

ŞİŞECAM

**APPLICATION FOR PROLONGATION OF THE
SAFE QUARD RESTRICTION ON THE
IMPORT FROM IRAN ISLAMIC REPUBLIC
AND RUSSIAN FEDERATION**

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APRIL 2009

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1 Information about the local producer that submitted the complaint

1.1 Company name, address, telephone, fax, e-mail and Web page if available

Company name and address: TRAKYA CAM SANAYİİ A.Ş.
 İş Kuleleri Kule 3 / 34330
 İstanbul
 Telephone : 212-3505050
 Fax : 212-3505070
 Web : www.sisecam.com.tr

1.2 Information about the Contact Person who is assigned to this issue in the company; name, title/ position, address, telephone, fax, e-mail:

-

1.3 Information about the lawyer or/ and financial adviser who is assigned to represent the company for this issue; name and address if available (representation document should be attached):

Assigned Association : Şişecam Hukuk Müşavirliği
 Address : İş Kuleleri Kule 3 / 34330
 İstanbul

1.4 The list of the shareholders and shares:

SHAREHOLDERS	PARTNERSHIP	
	Share*	Percentage (%)
T.Şişe ve Cam Fabrikaları A.Ş.	317,405,298	66.38
Other within the Group	3,503,444	0.73
<i>Total within the Group</i>	<i>320,908,742</i>	<i>67.11</i>
IFC	310,758	0.07
Other out of the Group	156,962,433	32.83
<i>Total out of the Group</i>	<i>157,273,191</i>	<i>32,90</i>
Grand Total	478,181,933	100.00

*by 20.02.2009

1.5 History of the Company:

The first step of the Şişecam Group and Turkish Glass Industry was the establishment of the Paşabahçe Factory in the year 1934.

The Group has started the flat glass production in 1961 in Çayırova Cam Sanayii by using sheet technology which was imported from Russia. Second sheet glass production line was built in the same location in 1967. In 1975 the third sheet glass production line was joined the group by purchasing Anadolu Cam San. A.Ş.

Şişecam has started to use float technology licensed by Pilkington in production since 1981.

The first float glass line was invested in Lüleburgaz. Capacity increase was achieved by additional float line investments in different locations; 1 line in Lüleburgaz , 2 lines in Mersin, 2 lines in Yenişehir, 1 line in Bulgaria and reaching in total by 7 lined production system in 2008.

In addition to its intense investments in flat glass production, in order to satisfy all the market needs, our company has made investments in flat glass processing plants and improved its product range inline with international developments.

Today all the companies in the Flat Glass Group of Şişecam are gathered together under **Trakya Cam Sanayii A.Ş. name. Trakya Cam, with its 2.961 employees represents a great economic power in flat glass, patterned glass, automotive glass, tempered glass, mirror, coated glass, laminated glass and insulating glass production plants in Lüleburgaz, Mersin and Yenişehir.**

Trakya Cam has to face intense competition in the local and international markets in order to remain its competitive position and increase its market share. In accordance with this strategy Trakya Cam inaugurated the first float line of the Balkan Region in Bulgaria in the first quarter of 2006.

1.6 Application areas of the company and products that are produced or / and traded:

A wide range of products is being used in the Turkish flat glass market.. Our company introduces the new products to the domestic market if subjected products are suitable to our market conditions in terms of cost and advantages.

Trakya Cam is the sole producer of the base glass (flat glass, patterned glass) in Turkey. Our flat glass production capacity is the second after Russia in the region from Middle East to Balkans, from North Africa to Commonwealth of Independent States.

Our Products	Production Location
Plants in Operation	
Plants in Turkey	
Flat Glass In different thicknesses clear, bronze, blue, green, gray and on-line coated.	Trakya, Mersin and Yenişehir Factories
Automotive Glasses (tempered, laminated, insulated, bullet proof)	Trakya Factory
Mirror In different thicknesses clear and colored (blue, green, bronze, gray)	Trakya Factory
Laminated Glass In different thicknesses clear and colored (for construction and white goods industries)	Trakya and Yenişehir Factories
Architectural Glass	Yenişehir Factory
Coated Glass (Low-E and solar control glass-off-line)	Yenişehir Factory
Tempered Glass	Yenişehir Factory
Patterned and wired glass In different thicknesses and designs clear and colored (bronze, gray, amber)	Mersin Factory
Plants in Bulgaria	
Flat Glass In different thicknesses clear	Bulgaria Factory
Mirror In different thicknesses clear and colored (blue, green, bronze, gray)	Bulgaria Factory
Tempered Glass	Bulgaria Factory
Plants in investment process	
Energy Glasses	Mersin Factory
Low-ironed Patterned Glass	Mersin Factory
Automotive Glasses (tempered, laminated, insulated, bullet proof)	Bulgaria Factory

1.7 Which accounting method is used in Financial Tables of the Company.

Financial Statements of the Company is prepared in accordance with the accounting principles that rely on Balance Sheet basis.

