other trade levels through their facilities and, in some cases, they may arrange to have the goods delivered directly to their customers' premises. Master distributors may also package and bar-code the products, although this function is usually performed by the manufacturer. Wholesalers do not generally import directly. They buy pipe fittings from the domestic producers or from the master distributors and sell primarily to contractors. Retailers also generally buy pipe fittings from the domestic producers or from the master distributors and sell primarily to consumers.

DOMESTIC PRODUCERS

19. There were three domestic producers during the period of review, from 2005 to 2007: CANIP, Canvil and CapProducts. Canvil announced on November 18, 2006, that it had ceased production of like goods in Canada.

CANIP

20. CANIP, of Burnaby, British Columbia, a producer of pipe nipples, began production in the first quarter of 2006. It sells its products directly to master distributors or wholesalers. C-B Supplies Limited (C-B Supplies), an associated company that is a master distributor, markets and distributes CANIP products in Canada.

Canvil

21. Canvil, of Simcoe, Ontario, was a producer of pipe nipples and adaptor fittings. It relocated its production operation to the United States at the end of 2006³ and exported pipe nipples and adaptor fittings to Canada in 2007 (and continues to export the same products to Canada), which were distributed through Anvil.

CapProducts

22. CapProducts produces pipe nipples and adaptor fittings in its plant in Vanastra, Ontario. CapProducts has an internal sales force that markets its products throughout Canada.

3. In 2007, Canvil also sold Canadian production from existing inventory.

IMPORTERS AND EXPORTERS

23. An expiry review questionnaire and/or abbreviated questionnaire were sent to the 45 largest potential importers of pipe nipples and/or adaptor fittings from China and non-subject countries. Replies were received from 12 importers: Anvil, Bélanger, BMI Canada Inc., Boshart Industries Inc., C-B Supplies, Dixon Bayco Ltd., Fairview Fittings & Manufacturing, Fastenal Canada Company, John L. Schultz Ltd., Mediterranean Trading Company, Thorndale and Wolseley Canada.

24. An expiry review questionnaire was sent to 17 known potential exporters/foreign producers of the subject goods. No replies were received.

SUMMARY OF PREVIOUS FINDING AND ORDER

Finding

25. On July 16, 2003, in Inquiry No. NQ-2002-004, the Tribunal determined that Canvil's production of like goods comprised over 60 percent of the total domestic production of like goods. Therefore, in accordance with the definition in *SIMA*, the Tribunal was satisfied that Canvil produced a major proportion of the domestic production of like goods and, therefore, constituted the domestic industry for purposes of section 42. The Tribunal did however take into account the evidence provided by the other domestic producer, CapProducts, where appropriate throughout its analysis. The Tribunal determined that there was one class of like goods, i.e. pipe fittings, comprised of pipe nipples, adaptor fittings and threaded couplings.⁴

26. The Tribunal found that there had been a substantial increase in the volume of imports of the subject goods and that the subject goods had competed with Canvil's goods and had displaced its sales at all trade levels, as well as sales by CapProducts and suppliers from non-subject countries, to a significant degree. The Tribunal determined that the price of dumped imports from China had both undercut and suppressed the price of like goods and that, although other factors may have contributed, price was the main factor causing the surge in imports from China. As to the impact of the dumping on the domestic industry, the Tribunal concluded that Canvil had underutilized its capacity, had lost production and sales volume and market share, and had suffered suppressed revenues and substantial financial losses. Although other factors may have contributed to this situation, the Tribunal considered that the dumped imports from China caused injury to Canvil that was material.

Interim Review

27. In Interim Review No. RD-2006-006, the Tribunal determined on June 8, 2007, that it was clear from the evidence that the domestic industry did not produce threaded couplings. Accordingly, the Tribunal was persuaded that imports of threaded couplings were not likely to cause or threaten to cause injury to the domestic industry and excluded threaded couplings from the finding.

4. As will be discussed below, the Tribunal subsequently amended its finding to exclude threaded couplings in Interim Review No. RD-2006-006.

ANALYSIS

28. On February 28, 2008, the CBSA determined that, pursuant to paragraph 76.03(7)(a) of *SIMA*, the expiry of the finding was likely to result in the continuation or resumption of dumping of the subject goods. Consequently, the Tribunal is required, pursuant to subsection 76.03(10), to determine whether the expiry of the finding is likely to result in injury or retardation, as the case may be, to the domestic industry.⁵

29. The Tribunal is required, pursuant to subsection 76.03(12) of *SIMA*, to make an order either rescinding the finding, if it determines that the expiry of the finding is unlikely to result in injury, or continuing the finding, with or without amendment, if it determines that its expiry is likely to result in injury.

30. Before proceeding with its analysis concerning the likelihood of injury, the Tribunal will first determine: (1) which domestically produced goods are “like goods” in relation to the subject goods; and (2) what constitutes the “domestic industry” for the purposes of its analysis.

Like Goods

31. Subsection 2(1) of *SIMA* defines “like goods” in relation to any other goods as follows: “. . . (a) goods that are identical in all respects to the other goods, or (b) in the absence of any [such] goods . . . , goods the uses and other characteristics of which closely resemble those of the other goods”. In considering the issue of like goods, the Tribunal typically looks at a number of factors, including the physical characteristics of the goods (such as appearance), their market characteristics (such as substitutability, pricing and distribution) and whether the goods fulfil the same customer needs.

32. In the original inquiry, the Tribunal found that the domestically produced goods had similar physical characteristics and were produced using a similar input material and employing similar manufacturing processes to the subject goods. The Tribunal also found that the domestically produced goods had similar marketing methods and distribution channels to those of the subject goods. The Tribunal further found that the domestically produced goods had similar end uses to and were sold to similar customers as the subject goods. The Tribunal concluded that domestically produced goods closely resembled each other, as well as the subject goods, and that the domestically produced goods constituted one class of like goods.

33. In this expiry review, the Tribunal heard no evidence or argument that warrants departing from the conclusion on like goods that it reached in the original inquiry. Accordingly, the Tribunal concludes that domestically produced carbon steel pipe nipples and adaptor fittings, defined in the same manner as the subject goods, constitute a single class of like goods to the subject goods.

Domestic Industry

34. The domestic industry is defined in subsection 2(1) of *SIMA* as the “. . . domestic producers as a whole of the like goods or those domestic producers whose collective production of the like goods constitutes a major proportion of the total domestic production of the like goods”

5. Subsection 2(1) of *SIMA* defines “injury” as “. . . material injury to a domestic industry” and “retardation” as “. . . material retardation of the *establishment* of a domestic industry” [emphasis added]. Given that there is currently an established domestic industry, the issue of whether the expiry of the finding is likely to result in retardation does not arise in this expiry review.

35. CANIP and CapProducts are currently the sole domestic producers of the like goods and therefore constitute the domestic industry for the purposes of this expiry review.

Likelihood of Injury

36. Subsection 37.2(2) of the *Special Import Measures Regulations*⁶ lists the factors that the Tribunal may consider in addressing the question of likelihood of injury in cases where the CBSA has determined that there is a likelihood of continued or resumed dumping. The factors that the Tribunal considers relevant in this expiry review are discussed below.

37. In making its assessment of likelihood of injury, the Tribunal has consistently taken the view that the focus must be on circumstances that can reasonably be expected to exist in the near to medium term, which is generally 18 to 24 months.⁷

Changes in Market Conditions

38. In coming to its view on the likely volumes and prices of the subject goods and their impact on the domestic industry if the finding were rescinded, the Tribunal first reviewed changes in both international and domestic market conditions pursuant to paragraph 37.2(2)(j) of the *Regulations*.

Changes in International Market Conditions

39. During the period of review, there were some changes in international market conditions. Continuing the rapid economic expansion of 9.9 percent per year in the 1990s, the growth of the Chinese economy accelerated slightly during the period of review.⁸ Driven by its strong manufacturing sector, the growth of the economy in China reached 10.4, 11.1 and 11.4 percent, respectively, in 2005, 2006 and 2007.⁹

40. The Tribunal heard evidence on how the important downturn in the U.S. housing market will continue to have a significant negative impact on the demand for the subject goods in the United States.¹⁰ Since 2006, the U.S. housing market has experienced the sharpest contraction on record.¹¹ The Tribunal heard testimony that indicated that the U.S. housing market has contracted by as much as 30 percent since the beginning of this year.¹² Information on the record suggests that the U.S. housing market will not emerge into recovery until 2009 at the earliest.¹³ It is widely foreseen that this ongoing sharp and prolonged 3-year (or longer) entrenchment will have widespread and significant economic implications, including the slowdown of consumer spending, the destabilizing of the credit market and even potentially the start of a recession.¹⁴

6. S.O.R./84-927 [*Regulations*].

7. *Preformed Fibreglass Pipe Insulation* (17 November 2003), RR-2002-005 (CITT) at 11; *Prepared Baby Foods* (28 April 2003), RR-2002-002 (CITT) at 8; *Solder Joint Pressure Pipe Fittings* (16 October 1998), RR-97-008 (CITT) at 10.

8. Tribunal Exhibit RR-2007-003-40.09, Administrative Record, Vol. 1 at 289.

9. *Ibid.*; Tribunal Exhibit RR-2007-003-40.10, Administrative Record, Vol. 1 at 291.

10. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 39.

11. Tribunal Exhibit RR-2007-003-40.16 (single copy exhibit), Administrative Record, Vol. 1.01 at 98.

12. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 39.

13. Tribunal Exhibit RR-2007-003-40.16 (single copy exhibit), Administrative Record, Vol. 1.01 at 98.

14. *Ibid.* at 97. In a matter of three months, the International Monetary Fund, in its April 2008 forecast, revised downward the economic growth of the United States by 1.0 and 1.2 percentage points to 0.5 percent and 0.6 percent in 2008 and 2009 respectively. Tribunal Exhibit RR-2007-003-40.09, Administrative Record, Vol. 1 at 286.

Changes in Domestic Market Conditions

41. The Tribunal notes the changes in the sources of supply in the market during the period of review. The domestic industry, even with the finding in place since 2003, has not regained the domestic sales volumes or the market share that it had attained in 2002. In fact, comparing 2002 and 2005, the first year in the period of review, the sales volumes of domestic producers decreased by a third and the market share by 14 percentage points.¹⁵ Most of the decline in volume in 2007 and a significant portion of the decline in market share in that year appear to be a result of Canvil having moved its production to its U.S. plant. However, the large decline in volume and market share has been evident between these two periods and has been much greater than the amount reasonably attributable to Canvil relocating its production to the United States in 2007.