1.8 Personnel Chart of The Company. This chart should contain the employees who are in charge of the production, sales, marketing and distribution of the subjected product/s in local and international markets.

1.9 If available please attach the financial and/or annual reports of your company for the last three years.

The reports for Trakya Cam Sanayii A.Ş are available at www.trakyacam.com.tr .

2 Information about the other local producers

There is no other flat glass producer in Turkey. Therefore the questions in this part are neglected.

3 The product subject to complaint

3.1 Description of the product subject to complaint:

The product subject to complaint is the flat glass which is produced by float technology. The detailed description the product and technology is given in the TS 10288/May 1992 numbered Standard of Turkish Standard Institute.

3.2 Turkish Custom Tariff of products subject to complaint

7004	Drawn glass and blown glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked.
7005	Float Glass and surface ground or polished Glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked.

3.3 The country/s of the product subject to complaint:

The origin of the product subject to complaint is Iran and Russia.

3.4 Technical properties of the product subject to complaint:

The technical properties of the product subject to complaint are described in Turkish Standard TS 10288/May 1982.

3.5 Application fields of the product subject to complaint:

In majority 4 mm float glass is imported from the subjected countries to Turkey.

In broad sense, flat glass products are considered as float glass, patterned glass, mirror, laminated glass and coated glass. All the flat glass products are based on and produced with different processing methods from basic float glass and patterned glass. That is the reason behind why float glass and patterned glass are considered as the base glasses in flat glass industry.

Flat glass products are mainly used in construction, furniture, automotive, white goods, energy and agriculture industries.

Depending on the specific requirements of the application field, the base glasses that are produced in big sized plates are either just cut-to-size or processed in different methods .

In our country, flat glass products are mainly used in construction industry.

Although there are many different types of flat glass products, the product subject to complaint is float glass the custom tariff of which is 70.05. Evaluation of float glass importation on thickness bases shows that the share of the above mentioned countries in 4 mm float glass had been about 70% before quota and about 15% during the tax application period.

3.6 Explain the local distribution network of the product subject to complaint with the help of a diagram. (Importer – wholesaler – retailer – end-user) or (agent – authorized seller- wholesaler – retailer – end-user) or (importer- re-producers):

The role of the firms in the flat glass distribution network can be described as below:

Importers: Flat glass importation is realized by these firms. They resell the imported flat glass to the independent wholesalers and to the processors in the market. The importers who are processors also at the same time, consume flat glass in their own plants and re-sell finished products to the market.

Processors/Double Glazers (Re-producers): They process the float glass in different techniques and produce the end-product demanded in the market. The majority of these firms are mainly involved in double glazing and edge processing.

Wholesalers: These firms purchase the imported flat glass from the importers and distribute them to retailers and re-producers in the market.

Retailers: As the closest points to the end-user, there are lots of retailers in the market. They provide the cut-size flat glass demands of the end users.

3.7 Explain how the applicators perceive the product subject to complaint

Flat glass is used as semi-raw material in most of the sectors. Therefore the applicators of the product are the producers who use it in their production

End users do not directly purchase flat glass in the market. Flat glass is a part of the end products such as window, furniture, white goods. And also the physical properties of the product are not eligible to make quality judgments or create brand awareness by the end-user.

3.8 Explain the production method of the product subject to complaint in the countries where it is imported:

In the mentioned countries there are several production lines where sheet and float production technologies are in application.

3.9 Indicate the other issues you consider as important to be known for the product subject to complaint:

-

3.10 Attach the promotion materials such as brochures, catalogues about the product subject to complaint:

-

4 The information about similar or direct competing good

4.1 The description of similar or direct competing good:

Direct competing good is the flat glass which is produced by Trakya Cam with float production technology.

4.2 Turkish Custom Tariff of similar or direct competing good :

7005	Float Glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked.
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4.3 The technical properties of similar or direct competing good:

The technical properties of the similar or direct competing good are described in Turkish Standard TS 10288/May 1982.

4.4 The application fields of similar or direct competing good:

Our products are used in all kind of flat glass processing fields. Therefore we serve all the sectors where the flat glass is used as semi-raw material.