42. The loss in volume of sales and market share by the domestic producers during the period of review was taken over by sales of non-subject imports. After the finding, imports from China, although increasing a little during the period of review, were significantly lower than the volumes of such imports before the finding was in place.¹⁶ Imports from Malaysia, Mexico, and to a lesser extent from Chinese Taipei, and from the United States starting in 2007 assumed the former sales volumes of imports from China and increased in volume from these levels.¹⁷ The combined market share of these non-subject imports during the period of review exceeded the maximum attained by imports from China during the period of the original inquiry by at least 10 percentage points.

Likely Volumes of Dumped Goods; Likely Performance of the Foreign Industry; Potential for the Foreign Producers to Produce the Goods in Facilities that are Currently Used to Produce Other Goods; Imposition of Anti-dumping Duties or Countervailing Measures by Other Jurisdictions; and Whether Measures Taken by Other Jurisdictions are Likely to Cause a Diversion of the Dumped Goods into Canada

Position of the Domestic Producers

43. CANIP argued that, should the finding be allowed to expire, the subject goods would enter the Canadian market almost immediately at the volume levels seen prior to the finding.

44. CapProducts argued that, without a continuation of the finding, the volume of dumped goods from China would rise to a level that is equal to or greater than the volume of imports from non-subject countries during the period of review. In this respect, it pointed to Chinese producers' export capacity, their continued apparent interest in the Canadian market, their continued ties with Canadian importers and the ease with which Canadian importers can switch sourcing.

Tribunal's Analysis

45. Concerning the likely performance of the foreign industry, the Tribunal notes that the record contains very little information on the Chinese pipe fittings industry, as no Chinese exporters replied to the exporters' expiry review questionnaire, and no trade or statistical publications were filed in evidence.

15. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-11.01A (protected), Administrative Record, Vol. 2.3 at 80.4; *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-11.03A (protected), Administrative Record, Vol. 2.3A at 62.4; *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06B (protected), Administrative Record, Vol. 2.1 at 92.

16. *Ibid.*

17. *Ibid.*

46. The best information on record available on export levels from China comes from the Iron and Steel Statistical Bureau (ISSB).¹⁸ These data cover all categories of pipe fittings, and it is not clear what proportion of these goods are subject goods. The evidence indicates that other categories of pipe fittings are using the same channel of distribution as the subject goods,¹⁹ but it does not indicate to what extent the trends for the subject goods follow the trends for all categories of pipe fittings. However, in the absence of evidence to the contrary, it is reasonable to consider that the trends would be similar.

47. Between 2005 and 2007, Chinese exports of all categories of pipe fittings to the rest of the world increased from 175,800 to 305,400 tonnes, or by about 74 percent in just these two years.²⁰ This gives a clear indication of the large export potential of the Chinese pipe fittings industry. The United States was the most important destination of total Chinese exports, accounting for 38 percent in each of 2005 and 2006 and 25 percent in 2007, which clearly shows a continued interest in the North American market. By comparison, Canada's share of Chinese exports was 2 percent in 2005 and 2006, and 1 percent in 2007.²¹ With very little information on the record, the Tribunal could not assess precisely the likely volumes of production for the subject goods or the likely volumes of exports for the subject goods. However, the evidence indicated that the annual production capacity for Beijing Bell Plumbing Mfg. Ltd. alone, the only Chinese manufacturer of pipe nipples that participated in the original inquiry, is 15,000 tons.²² The Tribunal notes that this producer, by itself, has a larger production capacity than that of all Canadian producers combined.²³ Taking into account that China has at least 17 potential producers/exporters, China's total production capacity of subject goods is likely to be many times larger than the Canadian market.²⁴ The Tribunal is of the view that even a small proportion of excess capacity would allow Chinese producers to ship significant volumes to Canada.

48. The Tribunal notes that, during the period of the original inquiry, imports of the subject goods increased from 2.0 million units in 2000 to 10.8 million units in 2002, a more than five-fold increase.²⁵ The volume of imports of the subject goods has fallen substantially since the finding has been in place.²⁶ However, despite the application of anti-dumping duties, Chinese exporters demonstrated their continued interest in the Canadian market by their ongoing presence during the period of review. In this regard, the Tribunal notes that, while the sources of imported product have changed over time, the evidence shows that

18. Tribunal Exhibit RR-2007-003-40.11 (single copy exhibit), Administrative Record, Vol. 1.01 at 1-12. Since the most detailed level of trade data available from the ISSB is at the 6-digit level, these data include many categories of pipe fittings and, therefore, a large proportion of goods that are not subject to this review.

19. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 27.

20. Tribunal Exhibit RR-2007-003-11.40.17, Administrative Record, Vol. 1 at 295. It should be noted that these data include many categories of pipe fittings and, therefore, a large proportion of goods that are not subject to this review.

21. *Ibid.*

22. Formerly Beijing Beier Plumbing Manufacturing Ltd. Manufacturer's Exhibit C-01 at 7, 14, Administrative Record, Vol. 11.

23. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06B (protected), Administrative Record, Vol. 2.1 at 104; *Transcript of In Camera Hearing*, Vol. 2, 21 May 2008, at 63, 99, 100; Manufacturer's Exhibit C-04 at 1, Administrative Record, Vol. 11.