4.5 Explain the local distribution network of similar or direct competing good with the help of a diagram. (Importer – wholesaler – retailer – end-user) or (agent – authorized seller wholesaler – retailer – end-user) or (importer- re-producers:

The authorized sellers of Trakya: These firms distribute the Trakya Cam's products in the market. They supply flat glass products to independent wholesalers, double glazers, processors and retailers depending on their demand.

Patented Producers of ISICAM: These firms produce double glaze units, in line with the standards that are described by Trakya Cam, under ISICAM patent agreement. They use Trakya Cam's flat glass in their production and sell the end-product to the construction market.

Producers (Processors/ Double Glazers): Trakya Cam supply flat glass to some of the producers in the market who process the flat glass.

4.6 Explain how the users perceive the similar or direct competing good:

Since flat glass is considered to be an industrial semi-raw material which is used by processors and double glazers, there is no brand awareness in the end-users' mind.

4.7 Explain the production method of the similar or direct competing good:

The major development in flat glass production in the 20th century is the invention of Float Production Technology by Pilkington. The Float glass is produced by floating a continuous stream of 1700°C molten glass, which is basically sand and other materials onto a bath of molten tin. The float glass production line is established with a set of parts, which are serially connected to each other. The total length of the line is 500 meters.

4.8 Indicate the others issues you consider as important to be known for the similar or direct competing good:

-

4.9 Attach the promotion materials such as brochures, catalogues about the similar or direct competing good:

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5 Indication of similar or direct competing good

5.1 Explain in detail why the goods described in the 3. and 4. parts are considered as similar or direct competing goods to the local products subject to complaint

The competition structure of the float glass produced in Russia and Iran against Trakya Cam's products is briefly described below

Production technology: The same or similar production technology is used in the mentioned countries as Trakya Cam's.

The perception of users: As there is no brand awareness in the end-users mind, price is the determining factor for the purchase decision of the processors.

Distribution Channel: The float glass imported from Iran and Russia is sold to independent wholesalers, producers and retailers in the market by importers. Float glass produced by Trakya Cam is also sold to the same users by the authorized sellers and also to some of the producers in the market.

Application fields: Both of the Trakya Cam's and Iran Russia originated imported float glass is consumed in major sectors of the market; construction and furniture sectors.

As stated above, the flat glass produced by **Trakya Cam and flat glass imported from Iran and Russia is produced by same or similar technology and the users consider them as substitute products. Both of them are distributed in the market by the same channel and eventually are consumed in the same fields. That is why Iran and Russia originated float glass is direct competitor to Trakya Cam's float glass.**

6 The Developments During Tax Application Period for Iran, Russia Flat Glass Importation

As it is known, by Trakya Cam's application, flat glass importation from Iran and Russia had been restricted with quota application during 2003-2006 period and tax application has been started since 28.06.2006, for 3 years.

The developments during the tax application period is explained below:

6.1 The developments in the market and total consumption

During 2006-2007 period, due to global economic growth and the domestic political stability the average increase in GDP was around 5.4%.

Economic growth had positively affected all the sectors. Construction sector which takes major share in flat glass consumption had started to grow by high rates. Growth was recorded in the other sectors which consume glass, like automotive, furniture, white goods, energy.

In 2008 due to economic crisis, in the last quarter of the year GDP growth was slight, stagnation in the domestic market affected all the sectors negatively, decrease recorded in construction sector and due to decline in the export markets' demand, production in other sectors decreased too.

Since there is no other domestic producer, the domestic demand is met by Trakya Cam and by importation.

The developments in flat glass consumption and the compensation rates to this development during 2000-2008 period is given in the below table:

	Quantity Restriction Period			Tax application period	
	2004	2005	2006	2007	2008
Index-ton					
Trakya Cam Domestic Sales	100	111	124	146	141
Import*	100	153	167	171	129
*Trakya Cam's domestic sales comprises imports of Trakya Cam from Bulgaria and other countries.					
Market Share Index (ton)					
Trakya Cam	100	92	94	98	104
Import	100	127	125	113	93

As seen from the above table, the domestic sales and market share of Trakya Cam is highly related with the developments in importation.

Importation was decreased after quota application to Russia and Iran in 2004, and was increased in the years 2005 and the first half of 2006 due to high amount of China

originated importation. By quantity restriction application to China, starting from 2007 increase in importation was diminished and decline was recorded in 2008.