24. Based on a Web site in China, CANIP provided the names of 11 companies that are potential producers/exporters of pipe nipples. In the original inquiry, the CBSA identified 17 potential exporters of pipe fittings from China. A questionnaire was sent to these potential exporters in this expiry review. Manufacturer's Exhibit A-01 at para. 60, tab 11, Administrative Record, Vol. 11; Tribunal Exhibit RR-2007-003-20, Administrative Record, Vol. 5.1 at 2.

25. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-11.01A (protected), Administrative Record, Vol. 2.3 at 80.2; *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-11.03A (protected), Administrative Record, Vol. 2.3A at 62.2.

26. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06C (protected), Administrative Record, Vol. 2.1 at 124.

some of the importers that were active in importing pipe fittings from China prior to the application of anti-dumping duties in 2003 are now importing the product from Chinese Taipei, Malaysia and Mexico.²⁷ In so doing, they have developed a well-established import distribution network in Canada for offshore goods that is capable of supplying the Canadian market with pipe fittings from sources other than China. The Tribunal is of the opinion that, if the finding were rescinded, these importers could, in all likelihood, quickly turn again to their established relations in China in order to revert to importing significant quantities of the subject goods to service their existing Canadian customer base. The Tribunal also observed a small growth in the presence of the subject goods in the domestic market during the period of review,²⁸ and the Tribunal heard evidence on the continuing presence of other pipe fitting products from China.²⁹

49. The evidence shows that the U.S. economy is experiencing a slowdown that has been led by the sharpest housing market decline on record, ongoing since 2006,³⁰ and the housing starts are not expected to recover before 2009.³¹ Since, as discussed earlier, the housing sector is one of the main drivers of the demand for pipe fittings, and since North America is one of the most important markets for pipe fittings in the world,³² it is reasonable to expect that, as a result, the Chinese industry will have a large excess of production for which it will seek new markets.

50. Furthermore, as will be discussed below, the prices at which the subject goods would enter the Canadian market, if the finding were rescinded, are likely to be so low that a significant volume of sales will shift to these imports.

51. There is no evidence to suggest that foreign producers would produce the subject goods on facilities currently used to produce other goods and, consequently, the Tribunal finds that this is not a significant factor.

52. The domestic industry argued that the numerous measures imposed by Canada, the United States and other countries against Chinese exporters of other types of pipe and other steel products is evidence of a propensity to dump by Chinese exporters of the subject goods.³³ The Tribunal notes that this argument is purely speculative, given that the evidence does not demonstrate that Chinese exports of the subject goods and other steel products necessarily follow the same or similar trends.

53. With respect to the imposition of anti-dumping measures on pipe fittings from China, the Tribunal notes that there are currently no such measures in place by any other WTO member. Accordingly, there are no measures taken by authorities other than Canada that are likely to cause diversion of the subject goods into the Canadian market.

27. Tribunal Exhibit RR-2007-003-01, Administrative Record, Vol. 1 at 11; Tribunal Exhibit RR-2007-003-19.04 (protected), Administrative Record, Vol. 6 at 44; Tribunal Exhibit RR-2007-003-19.25A (protected), Administrative Record, Vol. 6 at 187; Tribunal Exhibit RR-2007-003-19.23 (protected), Administrative Record, Vol. 6 at 176-77; Tribunal Exhibit RR-2007-003-19.31 (protected), Administrative Record, Vol. 6 at 219.

28. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06B (protected), Administrative Record, Vol. 2.1 at 92.

29. For example, malleable fittings, cast iron fittings, threaded brass fittings and brass valves. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 112-13; *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 199; *Transcript of In Camera Hearing*, Vol. 1, 20 May 2008, at 19.

30. Tribunal Exhibit RR-2007-003-40.16 (single copy exhibit), Administrative Record, Vol. 1.01A at 98.

31. *Ibid.* at 98, 103.

32. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 31; Tribunal Exhibit RR-2007-003-11.40.17, Administrative Record, Vol.1 at 295.

33. Manufacturer's Exhibit A-01 at paras. 54-59, Administrative Record, Vol. 11; *Transcript of Public Argument*, Vol. 1, 22 May 2008, at 4.

54. Based on the foregoing analysis, the Tribunal is convinced that, if the order were rescinded, there would likely be an increase in the volume of imports of the subject goods that would be very significant in relation to the size of the Canadian market.

Likely Prices of Dumped Goods and Effects on Prices of Like Goods

55. In assessing the effects that the likely prices of dumped goods would have on prices of like goods, the Tribunal will examine whether the dumped goods are likely to significantly undercut, depress or suppress the prices of like goods.

Position of the Domestic Producers

56. CANIP submitted that, if the finding were allowed to expire, the subject goods would significantly undercut the prices of like goods, depress those prices or suppress them by preventing increases in those prices that would likely have otherwise occurred.

57. CANIP submitted that the evidence before the Tribunal in the original inquiry indicated that, prior to 2003, the master distributors, wholesalers and retailers in Canada rapidly switched to Chinese products being offered at dumped prices. CANIP also submitted that, based on evidence on the record, Chinese pipe nipples could enjoy a substantial price advantage in the Canadian market. Accordingly, CANIP submitted that, in order to re-establish market share, it is likely that resumed dumping by Chinese exporters would occur at injurious price levels.

58. CapProducts submitted that, if the anti-dumping duties were lifted, imports from China would re-enter the Canadian market and compete at prices well below those of goods produced in Canada and those of imports from non-subject countries. CapProducts further submitted that, unless the measures are kept in place, CapProducts would not likely survive because of further downward spiralling of prices caused by the resumed dumping of the subject goods.

Position of the Importer

59. Thorndale is of the view that, unless the finding is continued, the prices in the Canadian market will fall to such an extent that neither the Canadian producers nor Thorndale's supplier in Mexico would be able to compete.

Tribunal's Analysis

60. The Tribunal considers that pipe fittings are commodity products and that price is the primary factor driving purchasing decisions. The evidence indicates that there is little or no difference in quality or other characteristics in pipe fittings provided by different suppliers.³⁴ In addition, the Tribunal observes that the product mixes, in terms of grade and sizes, of imports of pipe nipples and adaptor fittings from China are comparable to those of domestically produced goods.³⁵ Furthermore, the Tribunal is of the view that imports from China are fully interchangeable with domestically produced goods.³⁶ Finally, the Tribunal notes that the commodity nature of these products was already established in the original inquiry.³⁷

34. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 22-23; *Transcript of In Camera Hearing*, Vol. 1, 20 May 2008, at 72-74.

35. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 17, 38, 92, 132; *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 148, 184-85.

36. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 36.

37. *Carbon Steel Pipe Nipples, Threaded Couplings and Adaptor Fittings* (16 July 2003), NQ-2002-004 (CITT) at 14.

61. In order to assess the likely prices, in Canada, of dumped imports from China, the Tribunal reviewed the limited evidence on the record relating to the prices of the subject goods. The Tribunal began by conducting a review of the pricing data with respect to the domestic market between 2005 and 2007. The Tribunal made this analysis recognizing that pricing in the Canadian market, when there is a finding in place, does not necessarily provide a good indication of the likely prices in the absence of the finding.

62. The Tribunal notes that the domestic industry's average unit selling price decreased by 6 percent between 2005 and 2007.³⁸ During the same period, prices of pipe fittings imported from non-subject countries were on average considerably lower than domestic prices. As described above, the Tribunal noted the presence of, and a small growth in, the volume of subject goods in Canada during the period of review despite the finding.³⁹ The Tribunal reviewed the selling prices of these imports from China and noted that, on average, they were comparable to those of domestic producers.⁴⁰

63. To assess the likelihood of the price levels at which imports from China would re-enter the Canadian market if the finding were rescinded, the Tribunal conducted a second pricing analysis looking at 2007 price quotes for 26 different types of pipe fittings to an importer in the United States, where there is no anti-dumping or countervailing finding on pipe fittings.⁴¹ Although the Canadian and U.S. markets for pipe fittings, and the sale of Chinese pipe fittings in those markets, would not necessarily operate in an identical way, the Tribunal considers that these price quotes provide at least a reasonable indication of general pricing trends. In this regard, the Tribunal notes that Chinese products were quoted at prices substantially lower than those of comparable Mexican products. Indeed, the price advantage of Chinese goods, over Mexican goods, not only exceeded 25 percent for virtually all comparable products, but reached 40 percent or more in close to half of all instances. The Tribunal is of the view that these price advantages should be considered in the context of the current pricing situation in the Canadian market where Mexican goods have already established themselves as lower-priced products, systematically undercutting the prices sought by the domestic industry.⁴²

64. To explore further the implications of these U.S. price quotes in a context of resumed dumping, the Tribunal compared the 2007 Chinese landed price in the United States, quoted for a specific product, i.e. black standard, 1 in. x 2 in. (black standard), with that for the same Chinese product in Canada during the original inquiry period (from 2000 to the first quarter of 2003). Black standard was one of two benchmark products for which the Tribunal had collected pricing information in the original inquiry.⁴³ Given the fact that the prices of U.S. pipe fittings in the Canadian market are similar to the prices of

38. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06B (protected), Administrative Record, Vol. 2.1 at 97.

39. *Ibid.* at 92.

40. *Ibid.* at 97.

41. This analysis involved comparing price quotes for Chinese products, dated September 5, 2007, with those for comparable Mexican products, dated July 5, 2007, that are listed in Manufacturer's Exhibit A-04 (protected), Appendix 1, Administrative Record, Vol. 12. Prices of the Chinese products were converted to landed prices in the United States by adding 10 percent freight and 6.5 percent MFN duty to the quoted FOB prices on the invoice. For purposes of determining the extent to which Chinese prices undercut Mexican prices, the Tribunal re-calculated the percent differences between these two prices, expressed as a percentage of Mexican prices, instead of as Chinese prices as it was originally submitted by the domestic industry.

42. *Transcript of In Camera Hearing*, Vol. 1, 20 May 2008, at 81, 103; *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 162, 166, 202.

43. It was quoted by a domestic producer as a popular size for pipe nipples. The other benchmark product is black standard, 1/2 in. x 2 in.. For this price comparison, in addition to adding the 10 percent for freight and insurance, as well as 6.5 percent MFN duty, to the FOB quoted price, the quoted price of this Chinese product was converted from U.S. dollars to Canadian dollars using the U.S./Canadian exchange rate as of September 5, 2007, in order to obtain the landed price. *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 168.

domestic goods,⁴⁴ it is reasonable to consider that these Chinese prices would also be significantly lower than prices in the Canadian market. The Tribunal observes that the 2007 quoted Chinese landed price in the United States was lower than virtually all those reported by importers in Canada from 2000 to the first quarter of 2003, sometimes by as much as 30 percent.⁴⁵ When compared with the corresponding current selling prices of domestic producers, this 2007 quoted Chinese landed price in the United States was at least 50 percent lower.⁴⁶