6.2 The developments in the import from Russia and Iran

The actual figures of import from Russia and Iran during tax application period are shown below:

	07/2006-07/2007		07/2007-07/2008		07/2008-07/2009	
	1. Period taxes	Actual import amount	2. Period taxes	Actual import amount	3. Period taxes	Actual import amount 07-12/2008
Iran	40 \$/ton	9.639	38 \$/ton	9.088	36 \$/ton	2.954
Russia	40 \$/ton	15.867	38 \$/ton	19.495	36 \$/ton	6.082

During tax application period;

Iran: Higher importation was realized when compared with quantity restriction period.

Russia: Increase in domestic glass consumption in Russia was about 13% in the last three years and as a result of this growth, importation from Russia was decreased.

The actual import amounts in tones for 2000-2008 period from Russia and Iran are given in the below table. The figures are based on National Statistics Institute reports.

Base: ton	Before quantity restriction			Quantity Restriction Period				Tax application period	
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Russia total	56.825	36.444	34.141	48.057	30.594	26.807	31.217	27.049	13.708
Inc.rate (%)		-36	-6	41	-36	-12	16	-13	-49
Iran total	3.602	5.842	16.312	7.222	7.318	7.176	10.262	9.640	4.387
Inc.rate (%)		62	179	-56	1	-2	43	-6	-54
Other	44.757	37.308	63.046	66.774	109.061	190.522	324.638	335.971	179.871
Inc.rate (%)		-17	69	6	63	75	70	3	-46
Total Import	105.184	79.594	113.499	122.053	146.973	224.505	366.117	372.660	197.966
Inc.rate (%)		-24	43	8	20	53	63	2	-47

Increase rate: increase rate of the total import of given year comparing to the previous year based in percent.

6.3 The Changes in Currency

Since the import from Russia and Iran has been actualized in USD \$, the changes in this currency against Turkish Lira strongly affect the price level of imports and eventually the competition in the market.

As it is known, in 2004-2008 period US\$ exchange rate had been declined instead of increasing parallel to inflation rates. The changes in US\$ exchange rate in this period are given in the table below.

As seen from the table, US\$ in 2008 had been devaluated almost 9 % when compared with 2004. As a result of this, the imported goods has become 9% cheaper in YTL base, even if their prices in US\$ has not been changed.

This progress in US\$ exchange rate has negatively effected the companies whose production costs increases depending on the inflation rates. The dilemma was the obligation to decrease sales prices in spite of increasing production costs.

Changes in US \$	2004	2005	2006	2007	2008
US\$/YTL - yearly average	1,42	1,34	1,43	1,30	1,30

6.4 Changes in Prices

Trakya Cam's pricing principals are based on:

- The price levels in the world which is based on supply demand balance,
- Domestic inflation rates,
- The changes in production costs.

The changes in price level of 4 mm clear flat glass which accounts the biggest portion in our sales during 2004-2008 period is shown in the below table:

Trakya Cam Price Changes- 4 mm clear uncoated flat glass

CIF gross price index	2004	2005	2006	2007	2008
CIF YTL Index	100	97	100	105	109
CIF \$ Index	100	104	99	117	121

As it is seen in the table, during 2004-2008 period, although YTL based prices has increased 9%, US\$ based prices has increased 21%. The resulted competitive disadvantage due to US\$ devaluation is clearly seen from these figures.

On the other hand, as seen in the below table, if we evaluate the development of adjusted prices to Inflation, Trakya Cam's prices have been reduced 22% on actual YTL base.

Trakya Cam Price Changes- 4 mm clear uncoated flat glass

	2004	2005	2006	2007	2008
Producer Price Index	100	106	116	123	139
CIF Adjusted Price Index-YTL	100	92	86	85	78

Above stated explanations and tables shows that the claim of the competitors “Trakya Cam being the sole producer in the local market, would keep price increases by safe guard measures” is invalid.

6.5 Flat glass production and capacity utilization rate

Trakya Cam has realized float glass production with 3 lines until 2000, with 4 lines in the period 2000-2005, with 5 lines starting from June 2007, with 6 lines starting from December 2007 and also with 1 float line in Bulgaria since 2006.

Although the 4th line has been inaugurated in 2000-2003 period before quota, Trakya Cam could not increase production and had only used 3 lines’ full capacity in 2002 and capacity utilization rate had decreased dramatically and started increase by quota and tax applications.

	2004	2005	2006	2007*	2008
Production Index (ton)	100	113	101	122	155
Capacity utilization rate Index(%)	100	113	101	107	103

* Two float lines were inaugurated in Yenişehir in June and December of 2007 .

These developments has shown that the ultimate aim of quota and tax application, which is to support the local producer/s to fully use their capabilities, has been clearly realized.

6.6 The Developments in Flat Glass Stock

The flat glass stock development have followed parallel trend with capacity utilization and production.

	Quantity Restriction Period			Tax application period	
Opening Stock of Flat Glass					
	2004	2005	2006	2007*	2008
Index (ton)	100	45	80	82	104

* Two float lines were inaugurated in Yenişehir in June and December of 2007 .

6.7 Costs

Trakya Cam continuously emphasizes on the engineering works to keep its cost increase below the PPI increase, although the increase in its input prices are over it.

In the last 4-year period, by cost reduction in all aspects of production and execution, however the increase in PPI has been 39%, the increase in production cost has been 27% and commercial cost has been 25%.

Cost Development-YTL	2004	2005	2006	2007	2008
Producer Price Index	100	106	116	123	139
Production Cost Index	100	98	114	120	127
Commercial Cost Index	100	97	107	116	125
Natural Gas Price Index	100	120	160	178	229
Electricity Price Index	100	107	94	100	119

Since energy is intensively used in float production, the level of energy input prices such as natural gas and electricity are very important from production cost point of view.

In 2004-2008 period although the increase in natural gas prices were 129% higher than the increase in PPI, Trakya Cam managed to keep its production cost under control which proves the success of the executed cost efficiency works.

7 Float Glass Market Forecasts in 2009-2011 and Trakya Cam's Business Plan

The important topics about the Trakya Cam's Business Plan are explained below.

7.1 Consumption Forecast

-

7.2 Developments in Competition

As explained in detail in the following sections the importation from Russia and Iran is expected to increase by high rates with the withdrawal of tax application.

7.3 Trakya Cam Export

By addition of new capacities in 2006-2007 period, Trakya Cam will not only meet the domestic demands and its own internal usage but also will emphasize on export sales.

7.4 Production and Investment Program of Trakya Cam

Trakya Cam by the inauguration of two float lines in Yenişehir in 2007, reached 6 lined production system. Under current circumstances the attained capacity is adequate to supply the demands.

7.5 Trakya Cam's Financial Data in 2001-2008 Period

The values in the table is only for float glass

	Unit	2004	2005	2006	2007	2008
Total Production	Inc.% ton	-5	13	-10	20	27
	Index ton	100	113	101	122	155
Internal use of the Company	Inc.% ton	4	11	9	25	0
	Index ton	100	111	121	151	150
Domestic Sales	Inc.% ton	25	11	12	18	-3
	Index ton	100	111	124	146	141
Export Sales	Inc.% ton	-34	-41	-25	-18	133
	Index ton	100	59	44	36	84
Total Sales	Inc.% ton	4	0	7	14	6
	Index ton	100	100	107	122	129
Stocks	Inc.% ton	-55	77	4	24	109
	Index ton	100	177	183	226	473
Total Capacity	Index ton	100	100	100	114	151
Capacity Utilization Rate	Index %	100	113	101	107	103
Number of direct employee for float production	Inc.%	-7	-4	3	12	-2
	Index	100	96	99	111	108
Employee Utilization	Index ton/person	100	118	102	110	143

The flat glass importation from the mentioned countries is expected to increase beyond the import levels of the period before quantity restriction, with the withdrawal of tax application and as a result the market share of Trakya Cam is expected to decrease seriously.

8 The claim on serious loss or the threat for serious loss

8.1 The Flat Glass market situation and Consumption in Russia and Iran

- **Russia;** GDP growth in 2007 and 2008 was 8,1% and 5,6%. Parallel to economic growth, the demand in construction sector in new building construction and renewing markets was increased as a result of which flat glass demand was increased also. But due to economic crisis, starting from the last quarter of 2008, all the sectors besides the leading construction and automotive has been seriously negatively effected. Depending on this situation, the growth estimations for the years 2009 and 2010 was revised by IMF to -6% and 0,5%.
- **Iran;** The economic growth for the years 2006, 2007 and 2008 was actualized as 5,8%, 6,4% and 5,5%. The economic growth for 2009 is estimated to be around 5,0%. Due to the rapid growth in automotive and construction industries, the demand for flat glass has been increased in recent years.

8.2 Actual production capacity in Russia and Iran

The production capacity in the mentioned countries is shown in the table below;

Country-Capacity*			Period Before Quota	Quota Period	Tax Application Period	Present Status
Russia	Number of lines	Index(unit)	100	125	138	138
	Capacity	Index(ton)	100	137	164	175
Iran	Number of lines	Index(unit)	100	200	200	200
	Capacity	Index(ton)	100	287	287	287

*the calculation is based on float production

Source: producers' web sites, Sisecam

Total flat glass production capacity including float and sheet production and consumption of flat glass in the mentioned countries is shown below;

Present Status			
Country-Capacity		Float & Sheet Production Capacity	Total Consumption
Russia	Index(ton)	100	90
Iran	Index(ton)	100	59

Source: Sisecam

Russia

By the new float line investments, the production capacity in float glass was increased 64% during 2003-2008 period and 75% by the beginning of 2009. As it is shown in the table above, in the actual situation, although the economic growth is rapid in the country, there is still excess production capacity in the country.