65. Concerning the effect of likely prices of dumped goods on prices of like goods, the evidence indicated that there are a number of factors that might influence customers' decisions to purchase pipe fittings. These include price, quality, delivery time, availability of supply, convenience of buying pipe fittings bundled with other plumbing supplies, personal relationships, traceability, and customer loyalty.⁴⁷ Another factor for buying from a particular supplier is to fill in the gaps in other supply sources. CapProducts maintained that many of its customers purchase large orders from importers, but turn to CapProducts to fill in gaps in supply, such as between shipments of imported pipe fittings.⁴⁸

66. However, as indicated earlier, because pipe fittings are commodity products, price is generally the primary factor in the decision to purchase pipe fittings.⁴⁹ Therefore, purchasers would likely switch from one supplier to another on the basis of price alone. In this regard, for example, the Tribunal witness from Bélanger explained that the reason for its switch, in 2006, from Mexico to China, a lower priced source, was to achieve higher gross margins.⁵⁰

67. In some instances, customers are willing to pay a price premium of 10 to 15 percent for the non-price advantages listed above.⁵¹ However, that premium could only maintain customer loyalty up to a certain point. As an example the Tribunal witness from Howell testified that if the price advantages of Chinese products were high enough, he would consider switching to Chinese products.⁵² The evidence indicated that consideration of price takes over in purchasing decisions as soon as the price advantage of imports over domestic products exceeds 10 to 15 percent, and perhaps even a percentage below that mark in some instances.⁵³

68. As price is generally the determining factor in the purchasing decision, the Tribunal considers that prices from all suppliers in the market will trend towards the level of the lowest price offerings, particularly, if the difference between prices exceeds the price premium referred to above. As will be discussed below,

44. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06B (protected), Administrative Record, Vol. 2.1 at 97.

45. In the original inquiry, the landed prices of this product for six importers were reported in *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-11.01 (protected), Administrative Record, Vol. 2.3 at 27.

46. Tribunal Exhibit RR-2007-003-16.01 (protected), Administrative Record, Vol. 4 at 52; Tribunal Exhibit RR-2007-003-C-02 (protected), Administrative Record, Vol. 12 at 10.

47. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 44, 94; *Transcript of In Camera Hearing*, Vol. 1, 20 May 2008, at 82-83, 190-91.

48. *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 138; *Transcript of In Camera Hearing*, Vol. 2, 21 May 2008, at 126.

49. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 22; *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 116, *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 143.

50. *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 177-79.

51. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 129, 130; *Transcript of In Camera Hearing*, Vol. 2, 21 May 2008, at 126, 189-91.

52. *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 198-99.

53. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 63; *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 196.

demand is expected to remain flat in the short term. With prospects of little or no new business, suppliers will need to become even more price-competitive just to maintain their existing customers and sales volumes. In this context, the Tribunal is of the view that domestic suppliers will be forced to lower their prices, because those that do not respond to the lowest price offerings will lose sales volumes and market share.

69. As indicated above, during the period of review, prices of pipe fittings imported from non-subject countries were, on average, considerably lower than domestic prices. The demand for domestic products in the Canadian market has been stable over the period of review, despite the presence of low-priced imports from non-subject countries. This is likely because the market share of the domestic producers has been reduced to the point where their remaining customers are those who are influenced the most by non-price factors. These non-price factors have been strong enough to resist the lower prices of imports from non-subject countries. It is the Tribunal's opinion that, to increase their presence in the Canadian market, producers from China would need to vigorously compete with imports from Chinese Taipei, Malaysia and Mexico, which undercut the prices of the domestic producers by a minimum of 15 percent in 2007.⁵⁴ The testimony of both parties and Tribunal witnesses expressed the view that Chinese imports would easily undercut current domestic prices well beyond the approximate 10 to 15 percent premium that purchasers who are currently buying domestically produced goods or non-subject imports are willing to pay for non-price considerations.⁵⁵ For example, the witness from Thorndale testified that Chinese exporters would likely decrease their prices to levels eliminating this non-price premium and giving the domestic industry little chance of keeping its existing accounts. The witness, a supplier of subject goods, based this view on what he has observed relative to certain non-subject pipe fittings. In this respect, he pointed to an example where such a product, which normally attracted a unit selling price of \$1.20, had been met by competition from Chinese imports that were offered for as low as \$0.60 to \$0.65 per unit, instead of an approximate \$1.05 to \$1.10 price that already would have represented a sufficient discount to obtain the sale.⁵⁶

70. On the basis of the foregoing, the Tribunal is persuaded that, if the finding were rescinded, dumped imports of the subject goods would be sold at prices that would likely significantly undercut the prices of domestic producers and those of non-subject imports.

Likely Impact of Dumped Goods on the Domestic Industry and Likely Performance of the Domestic Industry; and the Potential Negative Effects of the Dumped Goods on Existing Development and Production Efforts

71. The Tribunal will now consider the likely impact that the above volumes and prices would have on the domestic industry if the finding were rescinded, taking into consideration the domestic industry's likely performance.⁵⁷

54. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06B (protected), Administrative Record, Vol. 2.1 at 97.

55. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 104-105; *Transcript of In Camera Hearing*, Vol. 1, 20 May 2008, at 15; *Transcript of In Camera Hearing*, Vol. 2, 21 May 2008, at 180.

56. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 103.

57. As noted above, the pipe fittings industry consisted of three domestic producers during the period of review. However, only CapProducts and CANIP provided a complete response to the expiry review questionnaire. The Tribunal data analysis for the domestic industry in this section encompasses only CapProducts' and CANIP's data, except for production and sales, for which Canvil also provided information.

Position of the Domestic Producers

72. CANIP argued that, if the finding were allowed to expire, resumed dumping would result in lost sales and lost market share by Canadian producers as Chinese exporters drove prices down to compete with prices from non-subject sources including Chinese Taipei, Malaysia and Mexico.

73. CANIP submitted that, as a new entrant into the domestic industry, it is particularly vulnerable to Chinese dumping and injurious pricing. CANIP added that while it has begun to fill some of the production and employment void left by the departure of Canvil, it is still a growing enterprise.

74. CANIP submitted that since it entered the domestic market in October 2006, its pipe nipple production and capacity have increased significantly. With further investments in facility upgrades and labour, CANIP believes that, in 2008, it will become a key domestic producer of pipe nipples.

75. CapProducts argued that, given the commodity nature of pipe fittings and given that demand for these goods is not expected to grow in the near to medium term, any increase in the volume of low-priced imports from China would upset the demand/supply equilibrium.

76. CapProducts submitted that, due to the presence of low-priced imports, it has been relegated to the role of a back-up supplier in the market. It added that, during the period of review, it had a low market share for pipe nipples despite having the production capacity to supply the entire Canadian market more than once.

77. CapProducts submitted that it came before the Tribunal in a precarious state. It claimed to be unable to absorb price decreases without sustaining financial losses. It claimed that any further price decreases would likely lead to declines in sales, production, employment and investment and cause CapProducts to cease production altogether.

Tribunal's Analysis

78. In considering the likely impact of dumped goods on the domestic industry, the Tribunal took into account relevant economic factors, including any potential decline in output, sales, market share, profits, productivity, return on investments or utilization of production capacity, and potential negative effects on cash flow, inventories, employment, wages, growth or the ability to raise capital.

79. The Tribunal first reviewed the outlook for the construction industry in Canada. As a result of the weakening of the U.S. housing sector mentioned above, the Canadian residential construction industry, one of the main sectors that drive demand for pipe fittings, is expected to grow by no more than 1.0 percent in 2008 and 2.5 percent in 2009.⁵⁸ This is consistent with the prevailing views of the witnesses that the demand for pipe fittings in Canada is expected to be flat in the near term.⁵⁹

58. In terms of the output of the residential construction sector, the forecasted is for a decline in the number of housing starts of 7.3 percent in 2008 and of 3.3 percent in 2009. It is foreseen that this will be mitigated somewhat by continued growth in residential renovations and repairs. Tribunal Exhibit RR-2007-003-40.16 (single copy exhibit), Administrative Record, Vol. 1.01 at 104; Tribunal Exhibit RR-2007-003-40.08, Administrative Record, Vol. 1 at 278.

59. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 19; *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 126; *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 139.

80. The Tribunal is of the view that the current health of the pipe fittings industry is difficult to assess, given that the industry is in a state of transition due to the CANIP start-up. However, as indicated above, the Tribunal is of the view that Canada would likely be an attractive export destination for the subject goods if the order were rescinded and that such goods would enter Canada in significant volumes. In order to sell in Canada, subject goods would have to enter the market at very low prices. The domestic producers would have to match these prices in order to try to maintain market share. In addition, Canadian demand for pipe fittings is expected to be relatively flat in the near to medium term,⁶⁰ thus not only limiting the opportunity for new sales but also resulting in a more price-competitive market. The Tribunal is of the opinion that, as a result of the foregoing circumstances, the domestic industry would likely experience a combination of significant lost sales volumes and market share and significant price depression, as well as price suppression in the event that input costs increase. This will have an injurious impact on the financial performance of the domestic industry over the near to medium term.

81. The impact on prices and sales volumes of the domestic producers will, undoubtedly, result in significantly lower output, profits, productivity, return on investments, utilization of production capacity, cash flow, employment, growth and the ability to raise capital. Several of these factors are discussed in more detail below. The evidence does not indicate whether impact on inventories and wages is also likely.

82. With respect to production capacity, the evidence indicates that it increased slightly between 2005 and 2007. The domestic industry-wide capacity utilization rate was stable during this period but remained at a low level. The evidence also indicates that the domestic producers have enough capacity to supply more than the entire Canadian market.⁶¹ The Tribunal is of the view that, the likely lost sales volumes that the domestic producers would suffer if the finding were rescinded, would further impact negatively their low utilization rate.

83. The Tribunal is further convinced that a rescission of the finding would likely have a negative impact on employment and investments. Domestic producers would suffer from lower sales volumes and profits and it is reasonable to consider that this would cause employment to drop significantly. The domestic producers have made investments in their facilities during the period of review. Other investments are projected for 2008, which would be called into question by lower sales volumes and profits.

84. As a new entrant in the industry in 2006, CANIP invested considerably in new machinery to improve production efficiencies and competitiveness.⁶² The Tribunal notes that it has increased its productivity considerably between 2006 and 2007 and its level of production more than double in the first quarter of 2008, as compared to the same period in 2007.⁶³ CANIP is also attempting to expand its own customer base as it takes advantage of its relationship with C-B Supplies, to minimize costs in activities such as marketing, sales, distribution, administration and production technology.⁶⁴ CANIP expects to account for a significant proportion of the industry as a whole within the next 24 months.⁶⁵

60. *Ibid.*

61. *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06B (protected), Administrative Record, Vol. 2.1 at 92 and 104.