Iran

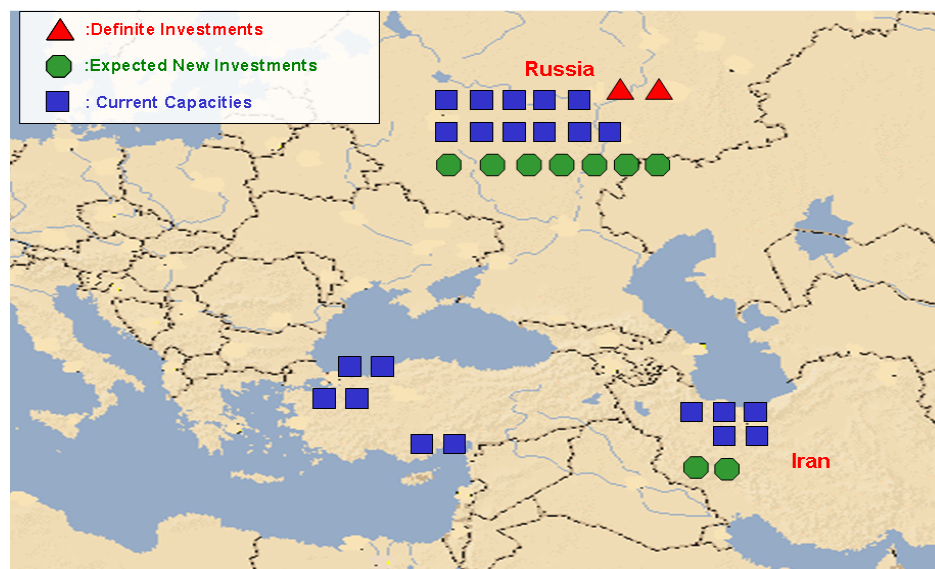
The float production in Iran has been increased more than 2.5 fold after 2003 by the investment of new float lines.

Due to excess capacity, the producers directed to the export markets in spite of the logistic difficulties.

8.3 New Investment and Capacity Increases After 2009

The map below shows the number of present, planned and definite investments of production lines in the mentioned countries.

Current Float Lines and Investments



The table below shows the expected capacity increase rate of the countries after the new investments will be realized.

		Present Status	After 2009 with planned investments
Capacity Increase		Float + Sheet Production Capacity	Float + Sheet Production Capacity
Russia	Index(ton)	100	180
Iran	Index(ton)	100	140

Source: ISI Emerging Market news, Glassonline, market news

The table below shows the capacity level after the new lines and the total consumption, which is calculated in accordance with the expected economic and sectoral developments in the mentioned countries.

Excess Capacity After New Investments- After 2009			
		Float + Sheet Production Capacity	Total Consumption
Russia	Index(ton)	100	65
Iran	Index(ton)	100	46

Source: IMF and the economists' economic forecasts

Russia

Russia has become the focus point of big flat glass producers due to size and the potential of the market.

The production capacity is expected to increase by 80% with the new investments which will result in excess capacity in the near future as seen from above table.

Iran

The total production capacity is expected to increase 40% with the announced new float line investments.

Although flat glass consumption is expected to increase depending on the economic growth estimations for the country and the estimations for the construction sector, due to planned investments increase in the production capacity will be higher.

8.4 Other Factors Affect the Import Increase

Trade Barriers

The import custom tariffs against Turkey, which are in application in mentioned countries, is at higher levels when compared with Turkey's 2% level.

Current custom tariff rate is 15% in Russia and 25% in Iran (10% for the glasses thinner than 2.5 mm) and in addition Iran applies 10% freight charge tax (in case transportation by foreign vehicles). Also importation to Iran is possible by pre-permission of Trade Ministry.

Country	Custom tariffs (7005 Custom codes)	
Iran	%25 Custom tariffs	%10 Custom tariffs
Russia	%15 Custom tariffs	

This unfair trade conditions between the mentioned countries and Turkey is balanced to some extent by the tax application to the flat glass imports from the mentioned countries.

In addition to custom tariffs in Russia, GOST certificate is wanted for imported good.

Those countries protect their local markets with high custom tariffs although they can export their product to Turkey under lower custom tariff rates. As a result of this we face unfair competition in our market, our market share, capacity utilization level and profit margins declines.

Logistics Convenience

Russia

The river and the railway transportation is mainly used in domestic transport in Russia. Due to the developed infrastructure and low energy costs, the domestic freight charges are very low. In accordance with the information gained from our customers, by the developed railway network, the producers can easily transport their goods directly from their factories to the ports.

In addition they can transport their goods directly to Istanbul Ports without any discharging costs by 1200-1500 tones river vessels

Also freight charges has decreased seriously due to decrease in oil prices. Vessel freight charges has been decreased about 46% when compared with August 2008 levels which means additional decrease in logistic costs of the producers.

Iran

The float production is located in Ghazvin Industrial Region, which is 60 km away from Tehran. New investments have been planned in this region also.

Like in Russia, due to low energy/oil costs freight costs is low in Iran also.

Iranian producers are competitively advantageous due to low transportation costs .

In addition to land transportation, Iranian producers have vessel transport opportunity from Caspian Sea and also from Bandar Abbas Port which is located in the South of country. However if they use this transportation way they have to bear additional inland transport cost, discharge and loading costs at the port and also the risk of facing quality problems of vessel transportation. So they tend to export to the countries where they can reach by land transport because of this additional costs and risk factors.

Briefly the producers in Russia and Iran where energy costs are quite low when compared with Turkey, have also important advantages in transportation costs.

8.5 Cost Comparison

The producers in Russia and Iran have competitive advantages in input and energy costs due to the rich underground sources of the both countries. As seen from the below tables there is significant difference in energy costs between Turkey and the mentioned countries.

This cost advantage is expected to continue depending on the energy sources of these countries.

This level of cost advantage cannot be compensated even with effective engineering works and technology choice in float production since the energy is the main cost in production.

Cost Difference between Russia-Turkey			
	2002	2005	2009 January
Energy	Fark	Fark	Fark
Natural Gas (\$/m3)	1143%	416%	685%
Electricity (\$/kmwh)	630%	142%	204%

Cost Difference between Iran-Turkey			
	2002	2005	2008
Energy	Fark	Fark	Fark
Natural Gas (\$/m3)	1640%	-	-
Electricity (\$/kmwh)	633%	-	788%

8.6 Claim on Increase in Import from Russia and Iran

As mentioned in the previous parts, there are planned investments beyond their high level of production capacity both in Russia and Iran.

Russian and Iranian flat glass producers whose exportation to Turkey has been limited due to quota and tax application measures, directed their exportation to Balkan region and North Africa markets.

The evaluations on country bases can be found below.

Russia:

The export data of Russia for the 2004-2008 period is shown below.

Russia					
	2004	2005	2006	2007	2008
Export to Turkey Index	100	87	100	90	42
Turkey proportion in Russia Export %	23	15	16	24	?
Export to Greece Index	100	110	124	75	?
Greece proportion in Russia Export %	8	6	6	6	?
Export to Bulgaria Index	100	164	118	164	?
Bulgaria proportion in Russia Export %	8	10	7	16	?

Source: UN Statistic Division – Statistics Institute of Greece - Statistics Institute of Bulgaria

According to NSI figures, Turkey proportion in export of Russia was held about 25% by safe guard measures and Turkey is a target market for the Russian float glass producers.

The exported float glass from Russia is mainly in second quality and low price. Therefore the producers aim to the markets where the price is more important than the quality. As a

result of safe guard measures in Turkey the producers have turned towards to Balkan Region and North Africa. The increase in export to Greece and Bulgaria shows this development. In case the withdrawal of tax application, Turkey will be the target market for second quality float producers.

This claim is supported by not only the trend before the quota and tax application period but also by the expected developments as explained below:

- The production capacity in Russia increases rapidly by the new investments which will result in direction of much more second quality float glass capacity to the export markets.
- With the announced new lines, there will also be excess capacity of qualified float glass in near future in Russia. In this position also Turkey will be the target export market.

Iran :

The export figures from Iran during 2004-2008 period is given below:

Iran	2004	2005	2006	2007	2008
Export to Turkey Index	100	77	146	95	48
Turkey proportion in Iran Export %	31	18	10	?	?
Export to Greece Index	100	92	26	240	?
Greece proportion in Iran Export %	34	23	2	?	?
Export to Bulgaria Index	100	307	198	97	?
Bulgaria proportion in Iran Export %	5	11	8	?	?