62. *Ibid.* at 105.

63. *Ibid.* at 104; Manufacturer's Exhibit A-02 (protected) at para. 22, Administrative Record, Vol. 12.

64. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 10-12, 47-48; *Transcript of In Camera Hearing*, Vol. 1, 20 May 2008, at 35-36.

65. Manufacturer's Exhibit A-02 (protected) at para. 23, Administrative Record, Vol. 12; *Protected Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-06B (protected), Administrative Record, Vol. 2.1 at 46.

85. The Tribunal is convinced that, CANIP's planned growth as a new market entrant due to its development and production efforts would be particularly affected by the negative effects that are likely to occur if the finding is allowed to expire. As indicated above, in a context where the finding was allowed to expire, the Tribunal is of the view that the resulting negative impact on the financial results of the domestic producers would make it difficult for them to obtain a positive return on their investments, and will reduce the possibility of further investments in the future. Furthermore, even CapProducts' current viability in its role as merely a filler of supply gaps will be doubtful. Therefore, the Tribunal is of the view that the financial viability of the domestic industry as a whole could be seriously threatened in the absence of the finding.

86. In summary, based on the above, the Tribunal is convinced that, if the finding were rescinded, the domestic industry would experience material injury to its production, sales, market share, profits, productivity, return on investments, utilization of production capacity, cash flow, employment, growth and the ability to raise capital.

Other Factors

87. Pursuant to paragraph 37.2(2)(k) of the *Regulations*, the Tribunal may consider any other factors relevant in the circumstances. Accordingly, the Tribunal reviewed certain factors unrelated to dumping that could adversely affect the domestic industry.

Competition from Low-priced Non-subject Country Imports

88. The Tribunal looked at what effects low-priced imports from non-subject countries may have on the domestic industry's performance. The Tribunal notes that, as indicated above, imports from Chinese Taipei, Malaysia and Mexico were present in significant volumes over the period of review. In some cases, these imports were landed or sold in Canada at very low prices, and the domestic industry submitted that these imports were the cause of some concern. There is no reason to believe that, in the future, imports from non-subject countries will not continue to be present in Canada. The Tribunal has not attributed the injury likely to be caused by dumping to the price decline already caused by non-subject imports. As discussed above, non-price factors have been strong enough to allow the domestic industry to resist the lower prices of non-subject imports for its remaining customers. However, as mentioned previously, the Tribunal is of the view that, absent the finding, the prices of imported subject goods will have to be even lower than those of imports from non-subject countries resulting in the decline of the price of pipe fittings in Canada to injurious levels.

Exchange Rate Fluctuations

89. The Tribunal notes that, during the period of review, the Canadian dollar appreciated, by approximately 13 percent against the U.S. dollar and by about 5 percent against the Chinese yuan.⁶⁶ While the Tribunal is cognizant that currency fluctuations could constitute an important factor affecting prices, costs and financial performance, it heard little evidence about the net effects and impacts of exchange rate variations over the period of review. Moreover, it is difficult, if not impossible, to forecast the fluctuations of the Canadian dollar against the two above currencies over the near to medium term and the parties have presented no convincing evidence that would indicate that exchange rates are likely to be a factor that causes injury in the next 18 to 24 months.

66. *Pre-Hearing Staff Report*, Tribunal Exhibit RR-2007-003-05, Administrative Record, Vol. 1.1 at 38, 40.

Transportation Costs

90. A Tribunal witness testified that the price of oil has increased recently and he argued that this may have an impact on the future level of imports in the Canadian market.⁶⁷ While the Tribunal recognizes that transportation costs are an important consideration in the decisions to ship pipe fittings to another country, it is not in a position to predict what will happen to the price of oil over the next 18 to 24 months. In addition, the Tribunal notes that the parties have presented no convincing evidence that would indicate that transportation costs are likely to be a factor that causes injury over this period.

Competition Between Domestic Producers and Wholesalers

91. One wholesaler testified that it refrained from buying from a certain domestic producer because this producer competed with the wholesaler and made sales to one of its customers.⁶⁸ However, there is no evidence to indicate that this is a widespread situation within the industry. Therefore, the Tribunal is of the view that the impact of this factor is not large enough to cause injury to the domestic industry.

CONCLUSION

92. In view of the above, the Tribunal finds that it is likely that the resumed or continued dumping of the subject goods will result in material injury to the domestic industry. Based on the foregoing analysis, and pursuant to paragraph 76.03(12)(b) of SIMA, the Tribunal hereby continues its order in respect of carbon steel pipe nipples and adaptor fittings, in nominal diameters up to and including 6 inches or the metric equivalents, originating in or exported from China.

Ellen Fry

Ellen Fry
Presiding Member

Serge Fréchette

Serge Fréchette
Member

André F. Scott

André F. Scott
Member

67. *Transcript of Public Hearing*, Vol. 1, 20 May 2008, at 203; *Transcript of In Camera Hearing*, Vol. 2, 21 May 2008, at 170.

68. *Transcript of Public Hearing*, Vol. 2, 21 May 2008, at 197, 198; *Transcript of In Camera Hearing*, Vol. 2, 21 May 2008, at 166-168, 170.