Source: UN Statistic Division - Greek Statistical Institute - Bulgarian National Statistical Institute

The developments in the past periods show that when the Iranian producers can not sell their goods to Turkey due to safe guard measures, they have directed their export affords to Balkan Countries because of the transportation convenience . However because these new countries are relatively small markets, exporting to those countries cannot compensate the sales lose occurred after safe guard measures in Turkey.

Additionally with the planned new line investments the capacity excess is expected to continue in the near future.

Turkey is the best market for the Iranian producers to sell the excess capacity due to transportation convenience and its size. Therefore, Turkey will be the target market again with the withdrawn of the tax application.

9 Difference in Prices

The price of Iranian and Russian originated float glass has been lower than our domestic float glass prices at rates 12% to 41% in 2001-2008 period. This price difference is highly attractive for the markets where the price is priority.

10 Other factors which effects the serious injury and serious injury threat

10.1 Other factors which cause to serious injury and serious injury threat: (i) contraction in consumption; (ii) Decrease in Export; (iii) Increase in competition between the producers in domestic market (iv) Excess production capacity (v) Development of alternative products; (vi) High depreciation cost due to the new investments; (vii) High financial cost; (viii) Working capital stringency; (ix) Import from other countries that are not in the complaint scope:

The negative effects of the global crisis is the serious injury cause besides the expected increase in the exportation from the mentioned countries with the withdrawal of tax application.

(i) Contraction in consumption

Development of domestic flat glass consumption depends on the economic growth and its effects on the sectors consuming flat glass. Domestic glass consumption which has been continuously increasing by years since 2001, declined in 2008. Contraction in flat glass consumption is expected to deepen in 2009 and start to grow at earliest in the second half of 2010.

(ii) Decrease in Export Volume

The demand to our products has been increased for years. By the investment of 2 float lines in Yenişehir, adequate production capacity has been reached to meet both domestic and export demands. Due to economic crisis, export market demand is expected to decline in 2009 and start to grow in the following years.

(iii) Increase in competition between the producers in domestic market

At present there is no other local producer except Trakya Cam our country.

(iv) Excess capacity

Trakya Cam plans the capacity increases parallel to the anticipated local market demand growth. In order to meet the demands of local market on time without any delays, production is planned to be above the local market demand. The excess capacity is evaluated in export markets and enables us to meet sudden increases in demand.

But in the current condition due to decline in flat glass market, production plans have been regulated according to market situation. Production has been stopped in one of our lines for cold repair.

In addition to current circumstances with the withdrawal of tax application, the increase in importation from the mentioned countries will result in excess production capacity to an injurious extent.

(v) Development of alternative products

Float glass is produced with the latest technology. There is no other product to substitute the float glass.

(vi) High depreciation cost due to the new investments

One of the most important characteristics of the float glass sector is the requirement of capital-intensive investments. Both new capacity and renewal investments increase depreciation costs seriously which results in high finance requirement and for this reason the capacity must be utilized at the highest level. Otherwise, parallel to the decrease in the production, the share of depreciation in the average cost will increase rapidly and profitability will be seriously affected.

(vii) High financial cost and working capital stringency;

Finance requirement of the new investments needs high capacity utilization and also requirement for working capital has been increased due to decline in economic conditions.

(viii) Import from other countries that are not in the complaint scope:

Float glass import from other countries is actualized according to the free trade regulations. The exportation from Romania has been increased following the start of float glass production by St.Gobain. Also the importation from Far –East Countries (Taiwan, Indonesia, South Korea, India, Thailand) has been increased to an important extent.

10.2 Justify your view with the arguments upon the changes of the consumer preferences and their effects.

The float glass is mainly consumed in construction (the window glazing, double-glazing) and in furniture sectors and market priority for the customers of both sectors, is price. For that reason, the imported glass from Iran and Russia is preferential in the local market.

11 The structure and duration of the safeguard measure

11.1 Define the structure of the safeguard measure, which are considered necessary by your firm and explain your reasons. (Quantity restriction, tax increase, quantity restriction + tax increase, etc.)

The continuation of the tax application to the flat glass importation under custom tariff 70.05, from Iran and Russia is demanded in order to eliminate the serious injury threat to our market.

Otherwise the local float glass market will become the main target of the lower-priced float glass import from the mentioned countries as in the past term and for this reason it is appropriate to prolong the current tax application to the float glass import from the mentioned countries.

11.2 Specify the duration of the safeguard measures that are considered necessary and define your reasons

By taking into consideration above mentioned factors our proposal is the prolongation of the current tax application with current rates for the float glass importation from Iran and Russia, for 4 years.